

CANAL ALLIANCE

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

JUNE 30, 2020



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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, 2020, 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, 2020, 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, 2019, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 28, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Goranson and Associates, Inc.

March 5, 2021
Santa Rosa, CA

CANAL ALLIANCE
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020
(with summarized comparative totals for June 30, 2019)

	2020	2019
ASSETS		
Current assets:		
Cash	\$ 4,900,399	\$ 2,010,488
Grants and contracts receivable	1,321,518	1,635,138
Accounts and other receivables	46,794	100,280
Prepaid expenses and other assets	98,806	24,354
Total current assets	6,367,517	3,770,260
Fixed assets:		
Land	463,735	463,735
Buildings and improvements	1,747,612	1,747,612
Furniture and equipment	139,508	435,523
Leasehold improvements	647,770	394,165
Subtotal	2,998,625	3,041,035
Work in process	80,867	-
Less accumulated depreciation	(1,282,982)	(1,443,400)
Net fixed assets	1,796,510	1,597,635
Other assets:		
Beneficial interest in assets held		
by Marin Community Foundation	88,423	88,439
Long term receivable	238,988	75,000
Deposits	3,450	3,450
Total other assets	330,861	166,889
Total assets	\$ 8,494,888	\$ 5,534,784

The accompanying notes are an integral part of these financial statements

CANAL ALLIANCE
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020
(with summarized comparative totals for June 30, 2019)

	2020	2019
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 78,797	\$ 130,605
Accrued compensation	167,001	109,608
Security deposits	10,708	13,908
Current portion of long term debt	234,139	22,299
Total current liabilities	490,645	276,420
Long-term debt, net of current portion	1,576,542	1,159,915
Total liabilities	2,067,187	1,436,335
Net assets:		
Without donor restriction	2,417,618	1,818,285
With donor restriction		
Temporarily restricted	3,949,083	2,219,164
Permanently restricted	61,000	61,000
Total net assets	6,427,701	4,098,449
Total liabilities and net assets	\$ 8,494,888	\$ 5,534,784

The accompanying notes are an integral part of these financial statements

CANAL ALLIANCE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020
(with summarized comparative totals for the year ended June 30, 2019)

	Without donor restriction	With donor restriction		2020 Total	2019 Total
		Temporary	Permanent		
SUPPORT AND REVENUE:					
Grants and awards	\$ 1,228,525	\$ 3,168,669		\$ 4,397,194	\$ 2,780,377
In-kind contributions	953,693	-		953,693	958,625
Contributions	1,906,817	1,730,000		3,636,817	866,868
Government contracts	1,110,940	-		1,110,940	854,785
Program fees	44,041	-		44,041	68,065
Housing rental fees	215,984	-		215,984	179,000
Interest and other income	2,036	-		2,036	4,328
Net assets released from restriction	3,168,750	(3,168,750)		-	-
Total support and revenue	<u>8,630,786</u>	<u>1,729,919</u>		<u>10,360,705</u>	<u>5,712,048</u>
EXPENSES:					
Program:					
Social Services	3,325,752			3,325,752	1,889,178
Adult Education	571,370			571,370	321,134
Youth Services	898,040			898,040	901,913
Immigration	1,268,984			1,268,984	1,153,094
Canal Housing	219,818			219,818	209,597
Total program services	<u>6,283,964</u>			<u>6,283,964</u>	<u>4,474,916</u>
Supporting services:					
Management and general	1,073,772			1,073,772	1,057,248
Fundraising	673,717			673,717	582,592
Total supporting services	<u>1,747,489</u>			<u>1,747,489</u>	<u>1,639,840</u>
Total expenses	<u>8,031,453</u>			<u>8,031,453</u>	<u>6,114,756</u>
CHANGE IN NET ASSETS	<u>599,333</u>	<u>1,729,919</u>		<u>2,329,252</u>	<u>(402,708)</u>
NET ASSETS, BEGINNING	<u>1,818,285</u>	<u>2,219,164</u>	<u>\$ 61,000</u>	<u>4,098,449</u>	<u>4,501,157</u>
NET ASSETS, ENDING	<u>\$ 2,417,618</u>	<u>\$ 3,949,083</u>	<u>\$ 61,000</u>	<u>\$ 6,427,701</u>	<u>\$ 4,098,449</u>

The accompanying notes are an integral part of these financial statements

CANAL ALLIANCE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020
(with summarized comparative totals for the year ended June 30, 2019)

