



Foothill Unity Center, Inc.

HELPING PEOPLE. CHANGING LIVES.

**FINANCIAL REPORT
DECEMBER 31, 2022**

FOOTHILL UNITY CENTER, INC.
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Foothill Unity Center, Inc. (the Center), which comprise the statement of financial position as of December 31, 2022, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Center as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Center's ability to continue as a going concern within one year after the date the financial statements are available to be 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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Center'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 March 13, 2024, on our consideration of the Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the Center's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.



March 13, 2024

FOOTHILL UNITY CENTER, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2022

ASSETS

Cash and cash equivalents	\$ 495,976
Contributions receivable	237,062
Property and equipment, net	6,659,723
Investments	<u>10,994,448</u>
Total assets	<u>\$ 18,387,209</u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable and accrued expenses	\$ 202,817
Note payable	<u>1,113,320</u>
Total liabilities	<u>1,316,137</u>

Net assets

Without donor restrictions	
Undesignated	5,979,059
Designated by the board for endowment	<u>483,600</u>
Total net assets without donor restrictions	6,462,659
With donor restrictions	<u>10,608,413</u>
Total net assets	<u>17,071,072</u>

Total liabilities and net assets	<u>\$ 18,387,209</u>
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See notes to financial statements.

FOOTHILL UNITY CENTER, INC.
STATEMENT OF ACTIVITIES
Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, support, and gains			
Grants and contributions	\$ 2,188,888	\$ 192,081	\$ 2,380,969
Contributed goods and services	3,192,260	-	3,192,260
Employer retention tax credit	512,441	-	512,441
Net investment loss	(20,818)	(2,061,032)	(2,081,850)
Net assets released from restrictions	643,881	(643,881)	-
Total revenues, support, and gains	6,516,652	(2,512,832)	4,003,820
Expenses			
Program services	5,677,779	-	5,677,779
Management and general	867,222	-	867,222
Fundraising	121,271	-	121,271
Total expenses	6,666,272	-	6,666,272
Loss on uncollectible contributions receivable	116,191	-	116,191
Total expenses and losses	6,782,463	-	6,782,463
Change in net assets	(265,811)	(2,512,832)	(2,778,643)
Net assets, beginning	6,728,470	13,121,245	19,849,715
Net assets, ending	\$ 6,462,659	\$ 10,608,413	\$ 17,071,072

See notes to financial statements.

FOOTHILL UNITY CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2022

	Program Services				Supporting Services			
	Food Services	Health Services	Client Services	Total	Management and General	Fundraising	Total	Total
Contributed goods and services	\$ 2,778,643	\$ 66,279	\$ 345,838	\$ 3,190,760	\$ -	\$ -	\$ -	\$ 3,190,760
Salaries, taxes, and benefits	603,373	385,319	359,958	1,348,650	530,764	40,098	570,862	1,919,512
Programmatic	139,781	38,838	193,501	372,120	3,603	5,600	9,203	381,323
Professional fees	52,408	52,408	52,408	157,224	52,410	52,408	262,042	262,042
Depreciation and amortization	88,005	11,725	37,152	136,882	54,762	3,908	58,670	195,552
Utilities	52,700	7,021	22,247	81,968	32,793	2,340	35,133	117,101
Other	35,320	2,287	14,507	52,114	24,800	1,568	26,368	78,482
Facilities	32,424	4,320	13,688	50,432	20,176	1,440	21,616	72,048
Events	26,720	3,560	11,280	41,560	16,626	1,187	17,813	59,373
Rent	25,432	3,388	10,736	39,556	15,825	1,129	16,954	56,510
Insurance	20,069	2,674	8,472	31,215	12,488	891	13,379	44,594
Interest	19,300	2,571	8,147	30,018	12,010	857	12,867	42,885
Vehicle	18,942	2,524	7,997	29,463	11,787	841	12,628	42,091
Licenses, taxes, and fees	15,840	2,110	6,687	24,637	9,857	703	10,560	35,197
Computer charges	15,176	2,022	6,406	23,604	9,443	674	10,117	33,721
Telephone and internet	13,653	1,819	5,764	21,236	8,496	606	9,102	30,338
Bank charges	-	-	-	-	27,139	-	27,139	27,139
Office supplies	10,089	1,344	4,259	15,692	6,278	448	6,726	22,418
Capital campaign	-	-	-	-	5,700	5,697	11,397	11,397
Miscellaneous	19,706	2,624	8,318	30,648	12,265	876	13,141	43,789
Total expenses by function	\$ 3,967,581	\$ 592,833	\$ 1,117,365	\$ 5,677,779	\$ 867,222	\$ 121,271	\$ 1,145,717	\$ 6,666,272
	\$ 7,935,162	\$ 1,185,666	\$ 2,234,730	\$ 11,355,558	\$ 1,734,444	\$ 242,542	\$ 2,291,434	\$ 13,332,544

