

Audited Financial Statements



June 30, 2020 and 2019

Quigley & Miron

California Communications Access Foundation
Audited Financial Statements
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June 30, 2020 and 2019

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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, 2020 and 2019, 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, 2020 and 2019, 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 "Ziegler & Miron". The signature is written in a cursive, flowing style.

Los Angeles, California
November 19, 2020

California Communications Access Foundation
Statements of Financial Position
June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Current assets		
Cash and cash equivalents—Note 2	\$ 6,093,103	\$ 5,087,607
Board-designated endowment fund restricted cash	1,593,657	693,595
Revolving fund restricted cash	278,114	196,645
Investments—Note 3	34,616,718	36,225,143
Accounts receivable	3,680,959	3,833,115
Prepays and deposits	138,321	245,133
Total Current Assets	46,400,872	46,281,238
Property and equipment, net of accumulated depreciation of \$169,192 and \$129,645 at June 30, 2020 and 2019, respectively	340,346	232,184
Total Assets	\$ 46,741,218	\$ 46,513,422
Liabilities and Net Assets		
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	\$ 359,056	\$ 365,275
Grants payable—Note 6	87,100	559,700
Accrued payroll	1,114,679	921,352
Accrued vacation	864,856	756,000
Revolving fund	278,114	196,645
Total Current Liabilities	2,703,805	2,798,972
Grants payable—Note 6	29,100	59,600
Total Liabilities	2,732,905	2,858,572
Net Assets		
Without donor restrictions		
Undesignated	7,797,938	6,736,112
Board-designated endowment funds	36,210,375	36,918,738
Total Net Assets	44,008,313	43,654,850
Total Liabilities and Net Assets	\$ 46,741,218	\$ 46,513,422

See notes to financial statements.

California Communications Access Foundation
 Statements of Activities
 Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Net Assets Without Donor Restrictions		
Operating Activities		
Revenues and support		
Contract revenue	\$ 16,230,331	\$ 16,390,171
Interest and dividend income	1,071,255	944,776
Other	5,335	10,616
	<u>17,306,921</u>	<u>17,345,563</u>
Total Revenues and Support	17,306,921	17,345,563
Expenses		
Program services	16,065,978	15,215,480
Management and general	948,692	601,414
	<u>17,014,670</u>	<u>15,816,894</u>
Total Expenses	17,014,670	15,816,894
Change in Net Assets From Operations	292,251	1,528,669
Nonoperating Activities		
Investment return, net	61,212	1,675,960
	<u>61,212</u>	<u>1,675,960</u>
Total Nonoperating Activities	61,212	1,675,960
Change in Net Assets	353,463	3,204,629
Net Assets at Beginning of Year	<u>43,654,850</u>	<u>40,450,221</u>
Net Assets of End of Year	<u>\$ 44,008,313</u>	<u>\$ 43,654,850</u>

See notes to financial statements.

California Communications Access Foundation
Statement of Functional Expenses
Year Ended June 30, 2020

	<u>Program Services</u>				
	<u>Communications Services</u>	<u>Grant Making Activities</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Total</u>
Salaries and wages	\$ 8,829,057	\$ 178,685	\$ 9,007,742	\$ 204,361	\$ 9,212,103
Payroll taxes	642,783		642,783	14,583	657,366
Employee benefits	3,377,510	73,261	3,450,771	62,989	3,513,760
Total Payroll, Taxes, and Benefits	12,849,350	251,946	13,101,296	281,933	13,383,229
Agency staffing	172,844		172,844		172,844
Communications service	82,135	2,684	84,819	13,142	97,961
Consulting	7,187	450	7,637	199,845	207,482
Contract captioning costs	25,493		25,493		25,493
Depreciation				39,547	39,547
Fleet expenses	675,342		675,342		675,342
Grants	12,900	1,303,248	1,316,148		1,316,148
Insurance				35,704	35,704
Office expenses				26,758	26,758
Office rent				185,748	185,748
Payroll fees				29,872	29,872
Professional fees	39,235		39,235	113,912	153,147
Software, equipment and furniture	74,491	6,989	81,480		81,480
Supplies	126,209	284	126,493	11,575	138,068
Telephone	275,378	321	275,699		275,699
Training expenses	38,733	7,493	46,226		46,226
Travel	112,551	715	113,266	10,656	123,922
Total Expenses	<u>\$ 14,491,848</u>	<u>\$ 1,574,130</u>	<u>\$ 16,065,978</u>	<u>\$ 948,692</u>	<u>\$ 17,014,670</u>

See notes to financial statements.

