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CALIFORNIA COMMUNICATIONS ACCESS FOUNDATION

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2013 AND 2012

CALIFORNIA COMMUNICATIONS ACCESS FOUNDATION

JUNE 30, 2013 AND 2012

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
California Communications Access Foundation
Oakland, California

Report on the Financial Statements

We have audited the accompanying statement of financial position of California Communications Access Foundation, (a Non-profit Organization) as of June 30, 2013, and the related statements of activities 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 consolidated 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of California Communications Access Foundation, as of June 30, 2013 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited California Communications Access Foundation's 2012 financial statements, and our report dated January 15, 2013, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "RS Associates". The letters are cursive and somewhat stylized.

San Ramon, California
November 13, 2013

CALIFORNIA COMMUNICATIONS ACCESS FOUNDATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2013 AND 2012

| <u>ASSETS</u> | <u>2013</u> | <u>2012</u> |
|--|-----------------------------|-----------------------------|
| Current assets: | | |
| Cash and cash equivalents (Note 4) | \$ 9,428,172 | \$ 3,670,785 |
| Restricted cash (Note 4) | 104,769 | 201,802 |
| Investments (Notes 2 and 3) | 14,538,223 | 18,766,216 |
| Accounts receivable | 3,414,890 | 3,464,103 |
| Prepays and deposits | <u>245,154</u> | <u>230,245</u> |
| Total current assets | 27,731,208 | 26,333,151 |
| Property and equipment, net | <u>24,982</u> | <u>34,499</u> |
| Total assets | <u><u>\$ 27,756,190</u></u> | <u><u>\$ 26,367,650</u></u> |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| Current liabilities: | | |
| Accrued payables | \$ 101,411 | \$ 139,168 |
| Grants payable (Note 9) | 592,995 | 552,312 |
| Accrued payroll | 839,170 | 786,024 |
| Accrued vacation | 509,315 | 478,898 |
| Revolving fund (Note 4) | <u>104,769</u> | <u>201,802</u> |
| Total current liabilities | <u>2,147,660</u> | <u>2,158,204</u> |
| Net assets: | | |
| Unrestricted | <u>25,608,530</u> | <u>24,209,446</u> |
| Total net assets | <u>25,608,530</u> | <u>24,209,446</u> |
| Total liabilities and net assets | <u><u>\$ 27,756,190</u></u> | <u><u>\$ 26,367,650</u></u> |

The accompanying notes are an integral part of these financial statements

CALIFORNIA COMMUNICATIONS ACCESS FOUNDATION
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2013 AND 2012

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> | |
|---|----------------------|-----------------------------------|-----------------------------------|----------------------|----------------------|
| | | | | <u>2013</u> | <u>2012</u> |
| Income: | | | | | |
| Contract revenue | \$ 13,758,470 | \$ | \$ | \$ 13,758,470 | \$ 13,774,747 |
| Interest and other income (Note 2) | <u>92,068</u> | <u> </u> | <u> </u> | <u>92,068</u> | <u>111,688</u> |
| Total contract revenue and other income | <u>13,850,538</u> | <u> </u> | <u> </u> | <u>13,850,538</u> | <u>13,886,435</u> |
| Expenses and Losses: | | | | | |
| Grants | 1,087,840 | | | 1,087,840 | 1,084,391 |
| Program services | 10,917,353 | | | 10,917,353 | 10,584,094 |
| Management and general | <u>446,261</u> | <u> </u> | <u> </u> | <u>446,261</u> | <u>600,414</u> |
| Total expenses (Note 11) | <u>12,451,454</u> | <u> </u> | <u> </u> | <u>12,451,454</u> | <u>12,268,899</u> |
| Change in net assets | 1,399,084 | | | 1,399,084 | 1,617,536 |
| Net assets at beginning of year | <u>24,209,446</u> | <u> </u> | <u> </u> | <u>24,209,446</u> | <u>22,591,910</u> |
| Net assets at end of year | <u>\$ 25,608,530</u> | <u>\$</u> | <u>\$</u> | <u>\$ 25,608,530</u> | <u>\$ 24,209,446</u> |

The accompanying notes are an integral part of these financial statements

CALIFORNIA COMMUNICATIONS ACCESS FOUNDATION
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2013 AND 2012

| | <u>2013</u> | <u>2012</u> |
|---|---------------------|---------------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ 1,399,084 | \$ 1,617,536 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 12,211 | 16,739 |
| (Increase)/Decrease in: | | |
| Accounts receivable | 49,213 | (13,281) |
| Prepaid and deposits | (14,909) | (18,665) |
| Increase/(Decrease) in: | | |
| Accounts payable | (37,757) | 107,672 |
| Grants payable | 40,683 | 127,773 |
| Accrued payroll | 53,146 | 8,408 |
| Revolving fund | (97,033) | 26,692 |
| Accrued vacation | 30,417 | 22,627 |
| Net cash provided by operating activities | <u>1,435,055</u> | <u>1,895,501</u> |
| Cash flows from investing activities: | | |
| Purchase of equipment | (2,694) | (32,874) |
| (Purchase)/Sale of investments (net) | <u>4,227,993</u> | <u>(3,094,812)</u> |
| Net cash provided / (used) by investing activities | <u>4,225,299</u> | <u>(3,127,686)</u> |
| Net increase/(decrease) in cash and cash equivalents | 5,660,354 | (1,232,185) |
| Cash and cash equivalents at beginning of year | <u>3,872,587</u> | <u>5,104,772</u> |
| Cash and cash equivalents at end of year | <u>\$ 9,532,941</u> | <u>\$ 3,872,587</u> |

