

EXTRAORDINARY FAMILIES

**FINANCIAL STATEMENTS
and
ADDITIONAL INFORMATION**

DECEMBER 31, 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Extraordinary Families

Report on the Financial Statements

We have audited the accompanying financial statements of Extraordinary Families (a nonprofit corporation), which comprise the Statement of Financial Position as of December 31, 2018, and the related Statements of Activities, 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.

Auditors' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditors' 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 entity'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 entity'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 Extraordinary Families as of December 31, 2018, 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.

INDEPENDENT AUDITORS' REPORT

continued

Other Matter

Report on Summarized Comparative Information

We have previously audited Extraordinary Families' 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 28, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 3, 2019, on our consideration of Extraordinary Families' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Extraordinary Families' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Extraordinary Families' internal control over financial reporting and compliance.

Harrington Group

Pasadena, California
June 3, 2019

EXTRAORDINARY FAMILIES

STATEMENT OF FINANCIAL POSITION

December 31, 2018

With comparative totals at December 31, 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and cash equivalents (Note 2)	\$ 1,333,464	\$ 1,192,092
Contract and fees receivable	245,470	210,657
Contributions receivable	-	766
Prepaid expenses	81,813	117,981
Beneficial interest in funds held by others (Note 4)	112,766	119,034
Investments (Note 5)	537,614	673,123
Property and equipment (Note 6)	<u>21,491</u>	<u>37,733</u>
TOTAL ASSETS	<u><u>\$ 2,332,618</u></u>	<u><u>\$ 2,351,386</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 148,627	\$ 90,488
Accrued liabilities (Note 7)	54,026	53,318
Contract advances	<u>56,277</u>	<u>98,416</u>
TOTAL LIABILITIES	<u>258,930</u>	<u>242,222</u>
NET ASSETS		
Without donor restrictions	1,815,099	1,658,976
With donor restrictions (Note 11)	<u>258,589</u>	<u>450,188</u>
TOTAL NET ASSETS	<u>2,073,688</u>	<u>2,109,164</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 2,332,618</u></u>	<u><u>\$ 2,351,386</u></u>

The accompanying notes are an integral part of these financial statements.

EXTRAORDINARY FAMILIES

STATEMENT OF ACTIVITIES

For the year ended December 31, 2018

With comparative totals for the year ended December 31, 2017

	Without Donor Restrictions	With Donor Restrictions	2018	2017
REVENUE AND SUPPORT				
Governmental service contracts	\$ 2,518,354	\$ -	\$ 2,518,354	\$ 2,294,369
Contributions and grants	437,970	472,400	910,370	334,304
Special events, net of expenses of \$216,364	142,586		142,586	197,316
Investment (loss) income	(28,699)		(28,699)	80,130
Fee for service	2,600		2,600	6,276
Other income	2,992		2,992	6,810
Net assets released from restrictions (Note 11)	665,061	(665,061)	-	-
TOTAL REVENUE AND SUPPORT	3,740,864	(192,661)	3,548,203	2,919,205
EXPENSES				
Program services	2,922,826		2,922,826	2,920,656
Management and general	304,093		304,093	250,611
Fundraising	303,360		303,360	364,513
TOTAL EXPENSES	3,530,279	-	3,530,279	3,535,780
OTHER CHANGES				
Loss from theft (email hack)	53,400		53,400	-
TOTAL OTHER CHANGES	53,400	-	53,400	-
CHANGE IN NET ASSETS	157,185	(192,661)	(35,476)	(616,575)
NET ASSETS, BEGINNING OF YEAR	1,657,914	451,250	2,109,164	2,725,739
NET ASSETS, END OF YEAR	\$ 1,815,099	\$ 258,589	\$ 2,073,688	\$ 2,109,164

The accompanying notes are an integral part of these financial statements.

