

COMMUNITY INITIATIVES

JUNE 30, 2020

INDEPENDENT AUDITORS' REPORT

AND

FINANCIAL STATEMENTS

Community Initiatives

Independent Auditors' Report and Financial Statements

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A Century Strong

Independent Auditors' Report

THE BOARD OF DIRECTORS
COMMUNITY INITIATIVES
Oakland, California

Report on the Financial Statements

We have audited the accompanying financial statements of **COMMUNITY INITIATIVES (CI)** which comprise the statement of financial position as of June 30, 2020, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to CI'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 CI'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.

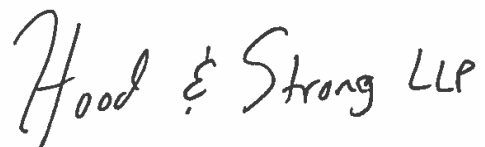
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Initiatives as of June 30, 2020, and changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matter*Report on Summarized Comparative Information*

We have previously audited CI's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 22, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Handwritten signature in black ink that reads "Hood & Strong LLP". The signature is written in a cursive, flowing style.

San Francisco, California
October 20, 2020

Community Initiatives

Statement of Financial Position

<i>June 30, 2020 (with comparative totals for 2019)</i>	2020	2019
Assets		
Cash and cash equivalents	\$ 6,579,360	\$ 2,932,036
Short-term investments	19,364,472	19,642,798
Government and accounts receivable	1,029,959	1,116,915
Grants and pledges receivable	5,380,310	8,377,108
Prepaid expenses	205,804	199,975
Fixed assets, net	403,560	520,625
Total assets	\$ 32,963,465	\$ 32,789,457
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 760,943	\$ 860,351
Accrued wages and related costs	886,547	720,929
Grants payable	273,000	933,000
Loan payable	2,531,451	
Deferred revenue	30,359	30,304
Total liabilities	4,482,300	2,544,584
Net Assets:		
Without donor restrictions	1,810,410	1,893,148
With donor restrictions	26,670,755	28,351,725
Total net assets	28,481,165	30,244,873
Total liabilities and net assets	\$ 32,963,465	\$ 32,789,457

See accompanying notes to financial statements.

Community Initiatives

Statement of Activities and Changes in Net Assets

Year Ended June 30, 2020 (with comparative totals for 2019)

	2020			2019 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Revenues and Support:				
Grants and contribution revenue	\$ 70,794	\$ 27,395,423	\$ 27,466,217	\$ 24,968,854
Government contracts		2,291,211	2,291,211	2,279,145
Earned income		3,220,883	3,220,883	3,822,174
In-kind		38,862	38,862	166,150
Investment income, net	190,476		190,476	290,296
Other income	19,711	8,362	28,073	90,019
Net assets released from restrictions	35,135,711	(35,135,711)	-	-
Total revenue and support	35,416,692	(2,180,970)	33,235,722	31,616,638
Expenses:				
Fiscal sponsor program	31,955,732		31,955,732	29,691,410
Management and general	3,543,698		3,543,698	3,051,821
Total expenses	35,499,430	-	35,499,430	32,743,231
Change in Net Assets Before Other Changes	(82,738)	(2,180,970)	(2,263,708)	(1,126,593)
Other Changes in Net Assets:				
Net assets transferred in (Note 2i)		500,000	500,000	-
Change in Net Assets	(82,738)	(1,680,970)	(1,763,708)	(1,126,593)
Net Assets, beginning of year	1,893,148	28,351,725	30,244,873	31,371,466
Net Assets, end of year	\$ 1,810,410	\$ 26,670,755	\$ 28,481,165	\$ 30,244,873

See accompanying notes to financial statements.

Community Initiatives

Statement of Functional Expenses

Year Ended June 30, 2020 (with comparative totals for 2019)

