



Financial Statements

As of and for the years ended June 30, 2023 and 2022

Tilly's Life Center

Irvine, California



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Tilly's Life Center

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Independent Auditors' Report

To the Board of Directors
Tilly's Life Center
Irvine, California

Opinion

We have audited the accompanying financial statements of Tilly's Life Center (a nonprofit organization), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years 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 Tilly's Life Center as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Tilly's Life Center and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 Tilly's Life Center's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Independent Auditors' Report (continued)

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 generally accepted auditing standards 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, including omissions, 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 generally accepted auditing standards, 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 Tilly's Life Center'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 Tilly's Life Center'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 audits, significant audit findings, and certain internal control related matters that we identified during the audits.

Altruic Advisors, CPAs

Certified Public Accountants

Denver, Colorado
December 6, 2023

Tilly's Life Center

Statements of Financial Position

June 30	2023	2022
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 184,287	\$ 2,118,611
Investments	1,716,107	29,144
Grants and pledges receivable	779,911	739,859
Accounts receivable	144,150	31,870
Other receivables	30,135	-
Prepaid expenses	143,751	52,329
Total current assets	<u>2,998,341</u>	<u>2,971,813</u>
Property and Equipment		
Furniture and equipment	78,722	29,849
Vehicles	47,055	40,660
	<u>125,777</u>	<u>70,509</u>
Accumulated depreciation	(33,543)	(14,799)
Net property and equipment	<u>92,234</u>	<u>55,710</u>
Other Assets		
Right-of-use asset	<u>329,777</u>	<u>-</u>
Total assets	<u>\$ 3,420,352</u>	<u>\$ 3,027,523</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 16,031	\$ 67,400
Accrued compensation, benefits, and other expenses	187,969	162,899
Deferred revenue	34,778	-
Lease obligation, current portion	87,183	-
Total current liabilities	<u>325,961</u>	<u>230,299</u>
Long-Term Liabilities		
Lease obligation, net of current portion	<u>254,053</u>	<u>-</u>
Total long-term liabilities	<u>254,053</u>	<u>-</u>
Total liabilities	<u>580,014</u>	<u>230,299</u>
Net Assets		
Without donor restrictions	2,060,427	2,057,365
With donor restrictions	779,911	739,859
Total net assets	<u>2,840,338</u>	<u>2,797,224</u>
Total liabilities and net assets	<u>\$ 3,420,352</u>	<u>\$ 3,027,523</u>

The accompanying Notes are an integral part of these financial statements

Tilly's Life Center

Statement of Activities

Year ended June 30, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating Support and Revenue			
Operating Support			
Grants and contributions	\$ 1,208,812	\$ 779,911	\$ 1,988,723
Event donations	328,156	-	328,156
In-kind contributions	131,197	-	131,197
Net assets released from restrictions			
Expiration of time restrictions	739,859	(739,859)	-
Total operating support	<u>2,408,024</u>	<u>40,052</u>	<u>2,448,076</u>
Operating Revenue			
Special events revenue	779,762	-	779,762
Special events expenses	(691,754)	-	(691,754)
Program service fees	205,493	-	205,493
Total operating revenue	<u>293,501</u>	<u>-</u>	<u>293,501</u>
Total operating support and revenue	<u>2,701,525</u>	<u>40,052</u>	<u>2,741,577</u>
Operating Expenses			
Program services	2,300,261	-	2,300,261
Supporting services			
General and administrative	162,555	-	162,555
Fundraising	307,506	-	307,506
Total operating expenses	<u>2,770,322</u>	<u>-</u>	<u>2,770,322</u>
Total operating support and revenue in excess (deficit) of operating expenses	<u>(68,797)</u>	<u>40,052</u>	<u>(28,745)</u>
Other Changes			
Unrealized gains on investments	30,802	-	30,802
Investment income	41,057	-	41,057
Total other changes	<u>71,859</u>	<u>-</u>	<u>71,859</u>
Change in Net Assets	3,062	40,052	43,114
Net Assets, Beginning of Year	<u>2,057,365</u>	<u>739,859</u>	<u>2,797,224</u>
Net Assets, End of Year	<u>\$ 2,060,427</u>	<u>\$ 779,911</u>	<u>\$ 2,840,338</u>