EXTRAORDINARY FAMILIES

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2018

With comparative totals for the year ended December 31, 2017

	Program Services				Support Services			Total Expenses	
	Foster Family	Adoption	Other	Total Program Services	Management and General	Fundraising	Total Support Services	2018	2017
Salaries	\$ 633,799	\$ 307,430	\$ 239,551	\$ 1,180,780	\$ 156,129	\$ 219,838	\$ 375,967	\$ 1,556,747	\$ 1,515,242
Employee benefits	94,694	35,854	32,027	162,575	18,939	29,693	48,632	211,207	210,580
Payroll taxes	52,635	25,385	19,636	97,656	12,895	15,722	28,617	126,273	121,764
Total personnel costs	781,128	368,669	291,214	1,441,011	187,963	265,253	453,216	1,894,227	1,847,586
Foster parent expenses	953,997	1,421	667	956,085			-	956,085	855,611
Rent	101,298	28,802	23,771	153,871	21,153	8,803	29,956	183,827	217,591
Professional fees	41,130	9,683	20,532	71,345	33,518	3,002	36,520	107,865	138,537
Repairs and maintenance	45,472	14,883	10,529	70,884	9,420	7,681	17,101	87,985	170,058
Insurance	55,201	10,464	8,502	74,167	7,848	3,270	11,118	85,285	73,051
Office expense	18,322	5,348	5,610	29,280	12,358	4,615	16,973	46,253	29,344
Telephone	14,027	4,481	3,027	21,535	2,143	1,080	3,223	24,758	32,419
Other	15,000	2,706	674	18,380	4,035	1,607	5,642	24,022	21,810
Travel	12,837	4,739	2,299	19,875	834	45	879	20,754	23,438
Depreciation	8,771	2,599	2,111	13,481	1,949	812	2,761	16,242	15,602
Equipment rental	8,176	2,422	1,968	12,566	1,817	757	2,574	15,140	16,911
Home study reimbursement		14,450		14,450			-	14,450	14,150
Bank charges				-	13,954		13,954	13,954	12,224
Memberships	4,718	1,926	1,222	7,866	2,461	1,078	3,539	11,405	7,697
Licenses and permits	7,217	1,500		8,717	2,232		2,232	10,949	10,270
Training	1,030	88	2,878	3,996	1,566	166	1,732	5,728	19,343
Public relations			30	30	400	4,148	4,548	4,578	7,520
Bad debt expense		3,766		3,766			-	3,766	-
Postage	782	453	177	1,412	402	493	895	2,307	2,872
Conferences and meetings				-	40	550	590	590	430
Child related costs	65		44	109			-	109	19,316
TOTAL 2018 FUNCTIONAL EXPENSES	\$ 2,069,171	\$ 478,400	\$ 375,255	\$ 2,922,826	\$ 304,093	\$ 303,360	\$ 607,453	\$ 3,530,279	
TOTAL 2017 FUNCTIONAL EXPENSES	\$ 1,918,481	\$ 543,891	\$ 458,284	\$ 2,920,656	\$ 250,611	\$ 364,513			\$ 3,535,780

The accompanying notes are an integral part of these financial statements.

EXTRAORDINARY FAMILIES

STATEMENT OF CASH FLOWS

For the year ended December 31, 2018

With comparative totals for the year ended December 31, 2017

	2018	2017
CASH FLOWS (TO) OPERATING ACTIVITIES:		
Change in net assets	\$ (35,476)	\$ (616,575)
Adjustments to reconcile change in net assets to net cash (used) by operating activities:		
Depreciation	16,242	15,602
Loss (gain) on investments	5,099	(55,362)
Change in value of funds held by others	6,268	(15,498)
Donated stocks	(25,239)	(102,614)
(Increase) decrease in operating assets:		
Contracts and fees receivable	(34,813)	35,454
Contributions receivable	766	149,234
Deposits and prepaid expenses	36,168	(46,192)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	58,139	3,828
Accrued payroll and related liabilities	708	2,648
Contract advances	(42,139)	91,939
	(14,277)	(537,536)
NET CASH (USED) BY OPERATING ACTIVITIES		
CASH FLOWS FROM (TO) INVESTING ACTIVITIES:		
Reinvested interest and dividends	(13,982)	-
Proceeds from sale of investments	169,631	-
Purchase of property and equipment	-	(20,512)
	155,649	(20,512)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES		
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	141,372	(558,048)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,192,092	1,750,140
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,333,464	\$ 1,192,092

The accompanying notes are an integral part of these financial statements.