	Social Services	Adult Education	Youth Services	Immigration	Canal Housing	Total Program Expense	Management and General	Fundraising	Shared costs	2020 Total	2019 Total
Salaries and benefits	\$ 655,794	\$ 364,236	\$ 502,093	\$ 794,546	\$ 6,457	\$ 2,323,126	\$ 773,909	\$ 480,745	\$ 384,877	\$ 3,962,657	\$ 3,205,955
Direct assistance (In-kind)	900,118	-	4,932	-	-	905,050	-	-	-	905,050	958,625
Client support	1,248,430	148	325	40,520	-	1,289,423	-	-	-	1,289,423	84,415
Occupancy	3,159	404	3,837	3,695	3,926	15,021	(163)	-	306,520	321,378	314,341
Professional & contract services	218,444	89,888	19,313	108,959	50,338	486,942	21,788	10,233	73,321	592,284	525,457
Scholarships	-	-	73,500	-	-	73,500	-	-	-	73,500	48,425
Staff development & travel	7,130	3,156	6,894	7,256	148	24,584	5,284	4,093	3,299	37,260	48,888
Dues, fees and charges	2,162	666	33,186	29,500	65,241	130,755	65,650	4,838	86,775	288,018	86,628
Program books, equipment & supplies	16,834	17,143	3,692	3,828	-	41,497	100	-	-	41,597	62,666
Program costs	11,693	5,318	8,265	7,034	(13,644)	18,666	6,714	2,433	8,180	35,993	10,223
Stipends	24,739	-	-	-	-	24,739	-	-	-	24,739	31,290
Equipment leases & maintenance	-	-	-	2,169	-	2,169	35	-	50,087	52,291	69,129
Interest expense	-	-	-	-	34,676	34,676	-	-	-	34,676	49,477
Supplies & equipment	8,865	1,646	8,975	6,799	-	26,285	9,474	3,559	75,772	115,090	47,259
Insurance	-	-	-	-	6,648	6,648	20,611	-	-	27,259	25,611
Advertising	-	-	-	-	-	-	-	623	30,699	31,322	7,308
Postage & printing	6,083	281	478	19,833	-	26,675	1,822	28,937	5,885	63,319	35,189
Shared Cost-Occupancy	51,145	24,798	113,139	41,846	3,100	234,028	37,196	38,746	(309,970)	-	-
Shared Cost-Genl Operating	121,025	45,032	84,436	143,541	5,629	399,663	92,879	70,363	(562,905)	-	297,340
Shared Cost-Tech Support	50,131	18,654	34,975	59,458	2,332	165,550	38,473	29,147	(233,170)	-	138,169
Subtotal	<u>3,325,752</u>	<u>571,370</u>	<u>898,040</u>	<u>1,268,984</u>	<u>164,851</u>	<u>6,228,997</u>	<u>1,073,772</u>	<u>673,717</u>	<u>(80,630)</u>	<u>7,895,856</u>	<u>6,046,395</u>
Depreciation	-	-	-	-	54,967	54,967	-	-	80,630	135,597	68,361
Total expenses	<u>\$ 3,325,752</u>	<u>\$ 571,370</u>	<u>\$ 898,040</u>	<u>\$ 1,268,984</u>	<u>\$ 219,818</u>	<u>\$ 6,283,964</u>	<u>\$ 1,073,772</u>	<u>\$ 673,717</u>	<u>\$ -</u>	<u>\$ 8,031,453</u>	<u>\$ 6,114,756</u>

The accompanying notes are an integral part of these financial statements

CANAL ALLIANCE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020
(with summarized comparative totals for the year ended June 30, 2019)

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 2,329,252	\$ (402,708)
Adjustments to reconcile change in net assets to cash from operations		
Depreciation	(160,418)	68,361
Net unrealized gain on investments	-	50,490
(Increase) decrease in:		
Grants and contracts receivable	149,632	402,672
Accounts and other receivables	53,486	(97,850)
Prepaid expenses and other assets	(74,452)	31,967
Increase (decrease) in:		
Accounts payable and accrued expenses	(51,808)	90,567
Accrued compensation	57,393	15,888
Deferred revenue	(3,200)	5,400
Total cash provided by operations	<u>2,299,885</u>	<u>164,787</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of plant, property and equipment	(38,457)	(415,158)
Purchase of investments	16	(2,568)
Total cash used by investing	<u>(38,441)</u>	<u>(417,726)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long-term debt	635,965	-
Principal payments on long-term debt	(7,498)	(20,410)
Total cash provided by financing	<u>628,467</u>	<u>(20,410)</u>
NET CHANGE IN CASH	2,889,911	(273,349)
CASH, beginning of year	<u>2,010,488</u>	<u>2,283,837</u>
CASH, end of year	<u>\$ 4,900,399</u>	<u>\$ 2,010,488</u>
Supplemental information:		
Cash paid for interest	<u>\$ 34,676</u>	<u>\$ 49,477</u>

The accompanying notes are an integral part of these financial statements

CANAL ALLIANCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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 38 years. Each year, the Organization collaborates with over 40 agencies and engages 500 volunteers to serve more than 4,000 individuals and families. The Organization 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, 2020

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 \$1,431,265 from one institution at June 30, 2020.

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, 2020 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, 2020.

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, 2020

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, 2020

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, 2019, from which the summarized information was derived.

