

**PARA LOS NIÑOS**

---

**FINANCIAL STATEMENTS**

**JUNE 30, 2020**

## CONTENTS

---

Independent Auditors' Report	1-2
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7-18

## INDEPENDENT AUDITORS' REPORT

---

To the Board of Directors  
Para Los Niños

### Report on the Financial Statements

We have audited the accompanying financial statements of Para Los Niños (a nonprofit organization), which comprise the Statement of Financial Position as of June 30, 2020, and the related Statements of Activities, Functional Expenses, and Cash Flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 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 Para Los Niños as of June 30, 2020, 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.

## INDEPENDENT AUDITORS' REPORT

continued

---

### Other Matter

#### *Report on Summarized Comparative Information*

We have previously audited Para Los Niños' 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 13, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2021, on our consideration of Para Los Niños' 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 Para Los Niños' 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 Para Los Niños' internal control over financial reporting and compliance.

*Harrington Group*

Pasadena, California

March 15, 2021

# PARA LOS NIÑOS

## STATEMENT OF FINANCIAL POSITION

June 30, 2020

With comparative totals at June 30, 2019

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Cash	\$ 4,646,285	\$ 1,889,270
Grants and accounts receivable	7,565,280	6,274,430
Pledges receivable (Note 4)	803,573	582,152
Prepaid expenses and other assets	273,927	178,899
Split interest agreement (Note 5)	175,146	115,877
Investments (Note 6)	177,882	147,759
Property and equipment (Note 7)	10,887,527	11,050,500
<b>TOTAL ASSETS</b>	<b>\$ 24,529,620</b>	<b>\$ 20,238,887</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 1,831,738	\$ 1,890,744
Accrued liabilities (Note 8)	3,479,343	2,417,006
Line of credit (Note 9)	-	-
Note payable (Note 10)	3,172,750	3,285,641
Paycheck protection program loan (Note 11)	3,000,000	-
<b>TOTAL LIABILITIES</b>	<b>11,483,831</b>	<b>7,593,391</b>
<b>NET ASSETS</b>		
Without donor restrictions	11,867,011	12,234,985
With donor restrictions		
Purpose restriction (Note 14)	1,128,778	244,634
Perpetual in nature (Note 15)	50,000	165,877
	<b>1,178,778</b>	<b>410,511</b>
<b>TOTAL NET ASSETS</b>	<b>13,045,789</b>	<b>12,645,496</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 24,529,620</b>	<b>\$ 20,238,887</b>

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

**PARA LOS NIÑOS**

STATEMENT OF ACTIVITIES

For the year ended June 30, 2020

With comparative totals for the year ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	2020	2019
<b>REVENUE AND SUPPORT</b>				
Government contracts	\$ 26,970,484	\$ 9,510,024	\$ 36,480,508	\$ 33,617,058
Contributions	2,957,417	1,178,778	4,136,195	2,602,413
In-kind contributions (Note 16)	2,601,139		2,601,139	2,017,158
Special events	509,360		509,360	428,119
Other income	87,488		87,488	105,909
Change in value of split interest agreement		58,605	58,605	(31,835)
Parent fees	55,348		55,348	56,604
Interest and dividends	861		861	834
Net assets released from restrictions (Note 14)	9,979,140	(9,979,140)	-	-
<b>TOTAL REVENUE AND SUPPORT</b>	<u>43,161,237</u>	<u>768,267</u>	<u>43,929,504</u>	<u>38,796,260</u>
<b>EXPENSES</b>				
<b>PROGRAM SERVICES</b>				
Charter schools	12,725,458		12,725,458	13,145,659
Early education program	10,679,229		10,679,229	8,238,916
Clinical services	4,897,218		4,897,218	3,791,389
Best Starts	3,276,930		3,276,930	-
Youth workforce services	3,253,121		3,253,121	3,042,594
Other program services	2,955,726		2,955,726	5,324,381
<b>TOTAL PROGRAM SERVICES</b>	<u>37,787,682</u>	<u>-</u>	<u>37,787,682</u>	<u>33,542,939</u>
<b>SUPPORTING SERVICES</b>				
General and administrative	4,893,161		4,893,161	4,150,438
Fundraising	865,176		865,176	905,439
<b>TOTAL SUPPORTING SERVICES</b>	<u>5,758,337</u>	<u>-</u>	<u>5,758,337</u>	<u>5,055,877</u>
<b>TOTAL EXPENSES</b>	<u>43,546,019</u>	<u>-</u>	<u>43,546,019</u>	<u>38,598,816</u>
<b>CHANGE IN NET ASSETS BEFORE OTHER CHANGES</b>	(384,782)	768,267	383,485	197,444
Contract settlement	16,808		16,808	-
<b>CHANGE IN NET ASSETS</b>	(367,974)	768,267	400,293	197,444
<b>NET ASSETS, BEGINNING OF YEAR</b>	12,234,985	410,511	12,645,496	12,448,052
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 11,867,011</u>	<u>\$ 1,178,778</u>	<u>\$ 13,045,789</u>	<u>\$ 12,645,496</u>

