

CALIFORNIA FORWARD
FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT
YEARS ENDED
JUNE 30, 2022 AND 2021

CALIFORNIA FORWARD

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INDEPENDENT AUDITOR’S REPORT

**Leadership Council
California Forward
Sacramento, California**

Opinion

We have audited the accompanying financial statements of California Forward, which comprise the statements of financial position as of June 30, 2022 and 2021, 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 California Forward as of June 30, 2022 and 2021, 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 Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of California Forward 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 these 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 California Forward's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor’s Responsibility 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 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 California Forward'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 California Forward'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 audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Gilbert CPAs

GILBERT CPAs
Sacramento, California

February 7, 2023

CALIFORNIA FORWARD

STATEMENTS OF FINANCIAL POSITION JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
CURRENT ASSETS:		
Cash	\$ 2,850,614	\$ 1,169,499
Accounts receivable	639,899	133,462
Grants receivable	294,576	946,924
Accounts receivable due from Action Fund		35
Prepaid expenses and other assets	<u>105,896</u>	<u>27,067</u>
Total current assets	3,890,985	2,276,987
NONCURRENT ASSETS:		
Grants receivable	150,000	
Deposits		350
Property and equipment, net	<u>284</u>	<u>1,424</u>
TOTAL ASSETS	<u>\$ 4,041,269</u>	<u>\$ 2,278,761</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 129,723	\$ 155,299
Accounts payable due to Action Fund	33,306	1,179
Accrued compensation and related benefits	128,855	183,165
Paycheck Protection Program loans		<u>518,478</u>
Total liabilities	<u>291,884</u>	<u>858,121</u>
NET ASSETS:		
Without donor restrictions	1,129,856	112,077
With donor restrictions	<u>2,619,529</u>	<u>1,308,563</u>
Total net assets	<u>3,749,385</u>	<u>1,420,640</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,041,269</u>	<u>\$ 2,278,761</u>

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

CALIFORNIA FORWARD

STATEMENTS OF ACTIVITIES YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS:		
Revenues:		
Program service fees and events	\$ 2,170,665	\$ 297,837
Grants, gifts and contributions	1,675,566	1,002,420
In-kind contributions	15,171	89,200
Interest income	1,488	1,411
Net assets released from restrictions	<u>1,308,563</u>	<u>1,245,833</u>
Total revenues	<u>5,171,453</u>	<u>2,636,701</u>
Expenses:		
Program services	<u>3,881,425</u>	<u>2,248,399</u>
Supporting services:		
Management and general	551,985	449,697
Fundraising	<u>242,187</u>	<u>254,441</u>
Total supporting expenses	<u>794,172</u>	<u>704,138</u>
Total expenses	<u>4,675,597</u>	<u>2,952,537</u>
INCOME (LOSS) FROM OPERATIONS	495,856	(315,836)
GAIN ON FORGIVENESS OF PAYCHECK PROTECTION PROGRAM LOANS	<u>521,923</u>	<u> </u>
INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>1,017,779</u>	<u>(315,836)</u>
NET ASSETS WITH DONOR RESTRICTIONS:		
Grants, gifts and contributions	2,619,529	627,000
Net assets released from restrictions	<u>(1,308,563)</u>	<u>(1,245,833)</u>
INCREASE (DECREASE) IN NET ASSETS WITH DONOR RESTRICTIONS	<u>1,310,966</u>	<u>(618,833)</u>
INCREASE (DECREASE) IN NET ASSETS	2,328,745	(934,669)
NET ASSETS, Beginning of Year	<u>1,420,640</u>	<u>2,355,309</u>
NET ASSETS, End of Year	<u>\$ 3,749,385</u>	<u>\$ 1,420,640</u>

