

**Audited Financial Statements**



**June 30, 2023 and 2022**

**Quigley & Miron**

**California Communications Access Foundation**  
**Audited Financial Statements**  
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## Independent Auditor's Report

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

### Opinion

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

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

### Basis of Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of CCAF and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the CCAF's ability to continue as a going concern for one year after the date that the financial statements are issued.

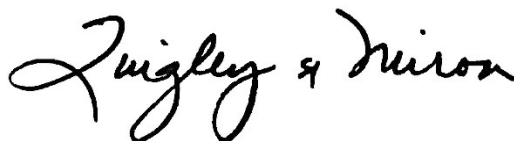
### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of CCAF's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about CCAF's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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

Campbell, California  
November 9, 2023

**California Communications Access Foundation**  
**Statements of Financial Position**  
**June 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 3,121,549	\$ 7,639,713
Board-designated endowment fund—restricted cash	432,617	772,490
Revolving fund—restricted cash	317,489	272,635
Investments—Note 3	46,985,885	36,253,539
Accounts receivable	2,569,510	5,294,096
Prepaid expenses and deposits	199,527	170,381
Operating lease right-of-use asset—Note 7	875,524	
Property and equipment, net of accumulated depreciation of \$380,992 and \$237,709 at June 30, 2023 and 2022, respectively	172,164	315,446
<b>Total Assets</b>	<b><u>\$ 54,674,265</u></b>	<b><u>\$ 50,718,300</u></b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 40,570	\$ 62,122
Grants payable—Note 6	515,193	582,588
457(b) payable—Note 8	376,112	277,512
Salaries and employee benefits payable	1,797,133	1,641,046
Revolving fund	317,489	272,635
Operating lease liability—Note 7	886,505	
<b>Total Liabilities</b>	<b><u>3,933,002</u></b>	<b><u>2,835,903</u></b>
<b>Net Assets</b>		
Without donor restrictions		
Undesignated	12,783,215	11,053,394
Board-designated endowment funds—Note 10	37,958,048	36,829,003
<b>Total Net Assets</b>	<b><u>50,741,263</u></b>	<b><u>47,882,397</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 54,674,265</u></b>	<b><u>\$ 50,718,300</u></b>

See notes to financial statements.

California Communications Access Foundation  
Statements of Activities  
Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>Net Assets Without Donor Restrictions</b>		
<b>Operating Activities</b>		
Revenues and support		
Contract revenue	\$ 18,360,500	\$ 17,532,346
Contributions	4,809	
Interest and dividend income	1,349,754	1,037,640
Other	62,750	10,040
	<u>19,777,813</u>	<u>18,580,026</u>
<b>Total Revenues and Support</b>	<b>19,777,813</b>	<b>18,580,026</b>
<b>Expenses</b>		
Program services		
Communication services	13,853,275	13,711,862
Ability Central services	2,936,375	2,549,224
	<u>16,789,650</u>	<u>16,261,086</u>
<b>Total Program Services</b>	<b>16,789,650</b>	<b>16,261,086</b>
Supporting services		
Management and general	1,148,668	522,381
Fundraising and development	103,945	29,835
	<u>18,042,263</u>	<u>16,813,302</u>
<b>Total Expenses</b>	<b>18,042,263</b>	<b>16,813,302</b>
<b>Change in Net Assets From Operations</b>	<b>1,735,550</b>	<b>1,766,724</b>
<b>Nonoperating Activities</b>		
Investment return, net—Note 4	1,139,481	(5,225,371)
	<u>1,139,481</u>	<u>(5,225,371)</u>
<b>Total Nonoperating Activities</b>	<b>1,139,481</b>	<b>(5,225,371)</b>
<b>Change in Net Assets</b>	<b>2,875,031</b>	<b>(3,458,647)</b>
<b>Net Assets at Beginning of Year</b>	<b>47,882,397</b>	<b>51,341,044</b>
<b>Cumulative effect of adoption of ASU 2016-02, Leases—Note 7</b>	<b>(16,165)</b>	
	<u>(16,165)</u>	
<b>Net Assets of End of Year</b>	<b>\$ 50,741,263</b>	<b>\$ 47,882,397</b>

See notes to financial statements.

