Alliance for Children's Rights

Financial Statements

March 31, 2023 and 2022

WINDES
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, 2023 and 2022, 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, 2023 and 2022, 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 28, 2023

ALLIANCE FOR CHILDREN'S RIGHTS

STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2023 AND 2022

ASSETS

	2023	2022
ASSETS		
Cash and cash equivalents	$ 3,383,192	$ 2,777,950
Investments	12,833,757	13,755,176
Contributions and grants receivable	4,269,729	2,604,466
Prepaid expenses and other assets	182,345	190,584
Furniture and equipment, net of accumulated depreciation of $282,765 and $748,603, respectively	337,063	241,091
TOTAL ASSETS	$ 21,006,086	$ 19,569,267

LIABILITIES AND NET ASSETS

	2023	2022
LIABILITIES		
Accounts payable and accrued expenses	$ 675,120	$ 455,587
Agency payables	55,000	286,950
Total liabilities	730,120	742,537
COMMITMENTS AND CONTINGENCIES (NOTE 11)		
NET ASSETS		
Without donor restrictions		
Undesignated	4,055,556	3,921,126
Board-designated for programs	7,100,000	7,100,000
Board-designated endowment	4,000,000	4,000,000
	15,155,556	15,021,126
With donor restrictions	5,120,410	3,805,604
Total net assets	20,275,966	18,826,730
TOTAL LIABILITIES AND NET ASSETS	$ 21,006,086	$ 19,569,267

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

	Without Donor Restrictions	With Donor Restrictions	Total
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	5,202,526	(5,202,526)	-
Total revenue, gains, and other support	24,088,357	1,314,806	25,403,163
EXPENSES			
Program services	21,803,859	-	21,803,859
Management and general	1,077,640	-	1,077,640
Fundraising and development	879,967	-	879,967
Total expenses	23,761,466	-	23,761,466
CHANGE IN NET ASSETS FROM OPERATIONS	326,891	1,314,806	1,641,697
NONOPERATING ACTIVITIES			
Employee Retention Credit (ERC)	383,152	-	383,152
Net investment income loss	(575,613)	-	(575,613)
	(192,461)	-	(192,461)
CHANGE IN NET ASSETS	134,430	1,314,806	1,449,236
NET ASSETS, BEGINNING OF YEAR	15,021,126	3,805,604	18,826,730
NET ASSETS, END OF YEAR	$ 15,155,556	$ 5,120,410	$ 20,275,966

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 FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2023

	Program Services	Management and General	Fundraising and Development	Total
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
Intern, volunteer, and pro bono program	103,045	-	-	103,045
Professional dues, training, and library	75,846	13,069	13,596	102,511
Telephone	73,126	11,515	8,095	92,736
Mileage, travel, and recognition	41,369	28,157	12,642	82,168
Insurance	45,940	7,070	5,890	58,900
Other	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	53,769	8,272	6,894	68,935
	$ 21,803,859	$ 1,077,640	$ 879,967	$ 23,761,466

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
Outside Services: IT, Web, Contractors	305,872	62,377	86,775	455,024
Occupancy	326,876	48,250	40,220	415,346
Youth development services	80,678	-	-	80,678
Printing, postage, and office	49,221	28,827	7,103	85,151
Intern, volunteer, and pro bono program	8,656	-	-	8,656
Professional dues, training, and library	60,683	18,359	20,661	99,703
Telephone	66,520	9,792	8,145	84,457
Mileage, travel, and recognition	13,557	15,185	4,745	33,487
Insurance	45,106	6,565	5,758	57,429
Other	6,477	37,430	-	43,907
Client assessments and services	3,734	-	-	3,734
Community training and seminars	2,275	-	-	2,275
Contributed goods	5,440	-	-	5,440
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

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 1,449,236	$ 1,689,953
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	68,935	82,580
Realized and unrealized losses (gains) on investments	836,095	(470,276)
Forgiveness on PPP loan	-	(758,400)
Noncash contributions of investments	(14,868)	(147,593)
Proceeds from sale of contributed investments	14,263	147,806
Changes in operating assets and liabilities:		
Contributions and grants receivable	(1,665,263)	298,755
Prepaid expenses and other assets	8,239	(12,275)
Accounts payable and accrued expenses	219,533	94,434
Agency payables	(231,950)	228,616
Net Cash Provided By Operating Activities	684,220	1,153,600
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of equipment	(164,907)	(75,753)
Purchases of investments	(214,071)	(672,828)
Sale of investments	300,000	-
Net Cash Used In Investing Activities	(78,978)	(748,581)
NET CHANGE IN CASH AND CASH EQUIVALENTS	605,242	405,019
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,777,950	2,372,931
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 3,383,192	$ 2,777,950

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

ALLIANCE FOR CHILDREN'S RIGHTS

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2023 AND 2022

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 over 5,400 cases for children and young adults who needed our services. Since its founding in 1992, the Alliance has improved the lives of more than 165,000 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 8,000 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 900 attorneys, legal interns, and paralegals. For the years ended on March 31, 2023 and 2022, there were, respectively, 30,464 and 28,863 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, 2023 and 2022, members of the board of directors contributed approximately $339,000 and $358,000, 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 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.

