

CANAL ALLIANCE

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

JUNE 30, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Canal Alliance
San Rafael, California

We have audited the accompanying financial statements of Canal Alliance (a nonprofit corporation), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses, and cash flows for the year 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 auditor's 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.



Goranson and Associates, Inc.

717 College Avenue, First Floor, Santa Rosa, CA 95404 Phone: 707/542-1256 Fax 707/978-3090

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Canal Alliance as of June 30, 2018, 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.

Report on Summarized Comparative Information

We have previously audited Canal Alliance's financial statements for the year ended June 30, 2017, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 8, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Goranson and Associates, Inc.

November 15, 2018

Santa Rosa, CA

CANAL ALLIANCE
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018
(with summarized comparative totals for June 30, 2017)

	2018	2017
ASSETS		
Current assets:		
Cash	\$ 2,283,837	\$ 1,905,828
Short term investments	50,490	50,396
Grants and contracts receivable	1,362,810	1,203,910
Accounts and other receivables	2,430	4,452
Prepaid expenses and other assets	56,921	37,443
Total current assets	3,756,488	3,202,029
Fixed assets:		
Work in process	174,955	-
Land	463,735	463,735
Buildings and improvements	1,397,798	1,397,798
Furniture and equipment	415,523	415,523
Leasehold improvements	173,866	173,866
Subtotal	2,625,877	2,450,922
Less accumulated depreciation	(1,375,039)	(1,303,179)
Net fixed assets	1,075,883	1,147,743
Other assets:		
Beneficial interest in assets held by Marin Community Foundation	85,871	80,894
Long term receivable	750,000	-
Deposits	2,850	2,850
Total other assets	838,721	83,744
Total assets	\$ 5,846,047	\$ 4,433,516

The accompanying notes are an integral part of these financial statements

CANAL ALLIANCE
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018
(with summarized comparative totals for June 30, 2017)

	2018	2017
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 40,038	\$ 90,949
Accrued compensation	93,720	81,627
Security deposits	8,508	9,408
Current portion of long term debt	18,646	22,189
Total current liabilities	160,912	204,173
Long-term debt, net of current portion	1,183,978	895,418
Total liabilities	1,344,890	1,099,591
Net assets:		
Without donor restriction	1,523,370	1,181,530
With donor restriction		
Temporarily restricted	2,916,787	2,091,395
Permanently restricted	61,000	61,000
Total net assets	4,501,157	3,333,925
Total liabilities and net assets	\$ 5,846,047	\$ 4,433,516

The accompanying notes are an integral part of these financial statements

CANAL ALLIANCE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018
(with summarized comparative totals for the year ended June 30, 2017)

	Without donor restriction	<u>With donor restriction</u>		2018 Total	2017 Total
		<u>Temporarily</u>	<u>Permanently</u>		
SUPPORT AND REVENUE:					
Grants and awards	\$ 731,582	\$ 2,483,950		\$ 3,215,532	\$ 2,392,386
In-kind contributions	1,044,617	-		1,044,617	1,297,185
Contributions	784,973	500,000		1,284,973	1,102,542
Government contracts	758,159	-		758,159	640,406
Program fees	105,166	-		105,166	167,513
Housing rental fees	164,835	-		164,835	179,904
Interest and other income	5,916	-		5,916	9,821
Net assets released from restriction	2,158,558	(2,158,558)		-	-
Total support and revenue	<u>5,753,806</u>	<u>825,392</u>		<u>6,579,198</u>	<u>5,789,757</u>
EXPENSES:					
Program:					
Social Services	1,766,858			1,766,858	1,747,665
Adult Education	427,148			427,148	602,805
Children and youth services	771,934			771,934	792,007
Immigration	940,364			940,364	600,693
Canal housing	197,931			197,931	169,181
Total program services	<u>4,104,235</u>			<u>4,104,235</u>	<u>3,912,351</u>
Supporting services:					
Management and general	814,811			814,811	763,568
Fundraising	492,920			492,920	431,850
Total supporting services	<u>1,307,731</u>			<u>1,307,731</u>	<u>1,195,418</u>
Total expenses	<u>5,411,966</u>			<u>5,411,966</u>	<u>5,107,769</u>
CHANGE IN NET ASSETS	<u>341,840</u>	<u>825,392</u>		<u>1,167,232</u>	<u>681,988</u>
NET ASSETS, BEGINNING	<u>1,181,530</u>	<u>2,091,395</u>	<u>\$ 61,000</u>	<u>3,333,925</u>	<u>2,651,937</u>
NET ASSETS, ENDING	<u>\$ 1,523,370</u>	<u>\$ 2,916,787</u>	<u>\$ 61,000</u>	<u>\$ 4,501,157</u>	<u>\$ 3,333,925</u>