**California Communications Access Foundation**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2023**

	<u>Program Services</u>			<u>Supporting Services</u>		<u>Total</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>	
Salaries and wages	\$ 8,329,521	\$ 1,032,737	\$ 9,362,258	\$ 519,307	\$ 70,233	\$ 9,951,798
Payroll taxes	598,970	77,454	676,424	41,032	5,619	723,075
Employee benefits	3,316,674	423,424	3,740,098	237,472	28,093	4,005,663
<b>Total Personnel Expenses</b>	<b>12,245,165</b>	<b>1,533,615</b>	<b>13,778,780</b>	<b>797,811</b>	<b>103,945</b>	<b>14,680,536</b>
Agency staffing	151,606		151,606	6,295		157,901
Communications service	28,281	830	29,111	16,783		45,894
Consulting		86,287	86,287	5,424		91,711
Contract captioning costs	51,938	6,415	58,353			58,353
Depreciation				143,282		143,282
Fleet expenses	707,311		707,311			707,311
Grants		1,133,406	1,133,406			1,133,406
Insurance				48,918		48,918
Office expenses				48,697		48,697
Office rent		143,111	143,111	49,432		192,543
Payroll fees				25,320		25,320
Professional fees	30,495		30,495			30,495
Software, equipment and furniture	140,924	23,808	164,732	5		164,737
Supplies	94,543	4,283	98,826	252		99,078
Telephone	268,495	2,263	270,758			270,758
Training expenses	22,937	894	23,831	1,080		24,911
Travel	111,580	1,463	113,043	5,369		118,412
<b>Total Expenses</b>	<b>\$ 13,853,275</b>	<b>\$ 2,936,375</b>	<b>\$ 16,789,650</b>	<b>\$ 1,148,668</b>	<b>\$ 103,945</b>	<b>\$ 18,042,263</b>

See notes to financial statements.

**California Communications Access Foundation**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2022**

	Program Services			Supporting Services		Total
	Communications Services	Ability Central Services	Total Program Services	Management and General	Fundraising and Development	
Salaries and wages	\$ 8,404,330	\$ 824,599	\$ 9,228,929	\$ 166,037	\$ 20,576	\$ 9,415,542
Payroll taxes	608,689	61,903	670,592	11,623	1,440	683,655
Employee benefits	3,246,906	338,087	3,584,993	22,180	7,819	3,614,992
<b>Total Personnel Expenses</b>	<b>12,259,925</b>	<b>1,224,589</b>	<b>13,484,514</b>	<b>199,840</b>	<b>29,835</b>	<b>13,714,189</b>
Agency staffing	142,067		142,067			142,067
Communications service	19,051	22,722	41,773	14,097		55,870
Consulting	3,605	44,215	47,820			47,820
Contract captioning costs	58,628		58,628			58,628
Depreciation				119,682		119,682
Fleet expenses	703,390		703,390			703,390
Grants	9,903	1,087,063	1,096,966	7,035		1,104,001
Insurance				45,930		45,930
Office expenses				33,377		33,377
Office rent		138,907	138,907	46,302		185,209
Payroll fees				18,407		18,407
Professional fees				21,721		21,721
Software, equipment and furniture	111,439	19,145	130,584	10,761		141,345
Supplies	111,306	3,634	114,940	4,229		119,169
Telephone	251,237	3,830	255,067			255,067
Training expenses	5,060		5,060	1,000		6,060
Travel	36,251	5,119	41,370			41,370
<b>Total Expenses</b>	<b>\$ 13,711,862</b>	<b>\$ 2,549,224</b>	<b>\$ 16,261,086</b>	<b>\$ 522,381</b>	<b>\$ 29,835</b>	<b>\$ 16,813,302</b>

See notes to financial statements.

