THE CHILDREN'S CENTER OF THE ANTELOPE VALLEY

FINANCIAL STATEMENTS

June 30, 2020 and 2019

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COBB, DOERFLER & ASSOCIATES, CPA
A PROFESSIONAL CORPORATION
1039 WEST AVENUE J
LANCASTER, CALIFORNIA 93534

INDEPENDENT AUDITORS' REPORT

Board of Directors
The Children's Center of the Antelope Valley
Lancaster, California

We have audited the accompanying financial statements of The Children's Center of the Antelope Valley (a nonprofit organization), which comprise the statements of financial position as of June 30, 2020 and 2019 and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design the audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Children's Center of the Antelope Valley as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our reported dated December 21, 2020 on our consideration of The Children's Center of the Antelope Valley'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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Cobb, Doerfler & Associates, CPA

December 21, 2020

THE CHILDREN'S CENTER OF THE ANTELOPE VALLEY

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2020 AND 2019

ASSETS

	2020	2019
CURRENT ASSETS		
Cash	$ 102,007	$ 326,295
Investments	249,860	249,760
Accounts Receivable	1,214,904	662,343
Prepaid Expenses	19,325	9,852
Total Current Assets	1,586,096	1,248,250
PROPERTY AND EQUIPMENT, NET of Accumulated Depreciation	2,551,518	2,591,554
OTHER ASSETS		
Long-Term Accounts Receivable	216,205	-0-
Board Designated Investments	262,561	250,062
Board Designated Cash	-0-	137,865
Cash - Restricted for Construction	38,900	38,900
Total Other Assets	517,666	426,827
Total Assets	$ 4,655,280	$ 4,266,630

THE CHILDREN'S CENTER OF THE ANTELOPE VALLEY
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

LIABILITIES AND NET ASSETS

	2020	2019
CURRENT LIABILITIES		
Accounts Payable	$ 131,739	$ 60,126
Deferred Income	235,213	214
Accrued Payroll and Payroll Taxes	229,314	303,377
Total Current Liabilities	596,266	363,717
Total Liabilities	596,266	363,717
NET ASSETS		
Net Assets Without Donor Restrictions		
Unrestricted Net Assets	3,508,806	3,227,431
Board Designated	511,309	636,582
Total Net Assets Without Donor Restrictions	4,020,115	3,864,013
Net Assets With Donor Restrictions	38,900	38,900
Total Net Assets	4,059,015	3,902,913
Total Liabilities and Net Assets	$ 4,655,281	$ 4,266,630

THE CHILDREN'S CENTER OF THE ANTELOPE VALLEY
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020	**2019**
NET ASSETS WITHOUT DONOR RESTRICTIONS		
PUBLIC SUPPORT		
Special events and fundraising		
Cash contributions and revenues	$ 325,642	$ 204,623
In-kind contributions	78,490	71,231
Less: event costs	(203,690)	(120,186)
Net special events and fundraising	200,442	155,668
Corporation and foundation donations	57,080	15,000
Individual, service organizations, and employee fund donations	47,488	19,783
In-kind and non-cash contributions	268,750	89,627
Total Public Support	573,760	280,078
REVENUES		
County financial assistance/grants	4,898,107	3,636,986
Fees for service	240,281	248,254
Interest income	13,203	4,866
Investment earnings (losses)	(273)	(25,189)
Other	700	325
Total Revenues	5,152,018	3,865,242
Total Public Support and Revenues	5,725,778	4,145,320
FUNCTIONAL EXPENSES		
Program services	5,225,197	4,006,383
Management and general	299,473	181,257
Fundraising	45,007	33,889
Total Functional Expenses	5,569,677	4,221,529
Change in Net Assets Without Donor Restrictions	156,101	(76,209)
NET ASSETS WITH DONOR RESTRICTIONS		
Capital campaign contributions	-0-	38,900
Change in Net Assets With Donor Restrictions	-0-	38,900
Increase (Decrease) in Net Assets	156,101	(37,309)
NET ASSETS - BEGINNING OF YEAR	3,902,913	3,940,222
NET ASSETS - END OF YEAR	$ 4,059,014	$ 3,902,913

See accompanying notes and
Independent Auditor's Report.

