

**Audited Financial Statements**



June 30, 2018 and 2017

**Quigley & Miron**

**California Communications Access Foundation**  
**Audited Financial Statements**  
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**June 30, 2018 and 2017**

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Suite 1660  
3550 Wilshire Boulevard  
Los Angeles, California 90010

Telephone: (213) 639-3550  
Facsimile: (213) 639-3555

Suite 700  
1999 South Bascom Avenue  
Campbell, California 95008

Telephone: (408) 614-0100  
Facsimile: (213) 639-3555

## Independent Auditor's Report

Board of Directors  
**California Communications Access Foundation**  
Oakland, California

We have audited the accompanying financial statements of California Communications Access Foundation (CCAF), a nonprofit organization, which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of 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 entity'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 entity'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, 2018 and 2017, and the changes in its net assets and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Quigley & Miron". The signature is written in a cursive, flowing style.

Los Angeles, California  
November 29, 2018

**California Communications Access Foundation**  
**Statements of Financial Position**  
**June 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 5,308,439	\$ 7,152,057
Investments—Note 2	33,433,242	28,423,358
Accounts receivable	4,235,607	3,873,047
Prepays and deposits	125,942	126,635
	<u>43,103,230</u>	<u>39,575,097</u>
<b>Total Current Assets</b>	<b>43,103,230</b>	<b>39,575,097</b>
Property and equipment, net of accumulated depreciation of \$108,360 and \$95,829 at June 30, 2018 and 2017, respectively	190,936	141,510
	<u>190,936</u>	<u>141,510</u>
<b>Total Assets</b>	<b><u>\$ 43,294,166</u></b>	<b><u>\$ 39,716,607</u></b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 314,472	\$ 217,938
Grants payable—Note 5	495,375	481,448
Accrued payroll	894,947	849,993
Accrued vacation	712,505	605,594
Revolving fund	258,221	273,159
	<u>2,675,520</u>	<u>2,428,132</u>
<b>Total Current Liabilities</b>	<b>2,675,520</b>	<b>2,428,132</b>
Non Current Liabilities		
Grants payable—Note 5	168,425	
	<u>168,425</u>	
<b>Total Liabilities</b>	<b>2,843,945</b>	<b>2,428,132</b>
<b>Net Assets</b>		
Unrestricted		
Undesignated	6,120,411	7,684,790
Board-designated endowment funds	34,329,810	29,603,685
	<u>40,450,221</u>	<u>37,288,475</u>
<b>Total Unrestricted Net Assets</b>	<b>40,450,221</b>	<b>37,288,475</b>
<b>Total Net Assets</b>	<b>40,450,221</b>	<b>37,288,475</b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 43,294,166</u></b>	<b><u>\$ 39,716,607</u></b>

See notes to financial statements.

**California Communications Access Foundation**  
**Statements of Activities**  
**Years Ended June 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
<b>Revenues and Support</b>		
Contract revenue	\$ 16,795,070	\$ 16,433,312
Interest and dividend income	813,925	887,910
Investment gains	1,089,659	994,069
Other	1,680	
	<u>18,700,334</u>	<u>18,315,291</u>
<b>Expenses</b>		
Program services	14,750,548	14,054,748
Management and general	788,040	605,261
	<u>15,538,588</u>	<u>14,660,009</u>
	<b>Change in Net Assets</b>	<b>3,655,282</b>
	<b>3,161,746</b>	<b>3,655,282</b>
<b>Net Assets at</b>		
<b>Beginning of Year</b>	<u>37,288,475</u>	<u>33,633,193</u>
	<b>Net Assets at</b>	
	<b>End of Year</b>	<b>\$ 37,288,475</b>
	<u>\$ 40,450,221</u>	<u>\$ 37,288,475</u>

See notes to financial statements.

