HARRINGTON GROUP
CERTIFIED PUBLIC ACCOUNTANTS, LLP

FOOTHILL FAMILY SERVICE

FINANCIAL STATEMENTS
and
SUPPLEMENTARY INFORMATION

JUNE 30, 2023

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C O N T E N T S

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Foothill Family Service

Opinion

We have audited the accompanying financial statements of Foothill Family Service (a nonprofit organization), which comprise the Statement of Financial Position as of June 30, 2023, and the related Statements of Activities, Functional Expenses, and Cash Flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Foothill Family Service as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Foothill Family Service 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 opinions.

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 Foothill Family Service'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, *Government Auditing Standards*, and the Uniform Guidance 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, *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 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 Foothill Family Service'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 Foothill Family Service'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.

Other Matter

Report on Summarized Comparative Information

We have previously audited Foothill Family Service's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 16, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2023, on our consideration of Foothill Family Service's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Foothill Family Service'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 Foothill Family Service's internal control over financial reporting and compliance.

Harrington Group

Pasadena, California
November 7, 2023

FOOTHILL FAMILY SERVICE

STATEMENT OF FINANCIAL POSITION
June 30, 2023
With comparative totals at June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	**2023**	2022
ASSETS				
Cash and cash equivalents (Note 2)	$ 5,945,786	$ 188,361	**$ 6,134,147**	$ 7,604,390
Accounts receivables (Note 4)	4,341,798		**4,341,798**	2,926,980
Pledges receivable (Note 5)	365,539	200,896	**566,435**	772,445
Prepaid expenses and other current assets	393,131		**393,131**	359,660
Investments (Note 6)	10,198,933	635,625	**10,834,558**	9,935,657
Property and equipment (Note 8)	16,422,087		**16,422,087**	14,814,809
Right-of-use assets - operating leases (Note 14)	1,333,145		**1,333,145**	-
TOTAL ASSETS	$ 39,000,419	$ 1,024,882	**$ 40,025,301**	$ 36,413,941
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts payable (Note 9)	$ 7,311,332	$ -	**$ 7,311,332**	$ 6,350,399
Accrued and other current liabilities (Note 10)	4,601,374		**4,601,374**	3,845,600
Government owned assets (Note 8)	2,223,966		**2,223,966**	233,321
Bonds payable (Note 12)	6,590,532		**6,590,532**	8,312,032
Right-of-use liabilities - operating leases (Note 14)	1,335,509		**1,335,509**	-
TOTAL LIABILITIES	22,062,713	-	**22,062,713**	18,741,352
NET ASSETS				
Without donor restrictions	16,937,706		**16,937,706**	16,547,071
With donor restrictions (Note 13)		1,024,882	**1,024,882**	1,125,518
TOTAL NET ASSETS	16,937,706	1,024,882	**17,962,588**	17,672,589
TOTAL LIABILITIES AND NET ASSETS	$ 39,000,419	$ 1,024,882	**$ 40,025,301**	$ 36,413,941

FOOTHILL FAMILY SERVICE

STATEMENT OF ACTIVITIES
For the year ended June 30, 2023
With comparative totals for the year ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	2023	2022
REVENUE AND SUPPORT				
Program and contracts	$ 30,157,147	$ -	**$ 30,157,147**	$ 27,093,020
Contributions	2,381,544		**2,381,544**	2,196,764
Investment gain (loss)	752,595	6,565	**759,160**	(1,029,852)
In-kind donations (Note 2)	156,260	505,891	**662,151**	696,823
Special events (net of expenses of $147,007)	202,260		**202,260**	234,303
Other income	5,741		**5,741**	17,866
Net assets released from restrictions (Note 13)	613,092	(613,092)	**-**	-
TOTAL REVENUE AND SUPPORT	34,268,639	(100,636)	**34,168,003**	29,208,924
EXPENSES				
Program services	28,252,578		**28,252,578**	25,280,008
Management and general	4,560,929		**4,560,929**	4,088,402
Fund development	1,064,497		**1,064,497**	933,393
TOTAL EXPENSES	33,878,004	-	**33,878,004**	30,301,803
CHANGE IN NET ASSETS	390,635	(100,636)	**289,999**	(1,092,879)
NET ASSETS, BEGINNING OF YEAR	16,547,071	1,125,518	**17,672,589**	18,765,468
NET ASSETS, END OF YEAR	$ 16,937,706	$ 1,024,882	**$ 17,962,588**	$ 17,672,589

