Financial Statements and Related Documents

June 30, 2024

Tilly's Life Center

Irvine, California

Board Packet

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Audited Financial Statements

Management Letter

Auditors' Representation Letter

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Financial Statements

As of and for the years ended June 30, 2024 and 2023

Tilly's Life Center

Irvine, California

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Tilly's Life Center

Table of Contents

Independent Auditors' Report .... Pages 1-2

Statements of Financial Position
June 30, 2024 and 2023 .... Page 3

Statement of Activities
Year ended June 30, 2024 .... Page 4

Statement of Activities
Year ended June 30, 2023 .... Page 5

Statement of Functional Expenses
Year ended June 30, 2024 .... Page 6

Statement of Functional Expenses
Year ended June 30, 2023 .... Page 7

Statements of Cash Flows
Years ended June 30, 2024 and 2023 .... Page 8

Notes to Financial Statements .... Pages 9-18

Independent Auditors' Report

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

Qualified 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, 2024 and 2023, 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, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of Tilly's Life Center as of June 30, 2024 and 2023, 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 Qualified Opinion

We were not able to obtain sufficient appropriate audit evidence about the recorded value of ending inventory on hand as of June 30, 2024 because we were not aware, until after June 30, 2024, that the Organization had inventory on-hand. We were unable to obtain sufficient appropriate audit evidence of this account balance by other auditing procedures.

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 qualified 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.

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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

Centennial, Colorado
December 2, 2024

Tilly's Life Center

Statements of Financial Position

June 30	2024	2023
ASSETS		
Current Assets		
Cash and cash equivalents	**$ 1,553,602**	$ 184,287
Grants and pledges receivable	**654,380**	779,911
Accounts receivable	**71,300**	144,150
Other receivables	**-**	30,135
Investments	**339,650**	1,716,107
Inventory	**85,242**	-
Prepaid expenses	**152,551**	143,751
Total current assets	**2,856,725**	2,998,341
Property and Equipment		
Furniture and equipment	**87,552**	78,722
Vehicles	**47,055**	47,055
	134,607	125,777
Accumulated depreciation	**(55,070)**	(33,543)
Net property and equipment	**79,537**	92,234
Other Assets		
Right-of-use asset	**239,718**	329,777
Total assets	**$ 3,175,980**	$ 3,420,352
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	**$ 51,844**	$ 16,031
Accrued compensation, benefits, and other expenses	**127,476**	187,969
Deferred revenue	**118,354**	34,778
Lease obligation, current portion	**93,254**	87,183
Total current liabilities	**390,928**	325,961
Long-Term Liabilities		
Lease obligation, net of current portion	**160,799**	254,053
Total long-term liabilities	**160,799**	254,053
Total liabilities	**551,727**	580,014
Net Assets		
Without donor restrictions	**1,969,873**	2,060,427
With donor restrictions	**654,380**	779,911
Total net assets	**2,624,253**	2,840,338
Total liabilities and net assets	**$ 3,175,980**	$ 3,420,352

The accompanying Notes are an integral
part of these financial statements

Tilly's Life Center

Statement of Activities

Year ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Support and Revenue			
Operating Support			
Grants and contributions	$ 972,375	$ 654,380	$ 1,626,755
Event donations	275,523	-	275,523
In-kind contributions - other	212,323	-	212,323
In-kind contributions - special event	72,242	-	72,242
Net assets released from restrictions			
Expiration of time restrictions	779,911	(779,911)	-
Total operating support	2,312,374	(125,531)	2,186,843
Operating Revenue			
Special events revenue	465,728	-	465,728
Special events expenses	(457,362)	-	(457,362)
Program service fees	114,017	-	114,017
Total operating revenue	122,383	-	122,383
Total operating support and revenue	2,434,757	(125,531)	2,309,226
Operating Expenses			
Program services	2,222,064	-	2,222,064
Supporting services			
General and administrative	130,886	-	130,886
Fundraising	271,549	-	271,549
Total operating expenses	2,624,499	-	2,624,499
Total operating support and revenue in deficit of operating expenses	(189,742)	(125,531)	(315,273)
Other Changes			
Dividends and interest	86,292	-	86,292
Unrealized gains on investments	6,575	-	6,575
Other income	6,321	-	6,321
Total other changes	99,188	-	99,188
Change in Net Assets	(90,554)	(125,531)	(216,085)
Net Assets, Beginning of Year	2,060,427	779,911	2,840,338
Net Assets, End of Year	$ 1,969,873	$ 654,380	$ 2,624,253