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part of these financial statements

Tilly's Life Center

Statement of Activities

Year ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Support and Revenue			
Operating Support			
Grants and contributions	\$ 1,552,865	\$ 739,859	\$ 2,292,724
Event donations	296,460	-	296,460
In-kind contributions	205,205	-	205,205
Net assets released from restrictions			
Expiration of time restrictions	663,464	(663,464)	-
Total operating support	<u>2,717,994</u>	<u>76,395</u>	<u>2,794,389</u>
Operating Revenue			
Special events revenue	1,009,874	-	1,009,874
Special events expenses	(780,463)	-	(780,463)
Program service fees	216,110	-	216,110
Product sales	3,429	-	3,429
Total operating revenue	<u>448,950</u>	<u>-</u>	<u>448,950</u>
Total operating support and revenue	<u>3,166,944</u>	<u>76,395</u>	<u>3,243,339</u>
Operating Expenses			
Program services	1,640,880	-	1,640,880
Supporting services			
General and administrative	157,400	-	157,400
Fundraising	256,189	-	256,189
Total operating expenses	<u>2,054,469</u>	<u>-</u>	<u>2,054,469</u>
Total operating support and revenue in excess of operating expenses	<u>1,112,475</u>	<u>76,395</u>	<u>1,188,870</u>
Other Changes			
Gain on debt forgiveness	129,500	-	129,500
Unrealized losses on investments	(23,151)	-	(23,151)
Investment income	6,354	-	6,354
Total other changes	<u>112,703</u>	<u>-</u>	<u>112,703</u>
Change in Net Assets	<u>1,225,178</u>	<u>76,395</u>	<u>1,301,573</u>
Net Assets, Beginning of Year	<u>832,187</u>	<u>663,464</u>	<u>1,495,651</u>
Net Assets, End of Year	<u>\$ 2,057,365</u>	<u>\$ 739,859</u>	<u>\$ 2,797,224</u>

The accompanying Notes are an integral
part of these financial statements

Tilly's Life Center

Statement of Functional Expenses

Year ended June 30, 2023

	Program Services	Supporting Services			Total Expenses
		General and Administrative	Fundraising	Total	
Salaries and wages	\$ 1,213,171	\$ 86,655	\$ 144,425	\$ 231,080	\$ 1,444,251
Payroll taxes	107,685	7,692	12,820	20,512	128,197
Employee benefits	61,575	4,398	7,330	11,728	73,303
Total personnel costs	1,382,431	98,745	164,575	263,320	1,645,751
Program expenses	496,924	-	-	-	496,924
Contract services	177,481	20,219	26,959	47,178	224,659
Occupancy	96,138	8,012	10,301	18,313	114,451
Fundraising expense	-	-	77,453	77,453	77,453
Dues and fees	46,030	3,836	4,932	8,768	54,798
Office expenses	40,230	3,353	4,310	7,663	47,893
Program grants	21,000	-	-	-	21,000
Depreciation	-	18,744	-	18,744	18,744
Insurance	15,322	1,277	1,642	2,919	18,241
Advertising and promotions	-	-	14,886	14,886	14,886
Miscellaneous expenses	11,282	940	1,209	2,149	13,431
Employee appreciation	8,460	705	906	1,611	10,071
Printing and postage	1,862	1,862	-	1,862	3,724
Investment fees	-	2,259	-	2,259	2,259
Travel	1,697	141	182	323	2,020
Bank and merchant fees	1,334	111	143	254	1,588
Licenses and taxes	-	1,387	-	1,387	1,387
Board expenses	-	958	-	958	958
Personnel expenses	70	6	8	14	84
Total expenses	\$ 2,300,261	\$ 162,555	\$ 307,506	\$ 470,061	\$ 2,770,322

