



REPORT OF INDEPENDENT AUDITORS AND  
FINANCIAL STATEMENTS

**ANGELS FOSTER FAMILY AGENCY**

December 31, 2021 and 2020



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## **Report of Independent Auditors**

The Board of Directors  
Angels Foster Family Agency

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the financial statements of Angels Foster Family Agency, which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Angels Foster Family Agency as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Angels Foster Family Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

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

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

### ***Auditor's 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 GAAS 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 GAAS, 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 Angels Foster Family Agency'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 Angels Foster Family Agency'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 Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 25, 2022, on our consideration of Angels Foster Family Agency'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 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 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 Angels Foster Family Agency's internal control over financial reporting and compliance.

*Moss Adams LLP*

San Diego, California  
August 25, 2022

**Angels Foster Family Agency**  
**Statements of Financial Position**

<b>ASSETS</b>		December 31,	
		<u>2021</u>	<u>2020</u>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$	1,094,866	\$ 1,030,942
Accounts receivable, net		219,798	191,274
Contributions receivable		152,084	163,689
Prepaid expenses		88,277	84,573
Total current assets		<u>1,555,025</u>	<u>1,470,478</u>
<b>NON-CURRENT ASSETS</b>			
Property and equipment, net		54,931	66,056
Contributions receivable		-	25,000
Deposits		12,172	12,172
Investments		40,846	40,805
Beneficial interest in assets held by Rancho Santa Fe Foundation		3,501	23,330
Total non-current assets		<u>111,450</u>	<u>167,363</u>
Total assets		<u>\$ 1,666,475</u>	<u>\$ 1,637,841</u>
<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable – resource families	\$	96,808	\$ 117,255
Accounts payable and accrued expenses		153,665	128,778
Current portion of debt		96,657	243,400
Total current liabilities		<u>347,130</u>	<u>489,433</u>
<b>NON-CURRENT LIABILITIES</b>			
Debt		142,308	278,508
Deferred rent		74,688	95,303
Total non-current liabilities		<u>216,996</u>	<u>373,811</u>
Total liabilities		<u>564,126</u>	<u>863,244</u>
<b>COMMITMENTS (Notes 5 and 6)</b>			
<b>NET ASSETS</b>			
Without donor restrictions		1,065,607	701,499
With donor restrictions		36,742	73,098
Total net assets		<u>1,102,349</u>	<u>774,597</u>
Total liabilities and net assets		<u>\$ 1,666,475</u>	<u>\$ 1,637,841</u>

# Angels Foster Family Agency

## Statements of Activities and Changes in Net Assets

	Years Ended December 31,					
	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE</b>						
Children in care payments	\$ 2,355,467	\$ -	\$ 2,355,467	\$ 2,256,011	\$ -	\$ 2,256,011
Contributions	796,343	4,500	800,843	910,268	50,000	960,268
In-kind contributions	17,033	-	17,033	11,885	-	11,885
Other income	1,825	-	1,825	731	-	731
Interest	2,593	-	2,593	1,873	-	1,873
Net assets released from restrictions	40,856	(40,856)	-	19,949	(19,949)	-
Total revenue and support	<u>3,214,117</u>	<u>(36,356)</u>	<u>3,177,761</u>	<u>3,200,717</u>	<u>30,051</u>	<u>3,230,768</u>
<b>EXPENSES</b>						
Program services						
Foster care	2,505,222	-	2,505,222	2,303,101	-	2,303,101
Total program services	<u>2,505,222</u>	<u>-</u>	<u>2,505,222</u>	<u>2,303,101</u>	<u>-</u>	<u>2,303,101</u>
Supporting services						
General and administrative	226,769	-	226,769	185,796	-	185,796
Fundraising	322,878	-	322,878	321,070	-	321,070
Total supporting services	<u>549,647</u>	<u>-</u>	<u>549,647</u>	<u>506,866</u>	<u>-</u>	<u>506,866</u>
Total expenses	<u>3,054,869</u>	<u>-</u>	<u>3,054,869</u>	<u>2,809,967</u>	<u>-</u>	<u>2,809,967</u>
<b>GAINS</b>						
Gain on forgiveness of PPP loan	204,860	-	204,860	-	-	-
Total gains	<u>204,860</u>	<u>-</u>	<u>204,860</u>	<u>-</u>	<u>-</u>	<u>-</u>
CHANGES IN NET ASSETS	364,108	(36,356)	327,752	390,750	30,051	420,801
<b>NET ASSETS</b>						
Beginning of year	701,499	73,098	774,597	310,749	43,047	353,796
End of year	<u>\$ 1,065,607</u>	<u>\$ 36,742</u>	<u>\$ 1,102,349</u>	<u>\$ 701,499</u>	<u>\$ 73,098</u>	<u>\$ 774,597</u>

