



## **Consolidated Financial Statements**

**June 30, 2024**

# **California Alliance of Child and Family Services**

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**June 30, 2024**

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### **Independent Auditors' Report**

To the Board of Directors  
California Alliance of Child and Family Services

#### **Opinion**

We have audited the accompanying consolidated financial statements of California Alliance of Child and Family Services (a non-profit organization), which comprise the consolidated statement of financial position as of June 30, 2024, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of California Alliance of Child and Family Services as of June 30, 2024, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of California Alliance of Child and Family Services and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Emphasis of Matter**

As discussed in Note 13 to the financial statements, net assets without restrictions as of July 1, 2023, have been adjusted to reflect additional expenses related to a prior year. Our opinion is not modified with respect to this matter.

#### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about California Alliance of Child and Family Services 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 auditor's 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 and *Government 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 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 and *Government 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 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 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.

## **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with

auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2025, on our consideration of California's Alliance of Child and Family Services internal control over financial reporting and on our tests of controls of its compliance with certain laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Organization's internal control over financial reporting and compliance.

*Gilmore & Associates LLP*

San Mateo, California  
March 31, 2025

**California Alliance of Child and Family Services**

**Consolidated Statement of Financial Position**

**June 30, 2024**

**Assets**

**Current assets**

Cash	\$	6,802,982
Accounts receivable, net		164,459
Grants and contributions receivable		2,946,447
Other receivable		8,800
Investments		1,010,495
Advance payments to subrecipients		433,236
Prepaid expenses		460,452
		<hr/>
		11,826,871

<b>Property and equipment, net</b>	54,476
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**Other assets**

Operating lease right-of-use asset	<hr/> 28,451
	<hr/> \$ 11,909,798

**Current liabilities**

Accounts payable	\$ 545,981
Accrued payroll and benefits	396,973
Other accrued expenses	21,300
Claims payable to providers	116,612
Due to subrecipients	660,457
Deferred revenue	2,035,616
Refundable advances	794,183
Operating lease liability	<hr/> 28,261
	<hr/> 4,599,383

**Net assets**

Without donor restrictions	7,213,626
With donor restrictions	<hr/> 96,789
	<hr/> 7,310,415
	<hr/> \$ 11,909,798

See accompanying notes.

**California Alliance of Child and Family Services**

**Consolidated Statement of Activities and Changes in Net Assets**

**Year Ended June 30, 2024**

	<u>Without Restrictions</u>	<u>With Restrictions</u>	<u>Total</u>
<b>Revenue and support</b>			
Membership dues	\$ 1,926,361	\$ -	\$ 1,926,361
Training and conferences	485,634	-	485,634
ECM claims administrative fee	216,543	-	216,543
ECM Outreach revenue	4,459,135	-	4,459,135
Contributions			
Public support grants	7,854,250	-	7,854,250
Contributions and grants	6,759	-	6,759
Investment return, net	108,055	-	108,055
Other revenue	164,395	-	164,395
Net assets released from restrictions	<u>278,019</u>	<u>(278,019)</u>	<u>-</u>
	15,499,151	(278,019)	15,221,132
<b>Expenses</b>			
Program services	8,711,815	-	8,711,815
Management and general	1,204,847	-	1,204,847
Fundraising expenses	67,733	-	67,733
	<u>9,984,395</u>	<u>-</u>	<u>9,984,395</u>
<b>Changes in net assets</b>	<b>5,514,756</b>	<b>(278,019)</b>	<b>5,236,737</b>
Net assets, beginning of year			
as previously stated	1,752,870	374,808	2,127,678
Prior period adjustment	<u>(54,000)</u>	<u>-</u>	<u>(54,000)</u>
Net assets, beginning of year, as restated	<u>1,698,870</u>	<u>374,808</u>	<u>2,073,678</u>
<b>Net assets, end of year</b>	<b>\$ <u>7,213,626</u></b>	<b>\$ <u>96,789</u></b>	<b>\$ <u>7,310,415</u></b>

See accompanying notes.

