

Community Initiatives

Financial Statements

June 30, 2023

(with summarized comparative totals for June 30, 2022)

Community Initiatives

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Independent Auditors' Report

To the Board of Directors
Community Initiatives

Opinion

We have audited the financial statements of Community Initiatives (CI), which comprise the statement of financial position as of June 30, 2023, and the related statements 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, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for 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 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 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 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

We have previously audited CI's financial statements as of and for the year ended June 30, 2022, and we expressed an unmodified opinion on those audited financial statements in our report dated October 28, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, 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 24, 2023

Community Initiatives

Statements of Financial Position

June 30, 2023

(With summarized comparative financial information for 2022)

	<u>2023</u>	<u>2022</u>
Assets		
Assets		
Cash and cash equivalents	\$ 3,160,085	\$ 9,819,298
Short-term investments (Note 5)	39,612,352	28,629,601
Government and accounts receivable, net	2,416,270	2,206,628
Grants and pledges receivable (Note 4)	8,930,607	7,718,438
Prepaid expenses and other assets	492,979	347,000
Fixed assets, net (Note 6)	134,659	183,198
Operating lease right-of-use-assets (Note 8)	1,485,763	-
	<u>56,232,715</u>	<u>48,904,163</u>
Total assets	<u>\$ 56,232,715</u>	<u>\$ 48,904,163</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 1,080,473	\$ 772,741
Accrued wages and related costs	1,373,394	1,090,563
Grants payable	145,136	1,234,083
Deferred revenue	678,299	245,423
Operating lease liabilities (Note 8)	1,532,052	-
	<u>4,809,354</u>	<u>3,342,810</u>
Total liabilities	<u>4,809,354</u>	<u>3,342,810</u>
Net Assets		
Without donor restrictions	6,831,806	4,810,055
With donor restrictions	44,591,555	40,751,298
	<u>51,423,361</u>	<u>45,561,353</u>
Total net assets	<u>51,423,361</u>	<u>45,561,353</u>
Total liabilities and net assets	<u>\$ 56,232,715</u>	<u>\$ 48,904,163</u>

See notes to financial statements

Community Initiatives

Statements of Activities

Year Ended June 30, 2023

(With summarized comparative financial information for 2022)

	2023			2022 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Revenues and Support				
Grants and contributions revenue	\$ 10,510	\$ 46,479,316	\$ 46,489,826	\$ 42,833,657
Government contracts	-	3,795,875	3,795,875	7,862,377
Earned income	7,905,740	-	7,905,740	5,041,278
Contributed nonfinancial assets	124,737	-	124,737	84,963
Investment income, net	1,117,487	-	1,117,487	9,098
Forgiveness of Paycheck Protection Program loan	-	-	-	2,000,000
Other income	533,584	-	533,584	145,635
Net assets released from restrictions	47,878,306	(47,878,306)	-	-
Total revenue and support	57,570,364	2,396,885	59,967,249	57,977,008
Expenses				
Program services	45,803,808	-	45,803,808	38,994,252
Management and general	5,609,495	-	5,609,495	2,964,963
Fundraising	4,135,310	-	4,135,310	4,465,861
Total expenses	55,548,613	-	55,548,613	46,425,076
Change in Net Assets Before Other Changes	2,021,751	2,396,885	4,418,636	11,551,932
Other Changes in Net Assets				
Net assets transferred in	-	1,443,372	1,443,372	1,347,343
Changes in Net Assets	2,021,751	3,840,257	5,862,008	12,899,275
Net Assets, Beginning	4,810,055	40,751,298	45,561,353	32,662,078
Net Assets, Ending	\$ 6,831,806	\$ 44,591,555	\$ 51,423,361	\$ 45,561,353

See notes to financial statements

Community Initiatives

Statements of Functional Expenses

Year Ended June 30, 2023

(With summarized comparative financial information for 2022)