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

FOOTHILL FAMILY SERVICE

STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2023
With comparative totals for the year ended June 30, 2022

	Program Services	Management and General	Fund Development	Total Expenses 2023	Total Expenses 2022
Salaries	$ 14,294,494	$ 2,954,401	$ 600,767	**$ 17,849,662**	$ 16,123,603
Employee benefits	4,018,291	830,433	168,432	**5,017,156**	4,416,560
Total personnel costs	18,312,785	3,784,834	769,199	**22,866,818**	20,540,163
Supplies and printing	2,725,260	247,110	56,703	**3,029,073**	1,603,858
Subcontracts	1,976,233			**1,976,233**	2,053,386
Occupancy	1,206,921	247,350	45,367	**1,499,638**	1,559,296
Professional fees	804,191	95,869	50,266	**950,326**	1,031,185
In-kind expense	573,353		88,798	**662,151**	696,823
Travel and training	582,651	6	1,482	**584,139**	409,578
Depreciation	462,138	91,928	781	**554,847**	559,138
Contract services	479,439			**479,439**	486,468
Bad debt reserve	306,465		904	**307,369**	14,159
Telephones	205,426	42,861	4,637	**252,924**	238,901
Advertising	218,924		548	**219,472**	593,491
Client flex funds	178,221		36,589	**214,810**	268,343
Other expenses	104,724	26,508	5,267	**136,499**	112,820
Insurance	100,224	21,087	3,482	**124,793**	110,166
Postage	15,623	3,376	474	**19,473**	24,028
TOTAL 2023 FUNCTIONAL EXPENSES	**$ 28,252,578**	**$ 4,560,929**	**$ 1,064,497**	**$ 33,878,004**	
TOTAL 2022 FUNCTIONAL EXPENSES	$ 25,280,008	$ 4,088,402	$ 933,393		$ 30,301,803

FOOTHILL FAMILY SERVICE

STATEMENT OF CASH FLOWS
For the year ended June 30, 2023
With comparative totals for the year ended June 30, 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 289,999	$ (1,092,879)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	554,847	559,138
Amortization of right-of-use assets - operating leases	482,994	-
Reduction of lease liabilities, operating leases	(480,630)	-
(Gain) loss on investments	(708,620)	1,032,149
Reinvested dividends and interests, net of fees	(50,540)	(2,297)
(Increase) decrease in operating assets:		
Accounts receivable	(1,414,818)	232,923
Pledge receivables	206,010	(155,240)
Prepaid expense and other current assets	(33,471)	36,830
Increase (decrease) in operating liabilities:		
Accounts payable	960,933	(997,906)
Accrued expenses and other liabilities	755,774	(79,346)
Government owned assets	1,990,645	171,653
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	2,553,123	(294,975)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	-	97,096
Purchase of investments	(139,741)	-
Purchase of property and equipment	(2,162,125)	(2,931,473)
NET CASH (USED) BY INVESTING ACTIVITIES	(2,301,866)	(2,834,377)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from bonds payable	-	2,062,000
Payments on bonds payable	(1,721,500)	(631,562)
NET CASH (USED) PROVIDED BY FINANCING ACTIVITIES	(1,721,500)	1,430,438
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,470,243)	(1,698,914)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	7,604,390	9,303,304
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 6,134,147	$ 7,604,390
SUPPLEMENTAL DISCLOSURES:		
Operating activities reflects interest paid of	$ 138,651	$ 142,628
Non-cash operating activities:		
Right-of-use assets and lease liabilities - operating leases upon adoption of ASC 842	$ 1,816,139	$ -

1. Organization

For more than 95 years, Foothill Family Service ("the Agency") has served Southern California in its mission to empower children and families to achieve success in relationships, school, and work through community-based services that advance growth and development. The Agency has earned a reputation for providing high-quality services that establish the foundation for brighter futures in which individuals and families thrive, communities are strengthened, and generations are enriched.

