

**FOOTHILL UNITY CENTER, INC.**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**



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**FOOTHILL UNITY CENTER, INC.  
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YEARS ENDED DECEMBER 31, 2019 AND 2018**

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Foothill Unity Center, Inc.  
Monrovia, California

We have audited the accompanying financial statements of Foothill Unity Center, Inc. (the Center), which comprise the statements of financial position as of December 31, 2019 and 2018, 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.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors  
Foothill Unity Center, Inc.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Center as of December 31, 2019 and 2018, 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.

***Emphasis-of-Matter Regarding a Change in Accounting Principle***

As discussed in Note 2 to the financial statements, the Center adopted ASU No. 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. Our opinion is not modified with respect to the matter.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Pasadena, California  
September 11, 2020

**FOOTHILL UNITY CENTER, INC.  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2019 AND 2018**

|   | 2019          | 2018          |
|---|---------------|---------------|
| <b>ASSETS</b>   |               |               |
| Cash and Cash Equivalents                               | \$ 112,541    | \$ 133,062    |
| Investments   | 11,542,660    | 10,249,658    |
| Contributions Receivable                                | 302,244       | 460,953       |
| Prepaid Expenses  | 5,346         | 9,029         |
| Property and Equipment, Net                             | 6,980,824     | 6,746,010     |
| Total Assets  | \$ 18,943,615 | \$ 17,598,712 |
| <b>LIABILITIES AND NET ASSETS</b>                       |               |               |
| <b>LIABILITIES</b>                                      |               |               |
| Accounts Payable and Accrued Expenses                   | \$ 160,554    | \$ 193,702    |
| Loan Payable  | 3,145,859     | 3,105,864     |
| Total Liabilities                                       | 3,306,413     | 3,299,566     |
| <b>NET ASSETS</b>                                       |               |               |
| Without Donor Restrictions:                             |               |               |
| Undesignated  | 259,618       | 409,341       |
| Designated by the Board for Endowment                   | 485,523       | 472,593       |
| Invested in Property and Equipment, Net of Related Debt | 3,834,965     | 3,640,146     |
| Total Without Donor Restrictions                        | 4,580,106     | 4,522,080     |
| With Donor Restrictions                                 | 11,057,096    | 9,777,066     |
| Total Net Assets  | 15,637,202    | 14,299,146    |
| Total Liabilities and Net Assets                        | \$ 18,943,615 | \$ 17,598,712 |

See accompanying Notes to Financial Statements.

**FOOTHILL UNITY CENTER, INC.  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
YEAR ENDED DECEMBER 31, 2019**

|                                    | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total         |
|------------------------------------|-------------------------------|----------------------------|---------------|
| <b>REVENUE, SUPPORT, AND GAINS</b> |                               |                            |               |
| Contributions                      | \$ 750,170                    | \$ -                       | \$ 750,170    |
| In-Kind Contributions              | 3,311,085                     | -                          | 3,311,085     |
| Grants                             | 760,662                       | -                          | 760,662       |
| Investment Income                  | 37,247                        | 2,077,174                  | 2,114,421     |
| Releases from Restriction          | 797,144                       | (797,144)                  | -             |
| Total Revenue, Support, and Gains  | 5,656,308                     | 1,280,030                  | 6,936,338     |
| <b>EXPENSES</b>                    |                               |                            |               |
| Program Services Expense:          |                               |                            |               |
| Food Services                      | 2,439,809                     | -                          | 2,439,809     |
| Client Services                    | 1,359,038                     | -                          | 1,359,038     |
| Health Services                    | 1,087,231                     | -                          | 1,087,231     |
| Total Program Expense              | 4,886,078                     | -                          | 4,886,078     |
| Supporting Services Expense:       |                               |                            |               |
| Management and General             | 603,477                       | -                          | 603,477       |
| Fundraising and Development        | 108,727                       | -                          | 108,727       |
| Total Supporting Services Expense  | 712,204                       | -                          | 712,204       |
| Total Expenses                     | 5,598,282                     | -                          | 5,598,282     |
| <b>CHANGE IN NET ASSETS</b>        | 58,026                        | 1,280,030                  | 1,338,056     |
| Net Assets - Beginning of Year     | 4,522,080                     | 9,777,066                  | 14,299,146    |
| <b>NET ASSETS - END OF YEAR</b>    | \$ 4,580,106                  | \$ 11,057,096              | \$ 15,637,202 |

See accompanying Notes to Financial Statements.