The accompanying Notes are an integral part of these financial statements

Tilly's Life Center

Statement of Activities

Year ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
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	2,408,024	40,052	2,448,076
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	293,501	-	293,501
Total operating support and revenue	2,701,525	40,052	2,741,577
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	2,770,322	-	2,770,322
Total operating support and revenue in excess (deficit) of operating expenses	(68,797)	40,052	(28,745)
Other Changes			
Unrealized gains on investments	30,802	-	30,802
Investment income	41,057	-	41,057
Total other changes	71,859	-	71,859
Change in Net Assets	3,062	40,052	43,114
Net Assets, Beginning of Year	2,057,365	739,859	2,797,224
Net Assets, End of Year	$ 2,060,427	$ 779,911	$ 2,840,338

Tilly's Life Center

Statement of Functional Expenses

Year ended June 30, 2024

	Program Services	Supporting Services: General and Administrative	Supporting Services: Fundraising	Supporting Services: Total	Total Expenses
Salaries and wages	$ 1,234,327	$ 71,763	$ 129,174	$ 200,937	$ 1,435,264
Payroll taxes	87,793	5,104	9,188	14,292	102,085
Employee benefits	92,186	5,360	9,647	15,007	107,193
Total personnel costs	1,414,306	82,227	148,009	230,236	1,644,542
Program expenses	470,033	-	-	-	470,033
Contract services	134,686	13,814	24,174	37,988	172,674
Occupancy	93,530	5,438	9,788	15,226	108,756
Dues and fees	57,450	3,340	6,012	9,352	66,802
Fundraising expense	-	-	52,382	52,382	52,382
Office expenses	19,664	1,143	2,058	3,201	22,865
Depreciation	-	21,527	-	21,527	21,527
Insurance	17,127	996	1,792	2,788	19,915
Bad debt expense	-	-	19,371	19,371	19,371
Employee appreciation	6,485	377	679	1,056	7,541
Advertising and promotions	-	-	6,546	6,546	6,546
Travel	2,739	159	287	446	3,185
Miscellaneous expenses	2,194	128	229	357	2,551
Bank and merchant fees	2,132	124	222	346	2,478
Printing and postage	718	718	-	718	1,436
Program grants	1,000	-	-	-	1,000
Licenses and taxes	-	895	-	895	895
Total operating expenses	$ 2,222,064	$ 130,886	$ 271,549	$ 402,435	$ 2,624,499

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: General and Administrative	Supporting Services: Fundraising	Supporting Services: Total	Total Expenses
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 operating expenses	$ 2,300,261	$ 162,555	$ 307,506	$ 470,061	$ 2,770,322

