ALLIANCE *for* CHILDREN'S RIGHTS

FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2019 AND 2018

ALLIANCE FOR CHILDREN'S RIGHTS
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SingerLewak
Accountants & Consultants

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 statements of financial position as of March 31, 2019 and 2018, the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits 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 Alliance'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 Alliance'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, 2019 and 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.

Emphasis of Matter

As discussed in Note 3 to the financial statements, the Alliance adopted ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, during the year ended March 31, 2019. Our opinion is not modified with respect to this matter.

Singer Lewak LLP

June 27, 2019

ALLIANCE FOR CHILDREN'S RIGHTS

STATEMENTS OF FINANCIAL POSITION

March 31, 2019 and 2018

ASSETS

	2019	2018
Assets		
Cash and cash equivalents	$ 1,936,916	$ 1,704,189
Investments	8,105,334	8,609,882
Contributions receivable	1,597,773	1,892,554
Prepaid expenses and other assets	149,453	131,259
Furniture and equipment, net of accumulated depreciation of $556,149 and $507,542	141,228	169,233
Total assets	**$ 11,930,704**	**$ 12,507,117**

LIABILITIES AND NET ASSETS

	2019	2018
Liabilities		
Accounts payable and accrued expenses	$ 663,313	$ 460,403
Net assets		
Without donor restrictions		
Undesignated	2,060,590	4,053,761
Board-designated for programs	4,000,000	2,000,000
Board-designated endowment	3,250,000	3,250,000
	9,310,590	9,303,761
With donor restrictions	1,956,801	2,742,953
Total net assets	11,267,391	12,046,714
Total liabilities and net assets	**$ 11,930,704**	**$ 12,507,117**

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

ALLIANCE FOR CHILDREN'S RIGHTS

STATEMENT OF ACTIVITIES

Year Ended March 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains, and other support			
Contributed legal services	$ 11,501,008	$ -	$ 11,501,008
Contributions and grants	600,904	2,275,630	2,876,534
Special events, net of direct benefits to donors of $405,778	1,614,327	-	1,614,327
Net investment return	361,554	-	361,554
In-kind contributions	19,471	-	19,471
Net assets released from restrictions	3,061,782	(3,061,782)	-
Total revenue, gains, and other support	17,159,046	(786,152)	16,372,894
Expenses			
Program services	16,018,323	-	16,018,323
Management and general	642,380	-	642,380
Development and fundraising	491,514	-	491,514
Total expenses	17,152,217	-	17,152,217
Change in net assets	6,829	(786,152)	(779,323)
Net assets, beginning of year	9,303,761	2,742,953	12,046,714
Net assets, end of year	**$ 9,310,590**	**$ 1,956,801**	**$ 11,267,391**

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

ALLIANCE FOR CHILDREN'S RIGHTS

STATEMENT OF ACTIVITIES

Year Ended March 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains, and other support			
Contributed legal services	$ 10,862,255	$ -	$ 10,862,255
Contributions and grants	996,145	3,471,610	4,467,755
Special events, net of direct benefits to donor of $339,580	1,625,465	-	1,625,465
Net investment return	596,559	-	596,559
In-kind contributions	14,906	-	14,906
Net assets released from restrictions	3,379,477	(3,379,477)	-
Total revenue, gains, and other support	17,474,807	92,133	17,566,940
Expenses			
Program services	15,517,036	-	15,517,036
Management and general	572,502	-	572,502
Development and fundraising	519,877	-	519,877
Total expenses	16,609,415	-	16,609,415
Change in net assets	865,392	92,133	957,525
Net assets, beginning of year	8,438,369	2,650,820	11,089,189
Net assets, end of year	**$ 9,303,761**	**$ 2,742,953**	**$ 12,046,714**

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

ALLIANCE FOR CHILDREN'S RIGHTS
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended March 31, 2019