THE CHILDREN'S CENTER OF THE ANTELOPE VALLEY
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020				2019			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
COMPENSATION AND RELATED EXPENSES								
Wages and Salaries	$ 2,774,200	$ 195,686	$ 26,303	$ 2,996,189	$ 2,482,661	$ 135,502	$ 16,916	$ 2,635,079
Employee Benefits	141,453	9,978	1,341	152,772	125,866	6,870	858	133,594
Payroll Taxes	251,529	17,742	2,385	271,656	211,408	11,538	1,440	224,386
Total Compensation and Related Expenses	3,167,182	223,406	30,029	3,420,617	2,819,935	153,910	19,214	2,993,059
OPERATING EXPENSES								
Conferences, Travel and Training	84,134	-0-	-0-	84,134	52,308	-0-	-0-	52,308
Depreciation	147,798	6,709	488	154,995	120,879	5,487	399	126,765
Insurance	45,908	2,084	152	48,144	46,090	2,092	152	48,334
Occupancy	114,874	5,215	380	120,469	82,408	3,741	272	86,421
Contract and Outside Services	1,245,793	56,145	-0-	1,301,938	503,999	11,023	-0-	515,022
Supplies	185,763	-0-	-0-	185,763	86,334	-0-	-0-	86,334
Telephone	24,378	1,107	81	25,566	29,691	1,348	98	31,137
Advertising and Marketing	100,959	-0-	13,568	114,527	29,986	-0-	13,568	43,554
Office and Other Operating Expenses	93,452	4,242	309	98,003	56,305	2,556	186	59,047
Bad Debt	12,560	-0-	-0-	12,560	176,168	-0-	-0-	176,168
Miscellaneous	2,396	565	-0-	2,961	2,280	1,100	-0-	3,380
Total Operating Expenses	2,058,015	76,067	14,978	2,149,060	1,186,448	27,347	14,675	1,228,470
Total Functional Expenses	$ 5,225,197	$ 299,473	$ 45,007	$ 5,569,677	$ 4,006,383	$ 181,257	$ 33,889	$ 4,221,529

See accompanying notes and
Independent Auditor's Report.

THE CHILDREN'S CENTER OF THE ANTELOPE VALLEY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 156,101	$ (37,309)
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by Operating Activities		
Depreciation	154,995	126,765
In-kind contributions	(100,551)	(10,000)
Unrealized (Gain) loss on market value of investments	(1)	(267)
(Gain) Loss on sale of investments	341	25,458
Receipt of capital contributions	-0-	(38,900)
(Increase) Decrease in Assets		
Accounts receivable	(552,561)	(60,221)
Prepaid expenses	(9,473)	9,411
Long-Term accounts receivable	(216,205)	-0-
Increase (Decrease) in Liabilities		
Accounts payable	71,613	29,856
Deferred income	234,999	-0-
Accrued payroll and payroll taxes	(74,063)	52,046
Net Cash Provided (Used) by Operating Activities	(334,805)	96,839
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(114,959)	(219,388)
Proceeds from sale of investments	100,210	76,024
Purchase of investments	(12,599)	(498,717)
Receipt of restricted cash	-0-	(38,900)
Release of board designated cash for long-term purposes	137,865	-0-
Designation of cash for long-term purposes	-0-	(137,865)
Net Cash Provided (Used) by Investing Activities	110,517	(818,846)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for construction	-0-	38,900
Net Cash Provided (Used) by Financing Activities	-0-	38,900
Net Increase (Decrease) in Cash	(224,288)	(683,107)
Cash - Beginning of Year	326,295	1,009,402
Cash - End of Year	$ 102,007	$ 326,295
SUPPLEMENTAL INFORMATION		
Schedule of Noncash Investing and Financing Transactions:		
Donation of investments	$ 100,551	$ -0-
Donation of fixed assets	-0-	10,000
Total Noncash Transations	$ 100,551	$ 10,000

See accompanying notes and
Independent Auditor's Report.

