

Community Initiatives

Financial Statements

June 30, 2022

(with summarized comparative totals for June 30, 2021)

Community Initiatives

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Independent Auditors' Report

To the Board of Directors
Community Initiatives

Report on the Financial Statements

Opinion

We have audited the financial statements of Community Initiatives ("CI"), which comprise the statement of financial position as of June 30, 2022, and the related statement of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of CI and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 CI's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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 CI'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 CI'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.

Report on Summarized Comparative Information

CI's financial statements as of and for the year ended June 30, 2021 have been previously audited by another auditor, where an unmodified audit opinion was expressed on those audited financial statements and report dated October 22, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Baker Tilly US, LLP



San Francisco, California
October 28, 2022

Community Initiatives

Statement of Financial Position

June 30, 2022

(with summarized comparative totals at June 30, 2021)

	<u>2022</u>	<u>2021</u>
Assets		
Assets		
Cash and cash equivalents	\$ 9,819,298	\$ 11,208,021
Short-term investments	28,629,601	19,018,747
Government and accounts receivable, net	2,206,628	1,479,060
Grants and pledges receivable	7,718,438	6,037,049
Prepaid expenses	347,000	181,695
Fixed assets, net	<u>183,198</u>	<u>304,352</u>
Total assets	<u>\$ 48,904,163</u>	<u>\$ 38,228,924</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 773,315	\$ 948,374
Accrued wages and related costs	1,090,563	1,140,997
Grants payable	1,234,083	1,348,266
Paycheck Protection Program loan	-	2,000,000
Deferred revenue	<u>244,849</u>	<u>129,209</u>
Total liabilities	<u>3,342,810</u>	<u>5,566,846</u>
Net Assets		
Without donor restrictions	4,810,055	2,296,355
With donor restrictions	<u>40,751,298</u>	<u>30,365,723</u>
Total net assets	<u>45,561,353</u>	<u>32,662,078</u>
Total liabilities and net assets	<u>\$ 48,904,163</u>	<u>\$ 38,228,924</u>

See notes to financial statements

Community Initiatives

Statement of Activities

June 30, 2022

(with summarized comparative totals for the year ended June 30, 2021)

	2022			2021 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Revenues and Support				
Grants and contributions revenue	\$ 16,069	\$ 42,817,588	\$ 42,833,657	\$ 33,149,247
Government contracts	-	7,862,377	7,862,377	5,109,405
Earned income	5,041,278	-	5,041,278	3,755,281
Contributed nonfinancial assets	-	84,963	84,963	95,613
Investment income, net	9,098	-	9,098	23,098
Forgiveness of Paycheck Protection Program loan	2,000,000	-	2,000,000	2,531,451
Other income	145,635	-	145,635	40,074
Net assets released from restrictions	41,726,696	(41,726,696)	-	-
Total revenue and support	<u>48,938,776</u>	<u>9,038,232</u>	<u>57,977,008</u>	<u>44,704,169</u>
Expenses				
Program services	38,994,252	-	38,994,252	32,933,577
Fundraising	2,964,963	-	2,964,963	4,023,858
Management and general	4,465,861	-	4,465,861	4,111,350
Total expenses	<u>46,425,076</u>	<u>-</u>	<u>46,425,076</u>	<u>41,068,785</u>
Change in Net Assets Before Other Changes	<u>2,513,700</u>	<u>9,038,232</u>	<u>11,551,932</u>	<u>3,635,384</u>
Other Changes in Net Assets				
Net assets transferred in	-	1,347,343	1,347,343	545,529
Changes in Net Assets	<u>2,513,700</u>	<u>10,385,575</u>	<u>12,899,275</u>	<u>4,180,913</u>
Net Assets, beginning of year	<u>2,296,355</u>	<u>30,365,723</u>	<u>32,662,078</u>	<u>28,481,165</u>
Net Assets, end of year	<u>\$ 4,810,055</u>	<u>\$ 40,751,298</u>	<u>\$ 45,561,353</u>	<u>\$ 32,662,078</u>