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

PARA LOS NIÑOS

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2020

With comparative totals for the year ended June 30, 2019

	Program Services						Total Program Services	Support Services		Total Expenses	
	Charter Schools	Early Education	Clinical Services	Best Start	Youth Workforce	Other Programs		General and Administrative	Fundraising	2020	2019
Salaries	\$ 6,306,732	\$ 4,933,395	\$ 2,520,909	\$ 606,461	\$ 796,043	\$ 1,774,468	\$ 16,938,008	\$ 2,938,994	\$ 576,539	\$ 20,453,541	\$ 17,806,908
Employee benefits	531,438	683,730	322,435	60,754	115,112	244,734	1,958,203	301,481	42,503	2,302,187	2,017,192
Payroll taxes	312,153	422,680	208,942	51,501	69,366	143,280	1,207,922	195,258	41,801	1,444,981	1,290,167
Pension plan contributions	650,119		1,454			2,143	653,716	98,335		752,051	702,418
Workers' compensation insurance	161,406	278,947	41,117	6,037	11,293	21,333	520,133	42,412	5,951	568,496	567,629
Total personnel costs	7,961,848	6,318,752	3,094,857	724,753	991,814	2,185,958	21,277,982	3,576,480	666,794	25,521,256	22,384,314
Occupancy	1,510,246	1,036,386	233,930	144,336	119,209	220,946	3,265,053	271,006	25,988	3,562,047	3,096,362
Subcontractors	234,754		1,031,785	1,209,955	187,002	229,165	2,892,661			2,892,661	2,854,715
In-kind expense		1,901,265	1,196		695,160	3,536	2,601,157			2,601,157	2,017,157
Consultants/professional services	331,476	95,637	93,916	206,772	2,262	5,726	735,789	581,926	49,837	1,367,552	1,388,697
Family support funds		204	12,688	806,750	185,737	61,269	1,066,648	174,317	29,204	1,270,169	292,976
Food/kitchen supplies	739,492	294,362	20,680	41,975	5,516	21,813	1,123,838		3,850	1,127,688	1,176,246
Participant wages					930,525		930,525			930,525	801,532
Other expenses	169,983	525,663	66,618	23,850	11,468	24,126	821,708	28,446		850,154	958,277
LAUSD oversight	626,468						626,468			626,468	880,825
Information technology	167,023	85,322	89,465	21,046	34,260	66,597	463,713	52,594	3,784	520,091	431,553
Furniture and equipment/vehicles	146,994	107,212	21,968	40,608	17,317	33,118	367,217	82,273	33,584	483,074	436,456
Program supplies	297,351	116,257	13,133	19,199	205	31,321	477,466	2,061		479,527	446,570
Professional development	92,802	7,953	94,887	22,987	9,800	26,128	254,557	31,595	30,779	316,931	388,659
Depreciation	101,712	87,303	70,564		14,755	5,400	279,734	29,494	5,400	314,628	297,998
Payroll processing	70,236	43,863	20,261	4,463	25,024	14,057	177,904	18,817	2,496	199,217	183,853
Office supplies	67,246	24,008	11,400	9,891	14,287	16,491	143,323	22,565	5,226	171,114	195,076
Insurance	64,161	33,332	19,388	151	8,587	9,850	135,469	16,954	5,041	157,464	203,006
Interest expense	143,666	1,710	482	194	193	225	146,470	4,633	3,193	154,296	164,544
<b>TOTAL 2020 FUNCTIONAL EXPENSES</b>	<b>\$ 12,725,458</b>	<b>\$ 10,679,229</b>	<b>\$ 4,897,218</b>	<b>\$ 3,276,930</b>	<b>\$ 3,253,121</b>	<b>\$ 2,955,726</b>	<b>\$ 37,787,682</b>	<b>\$ 4,893,161</b>	<b>\$ 865,176</b>	<b>\$ 43,546,019</b>	
TOTAL 2019 FUNCTIONAL EXPENSES	\$ 13,145,659	\$ 8,238,916	\$ 3,791,389	\$ -	\$ 3,042,594	\$ 5,324,381	\$ 33,542,939	\$ 4,150,438	\$ 905,439		\$ 38,598,816

