

**COURT APPOINTED SPECIAL ADVOCATES
OF SAN LUIS OBISPO COUNTY, INC.**

INDEPENDENT AUDITORS' REPORT
AND
FINANCIAL STATEMENTS

For the Year Ended
June 30, 2022

**COURT APPOINTED SPECIAL ADVOCATES
OF SAN LUIS OBISPO COUNTY, INC.**
INDEPENDENT AUDITORS' REPORT AND FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

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**COURT APPOINTED SPECIAL ADVOCATES
OF SAN LUIS OBISPO COUNTY, INC.**
STATEMENT OF FINANCIAL POSITION
June 30, 2022

ASSETS

Current assets:

Cash and cash equivalents	\$ 529,397
Certificates of deposit (Note 3)	71,307
Grants receivable (Note 2)	170,477
Prepaid expenses	20,973
Gift cards	9,264
	801,418

Total current assets 801,418

Fixed assets:

Fixed assets - at cost, less accumulated depreciation of \$33,893 (Notes 2 and 4)	86,864
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Other assets:

Deposit	1,500
	1,500

Total assets \$ 889,782

LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable	\$ 32,489
Accrued wages and payroll taxes payable	22,040
Accrued vacation payable	14,711
Deferred Grant Revenue	52,390
	121,630

Total current liabilities 121,630

Net assets:

Without donor restrictions	718,152
With donor restrictions	50,000
	768,152

Total net assets 768,152

Total liabilities and net assets \$ 889,782

**COURT APPOINTED SPECIAL ADVOCATES
OF SAN LUIS OBISPO COUNTY, INC.**

STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue:			
Grants	\$ 217,284	\$ 535,935	\$ 753,219
Fundraising - net of \$147,827 in direct expenses, of which \$72,951 are in kind	168,997		\$ - 168,997
Contributions	122,983		122,983
Contributions - in kind volunteers hours	333,215		333,215
Contributions - in kind	79,131		79,131
Program Fees	3,998		3,998
Fundraising - net of \$389,560 in direct expenses, of	45,000		45,000
Loss on disposal of fixed assets	(5,671)		(5,671)
Interest income	1,544		1,544
Net assets released from restriction	494,539	(494,539)	-
Total revenue	1,461,020	41,396	1,502,416
Expenses:			
Program services	1,076,234		1,076,234
Management and general	121,691		121,691
Fundraising	199,997		199,997
Total expenses	1,397,922	-	1,397,922
Change in net assets	\$ 63,098	\$ 41,396	\$ 104,494

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

**COURT APPOINTED SPECIAL ADVOCATES
OF SAN LUIS OBISPO COUNTY, INC.**
STATEMENT OF CHANGES IN NET ASSETS
For The Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Totals
NET ASSETS - June 30, 2021	\$ 655,054	\$ 8,604	\$ 663,658
Change in net assets	63,098	41,396	104,494
NET ASSETS - June 30, 2022	\$ 718,152	\$ 50,000	\$ 768,152

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

**COURT APPOINTED SPECIAL ADVOCATES
OF SAN LUIS OBISPO COUNTY, INC.**
STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended June 30, 2022

	Program Services	Management & General	Fundraising	Totals
Volunteer expenses - in kind	\$ 333,215	\$ -	\$ -	\$ 333,215
Accounting and professional		65,244		65,244
Advertising expense	17,206	1,324	3,529	22,059
Computer expense	3,444	265	707	4,416
Credit card merchant fees	3,028	233	621	3,882
Depreciation	11,507	885	2,360	14,753
Direct Program Expenses	53,594	4,123	10,994	68,710
Dues and subscriptions	6,398	492	1,312	8,203
Employee health insurance	6,797	523	1,394	8,714
Insurance	17,429	1,341	3,575	22,345
Interest	31	2	6	40
Janitorial	2,784	214	571	3,569
Licenses and Taxes	244	19	50	313
Office Expenses	5,827	448	1,195	7,471
Payroll processing	3,383	260	694	4,337
Payroll tax expense	38,861	2,989	7,972	49,822
Postage	2,721	209	558	3,489
Printing	1,260	97	259	1,616
Rent - facility	10,790	830	2,213	13,833
Repairs and Maintenance	28,872	2,221	5,923	37,016
Salary and wages	494,401	38,031	101,416	633,847
Supplies	161	12	33	207
Telephone and communications	2,172	167	445	2,784
Training	5,483	422	1,125	7,030
Travel	17,411	1,339	3,572	22,322
Volunteer expenses	9,212			9,212
Total expenses	1,076,234	121,691	150,524	1,348,449
Fundraising event costs reported separately			49,473	49,473
Expenses reported by function	\$ 1,076,234	\$ 121,691	\$ 199,997	\$ 1,397,922

