

Audited Financial Statements



June 30, 2021 and 2020

Quigley & Miron

California Communications Access Foundation
Audited Financial Statements
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June 30, 2021 and 2020

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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, 2021 and 2020, 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

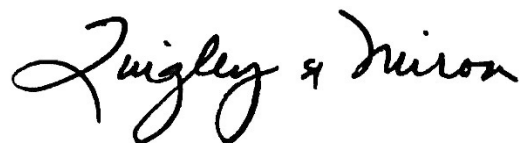
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about 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, 2021 and 2020, 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 18, 2021

California Communications Access Foundation
Statements of Financial Position
June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 6,995,365	\$ 6,093,103
Board-designated endowment fund restricted cash	457,560	1,593,657
Revolving fund restricted cash	291,269	278,114
Investments—Note 3	41,584,887	34,616,718
Accounts receivable	4,217,833	3,680,959
Prepays and deposits	151,715	138,321
Total Current Assets	53,698,629	46,400,872
Property and equipment, net of accumulated depreciation of \$118,027 and \$169,192 at June 30, 2021 and 2020, respectively	435,128	340,346
Total Assets	<u>\$ 54,133,757</u>	<u>\$ 46,741,218</u>
Liabilities and Net Assets		
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	\$ 478,080	\$ 359,056
Grants payable—Note 6	464,746	87,100
Accrued payroll	470,793	1,114,679
Accrued vacation	1,087,825	864,856
Revolving fund	291,269	278,114
Total Current Liabilities	2,792,713	2,703,805
Grants payable—Note 6		29,100
Total Liabilities	2,792,713	2,732,905
Net Assets		
Without donor restrictions		
Undesignated	9,298,597	7,797,938
Board-designated endowment funds	42,042,447	36,210,375
Total Net Assets	51,341,044	44,008,313
Total Liabilities and Net Assets	<u>\$ 54,133,757</u>	<u>\$ 46,741,218</u>

See notes to financial statements.

California Communications Access Foundation
Statements of Activities
Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Net Assets Without Donor Restrictions		
Operating Activities		
Revenues and support		
Contract revenue	\$ 16,785,366	\$ 16,230,331
Interest and dividend income	800,550	1,071,255
Other	10,095	5,335
	<u>17,596,011</u>	<u>17,306,921</u>
Total Revenues and Support	17,596,011	17,306,921
Expenses		
Communication services	13,293,483	14,531,083
Ability Central services	1,973,494	1,574,130
Management and general	629,956	909,457
Fundraising and development	11,776	
	<u>15,908,709</u>	<u>17,014,670</u>
Total Expenses	15,908,709	17,014,670
Change in Net Assets From Operations	1,687,302	292,251
Nonoperating Activities		
Investment return, net	5,645,429	61,212
	<u>5,645,429</u>	<u>61,212</u>
Total Nonoperating Activities	5,645,429	61,212
Change in Net Assets	7,332,731	353,463
Net Assets at Beginning of Year	44,008,313	43,654,850
Net Assets of End of Year	<u>\$ 51,341,044</u>	<u>\$ 44,008,313</u>

See notes to financial statements.

California Communications Access Foundation
Statement of Functional Expenses
Year Ended June 30, 2021

	<u>Program Services</u>					
	<u>Communications Services</u>	<u>Ability Central Services</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising and Development</u>	<u>Total</u>
Salaries and wages	\$ 8,082,981	\$ 513,677	\$ 8,596,658	\$ 183,819	\$ 1,308	\$ 8,781,785
Payroll taxes	464,617	39,125	503,742	37,081	81	540,904
Employee benefits	3,558,913	278,566	3,837,479	54,996	108	3,892,583
Total Personnel Expenses	12,106,511	831,368	12,937,879	275,896	1,497	13,215,272
Agency staffing	143,024		143,024			143,024
Communications service	31,527	3,352	34,879	5,843		40,722
Consulting	10,931	54,931	65,862	82,867		148,729
Contract captioning costs	42,915		42,915			42,915
Depreciation				42,697		42,697
Fleet expenses	558,017		558,017			558,017
Grants	14,081	914,936	929,017			929,017
Insurance				41,083		41,083
Office expenses				17,250		17,250
Office rent		148,192	148,192	15,419	10,279	173,890
Payroll fees				25,683		25,683
Professional fees				77,589		77,589
Software, equipment and furniture	38,705	15,046	53,751	40,469		94,220
Supplies	102,015	284	102,299	4,908		107,207
Telephone	241,372	3,830	245,202			245,202
Training expenses	420	1,555	1,975			1,975
Travel	3,965		3,965	252		4,217
Total Expenses	\$ 13,293,483	\$ 1,973,494	\$ 15,266,977	\$ 629,956	\$ 11,776	\$ 15,908,709

See notes to financial statements.