**FOOTHILL UNITY CENTER, INC.**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEAR ENDED DECEMBER 31, 2018**

|                                    | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total         |
|------------------------------------|-------------------------------|----------------------------|---------------|
| <b>REVENUE, SUPPORT, AND GAINS</b> |                               |                            |               |
| Contributions                      | \$ 522,962                    | \$ -                       | \$ 522,962    |
| In-Kind Contributions              | 2,374,135                     | -                          | 2,374,135     |
| Grants                             | 681,480                       | -                          | 681,480       |
| Investment Loss                    | (232,989)                     | (404,793)                  | (637,782)     |
| Releases from Restriction          | 1,315,251                     | (1,315,251)                | -             |
| Total Revenue, Support, and Gains  | 4,660,839                     | (1,720,044)                | 2,940,795     |
| <b>EXPENSES</b>                    |                               |                            |               |
| Program Services Expense:          |                               |                            |               |
| Food Services                      | 2,521,626                     | -                          | 2,521,626     |
| Client Services                    | 582,724                       | -                          | 582,724       |
| Health Services                    | 978,827                       | -                          | 978,827       |
| Total Program Expense              | 4,083,177                     | -                          | 4,083,177     |
| Supporting Services Expense:       |                               |                            |               |
| Management and General             | 362,949                       | -                          | 362,949       |
| Fundraising and Development        | 90,731                        | -                          | 90,731        |
| Total Supporting Services Expense  | 453,680                       | -                          | 453,680       |
| Total Expenses                     | 4,536,857                     | -                          | 4,536,857     |
| <b>CHANGE IN NET ASSETS</b>        | 123,982                       | (1,720,044)                | (1,596,062)   |
| Net Assets - Beginning of Year     | 4,398,098                     | 11,497,110                 | 15,895,208    |
| <b>NET ASSETS - END OF YEAR</b>    | \$ 4,522,080                  | \$ 9,777,066               | \$ 14,299,146 |

See accompanying Notes to Financial Statements.

**FOOTHILL UNITY CENTER, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2019**

|   | Program Services    |                     |                     |                     | Management<br>and General | Fundraising and<br>Development | Total               |
|---|---------------------|---------------------|---------------------|---------------------|---------------------------|--------------------------------|---------------------|
|   | Food Services       | Health Services     | Client Services     | Total               |                           |                                |                     |
| Salaries and Wages                      | \$ 501,683          | \$ 225,838          | \$ 282,297          | \$ 1,009,818        | \$ 90,335                 | \$ 22,583                      | \$ 1,122,736        |
| Employee Benefits                       | 63,136              | 28,060              | 35,076              | 126,272             | 11,224                    | 2,806                          | 140,302             |
| Payroll Taxes                           | 40,390              | 17,951              | 22,439              | 80,780              | 7,180                     | 1,795                          | 89,755              |
|   | <u>605,209</u>      | <u>271,849</u>      | <u>339,812</u>      | <u>1,216,870</u>    | <u>108,739</u>            | <u>27,184</u>                  | <u>1,352,793</u>    |
| Additional Program                      | 74,443              | 33,099              | 41,368              | 148,910             | 13,246                    | 3,321                          | 165,477             |
| Advertising and Promotion               | -                   | -                   | -                   | -                   | 12,891                    | -                              | 12,891              |
| Bad Debt                                | -                   | -                   | -                   | -                   | 105,021                   | -                              | 105,021             |
| Bank Charges                            | 4,258               | 1,892               | 2,365               | 8,515               | 757                       | 189                            | 9,461               |
| Capital Campaign Expense                | 12,269              | 5,453               | 6,816               | 24,538              | 2,181                     | 545                            | 27,264              |
| Computer Charges                        | 9,265               | 4,117               | 5,147               | 18,529              | 1,647                     | 411                            | 20,587              |
| Depreciation                            | 57,895              | 25,730              | 32,163              | 115,788             | 10,292                    | 2,573                          | 128,653             |
| Dues and Subscriptions                  | 5,993               | 2,663               | 3,329               | 11,985              | 1,065                     | 266                            | 13,316              |
| Events                                  | 12,092              | 5,374               | 6,717               | 24,183              | 2,149                     | 537                            | 26,869              |
| Facilities                              | 17,158              | 7,625               | 9,532               | 34,315              | 3,050                     | 762                            | 38,127              |
| Insurance                               | 19,768              | 8,786               | 10,982              | 39,536              | 3,514                     | 879                            | 43,929              |
| In-Kind                                 | 1,441,704           | 640,757             | 800,947             | 2,883,408           | 256,301                   | 64,075                         | 3,203,784           |
| Interest Expense                        | 66,079              | 29,369              | 36,711              | 132,159             | 11,747                    | 2,937                          | 146,843             |
| Meetings/Meal Expense                   | 1,661               | 738                 | 922                 | 3,321               | 295                       | 73                             | 3,689               |
| Office Supplies, Licenses, Taxes & Fees | 9,748               | 4,332               | 5,415               | 19,495              | 1,733                     | 433                            | 21,661              |
| Postage                                 | 550                 | 244                 | 305                 | 1,099               | 97                        | 24                             | 1,220               |
| Professional Fees                       | -                   | -                   | -                   | -                   | 50,672                    | -                              | 50,672              |
| Rent                                    | 24,842              | 11,040              | 13,801              | 49,683              | 4,416                     | 1,104                          | 55,203              |
| Supplies                                | 4,684               | 2,081               | 2,602               | 9,367               | 832                       | 208                            | 10,407              |
| Telephone and Internet                  | 14,057              | 6,247               | 7,809               | 28,113              | 2,499                     | 624                            | 31,236              |
| Travel                                  | 3,242               | 1,440               | 1,801               | 6,483               | 576                       | 144                            | 7,203               |
| Utilities                               | 35,205              | 15,646              | 19,558              | 70,409              | 6,258                     | 1,564                          | 78,231              |
| Vehicle                                 | 18,689              | 8,306               | 10,382              | 37,377              | 3,322                     | 830                            | 41,529              |
| Volunteer                               | 998                 | 443                 | 554                 | 1,995               | 177                       | 44                             | 2,216               |
| Total Expenses by Function              | <u>\$ 2,439,809</u> | <u>\$ 1,087,231</u> | <u>\$ 1,359,038</u> | <u>\$ 4,886,078</u> | <u>\$ 603,477</u>         | <u>\$ 108,727</u>              | <u>\$ 5,598,282</u> |