# California Alliance of Child and Family Services

## Consolidated Statement of Functional Expenses

Year Ended June 30, 2024

	Program Services									Total Expenses	
	Advocacy		Member Services		Catalyst Center Services		Full Circle Health Network		Management and General		
	Advocacy	Training	Member Services	Advocacy	Training	Catalyst Center Services	Full Circle Health Network	Total	Management and General	Fundraising	
<b>Payroll</b>											
Salaries and wages	\$ 437,990	\$ 40,957	\$ 346,925	\$ 1,341,885	\$ 1,215,227	\$ 3,382,984	\$ 607,952	\$ 32,127	\$ 4,023,063		
Employee benefits	59,631	4,004	47,233	131,178	118,796	360,842	82,039	3,141	446,022		
Payroll taxes	35,787	3,187	28,346	104,413	94,558	266,291	49,600	2,500	318,391		
Total payroll costs	<u>533,408</u>	<u>48,148</u>	<u>422,504</u>	<u>1,577,476</u>	<u>1,428,581</u>	<u>4,010,117</u>	<u>739,591</u>	<u>37,768</u>	<u>4,787,476</u>		
<b>Operations</b>											
Board of directors and committees expenses	8,148	-	6,454	-	-	14,602	10,956	-	25,558		
Business insurance	1,035	376	820	12,318	11,155	25,704	1,567	295	27,566		
Credit losses	2,708	77	2,145	2,533	2,294	9,757	3,677	61	13,495		
Depreciation	2,894	192	2,292	6,307	5,711	17,396	3,981	151	21,528		
Dues and subscriptions	18,486	1,282	14,643	41,987	38,024	114,422	25,453	1,005	140,880		
Equipment rental and maintenance	7,175	-	5,683	-	-	12,858	9,647	-	22,505		
Member conferences	145,405	-	115,173	-	-	260,578	195,505	-	456,083		
Merchant fees	7,184	14	5,691	453	411	13,753	9,666	11	23,430		
Miscellaneous	2,574	1,973	2,039	64,649	58,547	129,782	4,378	1,548	135,708		
Office supplies	759	342	602	11,215	10,156	23,074	1,175	268	24,517		
Operating lease expenses	15,489	-	12,269	-	-	27,758	20,824	-	48,582		
Payments to subrecipients	-	-	-	-	1,682,156	1,682,156	-	-	1,682,156		
Postage and shipping	193	34	153	1,117	1,011	2,508	275	27	2,810		
Professional services	85,582	24,306	67,788	796,343	721,178	1,695,197	126,374	19,066	1,840,637		
Public relations	5,343	804	4,232	26,335	23,849	60,563	7,558	631	68,752		
Staff travel	22,751	2,814	18,021	92,197	83,494	219,277	31,899	2,207	253,383		
Telecommunications	6,829	227	5,409	7,427	6,726	26,618	9,287	178	36,083		
Training programs	265	3,853	210	126,226	114,312	244,866	2,148	3,022	250,036		
Indirect expenses	-	1,905	-	62,407	56,517	120,829	886	1,495	123,210		
Total operations	<u>332,820</u>	<u>38,199</u>	<u>263,624</u>	<u>1,251,514</u>	<u>2,815,541</u>	<u>4,701,698</u>	<u>465,256</u>	<u>29,965</u>	<u>5,196,919</u>		
<b>Total expenses</b>	<b>\$ 866,228</b>	<b>\$ 86,347</b>	<b>\$ 686,128</b>	<b>\$ 2,828,990</b>	<b>\$ 4,244,122</b>	<b>\$ 8,711,815</b>	<b>\$ 1,204,847</b>	<b>\$ 67,733</b>	<b>\$ 9,984,395</b>		

See accompanying notes.

**California Alliance of Child and Family Services**

**Consolidated Statement of Cash Flows**

**Year Ended June 30, 2024**

**Cash flows from operating activities**

Change in net assets	\$ 5,236,737
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	21,529
Loss (gain) (realized and unrealized) on investments	(81,841)
Loss on disposal of equipment	(2,965)
Changes in operating assets and liabilities:	
(Increase) decrease in:	
Accounts receivable	1,116,104
Grants and contributions receivable	(2,696,447)
Other receivable	(8,800)
Deferred contract costs	-
Advance payments to subrecipients	(433,236)
Prepaid expenses	(224,572)
Operating lease right-of-use assets	47,956
Increase (decrease) in:	
Accounts payable	111,699
Accrued payroll and benefits	239,450
Other accrued expenses	9,834
Claims payable to providers	116,612
Due to subrecipients	660,457
Deferred revenue	1,792,903
Refundable advances	794,183
Operating lease liabilities	<u>(47,903)</u>
<b>Net cash provided by operating activities</b>	<b>6,651,700</b>

