

LIGHTHOUSE FOR CHILDREN, INC.

BOARD MEETING

DATE: Wednesday, October 21, 2020

TIME: 11:30 a.m. – Regular Meeting

Per the Governor of California's Executive Order N-29-20 issued on March 17, 2020, this Regular Meeting will be held via Zoom using the following link
<https://zoom.us/j/95949678874?pwd=RnNJL3B0T0l1TzdvQ1JnOVRadnlrUT09> **Meeting ID: 959 4967 8874 and Passcode: 853228.** The public may participate in the meeting, as otherwise permitted under the Brown Act, by joining using the link above.

AGENDA

ITEM	SUBJECT	PRESENTER
1.	CALL TO ORDER	Chair Pacheco
2.	POTENTIAL CONFLICTS OF INTEREST Any Commission Member who has potential conflict of interest may now identify the item and recuse themselves from discussing and voting on the matter.	Chair Pacheco
3. Action Pg. 1	APPOINTMENT OF LIGHTHOUSE FOR CHILDREN, INC. EXECUTIVE DIRECTOR	F. González
4. Action Pg. 2	MINUTES FROM MAY 27, 2020 BOARD MEETING Supporting Document	F. González
5. Action Pg. 4	FINANCIAL AUDIT REPORT FOR FISCAL YEAR 2019-2020 Supporting Document	F. González
6.	PUBLIC COMMENT Limit two minutes per speaker. Public Comment is also taken on individual agenda items throughout the meeting at the conclusion of each agenda item.	Chair Pacheco
7.	ADJOURNMENT	Chair Pacheco

NOTE: If you need disability modification(s) and/or other accommodation(s) in order to participate in this meeting, please contact the office at (559) 558-4900 at least 48 hours prior to the start of the meeting. Government Code Section 54954.2(a).

LIGHTHOUSE FOR CHILDREN, INC.

**Board Meeting
October 21, 2020 – 11:30 a.m.**

AGENDA ITEM NO.3

TO: Lighthouse for Children Board Members
FROM: Fabiola González
SUBJECT: Appointment of Lighthouse for Children, Inc. Executive Director

RECOMMENDED ACTION:

Appoint the Executive Director for the Lighthouse for Children, Inc.

BACKGROUND:

Pursuant to Section 8.01 of the Bylaws of Lighthouse for Children, Inc. (LFC), the Board may employ an Executive Director who shall be the administrative head of the LFC entity. Among other duties, the Executive Director shall serve as the administrator of all day-to-day, including operating policies and procedures, and shall make recommendations to the LFC Board for its consideration regarding broad policies of the agency. The Executive Director shall be responsible to the Board.

First 5 Fresno County's Executive Director also serves as the Lighthouse for Children Executive Director as stipulated in the Bylaws of the Lighthouse for Children, Inc. With the Executive Director role for First 5 Fresno County becoming vacant in January 2020, the First 5 Fresno County Commission appointed Fabiola González as Interim Executive Director and, in May 2020, the Commission appointed her to the permanent role of Executive Director.

Currently, the Lighthouse for Children requires the formal appointment of an Executive Director to maintain the corporation and its business.

CONCLUSION:

Once the Executive Director is appointed, LFC can continue to develop programs and partnerships. This action will give them the authorization to sign for the Lighthouse for Children entity.

LIGHTHOUSE FOR CHILDREN, INC.

**Board Meeting
October 21, 2020 – 11:30 a.m.**

AGENDA ITEM NO. 4

RECOMMENDED ACTION:

Approve Lighthouse for Children Meeting Minutes – May 27, 2020

ACTION SUMMARY MINUTES

May 27, 2019 – 11:30 A.M.

Present: **Board Members:** Brian Pacheco (Chair), Hugo Morales, Dawan Utecht

Absent: Stacy Sablan

Staff: Fabiola González, Ken Price (Legal Counsel)

1. CALL TO ORDER

- 2. POTENTIAL CONFLICTS OF INTEREST:** Any Board Member who has a potential conflict of interest may now identify the item and recuse themselves from discussing and voting on the matter.

