The Aurelia Foundation

Financial Report

Year Ended December 31, 2022

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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, 2022, 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, 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 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.

Hutchinson and Bloodgood LLP

Glendale, California
July 28, 2023

THE AURELIA FOUNDATION

Statement of Financial Position
December 31, 2022

ASSETS	
Current assets	
Cash and cash equivalents	$ 1,301,530
Accounts receivable	216,038
Pledges receivable	30,000
Prepaid expenses and other assets	3,535
Total current assets	1,551,103
Vehicles, net	60,688
Right-of-use assets, operating leases	24,554
Total assets	$ 1,636,345
LIABILITIES AND NET ASSETS	
Current liabilities	
Accrued liabilities	$ 148,454
Operating lease liabilities, current portion	17,432
Refund liability	307,355
Total current liabilities	473,241
Operating lease liabilities, less current portion	7,986
Total liabilities	481,227
Net assets	
Without donor restrictions	1,155,118
With donor restrictions	--
Total net assets	1,155,118
Total liabilities and net assets	$ 1,636,345

The accompanying notes are an integral part of this financial statement.

THE AURELIA FOUNDATION

Statement of Activities and Change in Net Assets
Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Revenue from regional service centers contracts	$ 2,140,567	$ --	$ 2,140,567
Contributions and pledges	139,943	--	139,943
Grants	280,199	--	280,199
Interest income	255	--	255
Other revenue	8,120	--	8,120
Net assets released from restrictions	--	--	--
Total revenue and support	2,569,084	--	2,569,084
EXPENSES			
Program services	1,966,762	--	1,966,762
Management and general	597,537	--	597,537
Total expenses	2,564,299	--	2,564,299
Change in net assets	4,785	--	4,785
NET ASSETS, beginning	1,150,333	--	1,150,333
NET ASSETS, ending	$ 1,155,118	$ --	$ 1,155,118

THE AURELIA FOUNDATION

Statement of Functional Expenses
Year Ended December 31, 2022

	Program Services	Management and General	Total
SALARIES AND RELATED EXPENSES			
Salaries	$ 1,611,031	$ 315,170	$ 1,926,201
Payroll taxes	137,999	23,899	161,898
Employee health insurance	--	44,490	44,490
Total salaries and related expenses	1,749,030	383,559	2,132,589
OTHER EXPENSES			
Advertising and Promotion	--	887	887
Auto repair	35,852	--	35,852
Auto fuel	20,223	--	20,223
Bank fees	--	3,531	3,531
Communications	--	6,769	6,769
Dues and subscriptions	--	11,363	11,363
Insurance	55,534	7,291	62,825
Legal and professional fees	--	69,368	69,368
Licenses and registrations	--	2,955	2,955
Meals and events	2,671	74	2,745
Payroll processing fees	--	8,823	8,823
Postage	364	--	364
Rent	--	59,688	59,688
Staff appreciation	13,889	--	13,889
Staff training	29,233	--	29,233
Staff recruitment and background checks	18,903	--	18,903
Supplies and materials	41,063	--	41,063
Utilities	--	4,741	4,741
Other	--	8,174	8,174
Total other expenses	217,732	183,664	401,396
Total expenses before depreciation	1,966,762	567,223	2,533,985
Depreciation	--	30,314	30,314
Total functional expenses	$ 1,966,762	$ 597,537	$ 2,564,299

THE AURELIA FOUNDATION

Statement of Cash Flows
Year Ended December 31, 2022

CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$	4,785
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation		30,314
Non-cash operating lease expense		12,232
Change in assets and liabilities:		
Accounts receivable		(64,298)
Prepaid expenses and other assets		6,618
Accounts payable		(3,389)
Change in operating lease liabilities		(11,368)
Accrued liabilities		33,862
Net cash provided by operating activities		8,756
CASH AND CASH EQUIVALENTS, beginning of year		1,292,774
CASH AND CASH EQUIVALENTS, end of year	$	1,301,530
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Non-cash activities:		
Right-of-use assets obtained in exchange for lease liabilities	$	36,786

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, 2022, 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, 2022.

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.

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 the 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 off uncollectible receivables. In management's opinion, all receivables were collectible at year-end and, therefore, no allowance has been established.

Vehicles: Vehicles include transportation vehicles used while conducting the programs. 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. Advertising costs approximated $900 for the year ended December 31, 2022.

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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (continued):

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.

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, 2022. The Organization’s tax years that are open for examination by federal and state agencies are three and four years, respectively.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Organization generally does not conduct its fundraising activities in conjunction with its other activities.

Recently Adopted Accounting Pronouncements: In February 2016, the FASB issued ASC Topic 842, Leases (ASC 842), to increase transparency and comparability among organizations related to their leasing arrangements. The update requires lessees to recognize most leases on their statements of financial position as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis.

ASC 842 also requires additional disclosure of key quantitative and qualitative information for leasing arrangements. Similar to the previous lease guidance, the update retains a distinction between finance leases (similar to capital leases in ASC 840, Leases) and operating leases, with classification affecting the pattern of expense recognition in the income statement. The Organization adopted ASC 842 on January 1, 2022, using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior-period financial statements. Under this transition provision, the Organization has applied ASC 842 to reporting periods beginning on January 1, 2022, while prior periods continue to be reported and disclosed in accordance with the Organization's historical accounting treatment under ASC Topic 840, Leases.

