

*Financial Statements and
Independent Auditor's Report of*

CALIFORNIA ASSOCIATION OF NONPROFITS

December 31, 2020 and 2019



Campbell Taylor Washburn
Certified Public Accountants & