

CANAL ALLIANCE
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022



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**CANAL ALLIANCE
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YEAR ENDED JUNE 30, 2022**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Canal Alliance
San Rafael, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Canal Alliance (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Canal Alliance, as of June 30, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Canal Alliance and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter - Restatement of Net Assets

During the fiscal year ended June 30, 2022, Canal Alliance reviewed grant revenues, where it was determined that numerous grants were received but not recognized. Properly recognizing grants in the correct period resulted in a restatement of beginning net assets (see Note 13).

During the fiscal year ended June 30, 2022, Canal Alliance reviewed liability expense, where it was determined that a program liability expense value was not properly reflected in the correct period. Properly recognizing the liability expense resulted in a restatement of beginning net assets (see Note 13).

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Canal Alliance's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Canal Alliance's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Canal Alliance's ability to continue as a going concern for a reasonable period of time.

Board of Directors
Canal Alliance

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Roseville, California
December 21, 2022

**CANAL ALLIANCE
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022**

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$	7,537,294
Investments		34,613
Accounts Receivable		2,703,385
Prepaid Expenses		241,280
Total Current Assets		10,516,572

PROPERTY AND EQUIPMENT, NET

1,700,422

OTHER ASSETS

Beneficial Interest in Assets Held by Marin Community Foundation		966,305
Long-Term Receivable		22,736
Deposits		3,450
Total Other Assets		992,491

Total Assets

\$ 13,209,485

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	\$	218,167
Accrued Expenses and Other Liabilities		912,046
Security Deposits		13,108
Deferred Rent		88,329
Current Portion of Long-Term Debt		53,678
Total Current Liabilities		1,285,328

NONCURRENT LIABILITIES

Long-Term Debt, Net of Current Portion		1,103,889
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Total Liabilities

2,389,217

NET ASSETS

Without Donor Restrictions:		6,807,554
With Donor Restrictions:		
Temporarily Restricted		2,951,714
Permanently Restricted		1,061,000
Total Net Assets		10,820,268

Total Liabilities and Net Assets

\$ 13,209,485

See accompanying Notes to Financial Statements.

CANAL ALLIANCE
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, SUPPORT, AND GAINS			
Contributions of Cash and Other Financial Assets	\$ 3,592,509	\$ 4,859,377	\$ 8,451,886
Program Service Revenue	2,928,667	-	2,928,667
Contributions of Nonfinancial Assets	820,206	-	820,206
Rental Income	212,784	-	212,784
Other Income	15,000	-	15,000
Paycheck Protection Program Loan Forgiveness	635,965	-	635,965
Interest and Dividend Income	4,997	-	4,997
Unrealized Loss on Investments	(155,286)	-	(155,286)
Net Assets Released from Restriction	4,402,912	(4,402,912)	-
Total Revenue	<u>12,457,754</u>	<u>456,465</u>	<u>12,914,219</u>
EXPENSES AND LOSSES			
Program Expense:			
Social Services	2,863,363	-	2,863,363
Youth Education	1,184,700	-	1,184,700
Workforce	962,657	-	962,657
Adult Education (ESL)	741,934	-	741,934
Immigration	1,421,595	-	1,421,595
Canal Housing	234,110	-	234,110
PACE	552,009	-	552,009
Total Program Expenses	<u>7,960,368</u>	<u>-</u>	<u>7,960,368</u>
Management and General	1,378,421	-	1,378,421
Fundraising	967,530	-	967,530
Total Expenses and Losses	<u>10,306,319</u>	<u>-</u>	<u>10,306,319</u>
TOTAL CHANGES IN NET ASSETS	2,151,435	456,465	2,607,900
Net Assets - Beginning of Year, as Restated	<u>4,656,119</u>	<u>3,556,249</u>	<u>8,212,368</u>
NET ASSETS - END OF YEAR	<u>\$ 6,807,554</u>	<u>\$ 4,012,714</u>	<u>\$ 10,820,268</u>

See accompanying Notes to Financial Statements.

CANAL ALLIANCE
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (CONTINUED)
YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
BALANCE - JUNE 30, 2021, AS PREVIOUSLY REPORTED	\$ 4,656,119	\$ 2,558,114	\$ 7,214,233
Prior Period Adjustment	-	998,135	998,135
BALANCE - JUNE 30, 2021, AS RESTATED	4,656,119	3,556,249	8,212,368
Change in Net Assets	2,151,435	456,465	2,607,900
BALANCE - JUNE 30, 2022	<u>\$ 6,807,554</u>	<u>\$ 4,012,714</u>	<u>\$ 10,820,268</u>

See accompanying Notes to Financial Statements.