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

CALIFORNIA FORWARD

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED JUNE 30, 2022

		Supporting Services		
	Program Services	Management and General	Fundraising	Total
Compensation and related benefits	\$ 1,595,033	\$ 336,834	\$ 234,186	\$ 2,166,053
Program service fee subcontracts	1,005,100			1,005,100
Events, conferences and meetings	627,724	22,600		650,324
Grants	330,000			330,000
Consulting fees and services	211,404	74,700	953	287,057
Media, advertising and communications	100,749			100,749
Other operating expenses	<u>11,415</u>	<u>117,851</u>	<u>7,048</u>	<u>136,314</u>
Total	<u>\$ 3,881,425</u>	<u>\$ 551,985</u>	<u>\$ 242,187</u>	<u>\$ 4,675,597</u>

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STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED JUNE 30, 2021

		<u>Supporting Services</u>		
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Compensation and related benefits	\$ 1,237,629	\$ 247,953	\$ 254,441	\$ 1,740,023
Events, conferences and meetings	272,119	1,298		273,417
Grants	297,100			297,100
Consulting fees and services	205,299	118,034		323,333
Media, advertising and communications	188,278			188,278
Other operating expenses	<u>47,974</u>	<u>82,412</u>		<u>130,386</u>
Total	<u>\$ 2,248,399</u>	<u>\$ 449,697</u>	<u>\$ 254,441</u>	<u>\$ 2,952,537</u>

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STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ 2,328,745	\$ (934,669)
Reconciliation to net cash provided (used) by operating activities:		
Depreciation	1,140	1,382
Gain on forgiveness of Paycheck Protection Program loans	(518,478)	
Changes in:		
Accounts receivable	(506,437)	(21,931)
Grants receivable	502,348	53,076
Accounts receivable due from Action Fund	35	32,335
Prepaid expenses and other assets	(78,829)	(758)
Deposits	350	
Accounts payable and accrued expenses	(25,576)	69,201
Accounts payable due to Action Fund	32,127	(33,921)
Accrued compensation and related benefits	(54,310)	94,772
Net cash provided (used) by operating activities	<u>1,681,115</u>	<u>(740,513)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Paycheck Protection Program loans	<u> </u>	<u>518,478</u>
NET INCREASE (DECREASE) IN CASH	1,681,115	(222,035)
CASH, Beginning of Year	<u>1,169,499</u>	<u>1,391,534</u>
CASH, End of Year	<u>\$ 2,850,614</u>	<u>\$ 1,169,499</u>

CALIFORNIA FORWARD

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

1. DESCRIPTION OF ORGANIZATION

California Forward's (the Organization) mission is to improve quality of life for all Californians by creating a more responsive, representative and cost-effective government. It is working to achieve this goal by developing the best solutions through robust public discussions and building broad coalitions that will support well-reasoned solutions. The Organization is primarily funded by grants, gifts and contributions.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation – The financial statements are prepared on the accrual basis of accounting and in conformity with professional standards applicable to not-for-profit entities. 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.

Revenue recognition – Grants, gifts and contributions are recognized in full when received or unconditionally promised, in accordance with professional standards. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. All contributions are considered available for unrestricted use unless specifically restricted by donors for future periods or specific purposes. Donor-restricted amounts are reported as increases in net assets with donor restrictions. Net assets with donor restrictions become unrestricted and are reported in the statements of activities as net assets released from restrictions when the time restrictions expire or the contributions are used for the restricted purpose. All restricted contributions whose restrictions and conditions are met in the same reporting period are recognized as revenue within net assets without donor restrictions.

The Organization's grant income includes cost-reimbursable grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statements of financial position. At June 30, 2022, conditional contributions representing unearned revenue from cost-reimbursable grants totaled \$128,100 and will be recognized as qualifying expenses are incurred. There were no refundable advances at June 30, 2022 or 2021.

The Organization's revenue from contracts with customers consist of event income and program service fees. These revenues are recognized at the point in time the service is provided or related event occurs. Payment terms are outlined in the agreements and vary based on the objectives and structure of the contracts.

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management believes that all accounts are collectible and no allowance for uncollectible amounts is necessary. Accounts receivable are primarily comprised of amounts owed from government and fee for service contracts.

Grants receivable totaling \$294,576 and \$946,924 as of June 30, 2022 and 2021, respectively, are scheduled to be collected in less than one year. Grants receivable at June 30, 2022 totaling \$150,000 are schedule to be received in 2024. Management believes these amounts are collectible, therefore, no allowance for doubtful accounts has been provided.