The accompanying Notes are an integral part of these financial statements

Tilly's Life Center

Statement of Functional Expenses

Year ended June 30, 2022

	Program Services	Supporting Services			Total Expenses
		General and Administrative	Fundraising	Total	
Salaries and wages	\$ 775,169	\$ 69,688	\$ 106,370	\$ 176,058	\$ 951,227
Payroll taxes	64,388	5,789	8,837	14,626	79,014
Employee benefits	42,886	3,855	5,885	9,740	52,626
Total personnel costs	882,443	79,332	121,092	200,424	1,082,867
Program expenses	435,218	-	-	-	435,218
Contract services	108,672	40,250	52,324	92,574	201,246
Occupancy	73,048	6,313	10,822	17,135	90,183
Fundraising expense	-	-	53,955	53,955	53,955
Office expenses	31,370	14,639	6,273	20,912	52,282
Advertising and promotions	25,987	-	1,956	1,956	27,943
Dues and fees	21,485	1,857	3,183	5,040	26,525
Bank and merchant fees	21,023	1,817	3,115	4,932	25,955
Program grants	21,000	-	-	-	21,000
Employee appreciation	7,770	3,626	1,554	5,180	12,950
Insurance	6,678	577	989	1,566	8,244
Miscellaneous expenses	4,628	2,160	926	3,086	7,714
Depreciation	-	5,136	-	5,136	5,136
Board expenses	-	1,587	-	1,587	1,587
Travel	1,037	-	-	-	1,037
Printing and postage	521	-	-	-	521
Licenses and taxes	-	106	-	106	106
Total expenses	<u>\$ 1,640,880</u>	<u>\$ 157,400</u>	<u>\$ 256,189</u>	<u>\$ 413,589</u>	<u>\$ 2,054,469</u>

The accompanying Notes are an integral
part of these financial statements

Tilly's Life Center

Statements of Cash Flows

Increase (Decrease) in Cash and Cash Equivalents

Years ended June 30	2023	2022
Cash Flows From Operating Activities		
Change in net assets	\$ 43,114	\$ 1,301,573
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	18,744	5,136
Gain on debt forgiveness	-	(129,500)
Unrealized (gain) loss on investments	(71,859)	23,151
Lease amortization	11,459	-
Increase (decrease) from changes in assets and liabilities		
Grants and pledges receivable	(40,052)	(219,084)
Accounts receivable	(112,280)	(31,870)
Other receivables	(30,135)	142,689
Prepaid expenses	(91,422)	17,378
Accounts payable	(51,369)	36,862
Accrued compensation, benefits, and other expenses	25,070	(17,771)
Deferred revenue	34,778	(241,800)
Net cash provided (used) by operating activities	<u>(263,952)</u>	<u>886,764</u>
Cash Flows From Investing Activities		
Purchases of property and equipment	(55,268)	(43,953)
Purchases of investments	(1,615,104)	-
Net cash used by investing activities	<u>(1,670,372)</u>	<u>(43,953)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,934,324)	842,811
Cash and Cash Equivalents, Beginning of Year	2,118,611	1,275,800
Cash and Cash Equivalents, End of Year	\$ 184,287	\$ 2,118,611

The accompanying Notes are an integral
part of these financial statements

Tilly's Life Center

Notes to Financial Statements

June 30, 2023 and 2022

Note 1 – Nature of Organization and Significant Accounting Policies

Nature of Organization. Tilly's Life Center ("the Organization") is a nonprofit organization that is a youth-focused organization founded in 2012 aimed at empowering all teens with a positive mindset and enabling them to effectively cope with crisis, adversity, and tough decisions. The Organization's mission is to inspire today's youth to reach their full potential as productive, kind, happy, and responsible individuals. The Organization's program empowers teens by teaching them life skills that build confidence, inspire compassion, and encourage them to pursue their dreams. The Organization offers courses that incorporate art, education, and honest communication to convey meaningful and important topics relevant to teens in a safe, caring environment. The primary source of revenue is from private donations and grants.

