

**CALIFORNIA FORWARD**  
**FINANCIAL STATEMENTS WITH**  
**INDEPENDENT AUDITOR'S REPORT**  
**YEARS ENDED**  
**JUNE 30, 2023 AND 2022**

# 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, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of California Forward as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the 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**

**March 1, 2024**

# CALIFORNIA FORWARD

## STATEMENTS OF FINANCIAL POSITION JUNE 30, 2023 AND 2022

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	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash	\$ 1,415,099	\$ 2,850,614
Accounts receivable	350,943	639,899
Grants receivable	165,000	294,576
Accounts receivable due from Action Fund	42,153	
Prepaid expenses and other assets	<u>118,380</u>	<u>105,896</u>
Total current assets	2,091,575	3,890,985
<b>NONCURRENT ASSETS:</b>		
Grants receivable		150,000
Property and equipment, net		<u>284</u>
<b>TOTAL ASSETS</b>	<u>\$ 2,091,575</u>	<u>\$ 4,041,269</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable and accrued expenses	\$ 204,792	\$ 129,723
Accounts payable due to Action Fund		33,306
Accrued compensation and related benefits	213,194	128,855
Deferred revenues	<u>25,840</u>	
Total liabilities	<u>443,826</u>	<u>291,884</u>
<b>NET ASSETS:</b>		
Without donor restrictions	298,582	1,129,856
With donor restrictions	<u>1,349,167</u>	<u>2,619,529</u>
Total net assets	<u>1,647,749</u>	<u>3,749,385</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 2,091,575</u>	<u>\$ 4,041,269</u>

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

# CALIFORNIA FORWARD

## STATEMENTS OF ACTIVITIES YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS:</b>		
Revenues:		
Grants, gifts and contributions	\$ 1,609,649	\$ 1,675,566
Program service fees and events	478,065	2,170,665
In-kind contributions		15,171
Interest income	11,661	1,488
Net assets released from restrictions	<u>1,832,029</u>	<u>1,308,563</u>
Total revenues	<u>3,931,404</u>	<u>5,171,453</u>
Expenses:		
Program services	<u>3,681,674</u>	<u>3,881,425</u>
Supporting services:		
Management and general	837,035	551,985
Fundraising	<u>243,969</u>	<u>242,187</u>
Total supporting expenses	<u>1,081,004</u>	<u>794,172</u>
Total expenses	<u>4,762,678</u>	<u>4,675,597</u>
<b>INCOME (LOSS) FROM OPERATIONS</b>	(831,274)	495,856
<b>GAIN ON FORGIVENESS OF PAYCHECK PROTECTION PROGRAM LOANS</b>		<u>521,923</u>
<b>INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	<u>(831,274)</u>	<u>1,017,779</u>
<b>NET ASSETS WITH DONOR RESTRICTIONS:</b>		
Grants, gifts and contributions	561,667	2,619,529
Net assets released from restrictions	<u>(1,832,029)</u>	<u>(1,308,563)</u>
<b>INCREASE (DECREASE) IN NET ASSETS WITH DONOR RESTRICTIONS</b>	<u>(1,270,362)</u>	<u>1,310,966</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	(2,101,636)	2,328,745
<b>NET ASSETS, Beginning of Year</b>	<u>3,749,385</u>	<u>1,420,640</u>
<b>NET ASSETS, End of Year</b>	<u>\$ 1,647,749</u>	<u>\$ 3,749,385</u>

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

# CALIFORNIA FORWARD

## STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED JUNE 30, 2023

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		<b>Supporting Services</b>		
	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
Compensation and related benefits	\$ 1,949,144	\$ 395,028	\$ 230,178	\$ 2,574,350
Events, conferences and meetings	1,231,903	57,271	1,396	1,290,570
Consulting fees and services	112,750	234,410	1,698	348,858
Grants	213,000			213,000
Media, advertising and communications	97,134		4,650	101,784
Other operating expenses	<u>77,743</u>	<u>150,326</u>	<u>6,047</u>	<u>234,116</u>
Total	<u>\$ 3,681,674</u>	<u>\$ 837,035</u>	<u>\$ 243,969</u>	<u>\$ 4,762,678</u>

# CALIFORNIA FORWARD

## STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED JUNE 30, 2022

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		<b>Supporting Services</b>		
	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
Compensation and related benefits	\$ 1,595,033	\$ 336,834	\$ 234,186	\$ 2,166,053
Events, conferences and meetings	627,724	22,600		650,324
Consulting fees and services	211,404	74,700	953	287,057
Grants	330,000			330,000
Media, advertising and communications	100,749			100,749
Program service fee subcontracts	1,005,100			1,005,100
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>