**California Communications Access Foundation**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2018**

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Salaries and wages	\$ 8,053,657	\$ 144,631	\$ 8,198,288
Payroll taxes	600,379	10,782	611,161
Employee benefits	3,201,064	51,306	3,252,370
<b>Total Payroll, Taxes, and Benefits</b>	<b>11,855,100</b>	<b>206,719</b>	<b>12,061,819</b>
Contract services costs	1,388,393		1,388,393
Grants	1,167,407		1,167,407
Office expenses		317,137	317,137
Agency staffing	245,754		245,754
Investment management fees		153,349	153,349
Consulting	51,507	13,630	65,137
Contract captioning costs	42,387		42,387
Insurance		32,155	32,155
Professional fees		26,775	26,775
Payroll fees		26,514	26,514
Communications service		11,761	11,761
<b>Total Expenses</b>	<b><u>\$ 14,750,548</u></b>	<b><u>\$ 788,040</u></b>	<b><u>\$ 15,538,588</u></b>

See notes to financial statements.

**California Communications Access Foundation**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2017**

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Salaries and wages	\$ 7,762,535	\$ 124,566	\$ 7,887,101
Payroll taxes	586,180	9,406	595,586
Employee benefits	3,144,028	42,649	3,186,677
<b>Total Payroll, Taxes, and Benefits</b>	<b>11,492,743</b>	<b>176,621</b>	<b>11,669,364</b>
Contract services costs	1,324,983		1,324,983
Grants	987,634		987,634
Office expenses		203,497	203,497
Agency staffing	140,627		140,627
Investment management fees		128,390	128,390
Consulting	66,445	10,419	76,864
Contract captioning costs	42,316		42,316
Insurance		31,571	31,571
Payroll fees		24,072	24,072
Professional fees		18,492	18,492
Communications service		12,199	12,199
<b>Total Expenses</b>	<b>\$ 14,054,748</b>	<b>\$ 605,261</b>	<b>\$ 14,660,009</b>

See notes to financial statements.

**California Communications Access Foundation**  
**Statements of Cash Flow**  
**Years Ended June 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 3,161,746	\$ 3,655,282
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	12,531	12,866
Realized and unrealized investment gains	(1,089,659)	(994,069)
(Increase) decrease in operating assets:		
Accounts receivable	(362,560)	(278,517)
Prepays and deposits	693	106,051
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	96,534	15,744
Grants payable	182,352	34,420
Accrued payroll	44,954	139,179
Accrued vacation	106,911	14,502
Revolving fund	(14,938)	45,788
<b>Net Cash Provided by Operating Activities</b>	<b>2,138,564</b>	<b>2,751,246</b>
<b>Cash Flows from Investing Activities</b>		
Purchases of equipment	(61,957)	(128,666)
Purchase of investments	(4,063,925)	(3,865,615)
Proceeds from sale of investments	143,700	808,717
<b>Net Cash Used in Investing Activities</b>	<b>(3,982,182)</b>	<b>(3,185,564)</b>
<b>Decrease in Cash and Cash Equivalents</b>	<b>(1,843,618)</b>	<b>(434,318)</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>7,152,057</b>	<b>7,586,375</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b><u>\$ 5,308,439</u></b>	<b><u>\$ 7,152,057</u></b>
<b>Supplemental Disclosures</b>		
Income taxes paid	<u>\$</u>	<u>\$</u>
Interest paid	<u>\$</u>	<u>\$</u>

See notes to financial statements.

**California Communications Access Foundation**  
**Notes to Financial Statements**  
**June 30, 2018 and 2017**

**Note 1—Organization and Summary of Significant Accounting Policies**

Organization—California Communications Access Foundation (CCAF) is a non-profit corporation incorporated on March 19, 2002. The mission and purpose of CCAF is to aid individuals within the deaf and disabled communities in California 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.

Financial Statement Presentation—The accompanying financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. CCAF reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. At June 30, 2018 and 2017, CCAF had no temporarily or permanently restricted net assets.

It is the policy of CCAF to record restricted support as unrestricted support where the donor-restrictions have been satisfied within the reporting period.

Income Taxes—CCAF is a nonprofit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (Code) and Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision for income taxes is included in the financial statements. In addition, CCAF has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code.

Accounting standards require an organization to evaluate its tax positions and provide for a liability for any positions that would not be considered 'more likely than not' to be upheld under a tax authority examination. Management has evaluated its tax positions and has concluded that a provision for a tax liability is not necessary at June 30, 2018 and 2017. Generally, CCAF's information returns remain open for examination for a period of three (federal) or four (state of California) years from the date of filing.