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2023 Total</u>	<u>2022 Total</u>
Salaries and related benefits	\$ 25,799,262	\$ 4,176,144	\$ 2,866,455	\$ 32,841,861	\$ 25,137,919
Grants	8,584,840	-	-	8,584,840	12,309,594
Professional services	5,063,611	399,650	562,623	6,025,884	4,237,985
Program supplies and marketing	1,738,628	75,146	193,181	2,006,955	1,518,289
Office expenses, postage and shipping	1,134,177	289,625	126,020	1,549,822	837,774
Travel	1,359,982	18,352	151,109	1,529,443	465,283
Conferences, conventions, & meetings	842,241	33,481	93,582	969,304	258,334
Occupancy	743,457	160,132	82,606	986,195	761,216
Equipment rental and maintenance	265,401	141,230	29,489	436,120	316,687
Insurance	4,167	239,335	463	243,965	203,704
Telephone and communications	89,805	16,506	9,978	116,289	101,080
Taxes, fees, and licenses	41,860	50,388	4,651	96,899	85,681
Printing and publications	79,155	2,564	8,795	90,514	63,567
Depreciation and amortization	57,222	6,942	6,358	70,522	127,963
	<u>\$ 45,803,808</u>	<u>\$ 5,609,495</u>	<u>\$ 4,135,310</u>	<u>\$ 55,548,613</u>	<u>\$ 46,425,076</u>
Total expenses					

See notes to financial statements

Community Initiatives

Statements of Cash Flows

Year Ended June 30, 2023

(With summarized comparative financial information for 2022)

	<u>2023</u>	<u>2022</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 5,862,008	\$ 12,899,275
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Forgiveness of Paycheck Protection Program loan	-	(2,000,000)
Depreciation and amortization	70,522	127,963
Amortization of operating right-of-use asset	296,853	-
Loss on disposal of fixed assets	71,977	-
Donated securities	-	4,907
Realized and unrealized gain on investments	(348,562)	(3,784)
Change in operating assets and liabilities:		
Government and accounts receivable	(209,642)	(727,568)
Grants and pledges receivable	(1,212,169)	(1,681,389)
Prepaid expenses and other assets	(145,979)	(165,305)
Accounts payable	307,732	(175,059)
Accrued wages and related costs	282,831	(50,434)
Grants payable	(1,088,947)	(114,183)
Deferred revenue	432,876	115,640
Operating lease liability	(250,564)	-
Net cash provided by operating activities	<u>4,068,936</u>	<u>8,230,063</u>
Cash Flows From Investing Activities		
Proceeds from sale of investments	126,563,997	90,478,303
Purchases of investments	(137,198,186)	(100,090,280)
Purchase of fixed assets	<u>(93,960)</u>	<u>(6,809)</u>
Net cash used in investing activities	<u>(10,728,149)</u>	<u>(9,618,786)</u>
Net change in cash and cash equivalents	(6,659,213)	(1,388,723)
Cash and Cash Equivalents, Beginning	<u>9,819,298</u>	<u>11,208,021</u>
Cash and Cash Equivalents, Ending	<u>\$ 3,160,085</u>	<u>\$ 9,819,298</u>

See notes to financial statements

Community Initiatives

Notes to Financial Statements

June 30, 2023

1. Organization and Summary of Significant Accounting Policies

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 36 states and nine 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 for not for profit organizations (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.

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.

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Notes to Financial Statements

June 30, 2023

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. The fair values of equity securities are based on quoted market prices for those investments.

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, 2023, 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. Contributions that are promised in one year but are not expected to be collected until after the end of the year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of any such discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contribution.

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 receivables. As of June 30, 2023, there is no balance in the allowances for doubtful accounts.

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Notes to Financial Statements

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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 or by time restrictions are reported as increases in net assets with donor restrictions. When CI incurs qualifying expenditures towards the restricted purpose or time restrictions expire, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Earned Income

Revenue recognition for earned income is evaluated 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 the fee for service income during the year ended June 30, 2023 and June 30, 2022 was \$1,832,054 and 1,262,908, respectively.

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 a 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 \$5,000.

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Notes to Financial Statements

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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 expenses 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 the fiscal year ending June 30, 2023.

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, 2023, there were 21 newly incorporated FSPs that transferred assets of approximately \$1,443,372, which are recognized under ASC 958-605 and included in other changes in net assets.

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 2023, net assets of approximately \$872,328 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, 2022 from which the summarized information is derived.

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Notes to Financial Statements

June 30, 2023

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 the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) No. 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.

Recently Issued Accounting Pronouncements

During June 2016, the FASB issued ASU No. 2016-13, *Measure of Credit Losses on Financial Instruments*. ASU No. 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 standards to clarify, correct errors in, or improve the guidance. ASU No. 2016-13 (as amended) is effective for CI for its year ending June 30, 2023, and early adoption is permitted. CI is currently assessing the effect that ASU No. 2016-13 and its impact on its financial statements.

