ALLIANCE FOR CHILDREN'S RIGHTS

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
MARCH 31, 2018

ALLIANCE FOR CHILDREN'S RIGHTS
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March 31, 2018

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Alliance for Children's Rights

Report on the Financial Statements

We have audited the accompanying financial statements of Alliance for Children's Rights (the "Alliance") which comprise the statement of financial position as of March 31, 2018, 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 the 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Alliance as of March 31, 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 the Alliance's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 1, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Singer Lewak LLP

July 5, 2018

ALLIANCE FOR CHILDREN'S RIGHTS
STATEMENT OF FINANCIAL POSITION
March 31, 2018
(with Comparative Financial Information at March 31, 2017

	2018	2017
ASSETS		
Assets		
Cash and cash equivalents	$ 1,823,507	$ 1,716,585
Investments	8,490,564	8,395,484
Grants and pledges receivable	1,892,554	1,046,987
Prepaid expenses and other assets	131,259	127,283
Furniture and equipment, net of accumulated depreciation of $507,542 and $461,240	169,233	144,429
Total assets	**$ 12,507,117**	**$ 11,430,768**
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 460,403	$ 341,579
Net assets		
Unrestricted – undesignated	4,053,761	3,188,369
Unrestricted – board-designated	2,000,000	2,000,000
Unrestricted – board-designated endowment	3,250,000	3,250,000
Temporarily restricted	2,742,953	2,650,820
Total net assets	12,046,714	11,089,189
Total liabilities and net assets	**$ 12,507,117**	**$ 11,430,768**

See accompanying Independent Auditor's Report.
The accompanying notes are an integral part of these financial statements.

ALLIANCE FOR CHILDREN'S RIGHTS

STATEMENT OF ACTIVITIES

For the Year Ended March 31, 2018

(with Comparative Financial Information for the Year Ended March 31, 2017)

	2018			
	Unrestricted	Temporarily Restricted	Total	2017
Revenue and support				
Contributed legal services	$ 10,862,255	$ -	$ 10,862,255	$ 10,566,314
Contributions and grants	996,145	3,471,610	4,467,755	3,561,372
Special events, net of direct benefits expense of $339,580 and $328,306	1,625,465	-	1,625,465	1,951,338
Interest and dividends, net	93,857	-	93,857	87,282
In-kind contributions	14,906	-	14,906	26,627
Net assets released from restrictions	3,379,477	(3,379,477)	-	-
Total revenue and support	16,972,105	92,133	17,064,238	16,192,933
Functional expenses				
Program services	15,517,036	-	15,517,036	14,961,748
Management and general	572,502	-	572,502	605,081
Development and fundraising	519,877	-	519,877	505,091
Total functional expenses	16,609,415	-	16,609,415	16,071,920
Change in net assets from operations	362,690	92,133	454,823	121,013
Net unrealized and realized gains	502,702	-	502,702	444,466
Change in net assets	865,392	92,133	957,525	565,479
Net assets, beginning of year	8,438,369	2,650,820	11,089,189	10,523,710
Net assets, end of year	**$ 9,303,761**	**$ 2,742,953**	**$ 12,046,714**	**$ 11,089,189**

See accompanying Independent Auditor's Report.

The accompanying notes are an integral part of these financial statements.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended March 31, 2018

(with Summarized Financial Information for the Year Ended March 31, 2017)