California Communications Access Foundation
Statement of Functional Expenses
Year Ended June 30, 2019

	<u>Program Services</u>				
	<u>Communications Services</u>	<u>Grant Making Activities</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Total</u>
Salaries and wages	\$ 8,455,091	\$ 184,151	\$ 8,639,242	\$ 163,470	\$ 8,802,712
Payroll taxes	637,656		637,656	11,350	649,006
Employee benefits	3,220,010	62,611	3,282,621	52,000	3,334,621
Total Payroll, Taxes, and Benefits	12,312,757	246,762	12,559,519	226,820	12,786,339
Agency staffing	174,657		174,657		174,657
Communications service	33,937	12,624	46,561	21,220	67,781
Consulting		910	910	27,564	28,474
Contract captioning costs	41,180		41,180		41,180
Depreciation				21,285	21,285
Fleet expenses	714,930		714,930		714,930
Grants	22,528	966,650	989,178		989,178
Insurance				33,501	33,501
Office expenses	8,094		8,094	46,915	55,009
Office rent				109,696	109,696
Payroll fees				26,113	26,113
Professional fees	50,273		50,273	41,222	91,495
Software, equipment and furniture	4,049		4,049	13,186	17,235
Supplies	139,371		139,371		139,371
Telephone	260,775		260,775		260,775
Training expenses	89,504		89,504	20,806	110,310
Travel	124,473	12,006	136,479	13,086	149,565
Total Expenses	\$ 13,976,528	\$ 1,238,952	\$ 15,215,480	\$ 601,414	\$ 15,816,894

See notes to financial statements.

California Communications Access Foundation
Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 353,463	\$ 3,204,629
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	39,547	21,285
Realized and unrealized investment gains	(226,610)	(1,837,917)
(Increase) decrease in operating assets:		
Accounts receivable	152,156	402,492
Prepays and deposits	106,812	(119,191)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(6,219)	50,803
Grants payable	(503,100)	(44,500)
Accrued payroll	193,327	26,405
Accrued vacation	108,856	43,495
Revolving fund	81,469	(61,576)
Net Cash Provided by Operating Activities	299,701	1,685,925
Cash Flows from Investing Activities		
Purchase of fixed assets	(147,709)	(62,533)
Purchase of investments	(24,000,849)	(10,398,104)
Proceeds from sale of investments	25,835,884	9,444,120
Net Cash Provided by (Used in) Investing Activities	1,687,326	(1,016,517)
Cash Flows from Financing Activities		
Proceeds from PPP loan	1,712,250	
Repayment of PPP loan	(1,712,250)	
Net Cash Provided by Financing Activities		
Increase in Cash and Cash Equivalents, and Restricted Cash	1,987,027	669,408
Cash and Cash Equivalents, and Restricted Cash at Beginning of Year	5,977,847	5,308,439
Cash and Cash Equivalents, and Restricted Cash at End of Year	\$ 7,964,874	\$ 5,977,847
Supplemental Disclosures		
Income taxes paid	\$ 6,327	\$ 4,873
Interest paid	\$ 657	\$

See notes to financial statements.

California Communications Access Foundation
Notes to Financial Statements
June 30, 2020 and 2019

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 financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. CCAF's net assets are classified based on the existence or absence of donor-imposed restrictions. As such, the net assets of CCAF and changes therein are presented and reported as follows:

Net assets without donor restrictions—Net assets that are not subject to donor-imposed stipulations and that may be expended for any purpose in performing the primary objectives of CCAF. These net assets may be used at the discretion of CCAF's management and the board of directors.

Net assets with donor restrictions—Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; such restrictions that may or will be met either by actions of CCAF and/or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity. Generally, the donors of such assets permit CCAF to use all or part of the income earned on related investments for general or specific purposes.

Donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restriction. When a time restriction expires or a purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions.

Measure of Operations—The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of CCAF's program services; and interest and dividends earned on investments. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

California Communications Access Foundation
Notes to Financial Statements—Continued

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

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. During the years ended June 30, 2020 and 2019, CCAF paid \$6,427 and \$4,873, respectively in unrelated business income taxes for employer paid parking on behalf of employees. The applicable law was repealed on December 20, 2019. CCAF recorded a receivable of \$11,300 for the amount to be refunded at June 30, 2020. 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, 2020 and 2019. 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.