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

**PARA LOS NIÑOS**

STATEMENT OF CASH FLOWS

For the year ended June 30, 2020

With comparative totals for the year ended June 30, 2019

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 400,293	\$ 197,444
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Amortization of loan for services	-	(33,333)
Depreciation	314,628	297,998
Change in value of split interest agreement	(58,605)	31,835
Reinvested interest and dividends	(861)	(834)
(Increase) decrease in operating assets:		
Grants and accounts receivable	(1,290,850)	(1,793,149)
Pledges receivable	(221,421)	106,380
Prepaid expenses and other assets	(95,028)	141,116
Increase (decrease) in operating liabilities:		
Accounts payable	(59,006)	598,826
Accrued liabilities	1,062,337	562,304
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>51,487</b>	<b>108,587</b>
<b>CASH FLOWS TO INVESTING ACTIVITIES:</b>		
Purchase of investments	(29,926)	(25,768)
Purchase of property and equipment	(151,655)	(155,795)
<b>NET CASH (USED) BY INVESTING ACTIVITIES</b>	<b>(181,581)</b>	<b>(181,563)</b>
<b>CASH FLOWS FROM (TO) FINANCING ACTIVITIES:</b>		
Principal payments on note payable	(112,891)	(108,252)
Proceeds from paycheck protection program loan	3,000,000	-
<b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b>	<b>2,887,109</b>	<b>(108,252)</b>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>2,757,015</b>	<b>(181,228)</b>
<b>CASH, BEGINNING OF YEAR</b>	<b>1,889,270</b>	<b>2,070,498</b>
<b>CASH, END OF YEAR</b>	<b>\$ 4,646,285</b>	<b>\$ 1,889,270</b>
<b>SUPPLEMENTAL DISCLOSURES:</b>		
Interest expense paid for notes payable	<b>\$ 148,024</b>	<b>\$ 152,706</b>
Interest expense paid for line of credit	<b>\$ 6,272</b>	<b>\$ 11,838</b>

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



# PARA LOS NIÑOS

## NOTES TO FINANCIAL STATEMENTS

---

### 1. Organization

Para Los Niños' combined direct and indirect services annually benefit more than 7,500 children, youth, and their families in some of the most economically challenged neighborhoods in Los Angeles. Understanding that schools in their traditional forms simply do not address the multitude of needs faced by children who live in conditions of chronic poverty, our programs and services focus on all areas of a child's development. Para Los Niños tends to the "whole child" — the academic, psychological, cultural, and physical — by offering high-quality education combined with easy-to-access family supports, ranging from the provision of food, clothing and shelter, to crisis level interventions and mental health services, and community engagement opportunities. Each of the following programs coordinates its work to ensure the overall well-being of the child. Services are offered at each of the locations, reducing referrals to other agencies and ensuring follow-up and ongoing care:

- Early Education – Para Los Niños provides quality, research-based early childhood education that increases school readiness and prepares approximately 450 low-income children (six weeks to five years old) for success in kindergarten and beyond at seven early education centers in Downtown LA, Westlake/Pico Union, Cypress Park, East Hollywood, and Burbank;
- Charter Schools – Para Los Niños operates the Para Los Niños Gratts Primary Center (TK-1), Charter Elementary School (K-5), and Charter Middle School (6-8), providing a high-quality, project-based curriculum to approximately 919 students in Downtown LA. Para Los Niños offers after-school programs and other student and family support services at all our school sites;
- Mental Health Services – Para Los Niños is the only children's mental health provider on Skid Row, providing evidence-based mental health services to approximately 378 children from low-income families each year. In addition to serving the general community, therapists are located on-site at all Para Los Niños school campuses to assist our students and staff;
- Family Support Services – Each year, Para Los Niños assists some 1,431 families, who are struggling with extreme poverty, homelessness, inadequate health care, substance abuse, and domestic violence with in-home counseling and case management support, crisis intervention and help with basic needs;
- Youth Workforce Services – Para Los Niños prepares nearly 1,085 youth (ages 14 to 21) in East Los Angeles annually for success in post-secondary education and the workforce through paid and unpaid work experience, career counseling, job placement, mentoring, case management, and leadership development;
- Parent and Community Engagement – Para Los Niños runs parent engagement programs at each of our school sites and within the communities we serve, touching hundreds of families each year.

continued

# PARA LOS NIÑOS

## NOTES TO FINANCIAL STATEMENTS

---

### 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. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve.

**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.

#### **Accounts Receivable**

Accounts receivable are receivables from governmental agencies. Therefore, no allowance for doubtful accounts has been provided.