NOTE 3 LIQUIDITY

The following reflects the Organization's financial assets as of June 30, 2020 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 \$3.6 million. Of the reserves, \$2.99 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.

CANAL ALLIANCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 3 LIQUIDITY, continued

Financial assets at yearend	
Cash and cash equivalents	\$ 4,900,399
Accounts receivable	46,794
Grants receivable, short and long term	1,560,506
Investments	88,423
Less financial assets with donor restrictions	(3,949,082)
Less financial assets with permanent donor restrictions	(61,000)
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>\$ 1,216,040</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, 2020:

	Total	Level 1	Level 3
Pooled investment funds	\$ 88,423	-	\$ 88,423
Total	\$ 88,423	-	\$ 88,423

Investment earnings are as follows for the year ended June 30, 2020:

Investment gain	\$ 2,036
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CANAL ALLIANCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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	\$ 86,403
Interest, dividends, unrealized gain	<u>2,036</u>
Balance at June 30, 2020	<u>\$ 88,439</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, 2020 is \$165,225.

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 \$400,000 with Bank of Marin. The line of credit expires March 2021. As of June 30, 2020, there is no outstanding balance. Interest is payable at prime rate plus 1.5 percent, which was 5.25 percent at June 30, 2020. 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, 2020

NOTE 8 LONG-TERM DEBT

Long-term debt consists of the following at June 30, 2020:

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	\$ 1,144,716

Interest paid to Marin Community Foundation for the year ended June 30, 2020 is \$34,676.

Future maturities are as follows as of June 30:

2020	\$ 23,209
2021	24,156
2022	25,142
2023	26,168
2024	27,236
Thereafter	<u>1,018,806</u>
Total	<u>\$ 1,144,717</u>

NOTE 9 NOTES PAYABLE

The Organization has a note payable with the Small Business Administration in the amount of \$635,965. The loan originated June 2020 and matures June 2022. Interest is one percent. The loan can be forgiven as long as the covenants are met which was not done by June 30, 2020 but is expected to be forgiven by June 30, 2022. Future minimum payments are as follows:

2021	\$ 210,209
2022	425,756

CANAL ALLIANCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 10 NET ASSETS WITHOUT DONOR RESTRICTION

Net assets without restriction at June 30, 2020 are as follows:

Net investment in fixed assets	\$ 1,796,510
Undesignated	621,108
Total	\$ 2,417,618

NOTE 11 NET ASSETS WITH TEMPORARY DONOR RESTRICTION

Net assets with temporary donor restrictions at June 30, 2020 are as follows:

Administration	\$ 1,385,135
Social Services	1,550,891
Adult Education	335,000
Youth Services	246,363
Immigration	306,694
Canal Housing	125,000
Total	\$ 3,949,083

NOTE 12 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.

CANAL ALLIANCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 12 NET ASSETS WITH PERMANENT DONOR RESTRICTION, continued

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.

During the year ended June 30, 2020, the Organization received gain of \$2,036 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, 2020 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Beneficial interest, beginning	\$ 25,403	\$ -	\$ 61,000	\$ 86,403
Investment gain	<u>2,036</u>	<u>-</u>	<u>-</u>	<u>2,036</u>
Beneficial interest, June 30, 2020	<u>\$ 27,439</u>	<u>\$ -</u>	<u>\$ 61,000</u>	<u>\$ 88,439</u>

CANAL ALLIANCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 13 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, 2020 as follows:

Social Services	\$ 975,499
Administration	1,048,531
Adult Education	200,000
Immigration	632,720
Youth Services	287,000
Canal Housing	<u>25,000</u>
Total	<u>\$ 3,168,750</u>

NOTE 14 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.

NOTE 15 COMMITMENTS AND CONTINGENCIES

The Organization is obligated under a non-cancelable operating lease agreement for its facilities at 91 Larkspur Street, 86 Belvedere Street, and 130 Alto Street, San Rafael, California. The lease was renewed in February 2020. The new terms are December 2019 through March 2031. The monthly lease payments range from \$19,734 to \$26,784 through the life of the lease.

The Organization is also under contracts for rented office equipment. Monthly payments range from \$151 to \$1,928. The contracts expire at various times.

CANAL ALLIANCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 15 COMMITMENTS AND CONTINGENCIES, continued

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

2021	\$	311,033
2022		290,051
2023		295,929
2024		281,546
2025		271,746
Thereafter		1,965,141

Rent expense and equipment lease expense for the year ended June 30, 2020 were \$241,737 and \$47,958, 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, 2020.

NOTE 16 SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through March 5, 2021, the date the financial statements were available to be issued. In January 2020, COVID-19 emerged and has subsequently spread worldwide. The World Health Organization has declared COVID-19 a pandemic resulting in federal, state and local governments and private entities mandating various restrictions. This could have a material effect on the Organization's operations, financial position, and cash flows.