Newly Adopted Accounting Pronouncements

Effective January 1, 2022, CI adopted the FASB ASU No. 2016-02, *Leases (Topic 842)*, and all related amendments using the modified retrospective approach. CI's 2022 financial statements continue to be accounted for under the FASB's Topic 840 and have not been adjusted.

ASU No. 2016-02 requires lessees to recognize the assets and liabilities that arise from leases on the statement of financial position. At lease inception, leases are classified as either finance leases or operating leases with the associated right-of-use asset and lease liability measured at the net present value of future lease payments. Operating leases are expensed on a straight-line basis as lease expense over the noncancelable lease term. At the date of adoption, CI recorded operating lease right-of-use assets and lease liabilities of \$618,831.

The new standard provides for several optional practical expedients. Upon transition to Topic 842, the CI elected:

- The package of practical expedients permitted under the transition guidance which does not require CI to reassess prior conclusions regarding whether contracts are or contain a lease, lease classification and initial direct lease costs.
- The practical expedient to use hindsight in determining the lease term (that is, when considering options to extend or terminate the lease or to purchase the underlying asset) and in assessing impairment of CI's right-of-use assets.

The new standard also provided for accounting policy election as follows:

- CI has elected the policy not to separate lease and nonlease components for all asset classes.
- When the rate implicit in the lease is not determinable, rather than use CI's incremental borrowing rate, CI elected to use a risk-free discount rate for the initial and subsequent measurement of lease liabilities for all asset classes.

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Notes to Financial Statements

June 30, 2023

- CI elected not to apply the recognition requirements to all asset classes leases with an original term of 12 months or less, for which CI is not likely to exercise a renewal option or purchase the asset at the end of the lease; rather, short-term leases will continue to be recorded on a straight-line basis over the lease term.

Additional required disclosures for Topic 842 are contained in Note 8.

Subsequent Events

CI has evaluated subsequent events through October 24, 2023, which represents the date the financial statements were available to be issued.

3. 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's management has designated approximately \$2,600,000 of funds as an operating reserve, which are considered made available for general operations as needed.

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

Financial assets at year-end:	
Cash and cash equivalents	\$ 3,160,085
Short term investments	39,612,352
Government and accounts receivable, net	2,416,270
Grant and pledges receivable	<u>8,930,607</u>
Total financial assets at year-end	54,119,314
Less amounts not available to be used within one year:	
Net assets with donor restrictions not available In the next 12 months	<u>(1,528,502)</u>
	<u>(1,528,502)</u>
Financial assets available for general expenses over the next 12 months	<u>\$ 52,590,812</u>

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Notes to Financial Statements
June 30, 2023

4. 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:

Years ending June 30:	
2023	\$ 7,402,105
2024	1,115,000
2025	485,000
Discount to net present value	<u>(71,498)</u>
Total	<u>\$ 8,930,607</u>

Pledges receivables are stated at their net present values. Management has discounted these promises to give to the anticipated net present value of the future cash flows using a discount rate of 0.55% to 4.54% determined at the time of the pledge. The present value discount will be recognized in income as a contribution over the period from the date the promise is made to the date of collection.

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, 2023, grants and contributions amounting to \$3,144,936 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, 2022	\$ 3,352,653
Conditional grants received during fiscal year June 30, 2023	3,174,811
Conditional grants pledged to departed FSPs	(2,000,000)
Revenue recognized for conditions met during 2023	<u>(1,382,528)</u>
Balance as of June 30, 2023	<u>\$ 3,144,936</u>

5. Short-Term Investments and Fair Value Measurements

Short-term investments consisted of the following at June 30, 2023:

Cash and cash equivalents	\$ 9,301,741
U.S. Treasury bonds	<u>30,310,611</u>
Total investments	<u>\$ 39,612,352</u>

CI's investment income consisted of the following the for the year ended June 30, 2023:

Realized and unrealized gain	\$ 348,562
Dividends and interest	<u>768,925</u>
Investment income, net	<u>\$ 1,117,487</u>

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

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Notes to Financial Statements
June 30, 2023

6. Fixed Assets

At June 30, 2023, fixed assets consist of the following:

Leasehold improvements	\$	310,335
Computer equipment and software		176,036
Furniture and fixtures		135,305
Office equipment		86,040
Vehicles		89,014
		<u>796,730</u>
Less accumulated depreciation		<u>(662,071)</u>
Total	\$	<u>134,659</u>

7. Net Assets with Donor Restrictions

At June 30, 2023, net assets with donor restrictions – purpose and time-restricted consist of the following:

Fiscal sponsor projects and time restrictions	\$	8,930,607
Fiscal sponsor projects		<u>35,660,948</u>
Total	\$	<u>44,591,555</u>

Net assets with donor restrictions - purpose and time-restricted, released from restriction during the year ended June 30, 2023, consist of the following:

Fiscal sponsor projects and time restrictions	\$	<u>47,878,306</u>
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8. Commitments and Contingencies

Leases

CI leases various facilities and equipment under operating leases with various terms expiring through 2029. 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>Operating Leases</u>
Year ending June 30:		
2023	\$	458,198
2024		377,213
2025		262,602
2026		270,480
2027		230,079
Thereafter		<u>54,927</u>
Total lease payments		1,653,499
Less present value discount		<u>(121,447)</u>
Total lease liabilities	\$	<u>1,532,052</u>

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Right-of-use assets represent CI's right to use an underlying asset for the lease term, while lease liabilities represent CI's obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the commencement date of a lease based on the net present value of lease payments over the lease term.

In determining the discount rate used to measure the right-of-use assets and lease liabilities, CI uses the rate implicit in the lease, or if not readily available, CI uses a risk-free rate based on U.S. Treasury notes or bond rates for a similar term.

Right-of-use assets are assessed for impairment in accordance with CI's long-lived asset policy. CI reassesses lease classification and remeasures right-of-use assets and lease liabilities when a lease is modified and that modification is not accounted for as a separate new lease or upon certain other events that require reassessment in accordance with Topic 842.

CI made significant assumptions and judgments in applying the requirements of Topic 842. In particular, CI:

- Evaluated whether a contract contains a lease, by considering factors such as whether CI obtained substantially all rights to control an identifiable underlying asset and whether the lessor has substantive substitution rights;
- Determined whether contracts contain embedded leases;
- Determined for leases that contain a residual value guarantee, whether a payment at the end of the lease term was probable and, accordingly, whether to consider the amount of a residual value guarantee in future lease payments;

CI does not have any material leasing transactions with related parties.

The following table summarizes the operating lease right-of-use assets and operating lease liabilities as of June 30, 2023:

Right-of-use assets:	
Operating lease:	<u>\$ 1,485,763</u>
Total right of use assets	<u>\$ 1,484,895</u>
Lease liabilities:	
Operating lease liabilities	<u>\$ 1,532,052</u>
Total lease expense	<u>\$ 1,532,052</u>

The following table includes supplemental cash flow and noncash information related to the leases for the year June 30, 2023:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	\$ 281,568
Right-of-use assets obtained in exchange for lease liabilities:	
Operating leases	1,808,080

The right-of-use assets and lease liabilities were calculated using a weighted average discount rate of 3.33% for operating leases. As of June 30, 2023, the weighted average remaining lease term was 4.20 years for operating leases.

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Contracts

Grant awards require 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.

9. Concentrations

Credit and Investment Risk

Financial instruments that potentially subject CI to concentrations of credit risk consist principally of cash and cash equivalents. 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, 2023, CI held investments in excess of the SIPC insurance limits.

10. Employee Benefits Plan

CI has a 401(k) plan available to all employees with no minimum service requirements, 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, 2023, total expense related to the matching contribution was \$640,755. 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, 2023, there were no contributions to this plan.

11. Contributed Nonfinancial Assets

Community Initiatives recognized contributed nonfinancial assets within revenue, including food, drink, household goods, clothing, camping gear, emergency prep supplies, artwork, experiences, and other miscellaneous fundraising auction goods. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

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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. Contributed camping gear, was utilized by the fiscally sponsored project, Latino Outdoors, for use by participants of their outdoor program activities. Contributed emergency prep supplies were utilized by the fiscally sponsored project, Emergency Prep Help, to provide to seniors for natural disasters and other emergencies. Contributed artwork, experiences, and other miscellaneous goods 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, as well as for the fiscally sponsored project, San Francisco Hep B Free, whose efforts aim to turn the San Francisco Bay Area into the first hepatitis B free area in the nation. In valuing these in-kind donations 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, 2023, contributed nonfinancial assets recognized in in-kind contribution in the statement of activities includes the following:

SF Hep B Free	\$	31,216
Clothing & Household Goods		31,035
Emergency Prep Supplies		21,019
Castro Country Club		16,050
Camping Gear		9,929
Food		9,800
Other		<u>5,688</u>
Total	\$	<u><u>124,737</u></u>