None heard

3. MINUTES FROM DECEMBER 19, 2019 BOARD MEETING

Public Comment: None heard.

Motion by: Utecht Second by: Morales
Ayes: Pacheco, Morales, Utecht
Noes: None heard.

4. FISCAL YEAR 2020 – 2021 PROPOSED BUDGET

Public Comment: None heard.

Motion by: Morales Second by: Utecht
Ayes: Pacheco, Morales, Utecht
Noes: None heard.

5. AGREEMENT FOR AUDIT AND TAX PREPARATION SERVICES

Public Comment: None heard.

Motion by: Utecht Second by: Morales
Ayes: Pacheco, Morales, Utecht

Noes: None heard

6. PUBLIC COMMENT

None heard.

7. ADJOURNMENT

Public Comment: None heard.

Motion by: Morales

Second by: Utecht

Ayes: Pacheco, Morales, Utecht

Noes: None heard.

LIGHTHOUSE FOR CHILDREN, INC.

**Board Meeting
October 21, 2020 – 11:30 a.m.**

AGENDA ITEM NO.5

TO: Lighthouse for Children Board Members
FROM: Fabiola González
SUBJECT: Financial Audit Report for Fiscal Year 2019-2020

RECOMMENDED ACTION:

Accept the Lighthouse for Children, Inc. Financial Audit Report for fiscal year 2019-2020.

BACKGROUND:

Lighthouse for Children, Inc. (LFC) is a California Nonprofit Public Benefit Corporation and is considered a component unit of the Children and Families Commission of Fresno County. Being so, the LFC is included in the Commission's Annual Financial Report as a blended component unit. In conjunction with the requirements of Children and Families Commission of Fresno County, the Lighthouse for Children, Inc. 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.

Contracted auditing firm, Price, Paige & Company, conducted an audit to obtain reasonable assurance about whether the financial statements are in accordance with required accounting principles and to ensure they are free from material misstatement.

Upon completion of the Financial Audit Report, the auditing firm has assured the Lighthouse for Children, Inc. financial statements for fiscal year 2019-2020 are in accordance with accounting principles. The Financial Audit Report is attached.

CONCLUSION:

Acceptance by the Board will deem the Lighthouse for Children, Inc.'s Financial Audit Report as final and all final statements within the Report will be utilized in future financial reporting.

LIGHTHOUSE FOR CHILDREN, INC.
FRESNO, CALIFORNIA

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
JUNE 30, 2020**

LIGHTHOUSE FOR CHILDREN, INC.
FRESNO, CALIFORNIA

FINANCIAL STATEMENTS
JUNE 30, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of
Lighthouse for Children, Inc.
Fresno, California

We have audited the accompanying financial statements of Lighthouse for Children, Inc. (the "Organization"), which comprise the statement of financial position as of June 30, 2020, 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.

Auditor's Responsibility

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

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

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

570 N. Magnolia Avenue, Suite 100
Clovis, CA 93611

tel 559.299.9540

fax 559.299.2344

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lighthouse for Children, Inc. as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Price Pange & Company

Clovis, California
October 16, 2020

LIGHTHOUSE FOR CHILDREN, INC.
FRESNO, CALIFORNIA

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020

ASSETS

Current assets:

Cash and cash equivalents	\$ 88,906
Restricted cash and cash equivalents	<u>46,798</u>
Total current assets	135,704

Property and equipment, net	<u>14,027,432</u>
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Total assets	<u><u>\$ 14,163,136</u></u>
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LIABILITIES AND NET ASSETS

Liabilities

Current liabilities:

Accounts payable and accrued expenses	\$ 479
Interest payable	13,841
Current portion of note payable	<u>290,719</u>
Total current liabilities	305,039

Notes payable	<u>15,423,281</u>
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Total liabilities	15,728,320
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Net Assets

Net assets without donor restrictions	(1,611,983)
Net assets with donor restrictions	<u>46,799</u>
Total net assets	<u>(1,565,184)</u>

Total liabilities and net assets	<u><u>\$ 14,163,136</u></u>
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See Independent Auditor's Report and Notes to the Financial Statements.