The Organization's "I Am Me" Program is a sustainable, lifelong mental health solution to the growing social and emotional crises affecting teens and preteens today. Through the Organization, students develop coping strategies that strengthen their self and social awareness, self-management, relationship skills, stress reduction, and responsible decision making. By providing youth with an opportunity to apply different wellness techniques like journaling, mindfulness moments, art, role play and guided discussions, teens begin to adopt a positive mindset which enables them to successfully move past trauma, navigate challenges, and thrive.

Social-Emotional Learning has become as vital as the Common Core in assuring adolescents' overall success. The Organization partners with schools and youth organizations to bring learners and educators a comprehensive mental health framework. The Organization's objective is to work in tandem with their partners to implement our transformational curriculum in their learning environments, giving both educators and students the support system they need.

Basis of Accounting. The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents. Cash consists of checking and savings accounts held at financial institutions. For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments with maturities of three months or less to be cash equivalents.

Investments. The Organization's investments are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Organization's management determines the valuation policies utilizing information provided by the investment advisors and custodians. See Fair Value Measurements.

Unrealized changes in market values are included in the accompanying statements of activities. Changes in value restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the change in values are recognized.

Tilly's Life Center

Notes to Financial Statements

June 30, 2023 and 2022

Note 1 – Nature of Organization and Significant Accounting Policies (continued)

Fair Value Measurements. The Organization reports using fair value measurements, which requires enhanced disclosures about investments that are measured and reported at fair value and establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurements. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The valuation methodology used for assets measured at fair value on a recurring basis is as follows:

Equity Securities. The Organization values securities with readily determinable market values at fair value as determined by quoted market prices on national securities exchanges valued at the closing price on the last business day of the fiscal year. Securities traded on the over-the-counter market are valued at the last reported bid price.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no changes in the methodology used at June 30, 2023 and 2022.

Tilly's Life Center

Notes to Financial Statements

June 30, 2023 and 2022

Note 1 – Nature of Organization and Significant Accounting Policies (continued)

Grants and Pledges Receivable. Grants and pledges receivable are recognized only when the conditions on which they depend are substantially met and the grants and pledges become unconditional. Grants and pledges receivable are stated net of allowances for uncollectible accounts. Management provides for probable uncollectible accounts through a provision for bad debt expenses and an adjustment to the allowance account based on its assessment of the current status of individual grants and pledges. Balances still outstanding after management has used reasonable collection efforts are written off through a reduction to the allowance account and a corresponding reduction to the receivable. Management believes that all grants and pledges receivable are fully collectible at June 30, 2023 and 2022.

Property and Equipment. It is the Organization's policy to capitalize property and equipment at cost for purchases over \$2,000, while repair and maintenance items are charged to expense. Donations of property and equipment are capitalized at their estimated fair value on the date of gift. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Property and equipment is depreciated using the straight-line method over the estimated useful lives of the assets, which is generally five to seven years for equipment and furniture and fixtures. Depreciation expense totaled \$18,744 and \$5,136 for the years ended June 30, 2023 and 2022, respectively.

Impairment of Long-Lived Assets. In the event that facts and circumstances indicate that property and equipment, or other assets, may be impaired, an evaluation of recoverability would be performed. If an evaluation is required, the estimated future undiscounted cash flows associated with the asset are compared to the asset's carrying amount to determine if a write-down to market value would be necessary. No impairment losses were recorded during the years ended June 30, 2023 and 2022.

Basis of Net Asset Presentation. The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions. Net assets resulting from revenues generated by receiving contributions that have no donor stipulations, providing services, and receiving interest and other income, less expenses incurred in providing program related services, raising contributions, and performing administrative functions.