The Agency has adapted to meet the needs of the community for which -- and from which -- it was founded. Grown from a grassroots effort of collecting food and clothing in Pasadena to an organization reaching more than 20,000 of the Greater Los Angeles region's community members annually, the Agency has emerged as a leader in mental health care, early childhood development and school-based behavioral health programs, as well as youth and family services including child abuse prevention and treatment, domestic violence prevention and treatment, and services for pregnant and parenting teens.

The Agency's decades of advancement, expansion, and innovation underscores its proficiency and agility in responding to a complex, shifting landscape of the ever-changing human condition. It is an illustration of deep roots cultivated by a significant past, and far-reaching branches supporting a promising future. Each individual helped promotes lasting change in the present that will ripple outward into communities and forward through generations.

2. Summary of Significant Accounting Policies

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements is as follows:

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Without Donor Restrictions. Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

With Donor Restrictions. Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

continued

2. Summary of Significant Accounting Policies, continued

Cash and Cash Equivalents

The Agency has defined cash and cash equivalents as time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less.

Pledged Contributions

Unconditional promises to give that are expected to be collected within one year are recognized at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at amounts approximating fair value, and measured using the present value of future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contributions revenue. Conditional promises to give are not included as support until the conditions are substantially met. An allowance for uncollectible pledges is considered by management based on such factors as prior collection history, type of contribution and the nature of the fund-raising activity.

Investments

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

Endowment Investments

Endowment investments consist of investments purchased with the following resources:

- Donor-restricted permanent endowments, which are contributions restricted by donors to investment in perpetuity with only investment income and appreciation being used to support the Agency's activities.

Endowment investments are reported at fair value. The fair value for investments in equity securities traded on national securities exchanges is determined by the closing price on the last business day of the fiscal year; securities traded on the over-the-counter market are valued at the last reported bid price. The fair value of shares in exchange-traded funds is determined by the closing price on the last business day of the fiscal year. The fair value of open-end mutual fund units is determined by the published net asset value per unit at the end of the last trading day of the fiscal year.

The investment and spending policies for the Endowment Fund are discussed in Note 13.

continued

2. Summary of Significant Accounting Policies, continued

Fair Value Measurements

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

Level 1 inputs – quoted prices in active markets for identical assets
Level 2 inputs – quoted prices in active or inactive markets for the same or similar assets
Level 3 inputs – estimates using the best information available when there is little or no market

The Agency is required to measure its investments, pledged contributions, and in-kind contributions at fair value. The specific techniques used to measure the fair value for these financial statement elements are described in the notes below that relate to each element.

Concentration of Credit Risks

The Agency places its temporary cash investments with high-credit, quality financial institutions. At times, such investments may be in excess of the Federal Deposit Insurance Corporation insurance limit. The Agency has not incurred losses related to these investments.

The primary receivable balance outstanding at June 30, 2023, consists of government contract receivables due from county, state, and federal granting agencies. Concentration of credit risks with respect to trade receivables are limited, as the majority of the Agency's receivables consist of earned fees from contract programs granted by governmental agencies.

Approximately 88% of the Agency's total revenue and support is derived from program and contract revenue.

Property and Equipment

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Agency reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Agency reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Property and equipment are depreciated using the straight-line method.

Property and equipment purchased with government contract funds are recorded at cost when purchased, and a corresponding liability is recorded, since these items are deemed the property of the funding agency. When the property is no longer in use, it can revert back to the funding agency, or if the property is sold, the funding agency determines the use of the proceeds (see Note 8).

continued

2. Summary of Significant Accounting Policies, continued

Donated Materials and Services

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

Donated materials and services for the year ended June 30, 2023, consist of the following:

Nonfinancial Assets	June 30, 2023	Usage in Programs	Donor Restrictions	Fair value Techniques
Supplies	$156,260	All programs	None	Estimated retail prices of identical or similar products if purchased
Volunteered time	505,891	EHS, CHAT, Elder Abuse	EHS, CHAT, Elder Abuse	Estimated based on market rates of equivalent job title
	$662,151			

Income Taxes

The Agency is exempt from taxation under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d.

Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by the Agency in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. The Agency's returns are subject to examination by federal and state taxing authorities, generally for three and four years, respectively, after they are filed.

Third Party Reimbursements

Program service fees and contract reimbursements, including retroactive adjustments under reimbursement agreements, are reported at the estimated net realizable amounts from third-party payers. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and are adjusted in future periods, as final settlements are determined.

continued

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

Grant Revenue

Grant revenue is recognized when the qualifying costs are incurred for cost-reimbursement grants or contracts or when a unit of service is provided for performance grants. Grant revenue from federal agencies (including pass-through grant revenue) is subject to independent audit under the Uniform Guidance and review by grantor agencies. In addition, the Agency receives grant revenue from local government agencies which is also subject to independent audit and review by the grantor agencies. These audits or reviews could result in the disallowance of expenditures under the terms of the grant or reductions of future grant funds. Based on prior experience, the Agency's management believes that costs ultimately disallowed, if any, would not materially affect the financial position of the Agency.

Functional Allocation of Expenses

Costs of providing the Agency's programs and other activities have been presented in the Statement of Functional Expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit. The Agency uses full-time equivalents to allocate indirect costs.

Use of Estimates

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

Recently Adopted Accounting Pronouncement

The Agency adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, as amended. This guidance is intended to improve financial reporting of lease transactions by requiring organizations that lease assets to recognize assets and liabilities for the rights and obligations created by leases that extend more than 12 months. Key provisions in this guidance include additional disclosures surrounding the amount, timing, and uncertainty of cash flows arising from leases. The Agency elected the effective date transition method and the package of practical expedients that permits no reassessment of whether any expired or existing contracts are or contain a lease, the lease classification for any expired or existing leases, and any initial direct costs for any existing leases as of the effective date. As a result of implementing ASU No. 2016-02, The Agency recognized Right-of-Use ("ROU") assets and lease liabilities were both $1,816,139 in its Statement of Financial Position as of July 1, 2022. The adoption did not result in a significant effect on amounts reported in the Statement of Activities for the year ended June 30, 2023.

continued

2. Summary of Significant Accounting Policies, continued

Leases

The Agency applies Accounting Standards Codification ("ASC") 842, *Leases*, in determining whether an arrangement is or contains a lease at the lease inception. An arrangement is considered to include a lease if it conveys the right to control the use of identified property, plant, or equipment for a period of time in excess of twelve months in exchange for consideration. The Agency defines control of the asset as the right to obtain substantially all of the economic benefits from use of the identified asset as well as the right to direct the use of the identified asset. The Agency further determined some existing leases are operating leases, which are included in ROU assets and lease liabilities in the Statement of Financial Position.

Comparative Totals

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Agency's financial statements for the year ended June 30, 2022, from which the summarized information was derived.

3. Liquidity and Availability of Resources

The Agency monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Agency's core revenues comes primarily from multiyear government contracts. These program related revenues, in general, are sufficient to cover the organization's program and administrative operating expenses for the next 12 months.

Even with stable and predictable revenue, in order to project against uncertainty, the Agency has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 90 days of normal operating cash expenses, which are, on average, approximately $6,900,000. Additionally, the Agency has a goal to hold the equivalent of one month of salaries in cash or cash equivalent.

As of June 30, 2023, the following financial assets could readily be made available within one year of the statement of financial position date to meet general expenditures:

Cash and cash equivalents	$ 6,134,147
Investments	10,834,558
Accounts receivable	4,341,798
Pledges receivable	566,435
Total financial assets	21,876,938
Less: amounts not available to be used with one year:	
Endowment assets	672,859
Pledge collectible in one to five years	105,000
Financial assets available to meet general expenditures within one year	$21,099,079

4. Accounts Receivables

Accounts receivables at June 30, 2023 and 2022, consist of the following:

	2023	2022
Contract receivables	**$3,033,095**	$1,617,567
Patient receivables	**985**	1,595
Due from L.A. County Department of Mental Health ("DMH")	**1,308,268**	1,308,268
	4,342,348	2,927,430
Less: allowance for uncollectible accounts	**(550)**	(450)
	$4,341,798	$2,926,980