Recently Adopted Accounting Principle—In May 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2015-07 (ASU 2015-07), *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent)*. The amendment removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value (NAV) per share as a practical expedient. CCAF has adopted ASU 2015-07 for the year ended June 30, 2018, however, the retrospective approach requires that an investment for which fair value is measured using NAV as a practical expedient be removed from the fair value hierarchy in all periods presented in the financial statements.

**California Communications Access Foundation**  
**Notes to Financial Statements—Continued**

**Note 1—Organization and Summary of Significant Accounting Policies—Continued**

Cash and Cash Equivalents—CCAF considers all highly liquid investments with a maturity of three months or less to be cash equivalents. Cash consists of balances in checking and savings accounts and money market funds at banks.

CCAF has a revolving fund established for the sole purpose of paying for the monthly expenses of the California Public Utilities Commission (CPUC) Deaf and Disabled Telecommunications Program. Interest earned, if any, accrues for the sole benefit of 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.

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 in marketable securities are stated at fair value as determined by the custodian. Purchases and sales of securities are recorded on the trade date. Dividend income is recorded based on the ex-dividend date. Interest income is recorded as earned on an accrual basis. Unrealized gains and losses are included in the statement of activities and represent the difference between the cost and current market quotations of investments held at the end of the year. Realized gains and losses on the disposition of securities are determined using the first in, first out (FIFO) method of accounting. The investment portfolio is diversified and is comprised of equity and fixed income securities, mutual funds, and certificates of deposit. Individual stock holdings are actively traded on national exchanges.

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. The capitalization policy was increased to \$5,000 for the year ended June 30, 2018.

Accrued Vacation and Sick Leave—Accumulated unpaid employee vacation leave benefits are recognized as liabilities, in accordance with 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.

Concentration of Credit Risk—Financial instruments which potentially subject the CCAF to concentrations of credit risk consist of cash, marketable securities, money market funds, mutual funds, and accounts receivables.

CCAF places its cash and cash equivalents with two high credit quality financial institutions where the funds are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution. At times, such cash and cash equivalent balances are in excess of the FDIC insurance limits. Management regularly reviews the financial stability of its cash and cash equivalents depositories and deems the risk of loss due to these concentrations to be minimal. Cash is also held by CCAF's investment custodian in money market funds which are not insured by Federal Deposit Insurance Corporation.

**California Communications Access Foundation**  
**Notes to Financial Statements—Continued**

**Note 1—Organization and Summary of Significant Accounting Policies—Continued**

CCAF's marketable equity and debt securities and mutual funds are supervised by CCAF's Board of Directors, which, in consultation with professional investment advisors, determines the investment assets allocation of the investment portfolio in accordance with a board-approved investment policy. CCAF's management has assessed the credit risk associated with its marketable equity and debt securities, and mutual funds held at June 30, 2018 and 2017, and has determined that an allowance for potential losses due to credit risk in the investment portfolio is not necessary.

Cash held in investment accounts at investment custodians are insured by the Securities Investors Protection Corporation (SIPC) up to \$250,000 and the investments in securities are insured up to \$500,000. At times, such balances are in excess of SIPC coverage limits.

Accounts receivable represent revenues earned from a government contract but not collected as of June 30, 2018 and 2017. CCAF has determined that no allowance for potential losses due to uncollectible receivables was necessary at June 30, 2018 and 2017 as all such contract receivables are fully collected within three months of year-end.

Contract Revenue—Revenue from government contracts is recognized either when expenses are incurred or when services are provided.

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

Functional Expenses—The costs of providing the various program and supporting activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated between the program services and supporting services benefitted, based on actual labor hours incurred with respect to the various programs and support services. Functional expenses have been allocated between program services, management and general, and fundraising expenses, based on an analysis of personnel time utilized for the related activities.

Use of Estimates—The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassifications—Certain amounts in 2017 have been reclassified to conform with the 2018 financial statement presentation.