**Angels Foster Family Agency**  
**Statement of Functional Expenses – 2021**

	Year Ended December 31, 2021			
	Program Services	General and Administrative	Fundraising	Total
Salaries	\$ 931,332	\$ 128,588	\$ 211,442	\$ 1,271,362
Resource family payments	1,080,607	-	-	1,080,607
Payroll taxes and employee benefits	103,566	23,703	20,886	148,155
Technology and telecommunications	103,280	11,362	21,077	135,719
Office rents	89,876	8,818	14,358	113,052
Professional services	24,295	26,950	9,591	60,836
Insurance	37,529	3,659	6,125	47,313
Equipment and building maintenance and supplies	30,443	3,856	4,676	38,975
Travel	25,793	706	64	26,563
Depreciation	18,270	1,793	2,918	22,981
Advertising and marketing	8,741	474	13,297	22,512
In-kind contributions	17,033	-	-	17,033
Bank fees and interest	-	7,126	6,694	13,820
Utilities	9,979	979	1,594	12,552
Conferences, meetings, and training	6,385	4,001	1,225	11,611
Licensing fees	10,841	-	-	10,841
Virtual event expense	-	-	8,175	8,175
Office expenses	1,755	2,258	676	4,689
Memberships and dues	590	2,270	80	2,940
Resource family well-being	2,765	-	-	2,765
Other expenses	2,142	226	-	2,368
	<u>\$ 2,505,222</u>	<u>\$ 226,769</u>	<u>\$ 322,878</u>	<u>\$ 3,054,869</u>
Total program and supporting services expenses	<u>\$ 2,505,222</u>	<u>\$ 226,769</u>	<u>\$ 322,878</u>	<u>\$ 3,054,869</u>

See accompanying notes.

**Angels Foster Family Agency**  
**Statement of Functional Expenses – 2020**

	Year Ended December 31, 2020			
	Program Services	General and Administrative	Fundraising	Total
Salaries	\$ 796,382	\$ 102,916	\$ 208,934	\$ 1,108,232
Resource family payments	1,048,706	-	-	1,048,706
Technology and telecommunications	100,211	11,117	21,152	132,480
Payroll taxes and employee benefits	87,076	17,465	19,123	123,664
Office rents	89,876	8,818	14,358	113,052
Professional services	18,296	17,748	8,631	44,675
Insurance	33,906	3,368	5,627	42,901
Equipment and building maintenance and supplies	24,153	5,609	3,892	33,654
Depreciation	23,402	2,296	3,738	29,436
Travel	19,976	220	533	20,729
Advertising and marketing	12,398	-	7,242	19,640
Virtual event expense	-	-	18,870	18,870
Conferences, meetings, and training	8,052	5,763	751	14,566
Utilities	9,657	948	1,543	12,148
In-kind contributions	11,886	-	-	11,886
Bank fees and interest	-	5,663	5,760	11,423
Licensing fees	9,609	-	-	9,609
Office expenses	1,993	2,872	848	5,713
Resource family well-being	4,617	-	-	4,617
Other expenses	2,142	210	-	2,352
Memberships and dues	763	783	68	1,614
	<u>763</u>	<u>783</u>	<u>68</u>	<u>1,614</u>
Total program and supporting services expenses	<u>\$ 2,303,101</u>	<u>\$ 185,796</u>	<u>\$ 321,070</u>	<u>\$ 2,809,967</u>



