CANAL ALLIANCE

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

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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 consolidated financial statements of Canal Alliance (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2023, and the related consolidated statements of activities and changes in net assets, consolidated functional expenses, and consolidated cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Canal Alliance, as of June 30, 2023, 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.

Change in Accounting Principles

As discussed in Note 11 to the consolidated financial statements, in 2023 the Organization adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-of-use asset and corresponding liability for all operating and finance leases with lease terms greater than one year. Our opinion is not modified with respect to this matter.

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.

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
October 16, 2023

CANAL ALLIANCE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023

ASSETS	
CURRENT ASSETS	
Cash and Cash Equivalents	$ 4,758,145
Investments	3,989,595
Accounts Receivable	1,964,102
Prepaid Expenses	185,458
Total Current Assets	10,897,300
PROPERTY AND EQUIPMENT, NET	8,813,024
OTHER ASSETS	
Beneficial Interest in Assets Held by Marin Community Foundation	1,056,574
Operating Right-of-Use-Assets	1,908,506
Finance Right-of-Use-Assets	76,462
Long-Term Receivable	23,653
Deposits	4,657
Total Other Assets	3,069,852
Total Assets	$ 22,780,176
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts Payable	$ 82,710
Accrued Expenses and Other Liabilities	1,094,275
Security Deposits	29,137
Deferred Revenue	110,036
Line of Credit	1,721,655
Lease Liability, Current Portion - Operating	208,525
Lease Liability, Current Portion - Finance	63,242
Current Portion of Long-Term Debt	54,644
Total Current Liabilities	3,364,224
NONCURRENT LIABILITIES	
Long-Term Debt, Net of Current Portion	1,079,245
Lease Liability, Noncurrent Portion - Operating	1,809,916
Lease Liability, Noncurrent Portion - Finance	21,074
Total Noncurrent Liabilities	2,910,235
Total Liabilities	6,274,459
NET ASSETS	
Without Donor Restrictions:	12,751,392
With Donor Restrictions:	
Temporarily Restricted	2,693,325
Permanently Restricted	1,061,000
Total Net Assets	16,505,717
Total Liabilities and Net Assets	$ 22,780,176

See accompanying Notes to Consolidated Financial Statements.

CANAL ALLIANCE
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, SUPPORT, AND GAINS			
Contributions of Cash and Other Financial Assets	$ 3,928,952	$ 9,762,584	$ 13,691,536
Program Service Revenue	2,668,093	-	2,668,093
Contributions of Nonfinancial Assets	883,757	-	883,757
Rental Income	516,776	-	516,776
Other Income	9,578	-	9,578
Interest and Dividend Income	53,343	-	53,343
Unrealized Loss on Investments	83,009	-	83,009
Net Assets Released from Restriction	10,020,973	(10,020,973)	-
Total Revenue	18,164,481	(258,389)	17,906,092
EXPENSES			
Program Expense:			
Social Services	3,827,997	-	3,827,997
Youth Education	1,244,177	-	1,244,177
Workforce	586,703	-	586,703
Adult Education (ESL)	844,149	-	844,149
Immigration	1,529,942	-	1,529,942
Canal Housing	388,434	-	388,434
PACE	544,892	-	544,892
Total Program Expenses	8,966,294	-	8,966,294
Management and General	1,922,153	-	1,922,153
Fundraising	1,332,196	-	1,332,196
Total Expenses	12,220,643	-	12,220,643
TOTAL CHANGES IN NET ASSETS	5,943,838	(258,389)	5,685,449
Net Assets - Beginning of Year	6,807,554	4,012,714	10,820,268
NET ASSETS - END OF YEAR	$ 12,751,392	$ 3,754,325	$ 16,505,717

See accompanying Notes to Consolidated Financial Statements.