**California Communications Access Foundation**  
**Notes to Financial Statements—Continued**

**Note 2—Investments**

Investment securities are reported in the financial statements at fair value and consist of the following at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Equity mutual funds	\$ 10,857,217	\$ 9,770,608
Equity securities	6,771,428	5,947,077
Bond mutual funds	5,784,626	4,788,930
Corporate bonds and notes	3,751,756	3,201,207
US agencies	2,675,586	1,954,772
Exchange traded funds	2,072,798	1,550,492
Foreign bonds	1,121,115	759,654
Municipal bonds	232,748	165,664
US government bonds and notes	127,568	244,454
Publically traded limited partnerships	38,400	40,500
<b>Total</b>	<b><u>\$ 33,433,242</u></b>	<b><u>\$ 28,423,358</u></b>

Investment returns for the years ended June 30, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Interest and dividend income	\$ 813,925	\$ 887,910
Investment gains	1,089,659	994,069
Investment fees	(153,349)	(128,390)
<b>Total Investment Returns</b>	<b><u>\$ 1,750,235</u></b>	<b><u>\$ 1,753,589</u></b>

Investment management fees are included in the statement of functional expenses.

**Note 3—Fair Value Measurements**

In determining the fair value of assets and liabilities, CCAF utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. CCAF determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are characterized in one of the following levels:

Level 1—Unadjusted quoted prices in active markets for identical assets or liabilities accessible to CCAF at the measurement date.

Level 2—Valuations based on observable inputs (other than Level 1), such as quoted prices for similar assets at the measurement date, quoted prices in markets that are not active, or other inputs that are observable, either directly or indirectly.

Level 3—Valuations based on inputs that are unobservable and significant to the overall fair value measurement, and involve management judgment.

**California Communications Access Foundation**  
**Notes to Financial Statements—Continued**

**Note 3—Fair Value Measurements—Continued**

CCAF may utilize a practical expedient for the estimation of the fair value of investments in investment companies for which the investment does not have a readily determinable fair value. The practical expedient used by CCAF to value private investments is the Net Asset Value (NAV) per share, or its equivalent. In some instances, the NAV may not equal the fair value that would be calculated under fair value accounting standards. CCAF had no assets or liabilities classified at NAV as a practical expedient during the years ended June 30, 2018 and 2017.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2018 and 2017.

Common stocks and preferred stocks—valued at the closing price reported on the market on which the individual securities are traded.

Mutual funds—valued at the daily closing price as reported by the fund. Mutual funds held by CCAF are open-ended mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds held by CCAF are deemed to be actively traded.

Certificates of deposit—fair value of certificates of deposit is estimated by discounting future cash flows at the currently offered rate for deposits of similar remaining maturities.

US Government bonds and notes, US agencies, corporate bonds and notes, foreign bonds, and municipal bonds—are all valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

**California Communications Access Foundation**  
**Notes to Financial Statements—Continued**

**Note 3—Fair Value Measurements—Continued**

Fair values of assets measured on a recurring basis at June 30, 2018 are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<b>Investments</b>				
Equity mutual funds	\$ 10,857,217	\$ 10,857,217	\$	\$
Equity securities	6,771,428	6,771,428		
Bond mutual funds	5,784,626	5,784,626		
Corporate bonds and notes	3,751,756		3,751,756	
US agencies	2,675,586		2,675,586	
Exchange traded funds	2,072,798	2,072,798		
Foreign bonds	1,121,115		1,121,115	
Municipal bonds	232,748		232,748	
US government bonds and notes	127,568		127,568	
Publicly traded limited partnerships	38,400	38,400		
<b>Total</b>	<b>\$ 33,433,242</b>	<b>\$ 25,524,469</b>	<b>\$ 7,908,773</b>	<b>\$</b>

Fair values of assets measured on a recurring basis at June 30, 2017 are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<b>Investments</b>				
Equity mutual funds	\$ 9,770,608	\$ 9,770,608	\$	\$
Equity securities	5,947,077	5,947,077		
Bond mutual funds	4,788,930	4,788,930		
Corporate bonds and notes	3,201,207		3,201,207	
US agencies	1,954,772		1,954,772	
Exchange traded funds	1,550,492	1,550,492		
Foreign bonds	759,654		759,654	
Municipal bonds	165,664		165,664	
US government bonds and notes	244,454		244,454	
Publicly traded limited partnerships	40,500	40,500		
<b>Total</b>	<b>\$ 28,423,358</b>	<b>\$ 22,097,607</b>	<b>\$ 6,325,751</b>	<b>\$</b>

**California Communications Access Foundation**  
**Notes to Financial Statements—Continued**

**Note 4—Concentrations**

CCAF receives substantially all of 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.