5. Pledges Receivable

Pledges receivable are recorded as support when pledged unless designated otherwise. All pledges are valued at the estimated fair present value at June 30, 2023 and are deemed fully collectible. Accordingly, no allowance for uncollectible pledges has been recorded as of June 30, 2023. Using a rate of 3%, the discount on pledges receivable is immaterial, accordingly unamortized discount on pledges receivable is not recorded. Pledges receivable of $566,435 at June 30, 2023 are expected to be collected as follows:

Within one year	$461,435
One to five years	105,000
	$566,435

6. Investments

Investments at June 30, 2023 and 2022, consist of the following:

	2023	2022
Mutual funds	**$ 1,387,033**	$1,654,830
Exchange traded funds	**9,447,525**	8,280,827
	$10,834,558	$9,935,657

Investment income for the years ended June 30, 2023 and 2022 consists of the following:

	2023	2022
Interest and dividends	**$144,515**	$ 2,297
Unrealized gain (loss)	**614,645**	(1,084,967)
Realized (loss) gains	**-**	52,820
	$759,160	$(1,029,850)

7. Fair Value Measurements

The table below presents the balances of assets measured at fair value at June 30, 2023 on a recurring basis:

	Level 1	Level 2	Level 3	Total
Mutual funds	$ 1,387,033	$ -	$ -	**$ 1,387,033**
Exchange traded funds	9,447,525			**9,447,525**
	$10,834,558	$ -	$ -	**$10,834,558**

The fair value of mutual funds and exchange traded funds have been measured on a recurring basis using quoted prices for identical assets in active market (Level 1 inputs).

The table below presents transactions measured at fair value on a non-recurring basis during the year ended June 30, 2023:

	Level 1	Level 2	Level 3	Total
Pledged contributions - new	$ -	$ -	$280,379	**$280,379**
Donated materials and services		662,151		**662,151**
Total investments	$ -	$662,151	$280,379	**$942,530**

The fair value of pledged contributions - new is measured using the best information available when there is little or no market (Level 3).

The fair value of donated materials and services has been measured on a non-recurring basis using quoted prices for similar assets in inactive market (Level 2 inputs).

continued

8. Property and Equipment

Property and equipment at June 30, 2023 consist of the following:

	Owned	Government Owned	Total
Land	$ 6,643,175	$ -	**$ 6,643,175**
Building	7,000,324		**7,000,324**
Leasehold improvements	3,649,966		**3,649,966**
Equipment	690,130	416,272	**1,106,402**
Construction in progress	118,106	1,926,578	**2,044,684**
Origination fees	127,207		**127,207**
	18,228,908	2,342,850	**20,571,758**
Less: accumulated depreciation	(4,030,787)	(118,884)	**(4,149,671)**
	$14,198,121	$2,223,966	**$16,422,087**

Depreciation expense for the year ended June 30, 2023 was $554,847.

The useful lives of property and equipment for purposes of computing depreciation are:

Buildings and improvements	10-40 years
Furniture and fixtures	5-10 years

9. Accounts Payable

Accounts payable at June 30, 2023 and 2022, consist of the following:

	2023	2022
Trade payables	**$ 930,509**	$ 548,840
Due to L.A. County DMH*	**6,380,823**	5,801,559
	$7,311,332	$6,350,399

*Represents the Agency's calculation of liabilities over multiple contract years pending settlement with L.A. County DMH.

10. Accrued and Other Current Liabilities

Following is a summary of accrued and other current liabilities at June 30, 2023 and 2022:

	2023	2022
Accrued payroll, compensated absences, and related taxes	**$1,931,119**	$1,799,403
Reserve – contract adjustments	**2,107,265**	1,742,329
Deferred revenue	**342,392**	89,770
Other current liabilities	**220,598**	214,098
	$4,601,374	$3,845,600

continued

11. Concentrations

The Agency's two largest funding sources during the years ended June 30, 2023 and 2022, Early Head Start and L.A. County DMH, represent 31% and 38% of total revenue, respectively.

