

The Aurelia Foundation

Financial Report

Year Ended December 31, 2021

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	1-2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Activities and Change in Net Assets	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7-13



INDEPENDENT AUDITOR'S REPORT

The Board of Directors
The Aurelia Foundation
Santa Monica, California

Opinion

We have audited the accompanying financial statements of The Aurelia Foundation (the Organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities and change 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 the Organization. as of December 31, 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.

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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization 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.

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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's 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 auditor's 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 the Organization'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 the Organization'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.

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

Glendale, California
August 24, 2022

THE AURELIA FOUNDATION

Statement of Financial Position
December 31, 2021

ASSETS

Current assets

Cash and cash equivalents	\$ 1,292,774
Accounts and pledges receivable	181,740
Prepaid expenses	<u>10,153</u>

Total current assets 1,484,667

Vehicles, net 91,002

Total assets \$ 1,575,669

LIABILITIES AND NET ASSETS

Current liabilities

Accounts payable	\$ 3,389
Accrued liabilities	114,592
Refund liability	<u>307,355</u>

Total current liabilities 425,336

Commitments and Contingencies (Notes 4 and 5)

Net assets

Without donor restrictions	1,150,333
With donor restrictions	<u>--</u>

Total net assets 1,150,333

Total liabilities and net assets \$ 1,575,669

THE AURELIA FOUNDATIONStatement of Activities and Change in Net Assets
Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Revenue from regional service centers contracts	\$ 1,993,185	\$ --	\$ 1,993,185
Contributions and pledges	133,604	--	133,604
Grants	82,700	--	82,700
Interest income	278	--	278
Net assets released from restrictions	<u>--</u>	<u>--</u>	<u>--</u>
Total revenue and support	<u>2,209,767</u>	<u>--</u>	<u>2,209,767</u>
EXPENSES			
Program services	1,640,110	--	1,640,110
Management and general	<u>512,710</u>	<u>--</u>	<u>512,710</u>
Total expenses	<u>2,152,820</u>	<u>--</u>	<u>2,152,820</u>
Change in net assets	56,947	--	56,947
NET ASSETS, beginning	<u>1,093,386</u>	<u>--</u>	<u>1,093,386</u>
NET ASSETS, ending	<u>\$ 1,150,333</u>	<u>\$ --</u>	<u>\$ 1,150,333</u>

THE AURELIA FOUNDATION

Statement of Functional Expenses
Year Ended December 31, 2021

	Program Services	Management and General	Total
SALARIES AND RELATED EXPENSES			
Salaries	\$ 1,327,027	\$ 299,440	\$ 1,626,467
Payroll taxes	107,968	21,288	129,256
Employee health insurance	<u>35,497</u>	<u>--</u>	<u>35,497</u>
Total salaries and related expenses	<u>1,470,492</u>	<u>320,728</u>	<u>1,791,220</u>
OTHER EXPENSES			
Advertising and Promotion	1,506	831	2,337
Auto repair	12,558	--	12,558
Auto fuel	10,057	--	10,057
Bank fees	--	4,816	4,816
Communications	--	6,453	6,453
Dues and subscriptions	--	8,187	8,187
Insurance	57,773	2,686	60,459
Office expenses	10,866	--	10,866
Legal and professional fees	--	56,449	56,449
Licenses and registrations	--	2,847	2,847
Rent	--	59,220	59,220
Staff appreciation	4,791	--	4,791
Staff training	38,184	--	38,184
Staff recruitment and background checks	11,016	--	11,016
Supplies and postage	22,867	--	22,867
Utilities	--	2,870	2,870
Other	<u>--</u>	<u>17,505</u>	<u>17,505</u>
Total other expenses	<u>169,618</u>	<u>161,864</u>	<u>331,482</u>
Total expenses before depreciation	<u>1,640,110</u>	<u>482,592</u>	<u>2,122,702</u>
Depreciation	<u>--</u>	<u>30,118</u>	<u>30,118</u>
Total functional expenses	<u>\$ 1,640,110</u>	<u>\$ 512,710</u>	<u>\$ 2,152,820</u>