**Note 5—Grants Payable**

Grants payable totaling \$663,800 and \$481,448 at June 30, 2018 and 2017, respectively, consisted of approved grant commitments. As of June 30, 2018, based on specific grant agreements, amounts payable are expected to be paid as follows:

<u>Year Ending June 30,</u>	
2019	\$ 495,375
2020	139,625
2021	28,800
<b>Total</b>	<b>\$ <u>663,800</u></b>

**Note 6—Lease Commitments**

CCAF maintains office space located in Oakland, California under a lease agreement which expired on September 30, 2018. On November 6, 2018 the lease was extended to January 31, 2019. CCAF also leases fleet vehicles and office equipment under lease agreements that expire on various dates through 2022.

Future minimum lease payments related to these leases as of June 30, 2018 are as follows:

<u>Year Ending June 30,</u>	
2019	\$ 521,894
2020	260,406
2021	143,191
2022	64,315
2023	7,152
<b>Total</b>	<b>\$ <u>996,958</u></b>

**Note 7—Employee Benefit Plans**

CCAF has a 401(k) 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 \$1,075,922 and \$1,041,964, respectively, for the years ended June 30, 2018 and 2017. CCAF has no ongoing financial obligations regarding the

**California Communications Access Foundation**  
**Notes to Financial Statements—Continued**

**Note 7—Employee Benefit Plans—Continued**

employees' individual retirement accounts.

CCAF has a deferred compensation agreement (Plan), under section 457(b) of the Internal Revenue Code, for its executive employees. The Plan was effective as of December 14, 2011. The Plan requires that the participant's account be credited with the required contribution as of the last day of each payroll period. Contributions totaled \$43,148 and \$40,408, respectively, for the years ended June 30, 2018 and 2017.

**Note 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.

**Note 9—Board-Designated Endowment Funds**

On November 13, 2014, the Board of Directors approved the creation of a board-designated endowment fund for the purpose of making grants, providing consultants and educational opportunities to grantees, and conducting meetings and events, all in furtherance of CCAF's exempt mission. In accordance with generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law—The Board of Director's interpretation of the law that underlies CCAF's net asset classification of donor restricted endowment funds requires the preservation of the fair value of the original gift. As a result of this interpretation, CCAF classifies as board-designated endowment net assets (i) net assets, in amounts determined by the Board, that are not subject to any donor-imposed restrictions, and (ii) accumulation of investment earnings and/or losses to the board-designated endowment in accordance with board designations.

CCAF considers all earnings and/or losses on board-designated endowment funds as accumulations to the board-designated endowment fund. The Board may also, at its sole and absolute discretion, remove net assets from the board-designated endowment.

In deciding on the proper treatment of the endowed funds, CCAF considers the following factors in making a determination to appropriate or accumulate endowment funds:

1. The purpose of CCAF;
2. The long-term and short-term needs of CCAF in carrying out its purposes;
3. The general economic conditions;
4. The possible effect of inflation or deflation;
5. The other resources of CCAF; and
6. Perpetuation of the endowment.

**California Communications Access Foundation**  
**Notes to Financial Statements—Continued**

**Note 9—Board-Designated Endowment Funds—Continued**

Investment Objectives and Strategies—CCAF has adopted an investment policy for investing endowment assets. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner to maximize return within reasonable and prudent levels of risk, and with proper monitoring and assessment of associated costs; follow an investment policy based on total return, not yield; and realize sufficient total return to help support a broad level of programs and services as discussed previously. To achieve these objectives, CCAF follows an asset diversification plan, sets performance benchmarks for investments managers, and has established various asset quality and limitation thresholds.