**CANAL ALLIANCE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022**

	Program Expense							Management and General	Fundraising	Shared Services	Total
	Social Services	Youth Education	Workforce	Adult Education (ESL)	Immigration	Canal Housing	PACE				
Salaries and Benefits	\$ 1,461,244	\$ 615,898	\$ 687,632	\$ 495,450	\$ 970,648	\$ 4,331	\$ 242,843	\$ 964,626	\$ 743,183	\$ 392,624	\$ 6,578,479
Direct Assistance (In-Kind)	808,431	-	-	-	-	-	-	7,675	-	-	816,106
Client Support	81,017	8,543	-	-	5,810	13,857	-	-	-	-	109,227
Occupancy	29,663	11,800	5,029	4,451	7,659	7,347	12,547	4,991	4,495	543,911	631,893
Professional Fees and Contract Services	36,536	18,363	4,070	8,258	88,055	47,170	96,142	89,496	27,741	387,773	803,604
Scholarships	-	214,355	-	-	-	-	-	-	-	-	214,355
Staff Development and Travel	4,190	5,534	1,857	(600)	8,512	-	2,719	3,087	2,638	1,698	29,635
Dues, Fees, and Charges	5,281	5,551	4,326	3,058	18,018	60,075	429	26,643	15,468	65,238	204,087
Program Books Equipment and Supplies	39,985	35,180	17,707	44,271	1,415	-	9,957	150	742	-	149,407
Program Costs	5,081	12,750	155	551	-	-	3,529	254	-	-	22,320
Stipends	2,000	10,500	102,002	-	-	-	105,432	-	250	-	220,184
Equipment Lease and Maintenance	-	-	-	-	1,586	-	-	28	-	104,192	105,806
Interest Expense	-	-	-	-	-	34,169	-	-	-	-	34,169
Supplies	5,381	7,765	2,507	450	3,786	-	891	20,738	6,763	48,560	96,841
Insurance	-	-	-	-	4,574	6,286	-	-	-	35,835	46,695
Advertising	125	-	-	-	-	-	-	-	327	9,396	9,848
Postage and Printing	3,875	291	1,087	381	9,831	-	17,627	3,331	19,197	3,746	59,366
ILS Reserve Expense	-	-	-	-	29,564	-	-	-	-	-	29,564
Shared Cost-Occupancy	81,823	93,076	54,698	74,895	58,757	1,435	12,824	37,718	31,407	(446,633)	-
Shared Cost-Genl Operating	176,606	81,439	48,233	65,485	126,148	3,092	27,827	80,697	68,175	(677,702)	-
Shared Cost-Tech Support	122,125	56,316	33,354	45,284	87,232	2,138	19,242	55,803	47,144	(468,638)	-
Miscellaneous	-	7,339	-	-	-	748	-	-	-	-	8,087
Subtotal	2,863,363	1,184,700	962,657	741,934	1,421,595	180,648	552,009	1,295,237	967,530	-	10,169,673
Depreciation and Amortization	-	-	-	-	-	53,462	-	83,184	-	-	136,646
Total Expenses by Function	\$ 2,863,363	\$ 1,184,700	\$ 962,657	\$ 741,934	\$ 1,421,595	\$ 234,110	\$ 552,009	\$ 1,378,421	\$ 967,530	\$ -	\$ 10,306,319

See accompanying Notes to Financial Statements.

**CANAL ALLIANCE
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2022**

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ 2,607,900
Adjustments to Reconcile Change in Net Assets to Net Cash	
Provided by Operating Activities:	
Paycheck Protection Program Loan Forgiveness	(635,965)
Depreciation	136,646
Unrealized Loss on Investments	155,286
Changes in Operating Assets and Liabilities:	
Accounts Receivable, Net	29,243
Prepaid Expenses	(83,276)
Beneficial Interest in Assets	
Held by Marin Community Foundation	(855,661)
Long-Term Receivable	503,256
Accounts Payable	150,956
Accrued Expenses and Other Liabilities	305,237
Deferred Revenue	88,329
Net Cash Provided by Operating Activities	2,401,951

CASH FLOWS FROM INVESTING ACTIVITIES

Acquisition of Investments	(189,899)
Purchases of Property and Equipment	(57,815)
Net Cash Used by Investing Activities	(247,714)

CASH FLOWS FROM FINANCING ACTIVITIES

Principal Payments on Long-Term Debt	(17,147)
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NET INCREASE IN CASH AND CASH EQUIVALENTS

2,137,090

Cash and Cash Equivalents - Beginning of Year

5,400,204

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 7,537,294

See accompanying Notes to Financial Statements.