Net Assets With Donor Restrictions. Net assets resulting from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, until the donor restriction expires, that is until the stipulated time restriction ends or the purpose restriction is accomplished. This includes unconditional gifts and pledges not received by year-end.

Revenue Recognition.

Revenue from program service fees consists of services provided directly to schools in the Southern California area. Revenue is recognized as the Organization provides services to its clients, which satisfies the Organization's performance obligation. Any amounts received prior to the service being performed is recorded as a contract liability.

Tilly's Life Center

Notes to Financial Statements

June 30, 2023 and 2022

Note 1 – Nature of Organization and Significant Accounting Policies (continued)

Revenue Recognition (continued).

Auxiliary revenue may include event registrations and special event ticket sales. The Organization generally satisfies its performance obligations upon immediate occurrence of the event.

Transaction Price. The transaction price of a contract with a client is the amount of consideration to which the Organization expects to be entitled for transferring promised services to the client. The Organization determines the transaction price based on standard charges for goods and services provided, reduced by any discounts and other price concessions.

Contract Balances. The following table provides information about the Organization's deferred revenue from contracts with customers at June 30:

	<u>2023</u>	<u>2022</u>
Deferred revenue, beginning of year	\$ -	\$ -
Deferred revenue, end of year	\$ 34,778	\$ -

The Organization's contracts do not include significant financing components.

Grants and Contributions. Grants are recognized when notification of the unconditional grant has been received. Contributions are recognized when the donation is received. Donor-restricted grants and contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Grants and contributions that are restricted by the grantor or donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized.

Contributed Facilities, Services, and New Accounting Pronouncement Adopted. Contributed services are recognized if services received (a) create or enhance non-financial assets or (b) require specialized skills and are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Certain other volunteer services are not recorded in these financial statements as they do not meet the criteria for recognition. See Note 8 for donated facilities and services received by the Organization during the years ended June 30, 2023 and 2022.

Income Taxes. The Organization is a nonprofit corporation exempt from income taxes as described in Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service as other than a private foundation. Accordingly, no provision for income taxes has been made.

Tilly's Life Center

Notes to Financial Statements

June 30, 2023 and 2022

Note 1 – Nature of Organization and Significant Accounting Policies (continued)

Functional Allocation of Expenses. The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, direct expenses have been allocated to the applicable program for which the expenses were incurred. Indirect expenses have been allocated between program and supporting services based on an analysis of personnel time and space utilized for the related activities.

Advertising. The Organization expenses advertising costs, including donated advertising, as incurred. Total advertising expense for the years ended June 30, 2023 and 2022 was \$14,886 and \$27,943, respectively.

Reclassifications. Certain amounts from the financial statements for the year ended June 30, 2022 have been reclassified to conform to current year presentation without affecting the change in net assets.

Subsequent Events. The Organization evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements consider events through December 6, 2023, the date at which the financial statements were available for release.

Note 2 – New Accounting Pronouncement

During the year ended June 30, 2023, the Organization adopted the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842), with the intended purpose to improve financial reporting of leasing transactions by requiring organizations that lease assets to recognize assets and liabilities for the rights and obligations created by leases that extend more than twelve months on the statement of financial position. This accounting update also requires additional disclosures surrounding the amount, timing, and uncertainty of cash flows from leases.

Note 3 – Fair Value Measurements

The following table summarizes the Organization's fair value of assets measured on a recurring basis by fair value hierarchy as of June 30, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity securities	<u>\$ 1,716,107</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,716,107</u>

The following table summarizes the Organization's fair value of assets measured on a recurring basis by fair value hierarchy as of June 30, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity securities	<u>\$ 29,144</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,144</u>

Tilly's Life Center

Notes to Financial Statements

June 30, 2023 and 2022

Note 3 – Fair Value Measurements (continued)

Changes in Fair Value Levels. The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period. The Organization evaluated the significance of transfers between levels based upon the nature of the financial instruments and size of the transfer relative to total net assets available for benefits. For the years ended June 30, 2023 and 2022, there were no significant transfers in or out of fair value levels.