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

	Program Services				Total
	Communications Services	Ability Central Services	Total Program Services	Management and General	
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 Personnel Expenses	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	64,728		64,728		64,728
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	74,677	113,912
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	\$ 14,531,083	\$ 1,574,130	\$ 16,105,213	\$ 909,457	\$ 17,014,670

See notes to financial statements.

California Communications Access Foundation
Statements of Cash Flows
Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 7,332,731	\$ 353,463
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	42,697	39,547
Realized and unrealized investment gains	(5,819,204)	(226,610)
(Increase) decrease in operating assets:		
Accounts receivable	(536,874)	152,156
Prepays and deposits	(13,394)	106,812
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	119,024	(6,219)
Grants payable	348,546	(503,100)
Accrued payroll	(643,886)	193,327
Accrued vacation	222,969	108,856
Revolving fund	13,155	81,469
Net Cash Provided by Operating Activities	1,065,764	299,701
Cash Flows from Investing Activities		
Purchase of fixed assets	(137,479)	(147,709)
Purchase of investments	(18,925,542)	(24,000,849)
Proceeds from sales and maturities of investments	17,776,577	25,835,884
Net Cash Provided by (Used in) Investing Activities	(1,286,444)	1,687,326
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		0
Increase (Decrease) in Cash, Cash Equivalents, and Restricted Cash	(220,680)	1,987,027
Cash, Cash Equivalents, and Restricted Cash at Beginning of Year	7,964,874	5,977,847
Cash, Cash Equivalents, and Restricted Cash at End of Year	\$ 7,744,194	\$ 7,964,874
Supplemental Disclosures		
Income taxes paid	<u>\$</u>	<u>\$ 6,327</u>
Interest paid	<u>\$</u>	<u>\$ 657</u>

See notes to financial statements.

California Communications Access Foundation
Notes to Financial Statements
June 30, 2021 and 2020

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 has also established a philanthropic wing, called Ability Central, to further its mission of expanding communication and information access for people with disabilities. Ability Central is accomplishing this goal by offering grants and technical support to other disability nonprofits, as well as providing online information and resources for the Deaf and disabled community and people with questions about disabilities and communication access.

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 communication and ability central 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 \$0 and \$6,427, 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 refunded during the year ended 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, 2021 and 2020. 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 and cash in CCAF’s revolving 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, 2021 and 2020.

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 6,995,365	\$ 6,093,103
Board-designated endowment fund restricted cash	457,560	1,593,657
Revolving fund restricted cash	291,269	278,114
Totals	<u>\$ 7,744,194</u>	<u>\$ 7,964,874</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, 2021 and 2020 totaled \$42,697 and \$39,547, respectively.

During the year ended June 30, 2021, CCAF disposed of \$93,862 of fully depreciated fixed assets.

Accrued Vacation—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, 2021 and 2020, 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, 2021 and 2020. CCAF has determined that no allowance for potential losses due to uncollectible receivables was necessary at June 30, 2021 and 2020 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, certain costs have been allocated between the program services and supporting services benefitted. Office expenses are allocated on the basis of square footage. All other functional expenses are charged directly to the related program or supporting service benefitted.

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.

Recently Adopted Accounting Principles

Revenue Recognition—In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standard 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 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. CCAF opted to adopt ASU No. 2014-09 for the year ended June 30, 2021, and noted that there was no material effect on the financial statements.