## Angels Foster Family Agency Statements of Cash Flows

	Years Ended December 31,	
	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ 327,752	\$ 420,801
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities		
Depreciation	22,981	29,436
Donations of marketable securities	(2,909)	(27,620)
Gain on forgiveness of PPP Loan	(204,860)	-
Unrealized/realized gains	-	(736)
 (Increase) decrease in		
Accounts receivable	(28,524)	(29,725)
Contributions receivable	36,605	(136,720)
Prepaid expenses	(3,704)	33,527
Deposits	-	565
Increase (decrease) in		
Accounts payable – resource families	(20,447)	43,107
Accounts payable and accrued expenses	26,447	26,259
Deferred rent	(20,615)	(16,095)
	<u>132,726</u>	<u>342,799</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(11,856)	(4,805)
Proceeds from sale of investments	22,738	5,023
Interest earned on certificate of deposit	(41)	(38)
	<u>10,841</u>	<u>180</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from notes payable	33,081	503,300
Payments on notes payable	(112,724)	(144,275)
	<u>(79,643)</u>	<u>359,025</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	63,924	702,004
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	<u>1,030,942</u>	<u>328,938</u>
End of year	<u>\$ 1,094,866</u>	<u>\$ 1,030,942</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid for interest	<u>\$ 2,003</u>	<u>\$ 451</u>
Non-cash stock donation	<u>\$ 2,909</u>	<u>\$ 27,620</u>
Prepaid insurance financed with note payable	<u>\$ 34,000</u>	<u>\$ 37,000</u>

See accompanying notes.

# Angels Foster Family Agency

## Notes to Financial Statements

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

**Organization** – Angels Foster Family Agency (the “Agency”) is a California State licensed (#374603866) Foster Family Agency (“FFA”) founded in 1998 whose vision is to protect, heal, and nurture the lives of children in foster care, ensuring they have the best opportunity to develop into healthy, productive, and confident adults. Our mission is to passionately and collaboratively care for children five and younger with diverse and exceptional families who dedicate themselves to each child’s well-being.

The Agency recruits, trains, and approves qualified parents/families who seek to provide consistent love and care to one child or sibling set, ensuring the best physical, emotional, and developmental support is provided. Research demonstrates that children who fail to develop normal attachments with an adult often are left with lasting and devastating effects on brain development and growth. The Agency is able to break this cycle of instability and broken relationships through their families who foster to positively change the life of the children in their care.

The Agency’s rigorous evaluation, training, and approval process allows them to make the best placement for each child depending on their known needs. Placement of the child is critical as every one of the Agency’s families commits to the stable care of the child until decided otherwise by the County of San Diego or juvenile court. The Agency’s families’ commitment to stability eliminates children in foster care bouncing from home to home.

**Income tax status** – The Agency is a public charity and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. The Agency believes it has appropriate support for any tax positions taken, and as such, it does not have any material unrecognized tax benefits or liabilities as of December 31, 2021 and 2020.

**Method of accounting** – The financial statements of the Agency have been prepared on the accrual basis of accounting, which is in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and, accordingly, reflect all significant receivables, payables, and other liabilities.

**Financial statement presentation** – The financial statements present information according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions based upon the following criteria:

- *Net assets without donor restrictions* represent expendable funds available for operations that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Agency. The Agency’s board of directors may designate assets without restrictions for specific operational purposes from time to time. At December 31, 2021 and 2020, there were no board-designated assets.
- *Net assets with donor restrictions* consist of contributed funds subject to stipulations imposed by donors and grantors. Some restrictions are temporary in nature; those restrictions will be met by actions of the Agency or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. The Agency has \$36,742 and \$73,098 of net assets with donor restrictions as of December 31, 2021 and 2020, respectively.