**CANAL ALLIANCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES

Organization

Canal Alliance (Organization) has been the leading service provider and community advocate for Marin's extremely low-income immigrant community for 40 years.

The Organization exists to break the generational cycle of poverty for Latino immigrants and their families by lifting barriers to their success. The Organization believes that everyone has the right to achieve their dreams and address the many challenges and barriers that Latino immigrants face in attempting to pursue their goals for financial stability and family wellness through direct services, advocacy, and community engagement. Each year, the Organization partners with more than 60 agencies and engages hundreds of volunteers, donors, and funders to serve more than 4,000 individuals and families.

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

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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Concentrations

Credit Risk:

Financial instruments which potentially subject the Organization to concentrations of credit risk consist primarily of cash and contributions and grants receivable.

The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Cash and Cash Equivalents

The Organization considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents.

CANAL ALLIANCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables and Credit Policies

Accounts receivable consist primarily of noninterest-bearing amounts due for advisory services, educational, and training programs. The Organization determines the allowance for uncollectible accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectible. Management believes receivables at June 30, 2022 will be fully collectible; accordingly, no allowance for uncollectible receivables is recorded.

Contracts and Grants Receivable

Contracts and grants receivable consists of grants which have been recorded as revenue but due to time or program restrictions had not been received as of June 30, 2022. The Organization considers accounts and grants receivable to be fully collectible; accordingly, no allowance for doubtful accounts is considered necessary. If amounts become uncollectible, they will be charged to operations when that determination is made.

Property and Equipment

The Organization records property and equipment additions over \$5,000 at cost, or if donated, at cost or at estimated fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 5 to 40 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization 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.

The Organization reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended June 30, 2022.

Investments

The Organization 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 statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

CANAL ALLIANCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 may designate, from net assets without donor restrictions, net assets for specific purposes.

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.

The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Revenue and Revenue Recognition

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. 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.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to the Organization's program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by accounting principles generally accepted in the United States of America. Contributed goods are recorded at fair value at the date of donation. The Organization records donated professional services at the respective fair values of the services received

CANAL ALLIANCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising Costs

Advertising costs are expensed as incurred and were \$9,848 during the year ended June 30, 2022, respectively.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statement of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Allocation Methodology

The Organization's indirect allocation plan is calculated on the basis of both the square footage used by each program and/or department as well as the percentage of salaries within each business unit. The Organization captures all allocated costs for general and administrative expenses as well as all occupancy and technology costs in a "Shared" department that is completely allocated across the Organization on a monthly basis. The Organization does, however, treat technology and software costs that are relevant to only one program and/or department as direct costs within those business units.

Income Taxes

The Organization is a tax-exempt organization under Section 501(c) (3) of the Internal Revenue Code (IRC) and Section 23701(d) of the California Revenue and Taxation Code and, therefore, is subject to federal and state income taxes only on nonexempt monies earned. In addition, the Organization is required to operate in conformity with the IRC to maintain its tax-exempt status. The Organization believes that it has been operated in compliance with the applicable requirements of the IRC and therefore believes that it is tax-exempt.

Uncertain Tax Positions

The Financial Accounting Standards Board (FASB) ASC Topic 740, *Accounting for Uncertainty in Income Taxes*, prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more likely than not to be sustained upon examination by taxing authorities.

The Organization files tax returns exempt from income tax in the U.S. federal jurisdiction and the state of California. The Organization did not have unrecognized tax benefits as of the year ended June 30, 2022, and does not expect this to change significantly over the next twelve months. The Organization will recognize interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense. As of June 30, 2022, the Organization has not accrued interest or penalties related to uncertain tax positions.

CANAL ALLIANCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Adopted Accounting Pronouncements

In the fiscal year 2022, the Organization adopted Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The standard requires nonprofits to expand their financial statement presentation and disclosure of contributed nonfinancial assets, including in-kind contributions. The standard includes disclosure of information on an entity's policies on contributed nonfinancial assets about monetization and utilization during the reporting period, information on donor-imposed restrictions, and valuation techniques. The new standard, as amended, is to be applied retrospectively to annual reporting periods beginning after June 15, 2021, and interim periods within annual reporting periods beginning after June 15, 2022. The standard did not have a material impact on the financial statements, with the exception of increased disclosure. The Organization has updated the necessary disclosures (see Note 10 In-Kind Contributions).