California Communications Access Foundation
Notes to Financial Statements—Continued

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

Restricted Cash—In November 2016, 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. 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, 2021 to cover operating expenses for the next fiscal year:

Cash and cash equivalents	\$ 6,995,365
Accounts receivable	<u>4,217,833</u>
Total	<u>\$ 11,213,198</u>

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. The Board-designated endowment, which has assets totaling \$42,042,447, 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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Exchange traded funds	\$ 19,446,876	\$ 12,589,996
Equity securities	9,369,053	6,544,984
Equity mutual funds	6,023,304	6,186,139
US government bonds and notes	3,273,129	1,276,518
Corporate bonds and notes	2,235,358	3,750,701
Municipal bonds	852,864	2,729,166
Foreign bonds	384,303	1,102,658
Bond mutual funds		395,446
Publicly-traded limited partnerships		41,110
Totals	<u>\$ 41,584,887</u>	<u>\$ 34,616,718</u>

Return on investments for the years ended June 30, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Realized and unrealized gain on investments	\$ 5,819,204	\$ 226,610
Investment management fees	(173,775)	(165,398)
Investment Return, Net	5,645,429	61,212
Interest and dividend income	800,550	1,071,255
Total Return on Investments	<u>\$ 6,445,979</u>	<u>\$ 1,132,467</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.

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 4—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, 2021 and 2020.

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, 2021 and 2020.

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.

Fair values of assets measured on a recurring basis at June 30, 2021 are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments				
Exchange traded funds	\$ 19,446,876	\$ 19,446,876	\$	\$
Equity securities	9,369,053	9,369,053		
Equity mutual funds	6,023,304	6,023,304		
US government bonds and notes	3,273,129		3,273,129	
Corporate bonds and notes	2,235,358		2,235,358	
Municipal bonds	852,864		852,864	
Foreign bonds	384,303		384,303	
Totals	<u><u>\$ 41,584,887</u></u>	<u><u>\$ 34,839,233</u></u>	<u><u>\$ 6,745,654</u></u>	<u><u>\$</u></u>

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		
US government bonds and notes	1,276,518		1,276,518	
Corporate bonds and notes	3,750,701		3,750,701	
Municipal bonds	2,729,166		2,729,166	
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>

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 \$464,746 and \$116,200 at June 30, 2021 and 2020, respectively, consisted of approved grant commitments. As of June 30, 2021, based on specific grant agreements, amounts payable are expected to be paid as follows:

<u>Year Ending June 30,</u>	
2022	<u>\$ 464,746</u>
Total	<u>\$ 464,746</u>

California Communications Access Foundation
Notes to Financial Statements—Continued

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 the year ended June 30, 2025.

Future minimum lease payments related to these leases as of June 30, 2021 are as follows:

Year Ending June 30,	Office	Fleet	Equipment	Total
2022	\$ 180,751	\$ 357,006	\$ 11,285	\$ 549,042
2023	186,208	292,749	9,881	488,838
2024	192,005	142,994	7,389	342,388
2025		72,079		72,079
Totals	\$ 558,964	\$ 864,828	\$ 28,555	\$ 1,452,347

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 \$1,273,195 and \$1,138,399 respectively, for the years ended June 30, 2021 and 2020. 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 \$78,921 and \$42,021, respectively, for the years ended June 30, 2021 and 2020.

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—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.

California Communications Access Foundation
Notes to Financial Statements—Continued

Note 11—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 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.

California Communications Access Foundation
Notes to Financial Statements—Continued

Note 11—Board-Designated Endowment Funds—Continued

Board-designated endowment assets consist of the following at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Exchange traded funds	\$ 19,446,876	\$ 12,589,996
Equity securities	9,369,053	6,544,984
Equity mutual funds	6,023,304	6,186,139
US government bonds and notes	3,273,129	1,276,518
Corporate bonds and notes	2,235,358	3,750,701
Municipal bonds	852,864	2,729,166
Cash	457,560	1,593,657
Foreign bonds	384,303	1,102,658
Bond mutual funds		395,446
Publicly traded limited partnerships		41,110
Totals	<u>\$ 42,042,447</u>	<u>\$ 36,210,375</u>

The following is a summary of CCAF's board-designated endowment fund activity for the year ended June 30, 2021:

Endowment Net Assets at July 1, 2020	\$ 36,210,375
Interest and dividends	794,646
Investment returns, net	5,589,589
Total Return on Investment	<u>6,384,235</u>
Appropriation of board-designated endowment assets for expenditure	<u>(552,163)</u>
Endowment Net Assets at June 30, 2021	<u>\$ 42,042,447</u>

The following is a summary of CCAF's 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	53,501
Total Return on Investment	<u>1,116,939</u>
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>

California Communications Access Foundation
Notes to Financial Statements—Continued

Note 12—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.

Note 13—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 14—Subsequent Events

Management evaluated all activities of California Communications Access Foundation through November 18, 2021, 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.