#### **Contributions and Pledges Receivable**

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value, which is measured as the present value of their 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 discount is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

# PARA LOS NIÑOS

## NOTES TO FINANCIAL STATEMENTS

---

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

#### Investments

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

#### 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

Para Los Niños is required to measure pledge contributions, certain investments, a split interest agreement, and non-cash contributions at fair value. The specific techniques used to measure fair value for these financial statement elements are described in the notes below that relate to each element.

#### Concentration of Credit Risks

The primary receivable balance outstanding at June 30, 2020 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 Para Los Niños' receivables consist of earned fees from contract programs granted by governmental agencies.

Para Los Niños holds investments in the form of money market funds at a securities institution. The Chief Financial Officer routinely reviews market values of such investments.

Approximately 83% of Para Los Niños' total revenue is derived from governmental agencies.

#### Property and Equipment

Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets. Maintenance and repair costs are charged to expense as incurred. Property and equipment are capitalized if the cost of an asset is greater than or equal to five thousand dollars and the useful life is greater than one year.

continued

# PARA LOS NIÑOS

## NOTES TO FINANCIAL STATEMENTS

---

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

#### **Donated Materials and Services**

Contributions of donated non-cash assets are measured on a non-recurring basis and recorded at fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received (see Note 16).

#### **Income Taxes**

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

#### **Functional Allocation of Expenses**

Costs of providing Para Los Niños' programs and other activities have been presented in the Statement of Activities. 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.

#### **Revenue and Revenue Recognition**

Para Los Niños recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. As of June 30, 2020, Para Los Niños did not have any contributions categorized as conditional.

A portion of Para Los Niños' revenue is derived from federal, state, and local contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when Para Los Niños has incurred expenditures in compliance with specific contract or grant provisions.

# PARA LOS NIÑOS

## NOTES TO FINANCIAL STATEMENTS

---

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

#### Use of Estimates

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

#### Recently Adopted Accounting Pronouncement

Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 606, *Revenue from Contracts with Customers*, as amended, supersedes or replaces nearly all GAAP revenue recognition guidance. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expanded disclosures about revenue. Para Los Niños has implemented Topic 606 and have adjusted the presentation in these financial statements accordingly.

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assist entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The ASU is effective for fiscal years beginning after December 31, 2018. Retrospective application is permitted. Para Los Niños has implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements for the year ended June 30, 2020 under a modified prospective basis, as management believes the standard improves the usefulness and the understandability of the entity’s financial reporting. Accordingly, there is no effect on net assets in connection with Para Los Niños’ implementation of ASU 2018-08.

#### 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 Para Los Niños’ financial statements for the year ended June 30, 2019, from which the summarized information was derived.

#### Subsequent Events

Management has evaluated subsequent events through March 15, 2021, 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.

# PARA LOS NIÑOS

## NOTES TO FINANCIAL STATEMENTS

---

### 3. Liquidity and Availability of Resources

Para Los Niños has \$13,156,579 of financial assets available within one year of the statement of financial position to meet cash needs for general expenditures consisting of \$4,646,285 cash, \$7,565,280 accounts receivable and \$803,573 pledge receivable. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditures within one year of the statement of financial position. The pledge receivable is subject to implied time restrictions but are expected to be collected within one year. For purposes of analyzing resources available to meet general expenditures over a 12-month period, Para Los Niños considers all expenditures related to its ongoing activities and the pattern of income from grants, contracts, fundraising, and investments. The Finance Committee of the Board of Directors meets regularly to review all financial aspects of Para Los Niños. As an additional source of liquidity, Para Los Niños has a \$1,500,000 line of credit.

