

# **Dependency Advocacy Center**

Financial Statements

September 30, 2021  
(With Comparative Totals for 2020)



## TABLE OF CONTENTS

	<u>Page No.</u>
Independent Auditor's Report	1 - 2
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 13

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Dependency Advocacy Center  
San Jose, California

We have audited the accompanying financial statements of Dependency Advocacy Center ("DAC"), which comprise the statement of financial position as of September 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.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Dependency Advocacy Center as of September 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 Dependency Advocacy Center's 2020 financial statements, and our report dated January 29, 2021 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "Armanino LLP". The signature is written in a cursive, flowing style.

Armanino<sup>LLP</sup>  
San Ramon, California

January 20, 2022

Dependency Advocacy Center  
Statement of Financial Position  
September 30, 2021  
(With Comparative Totals for 2020)

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash	\$ 590,753	\$ 750,784
Grants and contract receivables	953,459	977,654
Prepaid expenses and deposits	46,638	49,782
Property and equipment, net	<u>32,534</u>	<u>44,985</u>
Total assets	<u><u>\$ 1,623,384</u></u>	<u><u>\$ 1,823,205</u></u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 35,249	\$ 3,117
Accrued liabilities	298,899	250,194
Deferred rent	37,364	38,745
Note payable (Paycheck Protection Program)	<u>-</u>	<u>450,000</u>
Total liabilities	<u><u>371,512</u></u>	<u><u>742,056</u></u>
Net assets		
Without donor restrictions	1,218,121	991,225
With donor restrictions	<u>33,751</u>	<u>89,924</u>
Total net assets	<u><u>1,251,872</u></u>	<u><u>1,081,149</u></u>
Total liabilities and net assets	<u><u>\$ 1,623,384</u></u>	<u><u>\$ 1,823,205</u></u>

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

Dependency Advocacy Center  
Statement of Activities  
For the Year Ended September 30, 2021  
(With Comparative Totals for 2020)

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
Revenues, gains and other support				
Grants and contract revenue	\$ 3,303,321	\$ 31,160	\$ 3,334,481	\$ 3,479,595
In-kind contributions	100,000	-	100,000	102,412
Contributions	28,294	-	28,294	20,688
Miscellaneous	275	-	275	905
Forgiveness of note payable (Paycheck Protection Program)	450,000	-	450,000	-
Loss on disposal of property and equipment	(1,019)	-	(1,019)	-
Net assets released from restriction	87,333	(87,333)	-	-
Total revenues, gains and other support	<u>3,968,204</u>	<u>(56,173)</u>	<u>3,912,031</u>	<u>3,603,600</u>
Functional expenses				
Program	<u>3,305,243</u>	<u>-</u>	<u>3,305,243</u>	<u>2,940,672</u>
Support services				
Management and general	329,569	-	329,569	313,196
Fundraising	106,496	-	106,496	92,018
Total support services	<u>436,065</u>	<u>-</u>	<u>436,065</u>	<u>405,214</u>
Total functional expenses	<u>3,741,308</u>	<u>-</u>	<u>3,741,308</u>	<u>3,345,886</u>
Change in net assets	226,896	(56,173)	170,723	257,714
Net assets, beginning of year	<u>991,225</u>	<u>89,924</u>	<u>1,081,149</u>	<u>823,435</u>
Net assets, end of year	<u>\$ 1,218,121</u>	<u>\$ 33,751</u>	<u>\$ 1,251,872</u>	<u>\$ 1,081,149</u>

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

Dependency Advocacy Center  
Statement of Functional Expenses  
For the Year Ended September 30, 2021  
(With Comparative Totals for 2020)