Note 4 – Right-of-Use Asset

In February 2022, the Organization leased office space under an operating lease agreement that expires on January 31, 2027, with current monthly rent payments of approximately \$7,418. Operating leases are included in right-of-use ("ROU") lease asset, current portion of lease obligation, and long-term lease obligation on the Organization's statement of financial position. ROU lease asset represents the Organization's right to use an underlying asset for the lease term and the lease obligation represents the Organization's obligation to make lease payments arising from the lease. Operating ROU lease asset and obligation are recognized at the commencement date based on the present value of lease payments over the lease term. The Organization's lease does not provide an implicit rate, therefore, the Organization uses a risk free borrowing rate of 1.63% based on information available at the commencement date in determining the present value of lease payments. Lease expense for the lease payments is recognized on a straight-line basis over the lease term. Total lease expense recognized under this agreement was \$94,856 for the year ended June 30, 2023.

Right-of-use assets consist of the following at June 30, 2023:

Right-of-use assets under operating lease (office space)	\$ 338,904
Less accumulated amortization	<u>(9,127)</u>
Net right-of-use asset	<u>\$ 329,777</u>

Annual amortization for the year ended June 30, 2023 was \$6,172.

Tilly's Life Center

Notes to Financial Statements

June 30, 2023 and 2022

Note 5 – Lease and Commitment

Operating lease obligation consisted of the following at June 30, 2023:

Operating lease agreement for office space; variable monthly payments (\$7,418 as of June 30, 2023); 60-month lease term expiring January 2027, net of unamortized discount	\$ 341,236
Less current portion	<u>(87,183)</u>
Operating lease obligation, net of current portion, net of unamortized present value discount	<u>\$ 254,053</u>
Weighted average discount rate at June 30	1.63%
Weighted average remaining lease term at June 30	3.58 years

Future annual minimum lease payments under the operating lease are as follows at June 30, 2023:

Year Ended June 30	Lease obligation	Present value discount	Net of unamortized discount
2024	\$ 91,979	\$ (4,796)	\$ 87,183
2025	96,578	(3,324)	93,254
2026	101,406	(1,750)	99,656
2027	61,396	(253)	61,143
Total	<u>\$ 351,359</u>	<u>\$ (10,123)</u>	<u>\$ 341,236</u>

Note 6 – Net Assets with Donor Restrictions

The following summarizes the changes in net assets with donor restrictions for the year ended June 30, 2023:

	Balance July 1, 2022	Additions	Releases	Balance June 30, 2023
Time Restrictions				
Grants and pledges receivable	<u>\$ 739,859</u>	<u>\$ 779,911</u>	<u>\$ 739,859</u>	<u>\$ 779,911</u>

The following summarizes the changes in net assets with donor restrictions for the year ended June 30, 2022:

	Balance July 1, 2021	Additions	Releases	Balance June 30, 2022
Time Restrictions				
Grants and pledges receivable	<u>\$ 663,464</u>	<u>\$ 739,859</u>	<u>\$ 663,464</u>	<u>\$ 739,859</u>

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Notes to Financial Statements

June 30, 2023 and 2022

Note 7 – Special Events

The Organization derived net revenue and support from the following special fundraising events during the year ended June 30, 2023:

	<u>Annual Gala</u>	<u>Golf Tournament</u>	<u>Other Events</u>	<u>Total</u>
Ticket sales and other revenue	\$ 446,681	\$ 289,903	\$ 43,178	\$ 779,762
Contributions	276,846	51,310	-	328,156
	<u>723,527</u>	<u>341,213</u>	<u>43,178</u>	<u>1,107,918</u>
Direct costs	(490,361)	(170,783)	(30,611)	(691,754)
Net revenue and support	<u>\$ 233,166</u>	<u>\$ 170,430</u>	<u>\$ 12,567</u>	<u>\$ 416,164</u>