See accompanying Notes to Financial Statements.



**FOOTHILL UNITY CENTER, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2018**

|   | Program Services    |                   |                   |                     | Management<br>and General | Fundraising and<br>Development | Total               |
|---|---------------------|-------------------|-------------------|---------------------|---------------------------|--------------------------------|---------------------|
|   | Food Services       | Health Services   | Client Services   | Total               |                           |                                |                     |
| Salaries and Wages                      | \$ 451,348          | \$ 250,749        | \$ 200,599        | \$ 902,696          | \$ 80,240                 | \$ 20,060                      | \$ 1,002,996        |
| Employee Benefits                       | 70,041              | 38,912            | 31,129            | 140,082             | 12,452                    | 3,113                          | 155,647             |
| Payroll Taxes                           | 36,422              | 20,234            | 16,187            | 72,843              | 6,475                     | 1,619                          | 80,937              |
|   | <u>557,811</u>      | <u>309,895</u>    | <u>247,915</u>    | <u>1,115,621</u>    | <u>99,167</u>             | <u>24,792</u>                  | <u>1,239,580</u>    |
| Additional Program                      | 48,395              | 26,886            | 21,509            | 96,790              | 8,604                     | 2,151                          | 107,545             |
| Advertising and Promotion               | 3,146               | 1,748             | 1,398             | 6,292               | 559                       | 140                            | 6,991               |
| Bank Charges                            | 5,219               | 2,855             | 2,366             | 10,440              | 928                       | 232                            | 11,600              |
| Capital Campaign Expense                | 20,032              | 11,129            | 8,903             | 40,064              | 3,561                     | 890                            | 44,515              |
| Computer Charges                        | 8,651               | 4,806             | 3,845             | 17,302              | 1,538                     | 384                            | 19,224              |
| Depreciation                            | 34,689              | 19,272            | 15,417            | 69,378              | 6,167                     | 1,542                          | 77,087              |
| Dues and Subscriptions                  | 5,288               | 2,938             | 2,350             | 10,576              | 940                       | 234                            | 11,750              |
| Events                                  | 20,482              | 11,379            | 9,103             | 40,964              | 3,641                     | 910                            | 45,515              |
| Facilities                              | 19,577              | 10,876            | 8,701             | 39,154              | 3,480                     | 869                            | 43,503              |
| Insurance                               | 6,139               | 3,411             | 2,728             | 12,278              | 1,091                     | 273                            | 13,642              |
| In-Kind                                 | 1,548,399           | 438,134           | 150,189           | 2,136,722           | 189,931                   | 47,483                         | 2,374,136           |
| Interest Expense                        | 82,584              | 45,934            | 36,650            | 165,168             | 14,682                    | 3,670                          | 183,520             |
| Meetings/Meal Expense                   | 1,595               | 886               | 709               | 3,190               | 283                       | 71                             | 3,544               |
| Office Supplies, Licenses, Taxes & Fees | 2,875               | 1,597             | 1,277             | 5,749               | 511                       | 128                            | 6,388               |
| Postage                                 | 1,285               | 714               | 571               | 2,570               | 228                       | 57                             | 2,855               |
| Professional Fees                       | 47,403              | 26,335            | 21,068            | 94,806              | 8,427                     | 2,107                          | 105,340             |
| Rent                                    | 31,941              | 17,745            | 14,196            | 63,882              | 5,678                     | 1,420                          | 70,980              |
| Supplies                                | 3,384               | 1,880             | 1,504             | 6,768               | 602                       | 149                            | 7,519               |
| Telephone and Internet                  | 12,354              | 6,864             | 5,491             | 24,709              | 2,196                     | 549                            | 27,454              |
| Travel                                  | 1,663               | 924               | 739               | 3,326               | 296                       | 74                             | 3,696               |
| Utilities                               | 34,367              | 19,093            | 15,274            | 68,734              | 6,110                     | 1,526                          | 76,370              |
| Vehicle                                 | 23,888              | 13,271            | 10,617            | 47,776              | 4,247                     | 1,061                          | 53,084              |
| Volunteer                               | 459                 | 255               | 204               | 918                 | 82                        | 19                             | 1,019               |
| Total Expenses by Function              | <u>\$ 2,521,626</u> | <u>\$ 978,827</u> | <u>\$ 582,724</u> | <u>\$ 4,083,177</u> | <u>\$ 362,949</u>         | <u>\$ 90,731</u>               | <u>\$ 4,536,857</u> |