		<u>Support Services</u>			
	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2021 Total</u>	<u>2020 Total</u>
Personnel expenses					
Salaries and wages	\$ 2,270,325	\$ 238,127	\$ 71,088	\$ 2,579,540	\$ 2,210,330
Payroll taxes	193,951	3,644	371	197,966	232,000
Employee benefits	<u>243,980</u>	<u>43,982</u>	<u>13,129</u>	<u>301,091</u>	<u>254,294</u>
Total personnel expenses	2,708,256	285,753	84,588	3,078,597	2,696,624
Professional services	57,529	-	-	57,529	90,394
In-kind professional services	100,000	-	-	100,000	102,412
Training	2,687	316	158	3,161	16,339
Insurance	33,632	3,957	1,978	39,567	33,291
Rent	184,500	21,706	10,853	217,059	212,914
Postage and printing	737	87	43	867	683
Office supplies and equipment	53,337	6,275	3,138	62,750	66,789
Other expense	148,842	9,625	4,813	163,280	109,937
Depreciation	<u>15,723</u>	<u>1,850</u>	<u>925</u>	<u>18,498</u>	<u>16,503</u>
	<u>\$ 3,305,243</u>	<u>\$ 329,569</u>	<u>\$ 106,496</u>	<u>\$ 3,741,308</u>	<u>\$ 3,345,886</u>

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

Dependency Advocacy Center  
Statement of Cash Flows  
For the Year Ended September 30, 2021  
(With Comparative Totals for 2020)

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Change in net assets	\$ 170,723	\$ 257,714
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	18,498	16,503
Loss on disposal of property and equipment	1,019	-
Forgiveness of note payable (Paycheck Protection Program)	(450,000)	-
Changes in operating assets and liabilities		
Grants and contract receivables	24,195	(607,616)
Prepaid expenses and deposits	3,145	(1,969)
Accounts payable	32,131	(15,414)
Accrued liabilities	48,705	84,963
Deferred rent	(1,381)	12,294
Net cash used in operating activities	<u>(152,965)</u>	<u>(253,525)</u>
Cash flows from investing activities		
Purchases of property and equipment	<u>(7,066)</u>	<u>(20,467)</u>
Net cash used in investing activities	<u>(7,066)</u>	<u>(20,467)</u>
Cash flows from financing activities		
Borrowings under note payable (Paycheck Protection Program)	<u>-</u>	<u>450,000</u>
Net cash provided by financing activities	<u>-</u>	<u>450,000</u>
Net increase (decrease) in cash	(160,031)	176,008
Cash, beginning of year	<u>750,784</u>	<u>574,776</u>
Cash, end of year	<u><u>\$ 590,753</u></u>	<u><u>\$ 750,784</u></u>

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



Dependency Advocacy Center  
Notes to Financial Statements  
September 30, 2021

1. NATURE OF OPERATIONS

Dependency Advocacy Center ("DAC") is a nonprofit public benefit corporation. DAC provides zealous legal representation to indigent clients in the juvenile dependency system to promote timely reunification and preservation of families in a safe, healthy environment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and financial statement presentation

- *Net assets without donor restrictions* - Net assets not subject to donor-imposed restrictions.
- *Net assets with donor restrictions* - Net assets subject to donor-imposed stipulations that will either be fulfilled or expire by passage of time.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on assets and liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor restriction or by law. Expirations of restrictions on net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as transfers between the applicable classes of net assets. Donor-restricted contributions whose restrictions are met in the same reporting period as the contribution are reported as without donor restriction.

Revenue recognition

DAC recognizes contributions when cash, securities or other assets, or an unconditional promise to give is received. Conditional promises to give are not recognized until they become unconditional, which is when the donor-imposed barriers have been overcome and there is no longer a right of return or release. Contributions, including unconditional promises to give, are recognized as revenues in the period the promise is received. Contributions received and promises to give are reported as net assets without donor restrictions or net assets with donor restrictions, depending on donor restrictions (if any).

A portion of DAC's revenue is derived from cost-reimbursable state and county contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. The revenue generated from these contracts meets the criteria to be classified as conditional contributions under GAAP revenue recognition as they contain barriers related to the incurrence of qualifying expenditures and a right of return or release. Amounts received are recognized as revenue when DAC has incurred expenditures in compliance with specific contract or grant provisions. DAC has elected a simultaneous release option to account for these grants and thus are recorded as grants and contract revenue without donor restriction upon satisfaction of the barriers. DAC has been awarded cost-reimbursable grants of approximately \$1,000,000 that have not been recognized at September 30, 2021 because qualifying expenditures have not yet been incurred.