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.

Restricted Cash—Restricted cash represents CCAF’s cash portion of its board-designated endowment fund. The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statement of financial position to the cash, cash equivalents, and restricted cash total shown in the statement of cash flows at June 30, 2020 and 2019.

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 6,093,103	\$ 5,087,607
Board-designated endowment fund restricted cash	1,593,657	693,595
Revolving fund restricted cash	278,114	196,645
Totals	<u><u>\$ 7,964,874</u></u>	<u><u>\$ 5,977,847</u></u>

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.

California Communications Access Foundation
Notes to Financial Statements—Continued

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

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 within investment returns, net in the statement of activities (see Note 3), 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 \$5,000.

Depreciation expense for the years ended June 30, 2020 and 2019 totaled \$39,547 and \$21,285, respectively.

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 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 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.

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, 2020 and 2019, and has determined that an allowance for potential losses due to credit risk in the investment portfolio is not necessary.

California Communications Access Foundation
Notes to Financial Statements—Continued

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

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, 2020 and 2019. CCAF has determined that no allowance for potential losses due to uncollectible receivables was necessary at June 30, 2020 and 2019 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 services have been summarized on a functional basis in the statement of activities. Accordingly, all costs are charged directly to the natural and functional expense categories. The bases for the functional allocation of expenses are as follows:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries	Time and effort
Employee benefits	Time and effort
Payroll taxes	Time and effort
Agency staffing	Time and effort
Communications service	Time and effort
Consulting	Time and effort
Contract captioning costs	Time and effort
Depreciation	Square footage
Fleet expenses	Square footage
Grants	Time and effort
Insurance	Square footage
Office expenses	Time and effort
Office rent	Square footage
Payroll fees	Time and effort
Professional fees	Time and effort
Software, equipment and furniture	Square footage
Supplies	Time and effort
Telephone	Square footage
Training expenses	Time and effort
Travel	Time and effort

California Communications Access Foundation
Notes to Financial Statements—Continued

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

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 2019 have been reclassified to conform with the 2020 financial statement presentation.

Recently Adopted Accounting Principle—In November 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards update (ASU) No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. ASU 2016-18 clarifies how entities should present restricted cash and restricted cash equivalents in the statement of cash flows. The guidance requires entities to present the change in restricted cash and restricted cash equivalents with cash and cash equivalents to reconcile amounts on the balance sheet to the statement of cash flows. Entities will be required to disclose the nature of the restrictions, as well as reconcile the totals in the statement of cash flows to cash, cash equivalents, restricted cash, and restricted cash equivalents on the balance sheet when these are shown in more than one line item. The CCAF elected to adopt ASU No. 2016-18 on a retrospective basis for the year ended June 30, 2020 and has adjusted the presentation of these statements accordingly.

Note 2—Availability and Liquidity

The following represents the availability and liquidity of CCAF’s financial assets at June 30, 2020 to cover operating expenses for the next fiscal year:

Cash and cash equivalents	\$ 6,093,103
Accounts receivable	3,680,959
	<hr/>
Total	\$ 9,774,062

CCAF’s goal is generally to maintain financial assets to meet at least 90 days of general operating expenses which are estimated to be \$3,925,000. CCAF has access to a \$3,000,000 line of credit to be used for working capital purposes. The Board-designated endowment, which has assets totaling \$36,210,375, is intended by the Board of Directors policy to be used 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.

California Communications Access Foundation
Notes to Financial Statements—Continued

Note 3—Investments

Investment securities are reported in the financial statements at fair value and consist of the following at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Exchange traded funds	\$ 12,589,996	\$ 5,190,372
Equity securities	6,544,984	7,698,944
Equity mutual funds	6,186,139	8,484,544
Corporate bonds and notes	3,750,701	3,076,162
Municipal bonds	2,729,166	1,551,409
US government bonds and notes	1,276,518	1,583,274
Foreign bonds	1,102,658	656,625
Bond mutual funds	395,446	6,121,202
Publically traded limited partnerships	41,110	42,940
US agencies		1,819,671
Totals	<u>\$ 34,616,718</u>	<u>\$ 36,225,143</u>

Return on investments for the years ended June 30, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Realized and unrealized gain on investments	\$ 226,610	\$ 1,837,917
Investment fees	(165,398)	(161,957)
Investment Return, Net	61,212	1,675,960
Interest and dividend income	1,071,255	944,776
Total Return on Investments	<u>\$ 1,132,467</u>	<u>\$ 2,620,736</u>

Note 4—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.