### 4. Pledges Receivable

Unconditional promises to give (pledges receivable) are recorded as support when pledged unless designated otherwise. Pledges receivable that are expected to be collected in future years are measured on a non-recurring basis at the date of the pledge and recorded at the present value of their estimates future cash flows and are deemed fully collectible. Accordingly, no allowance for doubtful accounts has been recorded. A discount rate of 3% has been used to calculate the present value of pledges receivable. Total amount of pledges receivable at June 30, 2020, of \$803,573, is expected to be collected as follows:

Within one year	\$806,573
Less: unamortized discount on pledges receivable	<u>(3,000)</u>
	<u>\$803,573</u>

### 5. Split Interest Agreement

Para Los Niños has a 12.5% interest in a perpetual charitable remainder trust held by a third party, who values the trust in December of each year. Under the terms of the trust, Para Los Niños will receive, in perpetuity, quarterly payments of the trust's net distributable income. Para Los Niños records the quarterly distributions as contributions when received. Para Los Niños' interest in the trust of \$175,146 (see Note 16) at June 30, 2020 is based on the December 31, 2019 trust valuation.

### 6. Investments

Investments of \$177,882 at June 30, 2020 consist of contributions without donor restrictions of \$30,788, and an endowment money market fund in the amount of \$147,094 which reflects an endowment asset of \$50,000, and unspent restricted earnings of \$97,094 (see Note 15).

## PARA LOS NIÑOS

### NOTES TO FINANCIAL STATEMENTS

---

#### 7. Property and Equipment

Property and equipment at June 30, 2020 consist of the following:

Building improvements	\$ 8,998,320
Land	2,973,080
Building	2,665,246
Equipment	1,521,368
Leasehold improvements	574,632
Government assets	605,606
Land improvement	277,614
Furniture and fixtures	185,911
In-kind fixed assets	77,612
Construction in progress	<u>153,155</u>
	18,032,544
Less: accumulated depreciation	<u>(7,145,017)</u>
	<u>\$10,887,527</u>

Depreciation expense for the year ended June 30, 2020 was \$314,628.

#### 8. Accrued Liabilities

Accrued liabilities at June 30, 2020 consist of the following:

Contract advances	\$1,976,271
Accrued vacation	950,992
Payroll-related liabilities	531,608
Other accrued liabilities	<u>20,472</u>
	<u>\$3,479,343</u>

#### 9. Line of Credit

Para Los Niños has a revolving line of credit with a bank in the amount of \$1,500,000, at a variable interest rate of no less than 4.00% per annum, due May 2022, secured by UCC Broad form filing. There was no outstanding balance at June 30, 2020.

continued

# PARA LOS NIÑOS

## NOTES TO FINANCIAL STATEMENTS

---

### 10. Note Payable

Para Los Niños has a note payable with a bank, secured by real property located at 617 East 7<sup>th</sup> Street, monthly payments of \$21,739, including interest at 4.5%, due July 2023. The balance at June 30, 2020 was \$3,172,750.

Future minimum payments for notes payable are as follows:

<u>Year ending June 30,</u>	
2021	\$ 116,942
2022	122,391
2023	128,093
2024	<u>2,805,324</u>
	<u>\$3,172,750</u>

### 11. Paycheck Protection Program Loan

In April 2020, Para Los Niños received loan proceeds in the amount of \$3,000,000 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the twenty-four week period.

The unforgiven portion of the PPP loan is payable over five years at an interest rate of 1%, with a deferral of payments for the first six months. Para Los Niños intends to use the proceeds for purposes consistent with the PPP. Para Los Niños currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan.



# PARA LOS NIÑOS

## NOTES TO FINANCIAL STATEMENTS

---

### 12. Commitments and Contingencies

#### Obligations Under Operating Leases

Para Los Niños leases space and equipment under operating leases with various terms. Future minimum payments, by year and in the aggregate, under these leases with initial or remaining terms of one year or more, consist of the following:

<u>Year ending June 30,</u>	
2021	\$1,104,807
2022	1,039,224
2023	1,035,074
2024	916,464
2025	481,534
Thereafter	<u>1,119,024</u>
	<u>\$5,696,127</u>

Rent expense under operating leases for the year ended June 30, 2020 was \$1,596,924, which includes month-to-month leases.

#### Contracts

Para Los Niños' 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.

#### Impact of COVID-19 Virus

Following the State of California COVID-19 protocols, Para Los Niños has been conducting business activities as usual with consideration of social distancing and remote work opportunities. The long-term impact of the COVID-19 virus on Para Los Niños cannot be foreseen at this time and is not reflected in these financial statements.