CANAL ALLIANCE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2023

	Program Expense										
	Social Services	Youth Education	Workforce	Adult Education (ESL)	Immigration	Canal Housing	PACE	Management and General	Fundraising	Shared Services	Total
Advertising	$ 144	$ 68	$ -	$ -	$ -	$ -	$ 249	$ -	$ 1,114	$ 5,802	$ 7,377
Client Support	285,201	12,068	-	-	4,505	-	2,500	-	-	-	304,274
Direct Assistance (In-Kind)	852,167	-	-	-	-	-	-	31,590	-	-	883,757
Dues, Fees, and Charges	10,425	16,163	4,443	96	18,089	61,994	538	85,459	26,840	139,284	363,331
Equipment Lease and Maintenance	-	975	-	-	1,619	-	-	-	-	2,855	5,449
ILS	-	-	-	-	-	-	-	-	-	-	-
Insurance	19	-	-	-	3,847	10,044	-	26,430	-	45,510	85,850
Interest Expense	-	-	-	-	-	44,744	-	18,495	-	9,330	72,569
Miscellaneous	197	11,033	250	-	62,364	931	250	141	211	-	75,377
Occupancy	58,955	10,266	2,171	3,879	6,427	13,147	3,765	110,532	5,144	450,386	664,672
Postage and Printing	771	65	-	46	7,373	-	2,406	1,861	29,145	9,124	50,791
Professional Fees and Contract Services	92,056	9,306	32,185	18,858	104,818	47,685	22,063	260,068	87,244	493,216	1,167,499
Program Books, Equipment, and Supplies	36,987	19,383	8,978	21,716	1,141	-	3,647	6,306	39	3,035	101,232
Program Costs	139	-	-	181	-	-	(323)	-	20	-	17
Salaries and Benefits	1,870,287	834,728	364,326	580,785	1,021,662	105,815	373,245	1,051,203	974,646	413,793	7,590,490
Scholarships	-	77,540	-	-	-	-	-	-	-	-	77,540
Staff Development and Travel	30,832	4,779	6,849	1,206	17,125	6,963	5,757	9,149	13,727	13,504	109,891
Stipends	134,088	13,400	1,500	988	-	-	52,014	-	-	-	201,990
Supplies	20,735	4,544	4,669	34,640	5,997	555	2,450	26,504	5,538	28,100	133,732
Shared Cost-Occupancy	72,786	74,714	52,440	59,078	46,010	1,231	12,772	26,929	31,546	(377,506)	-
Shared Cost-Genl Operating	228,517	97,881	68,700	77,396	144,454	3,865	40,099	84,547	99,041	(844,500)	-
Shared Cost-Tech Support	133,691	57,264	40,192	45,280	84,511	2,261	23,460	49,463	57,941	(494,063)	-
Subtotal	3,827,997	1,244,177	586,703	844,149	1,529,942	299,235	544,892	1,788,677	1,332,196	(102,130)	11,895,838
Depreciation and Amortization	-	-	-	-	-	89,199	-	133,476	-	102,130	324,805
Total Expenses by Function	$ 3,827,997	$ 1,244,177	$ 586,703	$ 844,149	$ 1,529,942	$ 388,434	$ 544,892	$ 1,922,153	$ 1,332,196	$ -	$ 12,220,643

See accompanying Notes to Consolidated Financial Statements.

CANAL ALLIANCE
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	$ 5,685,449
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	222,674
Amortization of ROU Asset	102,131
Noncash Lease Expense	28,096
Unrealized Gain on Investments	(83,009)
Changes in Operating Assets and Liabilities:	
Accounts Receivable, Net	739,283
Prepaid Expenses	55,822
Beneficial Interest in Assets Held by Marin Community Foundation	(90,269)
Deposits	(1,207)
Long-Term Receivable	(917)
Accounts Payable	(135,457)
Accrued Expenses and Other Liabilities	198,258
Deferred Revenue	110,036
Net Cash Provided by Operating Activities	6,830,890
CASH FLOWS FROM INVESTING ACTIVITIES	
Acquisition of Investments	(3,871,973)
Purchases of Property and Equipment	(7,335,276)
Net Cash Used by Investing Activities	(11,207,249)
CASH FLOWS FROM FINANCING ACTIVITIES	
Payments on Finance Leases	(100,767)
Withdraws on Line of Credit, Net	1,721,655
Principal Payments on Long-Term Debt	(23,678)
Net Cash Provided by Financing Activities	1,597,210
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,779,149)
Cash and Cash Equivalents - Beginning of Year	7,537,294
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 4,758,145
SUPPLEMENTAL DISCLOSURE OF NONCASH OPERATING ACTIVITIES	
Operating Right-of-Use Asset Obtained in Exchange for Operating Lease Liability	$ 2,125,159

See accompanying Notes to Consolidated Financial Statements.