See accompanying Notes to Financial Statements.

**FOOTHILL UNITY CENTER, INC.  
STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

|  | 2019         | 2018           |
|--|--------------|----------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |              |                |
| Change in Net Assets   | \$ 1,338,056 | \$ (1,596,062) |
| Adjustments to Reconcile Change in Net Assets to Net Cash<br>Used by Operating Activities: |              |                |
| Depreciation   | 128,653      | 77,087         |
| Realized and Unrealized (Gain) Loss on Investments   | (1,842,461)  | 903,531        |
| Donated Vehicle  | (106,998)    | -              |
| Changes in Operating Assets and Liabilities:   |              |                |
| Contributions Receivable   | 158,709      | 32,931         |
| Prepaid Expenses   | 3,683        | 3,889          |
| Accounts Payable and Accrued Expenses  | (33,148)     | (43,927)       |
| Net Cash Used by Operating Activities  | (353,506)    | (622,551)      |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |              |                |
| Purchases of Property and Equipment  | (187,931)    | (330,932)      |
| Purchases of Investments   | (257,813)    | (250,404)      |
| Proceeds from Sales of Investments   | 805,000      | 1,099,875      |
| Net Cash Provided by Investing Activities  | 359,256      | 518,539        |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>  |              |                |
| Proceeds on Loan Payable   | 3,087,344    | -              |
| Principal Payments on Loan Payable   | (3,113,615)  | (19,136)       |
| Net Cash Used by Financing Activities  | (26,271)     | (19,136)       |
| <b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>   | (20,521)     | (123,148)      |
| Cash and Cash Equivalents - Beginning of Year  | 133,062      | 256,210        |
| <b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>   | \$ 112,541   | \$ 133,062     |
| <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>                                    |              |                |
| Cash Paid During the Year for Interest   | \$ 146,843   | \$ 156,551     |
| Vehicle Financed with Loan Payable   | \$ 68,540    | \$ -           |

See accompanying Notes to Financial Statements.