## Angels Foster Family Agency Notes to Financial Statements

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

**Recently issued accounting standards** – In February 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. Under the new guidance, lessees will be required to recognize the following for all leases (with the exception of short-term leases) at the commencement date: 1) a lease liability, which is the lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and 2) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. In June 2020, the FASB approved a proposal to defer the effective date of the guidance until annual and interim reporting periods beginning after December 15, 2021, for nonpublic entities. Angel Foster Family Agency is currently evaluating the impact that this standard will have on its financial statements.

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU is intended to improve transparency in the reporting of contributed nonfinancial assets (also known as gifts-in-kind) received by not-for-profit organizations, including transparency on how those assets are used and how they are valued. The standard is effective for annual reporting periods beginning after June 15, 2021.

**Revenue recognition** – The Agency is currently evaluating the impact that this standard will have on its financial statements.

**Contributions** – Contributions are recognized as revenue when received or unconditionally pledged. Contributions subject to donor-imposed restrictions for use in a future period or for a specific purpose are reported as restricted by donor depending on the nature of the restrictions. When a donor restriction expires, net assets with donor restrictions are classified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restriction. Donor-restricted contributions whose restrictions are met in the same reporting period as when the contributions are received are reported as contributions without donor restrictions. Conditional contributions with measurable performance or other barriers and a right of return are recognized when the contributions have been met.

**Foster care placements** – The Agency receives substantially all foster care payments from the County of San Diego for children referred to the Agency. Revenue is recognized based on days in care in the period those days occurred. In turn, the Agency, under contract with the parents who foster, issues monthly payments to them. Approximately 46 of the total foster care revenue for the years ended December 31, 2021 and 2020, was paid out to resource parents.

**In-kind contributions** – The Agency received in-kind donations of supplies totaling \$17,033 and \$11,885 for the years ended December 31, 2021 and 2020, respectively, which are included in in-kind contributions in the statements of activities and changes in net assets and functional expenses. In-kind expenses are allocated between program services, special event, and fundraising expenses.

**Deferred revenue** – The Agency defers all revenue related to special events until the event takes place.

## Angels Foster Family Agency

### Notes to Financial Statements

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

**Cash and cash equivalents** – The Agency considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

**Accounts receivable** – Accounts receivable primarily consist of amounts due for services provided through the year end under an agreement with the County of San Diego. All accounts receivable as of December 31, 2021, are expected to be collected in 2022.

**Contributions receivable** – Contributions receivable consist of pledges receivable expected to be collected in future years and are initially recorded at fair value. All contributions receivable as of December 31, 2021, are expected to be collected within the next year.

**Allowance for doubtful accounts** – The Agency evaluates the need for an allowance for estimated uncollectible accounts receivable and contributions receivable based on past experience and on an analysis of current receivable balances. Accounts deemed uncollectible are recorded against the allowance in the year deemed uncollectible. Management estimated a \$0 allowance against accounts receivable for both years ended December 31, 2021 and 2020, and \$0 allowance against contribution receivables for both years ended December 31, 2021 and 2020.

**Property and equipment** – The Agency capitalizes all expenditures in excess of \$1,000 for property and equipment at cost. Donated assets are recorded at their estimated fair values at the date of gift. Such donations are reported as without donor restrictions 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 with donor restrictions. 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. 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 over the estimated useful asset lives of three to seven years. Leasehold improvements are depreciated on a straight-line basis over the shorter of the lease term or useful life of the asset. Depreciation totaled \$22,981 and \$29,436 for the years ended December 31, 2021 and 2020, respectively.