		Supporting Services			
	Program Services	Management and General	Development and Fundraising	Total	Total
Personnel					
Salaries	$ 3,018,040	$ 459,209	$ 301,419	$ 760,628	$ 3,778,668
Taxes and benefits	656,048	96,967	65,965	162,932	818,980
Total personnel	3,674,088	556,176	367,384	923,560	4,597,648
Operations					
Contributed legal services	11,501,008	-	-	-	11,501,008
Rent	325,529	21,122	36,626	57,748	383,277
Outside services – professional	89,926	15,351	42,661	58,012	147,938
Outside services – IT services	40,669	5,606	5,045	10,651	51,320
Mileage, travel and recognition	76,104	7,162	2,584	9,746	85,850
Office supplies	55,790	9,630	7,009	16,639	72,429
Insurance expense	38,865	5,341	5,052	10,393	49,258
Depreciation	38,398	5,347	4,861	10,208	48,606
Youth Development	26,332	-	3,388	3,388	29,720
Dues, subscriptions and library	20,846	3,036	5,887	8,923	29,769
Telephone	23,181	3,710	2,653	6,363	29,544
Intern/volunteer/pro bono	20,988	1,079	2,532	3,611	24,599
Contributed goods	18,721	-	750	750	19,471
Repair and maintenance	18,382	4,678	2,358	7,036	25,418
Client services	16,104	191	-	191	16,295
Staff training and continuing education	8,306	661	962	1,623	9,929
Printing and publishing expense	8,149	1,319	994	2,313	10,462
Miscellaneous	6,500	1,009	-	1,009	7,509
Postage and shipping expense	6,131	702	531	1,233	7,364
Community training and seminars	2,435	-	-	-	2,435
Equipment rental	1,871	260	237	497	2,368
Total operations	12,344,235	86,204	124,130	210,334	12,554,569
Total functional expenses	**$ 16,018,323**	**$ 642,380**	**$ 491,514**	**$ 1,133,894**	**$ 17,152,217**

ALLIANCE FOR CHILDREN'S RIGHTS

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended March 31, 2018

		Supporting Services			
	Program Services	Management and General	Development and Fundraising	Total	Total
Personnel					
Salaries	$ 2,993,561	$ 337,723	$ 311,491	$ 649,214	$ 3,642,775
Payroll taxes and employee benefits	650,992	83,771	77,162	160,933	811,925
Total personnel	3,644,553	421,494	388,653	810,147	4,454,700
Operations					
Contributed legal services	10,862,255	-	-	-	10,862,255
Rent	291,836	38,469	35,057	73,526	365,362
Outside services – professional	211,331	52,949	54,000	106,949	318,280
Outside services – IT services	53,814	7,631	6,623	14,254	68,068
Mileage, travel and recognition	99,042	11,057	4,124	15,181	114,223
Office supplies	36,560	8,684	4,015	12,699	49,259
Insurance expense	42,043	6,320	5,568	11,888	53,931
Depreciation	36,578	5,093	4,631	9,724	46,302
Youth Development	44,974	-	-	-	44,974
Dues, subscriptions and library	22,232	2,137	4,240	6,377	28,609
Telephone	24,957	3,526	2,818	6,344	31,301
Intern/volunteer/pro bono	23,594	1,466	983	2,449	26,043
Contributed goods	14,905	-	-	-	14,905
Repair and maintenance	20,936	7,760	2,440	10,200	31,136
Client services	15,669	135	-	135	15,804
Staff training and continuing education	4,610	224	1,962	2,186	6,796
Printing and publishing expense	41,596	2,732	3,469	6,201	47,797
Miscellaneous	4,320	1,223	-	1,223	5,543
Postage and shipping expense	9,051	1,304	1,059	2,363	11,414
Community training and seminars	10,321	-	-	-	10,321
Equipment rental	1,859	298	235	533	2,392
		-			
Total operations	11,872,483	151,008	131,224	282,232	12,154,715
Total functional expenses	**$ 15,517,036**	**$ 572,502**	**$ 519,877**	**$ 1,092,379**	**$ 16,609,415**

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

ALLIANCE FOR CHILDREN'S RIGHTS

STATEMENTS OF CASH FLOWS

Years Ended March 31, 2019 and 2018

	2019	2018
Cash flows from operating activities		
Change in net assets	$ (779,323)	$ 957,525
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	48,607	46,302
Net investment gains	(243,626)	(502,702)
Contributed securities	(55,160)	(54,700)
Changes in operating assets and liabilities:		
Grants and pledges receivable	294,781	(845,567)
Prepaid expenses and other assets	(18,194)	(3,976)
Accounts payable and accrued expenses	202,910	118,824
Net cash used in operating activities	(550,005)	(284,294)
Cash flows from investing activities		
Purchases of equipment	(20,602)	(71,106)
Purchases of investments	(1,536,077)	(2,242,316)
Proceeds from sale of investments	2,339,411	2,585,320
Net cash provided by investing activities	782,732	271,898
Net increase (decrease) in cash and cash equivalents	232,727	(12,396)
Cash and cash equivalents, beginning of year	1,704,189	1,716,585
Cash and cash equivalents, end of year	**$ 1,936,916**	**$ 1,704,189**

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 that 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. 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. During the last fiscal year, the Alliance handled 6,505 cases for children and young adults who needed our services. Since its founding in 1992, the Alliance has improved the lives of more than 150,000 clients, providing them with permanency through adoption and legal guardianship, access to healthcare and critical supports, and championing their education needs and rights.