**California Communications Access Foundation**  
**Statements of Cash Flows**  
**Years Ended June 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 2,875,031	\$ (3,458,647)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Noncash lease expenses	281,079	
Depreciation	143,282	119,682
Realized and unrealized investment (gains) losses	(1,313,357)	5,027,275
(Increase) decrease in operating assets:		
Accounts receivable	2,724,586	(1,076,263)
Prepaid expenses and deposits	(29,146)	(18,666)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(21,552)	11,028
Grants payable	(67,395)	117,842
457(b) payable	98,600	(149,474)
Salaries and employee benefits payable	156,087	82,428
Revolving fund	44,854	(18,634)
Operating lease liability	(286,263)	
<b>Net Cash Provided by Operating Activities</b>	<b>4,605,806</b>	<b>636,571</b>
<b>Cash Flows from Investing Activities</b>		
Purchase of investments	(26,831,578)	(8,249,952)
Proceeds from sales and maturities of investments	17,412,589	8,771,361
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b>(9,418,989)</b>	<b>521,409</b>
<b>Increase (Decrease) in Cash, Cash Equivalents, and Restricted Cash</b>	<b>(4,813,183)</b>	<b>1,157,980</b>
<b>Cash, Cash Equivalents, and Restricted Cash at Beginning of Year</b>	<b>8,684,838</b>	<b>7,526,858</b>
<b>Cash, Cash Equivalents, and Restricted Cash at End of Year</b>	<b>\$ 3,871,655</b>	<b>\$ 8,684,838</b>
<b>Supplemental Disclosures</b>		
Income taxes paid	\$	\$
Interest paid	\$	\$

See notes to financial statements.

**California Communications Access Foundation**  
**Notes to Financial Statements**  
**June 30, 2023 and 2022**

**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.

Income Taxes—CCAF is a nonprofit entity, exempt from the payment of income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701(d). Accordingly, no provision has been made for income taxes 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 Internal Revenue Code. 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. 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, 2023 and 2022. 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.

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

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

Cash, Cash Equivalents, and Restricted Cash—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 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, 2023 and 2022.

	<u>2023</u>	<u>2022</u>
<b>Cash Accounts Reported in Statement of Financial Position</b>		
Cash and cash equivalents	\$ 3,121,549	\$ 7,639,713
Board-designated endowment fund—restricted cash	432,617	772,490
Revolving fund—restricted cash	317,489	272,635
	<hr/>	<hr/>
<b>Total Cash, Cash Equivalents, and Restricted Cash</b>		
<b>Reported in Statement of Cash Flows</b>	<b><u>\$ 3,871,655</u></b>	<b><u>\$ 8,684,838</u></b>

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. Interest income is recorded as earned on an accrual basis. Dividend income is recorded based on the ex-dividend date. Interest and dividend income is reported under revenues and support in the statement of activities. 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, exchange traded 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, 2023 and 2022 totaled \$143,282 and \$119,682, respectively.

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.

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

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

Concentration of Credit Risk—Financial instruments which potentially subject CCAF to concentrations of credit risk consist of cash and cash equivalents, marketable securities, money market 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 balances may exceed FDIC insurance limits during the normal course of business.

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, 2023 and 2022, 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 is insured by the Securities Investors Protection Corporation (SIPC) up to \$250,000 and the investments in securities are insured up to \$500,000, per institution. SIPC insurance protects the custody function of the investment custodian; it does not provide protection against fluctuations in market value. At times, such balances may exceed SIPC insurance limits during the normal course of business.

While CCAF is subject to credit risk to the extent any financial institution with which it conducts business is unable to fulfill contractual obligations on its behalf, CCAF's management has assessed the credit risk associated with its cash deposits and investments at June 30, 2023 and 2022 and believes it is not exposed to any significant credit risk with its cash and cash equivalents and investments. However, due to the current risk and uncertainties affecting financial institutions (see Note 11), the potential related impact cannot be reasonably estimated at this time.

Accounts receivable represent revenues earned from a government contract but not collected as of June 30, 2023 and 2022. CCAF has determined that no allowance for potential losses due to uncollectible receivables was necessary at June 30, 2023 and 2022 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.

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

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

Recently Adopted Accounting Principle—In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. This standard requires lessees to recognize the assets and liabilities that arise from leases in the statement of financial position. Additionally, in July 2018, FASB issued ASU 2018-11 *Leases (Topic 842)—Targeted Improvements*, which, among other things, provides an additional transition method that would allow entities to not apply the guidance in ASU 2016-02 in the comparative periods presented in the financial statements and instead recognize a cumulative effect adjustment to the opening balance of net assets without donor restrictions in the period of adoption. CCAF adopted ASU 2016-02 and its related amendments on a modified retrospective approach as of July 1, 2022, which resulted in the recognition of an operating right-of-use asset totaling \$1,156,603, and an operating lease liability totaling \$1,172,768. CCAF elected to adopt the transition relief provisions from ASU 2018-11 as of July 1, 2022 for the year ended June 30, 2023, without restating any prior year amounts or disclosures.