The accompanying notes are an integral part of these financial statements

CANAL ALLIANCE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

(with summarized comparative totals for the year ended June 30, 2017)

	Social Services	Adult Education	Children and Youth Services	Immigration	Canal Housing	Total Program Expense	Management and General	Fundraising	Shared costs	2018 Total	2017 Total
Salaries and benefits	\$ 509,902	\$ 148,848	\$ 444,145	\$ 629,425	\$ 27,983	\$ 1,760,303	\$ 603,899	\$ 358,866	\$ 161,967	\$ 2,885,035	\$ 2,498,858
Direct assistance (In-kind)	924,843	86,514	20,521	11,808	-	1,043,686	-	931	-	1,044,617	1,297,285
Client support	44,383	-	5,587	61,050	-	111,020	-	293	-	111,313	23,906
Occupancy	50,110	49,517	96,398	41,579	6,472	244,076	29,332	32,041	11,707	317,156	297,276
Professional & contract services	106,099	33,941	18,821	46,357	7,850	213,068	46,686	4,659	129,422	393,835	371,264
Scholarships	-	-	46,525	-	-	46,525	-	-	-	46,525	51,750
Staff development & travel	9,936	4,787	19,389	18,642	1,087	53,841	30,620	(5,362)	8,305	87,404	77,691
Dues, fees and charges	150	98	613	5,074	66,452	72,387	26,807	6,146	143	105,483	86,836
Program books, equipment & supplies	4,004	21,989	2,942	2,337	-	31,272	-	325	-	31,597	36,105
Program costs	1,144	-	1,950	2,929	-	6,023	(1,533)	-	-	4,490	8,507
Stipends	29,893	-	-	-	-	29,893	-	-	-	29,893	28,328
Equipment leases & maintenance	-	-	-	1,907	-	1,907	-	-	14,270	16,177	19,634
Interest expense	-	-	-	-	35,158	35,158	-	-	-	35,158	36,026
Supplies & equipment	858	139	17,546	40,263	1,740	60,546	1,550	6,181	96,086	164,363	129,620
Insurance	-	-	-	1,840	8,942	10,782	12,171	-	-	22,953	26,537
Advertising	-	-	-	-	-	-	-	415	200	615	7,291
Postage & printing	841	185	917	13,851	-	15,794	494	17,992	7,860	42,140	34,123
Operating costs	47,541	43,976	59,426	26,148	-	177,091	27,631	33,279	(238,000)	1	4,194
Technical support	37,154	37,154	37,154	37,154	-	148,616	37,154	37,154	(222,925)	(1)	-
Subtotal	1,766,858	427,148	771,934	940,364	155,684	4,061,988	814,811	492,920	(30,965)	5,338,754	5,035,231
Depreciation	-	-	-	-	42,247	42,247	-	-	30,965	73,212	76,732
Total expenses	\$ 1,766,858	\$ 427,148	\$ 771,934	\$ 940,364	\$ 197,931	\$ 4,104,235	\$ 814,811	\$ 492,920	\$ -	\$ 5,411,966	\$ 5,111,963

The accompanying notes are an integral part of these financial statements

CANAL ALLIANCE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018
(with summarized comparative totals for the year ended June 30, 2017)

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,167,232	\$ 681,988
Adjustments to reconcile change in net assets to cash from operations		
Depreciation	71,860	76,732
Net unrealized gain on investments	(94)	(146)
(Increase) decrease in:		
Grants and contracts receivable	(908,900)	208,247
Accounts and other receivables	2,022	77,981
Prepaid expenses and other assets	(19,478)	5,435
Increase (decrease) in:		
Accounts payable and accrued expenses	(50,911)	(16,678)
Accrued compensation	12,093	8,122
Deferred revenue	(900)	(850)
Total cash provided by operations	<u>272,924</u>	<u>1,040,831</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of plant, property and equipment	(174,955)	-
Purchase of investments	(4,977)	(8,635)
Total cash used by investing	<u>(179,932)</u>	<u>(8,635)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long-term debt	307,149	-
Principal payments on long-term debt	(22,132)	(21,264)
Total cash provided by financing	<u>285,017</u>	<u>(21,264)</u>
NET CHANGE IN CASH	378,009	1,010,932
CASH, beginning of year	<u>1,905,828</u>	<u>894,896</u>
CASH, end of year	<u>\$ 2,283,837</u>	<u>\$ 1,905,828</u>
Supplemental information:		
Cash paid for interest	<u>\$ 35,158</u>	<u>\$ 36,026</u>

The accompanying notes are an integral part of these financial statements

CANAL ALLIANCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 ORGANIZATION

Founded in 1982, Canal Alliance (Organization) has been the leading service provider and community advocate for Marin's extremely low-income Latino immigrant community for 35 years. Each year, the Organization collaborates with over 40 agencies and engages 500 volunteers to serve more than 4,000 individuals and families. Canal Alliance was recognized in June 2017 as a California Nonprofit of the Year by the California State Assembly in partnership with the California Association of Nonprofits.