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

**COURT APPOINTED SPECIAL ADVOCATES
OF SAN LUIS OBISPO COUNTY, INC.**
STATEMENT OF CASH FLOWS
For The Year Ended June 30, 2022

Cash flows from operating activities:	
Change in net assets	<u>\$ 104,494</u>
Adjustment to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	14,753
Loss on disposal of fixed assets	5,671
Increase in grants receivable	(26,580)
Increase in prepaid expenses	(10,182)
Increase in gift cards	(7,959)
Increase in accounts payable	17,571
Increase in accrued wages and payroll taxes payable	5,164
Decrease in accrued vacation payable	(5,367)
Decrease in deferred revenue	<u>52,390</u>
Total adjustments	<u>45,461</u>
Net cash provided by operating activities	<u>149,955</u>
Cash flows from investing activities:	
Proceeds from sale of investments	
Acquisition of fixed assets	(64,671)
Acquisition of certificates of deposit	<u>7,844</u>
Net cash used by investing activities	<u>(56,827)</u>
Cash flows from financing activities:	
Net cash provided by financing activities	<u>-</u>
Net increase in cash	93,128
Cash at beginning of year	<u>436,269</u>
Cash at end of year	<u><u>\$ 529,397</u></u>

Supplemental information:

There was no cash paid for interest for the year ended June 30, 2022.
There was no cash paid for income taxes for the year ended June 30, 2022.

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

Independent Auditors' Report

To the Board of Directors
Court Appointed Special Advocates
of San Luis Obispo County, Inc.
San Luis Obispo, California

We have audited the accompanying financial statements of Court Appointed Special Advocates of San Luis Obispo County, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures 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 financial statement presentation.

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 Court Appointed Special Advocates of San Luis Obispo County, Inc., as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**FITZPATRICK PROFESSIONAL
ACCOUNTANCY CORPORATION**

San Luis Obispo, CA
February 28, 2023

**COURT APPOINTED SPECIAL ADVOCATES
OF SAN LUIS OBISPO COUNTY, INC.**
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 1: HISTORY AND ORGANIZATION

Court Appointed Special Advocates of San Luis Obispo County, Inc. is a non-profit, non-stock corporation, organized under the laws of the State of California in 1993. The Organization recruits, screens, trains, and supervises volunteers who are appointed by the juvenile courts of San Luis Obispo to represent the best interests of abused, neglected, and abandoned children. The volunteers get to know their assigned child by spending time with them on a weekly basis, reviewing records related to the child and interviewing adults involved in the child's life. The volunteers advocate for needed services for the child and provide written court reports to the Judge, reporting information gathered, the child's wishes, and making recommendations. Also, the Organization educates the general public as well as those persons, offices, agencies, and institutions concerned with service delivery to abused children and their families. The Organization raises funds through government grants and public donations.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements are presented on the accrual basis of accounting, which recognizes revenue as gross income when earned and operating expenses as deductions from gross income when incurred. The financial resources are maintained in accordance with the principles of fund accounting.

Net assets without donor restrictions are utilized to record contributions, fund raising, fees and other forms of unrestricted revenue and expenditures related to the general operations and fund raising efforts of the organization.

Net assets with donor restrictions is utilized to record resources received by the Organization that are restricted as to use by the donor or grantor. When the restriction expires, the net assets of this fund are reclassified to net assets without donor restrictions.

Contributions

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

Estimates

The preparation of financial statements in conformity with U.S. 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.

**COURT APPOINTED SPECIAL ADVOCATES
OF SAN LUIS OBISPO COUNTY, INC.**
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Grants Receivable

Management has determined that an allowance for doubtful accounts would be immaterial based on the Organization's credit policies, prior collection experience, and the type of agencies associated with the Organization.

Fixed Assets

The Organization follows the practice of capitalizing all expenditures in excess of \$500 for fixed assets at cost; the fair value of donated fixed assets is similarly capitalized. Repairs and maintenance are charged to expense when incurred. Depreciation expense is calculated on the straight-line method over the useful life of the related asset.