Tilly's Life Center

Statements of Cash Flows
Increase (Decrease) in Cash and Cash Equivalents

Years ended June 30	2024	2023
Cash Flows From Operating Activities		
Change in net assets	**$ (216,085)**	$ 43,114
Adjustments to reconcile change in net assets to net cash used by operating activities		
Depreciation	**21,527**	18,744
Unrealized gains and reinvested investment earnings	**(6,575)**	(71,859)
Lease amortization	**2,876**	11,459
Increase (decrease) from changes in assets and liabilities		
Grants and pledges receivable	**125,531**	(40,052)
Accounts receivable	**72,850**	(112,280)
Other receivables	**30,135**	(30,135)
Inventory	**(85,242)**	-
Prepaid expenses	**(8,800)**	(91,422)
Accounts payable	**35,813**	(51,369)
Accrued compensation, benefits, and other expenses	**(60,493)**	25,070
Deferred revenue	**83,576**	34,778
Net cash used by operating activities	**(4,887)**	(263,952)
Cash Flows From Investing Activities		
Purchases of property and equipment	**(8,830)**	(55,268)
Net purchases of investments	-	(1,615,104)
Conversion of investments to cash equivalents	**1,383,032**	-
Net cash provided (used) by investing activities	**1,374,202**	(1,670,372)
Net Increase (Decrease) in Cash and Cash Equivalents	**1,369,315**	(1,934,324)
Cash and Cash Equivalents, Beginning of Year	**184,287**	2,118,611
Cash and Cash Equivalents, End of Year	**$ 1,553,602**	$ 184,287

The accompanying Notes are an integral part of these financial statements

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, inspires compassion, and encourages 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 the 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.

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, 2024 and 2023.

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

Accounts Receivable, prior to implementation of ASU 2016-13 (see Note 2). Accounts receivable consist primarily of amounts due for program services fees. At the time accounts receivable are originated, the Organization considers an allowance for doubtful accounts based on the creditworthiness of the client. The allowance is continually reviewed and adjusted to maintain the allowance at a level considered adequate to cover future uncollectible amounts. The allowance is management's best estimate of uncollectible amounts and is determined based on historical performance that is tracked by the Organization on an ongoing basis. Management has determined that all amounts are collectible and, therefore, has not recorded an allowance for doubtful accounts as of June 30, 2023.

Accounts Receivable, after implementation of ASU 2016-13 (see Note 2). Accounts receivable consist primarily of amounts due for program services fees. Accounts receivable are presented net of an allowance for credit losses, which is an estimate of the amount that may not be collectible. In determining the amount of the allowance as of the balance sheet date, the Organization separates accounts receivable into risk pools based on their aging and develops a loss rate for each pool. The loss rate is based on management's historical collection experience, adjusted for expectations about current and future economic conditions, and the creditworthiness of the payor. The allowance is continually reviewed and adjusted to maintain the allowance at a level considered adequate to cover future uncollectible amounts. Management has determined that all amounts are collectible and, therefore, has not recorded an allowance for credit losses as of June 30, 2024.

Inventory. The program materials included as inventory on the statement of financial position as of June 30, 2024 represent 2.7% of total assets. Inventory items are stated at the lower of cost or net realizable value and are produced in bulk in advance of the school year, stored for future usage, and then distributed and consumed as needed in connection with the execution of the Organization's programs.

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 vehicles, and furniture and fixtures. Depreciation expense totaled $21,527 and $18,744 for the years ended June 30, 2024 and 2023, 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, 2024 and 2023.

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

Right-of-use Assets and Leases. The Organization determines if an arrangement is a lease at inception. Operating leases are included in right-of-use ("ROU") lease assets, current portion of lease obligations, and long term lease obligations on the Organization's statements of financial position. ROU lease assets represent the Organization's right to use an underlying asset for the lease term, and lease obligations represent the Organization's obligation to make lease payments arising from the lease. Operating ROU lease assets and obligations are recognized at the commencement date based on the present value of lease payments over the lease term. The Organization does not recognize the right-of-use asset and lease liability arising from leases that, at the commencement date, have a lease term of 12 months or less, and do not include an option to purchase the underlying asset that the Organization is reasonably certain to exercise. As most of the Organization's leases do not provide an implicit rate, the Organization uses its incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. The ROU lease asset also includes any lease payments made and excludes lease incentives. The Organization's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

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.

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.

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

Fair Value Measurements (continued).

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.

Treasury Bills. The Organization values treasury bills with readily determinable market values at fair value as determined by quoted prices on national securities exchanges valued at the closing price on the last business day of the fiscal year.

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, 2024 and 2023.

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.

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

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.