The Alliance's dedicated staff includes lawyers, social workers, paralegals, and advocates, supplemented by pro bono attorneys and other volunteers who donate their time and talents to help these vulnerable children. Volunteers are essential in carrying out the Alliance's mission. The Alliance depends on the generosity of these 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 supervise more volunteer law firms, attorneys, summer associates, paralegals, interns, and other volunteers. Over the past 27 years, the Alliance has trained nearly 4,500 such volunteers. The Alliance emphasizes the pro-bono recruitment of law firms that are prepared to handle numerous cases throughout the year. Currently, the Alliance has relationships with nearly 1,000 attorneys, legal interns, and paralegals. For the years ended March 31, 2019 and 2018, there were 27,285 and 28,081 hours of pro bono legal services provided, respectively.

The Alliance receives significant support from its Board of Directors in the form of contributions and volunteer activities. During the years ended March 31, 2019 and 2018, members of the board of directors contributed approximately $585,000 and $684,000, respectively, in support of the Alliance's operations and program activity.

The following programs are essential in realizing the Alliance's vision of a world in which all children have safe, permanent families with the support they need to thrive:

Adoption

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. Working with adoptive families to identify the children's legal, health, educational, and financial needs, the Alliance overcomes barriers and delays for children in foster care who are waiting for their adoptions to finalize. With the help of pro bono attorneys, the Alliance completes one-third of all adoptions out of foster care in Los Angeles County, and also obtains the services necessary to stabilize the new families. Our Adoption Day program led to the creation of National Adoption Day, which is now celebrated in every state across the country.

NOTE 1 – ORGANIZATION (Continued)

Guardianship
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 children with the stability of a family and with guardians who are authorized to provide for their medical care, education, and wellbeing. The Alliance and its pro bono attorneys help hundreds of low-income caregivers become legal guardians and gain access to services and support each year.

Public Benefits and Services
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 specialized medical equipment and therapies, counseling, child care, educational services, and respite care. Securing these resources can often mean the difference between permanent, safe homes and struggling, unstable ones.

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 conducts training and support for medical and social service providers on the needs and rights of foster youth and available resources. The Alliance also protects the rights of expecting and parenting teens in foster care to healthcare and sexual and reproductive education so that they have the resources and supports they need to be good parents and break the inter-generational cycle of children being removed from young parents in foster care.

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 training educators who work with children recovering from trauma, and by ensuring they are in appropriate classes, receiving appropriate credits, have tutoring, transportation and other services to support their education, even when they must change schools.

NOTE 1 – ORGANIZATION (Continued)

Transition-Age Youth (TAY)
Every year, thousands of young people "age out" of the foster care system in Los Angeles without a permanent family, adequate assistance or preparation. The Alliance provides targeted support to those youth ages 14 through 25, empowering them with legal advocacy, connection to resources, skill building workshops, and mentoring to overcome barriers to employment, education, housing, and healthcare. The Alliance assists youth who have experienced identity thefts and financial frauds, and advocates for high-needs foster youth, including pregnant and parenting teens and youth who cross into the delinquency system. For youth with disabilities, the Alliance secures SSI benefits to pay for housing and medical care to help them 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 to develop and implement policies and practices that improve children's lives and well-being. Through its work with a high volume of individual clients, as well as through collaboration with legal services programs and support centers across the state, the Alliance is able to recognize trends, identify systemic issues and pursue reform through litigation, legislative or administrative advocacy in order to improve outcomes and promote the well-being of children and families.

Opportunity Youth Collaborative
The Los Angeles Opportunity Youth Collaborative (LA OYC), led by the Alliance, is a collective effort to improve the education and employment opportunities for transition age foster youth from ages 14 to 24. Too often, efforts to support young people's transition from foster care to independence fall short, due to service gaps and lack of coordination among public and private organizations. To overcome those gaps, the LA OYC brings together public and private agencies, community-based organizations, foundations, educational institutions, and employers to address the barriers that impede foster youth and create pathways for them to achieve success in school and at work. By coordinating resources; aligning services; sharing information; identifying best practices; incorporating the voices of foster youth in solutions that affect them; and building the capacity of agencies with training and support, the OYC is building partnerships to help foster youth succeed in education and careers.

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).