EXTRAORDINARY FAMILIES

NOTES TO FINANCIAL STATEMENTS

1. **Organization**

Extraordinary Families is a non-profit corporation incorporated in the State of California to improve the daily lives of children and families in the child welfare system with innovative strategies and visionary policy reforms. It has been granted tax-exempt status by the Internal Revenue Service under Section 501(c)(3) and California Franchise Tax Board under Section 23701(d). Extraordinary Families services include direct services to children and families in the recruitment of foster homes and supervision of children's care in its foster homes, the recruitment of adoptive families for foster children, the mentoring of older foster youth, and connecting foster youth with employment training and jobs – with an emphasis on high-risk children. In addition, Extraordinary Families works to identify critical changes in public policy and practice to improve outcomes for both the children and families whom it serves directly and for children and families across the child welfare system. Extraordinary Families is both publicly and privately funded, having program contracts with the County of Los Angeles, the State of California and funds from private donations and foundation.

2. **Summary of Significant Accounting Policies**

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements is as follows:

Basis of Presentation

The financial statements of Extraordinary Families have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require Extraordinary Families to report information regarding its financial position and activities according to the following net asset classification:

Without Donor Restrictions. Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of Extraordinary Families' management and the board of directors.

With Donor Restrictions. Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of Extraordinary Families or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulate the funds to be maintained in perpetuity.

EXTRAORDINARY FAMILIES

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Cash and Cash Equivalents

Extraordinary Families has defined cash and cash equivalents as cash in banks and all highly liquid investments with maturities of three months or less when purchased.

Receivables

Receivables consist of contracts and fees, and contributions and are stated at the amount management expects to collect from outstanding balances. Receivables are primarily unsecured amounts due on cost reimbursement or performance contracts. Extraordinary Families uses the allowance method of account for receivables determined to be potentially uncollectible.

Concentration of Credit Risks

Extraordinary Families places its temporary cash and cash equivalents investments with high-credit, quality financial institutions. At times, such investments may be in excess of the Federal Deposit Insurance Corporation insurance limit. Extraordinary Families has not incurred losses related to these investments.

The primary contract receivable balance outstanding at December 31, 2018 consists of government contract receivables due from county, state, and federal granting agencies. Concentration of credit risks with respect to trade receivables are limited, as the majority of Extraordinary Families' receivables consist of earned fees from contract programs granted by governmental agencies.

Approximately 71% of Extraordinary Families' total revenue and support is derived from government service contracts.

Investments

Extraordinary Families values its investments at fair value. Unrealized gains or losses (including investments bought, sold, and held during the year) are reflected in the Statement of Activities as gain or (loss) on investments. Short-term, highly liquid money market deposits that are not used for operations are treated as investments.

Fair Value Measurements

Generally accepted accounting principles provide guidance on how fair value should be determined when financial statement elements are required to be measured at fair value. Valuation techniques are ranked in three levels depending on the degree of objectivity of the inputs used with each level:

Level 1 inputs - quoted prices in active markets for identical assets

Level 2 inputs - quoted prices in active or inactive markets for the same or similar assets

Level 3 inputs - estimates using the best information available when there is little or no market

continued

EXTRAORDINARY FAMILIES

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Extraordinary Families is required to measure certain investments, beneficial interest, and new pledge contributions at fair value. The specific techniques used to measure fair value for these financial statement elements are described in the notes below that relate to each element.

Property and Equipment

Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets. Maintenance and repair costs are charged to expense as incurred. Property and equipment are capitalized if the cost of an asset is greater than or equal to five thousand dollars and the useful life is greater than one year.

Income Taxes

Extraordinary Families is exempt from taxation under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d.

Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by Extraordinary Families in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. Extraordinary Families' returns respectfully are subject to examination by federal and state taxing authorities, generally for three and four years, respectively, after they are filed.

Functional Allocation of Expenses

Costs of providing Extraordinary Families' programs and other activities have been presented in the Statement of Functional Expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit. Extraordinary Families uses salary dollars to allocate indirect costs.

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 reported amounts of assets, liabilities, revenues, and expenses as of the date and for the period presented. Actual results could differ from those estimates.

EXTRAORDINARY FAMILIES

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Recently Adopted Accounting Pronouncement

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now titled "without donor restrictions" and "with donor restrictions", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed-in-service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The ASU is effective for fiscal years beginning after December 15, 2017. Early adoption is permitted. The provisions of the ASU must be applied on a retrospective basis for all years presented although certain optional practical expedients are available for the periods prior to adoption. Extraordinary Families' financial statements for year-ended December 31, 2018 are presented in accordance with ASU 2016-14.