**FOOTHILL UNITY CENTER, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

**NOTE 1 NATURE OF ORGANIZATION**

Foothill Unity Center, Inc. (the Center) is a California Not-for-Profit Corporation whose mission is to help neighbors in crisis attain self-sufficiency by partnering with the community and using our resources wisely to provide vital support services with love and dignity. The Center was founded in 1980 as an emergency food pantry operating out of a church closet in Monrovia, California, to assist the low-income, disadvantaged, and underserved. The Center was federally designated as a Community Action Agency (CAA) in 2008, to join a network of 47 organizations in the state of California and 1,100 in the country, to combat poverty. The target population expanded to the Foothills portion of SPA 3, which includes Altadena, Arcadia, Azusa, Baldwin Park, Bradbury, Duarte, Irwindale, Monrovia, Pasadena, Sierra Madre, and South Pasadena. The Center is a multi-service agency that is the region's primary provider of integrated services that provide a safety net for the very low-income and homeless population. All programs focus on helping individuals and families stabilize and move out of poverty with the following core programs that are supported by our Volunteer Program: Food, Health, Crisis Case Management, Job Development, and Housing.

**NOTE 2 SIGNIFICANT ACCOUNTING POLICIES**

**Cash Equivalents**

The Center considers all highly liquid investments with an original maturity of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to building projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition.

**Contributions Receivable**

Contributions that are unconditional promises to give (pledges) are recorded as receivables and revenues. For financial reporting purposes, the Organization distinguished between contributions with donor restrictions and without donor restrictions. Contributions on which donors have imposed restrictions which limit the use of the donated assets are reported as with donor restrictions. When such donor-imposed restrictions are met in subsequent reporting periods, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from restrictions. Contributed assets which are subject to perpetual donor restrictions and from which only the current income may be used are classified as net assets with donor restrictions. Contributed assets for which donors have not stipulated restrictions, as well as contributions on which donors have placed restrictions which are met within the same reporting period, are reported as contributions without donor restrictions.

**FOOTHILL UNITY CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Property and Equipment**

The Center capitalizes assets \$1,000 and over that meet the capitalization criteria. Property and equipment is recorded at cost, less accumulated depreciation and amortization. Depreciation and amortization are computed on the straight-line method over the estimated useful life of the related assets as follows:

|                                    |            |
|------------------------------------|------------|
| Building                           | 39 Years   |
| Furniture, Fixtures, and Equipment | 5-10 Years |
| Vehicles                           | 5 Years    |
| Software                           | 3 Years    |

Management reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. Management believes there were no indicators of asset impairment during the years ended December 31, 2019 and 2018.

**Investments**

The center records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

**Financial Statement Presentation**

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:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

*Net Assets 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. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. 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.

**FOOTHILL UNITY CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Financial Statement Presentation (Continued)**

The Center records contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as Net Assets Released from Restrictions.

**Endowment – Return Objectives, Risk Parameters, and Spending Policy**

The Center's endowment consists of assets restricted for perpetual endowment and related endowment earnings. The Center holds endowment funds at one institution, which manages the funds and attempts to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment fund. Under this policy, the funds are invested in a manner that is intended to achieve a total return over the long term (three to five-year rolling periods) of at least equal to the inflation rate as measured by the Consumer Price Index while assuming a moderate amount of risk. Actual returns in any given year may vary from this amount. On an annual basis, the Center makes available for spending an amount equal to approximately 5% of the endowment fund's average fair value over the prior twelve quarters. The spending rate may exceed 5% if the board, in their good judgement deems it necessary as the spending rate limit is a guiding principle and not absolute. Any such action will be evidenced by a board resolution.

**Revenue and Revenue Recognition**

Contributions and grants are recognized when cash, other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give that is, those with a measurable performance or other barrier and a right to return are not recognized until the conditions on which they depend have been substantially met. Payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively.

**Donated Services and In-Kind Contributions**

Volunteers contribute significant amounts of time to the center's program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by accounting principles generally accepted in the United States of America. Contributed goods and rent are recorded at fair value at the date of donation. The total value of contributed goods and rent for the years ended December 31, 2019 and 2018 were \$3,262,873 and \$2,351,224, respectively. The Center records donated professional services at the respective fair values of the services received. For the years ended December 31, 2019 and 2018, the fair value of such services totaled \$48,212 and \$22,911, respectively.

**FOOTHILL UNITY CENTER, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

**NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Board-Designated Endowment**

The Center allocates certain net assets without donor restriction to a board-designated endowment, the Hunger Fund, which provides food distribution assistance.

**Fair Value Measurements and Disclosures**

The Center reports certain assets and liabilities at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

*Level 1* – Quoted prices (unadjusted) in active markets for identical assets or liabilities that we can access at the measurement date.

*Level 2* – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

*Level 3* – Unobservable inputs for the asset or liability. In these situations, we develop inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the Center's assessment of the quality, risk, or liquidity profile of the asset or liability.

