The Aurelia Foundation

Financial Report

Year Ended December 31, 2020

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
The Aurelia Foundation
Santa Monica, California

Report on the Financial Statements

We have audited the accompanying financial statements of The Aurelia Foundation (the Organization), which comprise the statement of financial position as of December 31, 2020, 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Aurelia Foundation as of December 31, 2020, 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.

Hutchinson and Bloodgood LLP

May 7, 2021

THE AURELIA FOUNDATION

Statement of Financial Position
December 31, 2020

ASSETS	
Current assets	
Cash and cash equivalents	$ 1,237,006
Accounts and pledges receivable	195,673
Total current assets	1,432,679
Vehicles, net	77,655
Total assets	$ 1,510,334
LIABILITIES AND NET ASSETS	
Current liabilities	
Accounts payable	$ 12,941
Accrued liabilities	96,652
Refund liability	307,355
Total current liabilities	416,948
Commitments and Contingencies (Notes 4 and 5)	
Net assets	
Without donor restrictions	1,093,386
With donor restrictions	--
Total net assets	1,093,386
Total liabilities and net assets	$ 1,510,334

THE AURELIA FOUNDATION

Statement of Activities and Change in Net Assets
Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Revenue from regional service centers contracts	$ 1,806,546	$ --	$ 1,806,546
Contributions and pledges	215,145	1,000	216,145
Grants	111,000	555,546	666,546
Interest income	129	--	129
Net assets released from restrictions:			
Capital expenditures	26,000	(26,000)	--
Grant expenditures	555,546	(555,546)	--
Total revenue and support	2,714,366	(25,000)	2,689,366
EXPENSES			
Program services	1,572,492	--	1,572,492
Management and general	456,112	--	456,112
Total expenses	2,028,604	--	2,028,604
Change in net assets	685,762	(25,000)	660,762
NET ASSETS, beginning	407,624	25,000	432,624
NET ASSETS, ending	$ 1,093,386	$ --	$ 1,093,386

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

THE AURELIA FOUNDATION

Statement of Functional Expenses
Year Ended December 31, 2020

	Program Services	Management and General	Total
SALARIES AND RELATED EXPENSES			
Salaries	$ 1,344,389	$ 248,172	$ 1,592,561
Payroll taxes and other payroll related expenses	145,259	34,349	179,608
Total salaries and related expenses	1,489,648	282,521	1,772,169
OTHER EXPENSES			
Advertising and Promotion	--	4,169	4,169
Bank fees	--	3,918	3,918
Contract services	--	2,250	2,250
Events/Activities	--	979	979
Insurance	59,174	13,933	73,107
Office expenses	--	13,885	13,885
Professional fees	--	37,769	37,769
Rent	--	47,184	47,184
Staff development and appreciation	2,423	2,457	4,880
Supplies and postage	18,789	--	18,789
Transportation	130	6,293	6,423
Other	2,328	17,900	20,228
Total other expenses	82,844	150,737	233,581
Total expenses before depreciation	1,572,492	433,258	2,005,750
Depreciation	--	22,854	22,854
Total functional expenses	$ 1,572,492	$ 456,112	$ 2,028,604

THE AURELIA FOUNDATION

Statement of Cash Flows
Year Ended December 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ 660,762
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	22,854
Paycheck Protection Program funding	(450,425)
Change in assets and liabilities:	
Accounts receivable	(46,398)
Prepaid expenses and other assets	58,792
Accounts payable and accrued liabilities	48,414
Proceeds received under the Paycheck Protection Program	450,425
Refund liability	307,355
Net cash provided by operating activities	1,051,779
CASH FLOWS USED IN INVESTING ACTIVITIES	
Purchase of vehicles	(43,197)
Net increase in cash and cash equivalents	1,008,582
CASH AND CASH EQUIVALENTS, beginning of year	228,424
CASH AND CASH EQUIVALENTS, end of year	$ 1,237,006

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

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; 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, 2020, 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, 2020.

