

CANAL ALLIANCE

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

JUNE 30, 2021



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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, 2021, 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, 2021, 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, 2020, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 5, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Goranson and Associates, Inc.

November 22, 2021
Santa Rosa, CA

CANAL ALLIANCE
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021
(with summarized comparative totals for June 30, 2020)

	2021	2020
ASSETS		
Current assets:		
Cash	\$ 5,400,204	\$ 4,900,399
Grants and contracts receivable	1,468,996	1,321,518
Accounts and other receivables	27,632	46,794
Prepaid expenses and other assets	158,004	98,806
Total current assets	7,054,836	6,367,517
Fixed assets:		
Land	463,735	463,735
Buildings and improvements	1,747,612	1,747,612
Furniture and equipment	309,140	139,508
Leasehold improvements	498,275	647,770
Subtotal	3,018,762	2,998,625
Work in process	-	80,867
Less accumulated depreciation	(1,239,509)	(1,282,982)
Net fixed assets	1,779,253	1,796,510
Other assets:		
Beneficial interest in assets held by Marin Community Foundation	110,644	88,423
Long term receivable	525,992	238,988
Deposits	3,450	3,450
Total other assets	640,086	330,861
Total assets	\$ 9,474,175	\$ 8,494,888

The accompanying notes are an integral part of these financial statements

CANAL ALLIANCE
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021
(with summarized comparative totals for June 30, 2020)

	2021	2020
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 106,300	\$ 78,797
Accrued compensation	329,855	167,001
Security deposits	13,108	10,708
Current portion of long term debt	653,112	234,139
Total current liabilities	1,102,375	490,645
Long-term debt, net of current portion	1,157,567	1,576,542
Total liabilities	2,259,942	2,067,187
Net assets:		
Without donor restriction	4,656,119	2,417,618
With donor restriction		
Temporarily restricted	2,497,114	3,949,083
Permanently restricted	61,000	61,000
Total net assets	7,214,233	6,427,701
Total liabilities and net assets	\$ 9,474,175	\$ 8,494,888

The accompanying notes are an integral part of these financial statements

CANAL ALLIANCE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021
(with summarized comparative totals for the year ended June 30, 2020)

	Without donor restriction	With donor restriction		2021 Total	2020 Total
		<u>Temporary</u>	<u>Permanent</u>		
SUPPORT AND REVENUE:					
Grants and awards	\$ 1,757,807	\$ 2,638,227		\$ 4,396,034	\$ 4,397,194
In-kind contributions	1,151,087	-		1,151,087	953,693
Contributions	2,262,411	905,250		3,167,661	3,636,817
Government contracts	2,275,865	400,000		2,675,865	1,110,940
Program fees	-	-		-	44,041
Housing rental fees	210,384	-		210,384	215,984
Interest and other income	26,212	-		26,212	2,036
Net assets released from restriction	5,395,446	(5,395,446)		-	-
Total support and revenue	<u>13,079,212</u>	<u>(1,451,969)</u>		<u>11,627,243</u>	<u>10,360,705</u>
EXPENSES:					
Program:					
Social Services	4,640,000			4,640,000	3,325,752
Adult Education	1,270,731			1,270,731	571,370
Youth Education	1,028,366			1,028,366	898,040
Immigration	1,377,111			1,377,111	1,268,984
Canal Housing	387,788			387,788	219,818
Total program services	<u>8,703,996</u>			<u>8,703,996</u>	<u>6,283,964</u>
Supporting services:					
Management and general	1,292,589			1,292,589	1,073,772
Fundraising	844,126			844,126	673,717
Total supporting services	<u>2,136,715</u>			<u>2,136,715</u>	<u>1,747,489</u>
Total expenses	<u>10,840,711</u>			<u>10,840,711</u>	<u>8,031,453</u>
CHANGE IN NET ASSETS	<u>2,238,501</u>	<u>(1,451,969)</u>		<u>786,532</u>	<u>2,329,252</u>
NET ASSETS, BEGINNING	<u>2,417,618</u>	<u>3,949,083</u>	<u>\$ 61,000</u>	<u>6,427,701</u>	<u>4,098,449</u>
NET ASSETS, ENDING	<u>\$ 4,656,119</u>	<u>\$ 2,497,114</u>	<u>\$ 61,000</u>	<u>\$ 7,214,233</u>	<u>\$ 6,427,701</u>

The accompanying notes are an integral part of these financial statements

CANAL ALLIANCE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021
(with summarized comparative totals for the year ended June 30, 2020)