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, 2023 and 2022.

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 $263,194 and $241,801, which represent the direct benefit to donors, are netted with special event revenue in the statements of activities for the years ended March 31, 2023 and 2022, 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, 2023, 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, 2023 and 2022, 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, 2023, contributions from four funding sources accounted for 59% of total contributions and 80% of outstanding receivables at March 31, 2023. For the year ended March 31, 2022, contributions from one funding source totaled 39% of total contributions and 67% of outstanding receivables at March 31, 2022.

Additionally, contributed legal services from two law firms represented 34% of total contributed legal services for the year ended March 31, 2023. For the year ended March 31, 2022, contributed legal services from one law firm represented 31% 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 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, 2023 and 2022, the application of valuation techniques applied to similar assets and liabilities has been consistent.

Leasing Arrangements

In February 2016, the Financial Accounting Standards Board (FASB) issued new lease accounting guidance in Accounting Standards Update (ASU) 2016-02 Leases (Topic 842) (ASU 2016-02), which modifies lease accounting for lessees to increase transparency and comparability by requiring the Company to recognize a lease liability and related right-of-use assets for all leases (with the exception of short-term leases) at the commencement date of the lease and to disclose key information about leasing arrangements.

Effective April 1, 2022, the Alliance adopted ASU 2016-02, including the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allows for the Alliance to account for short-term leases, defined as any lease with a term less than twelve months, by recognizing all components of the lease payment in the statement of activities in the period in which the obligation for the payments is incurred. The Alliance's policy for determining its lease discount rate used measuring lease liabilities is to use the risk-free discount rate, as permitted by U.S. GAAP, determined using a period comparable with that of the lease term.

As all leases of the Alliance qualify as short-term in nature, the adoption of the standard did not have a significant impact on the Alliance's financial statements or disclosures.

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 28, 2023, 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, 2023 and 2022.

	2023	2022
Cash and cash equivalents	$ 3,383,192	$ 2,777,950
Investments	12,833,757	13,755,176
Contributions and grants receivable	4,269,729	2,604,466
Total financial assets	20,486,678	19,137,592
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	(5,120,410)	(3,185,195)
	$ 4,266,268	$ 4,852,397

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, 2023 consisted of the following:

	Level 1	Level 2	Level 3	Total
Mutual funds	$ 2,105,969	$ -	$ -	$ 2,105,969
Equity securities	5,173,563	-	-	5,173,563
Fixed income	-	5,554,225	-	5,554,225
Total	$ 7,279,532	$ 5,554,225	$ -	$ 12,833,757

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

NOTE 5 – Contributions and Grants Receivable

Contributions and grants receivable as of March 31, 2023 are expected to be realized in the following periods:

Due within one year	$ 2,896,475
Due in one to five years	1,373,254
	$ 4,269,729

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, 2023	March 31, 2022
Furniture and equipment	$ 619,828	$ 989,694
Less accumulated depreciation	(282,765)	(748,603)
	$ 337,063	$ 241,091

NOTE 7 – Coronavirus Aid, Relief, and Economic Security (CARES) Act Income

Paycheck Protection Program Grant Income

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, which was approved for forgiveness by the Small Business Administration on April 16, 2021 and recognized as income during the year ended March 31, 2022.

NOTE 7 – Coronavirus Aid, Relief, and Economic Security (CARES) Act Income (Continued)

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 year ended March 31, 2023, the Organization recognized and received $383,152 of ERC claimed under provisions of the CARES Act and TCDTR Act. 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 Organization's claim to the ERC, and it is not possible to determine the impact (if any) this would have upon the Organization.

NOTE 8 – Net Assets With Donor Restrictions

Net assets with donor restrictions 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	$ 3,805,604	$ 6,517,332	$ (5,202,526)	$ 5,120,410

NOTE 9 – Contributed Services and Goods

During the years ended March 31, 2023 and 2022, contributed services and goods consisted of the following:

	Revenue Recognized March 31, 2023	Revenue Recognized March 31, 2022	Valuation Techniques and Inputs
Legal services	$15,377,625	$13,874,404	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	$ 1,500	$ 5,440	Wholesale values that would be received for selling similar products

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 10 – 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, 2023 and 2022 was $144,475 and $115,603, respectively.

NOTE 11 – Commitments and Contingencies

The Alliance leases space under an operating lease agreement, which expires October 2023. The future estimated minimum lease payments required under the agreement for the year ending March 31, 2024 total $147,490. Rent expense under operating leases for the years ending March 31, 2023 and 2022 amount to $393,453 and $415,346, respectively.

In May 2023, the Alliance signed an operating lease agreement for a new space. The lease term is 78 months, with an option to extend for an additional 60 months, beginning when the Alliance takes delivery of the space, which is estimated to be January 2024. Monthly rent will be approximately $47,700, escalating over the term of the lease.