	Fiscal Sponsor Program			Management and General	2020 Total	2019 Total
	Program Services	Fundraising	Subtotal			
Salaries and related benefits	\$ 11,968,684	\$ 1,479,275	\$ 13,447,959	\$ 2,461,530	\$ 15,909,489	\$ 13,433,869
Grants	8,722,019	1,063,047	9,785,066	23,000	9,808,066	8,200,471
Professional services	3,992,480	493,453	4,485,933	464,208	4,950,141	5,644,018
Travel	1,375,610	170,019	1,545,629	12,488	1,558,117	1,942,032
Occupancy	479,271	59,236	538,507	178,414	716,921	788,571
Program supplies and marketing	728,127	89,993	818,120	698	818,818	718,018
Conferences, conventions, and meetings	443,987	54,875	498,862	24,980	523,842	690,264
Equipment rental and maintenance	235,223	29,073	264,296	108,661	372,957	386,781
Office expenses, postage and shipping	187,354	23,156	210,510	51,796	262,306	324,030
Depreciation and amortization	109,828	13,574	123,402	11,508	134,910	128,114
Insurance	11,240	1,389	12,629	153,647	166,276	151,343
Printing and publications	83,086	10,269	93,355	11,338	104,693	170,471
Taxes, fees, and licenses	57,652	7,125	64,777	24,336	89,113	78,054
Telephone and communications	59,351	7,336	66,687	17,094	83,781	87,195
	\$ 28,453,912	\$ 3,501,820	\$ 31,955,732	\$ 3,543,698	\$ 35,499,430	\$ 32,743,231

See accompanying notes to financial statements.

Community Initiatives

Statement of Cash Flows

<i>Year Ended June 30, 2020 (with comparative totals for 2019)</i>	2020	2019
Cash Flows from Operating Activities:		
Change in net assets	\$ (1,763,708)	\$ (1,126,593)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	134,910	128,114
Realized and unrealized gain on investments	(139,496)	(18,792)
Change in operating assets and liabilities:		
Government and accounts receivable	86,956	(445,610)
Grants and pledges receivable	2,996,798	(388,438)
Prepaid expenses	(5,829)	(17,950)
Accounts payable	(99,408)	310,054
Accrued wages and related costs	165,618	52,646
Grants payable	(660,000)	506,750
Deferred revenue	55	302
Net cash provided (used) by operating activities	715,896	(999,517)
Cash Flows from Investing Activities:		
Proceeds from sale of investments	135,254,409	72,408,283
Purchases of investments	(134,836,586)	(72,557,097)
Purchase of fixed assets	(17,846)	(48,597)
Net cash provided (used) in investing activities	399,977	(197,411)
Cash Flows from Financing Activities:		
Proceeds from loan payable	2,531,451	
Net cash provided by financing activities	2,531,451	-
Net Change in Cash and Cash Equivalents	3,647,324	(1,196,928)
Cash and Cash Equivalents, beginning of year	2,932,036	4,128,964
Cash and Cash Equivalents, end of year	\$ 6,579,360	\$ 2,932,036

See accompanying notes to financial statements.

Community Initiatives

Notes to Financial Statements

Note 1 - Organization:

Community Initiatives (“CI”) is a nonprofit fiscal sponsor that enables charitable groups to focus on their missions while unencumbered by administrative burdens. CI offers an extensive suite of back-office services. These services include benefits, payroll, and human resource administration; financial management; tax preparation and compliance; grant support; risk management and insurance; legal counsel; donation management and crowdfunding support; and coaching on various other common nonprofit issues.

CI currently sponsors over 100 projects. The majority of the projects are based in the San Francisco Bay Area, and CI has employees in 25 states and 3 countries. The projects represent nonprofit activities in all areas of the nonprofit sector, with current projects active in animals, arts, capacity building, education, environment, health and wellness, networks and alliances, philanthropy, social justice, and youth development. Projects may be of limited duration, incubating nonprofit organizations, public/private partnerships, or multiple funder collaborations.

CI is primarily funded through grants, contributions, and fees generated from its fiscal sponsor contracts.

Note 2 - Summary of Significant Accounting Policies:

a. Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (U.S. GAAP). CI reports information regarding its financial position and activities according to two classes of net assets:

Net Assets Without Donor Restrictions

The portion of net assets that is neither subject to time nor donor-imposed restrictions and may be expended for any purpose in performing the primary objective of CI. Net assets without donor restrictions also include net assets set aside by the Board of Directors to maintain an operating reserve (See Note 8).

Net Assets With Donor Restrictions

The portion of net assets whose use by CI is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of CI.

Community Initiatives

Notes to Financial Statements

b. Cash and Cash Equivalents

CI has defined cash and cash equivalents as cash and all highly liquid investments with maturities of three months or less at date of acquisition, except those that are held for short-term investment purposes.

c. Short-Term Investments

Investments are reported at fair value. Changes in fair values as well as realized gains and losses are reflected in the Statement of Activities and Changes in Net Assets. Dividend and interest income are accrued when earned. Fair values are generally provided by using quoted market prices.

d. Fair Value Measurements

CI carries certain assets and liabilities at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. CI classifies its financial assets and liabilities according to three levels and maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value.

Level 1 - Quoted market prices (unadjusted) in active markets for identical assets or liabilities that the entity has the ability to access at the measurement date.