California Communications Access Foundation
Notes to Financial Statements—Continued

Note 4—Fair Value Measurements—Continued

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

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, 2020 and 2019.

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, 2020 and 2019.

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

Mutual funds and exchange traded funds—valued at the daily closing price as reported by the fund. Mutual funds and exchange traded funds held by CCAF are open-ended 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. Mutual funds and exchange traded 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.

U.S. Government bonds and notes, U.S. 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 4—Fair Value Measurements—Continued

Fair values of assets measured on a recurring basis at June 30, 2020 are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments				
Exchange traded funds	\$ 12,589,996	\$ 12,589,996	\$	\$
Equity securities	6,544,984	6,544,984		
Equity mutual funds	6,186,139	6,186,139		
Corporate bonds and notes	3,750,701		3,750,701	
Municipal bonds	2,729,166		2,729,166	
US government bonds and notes	1,276,518		1,276,518	
Foreign bonds	1,102,658		1,102,658	
Bond mutual funds	395,446	395,446		
Publicly traded limited partnerships	41,110	41,110		
Totals	<u>\$ 34,616,718</u>	<u>\$ 25,757,675</u>	<u>\$ 8,859,043</u>	<u>\$</u>

Fair values of assets measured on a recurring basis at June 30, 2019 are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments				
Exchange traded funds	\$ 5,190,372	\$ 5,190,372	\$	\$
Equity securities	7,698,944	7,698,944		
Equity mutual funds	8,484,544	8,484,544		
Corporate bonds and notes	3,076,162		3,076,162	
Municipal bonds	1,551,409		1,551,409	
US government bonds and notes	1,583,274		1,583,274	
Foreign bonds	656,625		656,625	
Bond mutual funds	6,121,202	6,121,202		
Publicly traded limited partnerships	42,940	42,940		
US agencies	1,819,671		1,819,671	
Totals	<u>\$ 36,225,143</u>	<u>\$ 27,538,002</u>	<u>\$ 8,687,141</u>	<u>\$</u>

California Communications Access Foundation
Notes to Financial Statements—Continued

Note 5—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 6—Grants Payable

Grants payable totaling \$116,200 and \$619,300 at June 30, 2020 and 2019, respectively, consisted of approved grant commitments. As of June 30, 2020, based on specific grant agreements, amounts payable are expected to be paid as follows:

<u>Year Ending June 30,</u>		
2021	\$	87,100
2022		<u>29,100</u>
Total	\$	<u>116,200</u>

Note 7—Lease Commitments

CCAF maintains office space located in Oakland, California under a lease agreement at 1 Kaiser Plaza which was effective on May 19, 2019. The lease term is for 60 months. CCAF also leases fleet vehicles and office equipment under lease agreements that expire on various dates through 2024.

Future minimum lease payments related to these leases as of June 30, 2020 are as follows:

<u>Year Ending June 30,</u>	<u>Office</u>	<u>Fleet</u>	<u>Equipment</u>	<u>Total</u>
2021	\$ 175,636	\$ 344,271	\$ 26,729	\$ 546,636
2022	180,751	301,351	11,285	493,387
2023	186,208	229,026	9,881	425,115
2024	192,005	56,350	7,389	255,744
Total	<u>\$ 734,600</u>	<u>\$ 930,998</u>	<u>\$ 55,284</u>	<u>\$ 1,720,882</u>

California Communications Access Foundation
Notes to Financial Statements—Continued

Note 8—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 \$1,138,399 and \$1,092,248 respectively, for the years ended June 30, 2020 and 2019. CCAF has no ongoing financial obligations regarding the 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 \$42,021 and \$59,351, respectively, for the years ended June 30, 2020 and 2019.

Note 9—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 10—Line of Credit

On November 7, 2018, CCAF entered into a line of credit agreement with City National Bank, which allows for maximum borrowings of \$3,000,000. Interest is at the higher of 2.5% or Prime minus 1%. The line of credit matures annually and has been renewed to January 14, 2021. At June 30, 2020, there were no outstanding borrowings against the line of credit.

Note 11—SBA PPP Loan

On April 19, 2020, CCAF received a \$1,712,250 loan from the Small Business Administration (SBA) through the Paycheck Protection Program (PPP). After receipt of the loan proceeds CCAF determined the loan was not necessary for CCAF to continue operations, therefore a decision was made to repay the loan, in its entirety plus interest of \$657 on May 12, 2020.