LIGHTHOUSE FOR CHILDREN, INC.
FRESNO, CALIFORNIA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, gains and support:			
Rental income	\$ 148,000	\$ -	\$ 148,000
Interest income	-	375	375
Other fees and reimbursements	<u>40</u>	<u>-</u>	<u>40</u>
 Total revenues, gains and support before net assets released from restrictions	 148,040	 375	 148,415
 Net assets released from restrictions	 <u>105,884</u>	 <u>(105,884)</u>	 <u>-</u>
 Total revenues, gains and support after net assets released from restrictions	 <u>253,924</u>	 <u>(105,509)</u>	 <u>148,415</u>
 Expenses:			
Program services	589,905	-	589,905
Management and general	<u>20,668</u>	<u>-</u>	<u>20,668</u>
 Total expenses	 <u>610,573</u>	 <u>-</u>	 <u>610,573</u>
 Changes in net assets	 (356,649)	 (105,509)	 (462,158)
 Net assets, beginning of year	 <u>(1,255,334)</u>	 <u>152,308</u>	 <u>(1,103,026)</u>
 Net assets, end of year	 <u>\$ (1,611,983)</u>	 <u>\$ 46,799</u>	 <u>\$ (1,565,184)</u>

See Independent Auditor's Report and Notes to the Financial Statements.

LIGHTHOUSE FOR CHILDREN, INC.
FRESNO, CALIFORNIA

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Expenses:			
Insurance and taxes	\$ -	\$ 10,718	\$ 10,718
Interest	199,763	-	199,763
Legal and professional services	-	5,619	5,619
Management and administrative services	<u>-</u>	<u>4,331</u>	<u>4,331</u>
 Total expenses before depreciation	 199,763	 20,668	 220,431
 Depreciation	 <u>390,142</u>	 <u>-</u>	 <u>390,142</u>
 Total expenses	 <u>\$ 589,905</u>	 <u>\$ 20,668</u>	 <u>\$ 610,573</u>

See Independent Auditor's Report and Notes to the Financial Statements.

LIGHTHOUSE FOR CHILDREN, INC.
FRESNO, CALIFORNIA

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

Cash flows from operating activities

Change in net assets	\$ (462,158)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Depreciation	390,142
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	(10,223)
Interest payable	<u>(4,319)</u>
Net cash provided by (used in) operating activities	<u>(86,558)</u>
Net increase (decrease) in cash and cash equivalents	(86,558)
Cash, cash equivalents, and restricted cash, beginning of year	<u>222,262</u>
Cash, cash equivalents, and restricted cash, end of year	<u><u>\$ 135,704</u></u>
Supplemental Disclosures of cash flow information	
Total interest paid	<u><u>\$ 98,198</u></u>

See Independent Auditor's Report and Notes to the Financial Statements.

LIGHTHOUSE FOR CHILDREN, INC.
FRESNO, CALIFORNIA

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 – ORGANIZATION AND OPERATIONS

Lighthouse for Children, Inc. (the “Organization”) is a California not-for-profit public benefit corporation and is considered a blended component unit of the Children and Families Commission of Fresno County (the “Commission”) and as such is included in the Commission’s Annual Financial Report as a blended component unit.

The Organization was created by the Commission as a Qualified Active Low Income Community Business (“QALICB”) to take advantage of a New Market Tax Credit (“NMTC”) financing structure in order to build a facility within a low-income community. The Organization was created as a 501(c)(3) not-for-profit public benefit corporation to act as the QALICB, as the Commission is not eligible to be the QALICB.

The Organization is organized for the following specific charitable purposes: to provide a vision and means for Fresno County children to enter school in good health, ready and able to learn, and emotional well-developed by providing culturally, individually and developmentally appropriate parenting and nurturing support and access to resources regarding health care, nutrition and smoking prevention and cessation; to serve as an incubator for knowledge in the community regarding child welfare and development; to generally carry out the goals of the Commission and to develop an infrastructure that promotes the social welfare of Fresno County children and their parents.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

Net assets without donor restriction – 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 the Organization’s management and the Board.

Net assets 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 the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers cash accounts and all highly liquid debt instruments available for current use with an initial maturity of three months or less to be cash and cash equivalents.