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:

	2024	2023
Accounts receivable, beginning of year	**$ 144,150**	$ 31,869
Accounts receivable, end of year	**$ 71,300**	$ 144,150
Deferred revenue, beginning of year	**$ 34,778**	$ -
Deferred revenue, end of year	**$ 118,354**	$ 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 Goods and Services. Contributed items are recorded at fair market value at the time of donation. 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.

The Organization recorded the following in-kind activity during the years ended June 30:

	2024	2023	Usage
Donated goods	**$ 284,565**	$ 131,197	G&A, Special events

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

Contributed Goods and Services (continued)

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. 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.

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.

Advertising. The Organization expenses advertising costs, including donated advertising, as incurred. Total advertising expense for the years ended June 30, 2024 and 2023 was $6,546 and $14,886, respectively.

Functional Allocation of Expenses. The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying statements of activities and statements 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.

Reclassifications. Certain amounts from the financial statements for the year ended June 30, 2023 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 2, 2024, the date at which the financial statements were available for release.

Note 2 – New Accounting Pronouncement

During the year ended June 30, 2024, the Organization adopted the requirements of ASU 2016-13, *Financial Instruments - Credit Losses* (Topic 326)*: Measurement of Credit Losses on Financial Instruments*. This standard replaced the incurred loss methodology with a current expected credit loss (CECL) methodology that requires an estimate of credit losses for the remaining estimated useful life of certain financial instruments (e.g. trade receivables) carried at amortized cost. The new standard requires that entities holding assets subject to the CECL model record an allowance for credit losses that is deducted from the amortized cost basis of the assets and that the assets are presented at the net carrying value of the amount expected to be collected. CECL requires that the allowance is based on historical experience, current conditions, and reasonable and supportable forecasts by management at each reporting date. The Organization adopted ASC 326 effective July 1, 2023 using a modified retrospective approach and therefore, no adjustments were made to prior period financial statements. As a result of adopting this standard, there was no cumulative effect to the opening balance of net assets as of July 1, 2023.

Note 3 – Right-of-Use Asset

Right-of-use asset consisted of the following at June 30:

	2024	2023
Right-of-use asset under operating lease (office space)	**$ 455,030**	$ 455,030
Less accumulated amortization	**(215,312)**	(125,253)
Net right-of-use asset	**$ 239,718**	$ 329,777

Amortization of the right-of-use asset for the years ended June 30, 2024 and 2023 was $90,059 and $88,684, respectively.

Note 4 – 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, 2024:

	Level 1	Level 2	Level 3	Total
Equity securities	**$ 41,310**	**$ -**	**$ -**	**$ 41,310**
Treasury bills	**298,340**	**-**	**-**	**298,340**
	$ 339,650	**$ -**	**$ -**	**$ 339,650**

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:

	Level 1	Level 2	Level 3	Total
Equity securities	$ 28,836	$ -	$ -	$ 28,836
Treasury bills	1,687,271	-	-	1,687,271
	$ 1,716,107	$ -	$ -	$ 1,716,107

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, 2024 and 2023, there were no significant transfers in or out of fair value levels.

Note 5 – Operating Lease

Operating lease obligation consisted of the following at June 30:

	2024	2023
Operating lease agreement for office space; variable monthly payments ($7,789 as of June 30, 2024); 60-month lease term expiring January 2027	**$ 259,380**	$ 351,359
Less unamortized present value discount	**(5,327)**	(10,123)
Less current portion	**(93,254)**	(87,183)
Operating lease obligation, net of current portion, net of unamortized present value discount	**$ 160,799**	$ 254,053
Weighted average discount rate at June 30	**1.63%**	1.63%
Weighted average remaining lease term at June 30	**2.58**	3.58

Future annual minimum lease payments under the operating lease are as follows at June 30, 2024:

Year Ended June 30	Lease obligation	Present value discount	Net of unamortized discount
2025	$ 96,578	$ (3,324)	$ 93,254
2026	101,406	(1,750)	99,656
2027	61,396	(253)	61,143
Total	$ 259,380	$ (5,327)	$ 254,053