NOTE A — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Formation and Scope of Operation

The Children's Center of the Antelope Valley (the Center) is located in Lancaster, California and was incorporated under the laws of the State of California to provide prevention, intervention and treatment services to victims of child abuse and their families who live in the Antelope Valley. The primary sources of the organization's revenue come from state and county grant contracts.

2. Method of Accounting

The Center maintains its books on the accrual basis of accounting and, accordingly, reflects all significant receivables, payables and other liabilities.

3. Financial Statement Presentation

The Center is required to report information regarding its financial position and activities classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Center and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions on their use that may be met either by actions of the Center or the passage of time or are subject to donor-imposed or other legal restrictions requiring that the principal be maintained permanently by the Center.

As of June 30, 2020 and 2019, the Center's had net assets with donor restrictions totaling $38,900 and $38,900, respectively.

4. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

5. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Center considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

6. Investments

The Center reports investments in equity securities with readily determinable fair values and all investments in debt securities at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities.

7. Accounts Receivable

Accounts receivable as of June 30, 2020 and 2019 consisted of grant receivables, and are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expenses and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. As the collectability of the balance for the year ended June 30, 2019 was uncertain, an allowance for doubtful accounts had been accrued of $179,168. For the year ended June 30, 2020, no allowance for doubtful accounts had been accrued as all amounts are expected to be collectible. See Note A-8 below for more detail.

NOTE A — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8. Charity Care

The Center provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Center does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. During the years ended June 30, 2020 and 2019, revenues forgone, based off of established rates, totaled $-0- and $-0-, respectively.

9. Property, Equipment and Improvements

All purchased property and equipment are valued at cost when purchased and at their estimated fair market value on the date received if donated. A capitalization threshold of $5,000 is used. Donations of property and equipment are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with restrictions regarding their use, and contributions of cash that must be used to acquire property and equipment, are reported as restricted support. Absent donor stipulation regarding how long those donated assets must be maintained, the Center reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Center reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are being depreciated using the straight-line method over the following estimated useful lives as follows:

Asset Class	Estimated Useful Lives
Buildings	5-40 years
Autos	5-10 years
Furniture, Fixtures & Equipment	5-15 years

Depreciation expense for the years ended June 30, 2020 and 2019, was $154,995 and $126,765, respectively.

10. Deferred Revenue

During the year ended June 30, 2020, the Center received an advance on its contract with the Department of Mental Health (DMH) totaling $235,213. As the amounts have not been earned, the amounts received have been reported as deferred revenue. The Center expects that at an future date such amounts will be repaid to DMH through a reduction in amounts paid to the Center for services rendered under the contact until all amounts are repaid. During the year ended June 30, 2017 the Center received monies from the Department of Mental Health (DMH) totaling $214 for which it was not entitled for services rendered under the terms of its contract. However, the Center incurred costs equal to and in excess of the funds advanced to the Center by the DMH during the term of the contract and believes that it should be reimbursed for those costs. During the year ended June 30, 2020 a final determination is reached with DMH, and those monies have been reflected as revenue on the financial statements. As of June 30, 2020 and 2019, deferred revenue related to DMH totaled $235,213 and $214, respectively.

11. Designation of Net Assets Without Donor Restrictions

It is the policy of the Board of Directors of the Center to review its plans for future leasehold improvements and expenditures from time to time and to designate appropriate sums of net assets without donor restrictions to assure adequate financing of such improvements and expenditures.

NOTE A — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

12. Income Taxes

The Center qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Service Code and Section 23701d of the State of California Revenue and Taxation Code.

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 Center in its federal and state exempt organizations tax returns are more likely than not to be sustained upon examination. The Center returns are subject to examination by federal and state taxing authorities, generally for three and four years, respectively, after they are filed.

13. Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions that are restricted by the donor for specific purposes or the future periods are reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from donor restrictions.

Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) {958-605-45-4}, *Accounting for Contributions Received and Contributions Made* and its subsequent interpretations, provides that if the governing body of an organization has the ability to remove a donor restriction (i.e., variance power), the contribution should be classified as a net asset without donor restrictions. Accordingly, such assets are classified in the accompanying financial statements as unrestricted net assets absent donor-imposed restrictions to maintain the assets permanently. This classification does not alter the longstanding policy of the Center to distribute assets entrusted to the Center in accordance with the intentions of the Center's donors and to manage the assets of the component funds in a manner similar to an endowment with only a portion of each component fund distributed annually, unless directed otherwise by the fund advisor.