**Cash flows from investing activities**

Purchase of property and equipment	(34,879)
Purchase of investments, including short term liquid investments	(799,349)
Proceeds from sale of investments	<u>777,816</u>
<b>Net cash (used by) investing activities</b>	<b><u>(56,412)</u></b>

**Net increase in cash** 6,595,288

**Cash, beginning of year** 207,694

**Cash, end of year** \$ 6,802,982

See accompanying notes.

# California Alliance of Child and Family Services

## Notes to Consolidated Financial Statements

June 30, 2024

### Note 1 – Organization and Summary of Significant Accounting Policies

The Organization – California Alliance of Child and Family Services (“the Alliance”) is a nonprofit mutual benefit corporation representing child and family service organizations throughout California. The Alliance’s primary program activities are member advocacy, executive support, conferences, and other opportunities for training and professional development in accordance with regulatory and organizational standards. The Alliance’s member agencies provide a full array of services to children, youth and families often served through public systems. Among the services they provide are prevention, home and community-based care, adoption, resource families, behavioral health, residential and education services.

Children’s Services Foundation (“the Catalyst Center”) is a nonprofit public benefit corporation organized and operated exclusively CA for charitable purposes in California. The Catalyst Center’s primary purpose is to provide education and training, research, sharing of resources and research findings, provide technical assistance, and promulgate standards and establish guidelines for best practice, all with the primary goal of improved services to children and families.

Full Circle Health Network (“Full Circle”) is a single member LLC formed to create an integrated network of community-based organizations across California that delivers coordinated services to vulnerable children, individuals, and families. Full Circle exists so vulnerable children and families across California can access high quality, culturally congruent, and trauma-informed care that addresses their unique needs. Full Circle mission is to provide infrastructure and support that enables community-based organizations to connect with Medi-Cal payers and public systems working to positively impact children and families.

Principles of consolidation – The accompanying consolidated financial statements include the accounts of the Alliance, Catalyst Center, and Full Circle. The Alliance and the Catalyst Center are under the common control of the Alliance’s Board of Directors. Full Circle is a subsidiary LLC of the Catalyst Center. All significant intercompany accounts have been eliminated in consolidation.

Basis of accounting – The consolidated financial statements are prepared on the accrual basis of accounting.

# California Alliance of Child and Family Services

## Notes to Consolidated Financial Statements

June 30, 2024

### Note 1 – Organization and Summary of Significant Accounting Policies (continued)

Basis of presentation – The Alliance classifies its net assets for accounting and reporting purposes into two classes, according to externally imposed restrictions:

Net assets without restrictions - Net assets that are not subject to donor-imposed stipulations, which represent the expendable resources that are available for operations at management's discretion. Assets restricted solely through the action of the Board (board-designated) are reported as net assets without donor restriction.

Net assets with restrictions - Net assets subject to donor-imposed stipulations. These include both restrictions that can be fulfilled by actions of the Alliance pursuant to those stipulations or that expire by the passage of time, and donor-imposed stipulations that are to be maintained permanently by the Alliance. Generally, the donors of assets with permanent restrictions permit the Alliance to use all or part of the income earned on the assets.

Accounts receivable - Accounts receivable are stated at the amount management expects to collect from outstanding balances. See Note 2.

Contribution receivable - Unconditional contributions that are expected to be collected within one year are recorded at net realizable value. Unconditional contributions to be collected in future years are recorded at fair value, which is measured at the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the year in which the promises are received.

Investments - The Alliance values its investments at fair value. Gains and losses (including investments bought, sold, and held during the year) are reflected in the consolidated statement of activities as investment return, net. Short term highly liquid bank deposits held in investment accounts and not used for operations are treated as investments.

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

Level 1 inputs – unadjusted quoted prices on active markets for identical assets

Level 2 inputs – observable inputs other than quoted prices for identical assets

Level 3 inputs – estimates using the best information available when there is little or no market

# California Alliance of Child and Family Services

## Notes to Consolidated Financial Statements

June 30, 2024

### Note 1 – Organization and Summary of Significant Accounting Policies (continued)

The Alliance is required to measure certain investments at fair value. The Alliance uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Alliance measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value.