Dependency Advocacy Center  
Notes to Financial Statements  
September 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

DAC has also entered into state and local contracts that call for monthly invoicing based on actual services provided at agreed-upon rates up to the maximum amount of the contract. Revenue under these contracts is recognized as the services are provided.

Cash

For the purposes of the statement of cash flows, DAC considers all money market funds and highly liquid debt instruments purchased with a remaining maturity of three months or less to be cash. Cash may exceed federally insured limits. DAC believes that it mitigates this risk by maintaining deposits with major financial institutions.

Grants and contract receivables

Grants and contract receivables to be received after one year are discounted at an appropriate rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. All grants and contract receivables are expected to be paid within one year. All grants and contract receivables are receivable from governmental agencies and are deemed fully collectible. Therefore, no allowance for doubtful accounts has been provided.

Property and equipment

DAC capitalizes all property and equipment with a cost or fair value in excess of \$500 and an estimated useful life in excess of one year. Property and equipment is carried at cost or, if donated, at the estimated fair value on the date of the gift. Minor repairs and maintenance are charged against earnings as incurred. Major repairs and maintenance that extend the useful life of the respective asset are capitalized. Whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recovered DAC, using its best estimates and projections, reviews assets for impairment considering the carrying value of long-lived identifiable assets to be held and used in the future. DAC will record impairment losses when determined. Depreciation is calculated using the straight-line method over estimated useful lives of 3-10 years.

Contributed services

Contributed services are reflected in the financial statements at the fair value of the services received only if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. During the year ended September 30, 2021, DAC received \$100,000 of in-kind professional services.

Dependency Advocacy Center  
Notes to Financial Statements  
September 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional expense allocation

The costs of providing programs and other activities have been summarized on a functional basis in the statement of activities. Expenses such as payroll and benefits have been allocated among program services and supporting services based upon the employees' time spent by function. Facility related costs such as depreciation, office supplies and maintenance have been allocated based on estimated square footage.

Income tax status

DAC is exempt from Federal income and California franchise taxes under provisions of Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code, respectively. As such, there is no provision for income taxes.

DAC has evaluated its current tax positions and has concluded that as of September 30, 2021, DAC does not have any significant uncertain tax positions for which a reserve would be necessary.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Summarized financial information

The financial statements include certain prior year summarized comparative information in total but not by net asset classification. 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 DAC's financial statements for the year ended September 30, 2020, from which the summarized information was derived.

Subsequent events

DAC evaluated subsequent events through January 20, 2022, the date the financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in the financial statements.

Dependency Advocacy Center  
Notes to Financial Statements  
September 30, 2021

3. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consisted of the following:

Computer equipment	\$ 60,492
Software	29,000
Furniture and office equipment	<u>1,669</u>
	91,161
Accumulated depreciation	<u>(58,627)</u>
	<u><u>\$ 32,534</u></u>

Depreciation expense totaled \$18,498 for the year ended September 30, 2021.

4. LINE OF CREDIT

DAC has a revolving line of credit available through Wells Fargo Bank that matures in December 2021. Advances under the line of credit are limited to \$450,000. There were no outstanding balances as of September 30, 2021. The interest rate is the greater of 5% or the bank's prime rate plus 0.5% (5% as of September 30, 2021) per annum, and is payable on a monthly basis. Various members of management act as limited guarantors for the line of credit.

There was no interest expense incurred on the line of credit for the year ended September 30, 2021.

In January 2022, DAC renewed the line of credit with Wells Fargo Bank with a new maturity date in January 2023. Advances under the new line of credit are limited to \$250,000.