NOTE B — CASH

All cash and certificates of deposit are deposited into institutions that are insured or collateralized by the Federal Deposit Insurance Center (FDIC). Under FDIC guidelines each depositor's accounts are insured to an aggregate of $250,000. At June 30, 2020 and 2019, the Center had $215,005 and $176,029, respectively, of cash deposited at one institution which exceeded the FDIC insured/collateralized amount.

NOTE C – LIQUIDITY

The following reflects the Center's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the financial position date.

	2020	2019
Financial assets at year-end	$ 2,084,437	$ 1,665,224
Less: long-term accounts receivable	(216,205)	(-0-)
Less: net assets with donor restrictions	(38,900)	(38,900)
Less: board designated net assets	(511,309)	(636,582)
Financial assets available to meet cash needs for general expenditures within one year	$ 1,318,023	$ 989,742

As part of the Center's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Center invests cash in excess of requirements in short-term investments. Included in board designated net assets shown above is a fund established by the governing board totaling $248,748 and $248,655 at June 30, 2020 and 2019, respectively, that may be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities.

NOTE D – INVESTMENTS

The fair value of financial instruments has been determined through quoted market values to approximate the amounts recorded in the statement of financial position. Investments in marketable securities consist of the following at June 30, 2020 and 2019:

	2020		2019	
	Cost	Fair Market Value	Cost	Fair Market Value
Investments:				
Certificate of Deposit	$ 248,748	$ 248,748	$ 248,655	$ 248,655
Index Linked Annuity	250,000	262,561	250,000	250,062
Stock – Illumina Inc.	238	1,112	238	1,105
	$ 498,986	$ 512,421	$ 498,893	$ 499,822

Investment return consists of the following:

	2020	2019
Investment income	$ 13,203	$ 4,704
Net realized and unrealized gain/ (loss) on investments	(273)	(25,189)
	$ 12,930	$ (20,485)

See Independent Auditor's Report.

NOTE E — RECEIVABLES

Receivables at June 30, 2020 and 2019 consisted of the following:

Los Angeles County Sources		
Innovations 2	$ 599,931	$ 234,812
Relative Support Services	28,438	57,916
Department of Mental Health	705,218	500,979
Total County Sources	1,333,587	793,707
Private Sources – Fee for Service		
Kaiser	77,341	29,564
Total State Sources	77,341	29,564
Other Receivables	20,181	15,240
Total Accounts Receivable	1,431,109	838,511
Less: Long-Term Accounts Receivable	(216,205)	-0-
Less: Allowance for Doubtful Accounts	-0-	(176,168)
Total Accounts Receivable	$ 1,214,904	$ 662,343

The Center's policy is to classify accounts receivable that it does note expect to collect within one year as Long-Term Accounts Receivable. Such amounts typically consist of amounts held back by grantors until final audit may be completed and final amounts owed under the contact may be determined. The amounts reported reflect the amounts the Center expects to collect under the terms of the contact are expected to be collectible.

NOTE F – PROPERTY AND EQUIPMENT

A summary of changes in property and equipment is presented below:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
Land	$ 456,525	$ -0-	$ -0-	$ 456,525
Buildings and improvements	2,893,283	104,152	-0-	2,997,435
Autos	161,567	-0-	-0-	161,567
Furniture, fixtures and equipment	325,009	10,807	-0-	335,816
Totals	3,836,384	114,959	-0-	3,951,343
Accumulated depreciation	(1,244,830)	(154,995)	-0-	(1,399,825)
Net Property and Equipment	$ 2,591,554	$ (40,036)	$ -0-	$ 2,551,518

Property and equipment acquired with funds provided through grants and other contracts may or may not be restricted for use. Upon termination of the grant or other contract, the organization may or may not be required to relinquish property and equipment acquired with grant or contract funds at the discretion of the grantor or contracting entity and ownership may then revert back to the County.