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES

Organization

Canal Alliance (Organization) has been the leading direct service provider and community advocate for the extremely low-income immigrant community in Marin County since 1982.
The Organization exists to break the generational cycle of poverty for Latino immigrants and their families by lifting barriers to their success. Believing that everyone has the right to achieve their dreams, the Organization addresses the many challenges and barriers that Latino immigrants face in attempting to pursue their goals by providing direct services in the areas of education, immigration, workforce development, behavioral health and social services. Every year, the Organization partners with more than 100 agencies and engages hundreds of volunteers, donors and funders to serve more than 4,000 individuals and families.
The Organization also engages in advocacy and community engagement efforts by facilitating community input, developing grassroots leadership and expanding civic engagement among Latino immigrants. The Organization lifts the voices of Latino community members and supports them to provide input and solutions to the challenges they face as individuals, families and as a community in order to improve community health, wellness and stability.

Principles of Consolidation

The accompanying consolidated financial statement include accounts of Canal Alliance and Canal Alliance Property Group LLC, a single member LLC solely owned by Canal Alliance.

All intercompany transactions and balances have been eliminated upon consolidation.

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.

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

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

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, 2023 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, 2023. 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, 2023.

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.

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Standards

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2016-02, Leases (ASC 842). The new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the consolidated statements of financial position. Most prominent of the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Organization adopted the requirements of the guidance effective July 1, 2022 and has elected to apply the provisions of this standard to the beginning of the period of adoption, through a cumulative effect adjustment, with certain practical expedients available. Lease disclosures for the year ended June 30, 2022 are made under prior lease guidance in FASB ASC 840.

The Organization has elected to adopt the package of practical expedients available in the year of adoption. The Organization has elected to adopt the available practical expedient to use hindsight in determining the lease term and in assessing impairment of the Organization’s ROU assets.

The Organization elected the available practical expedients to account for existing operating leases as operating leases under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

In addition, the Organization elected the hindsight practical expedient to determine the lease term for existing leases. The election of the hindsight practical expedient did not result in any change to the lease terms for existing leases or the useful lives of corresponding leasehold improvements.

As a result of the adoption of the new lease accounting guidance, the Organization recognized on July 1, 2022 a lease liabilities of $2,125,159, which represent the present value of the remaining operating lease payments of $2,425,908, discounted using the Organization’s risk-free rate of 2.88%, and ROU assets of $2,125,159, which represent the operating lease liabilities of $2,125,159 adjusted for accrued rent of $88,329.

The Organization also recognized on July 1, 2022 a lease liability at the carrying amount of the capital lease obligations on June 30, 2023, of $185,083 and a right-of-use asset at the carrying amount of the capital lease asset of $178,592 (which includes unamortized initial direct costs of $6,491 that were included in the capital lease asset.

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Standards

The standard had a material impact on the consolidated statements of financial position but did not have a material impact on the consolidated statements of activities or consolidated statements of cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases.

Leases

The Organization leases an office building in San Rafael, California. The Organization determines if an arrangement is a lease at inception. Operating leases are included in operating right-of-use assets, lease liabilities, current portion - operating and lease liabilities, noncurrent portion - operating on the consolidated statements of financial position. The Organization leases various computer equipment under finance agreements. Finance leases are included in finance right-of-use assets, lease liability, current portion – finance and lease liabilities, noncurrent portion – finance on the consolidated statements of financial position.

ROU assets represent the Organization’s right to use an underlying asset for the lease term and lease liabilities represent the Organization’s obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. As most of leases do not provide an implicit rate, the Organization uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Organization has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the consolidated statements of financial position.

The Organization’s lease agreements do not contain any material residual value guarantees or material restrictive covenants.

In evaluating contracts to determine if they qualify as a lease, the Organization considers factors such as if the Organization has obtained substantially all of the rights to the underlying asset through exclusivity, if the Organization can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the Organization has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of lease liabilities.