Comparative Totals

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Extraordinary Families' financial statements for the year ended December 31, 2017, from which the summarized information was derived.

Reclassification

Certain accounts from the December 31, 2017 financial statements have been reclassified for comparative purposes to conform to December 31, 2018 presentation.

Subsequent Events

Management has evaluated subsequent events through June 3, 2019, the date which the financial statements were available for issue. No events or transactions have occurred during this period that appear to require recognition or disclosure in the financial statements.

continued

EXTRAORDINARY FAMILIES

NOTES TO FINANCIAL STATEMENTS

3. Liquidity and Availability of Resources

As part of Extraordinary Families' liquidity management, it has an inherent policy to structure most of its financial assets to be available before its general expenditures, liabilities, and other obligations come due. In addition, Extraordinary Families has a Board-mandated Operating Reserve Fund policy which requires an annual transfer from savings or checking (whichever is more able to accommodate the transaction) of at least \$100,000 to the Operating Reserve Fund (which consists of assets in Wells Fargo Advisors, California Community Foundation, and Charles Schwab at December 31, 2018). The goal is to achieve a minimum of three months' worth of budgeted operating costs. Extraordinary Families has, at December 31, 2018, no lines of credit; nor any endowments with lock-up provisions that would reduce the total investments which could be made available, if needed.

Extraordinary Families' funds consist of cash for operational use for each of its programs. Revenues are generated through two government contracts: one with the Los Angeles Department of Children and Family Services for Foster Family Agency ("FFA") work; the other with the State of California for Adoption Services. Income is also generated by foundation and/or corporation grant awards, fundraising events, appeals, interest and dividends from its investment accounts, and from individual donations. Income is both restricted and unrestricted, with the large bulk of restricted income belonging to the FFA program (LA County). Some foundation awards are restricted, but many are—as nearly 99% of all individual donations and fundraising event revenues—unrestricted, that is, they are for general operating support. This ability to secure a large portion of its cash flow and reserves enables Extraordinary Families to accommodate its operating costs without complex and delayed acquisition of funds.

1) Quantitative Disclosure

Financial assets available to meet general expenditures within one year of December 31, 2018 are as follows:

Cash and cash equivalents	\$1,333,464
Investments (operating reserve fund)	650,380
Accounts receivable (FFA and adoption)	<u>245,470</u>
Financial assets available to meet general expenditures within one year	<u>\$2,229,314</u>

2) Qualitative Disclosure

Static balance sheet analysis (existing)	
Overnight cash ratio ¹	56%
One-year liquidity ratio ²	93%

¹ Overnight cash ratio equals overnight cash and deposits divided by total assets, to give a percentage expectation of ready cash to accommodate operational costs.

² One-year liquidity ratio is overnight cash plus investments maturing within one year or less divided by total assets to give a percentage expectation of ready cash to accommodate operational costs.

EXTRAORDINARY FAMILIES

NOTES TO FINANCIAL STATEMENTS

3. Liquidity and Availability of Resources, continued

Forecasted cash flow analysis and stress test³

12-month net forecasted cash flow⁴

Likely scenario	\$3,474,360	10% risk
Moderate stress	\$3,274,360	15% risk
Severe stress	\$3,029,360	21% risk

Acceptable and Unacceptable Risk Percentages for 2019

1. Overnight cash ratio minimum acceptable range equal to or greater than 42%⁵
2. One-year liquidity ratio acceptable range equal to or greater than 63%⁶

3) Recommended Liquidity Risk Guideline – 2019

The Risk Guideline for 2019 is established in order to optimize and manage Extraordinary Families' exposure to funding and liquidity risk for the upcoming fiscal year. It is intended to be a guideline and from time to time may be exceeded on a temporary basis. Ongoing testing resulting in forecasted exposures outside the established guideline should be considered serious by the Board, and corrective action should be taken.

4. Beneficial Interest in Funds Held by Others

The beneficial interest in funds held by others balance at December 31, 2018 consists of funds transferred to the California Community Foundation ("CCF") in which Extraordinary Families retains an interest in future distributions and is stated at fair value as a Level 2 classification. CCF maintains separate accountability for the funds and classifies the balance as an Agency Endowment liability in its financial statements. The fair market value at December 31, 2018 was \$112,766.