**Beneficial interest in assets held by Rancho Santa Fe Foundation** – The Agency has established an agency non-endowment fund at the Rancho Santa Fe Foundation (“RSF”) through the transfer of certain funds without donor restrictions to RSF. In addition, other contributions were made by others to the fund. The Agency is the 100 percent beneficiary of these funds and distributions from the funds are determined by an advisory committee established by the Agency. Adjustments to the beneficial interest to reflect changes in the fair value are reflected in the statements of activities and changes in net assets as a change in value of beneficial interest in assets held by RSF.

## Angels Foster Family Agency Notes to Financial Statements

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

**Fair value measurements** – The Agency reports certain assets, including a certificate of deposit, at fair value. The Agency had no liabilities required to be reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Agency determines fair value under a hierarchy that maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. There are three levels of inputs that may be used to measure fair value:

**Level 1** – Quoted prices in active markets for identical assets or liabilities;

**Level 2** – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and

**Level 3** – Unobservable inputs that are supported by little or no active market quotes and that are significant to the fair value of the assets or liabilities.

The fair value of the certificate of deposit is determined by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the creditworthiness of the issuers. These factors are considered Level 2 inputs. The certificate of deposit matures annually in April and earned interest at a rate of 0.1 percent during the years ended December 31, 2021 and 2020.

The fair value of beneficial interest in assets held by RSF for which quoted market prices are not available (Level 3) is based on the unit value of the Agency's interest in the pools in which it is invested. The unit value is based on the fair value of the underlying assets in the pool. The pools in which the Agency has funds are invested primarily in domestic and international equities. Management of the Agency reviews and evaluates the values and methodology used to determine the fair value provided by RSF quarterly. The Agency agrees with the valuation methods used. The funds held at RSF are redeemable, and there is no commitment to make future investments. The changes in fair value of the Level 3 assets are as follows:

	2021	2020
Balance, beginning of year	\$ 23,330	\$ -
Contributions	2,909	28,645
Distributions	(22,738)	(4,580)
Interest and dividends	-	2
Unrealized losses	-	(737)
	\$ 3,501	\$ 23,330
Balance, end of year		

# Angels Foster Family Agency

## Notes to Financial Statements

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

**Advertising** – Advertising costs are expensed as incurred. Advertising expense totaled \$22,512 and \$19,640 for the years ended December 31, 2021 and 2020, respectively. The Agency uses advertising to raise the level of awareness of the need for more families who will foster along with sharing stories about the experience of serving as a parent/family who fosters. Advertising expense is also used to promote the Agency’s annual fundraising event, which was cancelled due to the COVID-19 pandemic, at which point advertising costs were used to promote various online fundraising campaigns as well as in 2020 a virtual event streamed live via the web. Advertising expenses are allocated between program services, special event, general and administrative, and fundraising expenses. Special event costs for advertising were \$0 and \$0 for the years ended December 31, 2021 and 2020, respectively, leaving \$22,512 and \$19,640, respectively, allocated to program services and other fundraising expenses.

**Functional allocation of expenses** – The Agency allocates its expenses on a functional basis between program and supporting services. Expenditures, which can be identified with a specific program or support service, are allocated directly, according to their natural expenditure classification. Costs that are common to more than one function are allocated between program and supporting services on the basis of time records, space utilized, and estimates made by the Agency’s management.

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

### Note 2 – Concentrations

The Agency maintains its cash and cash equivalents in bank deposit accounts and money-market funds, which, at times, exceed federally insured limits. The Agency has not experienced any losses in such accounts. The Agency believes it is not exposed to any significant credit risk on cash and cash equivalents.

Accounts receivable consist of the following at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
County of San Diego	\$ 219,086	\$ 190,208
Miscellaneous receivables	<u>712</u>	<u>1,066</u>
Total accounts receivable, net	<u>\$ 219,798</u>	<u>\$ 191,274</u>

Substantially all revenue for the years ended December 31, 2021 and 2020, for foster care placements was earned under an agreement with the County of San Diego. This revenue represented approximately 74 percent and 70 percent of total revenue and support for the years ended December 31, 2021 and 2020, respectively.