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation

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

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising Costs

Advertising costs are expensed as incurred and were $7,377 during the year ended June 30, 2023, 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

Under applicable laws and regulations, the Organization has been determined to be exempt from federal and California income taxes as an Organization described in Section 501(c)(3) of the Internal Revenue Code and the related California Revenue and Taxation Code. Accordingly, no provision for income taxes has been recorded in these consolidated financial statements. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Organization to report information regarding its exposure to various tax positions taken by the Organization. The Organization has determined whether any tax positions have met the recognition threshold and have measured the exposure to those tax positions. Management believes that the Organization has adequately addressed all relevant tax positions and that there are no unrecorded tax liabilities. Federal and state tax authorities generally have the right to examine and audit the previous three years of tax returns filed. Any interest or penalties assessed to the Organization are recorded in operating expenses. No interest or penalties from federal or state tax authorities were recorded in the accompanying consolidated financial statements.

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

The Organization has evaluated subsequent events through October 16, 2023, 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	$ 4,758,145
Investments	3,989,595
Accounts Receivable, Net	1,964,102
Total Financial Assets	10,711,842
Less: Amount Not Available to Be Used	
Within One Year:	
Temporarily Restricted Donor Funds	2,693,325
Permanently Restricted Donor Funds	1,061,000
Financial Assets Available to Meet General Expenditures withing One Year	$ 6,957,517

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

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.

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)
Mutual Funds	$ 1,039,595	$ 1,039,595	$ -	$ -
Beneficial Interest in Assets Held	-	-	-	-
by Marin Community Foundation	1,056,574	-	-	1,056,574
Total Investments at Fair Value	$ 2,096,169	$ 1,039,595	$ -	$ 1,056,574
Certificates of Deposit, at Cost	2,950,000			
Total Investments	$ 5,046,169			

NOTE 4 FAIR VALUE MEASUREMENTS AND DISCLOSURES (CONTINUED)

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, 2023:

Balance - June 30, 2021	$	966,305
Gifts to Beneficial Interest in Trusts		-
Change in Beneficial Interest in Trusts		90,269
Balance - June 30, 2022	$	1,056,574

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30, 2023:

Land	$	1,853,755
Buildings and Improvements		7,324,163
Furniture and Fixtures		336,189
Leasehold Improvements		545,965
Work in Process		351,781
Subtotal		10,411,853
Less: Accumulated Depreciation		1,598,829
Total Property and Equipment	$	8,813,024

Depreciation expense totaled $222,674 for the year ended June 30, 2023.

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 September 2023 with no extension. As of June 30, 2023, there is no outstanding balance. Interest is payable at prime rate plus 1.5%, which was 8.25% at June 30, 2023. 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.

The Organization has a revolving line of credit for $2,800,000 with Bank of Marin. Borrowing under the line bear interest at the bank’s fixed rate of 2.095% at June 30, 2023. Net draws on the line of credit as of June 30, 2023 amount to $1,721,655.

NOTE 7 LONG-TERM DEBT

Long-term debt consist of the following at June 30, 2023.

	Payable	
Description	Within One Year	After One Year
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	24,644	1,079,245
Total	$ 54,644	$ 1,079,245

Future maturities are as follows as of June 30:

Year Ending June 30,	LTD Amount
2024	$ 54,644
2025	25,650
2026	26,696
2027	27,786
2028	27,090
Thereafter	972,023
Total	$ 1,133,889

NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following as of June 30, 2023:

Subject to Expenditure for Specified Purpose:	
Management and General	$ 23,539
Social Services	488,784
Youth Education	1,363,743
Workforce	441,164
Adult Education (ESL)	233,462
Immigration	119,074
Canal Housing	172,378
PACE	352,350
	-
Subject to the Passage of Time:	
Management and General	559,831
Total Net Assets With Donor Restrictions	$ 3,754,325

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, 2023:

Management and General	$ 6,964,865
Social Services	773,524
Youth Education	580,303
Workforce	302,357
Adult Education (ESL)	214,551
Immigration	844,661
Canal Housing	181,372
PACE	159,340
Total Net Assets Released From Donor Restriction	$ 10,020,973

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, and donated services. 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. Services are valued at their estimated fair value based on current rates for similar services. Donated GIK are not sold, and goods are only distributed for program use. For the year ended June 30, 2023, contributed nonfinancial assets recognized within the statement of activities and changes in net assets included:

Nonfinancial Contributions Category	Type of Contributions for Beneficiaries	Valuation	2023
Food	Food	Cost study conducted by Feeding America of identical or similar products	$ 852,167
Services	Architecture Services	Contributed services from architect are valued at estimated fair value based on current rates for similar architecture services.	31590
Total			$ 883,757

NOTE 11 LEASES

Operating and Finance Leases

The Organization leases an office building under an operating lease in San Rafael, California that expires March 31, 2023. In the normal course of business, it is expected that this lease will be renewed or replaced by similar leases. The organization leases various computer equipment under ten financing leases that have various expirations starting August 1, 2023 through May 28, 2026.