12. Bonds Payable

On March 1, 2019, the California Infrastructure and Economic Development Bank issued Tax Exempt Revenue Bonds ("Bonds") to the Agency in the principal amount of $5,000,000. The Bonds bear interest at 3.615% with a maturity date of March 2029. The proceeds from the sale of the Bonds were used to purchase real property in Pasadena and West Covina.

During the year 2020, the BBVA Mortgage Corporation issued Tax Exempt Revenue Bonds ("Bonds") to the Agency in the principal amount of $2,400,000. The Bonds bear interest at 2.7180% with a maturity date of March 2029. The proceeds from the sale of the bonds were used to pay off the notes payable outstanding balance. The notes had been used to purchase real property in Covina and to refinance a mortgage on real property in Duarte.

On October 1, 2021, the BBVA USA issued Tax Exempt Revenue Bonds ("Bonds') to the Agency in the principal amount of $2,062,000. The bonds bear interest at the lesser of the greater of LIBOR plus 0.75% per annum or 1.50% per annum, with a maturity date of October 2024. The proceeds from the sale of the Bonds were used to purchase real property in Pomona.

Total outstanding Bonds at June 30, 2023	$6,590,532

As required by the terms of the Bonds, the Agency is required to satisfy certain debt covenants. The Agency met their required restrictive debt covenants at June 30, 2023.

Future maturities of the Bonds are as follows:

Year ending June 30,	
2024	$ 523,013
2025	275,704
2026	277,803
2027	279,814
2028	281,905
Thereafter	4,952,293
	$6,590,532

continued

13. Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30, 2023 consist of the following:

Purpose and time restrictions	$ 334,485
Perpetual in nature	690,397
	$1,024,882

For the year ended June 30, 2023, net assets released from purpose restrictions were $613,092.

Endowments

The Agency's endowment consists of one Endowment Fund established by donors (referred to as donor-restricted endowment funds). As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The state of California enacted the Uniform Prudent Management of Institutional Fund Act ("UPMIFA") effective January 1, 2009. UPMIFA establishes law for the management and investment of donor-restricted endowment funds. The Board of Directors of the Agency has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted permanent endowment funds unless there are explicit donor stipulations to the contrary. As a result of this interpretation, the Agency classifies as permanently restricted net assets (a) the original value of gifts donated to all donor-restricted permanent endowments, (b) the original value of any subsequent gifts to donor-restricted permanent endowments, and (c) the original value of accumulations to donor-restricted permanent endowments made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

UPMIFA permits the Agency to appropriate for expenditure or accumulate as much of a donor-restricted endowment fund as it determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established. In making its determination to appropriate or accumulate, the Agency must act in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances, and it must consider, if relevant, the following factors:

- The duration and preservation of the endowment fund
- The purposes of the Agency and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Agency
- The investment policy of the Agency

continued

13. Net Assets With Donor Restrictions, continued

The net asset composition of the endowment for the year ended June 30, 2023, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Investments	$779,526	$635,625	**$1,415,151**
Cash		37,234	**37,234**
	$779,526	$672,859	**$1,452,385**

The Agency has an investment policy specific to its Endowment Fund, which is monitored by the Investment Committee of its Board of Directors. The investment policy describes the objective for the fund and sets ranges for asset allocation. The objective of the Endowment Fund is to earn an absolute return on the Endowment Fund that will provide a sustainable and increasing level of endowment income to support the Agency's annual operating budget, while increasing the real economic value of the Endowment Fund. The Investment Manager will be evaluated based on their performance relative to an appropriate benchmark and against a universe of similarly managed funds. This evaluation will examine a rolling three and five year period. The return goal of the Investment Fund, measured over a full market cycle, shall be the performance of an appropriate blended benchmark, net of fees, plus 25 to 50 basis points. Currently, the Investment Committee is using Morgan Stanley's "Basic Benchmark" in assessing long term performance. Actual returns in any given year may vary from this amount. In light of this return requirement, the portfolio is constructed using a total return approach with significant portion of the funds invested to seek growth of principal over time. The assets are invested for the long term, and a higher short-term volatility in these assets is to be expected and accepted.