See notes to financial statements.

FOOTHILL UNITY CENTER, INC.
STATEMENT OF CASH FLOWS
Year Ended December 31, 2022

Cash flows provided by operating activities

Change in net assets	\$ (2,778,643)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation and amortization	195,552
Loss on uncollectible contributions receivable	116,191
Net realized and unrealized investment losses	2,295,803
Changes in operating assets and liabilities:	
Contributions receivable	(153,525)
Prepaid expenses	40,575
Accounts payable and accrued expenses	<u>1,731</u>
Net cash used in operating activities	<u>(282,316)</u>

Cash flows from investing activities

Purchases of investments	(273,757)
Sales of investments	615,461
Purchases of property and equipment	<u>(73,297)</u>
Net cash provided by investing activities	<u>268,407</u>

Cash flows from financing activities

Collection of contributions restricted to endowment	33,328
Principal payments on note payable	<u>(929,086)</u>
Net cash used in financing activities	(895,758)

Net change in cash and cash equivalents

(909,667)

Cash and cash equivalents, beginning

1,405,643

Cash and cash equivalents, ending

\$ 495,976

SUPPLEMENTAL INFORMATION:

Cash paid for interest	<u><u>\$ 42,884</u></u>
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See notes to financial statements.

FOOTHILL UNITY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – NATURE OF ORGANIZATION

Foothill Unity Center, Inc. (the Center) is a California nonprofit Corporation whose mission is to help neighbors in crisis attain self-sufficiency by partnering with the community and using its 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, South Pasadena, and Temple City. 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

Basis of Presentation

The financial statements of the Center have been prepared on the accrual basis of accounting to conform to generally accepted accounting principles in the United States of America (U.S. GAAP) as applicable to nonprofit institutions.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from these estimates.

Cash and Cash Equivalents

The Center considers all cash and highly liquid financial instruments purchased with maturities of three months or less, which are neither held for, nor restricted by, donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments designated by the board of directors or endowments that are perpetual in nature, or other long-term purposes are excluded from this definition.

Contributions Receivable

Contributions receivable expected to be collected within one year are recorded at net realizable value. The allowance for uncollectible contributions receivable is determined based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Contributions receivable are written off when deemed uncollectible. At December 31, 2022, management determined no allowance for uncollectible contributions receivable was necessary.

FOOTHILL UNITY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

The Center records property and equipment additions over \$1,000 at cost, or if donated, at the fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful life of the assets ranging from 3 to 39 years. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

Impairment of Long-lived Assets

Management reviews long-lived assets for indicators of impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable. Impairment would be recorded in circumstances where undiscounted cash flows expected to be generated by an asset are less than the carrying value of that asset. Management believes there were no indicators of asset impairment during the year ended December 31, 2022.

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 statement of financial position. Net investment return/(loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Net Assets

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

- *Net Assets without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions, including donor-restricted contributions whose restrictions are met in the same reporting period. The governing board has designated, from net assets without donor restrictions, a board-designated endowment, the Hunger Fund, which provides food distribution assistance.
- *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

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants and Contributions

Contributions and grants are recognized when cash, securities, or 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.