The Organization elected the "package of practical expedients" under the transition guidance within ASC 842, in which the Organization does not reassess (1) the historical lease classification, (2) whether any existing contracts at transition are or contain leases, or (3) the initial direct costs for any existing leases. The Organization has not elected to adopt the "hindsight" practical expedient and, therefore, will measure the ROU asset and lease liability using the remaining portion of the lease term upon adoption of ASC 842 on January 1, 2022.

The Organization determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the Organization obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Organization also considers whether its service arrangements include the right to control the use of an asset.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Adopted Accounting Pronouncements (continued): The Organization made an accounting policy election available under ASC 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease (or January 1, 2022, for existing leases upon the adoption of Topic 842). The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives. To determine the present value of lease payments, the Organization made an accounting policy election to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of ASC 842).

Adoption of ASC 842 resulted in the recording of ROU assets and lease liabilities related to the Organization's operating leases as disclosed in Note 4. The adoption of the new lease standard did not materially impact change in net assets or cash flows and did not result in a cumulative-effect adjustment to the opening balance of net assets.

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. The standard requires nonprofits to expand their financial statement presentation and disclosure of information on 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 5, 2021, and interim periods within annual reporting periods beginning after June 15, 2022. The Organization adopted the standard on January 1, 2022. The standard did not have a material impact on the Organization’s financial statements.

Pending Accounting Pronouncement: In June 2016, the FASB issued ASU 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which creates a new credit impairment standard for financial assets measured at amortized cost and available-for-sale debt securities. The ASU requires financial assets measured at amortized cost (including loans, trade receivables and held-to-maturity debt securities) to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses. The ASU is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The Organization is currently evaluating the impact of adopting this new guidance on its financial statements and does not expect the impact to be significant.

NOTE 3. VEHICLES, NET

Vehicles consist of the following as of December 31, 2022:

Vehicles	$ 218,960
Less accumulated depreciation	(158,272)
	$ 60,688

Depreciation expense for the year ended December 31, 2022 was $30,314.

NOTE 4. OPERATING LEASES

The Organization leases one space on a month-to-month basis. In addition, the Organization leased two additional spaces on a month-to-month basis through June 2022. In June 2022, the Organization entered into two non-cancelable operating lease agreements. These two non-cancelable operating leases expire on June 30, 2024 and July 15, 2024, respectively.

The non-cancelable operating leases may include one or more options to renew, with renewal terms that can extend the lease term by varying periods. The exercise of renewal option is at the Organization management's discretion. The renewal option in the measurements of ROU assets and lease liabilities are not included, unless management is reasonably certain of exercising such option.

The Organization adopted Topic 842 using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior-period financial statements. The Organization implemented ASC Topic 842 using certain practical expedients. Adoption of the new lease standard resulted in the recording of right-of-use asset and lease liability of $36,786 as of the adoption date and is reflected as a noncash transaction for purposes of the statement of cash flows. The table below presents information regarding existing operating leases:

Weighted average remaining lease term (in years)	1.62
Weighted-average discount rate	3.14%

Future minimum lease payments required under these operating leases are as follows at December 31, 2022:

Year Ending December 31,	
2023	$ 17,937
2024	8,050
	25,987
Less amount representing interest	(569)
Present value of minimum lease payments	25,418
Less current portion	(17,432)
	$ 7,986

Lease expense for the year ended December 31, 2022 amounted to $59,688.

The components of lease expense approximated the following for the year ended December 31, 2022:

Operating lease cost	$ 12,912
Short-term lease cost	$ 46,776
Cash paid for amounts included in measurement of lease liabilities	$ 11,368

NOTE 5. CONCENTRATIONS OF CREDIT RISK, ECONOMIC DEPENDENCY AND CONTINGENCIES

Concentration of Credit Risk: As of December 31, 2022, and at various times throughout the year, the Organization maintained cash in certain bank deposit accounts in excess of Federal Deposit Insurance Corporation limits. The Organization has not experienced any losses in such accounts. Management does not believe that the Organization is exposed to any significant credit risk in connection with its cash and cash equivalents.

Economic Dependency: 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 the 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.

Contingencies: The Organization may be subject to claims and litigation 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 6. GRANTS

The following is the list of grants recognized by the Organization during the year ended December 31, 2022:

Grants with milestone provisions	$ 155,949
Other grants	124,250
	$ 280,199

NOTE 7. REFUND LIABILITY

At December 31, 2022, 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.

NOTE 8. FINANCIAL ASSETS AND LIQUIDITY RESOURCES

As of December 31, 2022, financial assets and liquidity resources available within one year for general expenditures, such as operating expenses, were as follows:

Cash and cash equivalents	$ 1,301,530
Accounts and pledges receivable	343,998
Financial assets at year end	1,645,528
Less: restricted by donors	--
Financial assets available to meet cash needs for general expenditures within one year	$ 1,645,528

NOTE 9. SUBSEQUENT EVENTS

Management evaluated events and transactions occurring subsequent to December 31, 2022 through July 28, 2023, 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.