	Program Services											Support Services			
	Adoption	Guardianship	Benefits	Healthcare	Education	NextStep/ Transition-Age Foster Youth	Policy	Volunteer Attorney Network	Community Services	Opportunity Youth Collaborative	Total Program Services	Management and General	Development and Fundraising	2018 Total	2017 Total
Personnel															
Salaries	$ 228,490	$ 129,955	$ 369,290	$ 163,166	$ 599,607	$ 504,132	$ 179,060	$ 214,656	$ 212,685	$ 392,520	$ 2,993,561	$ 337,723	$ 311,491	$ 3,642,775	$ 3,455,119
Payroll taxes and employee benefits	49,270	25,981	81,275	33,938	131,700	109,293	40,429	48,265	47,878	82,963	650,992	83,771	77,162	811,925	783,825
Total personnel	277,760	155,936	450,565	197,104	731,307	613,425	219,489	262,921	260,563	475,483	3,644,553	421,494	388,653	4,454,700	4,238,944
Operations															
Contributed legal services	2,815,593	1,359,195	2,380,896	412,663	2,628,885	707,485	-	-	557,538	-	10,862,255	-	-	10,862,255	10,566,314
Other contributed services and goods	14,905	-	-	-	-	-	-	-	-	-	14,905	-	-	14,905	26,627
Rent	20,960	10,633	35,057	14,475	56,599	47,275	28,108	21,062	22,610	35,057	291,836	38,469	35,057	365,362	286,593
Outside services – professional	6,852	3,426	11,100	20,449	52,253	34,577	5,710	6,852	9,997	60,115	211,331	52,949	54,000	318,280	347,002
Outside services – IT services	3,922	1,961	6,505	2,646	10,474	8,513	3,268	3,922	3,922	8,681	53,814	7,631	6,623	68,068	96,168
Office supplies	4,405	1,161	3,837	1,793	6,356	5,788	3,741	2,327	2,942	4,210	36,560	8,684	4,015	49,259	68,905
Postage and shipping expense	1,369	427	876	439	1,704	1,288	899	485	705	859	9,051	1,304	1,059	11,414	15,156
Equipment rental	141	71	235	94	377	306	118	141	141	235	1,859	298	235	2,392	2,380
Repair and maintenance	1,960	743	2,405	1,133	4,068	3,541	1,388	1,485	1,773	2,440	20,936	7,760	2,440	31,136	40,017
Telephone	1,614	807	2,600	1,550	4,663	4,795	1,654	1,614	2,867	2,793	24,957	3,526	2,818	31,301	31,397
Printing and publishing expense	1,827	777	16,245	1,244	7,366	5,269	1,349	1,209	2,245	4,065	41,596	2,732	3,469	47,797	54,124
Dues, subscriptions and library	1,227	1,129	2,681	1,044	4,849	3,012	3,584	1,635	1,317	1,754	22,232	2,137	4,240	28,609	27,275
Staff training and continuing education	-	376	38	101	509	227	2,327	910	122	-	4,610	224	1,962	6,796	18,174
Insurance expense	3,139	1,812	4,773	2,875	8,842	7,516	2,697	3,139	2,653	4,597	42,043	6,320	5,568	53,931	50,882
Mileage, travel and recognition	1,790	1,193	6,040	7,264	15,401	11,262	28,895	2,944	5,270	18,983	99,042	11,057	4,124	114,223	81,666
Intern/volunteer/pro bono	590	295	1,183	393	1,573	1,395	492	16,100	590	983	23,594	1,466	983	26,043	31,015
Client services	1,193	1,193	1,655	1,241	2,425	5,484	522	144	143	1,669	15,669	135	-	15,804	12,515
Youth Development	-	-	-	880	1,438	16,008	-	-	4,568	22,080	44,974	-	-	44,974	31,990
Community training and seminars	-	-	1,511	-	1,591	1,039	5,792	-	-	388	10,321	-	-	10,321	672
Miscellaneous	-	-	4,320	-	-	-	-	-	-	-	4,320	1,223	-	5,543	4,204
Depreciation	2,778	1,389	4,631	1,852	7,408	6,019	2,315	2,778	2,778	4,630	36,578	5,093	4,631	46,302	39,900
Total operations	2,884,265	1,386,588	2,486,588	472,136	2,816,781	870,799	92,859	66,747	622,181	173,539	11,872,483	151,008	131,224	12,154,715	11,832,976
Total functional expenses	**$ 3,162,025**	**$ 1,542,524**	**$ 2,937,153**	**$ 669,240**	**$ 3,548,088**	**$ 1,484,224**	**$ 312,348**	**$ 329,668**	**$ 882,744**	**$ 649,022**	**$ 15,517,036**	**$ 572,502**	**$ 519,877**	**$ 16,609,415**	**$ 16,071,920**

See accompanying Independent Auditor's Report.