See Independent Auditor's Report.

NOTE G – LEASE COMMITMENTS

As of June 30, 2020, the Center had entered into three operating leases for office equipment with the contract details as follows:

1. On November 5, 2014 the Center entered into a contract with Canon Financial Services, Inc. to lease a copier for a term of 60 months with the final payment scheduled for November 1, 2019. The monthly lease payments under the contract equal $882 plus applicable state and local taxes. The contract does not include an end of term purchase option.
2. On July 26, 2018 the Center entered into a contract with Canon Financial Services, Inc. to lease a copier for a term of 63 months with the final payment scheduled for October 1, 2023. The monthly lease payments under the contract equal $995 plus applicable state and local taxes. The contract includes an end of term purchase option equal to the fair market value of the leased equipment.
3. On June 6, 2019 the Center entered into a contract with Canon Financial Services, Inc. to lease a copier for a term of 39 months with the final payment scheduled for September 1, 2022. The monthly lease payments under the contract equal $238 plus applicable state and local taxes. The contract includes an end of term purchase option equal to the fair market value of the leased equipment.

The total rental expense for the equipment leases for the years ended June 30, 2020 and 2019 was $21,026 and $23,796, respectively.

Additionally, as of June 30, 2020, the Center had entered into two operating leases for vehicles with the contact details as follows:

1. On January 31, 2019 the Center entered into a contract with Antelope Valley Chevrolet for the lease of a 2019 Chevrolet Silverado. The lease term is for 39 months with scheduled monthly payments equal to $1,037. The contact includes an end of term purchase option to purchase the vehicle at a price of $26,524.
2. On February 20, 2020 the Center entered into a contract with Antelope Valley Chevrolet for the lease of a 2020 Chevrolet Traverse. The lease term is for 27 months with schedule monthly payments equal to $699. The contract includes an end of term purchase option to purchase the vehicle at a price of $26,288.

The scheduled future minimum lease payments are as follows:

Year Ending June 30,	Amount
2021	$ 37,821
2022	36,019
2023	13,594
2024	4,358
2025	-0-
Thereafter	-0-
	$ 91,792

NOTE H — CONCENTRATIONS OF RISK

The Center's contracts with the Los Angeles County Department of Mental Health (LACDMH) comprised approximately 79% and 78% of the Center's revenues during the years ending June 30, 2020 and 2019, respectively. A significant decrease in funding or the loss of a contract with LACDMH could have a significant negative effect on the Center's financial condition.

The Center's contracts with the Los Angeles County Department of Children and Family Services (DCFS) comprised approximately 6% and 7% of the Center's revenues during the years ending June 30, 2020 and 2019, respectively. A significant decrease in funding or the loss of a contract with DCFS could have a significant negative effect on the Center's financial condition.

NOTE I – FUNCTIONAL ALLOCATION OF EXPENSES

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization. The expenses that are allocated include depreciation, which is allocated based on location and use of assets, as well as personnel costs, insurance, occupancy costs, and office and operating expenses, which are allocated on the basis of estimated time and effort.

NOTE J – DONATED MATERIALS AND SERVICES

The value of donated materials and services included as contributions in the financial statements and the corresponding expenses for the years ended June 30, 2020 and 2019 are as follows:

	2020	2019
Materials:		
Program supplies	$ 127,449	$ 66,430
Office and other operating expenses	-0-	505
Banquet costs, entertainment, etc.	78,490	68,035
Total Materials	205,939	134,970
Services:		
Advertising and marketing	-0-	7,584
Contract and outside services	2,050	1,379
Total Services	2,050	8,988
Facilities:		
MPR facility usage	38,700	16,900
Total Donated Contributions	$ 246,689	$ 160,858

The Center received donated materials and supplies to assist in programs, operations, and fundraising events. The value of the contribution income and expense was estimated and recognized in the accompanying financial statements based on fair value of the items donated.

For the years ended June 30, 2020 and 2019, the Center also received donated advertising and professional services and has elected to include the value of these donations at their estimated fair market value within advertising and contract/outside services expenses. The MPR facilities usage represents the fair market rental value of the Center's facility for which the Center has allowed other organizations to use its facilities without charge.