Level 2 - Observable inputs other than quoted market prices included within Level 1 such as quoted prices for similar securities or quoted prices in inactive markets.

Level 3 - Unobservable inputs for the asset or liability that are not corroborated by market data.

e. Grants and Pledges Receivable

Grants and pledges receivable consist primarily of commitments made by individuals and foundations. Long-term receivables are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using the market rate applicable in the year in which those promises were made. Amortization of the discount is included in contribution revenue. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met.

CI uses the allowance method to account for uncollectible receivables and contributions. The reserve against contributions receivable is based on historical experience and an evaluation of the outstanding receivables at year-end. There was no reserve against contributions receivable as of June 30, 2020.

Community Initiatives

Notes to Financial Statements

f. Revenue Recognition

Grants and contributions are recognized when the donor or grantor makes an unconditional promise to give to CI. Amounts that are restricted are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to unrestricted net assets. CI reports grants and contributions, investments and other income with donor restrictions if they are received with donor stipulations that limit the use to a fiscally sponsored project. All funds for a newly sponsored project transferred into CI are with donor restrictions for the sponsored project. In-kind donations are recorded at the estimated fair value at the date of donation.

A portion of CI's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when CI has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the Statement of Financial Position. Amounts due at June 30, 2020, are included in government and accounts receivable and are expected to be collected in fiscal year ending June 30, 2021. CI was awarded cost-reimbursable grants of approximately \$2,306,000 that have not been recognized at June 30, 2020 because qualifying expenditures have not yet been incurred.

Earned income consists primarily of fee for service and membership fees that are recognized as earned.

g. Fixed Assets

Fixed assets are recorded at cost if purchased or at fair value at the date of donation if donated. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets. Maintenance and repair costs are charged to expense as incurred. Property and equipment are capitalized if the cost of an asset is greater than or equal to one thousand dollars.

h. Grants and Grants Payable

Grants are made to tax-exempt organizations with objectives consistent with the mission of CI and the fiscal sponsor projects and are reviewed and approved by management. Grant expenses are recorded when CI makes an unconditional promise to give and a signed agreement is received. Conditional promises to give are recognized as grant expense in the period in which the recipient meets the terms of the condition. Grant cancellations or unspent funds are recorded in the year cancelled or the funds returned. Grants are expected to be paid in fiscal year ending June 30, 2021.

Community Initiatives

Notes to Financial Statements

i. Fiscal Sponsorship Projects

All the financial activity of CI's fiscally sponsored projects ("FSPs") is aggregated for financial statement purposes. Their funds, however, are kept strictly segregated in individual fund accounts. The majority of its FSPs (those in a comprehensive fiscal sponsorship relationship) are legally a part of CI and all their employees are employees of CI. A handful of projects are in a "pre-approved grant" fiscal sponsorship relationship and those projects are separate legal entities.

It is the nature of the business of fiscal sponsorship business to have a variable portfolio. CI's project roster can fluctuate regularly with time-limited projects completing, maturing nonprofits spinning off into their own 501(c)(3) organizations, and new start-ups signing up throughout each year.

In the event that an existing FSP is incorporated into CI's portfolio, any assets transferred in are recorded on the Statement of Activities and Changes in Net Assets. For the year ended June 30, 2020, there was one newly incorporated FSP that transferred assets of \$500,000.

In situations where a sponsored project attains status as an independent entity and ends the fiscal sponsorship relationship with CI, the respective project's funds are granted out to a newly created entity. During 2020, net assets of approximately \$1,389,000 were distributed to spun-off projects and were recorded as grant expense.

j. Functional Allocation of Expenses

Costs of providing fiscal sponsorship by CI have been presented in the Statement of Functional Expenses. All expenses paid on behalf of CI's projects are recorded as program services or fundraising expenses. Expenses incurred by CI's administrative group are recorded as management and general expenses.

k. Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

l. Comparative Information and Reclassifications

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with CI's financial statements for the year ended June 30, 2019 from which the summarized information is derived.

Community Initiatives

Notes to Financial Statements

Certain reclassifications have been made to the 2019 financial statements in order to conform to the 2020 presentation. These reclassifications had no impact on net assets or changes in net assets.

m. Income Taxes

CI is exempt from taxation under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d.