The accompanying notes are an integral part of these financial statements.

ALLIANCE FOR CHILDREN'S RIGHTS

STATEMENT OF CASH FLOWS

For the Year Ended March 31, 2018

(with Comparative Financial Information for the Year Ended March 31, 2017)

	2018	2017
Cash flows from operating activities		
Change in net assets	$ 957,525	$ 565,479
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	46,302	39,900
Net unrealized and realized gains	(502,702)	(444,466)
Changes in operating assets and liabilities:		
Grants and pledges receivable	(845,567)	(27,482)
Prepaid expenses and other assets	(3,976)	10,747
Accounts payable and accrued expenses	118,824	(147,169)
Net cash used in operating activities	(229,594)	(2,991)
Cash flows from investing activities		
Purchases of equipment	(71,106)	(94,607)
Proceeds from (purchases of) investments, net	407,622	(348,615)
Net cash provided by (used in) investing activities	336,516	(443,222)
Net increase (decrease) in cash and cash equivalents	106,922	(446,213)
Cash and cash equivalents, beginning of year	1,716,585	2,162,798
Cash and cash equivalents, end of year	**$ 1,823,507**	**$ 1,716,585**

See accompanying Independent Auditor's Report.

The accompanying notes are an integral part of these financial statements.

NOTE 1 – ORGANIZATION

Alliance for Children's Rights (the "Alliance") protects the rights of impoverished, abused and neglected children and youth. By providing free legal services and advocacy, the Alliance ensures children have safe, stable homes, healthcare and the education they need to thrive. For many of our clients, the Alliance is the only connection to a safer, brighter future.

During the last fiscal year, 7,284 children's cases were handled and, since its founding in 1992, the Alliance has improved the lives of more than 150,000 children, providing them with permanency through adoption and legal guardianship, access to healthcare and championing their education rights and needs.

More than a quarter of all children in Los Angeles County live in poverty, and there are more children in foster care here than anywhere else in the country. The Alliance's dedicated staff includes lawyers, social workers and advocates supplemented by pro bono attorneys, paralegals and other volunteers who donate their time and talent to help ensure these vulnerable children have the support and services they need to succeed in school and in life.

<u>Adoption</u>
Stable, nurturing homes are a primary need for the children the Alliance serves. Adoption gives foster children a chance to be part of a permanent family. With the help of pro bono attorneys, the Alliance overcomes barriers and delays for children waiting for their adoption to finalize. Working with adoptive families to identify the health, educational and financial needs of the child, the Alliance completes one-third of all adoptions of children in Los Angeles County foster care. Our Adoption Day program led to the creation of National Adoption Day, which is now celebrated in every state across the country.

<u>Guardianship</u>
Adoption is not the only means through which children who cannot safely remain with birth parents find stable, loving caregivers. The Alliance assists kin and family friends to become legal guardians through the probate court, providing the stability of a family and preventing children from unnecessarily entering the foster care system. The Alliance and its pro bono attorneys help hundreds of low-income caregivers become legal guardians and gain access to services and supports each year.

<u>Public Benefits and Services</u>
Children in foster care have a tremendous need for a stable home. Caregivers, particularly relatives, who step up to provide for these children are often low-income and can become overwhelmed with their new responsibilities, putting that essential stability at risk. The Alliance obtains appropriate funding and services for these children so that caregivers can provide basic necessities and access critical services like counseling, child care, tutoring, specialized medical equipment and respite care. Securing these resources can often mean the difference between permanent, safe homes and struggling, unstable ones.

NOTE 1 – ORGANIZATION (Continued)

Healthcare
A child's illness can be emotionally and financially devastating for any family and, for families already living in poverty, the challenges are even greater. The Alliance helps children facing Medi-Cal eligibility problems, treatment denials and inadequate access to physicians, dentists and mental health services. The Alliance also conducts training and support for medical and social service providers.

Education
More than half of all children in foster care have learning disabilities or developmental delays. This, combined with frequent moves and school changes, results in a 50% school drop-out rate. The Alliance levels the playing field for these children by advocating for them to receive assessments, education services, and therapies tailored to meet their special needs. Evidence shows that reaching children at a young age will improve healthy development and reduce or avoid the need for special education and mental health services later. In response, the Alliance created the Saltz Family Early Intervention Center which increases access to treatments and services for hundreds of children ages 0 – 5 every year. The Alliance also works to keep youth succeeding in school and on track for high school graduation by ensuring they are in appropriate classes, have tutoring, transportation and other services to support their education, even when they must change schools.

NextStep for Transition-Age Foster Youth
Every year, thousands of young people "age out" of the foster care system in Los Angeles without a permanent family, adequate support or preparation. The Alliance provides a safety net to those ages 14 – 25, empowering them with skill building workshops, access to resources, advocacy and job coaching and mentoring to overcome barriers to employment, education, housing and healthcare. The Alliance advocates for high-risk, high-need foster youth including child victims of sex trafficking, pregnant and parenting teens, and youth who cross into the delinquency system. For youth with severe disabilities, the Alliance secures SSI benefits to pay for housing and medical care to help avoid homelessness. Together with pro bono attorneys, community volunteers and mentors, the Alliance is improving outcomes for these youth.

System-wide Reform and Advocacy
The Alliance works at the state and local levels for policies and practices that improve children's lives and well-being. Through its work with a high volume of individual clients, the Alliance is able to recognize trends and identify issues on a larger scale, use litigation, legislative reform and support of sound policy to respond with systemic solutions that are in the best interest of children and families.

NOTE 1 – ORGANIZATION (Continued)

Opportunity Youth Collaborative
The Aspen Institute for Community Solutions selected the Alliance to lead a cross-sector, multi-agency effort to improve education and employment outcomes for transition-age foster youth (TAY) in Los Angeles. The Opportunity Youth Collaborative (OYC) brings together dozens of public agencies, community organizations, educational institutions and private employers through a framework of collective impact to remove barriers and help current and former foster youth obtain education and gainful employment. The OYC partners are providing job readiness training, including resume writing, mock interviewing, and job placement services to hundreds of foster youth. The OYC also convenes stakeholders to discuss and advance policy initiatives to improve education and employment outcomes for foster youth. OYC Young Leaders provides professional development training, direct advocacy opportunities, and mentorship to young adults, ensuring that the youth voice is part of ongoing systems and policy reform. The Young Leaders in turn provide peer mentorship for other young adults in foster care.

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES

Basis of Presentation
The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Comparative 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 U.S. GAAP. Accordingly, such information should be read in conjunction with the Alliance's financial statements and notes to financial statements for the year ended March 31, 2017, from which the summarized information was derived.

Classes of Net Assets
To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts of the Alliance are maintained in accordance with the principles of net assets accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net asset classes that are in accordance with specified activities or objectives. Accordingly, all financial transactions have been recorded and reported by net asset class as follows:

- *Unrestricted – Undesignated* – These generally result from revenues generated by receiving unrestricted contributions, providing services and receiving interest from investments less expenses incurred in providing program-related services, raising contributions and performing administrative functions.

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES (Continued)

Classes of Net Assets (Continued)

- *Unrestricted – Board-designated* – These are comprised of resources which the board of directors has established as being designated for funding future legal services, health care, education and child advocacy programs. For purposes of complying with net assets accounting, these funds are included in unrestricted net assets at March 31, 2018.

