

ALLIANCE FOR CHILDREN'S RIGHTS

FINANCIAL STATEMENTS

March 31, 2024 and 2023

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Alliance for Children's Rights

Opinion

We have audited the accompanying financial statements of Alliance for Children's Rights (a nonprofit organization), which comprise the statements of financial position as of March 31, 2024 and 2023, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Alliance for Children's Rights (the Alliance) as of March 31, 2024 and 2023, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Alliance and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Alliance's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Alliance's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Alliance's ability to continue as a going concern for a reasonable period of time.

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



Long Beach, California
June 25, 2024

ALLIANCE FOR CHILDREN'S RIGHTS
STATEMENTS OF FINANCIAL POSITION

ASSETS

	March 31,	
	2024	2023
ASSETS		
Cash and cash equivalents	\$ 2,916,191	\$ 3,383,192
Investments	14,347,285	12,833,757
Contributions and grants receivable	5,422,052	4,269,729
Prepaid expenses and other assets	308,152	182,345
Property and equipment, net	1,427,667	337,063
Operating lease right-of-use assets	2,760,792	-
TOTAL ASSETS	\$ 27,182,139	\$ 21,006,086

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable and accrued expenses	\$ 725,730	\$ 675,120
Agency payables	91,475	55,000
Operating lease liabilities	3,264,322	-
Total liabilities	4,081,527	730,120
NET ASSETS		
Without donor restrictions		
Undesignated	4,816,129	4,055,556
Board-designated for programs	7,100,000	7,100,000
Board-designated endowment	4,000,000	4,000,000
	15,916,129	15,155,556
With donor restrictions	7,184,483	5,120,410
Total net assets	23,100,612	20,275,966
TOTAL LIABILITIES AND NET ASSETS	\$ 27,182,139	\$ 21,006,086

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

ALLIANCE FOR CHILDREN'S RIGHTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED MARCH 31, 2024

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE, GAINS, AND OTHER SUPPORT			
Contributed legal services	\$ 16,096,311	\$ -	\$ 16,096,311
Contributions and grants	810,972	7,357,228	8,168,200
Special events, net of direct benefits to donors of \$293,321	1,379,875	-	1,379,875
Other contributed services	66,040	-	66,040
Net assets released from restrictions	5,293,155	(5,293,155)	-
Total revenue, gains, and other support	<u>23,646,353</u>	<u>2,064,073</u>	<u>25,710,426</u>
EXPENSES			
Program services	22,952,809	-	22,952,809
Management and general	1,240,236	-	1,240,236
Fundraising and development	920,473	-	920,473
Total expenses	<u>25,113,518</u>	<u>-</u>	<u>25,113,518</u>
CHANGE IN NET ASSETS FROM OPERATIONS	<u>(1,467,165)</u>	<u>2,064,073</u>	<u>596,908</u>
NONOPERATING ACTIVITIES			
Employee Retention Credit	278,448	-	278,448
Net investment income	1,949,290	-	1,949,290
Total nonoperating activities	<u>2,227,738</u>	<u>-</u>	<u>2,227,738</u>
CHANGE IN NET ASSETS	760,573	2,064,073	2,824,646
NET ASSETS, BEGINNING OF YEAR	<u>15,155,556</u>	<u>5,120,410</u>	<u>20,275,966</u>
NET ASSETS, END OF YEAR	<u>\$ 15,916,129</u>	<u>\$ 7,184,483</u>	<u>\$ 23,100,612</u>