Accounts Receivable

The Organization estimates the allowance for doubtful accounts based on an analysis of specific donors and clients, taking into consideration the age of past due amounts and an assessment of the donor’s ability to pay. At June 30, 2020, management considered all accounts to be fully collectible and, therefore, no allowance was recorded in the accompanying financial statements. No receivables were expensed to bad debt during the year ended June 30, 2020.

See Independent Auditor’s Report.

LIGHTHOUSE FOR CHILDREN, INC.
FRESNO, CALIFORNIA

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation. Depreciation is computed by using the straight-line method depreciated over the estimated useful life of the asset. Leasehold improvements are depreciated using the straight-line method over the lesser of the estimated useful life of the assets or the related lease term. Routine maintenance, repairs and minor replacements are expensed when incurred.

Depreciation is computed using the straight-line method over the following estimated useful lives:

Buildings and improvements	40 years
Furniture and equipment	7 years

In-Kind Contributions

Contributions of donated non-cash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased, if not provided by donation, are recorded at their fair values in the period received. The Organization received no in-kind donations for the year ended June 30, 2020.

Advertising Costs

Advertising costs, except for costs associated with direct-response advertising, are charged to operations when incurred. The costs of direct-expense advertising are capitalized and amortized over the period during which future benefits are expected to be received. There were no capitalized costs or advertising costs for the year ended June 30, 2020.

Income Tax Status

The Organization is a tax-exempt Organization under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the State of California Corporate Code. The Organization is subject to taxation on any unrelated business income.

Fair Value of Financial Instruments

Financial instruments include cash and cash equivalents, accounts payable and accrued expenses, and interest payable, none of which are held for trading purposes. The fair values of all financial instruments do not differ materially from the aggregate carrying values of the financial instruments recorded in the accompanying statement of financial position. The carrying amounts of these financial instruments approximate fair value because of the short-term maturities of those instruments.

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

See Independent Auditor's Report.

LIGHTHOUSE FOR CHILDREN, INC.
FRESNO, CALIFORNIA

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentration of Credit Risk

The Organization maintains cash balances in several financial institutions. Cash balances in interest-bearing transaction accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000 per institution. As of June 30, 2020, the Organization's cash balances were fully insured.

Functional Allocation of Expenses

The costs of providing the Organization's various charitable and general services have been summarized on a functional basis in the statement of functional expenses. Accordingly, direct and indirect expenses have been allocated to program services or other activities based on their specific identification or the personnel resources utilized in the function. Supporting services consist primarily of general, administrative and management costs, not directly allocable to program services.

NOTE 3 – AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets as of June 30, 2020:

Financial assets at year end:

Cash, restricted cash, and cash equivalents	\$ 135,704
Total financial assets	<u>135,704</u>

Less amounts not available to be used within one year:

Net assets with donor restrictions	<u>46,799</u>
	<u>46,799</u>

Financial assets available to meet general expenditures
over the next twelve months

\$ 88,905

As part of the Lighthouse for Children, Inc. liquidity management plan, cash in excess of daily requirements are maintained in cash and cash equivalent accounts for immediate access should those funds be needed. Funds in excess of daily cash requirements may be used to meet unexpected liquidity needs.

LIGHTHOUSE FOR CHILDREN, INC.
FRESNO, CALIFORNIA

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2020:

	Balance July 1, 2019	Additions	Disposals	Balance June 30, 2020
Non-depreciable assets				
Land	\$ 649,080	\$ -	\$ -	\$ 649,080
Total non-depreciable assets	<u>649,080</u>	<u>-</u>	<u>-</u>	<u>649,080</u>
Depreciable assets				
Buildings and improvements	15,427,481	-	-	15,427,481
Furniture and equipment	<u>31,191</u>	<u>-</u>	<u>-</u>	<u>31,191</u>
Total depreciable assets	<u>15,458,672</u>	<u>-</u>	<u>-</u>	<u>15,458,672</u>
Less accumulated depreciation				
Buildings and improvements	(1,677,688)	(385,687)	-	(2,063,375)
Furniture and equipment	<u>(12,490)</u>	<u>(4,455)</u>	<u>-</u>	<u>(16,945)</u>
Total accumulated depreciation	<u>(1,690,178)</u>	<u>(390,142)</u>	<u>-</u>	<u>(2,080,320)</u>
Property and equipment, net	<u>\$ 14,417,574</u>	<u>\$ (390,142)</u>	<u>\$ -</u>	<u>\$ 14,027,432</u>

Depreciation expense was \$390,142 for the year ended June 30, 2020.