The Organization is located in, and primarily serves immigrants residing in, the Canal neighborhood of San Rafael, which is geographically isolated and densely populated with over 12,000 residents in a two-square mile radius. Most clients come from remote areas of Guatemala, El Salvador and Mexico, and have less than an elementary school education. While Spanish is the primary language for most, some speak native languages and are preliterate in Spanish.

The Organization believes that when extremely low-income immigrants acquire the right skills, they can overcome poverty and build a pathway to success as new Americans. The Organization's model has four integrated strategies aimed at removing the many barriers that Latino immigrants confront in attempting to access education, earning a living wage, and improving their financial security: Case Management, Behavioral Health, Immigration Legal Services, and Education.

Funding is provided principally by contributions, public and private grants and contracts and program fees.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation – The Organization reports information regarding its financial position and activities on an accrual basis according to two classes of net assets: net assets without donor restriction and net assets with donor restriction.

Net assets without donor restriction – Net assets that are not subject to donor-imposed restrictions. These also may be designated for specific purposes by action of the Board of Directors.

Net assets with donor restriction – Net assets that are subject to donor-imposed stipulations that may be fulfilled by actions of the Organization to meet the stipulations or that become net assets without donor restriction at the date specified by the donor.

CANAL ALLIANCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Net assets released from donor restriction – Net assets with donor restriction are “released” to net assets without donor restriction when the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed.

Cash and Cash Equivalents – The Organization considers highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Concentrations of Credit Risk – The Organization maintains cash balances at local financial institutions insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times during the year, the Organization held cash and cash equivalent balances in excess of federally insured limits. The amount in excess of the FDIC limit totaled \$1,152,927 from one institution at June 30, 2018.

Accounts receivable – Receivables are monies due from various sources for services performed the prior month. Allowances for non-payment of receivables are provided based on management’s estimates. Management believes receivables at June 30, 2018 will be fully collectible; accordingly, no allowance for uncollectible receivables is recorded.

Grants and contracts receivable – Grants and contracts receivables are monies that are outstanding from signed private grants and government contracts that have not been paid at year end. There is no bad debt allowance at June 30, 2018.

Investments – Investments are certificates of deposits and pooled investment funds and are reported at their fair values in the statement of financial position. The fair value of the certificates of deposits are based upon quoted prices in active markets (Level 1 measurements). The fair value of pooled investment funds is based upon quoted prices for similar securities in active markets (Level 3 measurements). Realized and unrealized gains and losses are included in the change in net assets and are included in the statement of activities as net realized and unrealized gains on investments.

Fair Value Measures – The Organization reports its fair value measures by using a fair value hierarchy defined by generally accepted accounting principles (GAAP) that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3).

CANAL ALLIANCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Fair Value Measures, continued

The three level of the fair value hierarchy under GAAP are:

Level 1 – Unadjusted quoted prices in active markets accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – 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, or inputs that are observable either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 – Prices for valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (inputs are supported by little or no market activity).

Fixed Assets – The Organization capitalizes all expenditures for property and equipment in excess of \$5,000. Fixed assets are carried at cost or at estimated fair market value at date of donation. Depreciation is calculated using the straight-line method over the useful life of the asset, usually five to forty years.

Income Taxes – The Organization is exempt from Federal and State Income taxes under Internal Revenue Code Section 501(c)(3) and California Franchise Tax Board Code Section 23701d. Therefore, no provision for income taxes has been made in the accompanying financial statements. In addition, the Internal Revenue Service has determined the Organization is not a “private foundation” within the meaning of Section 509(a) of the Internal Revenue Code.

Management of the Organization considers the likelihood of changes by taxing authorities in its filed tax returns and recognizes a liability for or discloses potential significant changes if management believes it is more likely than not for a change to occur, including changes to the Organization’s status as a not-for-profit entity. Management believes the Organization met the requirements to maintain its tax-exempt status and, therefore, no provision for income taxes has been provided in these financial statements. The Organization’s tax returns for the past three years are subject to examination by tax authorities and may change upon examination.

Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

CANAL ALLIANCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Functional Allocation of Expenses – The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services.