Use of Estimates
The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications
Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Cash and Cash Equivalents
The Alliance considers all cash and highly liquid financial instruments with purchased with maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents.

Investments
The Alliance records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external investment expenses.

Contributions Receivable
The Alliance records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. The Alliance determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. Management has determined no allowance was needed at March 31, 2019 and 2018.

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES (Continued)

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

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

- *Net Assets without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for specific programs and board-designated endowment.

- *Net Assets with Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue and Revenue Recognition
Revenue is recognized when earned. Revenue from grants and contracts is recognized as it is earned through expenditures in accordance with the agreements. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. Revenues received from special event ticket sales and sponsorships are recorded in the year in which the event is held. Direct event expenses are reported in the year in which the event is held and include event planning and event site services.

The Alliance acts as an agent for specific grants received and designated for collaborations with certain nonprofit organizations and, as such, does not recognize those amounts as revenue. Upon receipt of such funding, the Alliance records an asset and corresponding liability until the funds are transferred in accordance with the grant provisions. At March 31, 2019 and 2018, the Alliance had amounts due to other organizations totaling $475,000 and $265,000, respectively, included in accounts payable and accrued expenses.

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES (Continued)

Contributed Services

Contributed services are recognized by the Alliance if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

The volunteer attorneys, summer associates, and paralegals complete timesheets to report the hours spent working with Alliance children and families. To estimate the hourly rates, the Alliance uses an average of all firms blended rates reported.

The Alliance also receives a significant amount of contributed time from volunteers that does not meet the two recognition criteria described above. Accordingly, the value of this contributed time is not reflected in the accompanying financial statements.

Functional Allocation of Expenses

The cost of providing the Alliance's programs and other activities have been summarized on a functional basis in the Statement of Activities and detailed in the Statement of Functional Expenses. Certain costs have been allocated among the programs, and supporting services benefited based on management's estimates, time studies, and use of resources.

Impairment of Long-lived Assets

The Alliance reviews long-lived assets for indicators of impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment would be recorded in circumstances where undiscounted cash flows expected to be generated by an asset are less than the carrying value of that asset. As of March 31, 2019, and 2018, there were no events or changes in circumstances indicating the carrying amount of long-lived assets may not be recoverable.

Financial Instruments and Credit Risk

Financial instruments that potentially subject the Alliance to credit risk at March 31, 2019 and 2018, consist primarily of cash and cash equivalents, investments, and receivables. The Alliance manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by the Alliance to be creditworthy. At times, amounts on deposit may exceed FDIC-insured limits. To date, the Alliance has not experienced losses in any of these accounts. The investments are exposed to various risks such as interest rate, market volatility and credit. Due to the level of risk associated with certain investments, it is possible that a change in the value of these investment could occur in the near term and that such a change could be material. Credit risk associated with contributions receivable is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from Board members, corporations, and foundations supportive of the Alliance's mission. As of March 31, 2019 and 2018, 86% and 50% of outstanding contributions receivable were attributable to three and two organizations, respectively.

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES (Continued)

Income Taxes
The Alliance is organized as a not-for-profit organization exempt from income tax under provisions of Internal Revenue Code §501(c)(3). Management has analyzed the tax positions taken by the Alliance, and has concluded that, as of March 31, 2019 and 2018, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Alliance is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Fair Value of Financial Instruments
U.S. GAAP 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, U.S. GAAP 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 prices (unadjusted) in active markets for identical assets or liabilities that the Alliance can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3: Unobservable inputs for the asset or liability. In these situations, the Alliance develop inputs using the best information available in the circumstances.

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value, which is the Alliance's policy. For the years ended March 31, 2019 and 2018, the application of valuation techniques applied to similar assets and liabilities has been consistent.

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements

In May 2014, the FASB issued 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 years 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 its financial statements.

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 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The ASU also clarifies the guidance used by entities other than not-for-profits to identify and account for contributions made. ASU 2018-08 is effective for years beginning after December 15, 2018 and interim periods within years beginning after December 15, 2019. Early adoption is permitted. The Alliance is currently evaluating the effect that the standard will have on the financial statements.

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLE

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in its financial statements and notes about its liquidity, financial performance, and cash flows. Among other changes, the ASU replaces the three current classes of net assets with two new classes, "net assets with donor restrictions" and "net assets without donor restrictions" and expands disclosures about the nature and amount of any donor restrictions. ASU 2016-14 is effective for years beginning after December 15, 2017, and interim periods within years beginning after December 15, 2018, with early adoption permitted. The Alliance adopted this ASU as of and for the year ended March 31, 2019, with retrospective application for the 2018 financial statements. The Alliance has opted to not disclose liquidity and availability information for 2018, as permitted under the ASU in the year of adoption. In addition, the Alliance changed its presentation of net asset classes and expanded the footnote disclosures as required by the ASU.