Property and equipment - Property and equipment are stated at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the property and equipment. Additions with a cost of less than \$1,000 are expensed.

#### Revenue recognition

Membership dues - The Alliance satisfies performance obligations and records membership dues revenue ratably over the life of the one-year membership term, as members simultaneously receive and consume the benefits of the membership. Management believes that recognizing performance obligation over time is a best measure of progress toward complete satisfaction of the membership performance obligation. These arrangements give rise to contract liabilities (deferred revenue). Contract liabilities are recognized as revenue as performance obligations are satisfied. For the year ended June 30, 2024 deferred membership dues were \$282,011. See Note 7.

Training and conference fees - In addition to membership dues income, the Alliance provides training and conferences for its members. The training and conference fees are recognized as revenue at the point the events are held, when ownership risk and rewards are transferred to the members. Training and conference fees paid in advance give rise to contract liabilities (deferred revenue). For the year ended June 30, 2024 deferred training and conference fees were \$165,682. See Note 7.

Managed care claims - Full Circle has agreements with certain Medi-Cal managed health care plans. Under these agreements the Full Circle recognizes managed claims revenue related to revenue cycle-management and outreach services provided to the community-based providers participating in the Medi-Cal managed care program.

For claims-related revenue cycle-management services, Full Circle receives payments from Health Plans and retains a 10% administrative fee for its services, while 90% of the collected amounts are passed through to the providers. In accordance with ASC 606, revenue from these arrangements is recognized on a net basis, reflecting only the administrative fee retained by Full Circle, as the Company acts as an agent in these transactions.

# California Alliance of Child and Family Services

## Notes to Consolidated Financial Statements

June 30, 2024

### Note 1 – Organization and Summary of Significant Accounting Policies (continued)

For outreach services performed directly by Full Circle, where the Organization is the principal and delivers the service itself, revenue is recognized on a gross basis for the full amount of claims revenue associated with those services.

Contract liabilities are recognized as revenue as performance obligations are satisfied. For the year ended June 30, 2024 claims-related deferred revenue was \$1,587,923. See Note 7.

Contributions – Unconditional contributions are recognized as revenue in the period received. Conditional contributions – that is, those with measurable performance of other barriers and a right of return – are not recognized until the conditions on which they depend have been met. Contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Government grants and contracts that serve the general public are treated as conditional contributions if they include a barrier and a right of return or a right of release of the promisor's obligation. Revenue is recognized when a specific barrier is overcome (when performance goals are met or qualifying expenditures are incurred). Conditional contributions received in advance are accounted for as refundable advances until the conditions have been substantially met.

The Alliance reports cash contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. The Alliance has adopted a policy to classify donor restricted contributions as without donor restrictions if the restrictions are met in the reporting period.

Donated services - Donated services are recognized as contributions if the services (a) create or enhance financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Alliance.

Income taxes - The Alliance and Catalyst Center are exempt from taxation under Internal Revenue Code Section 501(c)(6) and 501(c)(3), respectively, and California Revenue and Taxation Code Section 23701(d). Full Circle is a single member LLC exempt from federal and state income taxes. For California tax purposes, Full Circle pays an \$800 annual LLC tax plus a fee based on its total revenues.

# California Alliance of Child and Family Services

## Notes to Consolidated Financial Statements

June 30, 2024

### Note 1 – Organization and Summary of Significant Accounting Policies (continued)

Sub-recipient grants - The Alliance receives pass-through grants from federal agencies. Revenue from these grants is reported in the accompanying Consolidated Statement of Activities as public support grants. Amounts passed through to subrecipients are reported as subrecipient grants in the accompanying Consolidated Statement of Functional Expenses. Federal grants are listed in the accompanying supplemental Schedule of Expenditures of Federal Awards.

Cost allocation - The costs of providing the various programs and activities have been summarized on a functional basis in the consolidated statement of activities. Accordingly, indirect costs have been allocated among the programs and supporting services on a basis proportionate to direct staff time or other method which best measures the relative degree of benefit.