The accompanying notes are an integral part of these financial statements

CALIFORNIA COMMUNICATIONS ACCESS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Organization

California Communications Access Foundation (CCAF) is a non-profit corporation incorporated on March 19, 2002. The primary objective and purpose of CCAF is to aid individuals within the deaf and disabled communities by promoting access to society through telecommunications and other means.

CCAF's primary and largest program is administering a contract with the California Public Utilities Commission to provide specialized telephone equipment and relay services to Californians who are deaf and disabled. CCAF also operates a grant making program for community-based nonprofit organizations in California which work to make spoken, verbal, or signed communication easier for people with disabilities.

b. Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting recognizing revenues when earned and expenditures when incurred.

c. Revenue Recognition

Government contracts are reimbursed based on actual expenses incurred. Revenue from these contracts are recognized either when expenses are incurred or when services are provided.

d. Net Asset Classifications

The financial statements report amounts by classes of net assets:

Unrestricted net assets represent funds which are fully available, at the discretion of management and the Board of Directors, for CCAF to utilize in any of its programs or operations.

Temporarily restricted net assets are comprised of funds which are restricted by donors for specific purposes or time periods. There were no temporary restricted net assets during the year.

Permanently restricted net assets are subject to donor-imposed stipulations that they be maintained permanently by CCAF. There were no permanently restricted net assets during the year.

CCAF records contributions as temporarily restricted if they are received with donor stipulations that limit their use either through purpose or time restrictions and those restrictions have not been fulfilled by the end of the fiscal year. When donor restrictions expire, that is, when a time restriction ends or a purpose restriction is fulfilled, those contributions previously recorded as temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions received for which the restriction has been fulfilled or expires in the same period are recorded as unrestricted.

e. Property and Equipment

Equipment is stated at cost. Provision for depreciation is made over the estimated useful lives of the assets using the straight-line method which ranges from one to five years. CCAF follows the practice of capitalization, at cost, all expenditures for property, furniture, and equipment in excess of \$1,500.

f. Cash and Cash Equivalents

For purpose of the Statements of Cash Flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

g. Investments

CCAF has established and maintains an investment policy which is approved by the Board of Directors and is implemented by the external investment advisor selected and monitored by the investment committee and the staff. Investments are carried at their fair values on the statements of financial position.

h. Income Taxes

The organization is exempt from taxes on income under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code and is not subject to taxes in connection with its exempt activities. The organization has been classified as a publicly-supported organization which is not a private foundation.

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

i. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

j. Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and note 11- Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Management and general expenses included those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of CCAF.

k. Accrued Vacation and Sick Leave

Accumulated unpaid employee vacation leave benefits are recognized as liabilities on the books as required by generally accepted accounting principles. CCAF's policy on sick leave benefits is to record amounts as operating expenditures in the period sick leave is taken.

l. Grant Expenditures

Grants awarded with an unconditional promise to give are accrued as a liability, and expensed when approved.

m. Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended June 30, 2012, from which summarized information was derived.

Certain prior-year amounts have been reclassified to conform to the current year's financial statement presentation.

2. INVESTMENTS

Investment securities are reported in the financial statements at fair value and consist of the following at June 30, 2013 and June 30, 2012

| | <u>2013</u> | <u>2012</u> |
|-------------------------|-------------------|-------------------|
| Certificates of Deposit | \$ 5,472,6878 | \$ 18,766,216 |
| Money Market funds | 24,793 | |
| Mutual Funds | <u>9,040,742</u> | |
| | <u>14,538,223</u> | <u>18,766,216</u> |

The following schedule summarizes the investment activity reported in the statement of activities:

| | | |
|-----------------|------------------|-------------------|
| | 2013 | 2012 |
| Interest income | \$ <u>92,068</u> | \$ <u>111,688</u> |

3. FAIR VALUE MEASUREMENTS

Fair values of assets measured on a recurring basis at June 30, 2013 are as follows:

| | <u>Fair Value</u> | <u>Quoted Prices in Active Markets for identical Assets (Level 1)</u> | <u>Significant Other Observable Inputs (Level 2)</u> | <u>Significant Unobservable Inputs (Level 3)</u> |
|-------------------------|-------------------|---|--|--|
| Certificate of Deposits | \$ 5,472,688 | 5,472,688 | | |
| Money Market funds | 24,793 | 24,793 | | |
| Mutual Funds | <u>9,040,742</u> | <u>9,040,742</u> | | |
| | <u>14,538,223</u> | <u>14,538,223</u> | | |