NOTE 5 – NOTES PAYABLE

QLICI Loan A note from LIIF Sub-CDE XXIV, LLC, dated December 13, 2013, in the original amount of \$5,410,400. Quarterly interest only payments commencing on March 1, 2014 and continuing through December 1, 2020. Quarterly principal and interest payments of \$68,743 commencing on March 1, 2021 and continuing until the note matures on December 13, 2043. Interest is at a rate of 1.39% per annum. The note is secured by the deed of trust on the property. Payments of principal and interest is to be paid from rent due pursuant to a master lease agreement with the Commission.

\$ 5,410,400

QLICI Loan B note from LIIF Sub-CDE XXIV, LLC, dated December 13, 2013, in the original amount of \$2,349,600. Quarterly interest only payments commencing on March 1, 2014 and continuing through December 1, 2020. Quarterly principal and interest payments of \$29,853 commencing on March 1, 2021 and continuing until the note matures on December 13, 2043. Interest is at a rate of 1.39% per annum. The note is secured by the deed of trust on the property. Payments of principal and interest is to be paid from rent due pursuant to a master lease agreement with the Commission.

2,349,600

See Independent Auditor's Report.

LIGHTHOUSE FOR CHILDREN, INC.
FRESNO, CALIFORNIA

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 5 – NOTES PAYABLE (Continued)

QLICI Loan A note from Central Valley NMTC Sub IV, LLC, dated December 13, 2013, in the original amount of \$5,545,660. Quarterly interest only payments commencing on March 1, 2014 and continuing through December 1, 2020. Quarterly principal and interest payments of \$70,413 commencing on March 1, 2021 and continuing until the note matures on December 13, 2043. Interest is at a rate of 1.3837% per annum. The note is secured by the deed of trust on the property. Payments of principal and interest is to be paid from rent due pursuant to a master lease agreement with the Commission.

5,545,660

QLICI Loan B note from Central Valley NMTC Sub IV, LLC, dated December 13, 2013, in the original amount of \$2,408,340. Quarterly interest only payments commencing on March 1, 2014 and continuing through December 1, 2020. Quarterly principal and interest payments of \$30,579 commencing on March 1, 2021 and continuing until the note matures on December 13, 2043. Interest is at a rate of 1.3837% per annum. The note is secured by the deed of trust on the property. Payments of principal and interest is to be paid from rent due pursuant to a master lease agreement with the Commission.

2,408,340

Total notes payable

15,714,000

Less current portion due

(290,719)

Notes payable, long term portion

\$ 15,423,281

The minimum future principal and interest payments are as follows:

Years ending June 30:	Principal	Estimated Interest	Estimated Total Debt
2021	\$ 290,719	\$ 217,420	\$ 508,139
2022	587,507	210,845	798,352
2023	595,697	202,655	798,352
2024	604,001	194,351	798,352
2025	614,422	185,930	800,352
2026 and thereafter	<u>13,021,654</u>	<u>1,767,116</u>	<u>14,788,770</u>
Total	<u>\$ 15,714,000</u>	<u>\$ 2,778,317</u>	<u>\$ 18,492,317</u>

Interest expense relating to the notes payable was \$199,763 for the year ended June 30, 2020.

See Independent Auditor's Report.

LIGHTHOUSE FOR CHILDREN, INC.
FRESNO, CALIFORNIA

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 6 – ECONOMIC DEPENDENCY

The Organization received approximately 99.72% of its support and revenues from the Commission for the year ended June 30, 2020. Support and revenue from the Commission consists of \$148,000 of rental income; in line with the mandate from New Market Tax Credit (NMTC) agreements.