Note 6 – Net Assets with Donor Restrictions

The following summarizes the changes in net assets with donor restrictions for the year ended June 30, 2024:

	Balance July 1, 2023	**Additions**	**Releases**	**Balance June 30, 2024**
Time Restrictions				
Grants and pledges receivable	**$ 779,911**	**$ 654,380**	**$ 779,911**	**$ 654,380**

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	$ 739,859	$ 779,911	$ 739,859	$ 779,911

Note 7 – Special Events

The Organization derived net revenue and support from the following special fundraising events during the year ended June 30, 2024:

	Annual Gala	Golf Tournament	Total
Ticket sales and other revenue	$ 281,762	$ 183,966	$ 465,728
Contributions	218,713	56,810	275,523
In-kind donations	-	72,242	72,242
	500,475	313,018	813,493
Direct costs	(272,412)	(184,950)	(457,362)
Net revenue and support	$ 228,063	$ 128,068	$ 356,131

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

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

Note 8 – 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, 2024 and 2023, 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:

	2024	2023
Financial assets at year-end:		
Cash and cash equivalents	$ 1,553,602	$ 184,287
Investments	339,650	1,716,107
Grants and pledges receivable	654,380	779,911
Accounts receivable	71,300	144,150
Other receivables	-	30,135
Financial assets available for general expenditures within one year	$ 2,618,932	$ 2,854,590

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, 2024 will be fully released during the next fiscal year.

Note 9 – Related Party Transactions

Tilly's Round-Up Program. A member of the Organization's board of directors 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 $196,683 and $183,333 for the years ended June 30, 2024 and 2023, respectively. Additionally, pledges receivable from Tilly's totaled $180,733 and $83,333 as of June 30, 2024 and 2023, respectively.

Donations from the Board of Directors. Contributions from the Organization's board members totaled $68,081 and $115,457 during the years ended June 30, 2024 and 2023, respectively.

Note 10 – Concentrations of Credit Risk

Major Grantors. The Organization had one grantor who comprised 20% of total support and revenue for the year ended June 30, 2024 and one grantor and one pledgor who comprised 99% of total grants and pledges receivable as of June 30, 2024. The Organization had one grantor who comprised 15% of total support and revenue for the year ended June 30, 2023 and one grantor and one pledgor who comprised 100% of total grants and pledges receivable as of June 30, 2023.

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

In planning and performing our audit of the financial statements of Tilly's Life Center ("the Organization") as of and for the year ended June 30, 2024, in accordance with auditing standards generally accepted in the United States of America, we considered the Organization's system of internal control over financial reporting (internal control) as a basis for designing our 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 the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

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 Organization's financial statements will not be prevented or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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.

This communication is intended solely for the information and use of management, the board of directors, the finance committee, and others within the Organization, and is not intended to be and should not be used by anyone other than these specified parties.

Altruic Advisors, CPAs

Certified Public Accountants

Centennial, Colorado
December 2, 2024

December 2, 2024

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

We have audited the financial statements of Tilly's Life Center ("the Organization") for the year ended June 30, 2024, and have issued our report thereon dated December 2, 2024. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 21, 2024. Professional standards also require that we communicate to you the following information related to our audit.

<u>Significant Audit Matters</u>

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Organization are described in Note 1 to the financial statements. As described in Note 2, during the year ended June 30, 2024, the Organization adopted the requirements of Accounting Standards Updates (ASU) *ASU 2016-13, Financial Instruments – Credit Losses.*

No other accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2024. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

> The most sensitive estimate affecting the financial statements is management's estimate of functional expense classifications. We evaluated the key factors and assumptions used to develop this estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. We noted no sensitive disclosures affecting the financial statements. We found the financial statement disclosures to be neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements take as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 2, 2024.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

This information is intended solely for the use of the board of directors and management of Tilly's Life Center and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Altruic Advisors, CPAs

Certified Public Accountants