The following is a summary of the asset allocation guidelines, with allowable ranges for each asset type:

Asset category	Minimum	Maximum
Equity	35%	65%
Fixed income	10%	60%
Alternative strategies	0%	30%
Cash equivalents	2%	25%

It is expected that, in general, the portfolio shall be well diversified with respect to sector, industry, and issuer in accordance with the stated guidelines. If the Investment Committee chooses to invest in a mutual fund in order to meet the investment objectives of the Investment Funds, the fund shall be an open-end mutual fund and registered under the Investment Agency Act of 1940. Although it is recognized that a mutual fund's policies, guidelines, and techniques may not be consistent in all aspects with those outlined in this policy, it is expected that the mutual fund's policies and techniques will agree substantially with those of this policy. Any policy or technique of the mutual fund, which is not consistent with this investment policy, shall be reviewed by the Investment Manager and accepted by the Investment Committee.

continued

13. Net Assets With Donor Restrictions, continued

The Board of Directors recognizes that reinvesting income and capital gains are an important factor in the growth of the Endowment Fund. It is therefore the policy of the Agency to reinvest all income and capital gains from the Endowment Fund until such later date as it may be prudent to spend such income or capital gains. However, annually up to 5% of the last three year's average valuation (the "Spending Rate"), based on audited financial statements, of the unrestricted board designated net assets and permanent endowment may be transferred to the Agency's operating budget. There will be no other capital transfers by the Investment Committee without prior approval of the full Board of Directors. The Spending Rate may range from 3-5% and will be determined annually by the Board upon the recommendation of the Investment Committee.

In establishing this policy, the Agency considered the long term expected return on its Endowment Fund investments and set the rate with the objective of maintaining the purchasing power of its donor-restricted permanent endowment funds over time.

The changes in endowment net assets for the year ended June 30, 2023, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Beginning, July 1, 2022	$686,223	$666,389	**$1,352,612**
Net appreciation (including net realized and unrealized gains)	93,303	6,470	**99,773**
Ending, June 30, 2023	$779,526	$672,859	**$1,452,385**

14. Right-of-Use Assets and Liabilities - Operating Leases

The Agency evaluated current office and equipment contracts to determine which met the criteria of a lease. The ROU assets represents the Agency's right to use underlying assets for the lease term and the lease liabilities represent the Agency's obligation to make lease payments arising from these leases. The ROU assets and lease liabilities, all of which arise from operating leases, were calculated based on the present value of future lease payments over the lease terms. The Agency made an election to use a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments. The discount rate applied to calculate lease liabilities as of July 1, 2022 was 3%. The initial ROU assets and liabilities recorded at July 1, 2022 were both $1,816,139. The lease expense will be recognized on a straight-line basis over the lease terms.

The Agency's operating leases consist of real property and office equipment.

There were no noncash investing and financing transactions related to leasing other than the transition entry. For the year ended June 30, 2023, the weighted average of discounted rate is 3%, and the weighted average of remaining leases term is approximately 3.6 years.

continued

14. Right-of-Use Assets and Liabilities - Operating Leases, continued

Future maturities of the lease liabilities are as follows:

Year ending June 30,	
2024	$ 443,344
2025	315,996
2026	312,528
2027	285,336
2028	78,480
Total lease payments	1,435,684
Less: present value discount	(100,175)
	$1,335,509

The underlying ROU assets related to the above liabilities is as follows:

ROU asset balance at July 1, 2022	$1,816,139
Less: amortization of ROU	(482,994)
ROU asset balance at June 30, 2023	$1,333,145

Rental expense on all operating leases for the years ended June 30, 2023 and 2022 was $605,155 and $703,069, respectively.

15. Contingencies and Risks

Contracts

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

16. Benefit Plans

The Agency sponsors a noncontributory defined contribution pension plan that covers all full-time employees with more than one year of service. Contributions to the plan are based on a percentage of gross wages. All contributions to the plan are through salary reduction agreements between the Agency and its employees. The Agency also sponsors a flexible premium deferred annuity compensation agreement under IRS Section 457(b) for all eligible highly compensated employees, the assets and liabilities of which are recorded on the Statements of Financial Position. As of June 30, 2023 and 2022, $98,518 and $97,457, respectively, has been deferred based on elections made by the Agency.