5. Investments

Investments at December 31, 2018 consist of the following:

Mutual funds	\$526,904
Money market	<u>10,710</u>
	<u>\$537,614</u>

³ Stress level is measured by the difference between revenue expected to be received and what is budgeted.

⁴ Cash flow projected for 2019 as per the Board-approved budget. Total revenue budgeted for is \$3,849,360.

⁵ Percentage should equal 2x the Severe Stress ratio.

⁶ Percentage should equal 3x the Severe Stress ratio.

EXTRAORDINARY FAMILIES

NOTES TO FINANCIAL STATEMENTS

6. Property and Equipment

Property and equipment at December 31, 2018 consist of the following:

Equipment	\$ 107,203
Vehicles	17,648
Furniture and fixtures	<u>5,307</u>
	130,158
Less: accumulated depreciation	<u>(108,667)</u>
	<u>\$ 21,491</u>

Depreciation expense for the year ended December 31, 2018 was \$16,242.

7. Accrued Liabilities

Accrued liabilities at December 31, 2018 consist of the following:

Accrued vacation	\$52,043
Other accruals	<u>1,983</u>
	<u>\$54,026</u>

8. Commitments and Contingencies

Obligations Under Operating Leases

Extraordinary Families leases various properties under operating leases with various terms. Future minimum payments, by year and in the aggregate, under these leases with initial or remaining terms of one year or more, consist of the following:

<u>Years ending December 31,</u>	
2019	\$210,443
2020	234,382
2021	238,698
2022	82,589
2023	<u>55,044</u>
	<u>\$821,156</u>

Equipment rent expense under operating leases for the year ended December 31, 2018 was \$198,967.

continued

EXTRAORDINARY FAMILIES

NOTES TO FINANCIAL STATEMENTS

8. Commitments and Contingencies, continued

Contracts

Extraordinary Families' grants and contracts are subject to inspection and audit by the appropriate governmental funding agency. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously-funded program costs. The ultimate liability, if any, which may result from these governmental audits cannot be reasonably estimated and, accordingly, Extraordinary Families has no provisions for the possible disallowance of program costs on its financial statements.

9. Employee Benefit Plan

Extraordinary Families has a 401(k) profit-sharing plan available to all employees who have completed one year of service and are at least twenty-one years of age, as defined. Employees may contribute any whole percentage of annual compensation provided that it does not exceed maximum amounts as permitted by law. For the year ended December 31, 2018, Extraordinary Families' matching contributions of up to 3% of an employee's annual earnings were \$73,173, which are included in employee benefits in the statement of functional expenses.

10. Fair Value Measurements

The table below presents the balances of assets measured at fair value at December 31, 2018 on a recurring basis:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds				
Bond	\$260,831	\$ -	\$ -	\$260,831
Value	116,118			116,118
Growth	111,207			111,207
Blend	23,890			23,890
Commodities	9,753			9,753
Government money fund	5,105			5,105
	<u>\$526,904</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$526,904</u>

The fair values of mutual funds have been measured on a recurring basis using quoted prices for identical assets in active markets (Level 1 inputs).

continued

EXTRAORDINARY FAMILIES

NOTES TO FINANCIAL STATEMENTS

11. Net Assets With Donor Restrictions

Net assets with donor restrictions as of December 31, 2018 consist of the following:

Core operating (time restrictions)	\$214,838
Youth in transition program	27,084
FFA recruitment	<u>16,667</u>
	<u>\$258,589</u>

For the year ended December 31, 2018, net assets released from purpose restrictions were \$665,061.

12. Related Party Transaction

During the year ended December 31, 2018, a board member of Extraordinary Families incurred special fundraising event costs that were reimbursed by the organization after fiscal year. The expenses of \$34,945 have been accrued for and accounted for in accounts payable at December 31, 2018.

ADDITONAL INFORMATION

**Independent Auditors' Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

To the Board of Directors
Extraordinary Families

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Extraordinary Families which comprise the Statement of Financial Position as of December 31, 2018, and the related Statements of Activities, Functional Expenses, and Cash Flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 3, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Extraordinary Families' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Extraordinary Families' internal control. Accordingly, we do not express an opinion on the effectiveness of Extraordinary Families' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Extraordinary Families' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Independent Auditors' Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***
continued

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Harrington Group

Pasadena, California

June 3, 2019