	Social Services	Adult Education	Youth Education	Immigration	Canal Housing	Total Program Expense	Management and General	Fundraising	Shared costs	2021 Total	2020 Total
Salaries and benefits	\$ 1,090,506	\$ 1,031,725	\$ 578,708	\$ 898,902	\$ 9,643	\$ 3,609,484	\$ 901,332	\$ 603,741	\$ 365,455	\$ 5,480,012	\$ 3,962,657
Direct assistance (In-kind)	1,078,107	-	-	-	-	1,078,107	-	-	-	1,078,107	905,050
Client support	2,004,875	-	8,175	8,461	54,928	2,076,439	1,012	-	-	2,077,451	1,289,423
Occupancy	19,571	11,296	8,337	9,195	7,532	55,931	6,106	5,509	373,447	440,993	321,378
Professional & contract services	55,720	34,006	72,819	120,449	163,418	446,412	127,242	38,125	166,563	778,342	592,284
Scholarships	-	-	84,678	-	-	84,678	-	-	-	84,678	73,500
Staff development & travel	5,661	3,913	1,202	4,304	-	15,080	3,326	5,389	703	24,498	37,260
Dues, fees and charges	240	8,287	1,880	17,265	59,860	87,532	32,587	12,623	77,759	210,501	288,018
Program books, equipment & supplies	62,329	59,028	31,535	2,658	-	155,550	-	133	-	155,683	41,597
Program costs	1,479	-	7,128	-	-	8,607	-	-	-	8,607	35,993
Stipends	64,892	33,208	300	-	-	98,400	-	-	-	98,400	24,739
Equipment leases & maintenance	-	-	-	560	-	560	83	-	99,525	100,168	52,291
Interest expense	-	-	-	-	-	-	-	-	-	-	34,676
Supplies & equipment	4,859	3,475	444	710	19,640	29,128	8,414	349	20,316	58,207	115,090
Insurance	-	-	-	-	7,122	7,122	29,121	-	-	36,243	27,259
Advertising	359	10,000	-	-	-	10,359	-	297	10,812	21,468	31,322
Postage & printing	10,712	2,697	-	14,579	-	27,988	1,734	24,361	2,876	56,959	63,319
Shared Cost-Occupancy	59,843	19,937	109,034	51,862	3,323	243,999	39,874	41,894	(325,767)	-	-
Shared Cost-Genl Operating	101,435	29,816	69,621	139,193	4,969	345,034	79,511	62,654	(487,199)	-	-
Shared Cost-Tech Support	79,412	23,343	54,505	108,973	3,891	270,124	62,247	49,051	(381,422)	-	-
Subtotal	4,640,000	1,270,731	1,028,366	1,377,111	334,326	8,650,534	1,292,589	844,126	(76,932)	10,710,317	7,895,856
Depreciation	-	-	-	-	53,462	53,462	-	-	76,932	130,394	135,597
Total expenses	\$ 4,640,000	\$ 1,270,731	\$ 1,028,366	\$ 1,377,111	\$ 387,788	\$ 8,703,996	\$ 1,292,589	\$ 844,126	\$ -	\$ 10,840,711	\$ 8,031,453

The accompanying notes are an integral part of these financial statements

CANAL ALLIANCE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021
(with summarized comparative totals for the year ended June 30, 2020)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 786,532	\$ 2,329,252
Adjustments to reconcile change in net assets to cash from operations		
Depreciation	(43,473)	(160,418)
(Increase) decrease in:		
Grants and contracts receivable	(434,482)	149,632
Accounts and other receivables	19,162	53,486
Prepaid expenses and other assets	(59,198)	(74,452)
Increase (decrease) in:		
Accounts payable and accrued expenses	27,503	(51,808)
Accrued compensation	162,854	57,393
Deferred revenue	2,398	(3,200)
Total cash provided by operations	461,296	2,299,885
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of plant, property and equipment	60,730	(38,457)
Purchase of investments	(22,221)	16
Total cash used by investing	38,509	(38,441)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long-term debt	-	635,965
Principal payments on long-term debt	-	(7,498)
Total cash provided by financing	-	628,467
NET CHANGE IN CASH	499,805	2,889,911
CASH, beginning of year	4,900,399	2,010,488
CASH, end of year	\$ 5,400,204	\$ 4,900,399
Supplemental information:		
Cash paid for interest	\$ -	\$ 34,676

The accompanying notes are an integral part of these financial statements

CANAL ALLIANCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 ORGANIZATION

Canal Alliance (Organization) has been the leading service provider and community advocate for Marin's extremely low-income immigrant community for 39 years. Each year, the organization collaborates with over 60 agencies and engages hundreds of volunteers to serve more than 4,000 individuals and families.

Canal Alliance exists to break the generational cycle of poverty for Latino immigrants and their families by lifting barriers to their success. Because breaking the generational cycle of poverty is extremely complex, our program model offers comprehensive and multifaceted approaches that simultaneously improve individual and family stability and well-being, education, and employment. Our primary strategy is to help clients access education and immigration legal services, both of which have been shown to improve outcomes related to employment and income, and combined, have the greatest impact on improving economic outcomes for immigrants. To remove the many barriers that Latino immigrants confront in attempting to access education, earning a living wage, and improving their financial security, we also offer comprehensive social services, case management and behavioral health services to support individual and family wellness and stability.