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NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

Conditional promises to give are recognized in the period the related conditions are met. During the year ended June 30, 2019, the Organization received a \$2,250,000 pledge from a private foundation to support the Growing Stewardship and the Triple Bottom Line project provided certain matching conditions are met. The grant expires June 30, 2023. For the year ended June 30, 2021, the Organization recognized \$225,000 of this conditional contribution as revenue based on conditions met during the year. No revenue was recognized for the year ended June 30, 2022. In total, the Organization has recognized \$1,350,000 of this conditional contribution as revenue in the years ended June 30, 2019 through June 30, 2022. The Organization anticipates recognizing an additional \$350,000 in the year ending June 30, 2023 as conditions are met.

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.

Concentration of credit risk – Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash, receivables and revenues.

Cash

The Organization minimizes credit risk associated with cash by periodically evaluating the credit quality of its primary financial institution. The balance at times may exceed federally insured limits. At June 30, 2022 and 2021, the Organization's deposits in excess of federally insured limits totaled \$2,672,194 and \$949,693, respectively. The Organization has not experienced any losses in such accounts and management believes the Organization is not exposed to any significant credit risk related to cash.

Receivables

As of June 30, 2022, approximately 67% of grants receivable was due from one organization and approximately 59% of accounts receivable was due from three organizations. As of June 30, 2021, approximately 69% of grants receivable was due from two organizations.

Revenues

For the year ended June 30, 2022, approximately 28% of total revenue was provided by a grant from one state agency and approximately 26% of total revenue was provided by one private foundation.

Property and equipment are recorded at cost and depreciated using the straight-line method over the estimated useful life, generally four years. The Organization's policy is to capitalize such items with a cost of \$5,000 or more.

Functional allocation of expenses – The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses that apply to more than one functional category have been allocated between the programs, management and general, and fundraising based on the weighted average of compensation in each functional area to total compensation. Time keeping documents that capture the percentage of time worked in each category were developed for this purpose and provided to each employee whose compensation has

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NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

been allocated accordingly. The remaining costs are charged directly to the appropriate functional category. The expenses that are allocated to more than one functional category include: consulting fees and services; compensation and related benefits; events, conferences and meetings; and other operating expenses.

Income taxes – The Organization is exempt from federal income taxes under Internal Revenue Code of 1986 Section 501(c)(3) and from California franchise and/or income taxes under California Revenue and Taxation Code Section 23701(d), respectively. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

The Organization has applied the accounting principles related to accounting for uncertainty in income taxes and has determined that there is no material impact on the financial statements. With some exceptions, the Organization is no longer subject to U.S. federal and state income tax examinations by tax authorities for years prior to 2018.

Recent accounting pronouncement – Effective for the year ended June 30, 2022, the Organization implemented Accounting Standards Update 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The new guidance requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the statements of activities, apart from contributions of cash or other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a nonprofit entity has received. The Organization has adjusted the presentation of these financial statements accordingly, for all periods presented.

Subsequent events have been reviewed through February 7, 2023, the date the financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2022 that require recognition or disclosure in the financial statements.

3. LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization's financial assets available for general expenditure within one year of the statements of financial position date are as follows:

	<u>2022</u>	<u>2021</u>
Cash	\$ 2,850,614	\$ 1,169,499
Accounts receivable	789,899	133,462
Grants receivable	294,576	946,924
Accounts receivable due from Action Fund		35
Total financial assets	<u>3,935,089</u>	<u>2,249,920</u>
Less amounts unavailable for general expenditure within one year due to:		
Amounts restricted by donors for purpose or more than one year (see Note 5)	<u>(2,119,529)</u>	<u>(1,308,563)</u>
Total financial assets available to management for general expenditure within one year	<u>\$ 1,815,560</u>	<u>\$ 941,357</u>

The Organization structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

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NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>2022</u>	<u>2021</u>
Computer equipment and software	\$ 5,162	\$ 5,162
Less: accumulated depreciation	<u>(4,878)</u>	<u>(3,738)</u>
Property and equipment, net	<u>\$ 284</u>	<u>\$ 1,424</u>