Use of estimates - The preparation of consolidated financial statements in conformity with the accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent events - Management has evaluated subsequent events through March 31, 2025, the date on which the financial statements were available to be issued. See Notes 11 and 14.

### Note 2 – Allowance for Credit Losses

Management provides for expected credit losses through a charge to earnings and a credit to a valuation allowance based on historical experience, current conditions, and reasonable and supportable forecasts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

As of June 30, 2024, the Alliance estimated that its allowance for credit losses is \$15,000. Changes in the valuation allowance have not been material to the financial statements.

# California Alliance of Child and Family Services

## Notes to Consolidated Financial Statements

June 30, 2024

### Note 3 – Investments

The fair value of securities has been measured on a recurring basis using quoted prices for identical assets in active markets (Level 1 inputs). The table below represents the balances of investments measured at fair value as of June 30, 2024:

Equities	\$ 647,968
Corporate bonds	318,203
Real estate stock	11,680
Bank deposits	<u>32,644</u>
	\$ <u>1,010,495</u>

Net investment return for the year ended June 30, 2024, included in the consolidated financial statement of activities is summarized as follows:

Interest and dividends	\$ 28,967
Net realized and unrealized gains	81,841
Investment expenses	<u>(2,753)</u>
	\$ <u>108,055</u>

All investment return is classified without restriction in the consolidated statement of activities.

### Note 4 – Fair Value Measurements

Fair values of assets measured on a recurring basis at June 30, 2024, are as follows:

	Quoted Priced in Active Markets for Identical Assets (Level 1)
Investments	\$ <u>1,010,495</u>

# California Alliance of Child and Family Services

## Notes to Consolidated Financial Statements

June 30, 2024

### Note 5 – Property and Equipment

As of June 30, 2024, property and equipment consist of the following:

	Useful Life	
Equipment	3-8	\$ 126,870
Accumulated depreciation and amortization		<u>(72,394)</u>
		\$ <u><u>54,476</u></u>

### Note 6 – Restrictions on Net Assets

Net assets with donor restrictions consists of the following for the year ended June 30, 2024:

	Beginning Balance	Contributions	Released from Restriction	Ending Balance
Conrad N. Hilton Foundation grant	<u>374,808</u>	<u>-</u>	<u>(278,019)</u>	<u>96,789</u>
Total	\$ <u><u>374,808</u></u>	\$ <u><u>-</u></u>	\$ <u><u>(278,019)</u></u>	\$ <u><u>96,789</u></u>

### Note 7 – Revenue Recognition and Deferred Revenue

The timing of revenue recognition for membership dues and conferences and training fees, and related billings and cash collections, results in billed accounts receivable and deferred revenue (contract liabilities) on the consolidated Statement of Financial Position.

The balance of dues receivable, a component of accounts receivable, are as follows:

	June 30, 2024	June 30, 2023
Membership dues receivable, net	\$ <u><u>143,451</u></u>	\$ <u><u>119,665</u></u>

# California Alliance of Child and Family Services

## Notes to Consolidated Financial Statements

**June 30, 2024**

### Note 7 – Revenue Recognition and Deferred Revenue (continued)

The table below shows the activity in deferred membership dues, training and conferences fees and ECM Claims fees paid in advance for the year ended June 30, 2024:

	Deferred Membership Dues	Training and Conference Fees	ECM Claims Fees	Total Deferred Revenue
Balance as of June 30, 2023	\$ 74,408	\$ 168,305	\$ -	\$ 242,713
Previously deferred revenue recognized	(74,408)	(168,305)	-	(242,713)
Cash received	2,133,964	483,011	6,355,628	8,972,603
Current revenue recognized	(1,851,953)	(317,329)	(4,767,705)	(6,936,987)
Balance as of June 30, 2024	<u>\$ 282,011</u>	<u>\$ 165,682</u>	<u>\$ 1,587,923</u>	<u>\$ 2,035,616</u>

### Note 8 – Information Regarding Liquidity and Availability

The Alliance strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. Financial assets in excess of daily cash requirements are invested in money market funds and other short-term investments.

The following table reflects the Alliance's financial assets as of June 30, 2024. Amounts not available may include board designated funds, which if the need arises could be drawn upon through board resolution. Amounts not available to meet general expenditures within one year also may include net assets with donor restrictions.