Income Tax

The Organization is classified as a Section 501(c)(3) organization under the Internal Revenue Code of 1986 and Section 23701(d) of the California Revenue and Taxation Code. In addition, the Organization qualifies for the charitable contribution deduction under section 170(b)(1)(A) and has been classified as an organization that is not a private foundation. Accordingly, no provision for income taxes has been reflected in the Organization's financial statements.

Cash and Cash Equivalents

Cash and cash equivalents include all liquid investments including money market accounts and certificates of deposits with a maturity of 90 days or less when purchased.

Advertising

Advertising costs are expensed during the period in which they are incurred. Advertising costs as of June 30, 2022, were \$22,059.

In-kind donations

In-kind donations of fixed assets and supplies used directly by the Organization are valued at their fair values at the time of the gift. In-kind volunteer hours are valued using the California Independent Sector rate of \$35.56 per hour as of June 30, 2022.

**COURT APPOINTED SPECIAL ADVOCATES
OF SAN LUIS OBISPO COUNTY, INC.**
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fair value measurements

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

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

The Organization is required to measure three types of assets and the related revenues at fair value: pledged contributions, non-cash contributions, and certain investments. The techniques used to measure fair value are described in the notes below that relate to each asset/revenue.

Functional Allocation of Expenses

Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. Costs that are directly allocable to a program are allocated to program costs. Shared operating expenses such as wages, rents, etc. are allocable to program, management, and general, and fundraising expenses. These shared costs are allocated to the different functional categories based on historical employee time studies.

Subsequent Events

Management has evaluated subsequent events through January 11, 2022, which is the date the financial statements were available to be issued.

NOTE 3: CERTIFICATES OF DEPOSIT

A summary of certificates of deposit at June 30, 2021, is as follows:

<u>Bank Name</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance</u>
Pacific Premier Bank	.1%	October 1, 2022	\$ 23,470
Pacific Premier Bank	.05%	July 24, 2023	21,876
Bank of the Sierra	.4%	December 27, 2022	25,961
			\$ 71,307
Total			\$ 71,307

**COURT APPOINTED SPECIAL ADVOCATES
OF SAN LUIS OBISPO COUNTY, INC.**
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 4: FIXED ASSETS

A summary of fixed assets by major classifications at June 30, 2021, is as follows:

Equipment	\$	48,762
Furniture and fixtures		<u>71,995</u>
Total fixed assets		120,757
Less: accumulated depreciation		<u>(33,893)</u>
Net fixed assets	\$	<u>86,864</u>

Depreciation for the year ended June 30, 2022, was \$14,753.

NOTE 5: CONCENTRATIONS

The Organization's two largest grants provided approximately 27% of the Organization's support. The Organization's fundraising events provided approximately 12% of the Organization's support.

The Organization's bank account balances have been in excess of the Federal Deposit Insurance Corporation's limit of \$250,000.

NOTE 6: ACCRUED VACATION

The Organization has accrued a liability for vacation leave earned but not taken by staff employees. This accrual was calculated on actual vacation days earned and applied to the individuals' hourly rate.

NOTE 7: LONG-TERM LEASES

The Organization leases offices under a long-term lease. Monthly rent is \$3,850 at June 30, 2021, of this amount \$350 is donated in-kind by the lessor. This lease was renewed, effective December 1, 2021, with a base rent of \$4,503 per month. The lease term is now set to expire on December 31, 2026.

**COURT APPOINTED SPECIAL ADVOCATES
OF SAN LUIS OBISPO COUNTY, INC.**
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 7: LONG-TERM LEASES - CONTINUED

Future obligations over the primary terms of the Organization's long-term lease as of June 30, 2022, are as follows:

For the year ended:

	\$	
June 30, 2023		54,036
June 30, 2024		54,036
June 30, 2025		54,036
June 30, 2026		54,036
Thereafter		<u>27,018</u>
Total	\$	<u>243,162</u>

The Organization entered into an additional office space lease on July 1, 2020. This is an annual lease which expired June 30, 2021. Monthly rent is \$437 subject to cost of living increases annually. This lease was renewed on July 1, 2021, for an additional twelve months.

During the year ended June 30, 2022, total rental expense was \$57,810. The landlord offered lease improvement incentives and the net amount reported for 2022 was \$13,833.