**Angels Foster Family Agency**  
**Notes to Financial Statements**

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**Note 3 – Contributions Receivable**

Contributions receivable are estimated to be collected as follows at December 31, 2021 and 2020:

	2021	2020
Due in less than one year	\$ 152,084	\$ 163,689
Due between one to five years	-	25,000
	\$ 152,084	\$ 188,689

At December 31, 2021, one contributor accounted for 33 percent of all promises to give. At December 31, 2020, one contributor accounted for 40 percent of promises to give.

**Note 4 – Property and Equipment**

Property and equipment consist of the following at December 31, 2021 and 2020:

	2021	2020
Furniture and equipment	\$ 113,079	\$ 109,348
Leasehold improvements	113,386	105,261
Total property and equipment	226,465	214,609
Less: accumulated depreciation	(171,534)	(148,553)
Property and equipment, net	\$ 54,931	\$ 66,056

**Note 5 – Financing Activities and Subsequent Events**

**Notes Payable**

*Paycheck Protection Program Loan (“PPP Loan”)* – On May 7, 2020, the Agency received loan proceeds in the amount of \$203,300 under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses. The PPP Loan and accrued interest are forgivable after 24 weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the 24-week period.

## Angels Foster Family Agency

### Notes to Financial Statements

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#### **Note 5 – Financing Activities and Subsequent Events (continued)**

The Agency used the proceeds for purposes consistent with the PPP and recorded a note payable and accrued interest as per the terms of the loan. On February 12, 2021, the Agency's application for forgiveness was approved for the full amount of \$204,860 including \$1,560 in accrued interest. This is shown as a gain on forgiveness of debt on the statements of activities and changes in net assets for the year ended December 31, 2021.

*EIDL Loan* – On June 17, 2020, the Company executed the standard loan documents required for securing a loan (the "EIDL Loan") from the United States Small Business Administration (SBA) under its Economic Injury Disaster Loan assistance program for the COVID-19 pandemic. The principal amount of the EIDL Loan is \$150,000, with proceeds to be used for working capital purposes. Interest on the EIDL Loan accrues at the rate of 2.75 percent per annum monthly until the payments begin. Installment payments, including principal and interest, are due monthly beginning August 1, 2021, in the amount of \$641. The balance of principal and interest is payable thirty years from the date of the promissory note, August 1, 2050. Subsequent to year-end, the SBA announced the deferment of loan payments from twelve months to twenty-four months from the date of the loan, which would be August 1, 2022. The Agency began payments on August 1, 2021, as per the original loan agreement, which have been applied against accrued interest.

*San Diego Foundation Non-Profit Loan Program (SDFNPLP)-2020* – In September 2020, the Agency obtained a \$150,000 loan from the San Diego Foundation Non-Profit Loan Program administered by Mission Driven Finance at 0 percent interest to be repaid in twenty-four monthly payments of \$6,250 beginning in November 2020. The Agency has complied with the financial covenants of this borrowing during the 2021 reporting period.



**Angels Foster Family Agency**  
**Notes to Financial Statements**

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**Note 5 – Financing Activities and Subsequent Events (continued)**

Notes payable consist of the following at December 31, 2021 and 2020:

	2021	2020
Unsecured note payable to Bank of Southern California through the PPP Loan, established as part of the CARES Act. Loan forgiven February 2021.	\$ -	\$ 203,300
Note payable to SBA through the Economic Injury Disaster Loan program, due in 360 payments of \$641 beginning August 2021 due in 30 years at 2.75 percent interest. Initial payment deferred until August 2022. However, AFFA began payments as scheduled August 2021.	150,000	150,000
Note payable to Mission Driven Finance through the San Diego Foundation Non-Profit Loan Program, collateralized by business personal property and accounts receivable, due in twenty-four payments of \$6,250 beginning November 2020 and monthly thereafter with a final payment due on October 2022 at 0 percent interest.	62,500	137,500
Unsecured note payable to Nonprofits Insurance Alliance of California, due in eight monthly payments of varying amounts of approximately \$3,300 plus interest at 0 percent through August 2022.	26,465	-
Unsecured note payable to Nonprofits Insurance Alliance of California, due in eight monthly payments of varying amounts of approximately \$2,900 plus interest at 0 percent through August 2021.	-	23,150
Unsecured note payable to First Insurance Funding, due in eight monthly payments of \$1,027 plus interest at 7.018 percent through August 2021.	-	7,958
	238,965	521,908
Less: current portion	96,657	243,400
Debt, long-term	\$ 142,308	\$ 278,508