Beyond direct services, Canal Alliance is also increasingly engaged in advocacy and community engagement efforts designed to facilitate community input, develop grassroots leadership, and expand civic engagement among Latino immigrants. Our goals in this area are to improve the health, wellness and stability of the Latino immigrant community by supporting and lifting the voices of community members to provide input and solutions to the challenges they face as individuals, families and as a community.

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, 2021

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 \$1,196,393 from one institution at June 30, 2021.

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, 2021 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, 2021.

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, 2021

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, 2021

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, 2020, from which the summarized information was derived.

NOTE 3 LIQUIDITY

The following reflects the Organization's financial assets as of June 30, 2021 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 \$4.7 million. Of the reserves, \$3.5 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, 2021

NOTE 3 LIQUIDITY, continued

Financial assets at year end	
Cash and cash equivalents	\$ 5,400,204
Accounts receivable	27,632
Grants receivable, short and long term	1,994,988
Investments	110,644
Less financial assets with donor restrictions	(2,497,114)
Less financial assets with permanent donor restrictions	(61,000)
Less board designated reserve funds	<u>(4,700,000)</u>
Total financial assets available to meet cash	
needs for general expenditures within one year	<u>\$ 275,354</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, 2021:

	<u>Total</u>	<u>Level 2</u>
Pooled investment funds	<u>\$ 110,644</u>	<u>\$ 110,644</u>
Total	<u>\$ 110,644</u>	<u>\$ 110,644</u>

Investment earnings are as follows for the year ended June 30, 2021:

Investment gain	<u>\$ 26,212</u>
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CANAL ALLIANCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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	\$ 88,439
Interest, dividends, unrealized gain	<u>22,214</u>
Balance at June 30, 2021	\$ <u>110,644</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, 2021 is \$265,875.

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 \$500,000 with Bank of Marin. The line of credit expires March 2023. As of June 30, 2021, there is no outstanding balance. Interest is payable at prime rate plus 1.5 percent, which was 5.25 percent at June 30, 2021. 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, 2021

NOTE 8 LONG-TERM DEBT

Long-term debt consists of the following at June 30, 2021:

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	January 2030	4%	\$ 5,702	\$ 1,144,716

Future maturities are as follows as of June 30:

2022	\$ 17,147
2023	23,678
2024	24,644
2025	25,650
2026	26,696
Thereafter	1,026,901
Total	<u>\$ 1,144,716</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 2021 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, 2021 but subsequent to year end, in August 2021, the loan was forgiven.

CANAL ALLIANCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 10 NET ASSETS WITHOUT DONOR RESTRICTION

Net assets without restriction at June 30, 2021 are as follows:

Net investment in fixed assets	\$ 1,779,253
Undesignated	<u>2,876,866</u>
Total	<u><u>\$ 4,656,119</u></u>

NOTE 11 NET ASSETS WITH TEMPORARY DONOR RESTRICTION

Net assets with temporary donor restrictions at June 30, 2021 are as follows:

Administration	\$ 1,865,417
Social Services	89,197
Adult Education	241,666
Youth Education	150,834
Immigration	<u>150,000</u>
Total	<u><u>\$ 2,497,114</u></u>

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, 2021

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, 2021, the Organization received no gain 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, 2021 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Beneficial interest, beginning	\$ 27,430	\$ -	\$ 61,000	\$ 88,430
Investment gain	<u>22,214</u>	<u>-</u>	<u>-</u>	<u>22,214</u>
Beneficial interest, June 30, 2021	<u>\$ 49,644</u>	<u>\$ -</u>	<u>\$ 61,000</u>	<u>\$ 110,644</u>

CANAL ALLIANCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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, 2021 as follows:

Social Services	\$ 2,569,541
Administration	1,685,234
Adult Education	233,334
Immigration	455,444
Youth Education	346,893
Canal Housing	<u>105,000</u>
Total	<u>\$ 5,395,446</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 2020 through March 2031. The monthly lease payments range from \$19,931 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, 2021

NOTE 15 COMMITMENTS AND CONTINGENCIES, continued

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

2022	\$	248,196
2023		255,642
2024		263,307
2025		271,203
2026		279,339
Thereafter		1,444,746

Rent expense and equipment lease expense for the year ended June 30, 2021 were \$252,711 and \$95,770, 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, 2021.

NOTE 16 SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through November 22, 2021, the date the financial statements were available to be issued. In January 2021, 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. As seen in Note 9, the Organization had their note payable from the Small Business Administration forgiven in August 2021.