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

**CALIFORNIA FORWARD**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Increase (decrease) in net assets	\$ (2,101,636)	\$ 2,328,745
Reconciliation to net cash provided (used) by operating activities:		
Depreciation	284	1,140
Gain on forgiveness of Paycheck Protection Program loans		(518,478)
Changes in:		
Accounts receivable	288,956	(506,437)
Grants receivable	279,576	502,348
Accounts receivable due from Action Fund	(42,153)	35
Prepaid expenses and other assets	(12,484)	(78,829)
Deposits		350
Accounts payable and accrued expenses	75,069	(25,576)
Accounts payable due to Action Fund	(33,306)	32,127
Accrued compensation and related benefits	84,339	(54,310)
Deferred revenues	25,840	
Net cash provided (used) by operating activities	(1,435,515)	1,681,115
<b>NET INCREASE (DECREASE) IN CASH</b>	(1,435,515)	1,681,115
<b>CASH, Beginning of Year</b>	2,850,614	1,169,499
<b>CASH, End of Year</b>	\$ 1,415,099	\$ 2,850,614

# CALIFORNIA FORWARD

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

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### 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, 2023, conditional contributions representing unearned revenue from cost-reimbursable grants totaled \$398,340 and will be recognized as qualifying expenses are incurred. There were no refundable advances at June 30, 2023 or 2022.

The Organization's revenue from contracts with customers consists 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** at June 30, 2023 totaling \$165,000 are scheduled to be received in 2024. Management believes these amounts are collectible, therefore, no allowance for doubtful accounts has been provided.

# CALIFORNIA FORWARD

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

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**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, 2023 and 2022, the Organization's deposits in excess of federally insured limits totaled \$1,165,478 and \$2,672,194, 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, 2023, approximately 91% of grants receivable was due from one organization and approximately 77% of accounts receivable was due from three organizations. 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.

### *Revenues*

For the year ended June 30, 2023, approximately 51% of total revenue was provided by two private foundations. 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 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.

# CALIFORNIA FORWARD

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

**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 2019.

**Subsequent events** have been reviewed through March 1, 2024, the date the financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2023 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>2023</u>	<u>2022</u>
Cash	\$ 1,415,099	\$ 2,850,614
Accounts receivable	350,943	789,899
Grants receivable	165,000	294,576
Accounts receivable due from Action Fund	42,153	
Total financial assets	<u>1,973,195</u>	<u>3,935,089</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>(911,667)</u>	<u>(2,119,529)</u>
Total financial assets available to management for general expenditure within one year	<u>\$ 1,061,528</u>	<u>\$ 1,815,560</u>

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

### 4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>2023</u>	<u>2022</u>
Computer equipment and software	\$ 5,162	\$ 5,162
Less: accumulated depreciation	<u>(5,162)</u>	<u>(4,878)</u>
Property and equipment, net	<u>\$</u>	<u>\$ 284</u>

# CALIFORNIA FORWARD

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

### 5. NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2023</u>	<u>2022</u>
Time Restricted	\$ 437,500	\$ 937,500
Community Economic Resilience Fund	416,667	266,667
Young Leaders Advisory Council	250,000	405,000
Economic Summit	145,000	611,833
Strengthening the Voice of Community-Based Organizations	75,000	175,000
California Stewardship Network	25,000	100,000
Affordable Housing Policy	<u>                    </u>	<u>123,529</u>
Total	<u>\$ 1,349,167</u>	<u>\$ 2,619,529</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.

### 7. IN-KIND CONTRIBUTIONS

The Organization received \$14,667 of professional services and \$504 of event supplies of in-kind contributions for the year ended June 30, 2022. The Organization did not receive in-kind contributions for the year ended June 30, 2023.

### 8. 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, 2023 and 2022, the Organization contributed \$83,225 and \$64,513, respectively, to the plan.

# CALIFORNIA FORWARD

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

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### 9. 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, 2023 and 2022, totaling \$210,045 and \$54,516, respectively.

Accounts receivable due from the Action Fund at June 30, 2023 totaled \$42,153 and there were no accounts payable to the Action Fund.

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

#### *Grants*

During the years ended June 30, 2023 and 2022 the Organization made grants to the Action Fund totaling \$213,000 and \$230,000, respectively.

### 10. CONTINGENCIES

The Organization faces claims that could give rise to legal proceedings and litigation which arise in the ordinary course of business. No liability has been recorded for these matters as the outcome and financial impact cannot be reasonably estimated. However, in the opinion of management, the outcome of such actions could have a material effect on the Organization's financial position and results of its operations.