Financial assets at year end:

Cash and cash equivalents	\$ 6,802,982
Investments	1,010,495
Accounts receivable	<u>164,459</u>
	<u>7,977,936</u>

Less amounts not available to be used within one year

Net assets with donor restrictions	<u>(96,789)</u>
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Financial assets available to meet cash needs for  
general expenditures within one year

\$ 7,881,147

# California Alliance of Child and Family Services

## Notes to Consolidated Financial Statements

**June 30, 2024**

### **Note 9 – Retirement Plans**

The Alliance participates in a defined contribution profit-sharing plan under IRC 401(k). All employees aged twenty-one and older who have completed one year of service are eligible to participate in the plan. Participants may contribute up to maximum amount permitted by law. The Alliance contributes employer base contribution equal to 4% of participant's compensation to each participant's account regardless of the participant's voluntary contribution. The Alliance contributes matching employer contribution equal to 100% of participant's voluntary contribution not to exceed 3% of participant's compensation during the year. Employer contributions under this plan for the year ended June 30, 2024 were \$143,998. Participants' accounts are fully vested from the date of participation in the plan.

In addition, the Alliance has a 457(b) Eligible Deferred Compensation Plan for its Executive Director. Total contributions to the Plan for the year ended June 30, 2024 were \$8,800.

### **Note 10 – Concentrations**

#### Credit risk

The Alliance maintains cash balances and money market accounts at various financial institutions, which are FDIC insured up to the limits allowed by law. At times such balances may exceed the insurance limit. The Alliance has not experienced any losses in such accounts, and management believes the Alliance is not exposed to any significant credit risk related to cash.

Credit risk associated with accounts receivable is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from governmental agencies and foundations that support the Alliance's mission. Investments are managed by an investment manager in a diversified portfolio whose performance is monitored by the Board of Directors. Although the fair value of investments is subject to fluctuations on a year-to-year basis, the Board of Directors believe that the investment policies and guidelines are prudent for the long-term welfare of the Alliance.

#### Major customers

As of June 30, 2024, contract revenue from one government agency accounted for approximately \$2,587,000 or 17% of total revenue. At June 30, 2024, the accounts receivable due from this agency was approximately \$467,000 or 16% of total accounts receivable.

## California Alliance of Child and Family Services

### Notes to Consolidated Financial Statements

**June 30, 2024**

#### **Note 11 – Leases**

The Alliance leases its office facility under an operating lease agreement that was scheduled to expire on January 31, 2025. In November 2024, the Organization extended the lease for additional three years with a new expiration date of January 31, 2028. Monthly payments range from \$4,172 to \$4,426 and the lease provides for increases in future minimum annual rental payments.

The weighted-average discount rate is based on the discount rate implicit in the lease. The Alliance elected the option to use the risk-free rate determined using a period comparable to the lease terms as the discount rate for leases where the implicit rate is not readily determinable. When applicable, the Alliance includes renewal options in the determination of right-of-use assets and lease liabilities, when the options are reasonably certain to be exercised.

Total right-of-use assets and lease liabilities at June 30, 2024 are shown on the consolidated Statement of Financial Position as follows:

Other assets - Operating lease right-of-use asset	\$ <u>28,451</u>
Current liabilities - Operating lease liability	\$ 28,261
Long term liabilities - Operating lease liability	<u>-</u>
	\$ <u>28,261</u>

The operating lease cost for the year ended June 30, 2024 was \$48,584.

The following summarizes the weighted-average remaining lease term and weighted-average discount rate for the year ended June 30, 2024:

Weighted-average remaining lease term in years	0.58
Weighted-average discount rate	1.25 %

#### **Note 12 – Contingencies**

The Alliance's grants and contracts are subject to inspection and audit by the appropriate government funding agencies. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously funded program costs. The ultimate liability, if any, which may result from these governmental audits cannot be reasonably estimated, and the Alliance has no provision for the possible disallowance of program costs on its consolidated financial statements.

# California Alliance of Child and Family Services

## Notes to Consolidated Financial Statements

**June 30, 2024**

### **Note 13 – Prior Period Adjustment**

The Alliance has adjusted net assets without restrictions related to Full Circle as of July 1, 2023, to reflect \$54,000 of additional consulting expenses which were payable as of June 30, 2023. Previously issued financial statements have been restated to reflect this adjustment.