## Angels Foster Family Agency

### Notes to Financial Statements

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#### Note 5 – Financing Activities and Subsequent Events (continued)

Future maturities of notes payable are as follows:

Years Ending December 31,	
2022	\$ 96,657
2023	7,692
2024	7,692
2025	7,692
2026	7,692
Thereafter	<u>111,540</u>
Total	<u>\$ 238,965</u>

#### Note 6 – Lease Agreements

The Agency entered into a 10-year lease for new office space commencing in August 2015. The lease includes increases in the minimum lease payments based on a schedule contained in the lease and provided for \$100,000 in tenant allowances, which the Agency had fully utilized by December 31, 2015. As a result, deferred rent is included in the accompanying statements of financial position as of December 31, 2021 and 2020. In September 2017, the Agency obtained a standby letter of credit in the amount of \$36,517 in exchange for a reduction in the security deposit for its office space. The letter of credit is secured with a certificate of deposit in the amount of \$40,846 and \$40,805 at December 31, 2021 and 2020, respectively, which is shown as investments on the statements of financial position. As of December 31, 2021 and 2020, there were no draws on the letter of credit.

Office rent totaled \$113,052 for both years ended December 31, 2021 and 2020, under this lease. Additionally, certain equipment used in operations is leased under operating leases. Rental expenses under equipment leases were \$8,683 and \$8,880 for December 31, 2021 and 2020, respectively.

Future minimum lease payments under these leases are as follows:

Years Ending December 31,	
2022	\$ 140,727
2023	140,019
2024	143,187
2025	<u>85,207</u>
Total	<u>\$ 509,140</u>

## Angels Foster Family Agency Notes to Financial Statements

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### Note 7 – Net Assets with Donor Restrictions

As of December 31, 2021 and 2020, the Agency had net assets with the following restrictions:

Purpose	2021	2020
Springboard Grant	\$ 820	\$ -
Growth initiatives	10,922	23,098
Time restriction	25,000	50,000
Total net assets with donor restrictions	\$ 36,742	\$ 73,098

During the year ended December 31, 2021, net assets were released from restrictions of \$25,000 for the time restriction and the remaining amounts were released for program purposes. During the year ended December 31, 2020, net assets were released from restrictions of \$19,949 for growth initiatives.

### Note 8 – Special Event Revenue and Expenses

The Agency traditionally holds its annual fund-raising event in May to coincide with National Foster Care Month. As a result of the COVID-19 pandemic, the Agency canceled its in-person fundraising event scheduled in May 2020. Historically, this event generates a little over half of the Agency's philanthropic contributions. In 2021 and 2020, the Agency conducted multiple online-digital fundraising campaigns in place of the annual fundraising event. Income earned from these campaigns was recognized as contribution revenue and not as special event revenue. Special event revenue was \$0 for both years ended December 31, 2021 and 2020. Special event expenses were \$0 for both years ended December 31, 2021 and 2020.