Spending Policy—CCAF has adopted a spending policy that authorizes an annual distribution equal to 10% of the market value of the portfolio. The Board reserves the sole discretion to amend the foregoing spending guideline for the fund from time to time.

Board-designated endowment assets consist of the following at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Equity mutual funds	\$ 10,857,217	\$ 9,770,608
Equity securities	6,771,428	5,947,077
Bond mutual funds	5,784,626	4,788,930
Corporate bonds and notes	3,751,756	3,201,207
US agencies	2,675,586	1,954,772
Exchange traded funds	2,072,798	1,550,492
Foreign bonds	1,121,115	759,654
Cash	896,568	1,180,327
Municipal bonds	232,748	165,664
US government bonds and notes	127,568	244,454
Publicly traded limited partnerships	38,400	40,500
<b>Totals</b>	<b><u>\$ 34,329,810</u></b>	<b><u>\$ 29,603,685</u></b>

The following is a summary of CCAF's endowment fund activity for the year ended June 30, 2018:

<b>Endowment Net Assets</b>	
<b>at July 1, 2017</b>	<b>\$ 29,603,685</b>
Board-designated net asset additions	4,000,000
Investment income, net of expenses of \$153,349	1,891,914
Appropriation of board-designated endowment assets for expenditure	(1,165,789)
<b>Endowment Net Assets</b>	
<b>at June 30, 2018</b>	<b><u>\$ 34,329,810</u></b>

**California Communications Access Foundation**  
**Notes to Financial Statements—Continued**

**Note 9—Board-Designated Endowment Funds—Continued**

The following is a summary of CCAF’s endowment fund activity for the year ended June 30, 2017:

<b>Endowment Net Assets</b>	
<b>at July 1, 2016</b>	<b>\$ 24,850,726</b>
Board-designated net asset additions	4,000,000
Investment income, net of expenses of \$128,390	1,869,571
Appropriation of board-designated endowment assets for expenditure	<u>(1,116,612)</u>
<b>Endowment Net Assets</b>	
<b>at June 30, 2017</b>	<b><u>\$ 29,603,685</u></b>

**Note 10—Recent Accounting Pronouncements**

Leases—In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, which requires organizations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statement of financial position for leases with terms exceeding 12 months. ASU No. 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. ASU No. 2016-02 is effective for fiscal years beginning after December 15, 2018, with early adoption permitted. CCAF is currently evaluating the impact that the adoption of ASU 2016-02 will have on its financial statements.

Net Assets Presentation—In August 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, which is intended to improve how a not-for-profit entity classifies its net assets, as well as the information it presents in its financial statements about its liquidity and availability of resources, expenses and investment returns, and cash flows. The guidance replaces the three classes of net assets currently presented on the statement of financial position with two new classes of net assets, which are based on the existence or absence of donor-imposed restrictions. ASU No. 2016-14 includes specific disclosure requirements intended to improve a financial statement user’s ability to assess an entity’s available financial resources, along with its management of liquidity and liquidity risk. The guidance requires all not-for-profit entities to present expenses by both their natural and functional classification in a single location in the financial statements. ASU No. 2016-14 is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. CCAF is currently evaluating the impact that the adoption of ASU 2016-14 will have on its financial statements.

Revenue Recognition—In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*, which supersedes most of the current revenue recognition requirements. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of time value of money in the

**California Communications Access Foundation**  
**Notes to Financial Statements—Continued**

**Note 10—Recent Accounting Pronouncements—Continued**

transaction price and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The guidance also requires enhanced disclosures regarding the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers. ASU No. 2014-09 is effective for fiscal years beginning after December 15, 2017; early adoption is not permitted. The guidance permits the use of either a retrospective or cumulative effect transition method. CCAF is evaluating whether this will have a material impact on its financial statements.

**Note 11—Subsequent Events**

Management evaluated all activities of California Communications Access Foundation through November 29, 2018, which is the date the financial statements were available to be issued, and concluded that no other material subsequent events have occurred that would require adjustment to the financial statements or disclosure in the notes to the financial statements.