**Note 2—Availability and Liquidity**

The following represents the availability and liquidity of CCAF’s financial assets at June 30, 2023 and 2022 to cover operating expenses for the next fiscal year:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 3,026,602	\$ 7,558,867
Investments	9,179,289	
Accounts receivable	2,569,510	5,294,096
<b>Current Availability of Financial Assets</b>	<b><u>\$ 14,775,402</u></b>	<b><u>\$ 12,852,963</u></b>

CCAF’s goal is generally to maintain financial assets to meet at least 90 days of general operating expenses which are estimated to be \$4,500,000 and \$4,200,000, at June 30, 2023 and 2022, respectively. The Board-designated endowment, which has assets totaling \$37,958,522 and \$36,829,003 at June 30, 2023 and 2022, 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.

**Note 3—Investments**

Investment securities are reported in the financial statements at fair value and consist of the following at June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Exchange traded funds	\$ 17,846,806	\$ 17,029,432
US government bonds and notes	13,636,833	3,617,030
Equity securities	9,684,368	7,879,013
Corporate bonds and notes	4,558,292	2,578,899
Certificates of deposit	1,100,000	
Foreign bonds	159,586	160,958
Equity mutual funds		4,988,207
<b>Totals</b>	<b><u>\$ 46,985,885</u></b>	<b><u>\$ 36,253,539</u></b>

Included in investments are exchange traded funds amounting to \$281,165 and \$197,026 at June 30, 2023 and 2022, respectively, related to the deferred compensation plan described in Note 8.

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

**Note 4—Fair Value Measurements**

Return on investments for the years ended June 30, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Unrealized investment gains (losses)	\$ 1,767,229	\$ (5,211,914)
Realized investment gains (losses)	(453,872)	184,639
Investment management fees	<u>(173,876)</u>	<u>(198,096)</u>
<b>Investment Return, Net</b>	<b>1,139,481</b>	<b>(5,225,371)</b>
Interest and dividend income	<u>1,349,754</u>	<u>1,037,640</u>
<b>Total Return on Investments</b>	<b><u>\$ 2,489,235</u></b>	<b><u>\$ (4,187,731)</u></b>

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.

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, 2023 and 2022.

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, 2023 and 2022.

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, 2023 are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<b>Investments</b>				
Exchange traded funds	\$ 17,846,806	\$ 17,846,806	\$	\$
US government bonds and notes	13,636,833		13,636,833	
Equity securities	9,684,368	9,684,368		
Corporate bonds and notes	4,558,292		4,558,292	
Certificates of deposit	1,100,000		1,100,000	
Foreign bonds	159,586		159,586	
<b>Totals</b>	<b><u>\$ 46,985,885</u></b>	<b><u>\$ 27,531,174</u></b>	<b><u>\$ 19,454,711</u></b>	<b><u>\$</u></b>

Fair values of assets measured on a recurring basis at June 30, 2022 are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<b>Investments</b>				
Exchange traded funds	\$ 17,029,432	\$ 17,029,432	\$	\$
Equity securities	7,879,013	7,879,013		
Equity mutual funds	4,988,207	4,988,207		
US government bonds and notes	3,617,030		3,617,030	
Corporate bonds and notes	2,578,899		2,578,899	
Foreign bonds	160,958		160,958	
<b>Totals</b>	<b><u>\$ 36,253,539</u></b>	<b><u>\$ 29,896,652</u></b>	<b><u>\$ 6,356,887</u></b>	<b><u>\$</u></b>

**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 \$515,193 and \$582,588 at June 30, 2023 and 2022, respectively, consisted of approved grant commitments all payable within one year.

**Note 7—Lease Commitments**

CCAF maintains office space located in Oakland, California under a lease agreement at 1 Kaiser Plaza, effective on May 19, 2019 with a lease term for 60 months. CCAF also leases fleet vehicles and office equipment under various lease agreements through the year ending June 30, 2027.