- *Unrestricted – Board-designated Endowment* – In 2003, the board of directors approved an allocation of unrestricted net assets for endowment purposes to provide a source of income to the Alliance in perpetuity. In the years subsequent to 2003, the board designated additional endowment funds. For purposes of complying with net assets accounting, these funds are included in unrestricted net assets at March 31, 2018.

- *Temporarily Restricted* – The Alliance reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from program or capital restrictions.

- *Permanently Restricted* – These net assets are received by donors who stipulate that resources are to be maintained permanently but permit the Alliance to expend all of the income (or other economic benefits) derived from the donated assets. The Alliance has no permanently restricted net assets at March 31, 2018.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues and expenses as of the date and for the period presented.

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments purchased with an initial maturity of three months or less. At March 31, 2018, the Alliance had $119,318 invested in money market funds, which is included in cash and cash equivalents.

Investments

Investments in marketable securities with readily determinable fair values are stated at fair value in the statement of financial position. Realized and unrealized gain or loss on investments is reflected in the statement of activities.

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES (Continued)

Grants and Pledges Receivable
Unconditional contributions, including pledges recorded at estimated net realizable value, are recognized as revenues in the period in which they are received. The Alliance reports unconditional contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets.

Furniture and Equipment
Furniture and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets ranging from three to five years. Maintenance and repair costs are charged to expense as incurred.

Concentration of Credit Risks
Certain financial instruments held by the Alliance potentially subject the Alliance to concentrations of credit risk. These financial instruments include cash and cash equivalents, receivables and investments.

The Alliance maintains its cash and cash equivalents accounts with one financial institution. Cash deposits at this institution are guaranteed by the Federal Deposit Insurance Corporation up to $250,000. At times, during the year, cash in these accounts may exceed the federally insured amounts. The Alliance has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents.

With respect to contributions revenue, the Alliance routinely assesses the financial strength of its donors and, as a consequence, believes that the receivable credit risk exposure is limited.

The Alliance holds investments in the form of short-term money market investments, certificates of deposit, corporate bonds and common stocks of publicly held companies, government-guaranteed bonds, municipal bonds and U.S. government and agency securities. Market values of such investments and credit ratings of bond issuers are routinely reviewed by the board of directors.

Donated Materials and Services
Contributions of donated noncash assets are recorded at fair value in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills provided by individuals possessing those skills and would typically need to be purchased if not provided by donation are recorded at fair value in the period received.

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES (Continued)

Income Taxes
The Alliance is exempt from taxation under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701(d). In accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic No. 740, "Income Taxes," the Alliance recognized the impact of tax positions in the financial statements if those positions will more likely than not to be sustained on audit, based on the technical merits of the position. The Alliance is exempt from income taxes or not subject to income taxes on unrelated business income. The Alliance has no recognized/derecognized tax benefits or tax penalties or interest.

Functional Allocation of Expenses
Costs of providing the Alliance's programs and other activities have been presented in the statement of functional expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect costs. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit.

Recent Accounting Pronouncements
In May 2014, the FASB issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14 which defers the effective date of ASU 2014-09 one year, making it effective for annual reporting periods beginning after December 15, 2018. The Alliance has not yet selected a transition method and is currently evaluating the effect that the standard will have on the financial statements.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, which updates certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. ASU 2016-01 will be effective for the Alliance for fiscal years beginning after December 15, 2018. The Alliance does not believe the adoption of the new financial instruments standard will have a material impact on its financial statements. The Alliance elected to early adopt the amendment that no longer requires disclosure of the fair value of financial instruments that are not measured at fair value and, as such, these disclosures are not included herein.

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements (Continued)
In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic No. 840, "Leases." Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Alliance is currently evaluating the impact of its pending adoption of the new standard on the financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which creates a new credit impairment standard for financial assets measured at amortized cost. The ASU requires financial assets measured at amortized cost (including loans and trade receivables) to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses. The ASU is effective for years beginning after December 15, 2020, and interim periods within years beginning after December 15, 2021. The Alliance is currently evaluating the impact of adopting this new standard on the combined financial statements.