### **Note 14 – Subsequent Events**

In August 2023, the Board approved a proposal for Full Circle to cease being a subsidiary of Catalyst Center and become part of a new California public benefit corporation named Full Circle Health Network, Inc. (“FCHNI”). In January 2025, the Board approved the transfer of Full Circle to FCHNI. The transition plan is expected to be completed after July 1, 2025.

The transfer removes Full Circle programs from under Catalyst Center, whose services provided are substantially different than those of Full Circle and required to be provided by an independent organization with its own governing board. The mission of FCHNI, which will be exempt from taxation under Internal Revenue Code Section 501(c)(3), is substantially the same as Full Circle.

The Alliance has not yet determined the values of the assets to be transferred and liabilities to be assumed. As of June 30, 2024, and for the year then ended, the consolidated financials include the following amounts related to Full Circle:

Cash	\$ 6,444,569
Accounts receivable	971,905
Advanced payments to subrecipients	351,749
Fixed assets, net	23,625
<b>Total assets</b>	<b>\$ 7,768,223</b>
Accounts payable	\$ (172,769)
Accrued expenses	(117,713)
Payable to subrecipients	(660,457)
Claims payable to providers	(135,013)
Deferred revenues	(2,382,106)
<b>Total liabilities</b>	<b>\$ (3,468,058)</b>
Revenues	\$ 8,995,459
<b>Change in net assets</b>	<b>\$ 4,751,337</b>

See Note 11 for a subsequent event involving leases.

## **Supplementary Information**

## California Alliance of Child and Family Services

### Schedule of Expenditures of Federal Awards

**Year Ended June 30, 2024**

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Entity Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total Federal Expenditures</u>	<u>Legal Entity</u>
<b>U.S. Department of Health &amp; Human Services:</b>					
Passed Through State of California Department of Health Care Services Capacity and Infrastructure, Transition, Expansion and Development Program Round 1	93.778	JE73CDQUAPA7	\$ -	\$ 1,259,803	Full Circle
Passed Through State of California Department of Health Care Services Capacity and Infrastructure, Transition, Expansion and Development Program Round 2	93.778	JE73CDQUAPA7	1,116,012	1,327,592	Full Circle
Passed Through State of California Department of Health Care Services					
California Advancing and Innovating Medi-Cal Incentive Payment Program (IPP)					
Alameda Alliance for Health (Medical Managed Care Plan)	93.778	-	76,207	125,070	Full Circle
Nor-Cal Kaiser Foundation Health Plan	93.778	-	-	41,779	Full Circle
Sacramento County, Kaiser, Molina	93.778	-	11,865	42,615	Full Circle
Kaiser Permanente Health Plan	93.778	-	-	100,134	Full Circle
San Diego, Molina, Community Health Group, Blue Shield	93.778	-	<u>195,000</u>	<u>356,596</u>	Full Circle
			1,399,084	3,253,589	
Passed Through State of California Department of Health Care Services					
Block Grant for Community Mental Health Services	93.958	21-10338	-	626,317	Catalyst
Total U.S. Department of Health and Human Services			<u>1,399,084</u>	<u>3,879,906</u>	
Total Expenditures of Federal Awards			<u>\$ 1,399,084</u>	<u>\$ 3,879,906</u>	

## **California Alliance of Child and Family Services**

### **Schedule of Expenditures of Federal Awards**

**Year Ended June 30, 2024**

#### **Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Children's Services Foundation dba Catalyst Center and Full Circle Health Network LLC, the subsidiaries of the California Alliance of Child and Family Services, under programs of the federal government for the year ended June 30, 2024. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of California Alliance of Child and Family Services, it is not intended to and does not present the financial position, changes in net assets, or cash flows of California Alliance of Child and Family Services.

Only Full Circle directly expended more than \$750,000 in federal grants during the fiscal year ended June 30, 2024. Accordingly, Full Circle is the designated auditee for the purposes of the Single Audit and is responsible for filing the required Data Collection Form with the Federal Audit Clearinghouse.

#### **Note 2 - Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

#### **Note 3 – Indirect Cost Rate**

California Alliance of Child and Family Services has chosen to negotiate indirect costs rates rather than electing to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.