5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions represent unexpended contributions restricted by donors as follows:

	<u>2022</u>	<u>2021</u>
Time Restricted	\$ 937,500	
Economic Summit	611,833	\$ 140,000
Young Leaders Advisory Council	405,000	
Strengthening the Voice of Community-Based Organizations	175,000	
Community Economic Resilience Fund	166,667	
Affordable Housing Policy	123,529	
Regions Rise Together	100,000	
California Stewardship Network	100,000	
Inclusive Economic Growth		494,063
Growing Stewardship and the Triple Bottom Line		412,500
Deliberative Poll		237,000
Equitable Economies Project		<u>25,000</u>
Total	<u>\$ 2,619,529</u>	<u>\$ 1,308,563</u>

6. PAYCHECK PROGRAM PROTECTION LOANS

On February 5, 2021 and April 23, 2021, the Organization received Paycheck Protection Program (PPP) loans under the Federal Coronavirus Aid, Relief, and Economic Security (CARES) Act both totaling \$259,239. Under the CARES Act, a portion or all of the loan and accrued interest may be forgiven provided the funds are spent on qualifying expenditures and certain other criteria regarding full-time equivalent employee and payroll levels are maintained. The PPP requires the portion of the loan that does not qualify for forgiveness or that is retained as a loan to be repaid within 2 years at 1% interest.

The Organization received notification that its loans were forgiven on October 13, 2021 and December 22, 2021 and therefore, the principal and accrued interest totaling \$521,923 were recognized as income in the year ended June 30, 2022.

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NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

7. IN-KIND CONTRIBUTIONS

The Organization received the following in-kind contributions for the years ended June 30:

	<u>2022</u>	<u>2021</u>
Professional services	\$ 14,667	\$ 89,200
Event supplies	<u>504</u>	<u> </u>
Total in-kind contributions	<u>\$ 15,171</u>	<u>\$ 89,200</u>

Professional services include contributed consulting services for branding and assistance with the 2020 and 2021 Economic Summits. Event supplies includes donated food for the 2021 Economic Summit. All items were valued based upon estimates of fair market or wholesale values that would be received for selling the goods in their principal market considering their condition and utility for use at the time the goods are contributed by the donor.

The Organization's policy related to in-kind contributions is to utilize the services and assets given to carry out its mission. All in-kind contributions received by the Organization for the years ended June 30, 2022 and 2021 were considered without donor restrictions.

8. RELATED PARTY TRANSACTIONS

California Forward Action Fund

The Organization shares its name with a related organization: California Forward Action Fund (the Action Fund). Each of these entities exists as a separate legal entity and neither controls the day-to-day activities of the other nor has an economic interest in the other. The California Forward Action Fund, a registered 501(c)(4) nonprofit, solicits contributions and makes expenditures to influence ballot measures and legislation in California. Certain board members of California Forward also serve on the board of Action Fund.

Resource sharing agreement

The entities share certain common operating costs for certain resources such as equipment, maintenance, donor mailing lists and personnel in order for each entity to conduct its activities in the most economical fashion. The entities have adopted a resource sharing agreement setting forth a reasonable method to charge these expenses based on each entity's actual use of such resources. Expenses that have been reduced and charged to the Action Fund under the resource sharing agreement for the years ended June 30, 2022 and 2021, totaling \$54,516 and \$55,288, respectively.

There were no accounts receivable due from the Action Fund at June 30, 2022 and accounts payable to the Action Fund totaled \$33,306.

Accounts receivable due from the Action Fund at June 30, 2021 totaled \$35 and accounts payable to the Action Fund totaled \$1,179.

Grants

During the years ended June 30, 2022 and 2021 the Organization made grants to the Action Fund totaling \$230,000 and \$172,000, respectively.

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NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

9. RETIREMENT PLAN

The Organization sponsors a 403(b) retirement plan for all regular full-time employees. The Organization makes safe harbor matching contributions up to 5% of compensation. For the years ended June 30, 2022 and 2021, the Organization contributed \$64,513 and \$37,384, respectively, to the plan.