For the years ended June 30, 2023 and 2022, the total pension expense was $615,321 and $569,007, respectively.

continued

17. Subsequent Events

California Advancing and Innovating Medi-Cal (CalAIM) Behavioral Health (BH) Payment Reform (the "Reform")

Effective July 1, 2023, the Reform altered, among other things, the reimbursement structure and provider claiming and billing of specialty behavioral health services for all BH providers, in California, including the Agency, as follows:

i. Reimbursement structure – cost-based reimbursement ended effective June 30, 2023, and a fee-for service model was implemented effective July 1, 2023.
ii. Provider claiming and billing – claiming and billing for services transitioned to align with other healthcare delivery systems to comply with Centers for Medicare & Medicaid services (CMS) requirements. Utilization of the Health Care Common Procedure Coding System (HCPCS) Level II codes utilized under cost-based reimbursement were eliminated and transitioned to Current Procedural Terminology (CPT)/HCPCS Level 1 codes.

Accordingly, the Reform transitions providers to fee for service payments, with significant modifications in claim billing presentation and documentation for adjudication.

Management has evaluated subsequent events through November 7, 2023, the date which the financial statements were available for issue. Except as noted above, no other events or transactions have occurred during this period that appear to require recognition or disclosure in the financial statements.

SUPPLEMENTARY INFORMATION

FOOTHILL FAMILY SERVICE

STATEMENT OF FUNCTIONAL EXPENSES BY PROGRAM
For the year ended June 30, 2023

	Program Services									
	Mental Health Services	**Early Child**	**Teen Parent Families and Youth Development**	**Child Abuse Child Welfare**	**Domestic Violence**	**Family Counseling**	**Total Program Services**	**Management and General**	**Fund Development**	**Total**
Salaries	$ 7,704,136	$ 4,141,813	$ 441,828	$ 1,120,796	$ 678,297	$ 207,624	$ 14,294,494	$ 2,954,401	$ 600,767	**$ 17,849,662**
Employee benefits	2,165,493	1,165,186	126,556	314,209	189,154	57,693	4,018,291	830,433	168,432	**5,017,156**
Total personnel costs	9,869,629	5,306,999	568,384	1,435,005	867,451	265,317	18,312,785	3,784,834	769,199	**22,866,818**
Supplies and printing	188,517	2,390,509	29,169	72,878	34,662	9,525	2,725,260	247,110	56,703	**3,029,073**
Subcontracts	25,250	1,849,453		101,530			1,976,233			**1,976,233**
Occupancy	511,305	522,221	22,298	78,433	37,564	35,100	1,206,921	247,350	45,367	**1,499,638**
Professional fees	199,415	531,918	14,645	31,751	19,117	7,345	804,191	95,869	50,266	**950,326**
In-kind expense	29,625	469,866	1,650	68,941	2,450	821	573,353		88,798	**662,151**
Travel and training	266,658	255,184	20,358	26,767	12,857	827	582,651	6	1,482	**584,139**
Depreciation	299,690	58,409	17,317	46,778	25,830	14,114	462,138	91,928	781	**554,847**
Contract services	479,439						479,439			**479,439**
Bad debt reserve	300,000	6,465					306,465		904	**307,369**
Telephones	99,931	66,543	7,093	17,452	10,423	3,984	205,426	42,861	4,637	**252,924**
Advertising	12,004	198,275	1,243	1,706	5,285	411	218,924		548	**219,472**
Client flex funds	30,136	17,593	3,320	125,442	989	741	178,221		36,589	**214,810**
Other expenses	48,436	42,704	1,982	6,201	3,327	2,074	104,724	26,508	5,267	**136,499**
Insurance	42,752	38,361	3,581	8,541	5,141	1,848	100,224	21,087	3,482	**124,793**
Postage	6,311	5,306	596	2,375	662	373	15,623	3,376	474	**19,473**
TOTAL FUNCTIONAL EXPENSES	**$ 12,409,098**	**$ 11,759,806**	**$ 691,636**	**$ 2,023,800**	**$ 1,025,758**	**$ 342,480**	**$ 28,252,578**	**$ 4,560,929**	**$ 1,064,497**	**$ 33,878,004**

See independent auditors' report.