In addition to the above donations, during the year ended June 30, 2020, the Center received a donation of common stock valued at $100,551 which was immediately sold and converted to cash.

NOTE K – INVESTMENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under the FASB ASC 820 are described as follows:

> Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Center has ability to access.
>
> Level 2 – Inputs to the valuation methodology include: A) quoted prices for similar assets or liabilities in active markets; B) quoted prices for identical or similar assets or liabilities in inactive markets; C) input other than quoted prices that are observable for the asset or liability; D) inputs that are derived principally from or corroborated by observable market data by correlation or other means.
>
> If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
>
> Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Common stocks - Valued at the closing price reported on the active market on which the securities are traded.

Certificates of deposit– Valued at amortized cost, which approximates fair value.

Indexed annuities – Valued using the quoted market price of the underlying investments less applicable charges.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Center believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Center's assets at fair value as of June 30, 2020:

	June 30, 2020			
	Level 1	Level 2	Level 3	Total
Common stocks	$ 1,112	$ -0-	$ -0-	$ 1,112
Certificate of Deposit	-0-	248,748	-0-	248,748
Index Linked Annuity	-0-	262,561	-0-	262,561
	$ 1,112	$ 511,309	$ -0-	$ 512,421

The following table sets forth by level, within the fair value hierarchy, the Center's assets at fair value as of June 30, 2019:

	June 30, 2019			
	Level 1	Level 2	Level 3	Total
Common stocks	$ 1,105	$ -0-	$ -0-	$ 1,105
Certificate of Deposit	-0-	248,655	-0-	248,655
Index Linked Annuity	-0-	250,062	-0-	250,062
	$ 1,105	$ 498,717	$ -0-	$ 499,822

NOTE K – INVESTMENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS – continued

Transfers Between Levels – The availability of observable market data is monitored to assess the appropriate classifications of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

Management evaluated the transfers between levels based upon the nature of the financial instrument and size of the transfer relative to total net assets available for benefits. For the years ended June 30, 2020 and 2019, there were no transfers in or out of levels 1, 2 or 3.

NOTE L – RETIREMENT PLAN

The Center maintains a Savings Incentive Match Plan for an Employee's Individual Retirement Account (Simple IRA) under IRC Section 408(p). All full-time employees are eligible to make their own contributions and employer contributions made are based on matching employee contributions up to 3% of eligible wages as defined in the plan. Total employer contributions for the years ended June 30, 2020 and 2019 were $54,067 and $48,647, respectively.

NOTE M – ENDOWMENT FUNDS

The Center's endowment fund consists of one fund established for the preservation of capital and to maximize return while ensuring the safety and liquidity objectives of the organization. Its endowment includes funds designated by the Board of Directors to function as endowments (quasi-endowments). As required by GAAP, net assets associated with endowment funds, including quasi-endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Center manages its endowment and earnings are added to the perpetual funds or may be available for appropriation as determined by the Board.

Endowment net assets composition by type of fund as of June 30, 2020 is as follows:

	Without Donor Restrictions	Total
Board-designated endowment funds	$ 262,561	$ 262,561
Total funds	$ 262,561	$ 262,561

Endowment net assets composition by type of fund as of June 30, 2019 is as follows:

	Without Donor Restrictions	Total
Board-designated endowment funds	$ 250,062	$ 250,062
Total funds	$ 250,062	$ 250,062

Changes in endowment net assets for the year ended June 30, 2020 consisted of the following:

	Without Donor Restrictions	Total
Endowment net assets, beginning of year	$ 250,062	$ 250,062
Investment return, net	12,499	12,499
Endowment net assets, end of year	$ 262,561	$ 262,561

NOTE M – ENDOWMENT FUNDS – continued

Changes in endowment net assets for the year ended June 30, 2020 consisted of the following:

	Without Donor Restrictions	Total
Endowment net assets, beginning of year	$ -0-	$ -0-
Investment return, net	62	62
Other changes:		
Transfers to create board-designated endowment funds	250,000	250,000
Endowment net assets, end of year	$ 250,062	$ 250,062