A portion of the Center's revenue is derived from cost-reimbursable federal and state grants and contracts, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Center incurs expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position.

Contributed Goods and Services

Donated services are recognized when the services received either (a) create or enhance a nonfinancial asset or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donations.

The Center receives significant contributed time from volunteers (primarily for program services, management and general, and fundraising activities) that does not meet the recognition criteria described above. Accordingly, the value of this contributed time is not reflected in the accompanying financial statements.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement 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 is exempt from income taxes under Internal Revenue Code §501(c)(3) and California Revenue and Taxation Code §23701(d). Management has analyzed the tax positions taken by the Center, and has concluded that, as of December 31, 2022, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Center is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

FOOTHILL UNITY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentration of Credit Risk

The Center manages deposit concentration risk by placing cash and cash equivalents 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.

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.

Credit risk associated with contributions receivable 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. At December 31, 2022, three donors accounted for 86% of total contributions receivable. For the year ended December 31, 2022, three contributors accounted for 34% of total contribution revenue.

Subsequent Events

In the preparation of these financial statements, the Center considered subsequent events through March 13, 2024, which is the date these financial statements were available for issuance.

NOTE 3 – FINANCIAL ASSETS AND LIQUIDITY RESOURCES

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 as of December 31, 2022:

Cash and cash equivalents	\$ 495,976
Contributions receivable	<u>237,062</u>
Total	<u>\$ 733,038</u>

The Center considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Center manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. In the event the need arises to utilize the board-designated funds for liquidity purposes, the funds could be drawn upon through board resolution.

FOOTHILL UNITY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

The Center reports certain assets and liabilities at fair value in the financial statements. U.S. GAAP defines fair value as 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.

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value, which is the Center's policy. For the year ended December 31, 2022, the application of valuation techniques applied to similar assets and liabilities has been consistent.

At December 31, 2022, the Center's investments are held in various mutual funds and are all considered Level 1 assets based on observable inputs under the fair value hierarchy. At December 31, 202, the Center's investments consist of the following:

Stock Market Index Funds	\$ 7,207,290
Bond Market Index Funds	1,988,151
Fixed Income Funds	1,029,449
Money Market Fund	<u>769,558</u>
Total	<u>\$ 10,994,448</u>

FOOTHILL UNITY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 5 – PROPERTY AND EQUIPMENT

At December 31, 2022, property and equipment consists of the following:

Land	\$ 2,499,994
Buildings and improvements	4,493,000
Furniture, fixtures and equipment	425,003
Vehicles	191,078
Software	<u>74,514</u>
Subtotal	7,683,589
Less: accumulated depreciation and amortization	<u>(1,023,866)</u>
Total property and equipment	<u>\$ 6,659,723</u>

NOTE 6 – NOTE PAYABLE

The Center has a note payable to a bank, collateralized by property. The note bears interest at 3.67% and matures October 9, 2029. The note is subject to certain financial and reporting covenants. At December 31, 2022, the Center was not compliance with certain ratios and received a bank waiver.

At December 31, 2022, future principal payments on the note payable are as follows:

<u>Years Ending</u> <u>December 31,</u>	
2023	\$ 132,798
2024	137,724
2025	143,037
2026	148,452
2027	154,071
Thereafter	<u>397,238</u>
Total	<u>\$ 1,113,320</u>

FOOTHILL UNITY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 7 – 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 U.S. 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 enacted 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.

At December 31, 2022, the Center had the following endowment net asset composition by type of fund:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 483,600	\$ -	\$ 483,600
Donor-restricted endowment funds:			
Accumulated investment gains	-	1,778,302	1,778,302
Original donor-restricted gift amounts required to be maintained in perpetuity	-	8,732,144	8,732,144
	\$ 483,600	\$ 10,510,446	\$ 10,994,046

FOOTHILL UNITY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 7 – ENDOWMENTS (Continued)

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 12 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.