### Note 9 – Continuum of Care Reform / Resource Family Approval

In 2017, the state of California implemented Continuum of Care Reform (CCR) which combined a series of existing plus new reforms focusing efforts on placing children in foster care with committed nurturing families. CCR greatly increased the regulatory requirements to approve a family to foster through the establishment of the Resource Family Approval (RFA) program. The California Department of Social Services Community Care Licensing division approved the Agency to operate under the new RFA program guidelines in May 2017. RFA created a unified set of minimum standards and a common application and approval process for all caregivers (related and unrelated to the child). In addition, CCR and RFA required each FFA to become nationally accredited as a condition of licensure. The Agency received a three-year accreditation (the highest possible) from the Commission on Accreditation of Rehabilitation Facilities (CARF) in December 2018. The Agency's CARF accreditation was renewed in December 2021 for another three-year period.

## Angels Foster Family Agency

### Notes to Financial Statements

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#### Note 9 – Continuum of Care Reform / Resource Family Approval (continued)

In May 2020, the Agency received its Intensive Services Foster Care (ISFC) certification approval from the California Department of Social Services (CDSS) Foster Care Rates Bureau. The ISFC program was established as part of the Continuum of Care Reform (CCR) implemented in 2017 to serve children who require intensive home-based/family setting services in support of their continued emotional, cognitive, and physical development. The ISFC program provides a higher level of rate reimbursement to the Agency and the Resource Family.

#### Note 10 – Liquidity

The following reflects the Agency's financial assets as of the statement of financial position date, reduced by the amount not available for general use within one year of the statement of financial position date as of December 31, 2021 and 2020, because of contractual or donor-imposed restrictions or internal designations.

	<u>2021</u>	<u>2020</u>
Financial assets		
Cash and cash equivalents	\$ 1,094,866	\$ 1,030,942
Accounts receivable, net	219,798	191,274
Investments	40,846	40,805
Beneficial interest in assets held by Rancho Santa Fe Foundation	3,501	23,330
Contributions receivable	<u>152,084</u>	<u>188,689</u>
Total financial assets	<u>1,511,095</u>	<u>1,475,040</u>
Less: amounts not available to be used within one year		
Investments – lease letter of credit	(40,846)	(40,805)
Contributions receivable, noncurrent	-	(25,000)
Restricted contributions	<u>(11,742)</u>	<u>(23,098)</u>
	<u>(52,588)</u>	<u>(88,903)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 1,458,507</u>	<u>\$ 1,386,137</u>

As part of the Agency's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Agency invests cash in excess of immediate requirements in interest bearing money market accounts, which are drawn as needed and replenished when excess funds are available.

**Note 11 – Risks and Uncertainties**

**Pandemic** – During 2020, the World Health Organization declared the outbreak of COVID-19 to constitute a “Public Health Emergency of International Concern.” This pandemic has disrupted economic markets and the economic impact, duration, and spread of COVID-19 continue to be uncertain at this time. As a result of COVID-19, economic uncertainties have arisen which are likely to negatively impact net income. Other financial impacts could occur, though such potential impact is unknown at this time. During 2021 there was still considerable uncertainty caused by the COVID-19 outbreak, as certain establishments were still requiring preventative measures and its effects on the economy could not be predicted to its outcome on the Agency’s fundraising and operations.

**Note 12 – Subsequent Events**

**Subsequent events** – Subsequent events are events or transactions that occur after the statement of financial position date but before the financial statements are issued. The Agency recognizes in the financial statements the effects of all significant subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. The Agency’s financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after the statement of financial position date and before the financial statements are available to be issued.

The Agency has evaluated subsequent events through August 25, 2022, which is the date the financial statements were available to be issued.

## **Report of Independent Auditors 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**

The Board of Directors  
Angels Foster Family Agency

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 financial statements of Angels Foster Family Agency, which comprise the statements of financial position as of December 31, 2021, and the related 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 August 25, 2022.

### **Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Angels Foster Family Agency's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Angels Foster Family Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of Angels Foster Family Agency'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 with 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. However, material weaknesses may exist that were not identified.

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

As part of obtaining reasonable assurance about whether Angels Foster Family Agency'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.

***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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Moss Adams LLP*

San Diego, California  
August 25, 2022