## PARA LOS NIÑOS

### NOTES TO FINANCIAL STATEMENTS

---

#### 13. Retirement Plan

Para Los Niños has a participant contributory 401(k) retirement plan that is available to all eligible employees who have completed 90 days of employment. At its discretion, Para Los Niños can make employer matching contributions to the plan. For the year ended June 30, 2020, Para Los Niños made no matching contributions.

Additionally, Para Los Niños' charter school teachers participate in the California State Teachers' Retirement Systems ("STRS"). Under STRS, Para Los Niños is required to make contributions to STRS based on determined percentages of the teacher's salaries. For the year ended June 30, 2020, Para Los Niños contributed \$752,050 to STRS.

#### 14. Net Assets With Donor Restrictions – Purpose Restriction

Net assets with purpose restrictions of \$1,178,778 at June 30, 2020 consist of the following:

Covid donations	\$ 243,872
Early education services	210,000
Community engagement	150,000
Census	131,000
Census outreach	98,743
Behavioral health	75,000
Unspent endowment earnings	97,094
YWS Vocational scholarships	50,000
BestStart covid	49,650
Nutrition	<u>23,419</u>
	<u>\$1,128,778</u>

For the year ended June 30, 2020 net assets released from restrictions were \$9,979,140.

#### 15. Net Assets With Donor Restrictions – Perpetual in Nature

Net assets perpetual in nature at June 30, 2020 consist of the following:

Endowment (Note 6)	<u>\$50,000</u>
--------------------	-----------------

## PARA LOS NIÑOS

### NOTES TO FINANCIAL STATEMENTS

---

#### 15. Net Assets With Donor Restrictions – Perpetual in Nature, continued

Generally accepted accounting principles provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (“UPMIFA”). Generally accepted accounting principles also requires additional disclosures about an organization's endowment funds (both donor-restricted endowment funds and Board-designated endowment funds) whether or not the organization is subject to UPMIFA.

Para Los Niños classifies as net assets with donor restrictions that are perpetual in nature, (a) the original value of the gifts to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Accumulated earnings as well as gains and losses related to endowment asset is classified as net assets with donor restrictions that are purpose restricted until those amounts are appropriated by the Board for use in current operations. Para Los Niños considers that appropriation occurs as part of its annual budget approval process when its decision is made to spend some or all of the accumulated earnings.

Endowment net assets of \$147,094 reflect the corpus of \$50,000, and unspent endowment earnings of \$97,094.

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

	<b><u>With Donor Restrictions</u></b>
Donor restricted endowment funds:	
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ 50,000
Accumulated investment gains	<u>97,094</u>
	<u>\$147,094</u>

Changes in endowment and net assets for the year ended June 30, 2020:

	<b><u>With Donor Restrictions</u></b>
Endowment and net assets, beginning of year	\$ 165,877
Additions	97,094
Transfer of unspent earnings to purpose restrictions	<u>(212,971)</u>
Endowment and net assets, end of year	<u>\$ 50,000</u>

continued

## PARA LOS NIÑOS

### NOTES TO FINANCIAL STATEMENTS

---

#### 16. Fair Value Measurements

The table below presents the balance of assets measured at fair value at June 30, 2020 on a recurring basis:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Split interest agreement	<u>\$ -</u>	<u>\$ -</u>	<u>\$175,146</u>	<u>\$175,146</u>

The fair value of the split interest agreement is measured on a recurring basis by calculating the change in value of the organization's beneficial interest in the trust (Level 3 inputs).

The following is a reconciliation of the Level 3 assets as of June 30, 2020:

	<u>Split Interest Agreement</u>
Fair value at July 1, 2019	\$115,877
Interest and dividends	664
Change in value of split interest agreement	<u>58,605</u>
Fair value at June 30, 2020	<u>\$175,146</u>

The table below present transactions measured at fair value on a non-recurring basis during the year ended June 30, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Pledges – current year	\$ -	\$ -	\$585,152	\$ 585,152
Donated materials and services	<u>          </u>	<u>2,601,139</u>	<u>          </u>	<u>2,601,139</u>
Fair value at June 30, 2020	<u>\$ -</u>	<u>\$2,601,139</u>	<u>\$585,152</u>	<u>\$3,186,291</u>

The fair values of donated material and services have been measured on a non-recurring basis using quoted prices for similar assets in inactive markets (Level 2 inputs).

The fair value of pledges - current year is measured on a non-recurring basis using the face of the pledge receivable agreement and with consideration of the donor's credit worthiness (Level 3 inputs).