See notes to financial statements

Community Initiatives

Statement of Functional Expenses

For the year ended June 30, 2022

(with summarized comparative totals for the year ended June 30, 2021)

	Program Services	Fundraising	Management and General	2022 Total	2021 Total
Salaries & related benefits	\$ 19,737,111	\$ 2,193,012	\$ 3,207,796	\$ 25,137,919	\$ 21,531,703
Grants	12,309,594	-	-	12,309,594	9,630,539
Professional services	3,359,318	373,258	505,409	4,237,985	5,745,940
Program supplies & marketing	1,329,534	147,726	41,029	1,518,289	1,816,575
Office expenses, postage & shipping	639,261	71,029	127,484	837,774	617,172
Occupancy	534,390	59,377	167,449	761,216	632,569
Travel	416,005	46,223	3,055	465,283	87,684
Equipment rental & maintenance	173,641	19,293	123,753	316,687	320,152
Conferences, conventions, & meetings	224,318	24,924	9,092	258,334	129,231
Insurance	8,191	910	194,603	203,704	171,696
Depreciation & amortization	108,555	12,062	7,346	127,963	138,481
Telephone & communications	72,916	8,102	20,062	101,080	93,894
Taxes, fees, & licenses	29,831	3,315	52,535	85,681	76,879
Printing & publications	51,587	5,732	6,248	63,567	76,270
Total	<u>\$ 38,994,252</u>	<u>\$ 2,964,963</u>	<u>\$ 4,465,861</u>	<u>\$ 46,425,076</u>	<u>\$ 41,068,785</u>

See notes to financial statements

Community Initiatives

Statement of Cash Flows

For the year ended June 30, 2022

(with summarized comparative totals at June 30, 2021)

	<u>2022</u>	<u>2021</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 12,899,275	\$ 4,180,913
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Forgiveness of Paycheck Protection Program loan	(2,000,000)	(2,531,451)
Depreciation and amortization	127,963	138,481
Loss on disposal of fixed assets	-	8,673
Donated securities	4,907	-
Realized and unrealized gain on investments	(3,784)	(15,780)
Change in operating assets and liabilities:		
Government and accounts receivable	(727,568)	(449,101)
Grants and pledges receivable	(1,681,389)	(656,739)
Prepaid expenses	(165,305)	24,109
Accounts payable	(175,059)	187,431
Accrued wages and related costs	(50,434)	254,450
Grants payable	(114,183)	1,075,266
Deferred revenue	115,640	98,850
	<u>8,230,063</u>	<u>2,315,102</u>
Cash Flows from Investing Activities		
Proceeds from sale of investments	90,478,303	144,942,493
Purchases of investments	(100,090,280)	(144,580,988)
Purchase of fixed assets	(6,809)	(47,946)
	<u>(9,618,786)</u>	<u>313,559</u>
Cash Flows From Financing Activities		
Proceeds from Paycheck Protection Program Loan	-	2,000,000
	<u>-</u>	<u>2,000,000</u>
Net change in cash and cash equivalents	(1,388,723)	4,628,661
Cash and Cash Equivalents, Beginning	<u>11,208,021</u>	<u>6,579,360</u>
Cash and Cash Equivalents, Ending	<u>\$ 9,819,298</u>	<u>\$ 11,208,021</u>

See notes to financial statements

Community Initiatives

Notes to Financial Statements

June 30, 2022

1. Description of the 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 35 states and 6 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.

2. Summary of Significant Accounting Policies

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).

Description of Net Assets

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.

Net Assets With Donor Restrictions

Those net assets that are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by passage of time or the events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when specific stipulations are met.

Community Initiatives

Notes to Financial Statements

June 30, 2022

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.

Short-Term Investments

CI's investments consist of short-term investments that are reported at fair value. Changes in fair values as well as realized gains and losses are reflected in the Statement of Activities. Dividend and interest income are accrued when earned. Fair values are generally provided by using quoted market prices.

Fair Value Measurements

CI is required to consider the use of market-based information over entity-specific information in valuing its financial assets measured at fair value, using a three-level hierarchy for fair value measurements based on the nature of inputs used in the valuation of an asset or liability as of the measurement date.