CI follows the guidance on accounting for uncertainty in income taxes according to Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740. Management evaluated CI's tax positions and concluded that CI had maintained its tax-exempt status and had not taken uncertain tax positions that required adjustment to the financial statements.

n. Recent Accounting Pronouncements

Pronouncement Adopted:

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. The ASU clarifies and improves current guidance about whether a transfer of assets, or the reduction, settlement, or cancellation of liabilities, is a contribution or an exchange transaction. It provides criteria for determining whether the resource provider is receiving commensurate value in return for the resources transferred which, depending on the outcome, determines whether the organization follows contribution guidance or exchange transaction guidance in the revenue recognition and other applicable standards. The ASU does not apply to transfers of assets from governments to businesses. The guidance is effective for the fiscal years beginning after December 15, 2018. CI adopted the ASU effective July 1, 2019 and applied the new guidance to grants received beginning at that date. CI is currently evaluating the impact the new standard will have on its financial statements related to contributions made.

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Notes to Financial Statements

Pronouncements Effective in the Future:

In May 2014, the FASB issued ASU 2014-09: *Revenue from Contracts with Customers (Topic 606)*. The guidance in this ASU amends the existing accounting standards for revenue recognition and outlines a single comprehensive model for companies to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that revenue is recognized when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service. Transfer of control is not the same as transfer of risks and rewards, as it is considered in current guidance. CI will also need to apply new guidance to determine whether revenue should be recognized over time or at a point in time using either of two methods (a) retrospective to each prior reporting period presented with the option to elect certain practical expedients as defined within the guidance; or (b) retrospective with the cumulative effect of initially applying the guidance recognized at the date of initial application and providing certain additional disclosures as defined in the guidance. In August 2015, the FASB deferred the effective date for non-public entities to annual periods beginning after December 15, 2018. In June 2020, the FASB issued an ASU that delays the effective date of the revenue recognition ASU by one year to all nonpublic entities that have not yet issued their financial statements. CI is in process of addressing the transition method and the impact of the new accounting guidance on its financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the Statement of Financial Position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the Statement of Activities and Changes in Net Assets. The new standard is effective for fiscal years beginning after December 15, 2019. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. In June 2020, the FASB deferred the effective date to fiscal years beginning after December 15, 2021. CI is currently evaluating the impact of this pronouncement on its financial statements.

o. Subsequent Events

CI evaluated subsequent events with respect to the financial statements for the year ended June 30, 2020 through October 20, 2020, the date these financial statements were available to be issued and has determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events occurred, the nature of which would require disclosure.

Community Initiatives

Notes to Financial Statements

Note 3 - Grants and Pledges Receivables:

Grants and pledges receivable consist primarily of commitments made by individuals and foundations. Grants and pledges receivables are due as follows:

Year Ending June 30,	
2021	\$ 4,834,310
2022	530,000
2023	16,000
	<hr/>
	\$ 5,380,310

CI recognizes conditional promises to give - that is, those with a measurable performance or other barrier and a right of return when the conditions on which they depend have been met.

The following is a roll-forward of two conditional grants, which future payments are contingent upon meeting specific milestones and incurring expenses related to the projects:

Balance as of June 30, 2019	\$ 244,889
Conditional grants received during fiscal year June 30, 2020	2,400,000
Revenue recognized for conditions met during 2020	(371,802)
	<hr/>
Balance as of June 30, 2020	\$ 2,273,087

Note 4 - Short-Term Investments and Fair Value Measurements:

Investments

Short-Term Investments consist of the following at June 30, 2020:

Cash and cash equivalents	\$ 7,754,060
U.S. Treasury bonds:	
Maturity of less than one year	11,610,412
	<hr/>
Total investments	\$ 19,364,472

Community Initiatives

Notes to Financial Statements

CI's investment income consists of the following for the year ended June 30, 2020:

Realized and unrealized gain	\$ 139,496
Dividends and interest	50,980
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Investment income, net	\$ 190,476

Fair Value Measurement

Investments which consist of money market funds and U.S. treasury bonds are valued under fair value measurement using level 1 inputs.

Note 5 - Fixed Assets:

Property and equipment at June 30, 2020 consist of the following:

Leasehold improvements	\$ 780,323
Computer equipment and software	196,003
Furniture and fixtures	199,213
Office equipment	103,136
Vehicles	58,548
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	1,337,223
Less: accumulated depreciation	(933,663)
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Total fixed assets, net	\$ 403,560

Depreciation and amortization expense was \$134,910 for the year ended June 30, 2020.

Note 6 - Loan Payable:

CI received loan proceeds in the amount of \$2,531,451 with a maturity date of November 1, 2022 under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest may be forgivable as long as CI uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll and other personnel related levels. The amount of loan forgiveness will be reduced if certain requirements are not met. The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. CI intends to use the proceeds for purposes consistent with the PPP. CI believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan and it will complete the application process for forgiveness during fiscal year ending June 30, 2021.