Subsequent Events

The Organization has evaluated subsequent events through December 21, 2022, the date the financial statements were available to be issued.

NOTE 2 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Financial Assets at Year-End:	
Cash	\$ 7,537,294
Investments	34,613
Accounts Receivable, Net	<u>2,703,385</u>
Total Financial Assets	10,275,292
Less: Amount Not Available to Be Used	
Within One Year:	
Temporarily Restricted Donor Funds	2,951,714
Permanently Restricted Donor Funds	<u>1,061,000</u>
Financial Assets Available to Meet General Expenditures Within One Year	<u><u>\$ 6,262,578</u></u>

The Organization's restrictions come from donor restricted funds based on time and program.

CANAL ALLIANCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 3 BENEFICIAL INTEREST IN ASSETS HELD BY MARIN COMMUNITY FOUNDATION

Assets held by the Marin Community Foundation (Foundation) are essentially an endowed component fund (Fund) for the benefit of the Organization. The Fund is subject to the Foundation's investment and spending policies. The Trustees shall determine distributions to be made from assets of the Fund with the advice from the Organization. The recommendations of the Organization are advisory only and not binding on the Trustees. The Trustees may authorize distributions consistent with the prevailing spending rule of the Foundation at such intervals as they shall deem appropriate after having considered the recommendations for the Organization. Fair value is determined by the Foundation's pooled investments valuation. Realized and unrealized gains and losses on the beneficial interest in trusts are recorded to net assets with donor restrictions in the statement of activities and changes in net assets.

NOTE 4 FAIR VALUE MEASUREMENTS AND DISCLOSURES

The Organization reports certain assets and liabilities at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization 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 Organization develops inputs using the best information available in the circumstances.

CANAL ALLIANCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 4 FAIR VALUE MEASUREMENTS AND DISCLOSURES (CONTINUED)

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the Organization's assessment of the quality, risk, or liquidity profile of the asset or liability.

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Stocks	\$ 34,613	\$ 34,613	\$ -	\$ -
Beneficial Interest in Assets Held by Marin Community Foundation	-	-	-	-
	966,305	-	-	966,305
Total	<u>\$ 1,000,918</u>	<u>\$ 34,613</u>	<u>\$ -</u>	<u>\$ 966,305</u>

The following is a reconciliation of the beginning and ending balances of assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs) during the year ended June 30, 2022:

Balance - June 30, 2021	\$ 110,644
Gifts to Beneficial Interest in Trusts	1,000,000
Change in Beneficial Interest in Trusts	<u>(144,339)</u>
Balance - June 30, 2022	<u>\$ 966,305</u>

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30, 2022:

Land	\$ 463,735
Buildings and Improvements	1,747,614
Furniture and Fixtures	319,264
Leasehold Improvements	<u>545,965</u>
Subtotal	3,076,578
Less: Accumulated Depreciation and Amortization	<u>1,376,156</u>
Total Property and Equipment	<u>\$ 1,700,422</u>

Depreciation and amortization expense totaled \$136,646 for the year ended June 30, 2022.

CANAL ALLIANCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 6 LINE OF CREDIT

The Organization has a revolving line of credit for \$500,000 with Bank of Marin. The line of credit expires March 2023. As of June 30, 2022, there is no outstanding balance. Interest is payable at prime rate plus 1.5%, which was 4.75% at June 30, 2022. The line of credit is secured by substantially all assets of the Organization. There are nonfinancial covenants related to this line of credit with which the Organization must comply.

NOTE 7 LONG-TERM DEBT

Long-term debt consist of the following at June 30, 2022.

<u>Description</u>	<u>Payable</u>	
	<u>Within One Year</u>	<u>After One Year</u>
Note payable due upon 180 days written notice	\$ 30,000	\$ -
Note payable, due in monthly installments of \$5,702, includes 4% interest, to January 2030, secured by deed of trust	23,678	1,103,889
Total	<u>\$ 53,678</u>	<u>\$ 1,103,889</u>

Future maturities are as follows as of June 30:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 53,678
2024	24,644
2025	25,650
2026	26,696
2027	27,786
Thereafter	999,113
Total	<u>\$ 1,157,567</u>

**CANAL ALLIANCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following as of June 30, 2022:

Subject to Expenditure for Specified Purpose:	
Management and General	\$ 26,667
Social Services	634,667
Youth Education	1,393,917
Workforce	120,721
Adult Education (ESL)	200,000
Immigration	170,135
Canal Housing	101,250
PACE	103,690
Subject to the Passage of Time:	
Management and General	<u>1,261,667</u>
Total Net Assets With Donor Restrictions	<u><u>\$ 4,012,714</u></u>