Note 12—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.

CCAF's board-designated endowment is subject to the requirements of the Uniform Prudent Management Institutional Act (UPMIFA) adopted by the State of California. CCAF classifies as board-designated endowment net assets (i) net assets, in amounts determined by the Board, that are not subject

California Communications Access Foundation
Notes to Financial Statements—Continued

Note 12—Board-Designated Endowment Funds—Continued

to any donor-imposed restrictions, and (ii) accumulation of investment earnings and/or losses to the board-designated endowment in accordance with board designations.

In accordance with UPMIFA, CCAF considered the following factors in making a determination to appropriate or accumulate endowment funds:

1. The duration and preservation of the fund;
2. The general economic conditions;
3. The possible effect of inflation or deflation;
4. The expected total return from income and appreciation of investments;
5. The other resources of CCAF; and
6. The investment policies of CCAF.

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—In 2014, CCAF adopted a spending policy that authorizes an annual distribution up to 10% of the market value of the portfolio. In 2020, the Board adopted a new process involving an annual Board resolution to authorize grant spending not to exceed 5% of the market value of the portfolio. The Board also authorizes annual spending for operating the grant program which does not have a limit.

Board-designated endowment assets consist of the following at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Equity mutual funds	\$ 12,589,996	\$ 8,484,544
Equity securities	6,544,984	7,698,944
Bond mutual funds	6,186,139	6,121,202
Exchange traded funds	3,750,701	5,190,372
Corporate bonds and notes	2,729,166	3,076,162
Cash	1,593,657	693,595
US agencies	1,276,518	1,819,671
US government bonds and notes	1,102,658	1,583,274
Municipal bonds	395,446	1,551,409
Foreign bonds	41,110	656,625
Publicly traded limited partnerships		42,940
Totals	<u>\$ 36,210,375</u>	<u>\$ 36,918,738</u>

California Communications Access Foundation
Notes to Financial Statements—Continued

Note 12—Board-Designated Endowment Funds—Continued

The following is a summary of CCAF’s board-designated endowment fund activity for the year ended June 30, 2020:

Endowment Net Assets at July 1, 2019	\$ 36,918,738
Interest and dividends	1,063,438
Investment returns, net	<u>53,501</u>
Total Return on Investment	1,116,939
Appropriation of board-designated endowment assets for expenditure	<u>(1,825,302)</u>
Endowment Net Assets at June 30, 2020	<u>\$ 36,210,375</u>

The following is a summary of CCAF’s endowment fund activity for the year ended June 30, 2019:

Endowment Net Assets at July 1, 2018	\$ 34,329,810
Interest and dividends	926,861
Investment returns, net	<u>1,675,960</u>
Total Return on Investment	2,602,821
Board-designated net asset additions	1,000,000
Appropriation of board-designated endowment assets for expenditure	<u>(1,013,893)</u>
Endowment Net Assets at June 30, 2019	<u>\$ 36,918,738</u>

Note 13—Recent Accounting Pronouncements

Leases—In February 2016, FASB issued 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 nonprofit organizations with fiscal years beginning after December 15, 2021, with early adoption permitted. CCAF is currently evaluating the impact that the adoption of ASU 2016-02 will have on its financial statements.

California Communications Access Foundation
Notes to Financial Statements—Continued

Note 13—Recent Accounting Pronouncements—Continued

Revenue Recognition—In May 2014, FASB issued 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 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, 2019; early adoption is permitted for fiscal years beginning after December 15, 2016. The adoption of ASU No. 2014-09 is not expected to have a material impact on CCAF's financial statements.

Note 14—Risks and Uncertainties

In early March 2020, the COVID-19 virus was declared a global pandemic. Business continuity, including supply chains and consumer demand across a broad range of industries and countries, has been, and continues to be, severely impacted, as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. CCAF is continuing to monitor the ongoing impact of the pandemic response on its overall operations. The cumulative financial impact of the pandemic on CCAF, if any, cannot be fully determined, therefore no related adjustment has been made to these financial statements.

Note 15—Subsequent Events

Management evaluated all activities of California Communications Access Foundation through November 19, 2020, which is the date the financial statements were available to be issued, and concluded, that no material subsequent events have occurred that would require adjustment to the financial statements or disclosure in the notes to the financial statements.