The three-level hierarchy for fair value categorizes the inputs as follows:

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 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market corroborated inputs.

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

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the observable inputs and minimize the use of unobservable inputs. At June 30, 2022, there were no changes in the methodologies used.

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. At June 30, 2022, the discount to present value for long-term receivables was considered immaterial, and therefore, not recorded in the financial statements.

Government and Accounts Receivable

Government and accounts receivable include amounts billed to grantors and agencies, net of allowance for doubtful accounts. The allowance for doubtful accounts is determined based on management's assessment of the collectability of receivable. As of June 30, 2022, the allowance for doubtful accounts was \$10,000.

Community Initiatives

Notes to Financial Statements

June 30, 2022

Revenue Recognition

Grants and Contributions

Unconditional promises to give are recorded as revenue at fair value when the promise is made by the donor/grantor. Conditional grants and contributions are those with a barrier to entitlement that CI must overcome and a right of return if the conditions are not met. Cash collected for conditional grants and contributions are accounted for as a liability until the barrier to entitlement is overcome, at which point, the revenue is recognized at fair value. Grants and contributions that are restricted by the donor are reported as increases in net assets with donor restrictions. When CI incurs qualifying expenditures towards the restricted purpose, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Earned Income

Revenue recognition for earned income is evaluated under Accounting Standards Codification ("ASC") 606 through the following five steps: (i) identification of the contract or contracts with a customer; (ii) identification of the performance obligations in the contract; (iii) determination of the transaction price; (iv) allocation of the transaction price in the contract; and (v) recognition of revenue when or as a performance obligation is satisfied. Revenue is based on the consideration specified in the contract for the exchange of services.

The performance obligation related to fee for service contracts is to provide consulting, teaching, or other performance-based services to other organizations. CI recognizes fee for service income over time in the period that services are rendered. CI bills for services as services are provided or based on contract terms. Payment terms are specified in the contract and are generally due within 30 days and there are no variable considerations. Payments collected in excess of the related program service income recognized as of year-end are recorded as deferred revenue. Accounts receivable related to fee for service income during the year ended June 30, 2022 was \$1,360,645.

Contributed Goods and Services

Donated materials and equipment are recorded as contribution revenue at their estimated fair value on the date of receipt. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset for a specific purpose.

CI records contribution revenue for certain services received at the fair value of those services, if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills, are provided by individuals possessing those skills and would be purchased if not donated.

Property and Equipment

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 \$1,000.

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 canceled or the funds returned. Grants are expected to be paid in fiscal year ending June 30, 2023.

Community Initiatives

Notes to Financial Statements

June 30, 2022

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 the FSPs (those in a comprehensive fiscal sponsorship relationship) are legally a part of CI and all their employees are employees of CI. A minority 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. For the year ended June 30, 2022, there were 22 newly incorporated FSPs that transferred assets of approximately \$1,347,000.

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 2022, net assets of approximately \$2,118,000 were distributed to spun-off projects and were recorded as grant expense.

Functional Allocation of Expenses

The 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. Expenses incurred by fiscal sponsorships for development are recorded as fundraising expenses. Expenses incurred by CI's administrative group are recorded as management and general expenses. Expenses are directly charged to the functions benefited.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Comparative Information

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, 2021 from which the summarized information is derived.

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 No. 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.

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Notes to Financial Statements

June 30, 2022

Recently Issued Accounting Pronouncements

During February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-02, Leases (Topic 842). ASU 2016-02 requires lessees to recognize the assets and liabilities that arise from leases on the statement of financial position. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. FASB has issued subsequent standards that deferred the implementation date. Topic 842 (as amended) is effective for annual periods beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022.

During June 2016, FASB issued ASU 2016-13, Measurement of Credit Losses on Financial Instruments. ASU 2016-13 requires financial assets measured at amortized cost to be presented at the net amount expected to be collected, through an allowance for credit losses that is deducted from the amortized cost basis. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. FASB has issued subsequent standards to clarify, correct errors in or improve the guidance. ASU 2016-13 (as amended) is effective for annual periods and interim periods within those annual periods beginning after December 15, 2022. CI is currently assessing the effect that ASU No. 2016-13 will have on its financial statements.