5. NOTE PAYABLE - PAYCHECK PROTECTION PROGRAM

On July 1, 2020, DAC received loan proceeds of \$450,000 from a promissory note issued by WebBank, under the Paycheck Protection Program ("PPP") which was established under the Coronavirus Aid, Relief, and Economic Security ("CARES") Act and is administered by the U.S. Small Business Administration. The term on the loan was 60 months and the annual interest rate was 1.00%. Payments of principal and interest are deferred for the first six months of the loan. Under the terms of the CARES Act, PPP loan recipients can apply for and be granted forgiveness for all or a portion of the loan proceeds. Such forgiveness will be determined based on the use of the loan proceeds for payroll costs, rent, and utility expenses, and the maintenance of workforce and compensation levels with certain limitations. DAC received full forgiveness of the loan balance effective July 6, 2021. The forgiven amount is recognized as gain on forgiveness of note payable (Paycheck Protection Program) on the accompanying statement of activities.

Dependency Advocacy Center  
Notes to Financial Statements  
September 30, 2021

6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

State Bar of California grants	\$ 31,160
Mentor parent program	1,689
Social worker program	<u>902</u>
	<u>\$ 33,751</u>

Net assets with donor restrictions released from restriction during the year were as follows:

State Bar of California grants	\$ 68,463
Mentor parent program	9,810
Social worker program	<u>9,060</u>
	<u>\$ 87,333</u>

7. COMMITMENTS

DAC leases office space and equipment under non-cancelable operating lease agreements that expire at various dates through April 2024. During fiscal year 2019, DAC entered into a rental agreement that includes an escalation clause based on a fixed rate stipulated in the agreement.

The scheduled minimum lease payments under the lease terms are as follows:

Year ending September 30,

2022	\$ 219,808
2023	227,536
2024	<u>136,642</u>
	<u>\$ 583,986</u>

Rental expense totaled \$217,059 for the year ended September 30, 2021.

8. CONCENTRATIONS

The table below represents approximate receivable concentrations for the following grantors as of September 30, 2021:

The State of California	80.80 %
The County of Santa Clara	19.20 %

Dependency Advocacy Center  
Notes to Financial Statements  
September 30, 2021

8. CONCENTRATIONS (continued)

The table below represents approximate revenue concentrations for the following grantors during the year ended September 30, 2021:

The State of California	68.41 %
The County of Santa Clara	31.59 %

9. RETIREMENT PLAN

Effective October 1, 2008, DAC established a defined contribution pension plan. The plan provides retirement benefits to substantially all employees. The plan is currently funded solely by employee contributions to the plan.

10. LIQUIDITY AND AVAILABILITY OF RESOURCES

As part of DAC's liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. DAC expects that all grants and contract receivables will be collected and available within 90 days of the fiscal year end. These receivables will be available to support general operations. Additionally, DAC has access to a line of credit with a maximum borrowing limit of \$450,000 should an unanticipated liquidity event occur.

The following is a quantitative disclosure which describes financial assets that are available as of September 30, 2021 to fund general expenditures and other obligations as they become due over the next year:

Financial Assets	
Cash	\$ 590,753
Grants and contributions receivables	<u>953,459</u>
	<u>\$ 1,544,212</u>

11. RISKS AND UNCERTAINTIES

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to a number of other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, several states in the U.S., including California, where DAC is located, have declared a state of emergency. In response, the U.S. Government enacted the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which includes significant provisions to provide relief and assistance to affected organizations.

Dependency Advocacy Center  
Notes to Financial Statements  
September 30, 2021

11. RISKS AND UNCERTAINTIES (continued)

COVID-19 could adversely affect the economies and financial markets of many countries, namely the United States, resulting in an economic downturn that could affect DAC in a variety of ways. DAC cannot anticipate all of the ways in which COVID-19 could adversely impact DAC's operations. Although DAC is continuing to monitor and assess the effects of the COVID-19 pandemic on DAC's operations, the ultimate impact of the COVID-19 outbreak, the CARES Act and other governmental initiatives is highly uncertain and subject to change.