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

**Note 7—Lease Commitments—Continued**

With the adoption of ASU 2016-02 in the year ended June 30, 2023, an operating lease right-of-use asset and an operating lease liability were recording to these operating leases using the lease terms and monthly rental amounts, and a discount rate of 5.25%, amounting to \$875,524 and \$886,505, respectively.

Future minimum annual lease commitments related to these leases as of June 30, 2023 are as follows:

<u>Year Ending June 30,</u>	<u>Office</u>	<u>Fleet</u>	<u>Total</u>
2024	\$ 192,005	\$ 389,307	\$ 581,312
2025		213,639	213,639
2026		111,147	111,147
2027		30,015	30,015
	<u>\$ 192,005</u>	<u>\$ 744,108</u>	<u>\$ 936,113</u>
Less effect of discounting	(5,350)	(44,258)	(49,608)
<b>Operating Lease Liability</b>	<b><u>\$ 186,655</u></b>	<b><u>\$ 699,850</u></b>	<b><u>\$ 886,505</u></b>

**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 \$1,440,248 and \$1,320,999 respectively, for the years ended June 30, 2023 and 2022. 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 \$69,879 and \$68,448, respectively, for the years ended June 30, 2023 and 2022. The 457(b) payable amounted to \$376,112 and \$277,512 at June 30, 2023 and 2022, respectively. Salaries expense related to the 457(b) amounted to \$98,600 and \$27,533, respectively, for the years ended June 30, 2023 and 2022.

**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—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.

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

**Note 10—Board-Designated Endowment Funds—Continued**

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.

Board-designated endowment assets consist of the following at June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Exchange traded funds	\$ 17,565,641	\$ 16,832,406
US government bonds and notes	5,557,544	3,617,030
Equity securities	9,684,368	7,879,013
Corporate bonds and notes	4,558,292	2,578,899
Cash	432,617	772,490
Foreign bonds	159,586	160,958
Equity mutual funds		4,988,207
<b>Totals</b>	<b>\$ <u>37,958,048</u></b>	<b>\$ <u>36,829,003</u></b>

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

**Note 10—Board-Designated Endowment Funds—Continued**

The following is a summary of CCAF's board-designated endowment fund activity for the year ended June 30, 2023:

<b>Endowment Net Assets at July 1, 2022</b>	<b>\$ 36,829,003</b>
Interest and dividends	1,098,439
Investment return, net	<u>1,116,352</u>
<b>Total Return on Investment</b>	<b>2,214,791</b>
Appropriation of board-designated endowment assets for expenditure	<u>(1,085,746)</u>
<b>Endowment Net Assets at June 30, 2023</b>	<b><u>\$ 37,958,048</u></b>

The following is a summary of CCAF's board-designated endowment fund activity for the year ended June 30, 2022:

<b>Endowment Net Assets at July 1, 2021</b>	<b>\$ 42,042,447</b>
Interest and dividends	1,021,943
Investment return, net	<u>(5,171,673)</u>
<b>Total Return on Investment</b>	<b>(4,149,730)</b>
Appropriation of board-designated endowment assets for expenditure	<u>(1,063,714)</u>
<b>Endowment Net Assets at June 30, 2022</b>	<b><u>\$ 36,829,003</u></b>

**Note 11—Risks and Uncertainties**

In March 2023, the shut-down of certain financial institutions raised economic concerns over disruption in the U.S. banking system. The U.S. government took certain actions to strengthen public confidence in the U.S. banking system, however, there can be no certainty that the actions taken by the U.S. government will be effective in mitigating the effects of financial institution failures on the economy, which may include limits on access to short-term liquidity in the near term or other adverse effects. As disclosed in Note 1, at times, CCAF maintains cash and cash equivalents and investment balances in excess of federally-insured limits. Given the uncertainty of the situation, the potential related financial impact cannot be reasonably estimated at this time.

**Note 12—Subsequent Events**

Management evaluated all activities of California Communications Access Foundation through November 9, 2023, which is the date the financial statements were available to be issued, and concluded that, other than the banking crisis described in Note 11, no other material subsequent events have occurred that would require adjustment to the financial statements or disclosure in the notes to the financial statements.