Subsequent Events

CI has evaluated subsequent events through October 28, 2022, which represents the date the financial statements were available to be issued.

3. New Accounting Pronouncement

During 2022, CI adopted Accounting Standards Update No. 2020-07, Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. ASU No. 2020-07 improves financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets, including additional disclosure requirements for recognized contributed services. CI has adjusted the presentation of these financial statements accordingly. ASU No. 2020-07 has been applied retrospectively to all periods presented.

4. Liquidity and Availability of Financial Assets

CI has sufficient liquidity sources at the date that the financial statements are issued to meet outstanding obligations. 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. CI has designated approximately about \$1,200,000 of funds as an operating reserve, which are considered made available for general operations as needed.

Community Initiatives

Notes to Financial Statements

June 30, 2022

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

Cash and cash equivalents	\$ 9,819,298
Short term investments	28,629,601
Government and accounts receivable, net	2,206,628
Grant and pledges receivable	<u>7,718,438</u>
Total financial assets at year-end	<u>48,373,965</u>
Less: amounts not available to be used within one year:	
Net assets with donor restrictions not available to be used in one year	<u>(1,077,866)</u>
	<u>(1,077,866)</u>
Financial assets available for general expenditures over the next 12 months	<u>\$ 47,296,099</u>

5. Grants and Pledges Receivable

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

<u>Year Ending June 30,</u>	
2023	\$ 6,640,572
2024	952,866
2025	<u>125,000</u>
	<u>\$ 7,718,438</u>

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.

At June 30, 2022, grants and contributions amounting to \$3,352,653 have not been recognized in the accompanying financial statements because of the condition to incur qualifying expenses on which they depend have not been met.

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

Balance as of June 30, 2021	\$ 1,261,030
Conditional grants received during fiscal year June 30, 2022	5,147,503
Conditional grants pledged to departed FSPs	(1,150,000)
Revenue recognized for conditions met during 2022	<u>(1,905,880)</u>
Balance as of June 30, 2022	<u>\$ 3,352,653</u>

Community Initiatives

Notes to Financial Statements
June 30, 2022

6. Short-Term Investments and Fair Value Measurements

Short-term investments consisted of the following at June 30, 2022:

Cash and cash equivalents	\$ 14,276,765
U.S. Treasury bonds	<u>14,352,836</u>
Total investments	<u>\$ 28,629,601</u>

CI's investment income consisted of the following the for the year ended June 30, 2022:

Realized and unrealized gain	\$ 3,784
Dividends and interest	<u>5,314</u>
Investment income, net	<u>\$ 9,098</u>

Investments which consist of money market funds and U.S. treasury bonds are valued under fair value measurement using Level 2 inputs.

7. Fixed Assets

At June 30, 2022, fixed assets consist of the following:

Leasehold improvements	\$ 779,827
Computer equipment and software	187,055
Furniture and fixtures	177,102
Office equipment	101,040
Vehicles	<u>89,014</u>
	1,334,038
Less: accumulated depreciation and amortization	<u>(1,150,840)</u>
	<u>\$ 183,198</u>

Community Initiatives

Notes to Financial Statements

June 30, 2022

8. Paycheck Protection Program

In February 2021, CI received loan proceeds in the amount of \$2,000,000 under the Paycheck Protection Program (“PPP”) which was established as part of the Coronavirus Aid, Relief and Economic Security (“CARES”) Act and is administered through the Small Business Administration (“SBA”). The PPP provides loans to qualifying organizations in amounts up to 2.5 times their average monthly payroll expenses and was designed to provide a direct financial incentive for qualifying businesses to keep their workforce employed during the Coronavirus crisis. PPP loans are uncollateralized and guaranteed by the SBA and are forgivable after a “covered period” (eight or twenty-four weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible expenses, including payroll, benefits, mortgage interest, rent, and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries and wages more than 25% during the covered period. Any unforgiven portion is payable over 2 years at an interest rate of 1% with payments deferred until the SBA remits the borrower’s loan forgiveness amount to the lender, or, if the borrower does not apply for forgiveness, ten months after the end of the covered period. PPP loan terms provide for customary events of default, including payment defaults, breaches of representations and warranties, and insolvency events and may be accelerated upon the occurrence of one or more of these events of default. Additionally, PPP loan terms do not include prepayment penalties.