**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 certain reported amounts and disclosures. Actual results could differ from these estimates.

**FOOTHILL UNITY CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Functional Allocation of Expenses**

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Management's estimate of the functional allocation of expenses shared between programs, which includes food, client and health services, management and general, and fundraising is based on a reasonable and consistent basis using factors such as direct payroll allocation, square footage, full time equivalents within each department, and total direct expenses.

**Income Taxes**

The Center has received favorable determination letters indicating it is generally exempt from federal income taxes and California franchise taxes as an organization described in Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code.

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 all of the positions taken by the Center are more likely than not to be sustained upon examination.

**Credit Concentration**

The Center manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Center has not experienced losses in any of these accounts. Credit risk associated with accounts receivable and promises to give is considered to be limited due to historical collection rates and because substantial portions of the outstanding amounts are due from board members, governmental agencies, and foundations supportive of the Center's mission. Investments are made by diversified investment managers whose performance is monitored by management and the investment committee of the board of directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management and the investment committee believe that the investment policies and guidelines are prudent for the long-term welfare of the organization.

At December 31, 2019 and 2018, four donors and five donors accounted for 71% and 68% of total promises to give, respectively. At December 31, 2019, two contributors accounted for approximately 23% of total contribution revenue. At December 31, 2019 and 2018, two governmental grants accounted for 63% and one government grant accounted for 62% of grant revenue, respectively.

**FOOTHILL UNITY CENTER, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

**NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Reclassifications**

Certain reclassifications of amounts previously reported have been made to the accompanying consolidated financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

**New Accounting Pronouncements Adopted during Current Accounting Period**

In 2019, the Center has adopted Financial Accounting Standards Board (FASB) 2018-08 *Not-For-Profit Entities* (Topic 958), *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. This standard distinguishes between contributions and exchange transactions and assists in determining which guidance to apply. The adoption of ASU 2018-08 did not impact the Center's reported revenue.

**Subsequent Events**

Subsequent events have been evaluated through September 11, 2020, the date the financial statements were available to be issued. There were no subsequent events that would require adjustments or disclosures in these financial statements.

Subsequent to year-end, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Center, COVID-19 may impact various parts of its 2020 operations and financial results including but not limited to declines in contribution revenues, decline in markets, and costs for increased use of services. Management believes the Center is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events occurred subsequent to year-end and are still developing.

During May 2020, the Center received approximately \$192,000 in a Paycheck Protection Program loan to keep their workforce employed through the COVID-19 crisis. The Paycheck Protection Program loan has an element of forgiveness and management intends to have the loan forgiven.

**NOTE 3 LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

|                           | 2019              | 2018              |
|---------------------------|-------------------|-------------------|
| Cash and Cash Equivalents | \$ 112,541        | \$ 133,062        |
| Contributions Receivable  | 189,898           | 326,453           |
| Total                     | <u>\$ 302,439</u> | <u>\$ 459,515</u> |



**FOOTHILL UNITY CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 3 LIQUIDITY AND AVAILABILITY (CONTINUED)**

The Center has a board-designated endowment of approximately \$486,000; further, the Center has a spending rate of 5%, as described in Note 2. Although the Center does not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of our Board's annual budget approval and appropriation), these amounts could be made available if necessary. Furthermore, the Center has an undesignated operating reserve, which can be used if necessary.

**NOTE 4 INVESTMENTS**

At December 31, 2019 and 2018, the Center's investments are held in various mutual funds with Vanguard and are all considered Level 1 assets based on observable inputs under the fair value hierarchy. The asset allocations of the Center's investments are as follows:

|  | 2019                 | 2018                 |
|--|----------------------|----------------------|
| Total Stock Market Index Fund                        | \$ 4,989,214         | \$ 4,224,065         |
| Total International Stock Index Fund                 | 3,309,389            | 2,743,557            |
| Total Bond Market Index Fund                         | 1,136,497            | 1,152,623            |
| Total International Bond Index Fund                  | 975,815              | 985,600              |
| Intermediate-Term Investment Grade Fixed Income Fund | 685,217              | 688,436              |
| Short-Term Investment Grade Fixed Income Fund        | 262,946              | 455,377              |
| Long-Term Investment Grade Fixed Income Fund         | 183,582              | -                    |
| Total  | <u>\$ 11,542,660</u> | <u>\$ 10,249,658</u> |