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities.* Under the new guidance, the existing three-category classification of net assets will be replaced with a simplified model that combines temporarily restricted and permanently restricted into a single category called donor restriction. The new standard is effective for fiscal years beginning after December 15, 2017 and interim periods within fiscal years beginning after December 15, 2018. Early adoption is permitted. The Alliance is in the process of evaluating the effect that the guidance will have on its financial statements.

NOTE 3 – INVESTMENTS

Investments at March 31, 2018 consisted of the following:

Mutual funds	$ 804,749
Equity securities	3,911,762
Fixed income securities	3,774,053
Total	**$ 8,490,564**

The Alliance reports all interest and dividend income in operating activities and net unrealized and realized gains or losses in nonoperating activities. Investment return for the year ended March 31, 2018 consisted of the following:

Interest and dividends (net of expenses of $61,786)	$ 93,857
Net unrealized and realized gains	502,702
Return on investments	**$ 596,559**

FASB ASC Topic No. 820, "Fair Value Measurements and Disclosures" ("ASC 820"), applies to all assets and liabilities that are recognized or disclosed at fair value on a recurring basis. ASC 820 defines fair value as the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability. In addition to defining fair value, ASC 820 expands the disclosure requirements around fair value and establishes a fair value hierarchy for valuation inputs.

The statement requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

In general, and where applicable, the Alliance uses quoted prices in active markets for identical assets to determine fair value. If quoted prices in active markets for identical assets are not available to determine fair value, then they use quoted prices for similar assets or inputs other than the quoted prices that are observable either directly or indirectly.

NOTE 3 – INVESTMENTS (Continued)

Assets and liabilities measured at fair value on a recurring basis at March 31, 2018 consisted of the following:

	Level 1	Level 2	Level 3	Total
Cash	$ 1,704,189	$ -	$ -	$ 1,704,189
Money market funds	119,318	-	-	119,318
Mutual funds	804,749	-	-	804,749
Equity securities	3,911,762	-	-	3,911,762
U.S. government and agency securities	498,975	359,454	-	858,429
Government bonds	-	1,068,614	-	1,068,614
Municipal bonds	-	65,220	-	65,220
Corporate bonds	-	1,781,790	-	1,781,790
Total	**$ 7,038,993**	**$ 3,275,078**	**$ -**	**$ 10,314,071**

The above table reconciles to the statement of financial position as follows:

Cash and cash equivalents	$ 1,823,507
Investments	8,490,564
Total	**$ 10,314,071**

NOTE 4 – GRANTS AND PLEDGES RECEIVABLE

Grants and pledges receivable are recorded as support when pledged unless designated otherwise. Management expects the pledges receivable to be fully collectible and therefore no allowance for doubtful accounts has been established. The discount on grants and pledges receivable amounts that are expected to be collected after one year is not material.

As of March 31, 2018, three donors represented approximately 43% of grants and pledges receivable.

Grants and pledges receivable are expected to be realized in the following periods:

Due within one year	$ 1,684,554
Due in one to five years	208,000
Total grants and pledges receivable	**$ 1,892,554**

NOTE 5 – COMMITMENTS AND CONTINGENCIES

Obligations under Operating Leases
The Alliance leases two facilities under an operating lease expiring in October 2018 and October 2022. The future estimated minimum lease payments required under this operating lease agreement at March 31, 2018 are as follows:

Fiscal Year	Amount
2019	$ 361,728
2020	362,879
2021	372,240
2022	376,509
Thereafter	190,428
Total	**$ 1,663,784**

Rent expense under operating leases for the year ended March 31, 2018 was $365,362.