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, a strain of coronavirus responsible for the outbreak characterized as pandemic by the World Health Organization, is altering the behavior of businesses and people in a manner that may have negative effects on the Organization's financial condition through impact on the economy, and the measures taken by federal, state, and local government. The Organization has continued operating within the guidelines of the state of California and the Federal government. However, at this time neither the duration nor the scope of the outbreak and the related effects can be predicted with confidence, including the duration of the pandemic, the actions taken to contain or mitigate its impact (including the distribution and effectiveness of vaccines), and the direct and indirect economic effects of the pandemic and related containment measures, among others.

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, Net: 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 1 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.

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 assets 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.

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, 2020. 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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pending Accounting Pronouncements In February 2016, the Financial Accounting Standards Board (FASB) 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.

NOTE 3. VEHICLES, NET

Vehicles consist of the following as of December 31, 2020:

Vehicles	$ 175,495
Less accumulated depreciation	(97,840)
	$ 77,655

Depreciation expense for the year ended December 31, 2020 was $22,854.

NOTE 4. COMMITMENTS AND CONTINGENCIES

Prior to July 2020, the Organization leased office spaces in Santa Monica, Torrance and Agoura Hills, California. In June 2020, the Organization terminated its lease in Torrance. The Santa Monica lease expires on August 31, 2021. 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 most recently 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, 2020, future minimum payments are as follows:

Years ending December 31:	
2021	$ 33,600
2022	10,000
	$ 43,600

Lease expense for the year ended December 31, 2020 was approximately $47,000.

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, 2020, the Organization carried uninsured cash balances of approximately $987,000. 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

Paycheck Protection Program: In May 2020, the Organization was granted a loan of $450,425 under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security (CARES) Act, provides for loans to qualifying businesses and not-for-profit organizations. The loans and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes (including payroll, benefits, rent and utilities) and maintains its payroll levels.

The Organization accounted for the PPP loan amount as a conditional contribution in which the receipt of the loan was treated as a refundable advance. The refundable advance was reduced, and recognized as a contribution once the conditions of release had been substantially met. As of December 31, 2020, the Organization had substantially met the conditions of the loan forgiveness. As further discussed in the Note 9, On March 22, 2021, the Organization's PPP loan was forgiven by the SBA.

Economic Injury Disaster Loan: In April 2020, the Organization received $10,000 advance of Economic Injury Disaster Loan (EIDL) funding from the Small Business Administration (SBA). The EIDL advance carried no restrictions on spending, and could be used for any operations costs. The initial advance was considered an unrestricted grant, and was recognized as revenue upon receipt.

Grants with Milestone Provisions: During the year ended December 31, 2020, the Organization entered into two grant agreements that contained milestone provisions. The Organization recorded $64,483 milestone grant revenue during 2020 related to these agreements.

The following is the list of grants received by the Organization during the year ended December 31, 2020:

EIDL	$ 10,000
PPP	450,425
Grants with milestone provisions	64,483
Other grants	141,638
	$ 666,546

NOTE 7. REFUND LIABILITY

At December 31, 2020, the Organization recorded $307,355 refund liability to the regional centers. Refund Liability was recorded in connection with the expenses reimbursed by the regional centers, and for which PPP funding was utilized.

NOTE 8. FINANCIAL ASSETS AND LIQUIDITY RESOURCES

As of December 31, 2020, financial assets and liquidity resources available within one year for general expenditures, such as operating expenses, were as follows:

Cash and cash equivalents	$ 1,237,006
Accounts and pledges receivable	188,306
Financial assets at year end	1,425,312
Less: restricted by donors for specific purpose	--
Financial assets available to meet cash needs for general expenditures within one year	$ 1,425,312

NOTE 9. SUBSEQUENT EVENTS

Management evaluated events and transactions occurring subsequent to December 31, 2020 through May 7, 2021, 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, except as follows:

On March 22, 2021, the Organization's PPP loan was forgiven by the SBA.