Allocation Methodology – The Organization’s indirect allocation plan is calculated on the basis of both the square footage used by each program and/or department as well as the percentage of salaries within each business unit. The Organization captures all allocated costs for general & administrative expenses as well as all occupancy and technology costs in a “Shared” department that is completely allocated across the Organization on a monthly basis. The Organization does, however, treat technology and software costs that are relevant to only one program and/or department as direct costs within those business units.

Donated Services and Items – Some people have contributed amounts of time and inventory to the activities of the Organization without compensation. The financial statements do not reflect the value of those contributed services and items, because no reliable basis exists for determining an appropriate valuation, with the exception for specialized services as allowed by generally accepted accounting principles.

Summarized Financial Information – The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization’s financial statements for the year ended June 30, 2017, from which the summarized information was derived.

NOTE 3 LIQUIDITY

The following reflects the Organization’s financial assets as of June 30, 2018 that are available for operations. The Organization’s restrictions come from donor restricted funds based on time and program. The Organization’s cash reserves ending balance was \$1.37 million. Of the reserves, \$1.32 million are kept in a money market sweep account that transfers all but \$250,000 to participating banks. Each partner bank will hold up to \$250,000, the FDIC limit for insurability. The reserves require a Board Executive Committee approval before any funds can be transferred. The Organization has achieved positive cash flow for six years running and do not plan on using their reserves in the fiscal year ending June 30, 2019.

CANAL ALLIANCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 3 LIQUIDITY, continued

Financial assets at yearend	
Cash and cash equivalents	\$ 2,283,837
Accounts receivable	2,430
Grants receivable, short and long term	2,112,810
Investments	136,361
Less financial assets with donor restrictions	(2,977,787)
Less board designated reserve funds	<u>(1,370,000)</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 187,651</u>

NOTE 4 FAIR VALUE MEASUREMENTS AND INVESTMENTS

The following table presents the assets and liabilities recognized in the accompanying statements of financial position that are measured at fair value on a recurring basis and the level within the fair value hierarchy in which those fair value measurements fall at June 30, 2018:

	Total	Level 1	Level 3
Certificates of deposit	\$ 50,490	\$ 50,490	\$ -
Pooled investment funds	<u>85,871</u>	<u>-</u>	<u>85,871</u>
Total	<u>\$ 136,361</u>	<u>\$ 50,490</u>	<u>\$ 85,871</u>

Investment earnings are as follows for the year ended June 30, 2018:

Investment gain	<u>\$ 5,916</u>
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CANAL ALLIANCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 5 BENEFICIAL INTEREST IN ASSETS HELD BY MARIN COMMUNITY FOUNDATION

Assets held by the Marin Community Foundation (Foundation) are essentially an endowed component fund (Fund) for the benefit of the Organization. The Organization has granted the Foundation variance power which gives the Foundation's Board of Trustees (Trustees) the power to use the Fund for other purposes in certain circumstances. The Fund is subject to the Foundation's investment and spending policies. The Trustees shall determine distributions to be made from assets of the Fund with the advice from the Organization.

The recommendations of the Organization are advisory only and not binding on the Trustees. The Trustees may authorize distributions consistent with the prevailing spending rule of the Foundation at such intervals as they shall deem appropriate after having considered the recommendations for the Organization. The Organization reports the fair value of the Fund as Beneficial Interest in Assets Held by the Marin Community Foundation in the statement of financial position and reports distributions received as investment income. Changes in the value of the Fund are reported as gains or losses in the statement of activities.

Balance, beginning of year	\$ 80,894
Interest, dividends, unrealized gain	<u>4,977</u>
Balance at June 30, 2018	<u>\$ 85,871</u>

NOTE 6 ACCRUED VACATION

Accumulated unpaid employee vacation benefits are recognized as liabilities of the Organization. The value of accumulated vacation at June 30, 2018 is \$91,577.

Sick leave benefits are accumulated for each qualified employee. Those employees do not gain a vested right to accumulated sick leave. Accumulated sick leave benefits are recorded as expenses in the period taken.

NOTE 7 LINE OF CREDIT

The Organization has a revolving line of credit for \$200,000 with Bank of Marin. The line of credit expires January 2019. As of June 30, 2018, there is no outstanding balance. Interest is payable at prime rate plus 1.5 percent, which was 4.25 percent at June 30, 2018. The line of credit is secured by substantially all assets of the Organization. There are non-financial covenants related to this line of credit with which the Organization must comply.