Contracts
Certain of the Alliance's contracts, aggregating less than $250,000 per annum each, are subject to inspection and audit by governmental and quasi-governmental funding agencies as they are funded by the State Bar of California. The potential exists for disallowance of previously funded program costs. Management believes that the ultimate liability, if any, which could result from these monitoring audits, would not be material and, accordingly, the Alliance has no provisions for the possible disallowance of program costs on its financial statements.

Legal Matters
In the ordinary course of business, the Alliance may be subject to certain lawsuits and other potential legal actions. In the opinion of management, such matters will not have a material effect on the financial position of the Alliance.

NOTE 6 – BOARD-DESIGNATED ENDOWMENT

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

The Alliance's endowment is viewed by the board of directors as long-term in nature. Currently, the endowment assets are board-designated and not donor-restricted, and are classified as unrestricted net assets. At present, the Alliance does not intend to distribute any of the endowment assets for operating purposes or other expenses. Currently, the Alliance designates interest and dividends to operations.

NOTE 6 – BOARD-DESIGNATED ENDOWMENT (Continued)

Given the long-term nature of the endowment, the board of directors has adopted an investment policy designed to prudently optimize the long-term benefit of the funds and to achieve growth of both principal and income sufficient to preserve the purchasing power of the assets.

The board of directors has elected to use a professional investment manager to advise the finance committee of the board of directors. The target allocation between equity and fixed income securities is set by the finance committee, with the approval of the board of directors, and is designed to enhance total return while avoiding undue risk concentrations in single asset classes or investment categories.

There were no changes in the board-designated endowment from March 31, 2017 to March 31, 2018.

NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at March 31, 2018 consisted of the following:

	Balance at April 1, 2017	Revenue	Released from Restriction	Balance at March 31, 2018
Adoption	$ 77,772	$ 109,312	$ 105,932	$ 81,152
Guardianship	99,156	124,312	134,814	88,654
Benefits	392,144	487,421	500,877	378,688
Healthcare	134,622	127,000	155,452	106,170
Education	375,172	691,066	534,041	532,197
Transitioning Youth/Nextstep	636,652	397,156	674,280	359,528
Policy	191,253	385,000	247,195	329,058
OYC	274,576	592,000	414,850	451,726
Community Services	23,125	-	23,125	-
Pro Bono	-	53,343	13,386	39,957
Capital Improvements	48,000	-	48,000	-
Core Operating	398,348	505,000	527,525	375,823
Total assets	**$ 2,650,820**	**$ 3,471,610**	**$ 3,379,477**	**$ 2,742,953**

NOTE 8 – CONTRIBUTED LEGAL SERVICES – VOLUNTEER ATTORNEY NETWORK

The Alliance depends on the generosity of volunteers to provide free legal assistance to children in need of guardianships, adoption, health care, special education, public benefits and other critical services. As the number of children that the Alliance helps grows, so have efforts to expand recruiting, training and supervision of more volunteer law firms, attorneys, summer associates and paralegals. Over the past 20 years, the Alliance has trained nearly 4,500 such volunteers.

During the past several years, the Alliance has emphasized the recruitment of pro bono law firms that are prepared to handle numerous cases throughout the year. Currently, the Alliance has relationships with nearly 1,000 attorneys, law interns and paralegals.

The volunteer attorneys, summer associates and paralegals complete timesheets to report the hours spent working with the Alliance children and families. These timesheets are tracked in a database and totaled. To estimate the hourly rates, the Alliance uses an average of actual rates reported.

For the year ended March 31, 2018, there were approximately 28,081 hours of contributed legal services donated. The estimated fair value of these services was $10,862,255.

NOTE 9 – EMPLOYEE BENEFIT PLAN

The Alliance has a defined-contribution plan whereby the Alliance contributes three percent of the annual gross salaries of eligible employees. The employee benefit plan expense charged to operations for the year ended March 31, 2018 was $72,531.

NOTE 10 – SUBSEQUENT EVENTS

Management has evaluated significant events or transactions that have occurred since the balance sheet date through July 5, 2018, which represents the date that the financial statements were available to be issued.