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

ALLIANCE FOR CHILDREN'S RIGHTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED MARCH 31, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE, GAINS, AND OTHER SUPPORT			
Contributed legal services	\$ 15,377,625	\$ -	\$ 15,377,625
Contributions and grants	2,096,594	6,517,332	8,613,926
In-kind contributed goods	1,500	-	1,500
Special events, net of direct benefits to donors of \$263,194	1,410,112	-	1,410,112
Net assets released from restrictions	<u>5,202,526</u>	<u>(5,202,526)</u>	<u>-</u>
Total revenue, gains, and other support	<u>24,088,357</u>	<u>1,314,806</u>	<u>25,403,163</u>
EXPENSES			
Program services	21,803,859	-	21,803,859
Management and general	1,077,640	-	1,077,640
Fundraising and development	<u>879,967</u>	<u>-</u>	<u>879,967</u>
Total expenses	<u>23,761,466</u>	<u>-</u>	<u>23,761,466</u>
CHANGE IN NET ASSETS FROM OPERATIONS	<u>326,891</u>	<u>1,314,806</u>	<u>1,641,697</u>
NONOPERATING ACTIVITIES			
Employee Retention Credit	383,152	-	383,152
Net investment loss	<u>(575,613)</u>	<u>-</u>	<u>(575,613)</u>
Total nonoperating activities	<u>(192,461)</u>	<u>-</u>	<u>(192,461)</u>
CHANGE IN NET ASSETS	134,430	1,314,806	1,449,236
NET ASSETS, BEGINNING OF YEAR	<u>15,021,126</u>	<u>3,805,604</u>	<u>18,826,730</u>
NET ASSETS, END OF YEAR	<u>\$ 15,155,556</u>	<u>\$ 5,120,410</u>	<u>\$ 20,275,966</u>

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

ALLIANCE FOR CHILDREN'S RIGHTS

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED MARCH 31, 2024

	Program Services	Management and General	Fundraising and Development	Total
Contributed legal services	\$ 16,096,311	\$ -	\$ -	\$ 16,096,311
Salaries, taxes, and benefits	5,204,195	894,995	662,737	6,761,927
Outside Services: IT, Web, Contractors	473,865	94,292	131,918	700,075
Occupancy	281,886	46,459	33,188	361,533
Youth development services	326,157	-	14,026	340,183
Printing, postage, and office	69,247	39,266	13,430	121,943
Professional dues, training, and library	46,362	53,613	18,383	118,358
Mileage, travel, and recognition	72,898	24,336	13,260	110,494
Telephone	82,767	13,905	9,249	105,921
Intern, volunteer, and pro bono program	93,619	-	2,005	95,624
Other contributed services	52,173	7,924	5,943	66,040
Insurance	48,732	8,924	5,848	63,504
Administrative fees	7,020	43,319	-	50,339
Client assessments and services	6,865	-	145	7,010
Community training and seminars	3,725	-	-	3,725
Depreciation and amortization	86,987	13,203	10,341	110,531
	<u>\$ 22,952,809</u>	<u>\$ 1,240,236</u>	<u>\$ 920,473</u>	<u>\$ 25,113,518</u>

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

ALLIANCE FOR CHILDREN'S RIGHTS

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED MARCH 31, 2023

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising and Development</u>	<u>Total</u>
Contributed legal services	\$ 15,377,625	\$ -	\$ -	\$ 15,377,625
Salaries, taxes, and benefits	4,889,610	749,258	614,768	6,253,636
Outside Services: IT, Web, Contractors	451,142	147,337	154,395	752,874
Occupancy	307,064	47,523	38,866	393,453
Youth development services	278,177	2,493	8,467	289,137
Printing, postage, and office	87,196	27,136	14,824	129,156
Professional dues, training, and library	75,846	13,069	13,596	102,511
Mileage, travel, and recognition	41,369	28,157	12,642	82,168
Telephone	73,126	11,515	8,095	92,736
Intern, volunteer, and pro bono program	103,045	-	-	103,045
Insurance	45,940	7,070	5,890	58,900
Administrative fees	5,940	35,810	-	41,750
Client assessments and services	8,646	-	30	8,676
Community training and seminars	5,364	-	-	5,364
Contributed goods	-	-	1,500	1,500
Depreciation and amortization	53,769	8,272	6,894	68,935
	<u>\$ 21,803,859</u>	<u>\$ 1,077,640</u>	<u>\$ 879,967</u>	<u>\$ 23,761,466</u>

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

ALLIANCE FOR CHILDREN'S RIGHTS

STATEMENTS OF CASH FLOWS

	For the Year Ended March 31,	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,824,646	\$ 1,449,236
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization of property and equipment	110,531	68,935
Amortization of operating lease right-of-use assets	48,050	-
Realized and unrealized (gain) loss on investments	(1,531,873)	836,095
Noncash contributions of investments	(88,790)	(14,868)
Changes in operating assets and liabilities:		
Contributions and grants receivable	(1,152,323)	(1,665,263)
Prepaid expenses and other assets	(125,807)	8,239
Accounts payable and accrued expenses	50,610	219,533
Agency payables	36,475	(231,950)
Operating lease liabilities	(15,680)	-
Net Cash Provided By Operating Activities	155,839	669,957
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(729,975)	(164,907)
Purchases of investments	(280,600)	(214,071)
Proceeds from sale of contributed investments	87,735	14,263
Sale of investments	300,000	300,000
Net Cash Used In Investing Activities	(622,840)	(64,715)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(467,001)	605,242
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,383,192	2,777,950
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 2,916,191	\$ 3,383,192
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Noncash investing and financing activities:		
Additions of tenant improvements	\$ 471,160	\$ -

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

ALLIANCE FOR CHILDREN'S RIGHTS

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2024 AND 2023

NOTE 1 – Organization

The Alliance for Children's Rights (the Alliance) protects the rights of impoverished, abused, and neglected children and youth. By providing free legal services and advocacy, the Alliance ensures that children have safe, stable homes, healthcare and the education they need to thrive. For many of its clients, the Alliance is the only connection to a safer, brighter future. More than a quarter of all children in Los Angeles County live in poverty, and there are more children in foster care here than anywhere else in the country. During the last fiscal year, the Alliance handled over 5,800 cases for children and young adults who needed its services. Since its founding in 1992, the Alliance has improved the lives of more than 172,000 clients, providing them with permanency through adoption and legal guardianship, access to healthcare and critical supports, and championing their education needs and rights.

The Alliance's dedicated staff includes lawyers, social workers, trainers, and advocates, supplemented by pro bono attorneys and other volunteers who donate their time and talents to help vulnerable children. Volunteers are essential in carrying out the Alliance's mission. The Alliance depends on the generosity of volunteers to provide free legal assistance to children in need of guardianships, adoption, health care, special education, public benefits, and other critical services. As the number of children that the Alliance helps grows, so have efforts to expand recruiting, training, and supervising more volunteer law firms, attorneys, summer associates, paralegals, interns, and other volunteers. The Alliance has trained nearly 6,000 court staff, agency personnel, school officials, caregivers and youth, and other community partners to help them better provide for young people in foster care and guardianships. Currently, the Alliance has relationships with nearly 900 attorneys, legal interns, and paralegals. For the years ended on March 31, 2024 and 2023, there were 30,464 and 28,863 hours of pro bono legal services provided, respectively.

The Alliance receives significant support from its board of directors in the form of contributions and volunteer activities. During the years ended March 31, 2024 and 2023, members of the board of directors contributed approximately \$352,000 and \$358,000, respectively, in support of the Alliance's operations and program activity.

ALLIANCE FOR CHILDREN'S RIGHTS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2024 AND 2023

NOTE 1 – Organization (Continued)

The following programs are essential in realizing the Alliance's vision of a world in which all children have safe, permanent families with the support they need to thrive:

Adoption

Children in foster care have a tremendous need for a stable home. Completing adoptions creates permanent, nurturing homes for these children. Working with the adoptive families to identify the children's legal, health, educational, and financial needs, the Alliance also overcomes barriers for these children to receive the therapies and benefits they need. With the help of pro bono attorneys, the Alliance completes approximately one-third of all adoptions out of foster care in Los Angeles County, and also obtains the services necessary to stabilize the new families. With its Adoption Day program as a model, the Alliance co-created National Adoption Day, which now is celebrated in every state in the country.

Guardianship

Adoption is not the only means through which children who cannot remain with their parents find stable, loving caregivers. The Alliance assists relatives and family friends to become legal guardians through the probate court, providing children with the stability of a family and with guardians who are authorized to provide for their medical care, education, and wellbeing. The Alliance and its pro bono attorneys help hundreds of low-income caregivers gain access to services and support for the children in their care by obtaining legal guardianship.

Public Benefits and Services

Caregivers, particularly relatives, who step up to provide for children in foster care often have limited resources and can become overwhelmed with their new responsibilities, putting the children's essential stability at risk. The Alliance obtains appropriate funding and services for these children so that caregivers can provide them with basic necessities and access critical services, such as specialized medical equipment and therapies, counseling, childcare, educational services, and respite care. Securing these resources can often mean the difference between permanent, safe homes and struggling, unstable ones.

ALLIANCE FOR CHILDREN'S RIGHTS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2024 AND 2023

NOTE 1 – Organization (Continued)

Healthcare

A child's illness can be emotionally and financially devastating for any family and, for families already living in poverty, the challenges are even greater. The Alliance helps children facing Medi-Cal eligibility problems, treatment denials and inadequate access to physicians, dentists, and mental health services. The Alliance also protects the rights of expecting and parenting teens in foster care to healthcare, and to sexual and reproductive health education, so that they have the resources and support they need to be good parents and break the inter-generational cycle of children being removed from young parents in foster care.

Education

More than half of all children in foster care have learning disabilities or developmental delays. This, combined with frequent moves and school changes, results in formidable barriers to these students learning and staying in school. The Alliance levels the playing field for these children by advocating for them to receive assessments, education services, and therapies tailored to meet their special needs. Evidence shows that reaching children at a young age will improve their healthy development and reduce the need for special education and mental health services later. In response, the Alliance created the Saltz Family Early Intervention Center which increases access to treatments and services for hundreds of children ages 0 - 5 every year. The Alliance also works to keep youth succeeding in school and on track for high school graduation, by training educators who work with students recovering from trauma, and by ensuring they are receiving appropriate credits, tutoring, transportation, and other services to support their education, even when they must change schools.

Transition-Age Youth (TAY) Services

Every year, hundreds of young people "age out" of the foster care system in Los Angeles without a permanent family, adequate assistance, or preparation. The Alliance provides targeted support to those youth ages 14 through 25, empowering them with legal advocacy, connection to resources, skill building workshops, and mentoring to overcome barriers to employment, education, housing, and healthcare. The Alliance assists youth who have experienced identity thefts and financial frauds, and advocates for high-needs foster youth, including expecting and parenting teens and youth who cross into the delinquency system. For youth with disabilities, the Alliance secures SSI benefits to pay for housing and medical care to help them avoid homelessness. Together with pro bono attorneys, community volunteers, and mentors, the Alliance is improving outcomes for these youth.

ALLIANCE FOR CHILDREN'S RIGHTS

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2024 AND 2023

NOTE 1 – Organization (Continued)

System-Wide Reform

The Alliance works at the state and local levels to develop and implement policies and practices that improve the lives and well-being of children and young adults in our child welfare systems. Through its work with a high volume of individual clients, as well as through collaboration with legal services programs and support centers across the state, the Alliance is able to recognize trends, identify systemic issues and pursue reform through litigation, legislative, or administrative advocacy in order to improve outcomes and promote the well-being of children and families. The Alliance also conducts training and support for child welfare, legal, educational, medical, and social service providers on the needs and rights of our communities' children and young adults, available resources to assist them, and best practices to promote their wellbeing.

Opportunity Youth Collaborative

The Los Angeles Opportunity Youth Collaborative (LA OYC), led by the Alliance, is a collective effort to improve the education and employment opportunities for transition age foster youth from ages 14 through 24. Too often, efforts to support young people's transition from foster care to independence fall short, due to service gaps and lack of coordination among public and private organizations. To overcome those gaps, the LA OYC brings together public and private agencies, community-based organizations, foundations, educational institutions, and employers to address the barriers that impede foster youth and create pathways for them to achieve success in school and at work. By aligning services, sharing information, identifying best practices, incorporating the voices of youth in solutions that affect them, and building the capacity of agencies with training and support, the LA OYC is building partnerships to help youth who have been in foster care succeed in their education and careers.

ALLIANCE FOR CHILDREN'S RIGHTS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2024 AND 2023

NOTE 2 – Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Net Assets

The Alliance reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets and revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Alliance 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 restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a board-designated endowment and for program use.

With donor restrictions - Net assets subject to donor-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. The Alliance does not have any net assets that are restricted in perpetuity.

ALLIANCE FOR CHILDREN'S RIGHTS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2024 AND 2023

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

The Alliance considers all cash and highly liquid financial instruments with maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents.

Investments

The Alliance records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less investment expenses.

Contributions and Grants Receivable

The Alliance records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. The Alliance determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. Management has determined no allowance was needed at March 31, 2024 and 2023.

Property and Equipment

The Alliance records property and equipment additions over \$1,000 at cost, or if donated, at fair value on the date of donation. Depreciation and amortization of office equipment and furniture and fixtures is computed using the straight-line method over the estimated useful lives of the assets ranging from three to seven years. Amortization of leasehold improvements is over the lesser of the life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation are removed from the accounts, and any resulting gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

ALLIANCE FOR CHILDREN'S RIGHTS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2024 AND 2023

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Leasing Arrangements

The Alliance determines if an arrangement contains a lease at inception based on whether the Alliance has the right to control the asset during the contract period along with other facts and circumstances. For contracts that extend for a period greater than 12 months, the Alliance recognizes right-of-use assets and corresponding liabilities. The exercise of these renewal options is at the sole discretion of the Alliance, and only lease options that the Alliance believes are reasonably certain to exercise are included in the measurement of the lease assets and liabilities. The present value of each lease is based on the future minimum lease payments in accordance with ASC 842 and is determined by discounting those payments using a risk-free discount rate with a period comparable with that of the lease term.

Impairment of Long-lived Assets

The Alliance reviews long-lived assets for indicators of impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment would be recorded in circumstances where undiscounted cash flows expected to be generated by an asset are less than the carrying value of that asset. As of March 31, 2024, there were no events or changes in circumstances indicating the carrying amount of long-lived assets may not be recoverable.

Agency Payables

The Alliance acts as an agent for specific grants received and designated for collaborations with certain nonprofit organizations and, as such, does not recognize those amounts as revenue. Upon receipt of such funding, the Alliance records an asset and corresponding liability until the funds are transferred in accordance with the grant provisions.

ALLIANCE FOR CHILDREN'S RIGHTS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2024 AND 2023

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Revenue Recognition

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. All contributions are available for unrestricted use unless specifically restricted by the donor. 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 are substantially met. Revenue received from special event ticket sales and sponsorships are recorded in the year in which the event is held. Direct event expenses are reported in the year in which the event is held and include event planning and event site services.

Contributed Services and Goods

Contributed services are recognized by the Alliance if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributed services and goods are recognized as contribution revenue and a corresponding expense in an amount approximating the estimated fair value at the time of donation.

The Alliance also receives a significant amount of contributed time from volunteers that does not meet the two recognition criteria described above. Accordingly, the value of this contributed time is not reflected in the accompanying financial statements.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. Special event costs of \$293,321 and \$263,194, which represent the direct benefit to donors, are netted with special event revenue in the statements of activities for the years ended March 31, 2024 and 2023, respectively. The statements of functional expenses present the natural classification detail of expenses by function. Expenses that can be identified with a specific program or supporting service are charged directly to the related program or service. Occupancy costs are allocated based on square footage utilized by personnel working on the programs. Expenses that are associated with more than one program or supporting service are allocated based on time spent.

ALLIANCE FOR CHILDREN'S RIGHTS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2024 AND 2023

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Income Taxes

The Alliance is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. However, the Alliance is subject to income taxes on any net income that is derived from trade or business regularly carried on and not in the furtherance of the purposes for which it was granted exemption. Management believes that the Alliance has not received income from any unrelated trade or business and, as such, no income tax provision has been recorded on the Alliance's financial statements.

The Alliance recognizes the impact of tax positions in the financial statements if that position is more likely than not to be sustained on audit, based on the technical merits of the position. To date, the Alliance has not recorded any uncertain tax positions. The Alliance recognizes potential accrued interest and penalties related to uncertain tax positions in income tax expense. The Alliance is subject to potential income tax audits on open tax years by any taxing jurisdiction in which it operates. The statute of limitations for federal purposes is three years and for California is four years.

Financial Instruments and Concentration of Credit Risk

Financial instruments that potentially subject the Alliance to credit risk at March 31, 2024 and 2023, consist primarily of cash and cash equivalents, investments, and receivables. The Alliance manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by the Alliance to be creditworthy. At times, amounts on deposit may exceed federally-insured limits. To date, the Alliance has not experienced losses in any of these accounts. The investments are exposed to various risks such as interest rate, market volatility, and credit risk. Due to the level of risk associated with certain investments, it is possible that a change in the value of these investments could occur in the near term and that such a change could be material. Credit risk associated with contributions receivable is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from board members, corporations, and foundations supportive of the Alliance's mission.

ALLIANCE FOR CHILDREN'S RIGHTS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2024 AND 2023

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Financial Instruments and Concentration of Credit Risk (Continued)

For the year ended March 31, 2024, contributions from three funding sources accounted for 62% of total contributions and 74% of outstanding receivables at March 31, 2024. For the year ended March 31, 2023, contributions from four funding sources totaled 59% of total contributions and 80% of outstanding receivables at March 31, 2023.

Additionally, contributed legal services from two law firms represented 40% of total contributed legal services for the year ended March 31, 2024. For the year ended March 31, 2023, contributed legal services from one law firm represented 34% of total contributed legal services.

Fair Value of Financial Instruments

U.S. GAAP defines fair value as the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability.

In addition to defining fair value, U.S. GAAP expands the disclosure requirements around fair value and establishes a fair value hierarchy for valuation inputs. The financial statements require that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

- Level 1** Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Alliance can access at the measurement date.
- Level 2** Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market- corroborated inputs.
- Level 3** Unobservable inputs for the asset or liability. In these situations, the Alliance develops inputs using the best information available in the circumstances.

ALLIANCE FOR CHILDREN'S RIGHTS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2024 AND 2023

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Fair Value of Financial Instruments (Continued)

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value, which is the Alliance's policy. For the years ended March 31, 2024 and 2023, the application of valuation techniques applied to similar assets and liabilities has been consistent.

Recently Adopted Accounting Pronouncement

In June 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (ASU 2016-13). ASU 2016-13 requires the measurement of all expected credit losses for financial assets, including trade receivables, held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. This ASU specifically excludes contributions receivable and all investments that are held by the Alliance. As a result, the Alliance adopted ASU 2016-13 and there was no material effect on the financial statements.

Subsequent Events

Management has evaluated significant events or transactions that have occurred since the date of the statement of financial position through June 25, 2024, which represents the date that the financial statements were available to be issued.

ALLIANCE FOR CHILDREN'S RIGHTS

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2024 AND 2023

NOTE 3 – Financial Assets and Liquidity Resources

The following table reflects the Alliance's financial assets, reduced by amounts that are not available to meet general expenditures within one year of the statements of financial position date due to donor restrictions or internal board designations for the years ended March 31, 2024 and 2023.

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 2,916,191	\$ 3,383,192
Investments	14,347,285	12,833,757
Contributions and grants receivable	<u>5,422,052</u>	<u>4,269,729</u>
Total financial assets	22,685,528	20,486,678
 Board-designated for programs	 (7,100,000)	 (7,100,000)
Board-designated endowment funds	(4,000,000)	(4,000,000)
Donor-restricted for specific programs	<u>(7,184,483)</u>	<u>(5,120,410)</u>
	 <u>\$ 4,401,045</u>	 <u>\$ 4,266,268</u>

The Alliance considers the donor contributions restricted for core programming that are receivable within the next 12 months to be available to meet cash needs for general expenditures as they are ongoing, major, and central to its annual operations. As such, they have not been included as a reduction of assets available to meet general expenditures.

The Alliance manages its liquidity and reserves by following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that obligations will be discharged.

Although the Alliance does not intend to spend from the board-designated funds, in the event the need arises to utilize the board-designated funds for liquidity purposes, the board-designated funds could be drawn upon through board resolution.

ALLIANCE FOR CHILDREN'S RIGHTS

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2024 AND 2023

NOTE 4 – Investments

Assets measured at fair value on a recurring basis at March 31, 2024 consisted of the following:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents				
held for investments	\$ 897,981	\$ -	\$ -	\$ 897,981
Mutual funds	935,478	-	-	935,478
Equity securities	6,555,771	-	-	6,555,771
Fixed income	-	5,958,055	-	5,958,055
	<u>\$ 8,389,230</u>	<u>\$ 5,958,055</u>	<u>\$ -</u>	<u>\$ 14,347,285</u>

Assets measured at fair value on a recurring basis at March 31, 2023 consisted of the following:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents				
held for investments	\$ 730,990	\$ -	\$ -	\$ 730,990
Mutual funds	1,374,979	-	-	1,374,979
Equity securities	5,173,563	-	-	5,173,563
Fixed income	-	5,554,225	-	5,554,225
	<u>\$ 7,279,532</u>	<u>\$ 5,554,225</u>	<u>\$ -</u>	<u>\$ 12,833,757</u>

Cash and cash equivalents are held within the portfolio for purchasing investment assets. They are not expected to be withdrawn within the next fiscal cycle and are grouped within the investments balance on the accompanying statement of financial position.

ALLIANCE FOR CHILDREN'S RIGHTS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2024 AND 2023

NOTE 5 – Contributions and Grants Receivable

Contributions and grants receivable as of March 31, 2024 are expected to be realized in the following periods:

Due within one year	\$ 4,257,052
Due in one to five years	<u>1,165,000</u>
	<u>\$ 5,422,052</u>

A discount on contributions receivable amounts that are expected to be collected after one year has not been included as the amount is not deemed material.

NOTE 6 – Property and Equipment

Property and equipment consists of the following:

	<u>March 31,</u>	
	<u>2024</u>	<u>2023</u>
Leasehold improvements	\$ 760,653	\$ -
Office equipment	383,374	310,578
Furniture and fixtures	<u>312,051</u>	<u>150,538</u>
	1,456,078	461,116
Less accumulated depreciation and amortization	<u>(187,123)</u>	<u>(282,765)</u>
	1,268,955	178,351
Construction in progress	<u>158,712</u>	<u>158,712</u>
	<u>\$ 1,427,667</u>	<u>\$ 337,063</u>

Construction in progress relates to software that is expected to be completed and put into service in the year ended March 31, 2025.

ALLIANCE FOR CHILDREN'S RIGHTS

**NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2024 AND 2023**

NOTE 7 – Lease Arrangements

During 2024, the Alliance entered into a lease for office space under an operating lease agreement, which expires June 2030. As part of the agreement, the landlord paid for a portion of the leasehold improvements, totaling approximately \$470,000, which were capitalized by the Alliance during 2024. At the commencement of the lease agreement, the Alliance recognized operating lease liabilities of \$3,280,002 and operating lease right-of-use assets of \$2,808,842 within the statement of financial position, with the difference attributable to the capitalized leasehold improvements. The lease also includes rent abatement for certain months of the term, so long as the Alliance is compliant with other terms of the agreement.

The components of operating lease expense included in expenses in the statements of activities and functional expense is as follows for the years ended March 31, 2024 and 2023:

	March 31,	
	2024	2023
Operating lease costs	\$ 125,945	\$ -
Short-term variable lease costs	235,588	393,453
	<u>\$ 361,533</u>	<u>\$ 393,453</u>

The following summarizes the cash flow information related to leases for the years ended March 31, 2024 and 2023:

	March 31,	
	2024	2023
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 47,705	\$ -

ALLIANCE FOR CHILDREN'S RIGHTS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2024 AND 2023

NOTE 7 – Lease Arrangements (Continued)

The weighted-average remaining lease term and discount rate for long-term operating leases as of March 31, 2024 and 2023 were as follows:

	March 31,	
	2024	2023
Weighted-average remaining lease term	6.25 years	None
Weighted-average discount rate	3.95%	None

The future estimated minimum lease payments for noncancelable operating leases at March 31, 2024 are as follows:

Year Ending March 31,	
2025	\$ 576,700
2026	492,716
2027	508,028
2028	630,765
2029	649,494
Thereafter	840,315
Total minimum lease payments	3,698,018
Less amount representing interest	(433,696)
Present value of minimum lease payments	3,264,322
Less current portion	(457,824)
	<u>\$ 2,806,498</u>

ALLIANCE FOR CHILDREN'S RIGHTS

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2024 AND 2023

NOTE 8 – Coronavirus Aid, Relief, and Economic Security (CARES) Act Income

Employee Retention Credit

The Employee Retention Credit (ERC) program was enacted in March 2020 by the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and amended in December 2020, by the Taxpayer Certainty and Disaster Tax Relief Act (TCDTR Act). The ERC is a refundable tax credit against certain employment taxes equal to 50% of the qualified wages an eligible employer paid to employees in calendar year 2020 (between March 2020 and January 2021) and 70% of the qualified wages in calendar year 2021.

During the years ended March 31, 2024 and 2023, the Alliance recognized and received \$278,448 and \$383,152 of ERC claimed under provisions of the CARES Act and TCDTR, respectively, which are included in nonoperating activities on the statements of activities. Claims made under the CARES Act may also be subject to retroactive audit and review. There can be no assurance that regulatory authorities will not challenge the Alliance's claim to the ERC, and it is not possible to determine the impact (if any) this would have upon the Alliance.

NOTE 9 – Net Assets With Donor Restrictions

Net assets with donor restrictions for the years ended March 31, 2024 and 2023, are restricted as follows:

	March 31, 2023	Additions	Releases	March 31, 2024
Adoption	\$ 114,821	\$ 288,585	\$ (189,681)	\$ 213,725
Benefits	293,832	626,920	(416,045)	504,707
Core grants	772,687	2,334,885	(1,109,270)	1,998,302
Education	756,777	737,483	(846,655)	647,605
Guardianship	54,821	156,670	(94,280)	117,211
Healthcare	583,630	1,903,000	(496,021)	1,990,609
LA OYC	733,479	537,600	(704,421)	566,658
Policy	420,000	372,900	(413,200)	379,700
Pro Bono & Community Services	140,859	230,445	(225,970)	145,334
Transition-Age Youth (TAY) Services	1,249,504	168,740	(797,612)	620,632
Total	<u>\$ 5,120,410</u>	<u>\$ 7,357,228</u>	<u>\$ (5,293,155)</u>	<u>\$ 7,184,483</u>

ALLIANCE FOR CHILDREN'S RIGHTS

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2024 AND 2023

NOTE 9 – Net Assets With Donor Restrictions (Continued)

Net assets with donor restrictions for the years ended March 31, 2023 and 2022, are restricted as follows:

	March 31, 2022	Additions	Releases	March 31, 2023
Adoption	\$ 108,906	\$ 215,594	\$ (209,679)	\$ 114,821
Benefits	118,960	394,276	(219,404)	293,832
Core grants	620,409	1,105,338	(953,060)	772,687
Education	450,542	1,098,104	(791,869)	756,777
Guardianship	102,342	83,094	(130,615)	54,821
Healthcare	27,500	1,030,000	(473,870)	583,630
LA OYC	461,751	1,125,000	(853,272)	733,479
Policy	305,247	517,500	(402,747)	420,000
Pro Bono & Community Services	322,078	207,278	(388,497)	140,859
Transition-Age Youth (TAY) Services	1,287,869	741,148	(779,513)	1,249,504
Total	<u>\$ 3,805,604</u>	<u>\$ 6,517,332</u>	<u>\$ (5,202,526)</u>	<u>\$ 5,120,410</u>

NOTE 10 – Contributed Services and Goods

During the years ended March 31, 2024 and 2023, contributed services and goods consisted of the following:

Revenue Recognized March 31,		Valuation Techniques and Inputs	
2024	2023		
Legal services	\$ 16,096,311	\$ 15,377,625	Hours are reported by the volunteer attorneys, summer associates, and paralegals based on timesheets; the rate used to value the hours is based on the blended average rate of reported hourly rates
Other contributed services	\$ 66,040	\$ -	Hours are estimated by the Alliance based on the time committed to the project; the rate used to value the hours is based on the hourly costs for similar services in the field
Supplies	\$ -	\$ 1,500	Wholesale values that would be received for selling similar products

ALLIANCE FOR CHILDREN'S RIGHTS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2024 AND 2023

NOTE 10 – Contributed Services and Goods (Continued)

All donated services and goods were utilized by the Alliance's programs and supporting services. There were no donor-imposed restrictions associated with the donated services or goods.

NOTE 11 – Employee Benefit Plan

The Alliance has a defined-contribution plan whereby the Alliance contributes three percent of the annual gross salaries of eligible employees. The employee benefit plan expense charged to operations for the years ended March 31, 2024 and 2023 was \$141,690 and \$144,475, respectively.

NOTE 12 – Contingencies

Legal

In the normal course of business, the Alliance may become party to litigation. Management believes there are no asserted or unasserted claims or contingencies that would have a significant impact on the financial statements of the Alliance as of March 31, 2024 and 2023.