Discontinuation of funding from the Commission could have an adverse effect on the Organization's ability to continue its operations. The Organization also paid \$4,331 in management and administrative services expense to the Commission per the administrative contract with the Commission, an NMTC requirement.

NOTE 7 - CONTINGENCIES

There is some nominal risk of tax credit recapture if the Organization, acting as the QALICB, fails to maintain its obligations in the transaction. If the IRS recaptures the credits, the Commission may be responsible for repayment of the entire equity amount. The likelihood of this occurring is minimal as it is the Commission's intent to take steps necessary to ensure compliance with all NMTC requirements.

NOTE 8 - INCOME TAXES

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax positions included the tax-exempt status of the Organization and various positions related to the potential sources of unrelated business taxable income. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for the fiscal year ended June 30, 2020.

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

NOTE 9 – SUBSEQUENT EVENTS

On March 11, 2020, the World Health Organization declared the outbreak of coronavirus (COVID-19) a pandemic, and on March 13, 2020, the President of the United States declared the COVID-19 outbreak in the United States of America a national emergency. Further, on March 19, 2020, the Governor of the State of California issued a statewide Stay at Home Order to slow the spread of COVID-19. The Order requires all individuals living in California to stay at home, except as needed to maintain continuity of the federal critical infrastructure sectors. The not-for-profit sector, in which the Organization operates, is not designated on the list of essential services and accordingly some functions of the Organization's operations will be limited to protect the health and safety of its employees. The ultimate financial impact on the Organization that could occur as a result of the pandemic is unknown at this time.

See Independent Auditor's Report.

LIGHTHOUSE FOR CHILDREN, INC.
FRESNO, CALIFORNIA

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 9 – SUBSEQUENT EVENTS (Continued)

The Organization anticipates the completion of the seventh year of the NMTC agreements in December 2020. The seventh year is notable as it marks the time period where, if all requirements are met and the entities are in good standing, the loan that created the Lighthouse for Children facility, is forgiven. The Organization's Board and the First 5 Fresno County Commission will facilitate discussions about the future of the non-profit once the NMTCs have officially termed.

Management has evaluated and concluded that there were no other subsequent events that have occurred from June 30, 2020 through the date the financial statements were available to be issued at October 16, 2020 that would require disclosure or adjustment.

October 16, 2020

To the Board of
Lighthouse for Children, Inc.
Fresno, California

We have audited the financial statements of Lighthouse for Children, Inc. (the "Organization") for the year ended June 30, 2020, and we will issue our report thereon dated October 16, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards 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 May 18, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters*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 2 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during 2020. 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 estimates affecting the financial statements were:

Management's estimate of the economic useful lives of fixed assets is based on past history of similar types of assets, future plans as to their use, and other factors that impact their economic value to the Organization. We evaluated the key factors and assumptions used to determine the economic useful lives of fixed assets in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the allocation of expenses by function is based on management's estimate of costs incurred for program and administrative purposes. We evaluated the key factors and assumptions used to develop the allocation 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. The most sensitive disclosures affecting the financial statements were:

1. Notes Payable (Note 5)
2. Economic Dependency (Note 6)
3. Subsequent Events (Note 10)

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The financial statement disclosures are 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. The attached schedule summarizes the material misstatements detected as a result of audit procedures that were corrected by management.

Disagreements with Management

For purposes of this letter, a disagreement with management is a disagreement on a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's 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 October 16, 2020.

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.

This information is intended solely for the use of the Board and management of Lighthouse for Children, Inc. and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Price Pange & Company

Client: FIRST 5 FRESNO COUNTY- LIGHTHOUSE FOR CHILDREN, INC.
Engagement: 6-30-2020 Audit
Current Period: 06/30/2020
Workpaper: Attachment: Corrected Audit Adjustments

Account	Description	Workpaper Reference	Debit	Credit	Net Income Effect
AJE01		K100			
To accrue interest due to LIIF not posted					
1-6220	LHF Sub-CDE XXIV		13,841.00	0.00	
1-2120	Interest Payable		0.00	13,841.00	
Total			13,841.00	13,841.00	(13,841.00)
GRAND TOTAL			13,841.00	13,841.00	(13,841.00)