The Organization derived net revenue and support from the following special fundraising events during the year ended June 30, 2022:

	<u>Annual Gala</u>	<u>Golf Tournament</u>	<u>Other Events</u>	<u>Total</u>
Ticket sales and other revenue	\$ 476,015	\$ 170,684	\$ 363,175	\$ 1,009,874
Contributions	274,875	21,585	-	296,460
	<u>750,890</u>	<u>192,269</u>	<u>363,175</u>	<u>1,306,334</u>
Direct costs	(354,546)	(56,782)	(369,136)	(780,463)
Net revenue and support	<u>\$ 396,344</u>	<u>\$ 135,487</u>	<u>\$ (5,961)</u>	<u>\$ 525,871</u>

Note 8 – Contributed Services and Facilities

Contributed goods are as follows for the years ended June 30:

	<u>2023</u>	<u>2022</u>	<u>Usage</u>
Professional services	\$ -	\$ 25,000	General and administration
Facilities use	-	49,451	Programs
Donated goods	131,197	-	General and administration
Auction items	-	130,754	Special events
	<u>\$ 131,197</u>	<u>\$ 205,205</u>	

In-kind professional service contributions were valued using estimated average hourly wage for identical services using pricing data of similar services under a 'like-kind' methodology, considering the utility of the services at the time of the contribution. Contributed facilities were valued using like-kind methodology for similar size facilities in the Irvine, California area. Supplies and materials in-kind contributions were valued using estimated average US prices of identical or similar products using pricing data of similar products under a 'like-kind' methodology, considering the utility of the goods at the time of the contribution. No in-kind contributions were restricted. The Organization does not sell donated gifts in-kind except for items donated for auction at special events. The Organization uses other donated goods, services, and facilities for its own program or supporting service activities.

Tilly's Life Center

Notes to Financial Statements

June 30, 2023 and 2022

Note 9 – Liquidity and Availability of Resources

The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability; maintaining adequate liquid assets to fund near-term operating needs; and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. To achieve these guiding principles, the Organization forecasts its future cash flows and monitors its liquidity monthly. During the years ended June 30, 2023 and 2022, the level of liquidity and reserves was managed within the guiding principles.

The Organization's financial assets available for general expenditures within one year are as follows at June 30:

	<u>2023</u>	<u>2022</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 184,287	\$ 2,118,611
Investments	1,716,107	29,144
Grants and pledges receivable	779,911	739,859
Accounts receivable	144,150	31,870
Other receivables	<u>30,135</u>	<u>-</u>
 Financial assets available for general expenditures within one year	 <u><u>\$ 2,854,590</u></u>	 <u><u>\$ 2,919,484</u></u>

Substantially all of the Organization's net asset restrictions are generally released within the next fiscal year. The Organization anticipates that all net asset restrictions as of June 30, 2023 will be fully released during the next fiscal year.

Note 10 – Related Party Transactions

Tilly's Round-Up Program. The Organization's board president is also the co-founder of Tilly's, Inc. ("Tilly's"), a chain of approximately 240 retail clothing stores located throughout the United States. The Organization received cash contributions from Tilly's that totaled \$183,333 and \$183,206 for the years ended June 30, 2023 and 2022, respectively. Additionally, pledges receivable from Tilly's totaled \$83,333 at June 30, 2022.

Donations from the Board of Directors. Contributions from the Organization's board members totaled \$115,457 and \$238,670, during the years ended June 30, 2023 and 2022, respectively.

Note 11 – Concentrations of Credit Risk

Major Grantors. The Organization had one grantors who comprised 15% of total support and revenue for the year ended June 30, 2023 and 13% of total grants and pledges receivable as of June 30, 2023. The Organization had two grantors who comprised 17% of total support and revenue for the year ended June 30, 2022 and 83% of total grants and pledges receivable as of June 30, 2022.