NOTE N – BOARD DESIGNATED NET ASSETS AND INVESTMENTS

At June 30, 2020 and 2019, board designated net assets and investments were available for use as follows:

	2020	2019
Quasi-endowment	$ 262,561	$ 250,062
Emergency funds	248,748	248,655
Construction of TAY Center	-0-	137,865
	$ 511,309	$ 636,582

NOTE O – RELEASES OF BOARD DESIGNATED NET ASSETS AND INVESTMENTS

During the years ended June 30, 2020 and 2019, the following board designated net assets and investments were released from designation by the board due to the cancellation of the Center's capital fundraising campaign due to the outbreak of COVID-19:

	2020	2019
Construction of TAY Center	$ 137,865	$ -0-
	$ 137,865	$ -0-

NOTE P – NET ASSETS WITH DONOR RESTRICTIONS

At June 30, 2020 and 2019, net assets with donor restrictions were available for use as follows:

	2020	2019
Construction of TAY Center	$ 38,900	$ 38,900
	$ 38,900	$ 38,900

NOTE Q – SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 21, 2020, the date the financial statements were available to be issued. One event was identified by management that would merit disclosure. On December 17, 2020, the board of directors approved a motion to release the designated monies for the construction of the TAY Center due to the cancellation of its capital fundraising campaign due to the outbreak of COVID-19.

OTHER INDEPENDENT AUDITOR'S REPORT

COBB, DOERFLER & ASSOCIATES, CPA
A PROFESSIONAL CORPORATION
1039 WEST AVENUE J
LANCASTER, CALIFORNIA 93534

INDEPENDENT AUDITOR'S 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*

Board of Directors
The Children's Center of the Antelope Valley
Lancaster, California

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 The Children's Center of the Antelope Valley, which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 21, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered The Children's Center of the Antelope Valley's internal control over financial reporting (internal control) to determine the 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 The Children's Center of the Antelope Valley's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as finding 2020-001 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Children's Center of the Antelope Valley's financial statements are free of 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 determination of financial statement amounts. 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 that are required to be reported under *Government Auditing Standards*

The Children's Center of the Antelope Valley's Response to Findings

The Children's Center of the Antelope Valley's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Children's Center of the Antelope Valley response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cobb, Doerfler & Associates, CPA

COBB, DOERFLER & ASSOCIATES, CPA
December 21, 2020

THE CHILDREN'S CENTER OF THE ANTELOPE VALLEY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2020

SECTION I – SUMMARY OF AUDITOR'S RESULTS

1) Financial Statements – The auditor's report expresses an unqualified opinion on the financial statements of The Children's Center of the Antelope Valley.

2) Internal Control Over Financial Reporting – One material weaknesses was disclosed during the audit of the financial statements.

3) Noncompliance Material to Financial Statements – No instances of noncompliance material to the financial statements of The Children's Center of the Antelope Valley were disclosed during the audit.

4) Federal Awards – There was not an audit of major federal awards programs for the year ended June 30, 2020, due to the Center's federal expenditures not exceeding the level requiring a Single Audit under the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

SECTION II – INTERNAL CONTROL FINDINGS AND RESPONSES

2020-001

Condition and Criteria – In-Kind donations are required to be reported at FMV value under generally accepted accounting principles as in-kind donations when received. In the current year in-kind donations were either in-correctly reported as gains on investments or were underreported.

Context – In the current period the Center received significant in-kind donations in the form of donated publicly traded common stocks, good, donated facility usage, etc.

Cause – These errors appear to be due to misclassifications and due to in-kind donations sheets not being reconciled to the general ledger on a timely basis.

Effect – Due to these errors, a stock donation of $105,551 was incorrectly reported as a gain on the sale of an investment and other in-kind donations were underreported by $69,373.

Recommendation – It is our recommendation that the Center post entries monthly to record in-kind donations, and that after posting the amounts reported per the financial statements are compared to the supporting schedules to ensure accuracy.

Views of Responsible Officials – Management concurs with the finding. Based off of our internal review of our processes it was determined that the process was too decentralized and unexpected errors occurred. This problem will be addressed through additional supervision, training and staffing.