NOTE 9 NET ASSETS RELEASED FROM RESTRICTION

Net assets 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 donor as follows for the year ended June 30, 2022:

Management and General	\$ 1,471,083
Social Services	598,667
Youth Education	674,751
Workforce	286,667
Adult Education (ESL)	245,300
Immigration	919,988
Canal Housing	48,750
PACE	157,706
Total Net Assets Released From Donor Restriction	<u><u>\$ 4,402,912</u></u>

CANAL ALLIANCE
NOTES TO FINANCIAL STATEMENTS
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NOTE 10 IN-KIND CONTRIBUTIONS

The Organization receives various forms of gift-in-kind (GIK) including food and nonfood items such as clothing and household goods. GIK are reported as contributions at their estimated fair value on the date of receipt and reported as expense when utilized. GIK are valued based upon estimates of fair market or wholesale values that would be received for selling the goods in their principal market considering their condition and utility for use at the time the goods are contributed by the donor. Donated GIK are not sold, and goods are only distributed for program use. For the year ended June 30, 2022, contributed nonfinancial assets recognized within the statement of activities and changes in net assets included:

Nonfinancial Contributions Category	Type of Contributions for Beneficiaries	Valuation	2022
Food	Food	Cost study conducted by Feeding America of identical or similar products	\$ 820,206
Total			\$ 820,206

NOTE 11 PAYCHECK PROTECTION PROGRAM LOAN

On June 6, 2020, the Organization received a loan from a commercial bank in the amount of \$635,965 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the Paycheck Protection Program (the PPP Loan). The original loan agreement was written prior to the PPP Flexibility Act of 2020 (June 5, 2020) and was due over 24 months deferred for 6 months. Subsequent to this, the law changed the deferral terms retroactively. The PPP Flexibility Act and subsequent regulations supersede the loan agreement. The PPP Loan bears interest at a fixed rate of 1.00% per annum, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration (SBA). Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if the Organization fails to apply for forgiveness within ten months after the covered period, then payment of principal and interest shall begin on that date. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program. The covered period from May 1, 2020 to November 20, 2020 is the time that a business has to spend their PPP Loan funds. The Organization is following ASC 470, *Debt*, to account for the initial receipts related to the PPP Loan.

During the year, the SBA processed the Organization's PPP Loan forgiveness application and notified the commercial bank that the PPP Loan qualified for full forgiveness. Loan proceeds were received by the bank from the SBA, legally releasing the Organization from the debt. The Organization recognized the forgiveness as a gain of \$635,965 on the statement of activities and changes in net assets.

CANAL ALLIANCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 11 PAYCHECK PROTECTION PROGRAM LOAN (CONTINUED)

The SBA may review funding eligibility and usage of funds in compliance with the program based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the Organization's financial position.

NOTE 12 LEASES

The Organization is obligated under a noncancelable operating lease agreement for its facilities at 91 Larkspur Street, 86 Belvedere Street, and 130 Alto Street, San Rafael, California. The term of the lease is December 2020 through March 2031. The monthly lease payment payments range from \$20,529 to \$26,784 through the life of the lease.

The Organization is under various equipment leases expiring at various dates through April 2026. Monthly lease payments range from \$151 to \$1,684 through the life of these leases.

Future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 353,454
2024	318,892
2025	283,519
2026	287,963
2027	287,718
Thereafter	1,157,028
Total Minimum Lease Payments	<u><u>\$ 2,688,574</u></u>

Rent expense for the year ended June 30, 2022 totaled \$345,128.

The Organization offers affordable housing for program participants as part of their agreement with Marin Villa Homeowners Association. These leases are for short-term housing with rental agreements of one year or less. Rental revenue for the year ended June 30, 2022 totaled \$212,784.

**CANAL ALLIANCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 13 PRIOR PERIOD ADJUSTMENT – NET ASSETS

During the fiscal year ended June 30, 2022, the Organization reviewed grant revenues and determined that numerous grants were received but not recognized. Properly recognizing grants in the correct period resulted in a restatement of net assets as of July 1, 2021. See table below.

During the fiscal year ended June 30, 2022, the Organization reviewed liability expenses and determined that a program liability expense was not properly reflected. Properly recognizing the liability resulted in a restatement of net assets as of July 1, 2021. See table below.

	2021 Balances as Previously Reported	Proper Recognition of Grants and Liabilities	2021 Balances As Restated
Net Assets With Donor Restrictions	\$ 2,558,114	\$ 998,135	\$ 3,556,249



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