Alliance for Children's Rights

Financial Statements

March 31, 2022 and 2021

AUDIT | TAX | ADVISORY

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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, 2022 and 2021, 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 Organization) as of March 31, 2022 and 2021, 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 Organization 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 Organization'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 Organization'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 Organization'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.

Windes, Inc.

Long Beach, California
June 30, 2022

ALLIANCE FOR CHILDREN'S RIGHTS

STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2022 AND 2021

ASSETS

		2022		2021
ASSETS				
Cash and cash equivalents	$	2,777,950	$	2,372,931
Investments		13,755,176		12,612,285
Contributions and grants receivable		2,604,466		2,903,221
Prepaid expenses and other assets		190,584		178,309
Furniture and equipment, net		241,091		247,918
TOTAL ASSETS	$	19,569,267	$	18,314,664

LIABILITIES AND NET ASSETS

		2022		2021
LIABILITIES				
Accounts payable and accrued expenses	$	455,587	$	361,153
Agency payables		286,950		58,334
PPP loan advance		-		758,400
Total liabilities		742,537		1,177,887
COMMITMENTS AND CONTINGENCIES (NOTE 10)				
NET ASSETS				
Without donor restrictions				
Undesignated		3,921,126		3,103,951
Board-designated for programs		7,100,000		6,500,000
Board-designated endowment		4,000,000		4,000,000
		15,021,126		13,603,951
With donor restrictions		3,805,604		3,532,826
Total net assets		18,826,730		17,136,777
TOTAL LIABILITIES AND NET ASSETS	$	19,569,267	$	18,314,664

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, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, GAINS, AND OTHER SUPPORT			
Contributed legal services	$ 13,874,404	$ -	$ 13,874,404
Contributions and grants	1,487,050	4,325,334	5,812,384
In-kind contributed goods	5,440	-	5,440
Special events, net of direct benefits to donors of $241,801	1,616,083	-	1,616,083
Net assets released from restrictions	4,052,556	(4,052,556)	-
Total revenue, gains, and other support	21,035,533	272,778	21,308,311
EXPENSES			
Program services	19,349,389	-	19,349,389
Management and general	872,932	-	872,932
Fundraising and development	796,428	-	796,428
Total expenses	21,018,749	-	21,018,749
CHANGE IN NET ASSETS FROM OPERATIONS	16,784	272,778	289,562
NONOPERATING ACTIVITIES			
Forgiveness on PPP loan advance	758,400	-	758,400
Net investment income	641,991	-	641,991
	1,400,391	-	1,400,391
CHANGE IN NET ASSETS	1,417,175	272,778	1,689,953
NET ASSETS, BEGINNING OF YEAR	13,603,951	3,532,826	17,136,777
NET ASSETS, END OF YEAR	$ 15,021,126	$ 3,805,604	$ 18,826,730

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, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, GAINS, AND OTHER SUPPORT			
Contributed legal services	$ 11,992,719	$ -	$ 11,992,719
Contributions and grants	2,352,728	4,344,194	6,696,922
In-kind contributed goods	15,066	-	15,066
Special events, net of direct benefits to donors of $40,169	1,421,113	-	1,421,113
Net assets released from restrictions	4,462,059	(4,462,059)	-
Total revenue, gains, and other support	20,243,685	(117,865)	20,125,820
EXPENSES			
Program services	16,980,880	-	16,980,880
Management and general	801,247	-	801,247
Fundraising and development	692,121	-	692,121
Total expenses	18,474,248	-	18,474,248
CHANGE IN NET ASSETS FROM OPERATIONS	1,769,437	(117,865)	1,651,572
NONOPERATING ACTIVITIES			
Net investment income	1,878,786	-	1,878,786
	1,878,786	-	1,878,786
CHANGE IN NET ASSETS	3,648,223	(117,865)	3,530,358
NET ASSETS, BEGINNING OF YEAR	9,955,728	3,650,691	13,606,419
NET ASSETS, END OF YEAR	$ 13,603,951	$ 3,532,826	$ 17,136,777

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, 2022

	Program Services	Management and General	Fundraising and Development	Total
Contributed legal services	$ 13,874,404	$ -	$ -	$ 13,874,404
Salaries, taxes, and benefits	4,435,477	636,237	614,764	5,686,478
Occupancy	326,876	48,250	40,220	415,346
Outside Services: IT, Web, Contractors	305,872	62,377	86,775	455,024
Professional dues, training, and library	60,683	18,359	20,661	99,703
Printing, postage, and office	49,221	28,827	7,103	85,151
Telephone	66,520	9,792	8,145	84,457
Youth development services	80,678	-	-	80,678
Insurance	45,106	6,565	5,758	57,429
Other	6,477	37,430	-	43,907
Mileage, travel, and recognition	13,557	15,185	4,745	33,487
Intern, volunteer, and pro bono program	8,656	-	-	8,656
Contributed goods	5,440	-	-	5,440
Client assessments and services	3,734	-	-	3,734
Community training and seminars	2,275	-	-	2,275
Depreciation	64,413	9,910	8,257	82,580
	$ 19,349,389	$ 872,932	$ 796,428	$ 21,018,749

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, 2021

	Program Services	Management and General	Fundraising and Development	Total
Contributed legal services	$ 11,992,719	$ -	$ -	$ 11,992,719
Salaries, taxes, and benefits	4,047,382	628,425	522,512	5,198,319
Occupancy	336,888	44,720	40,032	421,640
Outside Services: IT, Web, Contractors	255,469	42,927	78,449	376,845
Professional dues, training, and library	47,694	6,746	19,935	74,375
Printing, postage, and office	64,945	20,880	7,831	93,656
Telephone	76,274	11,423	9,086	96,783
Youth development services	17,919	-	-	17,919
Insurance	53,140	5,255	6,257	64,652
Other	6,480	24,010	-	30,490
Mileage, travel, and recognition	1,600	8,128	111	9,839
Intern, volunteer, and pro bono program	60	-	-	60
Contributed goods	12,596	1,293	1,177	15,066
Client assessments and services	17,822	586	500	18,908
Community training and seminars	666	-	-	666
Depreciation	49,226	6,854	6,231	62,311
	$ 16,980,880	$ 801,247	$ 692,121	$ 18,474,248

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

ALLIANCE FOR CHILDREN'S RIGHTS

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 1,689,953	$ 3,530,358
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	82,580	62,311
Realized and unrealized gains on investments	(470,276)	(1,731,335)
Forgiveness on PPP loan	(758,400)	-
Noncash contributions of investments	(147,593)	(1,133,166)
Proceeds from sale of contributed investments	147,806	1,150,663
Changes in operating assets and liabilities:		
Contributions and grants receivable	298,755	(55,931)
Prepaid expenses and other assets	(12,275)	(28,514)
Accounts payable and accrued expenses	94,434	111,381
Agency payables	228,616	(153,333)
Net Cash Provided By Operating Activities	1,153,600	1,752,434
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of equipment	(75,753)	(176,396)
Purchases of investments	(672,828)	(2,105,608)
Net Cash Used In Investing Activities	(748,581)	(2,282,004)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from PPP loan advance	-	758,400
Net Cash Provided By Financing Activities	-	758,400
NET CHANGE IN CASH AND CASH EQUIVALENTS	405,019	228,830
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,372,931	2,144,101
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 2,777,950	$ 2,372,931

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

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 our 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 6,000+ cases for children and young adults who needed our services. Since its founding in 1992, the Alliance has improved the lives of more than 150,000 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 these vulnerable children. Volunteers are essential in carrying out the Alliance's mission. The Alliance depends on the generosity of these 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 over 10,000 court staff, agency personnel, school officials, caregivers and youth, and other community partners to help them better provide for young people in foster care. Currently, the Alliance has relationships with over 600 attorneys, legal interns, and paralegals. For the years ended on March 31, 2022 and 2021, there were, respectively, 28,863 and 23,107 hours of pro bono legal services provided.

The Alliance receives significant support from its Board of Directors in the form of contributions and volunteer activities. During the years ended March 31, 2022 and 2021, members of the board of directors contributed approximately $358,000 and $340,000, respectively, in support of the Alliance's operations and program activity.

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 to these children receiving 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 become legal guardians and gain access to services and support each year.

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.

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 a 50% school drop-out rate. 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.

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 foster youth in solutions that affect them, and building the capacity of agencies with training and support, the LA OYC is building partnerships to help foster youth succeed in their education and careers.

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).

NOTE 2 – Summary of Significant Accounting Policies (Continued)

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.

Cash and Cash Equivalents

The Alliance considers all cash and highly liquid financial instruments with purchased 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.

NOTE 2 – Summary of Significant Accounting Policies (Continued)

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, 2022 and 2021.

Furniture and Equipment

The Alliance records furniture and equipment additions over $1,000 at cost, or if donated, at fair value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from three to five years. 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.

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.

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 $241,801 and $40,169, which represent the direct benefit to donors, are netted with special event revenue in the statements of activities for the years ended March 31, 2022 and 2021, 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.

NOTE 2 – Summary of Significant Accounting Policies (Continued)

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, 2022, there were no events or changes in circumstances indicating the carrying amount of long-lived assets may not be recoverable.

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.

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Financial Instruments and Concentration of Credit Risk

Financial instruments that potentially subject the Alliance to credit risk at March 31, 2022 and 2021, 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 FDIC-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. 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.

For the year ended March 31, 2022, contributions from one funding source accounted for 39% of total contributions and 67% of outstanding receivables at March 31, 2022. For the year ended March 31, 2021, contributions from three funding sources totaled 40% of total contributions and 74% of outstanding receivables at March 31, 2021.

Additionally, contributed legal services from one law firm represented 31% and 14% of total contributed legal services for the years ended March 31, 2022 and 2021, respectively.

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 statement requires 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.

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Fair Value of Financial Instruments (Continued)

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.

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, 2022 and 2021, the application of valuation techniques applied to similar assets and liabilities has been consistent.

Recently Adopted Accounting Pronouncement

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit to present contributed nonfinancial assets as a separate line item in the statements of activities, disaggregate the amount of contributed nonfinancial assets by category that depicts the type of nonfinancial assets, and provide additional information related to the monetization, utilization, and valuation of the contributed nonfinancial assets. The Alliance adopted the standard during the year ended March 31, 2022 and included necessary presentation changes and disclosures herein.

Recently Issued Accounting Pronouncement

In February 2016, the FASB issued new lease accounting guidance ASU 2016-02, *Leases* (Topic 842). Under the new guidance, lessees will be required to recognize a lease liability and a right-of-use asset on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statements of activities and functional expenses. The new standard is effective for fiscal years beginning after December 15, 2021, including interim periods withing those fiscal years. The Alliance is currently evaluating the impact of the adoption of the new standard on the financial statements.

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Subsequent Events

Management has evaluated significant events or transactions that have occurred since the balance sheet date through June 30, 2022, which represents the date that the financial statements were available to be issued.

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, 2022 and 2021.

	2022	**2021**
Cash and cash equivalents	$ 2,777,950	$ 2,372,931
Investments	13,755,176	12,612,285
Contributions and grants receivable	2,604,466	2,903,221
Total financial assets	19,137,592	17,888,437
Board designated for programs	(7,100,000)	(6,500,000)
Board designated endowment funds	(4,000,000)	(4,000,000)
Donor-restricted for specific programs	(3,185,195)	(2,563,676)
Long-term grants for core programming	-	(325,000)
	$ 4,852,397	$ 4,499,761

The Alliance considers the donor contributions restricted for core programming that are receivable within the next twelve 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.

NOTE 3 – Financial Assets and Liquidity Resources (Continued)

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.

NOTE 4 – Investments

Assets measured at fair value on a recurring basis at March 31, 2022 consisted of the following:

	Level 1	Level 2	Level 3	Total
Mutual funds	$ 2,362,578	$ -	$ -	$ 2,362,578
Equity securities	5,666,036	-	-	5,666,036
Fixed income	-	5,726,562	-	5,726,562
Total	$ 8,028,614	$ 5,726,562	$ -	$ 13,755,176

Assets measured at fair value on a recurring basis at March 31, 2021 consisted of the following:

	Level 1	Level 2	Level 3	Total
Mutual funds	$ 2,667,817	$ -	$ -	$ 2,667,817
Equity securities	4,707,395	-	-	4,707,395
Fixed income	-	5,237,073	-	5,237,073
Total	$ 7,375,212	$ 5,237,073	$ -	$ 12,612,285

NOTE 5 – Contributions and Grants Receivable

Contributions and grants receivable as of March 31, 2022 are expected to be realized in the following periods:

Due within one year	$ 2,281,212
Due in one to five years	323,254
	$ 2,604,466

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 – Furniture and Equipment

Furniture and equipment consists of the following:

	March 31, 2022	March 31, 2021
Furniture and equipment	$ 989,694	$ 913,941
Less accumulated depreciation	(748,603)	(666,023)
	$ 241,091	$ 247,918

NOTE 7 – PPP Loan Advance

In March 2020, Congress passed the Paycheck Protection Program (PPP) under Division A, Title I of the Coronavirus Aid, Relief, and Economic Security Act, authorizing loans to small businesses for use in paying employees that they continue to employ throughout the COVID-19 pandemic and for rent, utilities, and interest on mortgages. Loans obtained through the program are eligible to be forgiven as long as the proceeds are used for qualifying purposes and certain other conditions are met.

On April 20, 2020, the Alliance received a loan in the amount of $758,400 through the PPP. On April 16, 2021, the Small Business Administration approved forgiveness of the PPP loan in full. The Alliance recognized income from the forgiveness of the PPP loan during the year ended March 31, 2022.

NOTE 8 – Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted as follows:

	March 31, 2021	Additions	Releases	March 31, 2022
Adoption	$ 126,784	$ 235,206	$ (253,084)	$ 108,906
Benefits	191,107	173,951	(246,098)	118,960
Core grants	969,151	488,511	(837,253)	620,409
Education	438,112	646,764	(634,334)	450,542
Guardianship	76,384	156,958	(131,000)	102,342
Healthcare	35,416	125,500	(133,416)	27,500
LA OYC	507,134	743,050	(788,433)	461,751
Policy	444,180	263,058	(401,991)	305,247
Pro Bono & Community Services	42,264	366,112	(86,298)	322,078
Transition-Age Youth (TAY) Services	702,294	1,126,224	(540,649)	1,287,869
Total	$ 3,532,826	$ 4,325,334	$ (4,052,556)	$ 3,805,604

NOTE 9 – Contributed Services and Goods

During the years ended March 31, 2022 and 2021, contributed services and goods consisted of the following:

	Revenue Recognized March 31, 2022	Revenue Recognized March 31, 2021	Valuation Techniques and Inputs
Legal services	$13,874,404	$11,992,719	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
Supplies	$ 5,440	$ 15,066	Wholesale values that would be received for selling similar products

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

NOTE 10 – Commitments and Contingencies

The Alliance leases space under an operating lease expiring in December 2022. The future estimated minimum lease payments required under this operating lease agreement for the year ending March 31, 2023 total $288,558. Rent expense under operating leases for the years ended March 31, 2022 and 2021 amounted to $415,346 and $421,640, respectively.

Business Risks Associated with the Impact of COVID-19

Since the World Health Organization declared COVID-19 a global pandemic on March 11, 2020, the Alliance has continued to prioritize, support, and safeguard the health and wellbeing of staff members, their families, clients, and community members above all else. The Alliance continues to operate remotely or in-person, as allowable, to provide direct services to clients in urgent need. The Alliance has continued to open cases and assist youth and families with housing, education, benefits, healthcare, and other vital legal needs through electronic and telephone communications. The Alliance has also advocated for emergency policy reforms to address youth and families' current needs and barriers.

The Alliance shared crucial information and resources for the community about COVID-19, such as food assistance, health resources including COVID-19 vaccination and testing, education and distance learning, child welfare, and benefits, as well as Federal, State, and County orders. In addition, the Alliance has led trainings and workshops for caregivers, child welfare professionals, and educators.

As the courts, administrative agencies, and schools respond to the changes in protocols due to COVID-19, the Alliance's staff must remain up to date to ensure their clients have access to all the services and benefits they are entitled to receive. The Alliance will continue to address any backlogs created from the closures in adoption, guardianship, and education cases that closed courts and schools have impacted. Moreover, the Alliance will continue to address the short- and long-term impacts of this crisis, including:

- advocating for educational services and therapies to address the learning loss experienced by students with unique needs;
- advocating for youth transitioning out of foster care into a scarcity of jobs and housing; and
- campaigning for a more equitable and just child welfare system.

As COVID-19 cases and hospitalizations continue to decrease, vaccination rates increase, and the state and county reopen more broadly, the Alliance is assessing the options for a safe and appropriate plan for their office.

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, 2022 and 2021 was $115,603 and $97,125, respectively.