Changes in endowment assets for the year ended December 31, 2022, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets – beginning	\$ 510,710	\$ 13,121,245	\$ 13,631,955
Net investments loss	(20,818)	(2,061,032)	(2,081,850)
Contributions	-	33,328	33,328
Appropriation of endowment assets pursuant to spending-rate policy	-	(583,095)	(583,095)
Distribution from board-designated endowment pursuant to distribution policy	(6,292)	-	(6,292)
Total	<u>\$ 483,600</u>	<u>\$ 10,510,446</u>	<u>\$ 10,994,046</u>

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 2017, the Center passed two motions to withdraw \$2.8 million from the endowment for the purpose of purchasing a new facility. \$2,269,861 was distributed from the endowment without donor restrictions and \$530,139 was distributed from the accumulated earnings of endowment with donor restrictions. In 2018, the board passed a motion to pay back funds withdrawn from endowment. As of December 31, 2022, the funds have not been paid back. Management will pay back the endowment as soon as possible.

FOOTHILL UNITY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS

At December 31, 2022, net assets with donor restrictions consist of the following:

Capital Campaign Fund	\$ 97,967
Subject to endowment spending policy and appropriation:	
Health Fund	1,112,693
Arcadia Welfare Fund	665,609
Perpetual in nature, earnings from which are subject to endowment spending policy and appropriation	<u>8,732,144</u>
Total	<u>\$ 10,608,413</u>

During the year ended December 31, 2022, net assets were released from donor restrictions by meeting donor-imposed stipulations and appropriations.

Capital Campaign Fund	\$ 60,786
Health Fund	553,646
Arcadia Welfare Fund	<u>29,449</u>
Total	<u>\$ 643,881</u>

NOTE 9 – EMPLOYEE BENEFITS

The Center offers a 403(b) plan for its employees. Eligible employees are allowed to make salary reduction contributions. During the year ended December 31, 2022, the Center did not make discretionary employer contributions to the retirement plan.

FOOTHILL UNITY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 10 – CONTRIBUTED GOODS AND SERVICES

For the year ended December 31, 2022, donated goods and services recognized as revenue in the statement of activities consisted of the following:

		<u>Valuation Techniques</u>
Goods	\$ 486,528	Average price per pound for each category based on local prices
Food	2,667,498	Average regional price per pound for each food category as determined by published sources
Professional volunteers	28,234	Time spent by professionals
Rent	<u>10,000</u>	Current market price for rent in building used
Total	<u>\$ 3,192,260</u>	

NOTE 11 - EMPLOYEE RETENTION TAX CREDIT

In May 2023, under the Consolidated Appropriations Act, 2021 and the American Rescue Plan, the Center submitted a claim for an Employee Retention Credit of \$512,441. The employee retention credit is a refundable tax credit against certain employment taxes equal to 50% of the qualified wages, up to \$10,000, (including qualified health plan expenses) an eligible employer pays to employees after March 12, 2020, and before January 1, 2021. Effective January 1, 2021, the credit increased from 50% to 70% up to \$10,000 of the qualified wages (including qualified health plan expenses) per quarter through September 30, 2021. Employers are eligible for the credit if they experienced either a full or partial suspension of operations during any calendar quarter because of governmental orders due to the pandemic, or a significant decline in gross receipts based on comparing quarterly revenue for 2020 and/or 2021 with the comparable quarter in 2019. Based on the Center's assessment, it was eligible for \$512,441 in refundable tax credits. The Center accounted for the refundable tax credits as a conditional contribution and income was recognized when the Center substantially met the program's eligibility conditions and all other conditions of receipt of the funds were resolved, which was during the year ended December 31, 2022. In July 2023, the Center submitted a claim for an Employee Retention Credit of \$216,165. The Center has not received approval for the Employee Retention Credit.

FOOTHILL UNITY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 12 – EXAMINATIONS

Certain federal grants which the Center administers and for which it receives reimbursements are subject to audit and final acceptance by federal granting agencies. The amount of expenditures that may be disallowed by the grantor, if any, cannot be determined at this time. The Center expects that such amounts, if any, would not have a material impact on the financial position and cash flows of the Center.