THE AURELIA FOUNDATION

Statement of Cash Flows
Year Ended December 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 56,947
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	30,118
Change in assets and liabilities:	
Accounts receivable	13,933
Prepaid expenses	(10,153)
Accounts payable	(9,552)
Accrued liabilities	<u>17,940</u>
Net cash provided by operating activities	99,233

CASH FLOWS USED IN INVESTING ACTIVITIES

Purchase of vehicles	<u>(43,465)</u>
Net increase in cash and cash equivalents	55,768

CASH AND CASH EQUIVALENTS, beginning of year	<u>1,237,006</u>
---	------------------

CASH AND CASH EQUIVALENTS, end of year	<u>\$ 1,292,774</u>
---	---------------------

THE AURELIA FOUNDATION

Notes to Financial Statements
December 31, 2021

NOTE 1. ORGANIZATION

The Aurelia Foundation dba Creative Steps (a California Nonprofit Public Benefit Corporation) (the Organization) was founded by parents of children with special needs. The Organization administers a day program, "Creative Steps", which is an adult community integration program designed to provide a safe, caring, enriching environment where adults with disabilities can achieve their full potential as valued, contributing members of their community. The Organization supports state-of-the-art programs that respect, nurture, and truly enrich the lives of those served.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting: The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Financial Statement Presentation: The Organization is required to report classification of the net assets, revenues as well as expenses based on the existence or absence of donor-imposed restrictions. The statement requires presentation of the amounts for each of the two classes of net assets – with donor restrictions, and without donor restrictions – in the statement of financial position and the amounts of change in each of those classes of net assets in the statement of activities.

Net Assets: The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Net Assets without donor restrictions. Net assets without donor restrictions are resources available for use in carrying out the mission of the Organization, and include those expendable resources which have been designated for use by the Organization. The Organization reports restricted contributions, whose restrictions are met in the same reporting period, as unrestricted support.

Net assets with donor restrictions. Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. The Organization's unspent contributions are classified in this class if the donor limited their use. When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of equipment and vehicles (or less commonly, the contribution of those assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service by the Organization, unless the donor provides more specific directions about the period of its use. At December 31, 2021, no net assets carried donor restrictions.

All revenues are reported as increases in net assets without donor restrictions in the statement of activities unless the use of the related resources is subject to donor restrictions. All expenses are reported as decreases in net assets without donor restrictions.

The Organization has no assets with board restrictions at December 31, 2021.

THE AURELIA FOUNDATION

Notes to Financial Statements
December 31, 2021

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Contingencies: The spread of COVID-19 is continuing to alter the behavior of businesses and people in a manner that may have negative effects on the Organization's financial condition.

Cash and Cash Equivalents: The Organization considers all highly-liquid investments available for current use with a maturity of three (3) months or less to be cash equivalents.

Accounts Receivable and Pledges Receivable: Accounts receivable represent contract revenues that have been billed but not collected as of the date of the financial statements to which Organization has unconditional and noncancelable right. Pledges receivable are recorded upon receipt of unconditional promises to give in which there is no right to return of assets contributed, and no indication of any donor-imposed barriers or performance obligation as a condition of the contribution. Management evaluates accounts receivable and pledges receivable for the purpose of establishing an allowance for doubtful accounts. Management applies an estimate based on known economic conditions, historical trends, and knowledge of the specific donors promising to give. The Organization writes uncollectible receivables. In management's opinion, all receivables were collectible at year-end and, therefore, no allowance has been established.

Vehicles: Vehicles are reported in the statement of financial position at cost, if purchased, and at fair value at the date of donation, if donated. Vehicles are capitalized if they have a cost of \$1,000 or more and a useful life when acquired of more than one year. Donated assets are capitalized at fair market value on the date of the gift. Repairs and maintenance that do not significantly increase the useful life of the asset are expensed as incurred. Vehicles are depreciated on a straight-line basis over estimated useful lives, generally five years.