The following table provides quantitative information concerning the Organization's leases for the year ended June 30, 2023.

Lease Cost:		
Finance Lease Cost:		
Amortization of Right-of-Use Assets	$	102,130
Interest on Lease Liabilities		1,154
Operating Lease Cost		277,247
Short-Term Lease Cost		10,355
Total Lease Cost	$	390,886
Other Information:		
Operating Cash Flows from Finance Leases	$	1,154
Operating Cash Flows from Operating Leases		255,642
Financing Cash Flows from Finance Leases		100,767
Right-of-Use Assets Obtained in Exchange for New Operating Lease Liabilities:		2,125,159
Weighted-Average Remaining Lease Term - Operating Leases		1.4 Years
Weighted-Average Remaining Lease Term - Finance Leases		7.8 Years
Weighted-Average Discount Rate - Operating Leases		0.86%
Weighted-Average Discount Rate - Finance Leases		2.88%

A maturity analysis of annual undiscounted cash flows for lease liabilities as of June 30, 2023, is as follows:

Year Ending June 30,	Operating	Finance	Totals
2024	$ 263,307	$ 63,589	$ 326,896
2025	271,203	12,582	283,785
2026	279,339	8,624	287,963
2027	287,718	-	287,718
2028	296,349	-	296,349
Thereafter	860,679	-	860,679
Total Lease Payments	2,258,595	84,795	2,343,390
Less: Interest	(240,155)	(478)	(240,633)
Present Value of Lease Liabilities	$ 2,018,440	$ 84,317	$ 2,102,757

NOTE 11 LEASES (CONTINUED)

Short-Term Leases

The Organization leases two postage machines under short term leases expiring February 2024.

The Organization has elected, for all underlying classes of assets, to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement, and do not include an option to purchase the underlying asset that the Organization is reasonably certain to exercise. The Organization recognizes the lease payments in profit and loss on a straight-line basis over the lease term and variable lease payments in the period in which the obligation for those payments is incurred.

Leases Arrangements – Lessor

Leasing operations consist of operating leases of residential real estate and commercial real estate. Residential units are short term agreements of one year or less or month to month agreements. Commercial units are either on a month to month agreement or have various expiration ranging from September 30, 2023 through February 28, 2026.

Revenue from lease payments during year ended June 30, 2023 totaled $516,776, and are recognized in the consolidated statement of activities and changes in net assets.

Following is a maturity analysis of annual undiscounted cash flows to be received from operating leases as of the end of 2023:

Year Ending June 30,	
2024	270,463
2025	94,772
2026	50,552
Total Minimum Future Rentals	$ 415,787

NOTE 12 RETIREMENT PLAN

The Organization has a 403(b) plan covering all eligible employees. The amount of contributions to the plan by the Association is determined at the discretion of the board of directors and is currently set at a level of 4%. For the year ended June 30, 2023, the Organization contributed $115,227 to the plan, which is included in salaries and benefits.

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

Board of Directors
Canal Alliance
San Rafael, California

We have audited the consolidated financial statements of Canal Alliance for the year ended June 30, 2023, and our report thereon dated October 16, 2023 which expressed an unmodified opinion on those consolidated financial statements, appears on pages 1 through 2. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The 2023 consolidating statements of financial position, and consolidating statements of activities and changes in net assets, are presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Roseville, California
October 16, 2023

CANAL ALLIANCE
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023
(SEE INDEPENDENT AUDITOR' REPORT ON SUPPLEMENTARY INFORMATION)