Investment income for the years ended December 31 2019 and 2018, were comprised of the following:

|                                       | 2019                | 2018                |
|---------------------------------------|---------------------|---------------------|
| Interest and Dividends                | \$ 271,960          | \$ 249,663          |
| Realized Gain on Investments          | 250,905             | 355,147             |
| Unrealized Gain (Loss) on Investments | 1,591,556           | (1,242,592)         |
| Total                                 | <u>\$ 2,114,421</u> | <u>\$ (637,782)</u> |

**NOTE 5 CONTRIBUTIONS RECEIVABLE**

Unconditional promises to give are estimated to be collected as follows at December 31, 2019 and 2018:

|                      | 2019              | 2018              |
|----------------------|-------------------|-------------------|
| Within One Year      | \$ 189,898        | \$ 326,453        |
| In One to Five Years | 112,346           | 134,500           |
| Total                | <u>\$ 302,244</u> | <u>\$ 460,953</u> |

**FOOTHILL UNITY CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 6 PROPERTY AND EQUIPMENT**

At December 31, 2019 and 2018, property and equipment consisted of the following:

|   | <u>2019</u>         | <u>2018</u>         |
|---|---------------------|---------------------|
| Land  | \$ 2,499,994        | \$ 2,499,994        |
| Buildings and Improvements                      | 4,365,309           | 4,295,434           |
| Furniture, Fixtures & Equipment                 | 341,334             | 216,492             |
| Vehicles  | 187,743             | 38,465              |
| Software  | 47,773              | 47,773              |
| Subtotal  | <u>7,442,153</u>    | <u>7,098,158</u>    |
| Less: Accumulated Depreciation and Amortization | (461,329)           | (352,148)           |
| Total Property and Equipment                    | <u>\$ 6,980,824</u> | <u>\$ 6,746,010</u> |

**NOTE 7 LOAN PAYABLE**

During September 2017, the Center obtained a promissory note from the seller of the building in the amount of \$3,125,000 maturing December 31, 2027. The promissory note bears interest at 5%, secured by the building itself. Payment on this loan of principal and interest began in the third month after the agreement. During October 2019, the Center refinanced their loan for an amount of \$3,100,000 maturing October 2029. The promissory note bears interest at 3.67%, secured by the building itself. During October 2019, the Center entered in a promissory note for a vehicle in the amount of approximately \$56,000. This promissory note bears interest at 7.39% and matures October 2022.

At December 31, 2019, future principal payments on the loan payable are as follows:

| <u>Year Ending December 31,</u> | <u>Amount</u>       |
|---------------------------------|---------------------|
| 2020                            | \$ 131,933          |
| 2021                            | 130,832             |
| 2022                            | 126,519             |
| 2023                            | 107,383             |
| 2024                            | 105,236             |
| Thereafter                      | <u>2,543,956</u>    |
| Total                           | <u>\$ 3,145,859</u> |

The promissory note is subject to Financial and Reporting Covenants, which require the Center to maintain a Basic Fixed Charge Ratio of at least 1.15-1.0, Liquidity Ratio of no less than 10%, and to provide the lender audited financial statements within 120 days of fiscal year-end. Both the Basic Fixed Charge Ratio and Liquidity Ratios are to be measured at June month-end and December month-end. As of December 31, 2019, the Center was not in compliance with the Basic Fixed Charge Ratio. However, a waiver was obtained from the lender on August 12, 2020. A waiver was also obtained from the lender extending audit issuance until September 15, 2020.

**FOOTHILL UNITY CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 8 ENDOWMENTS**

The Center's endowment includes both donor-restricted endowment funds and funds designated by the board of directors to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

**Interpretation of Relevant Law**

The board of directors of the Center has interpreted the California Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. As a result of this interpretation, the Center retains in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Center in a manner consistent with the standard of prudence prescribed by UPMIFA. The Center considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Center and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Center
- (7) The investment policies of the Center.

**FOOTHILL UNITY CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 8 ENDOWMENTS (CONTINUED)**

The Center's endowment by net asset class at December 31, 2019 and 2018, in total and by type of endowment fund, showing donor-restricted endowment funds separately from board-designated endowment funds are as follows:

| December 31, 2019                 | Without Donor<br>Restriction | With Donor<br>Restrictions | Total                |
|-----------------------------------|------------------------------|----------------------------|----------------------|
| Board-Designated Endowment Funds  | \$ 485,523                   | \$ -                       | \$ 485,523           |
| Donor-Restricted Endowment Funds: |                              |                            |                      |
| Purpose-Restricted                | -                            | 2,397,268                  | 2,397,268            |
| Not Subject to Expenditure        | -                            | 8,659,828                  | 8,659,828            |
| Total                             | <u>\$ 485,523</u>            | <u>\$ 11,057,096</u>       | <u>\$ 11,542,619</u> |
| <u>December 31, 2018</u>          |                              |                            |                      |
| Board-Designated Endowment Funds  | \$ 472,593                   | \$ -                       | \$ 472,593           |
| Donor-Restricted Endowment Funds: |                              |                            |                      |
| Purpose-Restricted                | -                            | 1,117,238                  | 1,117,238            |
| Not Subject to Expenditure        | -                            | 8,659,828                  | 8,659,828            |
| Total                             | <u>\$ 472,593</u>            | <u>\$ 9,777,066</u>        | <u>\$ 10,249,659</u> |

Changes in endowment assets for the years ended December 31, 2019 and 2018 are as follows:

| December 31, 2018  | Without Donor<br>Restriction | With Donor<br>Restrictions | Total                |
|--|------------------------------|----------------------------|----------------------|
| Endowment Net Assets - Beginning of Year   | \$ 1,149,392                 | \$ 10,894,892              | \$ 12,044,284        |
| Investment Return, Net   | (244,499)                    | (404,793)                  | (649,292)            |
| Appropriation of Arcadia Fund and Health Fund<br>Assets Pursuant to Spending-Rate Policy | -                            | (713,033)                  | (713,033)            |
| Distribution from Board-Designated<br>Pursuant to Distribution Policy                    | <u>(432,300)</u>             | <u>-</u>                   | <u>(432,300)</u>     |
| Endowment Net Assets - End of Year   | <u>\$ 472,593</u>            | <u>\$ 9,777,066</u>        | <u>\$ 10,249,659</u> |
| <u>December 31, 2019</u>   |                              |                            |                      |
| Endowment Net Assets - Beginning of Year   | \$ 472,593                   | \$ 9,777,066               | \$ 10,249,659        |
| Investment Return, Net   | 20,982                       | 2,077,174                  | 2,098,156            |
| Appropriation of Arcadia Fund and Health Fund<br>Assets Pursuant to Spending-Rate Policy | -                            | (797,144)                  | (797,144)            |
| Distribution from Board-Designated<br>Pursuant to Distribution Policy                    | <u>(8,052)</u>               | <u>-</u>                   | <u>(8,052)</u>       |
| Endowment Net Assets - End of Year   | <u>\$ 485,523</u>            | <u>\$ 11,057,096</u>       | <u>\$ 11,542,619</u> |

**FOOTHILL UNITY CENTER, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

**NOTE 8 ENDOWMENTS (CONTINUED)**

In 2015, the Center received a \$630,000 term endowment for which the donor provided for the use of all income and not more than 2% of the principal annually to provide assistance to low-income Arcadia individuals and families.

In March 2018, the Board passed a motion to pay back funds withdrawn from endowment for the down payment of the new facility. Management will pay back the endowment as soon as possible.

**NOTE 9 NET ASSETS WITH DONOR RESTRICTION**

At December 31, 2019 and 2018, net assets with donor restriction consist of the following:

|   | 2019          | 2018         |
|---|---------------|--------------|
| Subject to endowment spending policy and appropriation: |               |              |
| Health Fund   | \$ 1,700,398  | \$ 485,018   |
| Arcadia Welfare Fund                                    | 696,870       | 632,220      |
| Perpetuity  | 8,659,828     | 8,659,828    |
| Total   | \$ 11,057,096 | \$ 9,777,066 |

During the years ended December 31, 2019 and 2018, net assets were released from donor restriction by meeting donor-imposed stipulations and appropriations.

|  |            |              |
|--|------------|--------------|
| Restricted-purpose spending-rate appropriations: |            |              |
| Health Fund                                      | \$ 756,886 | \$ 713,033   |
| Arcadia Welfare Fund                             | 40,258     | -            |
| Meeting donor-imposed stipulation:               |            |              |
| Capital Campaign                                 | -          | 602,218      |
| Total  | \$ 797,144 | \$ 1,315,251 |

**NOTE 10 EMPLOYEE BENEFITS**

The Center offers a 403(b) plan for its employees. Eligible employees are allowed to make salary reduction contributions. During the years ended December 31, 2019 and 2018, the Center did not make discretionary employer contributions to the retirement plan.

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC,  
an SEC-registered investment advisor. | CliftonLarsonAllen LLP