CI believes it met the PPP’s loan forgiveness requirements and therefore applied for forgiveness. On September 30, 2021, CI received legal release from the SBA and therefore recorded the amount forgiven, \$2,000,000, as forgiveness income in its Statement of Activities for the year ended June 30, 2022.

The SBA reserves the right to audit any PPP loan, regardless of size. These audits may occur after forgiveness has been granted. In accordance with the CARES Act, all borrowers are required to maintain their PPP loan documentation for six years after the PPP loan was forgiven or repaid in full and to provide that documentation to the SBA upon request.

9. Net Assets with Donor Restrictions

At June 30, 2022, net assets with donor restrictions – purpose and time restricted consist of the following:

Fiscal sponsor projects and time restrictions	\$ 7,718,438
Fiscal sponsor projects	<u>33,032,860</u>
Total	<u><u>\$ 40,751,298</u></u>

Net assets with donor restrictions – purpose and time restricted, released from restriction during the year ended June 30, 2022 consist of the following:

Fiscal sponsor projects and time restrictions	<u><u>\$ 41,726,696</u></u>
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Community Initiatives

Notes to Financial Statements
June 30, 2022

10. Commitments and Contingencies

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:

<u>Year ending June 30,</u>	
2023	\$ 635,818
2024	253,080
2025	26,600
	<u>\$ 915,498</u>

Facilities rent, and equipment lease expenses under operating leases for the year ended June 30, 2022 was \$761,216.

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. CI administers and receives reimbursement for certain grants and contracts that 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.

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.

11. Concentrations

Credit and Investment Risk

Financial instruments that potentially subject CI to concentrations of credit risk consist principally of cash and cash equivalents. Risks associated with cash and cash equivalents are mitigated by banking with creditworthy institutions. Such balances with any one institution may, at times, be in excess of federally insured amounts (currently \$250,000 per depositor). CI has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

Investments, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Certain investments are insured up to the limit set by the Securities Investor Protection Corporation (SIPC) (currently \$500,000 per depositor). At June 30, 2022, CI held investments in excess of the SIPC insurance limits.

Community Initiatives

Notes to Financial Statements

June 30, 2022

12. Employee Benefits 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 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 year ended June 30, 2022, total expense related to the matching contribution was \$506,810. CI also has a deferred compensation plan under Section 457 of the Internal Revenue Code for a select group of management. For the year ended June 30, 2022, there were no contributions to this plan.

13. Contributed Nonfinancial Assets

Contributions of tangible assets are recognized based on estimated fair value when received. The amounts reflected in the accompanying financial statements as contributed nonfinancial assets are offset by like amounts included in expenses or additions to property and equipment and includes items such as food, household goods, clothing, artwork and experiences. Unless otherwise noted, contributed nonfinancial assets do not have donor-imposed restrictions.

Contributed food was utilized by the fiscally sponsored project, The Healing WELL, to provide to the homeless and others in need in their community. Contributed household goods and clothing were primarily utilized by the fiscally sponsored project, Project Homeless Connect, to provide to the homeless or others in need in their community. Other contributed clothing was utilized by the fiscally sponsored project, Latino Outdoors, for use by participants of their outdoor program activities.

Contributed artwork and experiences, were monetized as auction items for fundraising for the fiscally sponsored project, Castro Country Club, which operates a clean & sober gathering place for all people and a home for the queer recovery community. In valuing food, household goods, clothing, artwork and experiences, Community Initiatives estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States.

For the year ended June 30, 2022, contributed nonfinancial assets recognized in in-kind contribution in the statement of activities includes the following:

Food	\$	36,000
Rent		14,318
Clothing		13,645
Castro Country Club		20,880
Other		120
	\$	<u>84,963</u>