Advertising Costs: Advertising costs are expensed as incurred.

THE AURELIA FOUNDATION

Notes to Financial Statements
December 31, 2021

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition: The Organization's revenue recognition policies are as follows:

Regional Service Centers Contract Revenue: The Organization receives and reports revenue from regional centers for providing community integration training that includes, but is not limited to, assistance with acquisition, retention, or improvement in self-help, socialization and adaptive skills which take place in a non-residential setting, separate from the home or facility where an individual receiving training resides.

The regional centers compensate the Organization for the performance of community integration services in accordance with the contract rates. Revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled to in exchange for providing community integration training. Revenue is recognized in the period in which the Organization satisfies its performance obligation related to community integration training. The Organization determines the transaction price for the services provided based on the standard rates, established by the contracts; therefore, the amounts due from regional centers rarely include variable consideration for revenue adjustments. Generally, no payments are received on a prospective basis.

Contributions: Contributions are recorded as revenue upon receipt of cash or unconditional promise to give (pledge) in which there is no right of return of assets contributed and an indication of any donor-imposed barriers or performance obligations as a condition of the contribution based upon the donor agreement. Contributions are reported as increases in net assets without donor restrictions unless use of the contributed asset is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions, consistent with the nature of the restriction. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as net assets with donor restrictions until the payment is due unless the contribution is clearly intended to support activities of the current fiscal year or is received with donor-restrictions. Conditional promises are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

Fundraising Events Revenue: Amounts received are recorded at the time of transaction.

Contributed Goods and Services: Contributions of goods received that are measurable are recorded as revenue at their estimated fair value when received. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Many volunteers provide services throughout the year that are not recognized as contributions in the financial statements, because the services do not require specialized skills.

THE AURELIA FOUNDATION

Notes to Financial Statements
December 31, 2021

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (continued):

Grants:

Non-exchange: Certain grants are considered non-exchange transactions and are reported as increases in net assets without restrictions as the associated barriers are overcome, which generally is as allowable expenditures under such agreements are incurred.

Grants Containing Milestone Provisions: The Organization records grants that contain milestone provisions as exchange transactions of conditional contributions based on an evaluation of whether the resource provider is receiving commensurate value in return for the resources transferred to the Organization. For grants that contain milestone components, grant revenue is recognized in the period it is earned, based on when the applicable project expenses are incurred and project milestones are achieved. Grant payments received in advance of related project expenses and the achievement of project milestones are recorded as deferred revenue and included in other current liabilities.

Income Taxes: The Organization is a nonprofit public benefit corporation, qualifying under section 501(c)(3) of the Internal Revenue Code and corresponding California provisions. As such, except for taxes pertaining to unrelated business income, the Organization is exempt from federal and state income taxes. No provision has been made for income taxes, as the Organization had no unrelated business income. The Organization is not considered a private foundation. The Organization believes that it has appropriate support for any tax position taken and, as such, the Organization has no material unrecognized tax benefits, tax penalties or interest as of and for the year ended December 31, 2021. The Organization's tax years that are open for examination by federal and state agencies are three and four years, respectively.

Expense Recognition and Allocation: Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Other expenses, which are common to both program and support services, are generally allocated based on the percentages of expenses utilized by each. Certain allocations are based on the terms of the regional service center contracts. Compensation expenses are allocated based on the actual time and effort.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The Foundation generally does not conduct its fundraising activities in conjunction with its other activities.

THE AURELIA FOUNDATION

Notes to Financial Statements
December 31, 2021

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Pronouncements Pending Adoption: In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, Leases (Topic 842). Under the new guidance, lessees are required to recognize lease right-of-use assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. Entities may choose modified retrospective transition approach with the cumulative effect of adoption recognized at either beginning of the earliest comparative period presented (comparative periods adjusted) or effective date (comparative periods not adjusted). On May 20, 2020, the FASB approved effective date deferral of this ASU for private companies and certain non-profit organizations to fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. Once this ASU is implemented, the statement of financial position will reflect both lease liabilities and right-of-use assets. In addition, the Organization will recognize lease expense in the statement of activities on a straight-line basis. Management is currently evaluating the impact of the adoption of ASU No. 2016-02 on the financial statements.