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include:

- Deaf and Disabled Telecommunications Program (DDTP) revolving fund established for the sole purpose of paying monthly DDTP expenses. Interest earned, if any, on the sums in the DDTP revolving fund accrues for the sole benefit of the California Public Utilities Commission (CPUC). Since CCAF is acting as a fiscal agent, it has been shown as a liability. These funds cannot be commingled with the operating or other CCAF account funds.
- CCAF holds its cash at two banking institution as of June 30, 2013. This cash is insured by the Federal Deposit Insurance Corporation up to regulatory limits. Cash is also held by CCAF's investment custodian in money market funds which are not insured by Federal Deposit Insurance Corporation.

5. CONCENTRATIONS

CCAF receives its operating revenue from contracts with the CPUC. It has entered into a contract with the CPUC to provide services that support the CPUC Deaf and Disabled Telecommunications Program (DDTP). It has also entered into a contract with the CPUC to provide captioning services.

6. LEASE COMMITMENTS

CCAF leases office space located in Oakland California and office equipment under operating lease, which expire on various dates through 2017. Monthly rental payments are \$11,464.

Future minimum lease payments related to these leases as of June 30, 2013 are as follows:

| | | |
|------|----|----------------|
| 2014 | \$ | 139,794 |
| 2015 | | 140,677 |
| 2016 | | 56,349 |
| 2017 | | <u>22,607</u> |
| | \$ | <u>359,427</u> |

7. EMPLOYEE BENEFIT PLANS

401(K) DEFINED CONTRIBUTION PLAN

CCAF has a defined contribution plan covering all employees who meet the eligibility requirement. To be eligible the employees must be of 21 years of age and have completed 90 days of service. Retirement plan expenditures amounted to \$840,846 and \$834,597 for the year ended June 30, 2013 and June 30, 2012 respectively. CCAF has no ongoing financial obligations regarding the employees' individual retirement accounts.

457(B) DEFERRED COMPENSATION PLAN

The Organization has a deferred compensation agreement (the "Plan") under section 457 (B) of the Internal Revenue Code, with its executive employees. The Plan was effective as of December 14, 2011. The Plan requires that the participants account be credited with the required contribution as of the last day of each payroll period. Contributions totaled \$26,579 for the year ended June 30, 2013.

8. CONTINGENCIES

CCAF receives funds from the CPUC through a contract that is subject to review and audit by the CPUC. Although such audits could result in non compliance with contractual terms, the management does not anticipate any material non compliance with the contracts administered during the year.

9. GRANTS PAYABLE

Grants payable totaling \$592,995 and \$552,312 at June 30, 2013 and June 30, 2012 respectively consisted of approved grant commitments. As of June 30, 2013, based on specific grant agreements, amounts payable are expected to be paid in less than one year.

10. EVALUATION OF SUBSEQUENT EVENTS

CCAF reviewed the results of operations for the period of time from its year end June 30, 2013 through November 13, 2013, the date the financial statements were available to be issued and have determined that no adjustments are necessary to the amounts reported in the accompanying financial statements.

11. TOTAL EXPENSES

Expenses incurred were for:

| | | <u>Supporting Services Management and General</u> | <u>Total</u> | |
|----------------------------|-----------------------------|---|-----------------------------|-----------------------------|
| | <u>Program</u> | | <u>2013</u> | <u>2012</u> |
| Contract Captioning costs | \$ 40,421 | \$ | \$ 40,421 | \$ 35,090 |
| Contract Services costs | 1,033,751 | | 1,033,751 | 1,131,525 |
| Salaries and wages | 6,455,363 | 106,627 | 6,561,990 | 6,488,682 |
| Payroll taxes | 509,818 | 4,985 | 514,803 | 506,194 |
| Employee benefits | 2,667,287 | 133,074 | 2,700,361 | 2,593,856 |
| Agency | 170,658 | 36,797 | 207,455 | 67,397 |
| Payroll fees | | 21,243 | 21,243 | 20,101 |
| Communications service | | 12,986 | 12,986 | 9,002 |
| Grants | 1,087,840 | | 1,087,840 | 1,084,391 |
| Consulting | 40,055 | 55,974 | 96,029 | 48,762 |
| Insurance | | 18,873 | 18,873 | 13,037 |
| Professional fees | | 16,700 | 16,700 | 23,725 |
| Office expenses | | 138,795 | 138,795 | 247,137 |
| Investment management fees | | 207 | 207 | |
| Total expenses | \$ <u>12,005,193</u> | \$ <u>446,261</u> | \$ <u>12,451,454</u> | \$ <u>12,268,899</u> |