ASSETS	Canal Alliance	Canal Alliance Property Group LLC	Total Prior to Consolidation	Eliminating Entries	Consolidated Total
CURRENT ASSETS					
Cash and Cash Equivalents	$ 4,484,908	$ 273,237	$ 4,758,145	$ -	$ 4,758,145
Investments	9,909,165	-	9,909,165	(5,834,900)	3,989,595
Accounts Receivable	1,964,102	-	1,964,102	-	1,964,102
Prepaid Expenses	177,838	7,620	185,458	-	185,458
Total Current Assets	16,536,013	280,857	16,816,870	(5,834,900)	10,897,300
PROPERTY AND EQUIPMENT, NET	1,594,308	7,218,716	8,813,024	0	8,813,024
OTHER ASSETS					
Beneficial Interest in Assets Held by Marin Community Foundation	1,056,574	-	1,056,574	-	1,056,574
Operating Right-of-Use-Assets	1,908,506	-	1,908,506	-	1,908,506
Finance Right-of-Use-Assets	76,462	-	76,462	-	76,462
Long-Term Receivable	23,653	-	23,653	-	23,653
Deposits	3,450	1,207	4,657	-	4,657
Total Other Assets	3,068,645	1,207	3,069,852	0	3,069,852
Total Assets	$ 21,198,966	$ 7,500,780	$ 28,699,746	$ (5,834,900)	$ 22,780,176

CANAL ALLIANCE
CONSOLIDATING STATEMENT OF FINANCIAL POSITION (CONTINUED)
JUNE 30, 2023
(SEE INDEPENDENT AUDITOR' REPORT ON SUPPLEMENTARY INFORMATION)

LIABILITIES AND NET ASSETS	Canal Alliance	Canal Alliance Property Group LLC	Total Prior to Consolidation	Eliminating Entries	Consolidated Total
CURRENT LIABILITIES					
Accounts Payable	$ 56,733	$ 25,977	$ 82,710	$ -	$ 82,710
Accrued Expenses and Other Liabilities	1,094,275		1,094,275	-	1,094,275
Security Deposits	13,108	16,029	29,137	-	29,137
Deferred Revenue	110,036	-	110,036	-	110,036
Line of Credit	-	1,721,655	1,721,655	-	1,721,655
Lease Liability, Current Portion - Operating	208,525	-	208,525	-	208,525
Lease Liability, Current Portion - Finance	63,242	-	63,242	-	63,242
Current Portion of Long-Term Debt	54,644	-	54,644	-	54,644
Total Current Liabilities	1,600,563	1,763,661	3,364,224	0	3,364,224
NONCURRENT LIABILITIES					
Long-Term Debt, Net of Current Portion	1,079,245	-	1,079,245	-	1,079,245
Lease Liability, Noncurrent Portion - Operating	1,809,916	-	1,809,916	-	1,809,916
Lease Liability, Noncurrent Portion - Finance	21,074	-	21,074	-	21,074
Total Noncurrent Liabilities	2,910,235	-	2,910,235	-	2,910,235
Total Liabilities	4,510,798	1,763,661	6,274,459	-	6,274,459
NET ASSETS					
Without Donor Restrictions:	12,851,174	5,735,118	18,586,292	5,834,900	12,751,392
With Donor Restrictions:					
Temporarily Restricted	2,693,325	-	2,693,325	-	2,693,325
Permanently Restricted	1,061,000	-	1,061,000	-	1,061,000
Total Net Assets	16,605,499	5,735,118	22,340,617	5,834,900	16,505,717
Total Liabilities and Net Assets	$ 21,116,297	$ 7,498,779	$ 28,615,076	$ 5,834,900	$ 22,780,176

CANAL ALLIANCE
CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2023
(SEE INDEPENDENT AUDITOR' REPORT ON SUPPLEMENTARY INFORMATION)

	Canal Alliance	Canal Alliance Property Group LLC	Total Prior to Consolidation	Eliminating Entries	Consolidated Total
REVENUE, SUPPORT, AND GAINS					
Contributions of Cash and Other Financial Assets	$ 13,691,536	$ -	$ 13,691,536	$ -	$ 13,691,536
Program Service Revenue	2,668,093	-	2,668,093	-	2,668,093
Contributions of Nonfinancial Assets	883,757	-	883,757	-	883,757
Rental Income	198,825	317,951	516,776	-	516,776
Other Income	9,578	-	9,578	-	9,578
Interest and Dividend Income	53,343	-	53,343	-	53,343
Unrealized Loss on Investments	83,009	-	83,009	-	83,009
Total Revenue	17,588,141	317,951	17,906,092	-	17,906,092
EXPENSES	11,802,910	417,733	12,220,643	-	12,220,643
TOTAL CHANGES IN NET ASSETS	$ 5,785,231	$ (99,782)	$ 5,685,449	$ -	$ 5,685,449