NOTE 4 – FINANCIAL ASSETS AND LIQUIDITY RESOURCES

The Alliance considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. These restricted amounts totaled $1,639,702.

The Alliance manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that obligations will be discharged.

Although the Alliance does not intend to spend from the board-designated funds, in the event the need arises to utilize the board-designated funds for liquidity purposes, the board-designated funds could be drawn upon through board resolution.

NOTE 4 – FINANCIAL ASSETS AND LIQUIDITY RESOURCES (Continued)

As of March 31, 2019, the following table reflects the Alliance's financial assets, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date due to donor restrictions or internal board designations.

Cash and cash equivalents	$ 1,936,916
Investments	8,105,334
Contributions receivable	1,597,773
Total financial assets	**$ 11,640,023**
Board-designated for program	$ (4,000,000)
Board-designated endowment funds	(3,250,000)
Contributions due in more than 1 year	(150,000)
Total amounts not available to meet general expenditures	(7,400,000)
Financial assets available to meet general expenditures within one year	**$ 4,240,023**

NOTE 5 – INVESTMENTS

Assets measured at fair value on a recurring basis at March 31, 2019 consisted of the following:

	Level 1	Level 2	Level 3	Total
Money market	$ 373,026	$ -	$ -	$ 373,026
Mutual funds	861,736	-	-	861,736
Equity securities	3,884,046	-	-	3,884,046
U.S. government and agency securities	-	717,692	-	717,692
Government bonds	-	386,281	-	386,281
Municipal bonds	-	65,358	-	65,358
Corporate bonds	-	1,817,195	-	1,817,195
Total	**$ 5,118,808**	**$ 2,986,526**	**$ -**	**$ 8,105,334**

NOTE 5 – INVESTMENTS (Continued)

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

	Level 1	Level 2	Level 3	Total
Money market	$ 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	**$ 5,334,804**	**$ 3,275,078**	**$ -**	**$ 8,609,882**

NOTE 6 – CONTRIBUTIONS RECEIVABLE

Contributions receivable are expected to be realized in the following periods:

Due within one year	$ 1,447,773
Due in one to five years	150,000
Total	**$ 1,597,773**

A discount on contributions receivable amounts that are expected to be collected after one year has not been included as the amount is inconsequential.

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods:

	2019	2018
Subject to expenditure for specified purpose		
Adoption	$ 157,569	$ 81,152
Guardianship	160,844	88,654
Benefits	289,546	378,688
Healthcare	39,411	106,170
Education	254,370	532,197
Transitioning Youth/Nextstep	212,729	359,528
Policy	168,448	329,058
OYC	356,785	451,726
Pro Bono	-	39,957
	1,639,702	2,367,129
Subject to the passage of time		
Promises to give that are not restricted by donors, but which are unavailable for expenditure until due	317,099	375,823
	$ 1,956,801	**$ 2,742,953**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors are as follows for the years ended March 31, 2019 and 2018:

	2019	2018
Satisfaction of purpose restrictions		
Adoption	$ 147,235	$ 105,932
Guardianship	146,437	134,814
Benefits	455,217	500,877
Healthcare	116,401	155,452
Education	673,993	534,041
Transitioning Youth/Nextstep	355,016	674,280
Policy	313,110	247,195
OYC	595,691	414,850
Community Services	-	23,125
Capital Improvements	-	48,000
Pro Bono	39,957	13,386
	2,843,057	2,851,952
Expiration of time restrictions	218,725	527,525
	$ 3,061,782	**$ 3,379,477**

NOTE 8 – COMMITMENTS AND CONTINGENCIES

The Alliance leases space under an operating lease expiring in October 2022. The future estimated minimum lease payments required under this operating lease agreement at March 31, 2019 are as follows:

Year Ending	
2019	$ 362,879
2021	372,240
2022	376,509
2023	190,428
Total	**$ 1,302,056**

Rent expense under operating leases for the years ended March 31, 2019 and 2018 amounted to $383,277 and $365,362, respectively.

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 years ended March 31, 2019 and 2018 was $75,318 and $72,531, respectively.

NOTE 10 – SUBSEQUENT EVENTS

Management has evaluated significant events or transactions that have occurred since the balance sheet date through June 27, 2019, which represents the date that the financial statements were available to be issued.