CANAL ALLIANCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 7 LONG-TERM DEBT

Long-term debt consists of the following at June 30, 2018:

Collateral	Lender	Maturity Date	Interest Rate	Monthly Payment	Balance Due
N/A	Buckelew Programs	Upon 180 days written request	NA	NA	\$ 30,000
Novato St. Locations	Marin Community Foundation	July 2028	4%	\$ 5,702	\$ 1,172,624

Interest paid to Marin Community Foundation for the year ended June 30, 2018 is \$35,158.

Future maturities are as follows as of June 30:

2019	\$ 18,646
2020	22,299
2021	23,209
2022	24,156
2023	26,168
Thereafter	1,058,146

NOTE 8 NET ASSETS WITHOUT DONOR RESTRICTION

Net assets without restriction at June 30, 2018 are as follows:

Net investment in fixed assets	\$ 1,075,883
Undesignated	783,374
Total	<u>\$ 1,859,257</u>

CANAL ALLIANCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 9 NET ASSETS WITH TEMPORARY DONOR RESTRICTION

Temporary net assets with donor basis at June 30, 2018 are as follows:

Administration	\$ 825,620
Family resources	876,000
Children and youth services	400,000
Immigration	<u>815,167</u>
Total	<u>\$ 2,916,787</u>

NOTE 10 NET ASSETS WITH PERMANENT DONOR RESTRICTION

The Organization received donations which must be invested in perpetuity and remain permanently restricted. Only the earnings from the investment may be used at the Board's discretion. Any negative changes in the fair value of these funds must come out of the Organization's unrestricted or temporarily restricted funds, and would, therefore, not change the permanently restricted amount.

Interpretation of Relevant Law

The Board of Directors of the Organization has interpreted California's enacted version of the *Uniform Prudent Management of Institutional Funds Act* (UPMIFA) as requiring the preservation of the fair market value of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

In accordance with UPMIFA, the Organization 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 Organization 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 Organization
- (7) The investment policies of the Organization

Funds with deficiencies: From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration.

CANAL ALLIANCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 10 NET ASSETS WITH PERMANENT DONOR RESTRICTION, continued

During the year ended June 30, 2018, the Organization received gain of \$4,977 which had not been appropriated for expenditure.

Changes in the Beneficial Interest in Assets Held by Marin Community Foundation for the year ended June 30, 2018 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Beneficial interest, beginning	\$ 19,894	\$ -	\$ 61,000	\$ 80,894
Investment gain	4,977	-	-	4,977
Beneficial interest, June 30, 2018	<u>\$ 24,871</u>	<u>\$ -</u>	<u>\$ 61,000</u>	<u>\$ 85,871</u>

NOTE 11 NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of the other events specified by donors during the year ended June 30, 2018 as follows:

Family resources	\$ 456,867
Administration	302,419
Economic development	593,333
Immigration	583,439
Children and youth services	222,500
Total	<u>\$ 2,158,558</u>

NOTE 12 RETIREMENT PLAN

The Organization has established a defined contribution retirement plan for eligible employees, sponsored by the Organization through Vanguard and American Funds. Employees are eligible if they are 21 years of age or older. All eligible employees may make voluntary contributions by salary reduction to the plan, up to the limit allowed by law. The Organization does not contribute to the plan.

CANAL ALLIANCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 13 COMMITMENTS AND CONTINGENCIES

The Organization is obligated under a non-cancelable operating lease agreement for its facilities at 91 Larkspur Street and 130 Alto Street, San Rafael, California. The monthly lease payments range from \$17,926 to \$18,654 through the life of the lease. The lease expires in March 2021.

The Organization is also under contracts for rented office equipment. Monthly payments range from \$106 to \$841. The contracts expire at various times.

The following is a schedule of the minimum lease commitments for the years ending June 30:

2019	\$	235,584
2020		222,183
2021		167,886

Rent expense and equipment lease expense for the year ended June 30, 2018 were \$225,248 and \$16,177, respectively.

Conditions contained within the various contracts awarded to the Organization are subject to the funding agencies' criteria and regulations under which expenditures may be charged against and are subject to audit under such regulations and criteria. Occasionally, such audits may determine that certain costs incurred against the grants may not apply with the established criteria governing them. In such cases, the Organization could be held responsible for repayments to the funding agency for the costs or be subject to reductions of future funding in the amount of such costs. Management does not anticipate any material questioned costs for the contracts and grants administered through the year ended June 30, 2018.

NOTE 14 CHANGE IN ACCOUNTING PRINCIPLE

The Organization has adopted ASU 2014-06 effecting a change in the presentation of the financial statement, using new terminology and including additional footnote disclosures.

CANAL ALLIANCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 15 SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through November 15, 2018, the date the financial statements were available to be issued, and determined that there were no events occurring subsequent to June 30, 2018 that would have a material impact on the Organization's results of operations or financial position.