**Independent Auditors' Report on Internal Control over Financial Reporting and  
on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with Government Auditing Standards**

**To the Board of Directors  
California Alliance of Child and Family Services**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of California Alliance of Child and Family Services (“the Alliance”), which comprise the statement of financial position as of June 30, 2024, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 31, 2025.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Alliance’s internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purposes of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Alliance’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Alliance’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged in governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2024-01, that we consider to be a significant deficiency.

**CERTIFIED PUBLIC ACCOUNTANTS**

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411 BOREL AVENUE, SUITE 501 SAN MATEO, CA 94402 (650) 432-6110 FAX (650) 432-6116

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Alliance's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **The Alliance's Response to Findings**

*Governmental Auditing Standards* require the auditor to perform limited procedures on the Alliance's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Alliance's response was not subjected to the other auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on the response.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Alliance's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Alliance's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Gilmore & Associates LLP". The signature is fluid and cursive, with "Gilmore & Associates" on the top line and "LLP" on the bottom line.

San Mateo, California  
March 31, 2025



## **Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance**

**To the Board of Directors  
California Alliance of Child and Family Services  
Report on Compliance for Each Major Federal Program**

### ***Opinion on Each Major Federal Program***

We have audited California Alliance of Child and Family Services' ("Alliance") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Alliance's major federal programs for the year ended June 30, 2024. Alliance's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, California Alliance of Child and Family Services complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

### ***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of California Alliance of Child and Family Services and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Alliance's compliance with the compliance requirements referred to above.

### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Alliance's federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Alliance's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Alliance's compliance with the requirements of each major federal program as a whole. In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Alliance's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Alliance's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Alliance's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control over Compliance**

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Gilmore & Associates LLP*

San Mateo, California  
March 15, 2025

# California Alliance of Child and Family Services

## Schedule of Findings and Questioned Costs

Year Ended June 30, 2024

### **Summary of Auditors' Results**

1. The auditors' report expresses an unmodified opinion on the consolidated financial statements of California Alliance of Child and Family Services.
2. One significant deficiency related to the audit of the consolidated financial statements is reported in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. No material weaknesses are reported.
3. No instances of non-compliance material to financial statements of California Alliance of Child and Family Services, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by Uniform Guidance.
5. The auditors report on compliance for the major federal award programs for California Alliance of Child and Family Services expresses an unmodified auditors' report on all major programs.
6. No audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) were identified.
7. The programs tested as major programs include:

CFDA #93.778 – Medical Assistance Program	\$ 3,253,589
CFDA #93.958 – Block Grants for Community Mental Health	\$ 626,317

8. The dollar threshold used to distinguish between type A and type B programs is \$750,000.
9. California Alliance of Child and Family Services was determined not to be a low-risk auditee.

### **Financial Statement Findings**

#### 2004-01 – Prior period adjustment

Condition: \$54,000 of expenses related to Full Circle were not recorded for the period ended June 30, 2023, and were not included in accounts payable as of June 30, 2023.

**California Alliance of Child and Family Services**

**Schedule of Findings and Questioned Costs**

**Year Ended June 30, 2024**

**Criteria:** Internal controls should be in place to ensure all expenses incurred as of year-end are appropriately recorded in the correct reporting period, in accordance with generally accepted accounting principles.

**Cause:** Existing internal controls did not detect the omission of a \$54,000 expense and related payable in the prior fiscal year.

**Effect:** As a result, net assets were overstated and liabilities were understated as of June 30, 2023. A prior period adjustment was recorded in the current year to reduce beginning unrestricted net assets by \$54,000 as of July 1, 2023.

**Recommendation:** We recommend that the Organization implement enhanced year-end closing procedures to ensure all accounts payable are identified and recorded in the proper reporting period.

**Views of Responsible Officials and Planned Corrective Actions:** Management agrees with the finding. The error was discovered during early 2025 and has been corrected through a prior period adjustment in the fiscal year 2024 financial statements. Additional procedures have been implemented, including a more detailed review of year-end obligations and vendor activity, to help prevent similar errors in the future.

**Findings and Questioned Costs – Major Federal Awards Program Audit**

No matters were reported.