NOTE 8: IN KIND DONATIONS

The Organization has received significant contributions of non-cash services, facilities, and property which are summarized below. These donations include specialized volunteers for the Child Advocacy program. The fair value of contributed services, facilities, and supplies has been measured on a nonrecurring basis using quoted prices for similar assets in inactive markets (Level 2 inputs). Donated stock has been measured on a nonrecurring basis using quoted prices for identical assets in active markets (Level 1 inputs). Donated vehicles and stock are monetized by the Organization. All other in-kind donations are utilized for various functions within the Organization.

Donated fundraising items	\$	74,931
Donated facilities		4,200
Donated vehicles		0
Donated stock		0
Donated volunteer hours		<u>333,215</u>
Total recorded as revenue and expense		<u>412,346</u>
Total in-kind contributions	\$	<u>412,346</u>

**COURT APPOINTED SPECIAL ADVOCATES
OF SAN LUIS OBISPO COUNTY, INC.**

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

NOTE 9: NET ASSETS WITH DONOR RESTRICTIONS

Net assets totaling \$50,000 are restricted by donors. Of this amount none of the funds have donor-imposed time and use restrictions.

NOTE 10: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

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

Cash and cash equivalents, at year end	\$ 529,397
Certificates of deposit, at year end	71,307
Grants receivable, at year end	<u>170,477</u>
Total financial assets, at year end	771,181
Less amounts unavailable for general expenditure due to donor imposed purpose restrictions	<u>50,000</u>
Financial assets available to meet cash needs for general expenditure within one year	\$ <u>721,181</u>

As part of the Organization's liquidity management plan, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, cash in excess of daily requirements is invested in certificates of deposit.

NOTE 11: ADOPTION OF NEW ACCOUNTING STANDARD

The Organization adopted ASC Topic 606 on July 1, 2020, using the retrospective method. Due to a lack of contracts with customers, the adoption of ASC Topic 606 had no impact on either the prior year net assets or the current year financial statements.

NOTE 12: PAYCHECK PROTECTION PROGRAM

Paycheck Protection Program

An unsecured promissory note with Pacific Premier Bank dated January 27, 2021 in the amount of \$134,393, due January 27, 2026. This note bears interest at 1.00%. This note is made in accordance with the Small Business Administration Paycheck Protection Program under the Federal Cares Act and may be eligible for forgiveness of all or a portion of the loan amount, including accrued interest on the forgiven portion. This loan was forgiven as of June 30, 2021.

**COURT APPOINTED SPECIAL ADVOCATES
OF SAN LUIS OBISPO COUNTY, INC.**
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 12: PAYCHECK PROTECTION PROGRAM - CONTINUED

As of June 30, 2021, this loan has been spent in full on expenditures that qualify for loan forgiveness and is therefore reported as income on the statement of activities for the prior reporting period. .

NOTE 13: COVID-19

The Coronavirus disease (COVID-19) has affected global markets, supply chains, employees of companies, and our communities. COVID-19 may impact various parts of the Organization's future operations and financial results including potential reduced revenue caused by public health mandates, material supply chain interruption, economic hardships effecting funding for the Organization's programs, and effects on the workforce. Management believes the Organization is taking appropriate actions to mitigate the negative results, however, the full financial impact to the Corporation resulting from COVID-19 cannot be reasonably estimated at this time.

NOTE 14: RETIREMENT

New for 2021, CalSavers was implemented as required by the State of California. CalSavers is California's retirement savings program for employers that do not offer a retirement plan. The state mandated that eligible businesses must either enroll their employees in the state-run, automatic enrollment, payroll deduction IRAs or offer their works a tax-favored retirement plan.

Two employees participated in the plan and all others opted out. There is interest in finding a 403(b) plan with Vanguard to replace the CalSavers mandatory requirement. The plan has a start date of January 2023.

NOTE 14: SUBSEQUENT EVENTS

The Executive Director retired in 2021 and as part of the retirement package the Organization will pay a severance of \$130,667, minus standard deductions and withholdings for taxes. The severance is payable in installments on a bimonthly basis, in accordance with the Organization's regular payroll schedule, beginning on January 31, 2022 and ending June 30, 2023.

The new Executive Director started December 5, 2022.

Due to the excess balance in the Coast Hills Financial Credit Union, the entity is considering a Budget Reserve Policy and funding the reserve with funds from this account.