In September 2020, the FASB issued ASU 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. This ASU addresses presentation and disclosure requirements for not-for-profit entities for contributed nonfinancial assets. The ASU is effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. Management is currently evaluating the impact of the adoption of ASU No. 2020-07 on the financial statements.

NOTE 3. VEHICLES, NET

Vehicles consist of the following as of December 31, 2021:

Vehicles	\$ 218,960
Less accumulated depreciation	<u>(127,958)</u>
	<u>\$ 91,002</u>

Depreciation expense for the year ended December 31, 2021 was \$30,118.

THE AURELIA FOUNDATION

Notes to Financial Statements
December 31, 2021

NOTE 4. COMMITMENTS AND CONTINGENCIES

Leases: The Organization leased office spaces in Santa Monica and Agoura Hills, California. The Santa Monica lease expires on August 31, 2022. The Agoura Hills lease provides for automatic two-year renewals unless such renewal is cancelled by the Organization or the landlord. Agoura Hills lease was renewed on January 1, 2021, and is schedule for the next renewal on January 1, 2023, unless cancellation notice is provided by the Organization or the landlord.

At December 31, 2021, future minimum payments are as follows:

Year ending December 31, 2022	\$	38,600
-------------------------------	----	--------

Lease expense for the year ended December 31, 2021 was approximately \$59,000.

Litigation: The Organization is subject to claims and litigations in the normal course of business. Management believes that the resolution of these matters will not have a material effect on the Organization's financial position or results of operations.

NOTE 5. CONCENTRATIONS OF CREDIT RISK AND ECONOMIC DEPENDENCY

The Organization maintains its cash accounts in one financial institution. These accounts are insured by the Federal Deposit insurance Corporation up to \$250,000 per financial institution for each category of legal ownership. These cash accounts, at times, may exceed federally insured limits. At December 31, 2021, the Organization carried uninsured cash balances of approximately \$292,000. The Organization believes it is not exposed to any significant risk relative to uninsured cash balances.

The majority of the Organization's revenue and support are received from service-provider contracts. Revenue from these contracts is dependent upon the funding policies of the contractors and, as such, can be adjusted at any time. In addition, the Organization receives support from individuals and foundations located in Southern California. As such, the Organization's ability to generate resources via contributions and grants is dependent upon the economic health of state of California. An economic downturn could cause a decrease in contributions and grants that coincides with an increase in demand for the Organization's services.

NOTE 6. GRANTS

The following is the list of grants received by the Organization during the year ended December 31, 2021:

Grant with milestone provisions	\$	37,500
Other grants		<u>45,200</u>
		<u>\$ 82,700</u>

NOTE 7. REFUND LIABILITY

At December 31, 2021, refund Liability to the regional centers was \$307,355. This liability was initially recognized during the year ended December 31, 2020. Refund liability was incurred in connection with the expenses reimbursed by the regional centers during 2020, and for which funding from other sources was utilized.

THE AURELIA FOUNDATION

Notes to Financial Statements
December 31, 2021

NOTE 8. FINANCIAL ASSETS AND LIQUIDITY RESOURCES

As of December 31, 2021, financial assets and liquidity resources available within one year for general expenditures, such as operating expenses, were as follows:

Cash and cash equivalents	\$ 1,292,774
Accounts and pledges receivable	<u>181,740</u>
Financial assets at year end	1,474,514
Less: restricted by donors for specific purpose	<u> --</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,474,514</u>

NOTE 9. SUBSEQUENT EVENTS

Management evaluated events and transactions occurring subsequent to December 31, 2021 through August 24, 2022, the date the financial statements were issued. During this period, there were no subsequent events requiring recognition in the financial statements, and there were no nonrecognized subsequent events requiring disclosure.