Community Initiatives

Notes to Financial Statements

Note 7 - Net Assets With Donor Restrictions:

Net assets with donor restrictions as of June 30, 2020, consist of the following:

Fiscal sponsor projects and time restrictions	\$ 26,670,755
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Net assets with donor restrictions were released from donor restrictions during the year ended June 30, 2020, as follows:

Fiscal sponsor projects and time restrictions	\$ 35,135,711
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Note 8 - Availability of Financial Assets and Liquidity:

CI's financial assets available within one year of the Statement of Financial Position date for general expenditures are as follows:

Financial assets at June 30, 2020:

Cash and cash equivalents	\$ 6,579,360
Short-term investments	19,364,472
Government and accounts receivable	1,029,959
Grants and pledges receivable	5,380,310

Total financial assets	32,354,101
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Less amounts not available to be used within one year:

Net assets with donor restrictions including long term receivables	(26,670,755)
Board designated funds – operational reserve	(1,206,000)

Add:

Net assets with time and purpose restrictions to be met within one year	25,225,828
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(2,650,927)

Financial assets available to meet general expenditures
within one year

\$ 29,703,174

Community Initiatives

Notes to Financial Statements

CI manages its liquidity and cash flow requirements by investing its excess cash in short-term investments, including money market accounts, certificates of deposit, and U.S. Treasury bonds. Certain financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the date of the financial statements. There are also net assets designated as an operating reserve by the Board of Directors, which could be undesignated by the Board of Directors and made available for general operations as needed.

Note 9 - Commitments and Contingencies:

a. Operating Leases

CI leases various facilities and equipment under operating leases with various terms. Future minimum payments, by year and in the aggregate, under these leases with initial or remaining terms of one year or more, consist of the following:

Year Ending		
June 30,		
2021	\$	279,350
2022		274,153
2023		235,549
2024		46,033
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Total	\$	835,085

Rent and equipment lease expenses under operating leases for the year ended June 30, 2020 was \$563,264.

b. Contracts

Grant awards required the fulfillment of certain conditions as set forth in the grant agreement. Failure to fulfill the conditions could result in the return of the funds to the grantors. CI's management is of the opinion that it has complied with the terms of all grants. Certain grants and contracts that CI administers and receives reimbursement for are subject to audit and final acceptance by the local, state and federal funding agencies. Current and prior year costs of such grants are subject to adjustment upon audit.

Community Initiatives

Notes to Financial Statements

Note 10 - Employee Benefit Plan:

CI has a 401(k) plan available to all employees who have completed one month of service, as defined under the plan. Employees may contribute any whole percentage of annual compensation provided that it does not exceed maximum amounts as permitted by law. Effective January 1, 2014, CI amended the plan to incorporate a Safe Harbor employer matching contribution that provides a 100% match of employee contributions up to 3% of salary, and an additional 50% match of employee contributions between 3% and 5% of salary for all plan participants. For the years ended June 30, 2020, total expense related to the matching contribution was \$356,116. CI also has a deferred compensation plan under Section 457 of the Internal Revenue Code for a select group of management.

Note 11 - Concentration of Credit Risks:

CI places its temporary cash investments with high-credit quality financial institutions. At times, such investments may be in excess of the Federal Deposit Insurance Corporation insurance limit. CI has not incurred losses related to these investments.

The primary receivable balance outstanding at June 30, 2020 consists of government contract receivables due from county, state, federal granting agencies, and contributions from foundations. Any risk associated with receivables is limited due to the number and variety of entities involved.

Note 12 - Litigation:

From time to time, CI is subject to various claims and legal proceedings covering a range of matters that arise in the ordinary course of its business activities and fiscal sponsor projects. In the opinion of management, although the outcome of any legal proceedings cannot be predicted with certainty, the ultimate liability of CI in connection with its legal proceedings is expected not to have a material adverse effect on CI's financial position and activities.

Note 13 - Global Pandemic and Market Volatility:

On March 11, 2020, the World Health Organization publicly characterized COVID-19 as a pandemic. States of emergency have been declared in many federal, state and local jurisdictions and shelter in place orders have been instituted in many cities and states, including California, which impacts general business operations in most industries and sectors. In addition, financial markets volatility has significantly increased with general decrease in the value of major market equity indices. Community Initiatives experienced minimal disruption to its business operations and has adapted a remote work environment for its administrative functions. It appears that Community Initiatives will be able to continue operating in this manner through the fiscal year ended June 30, 2021.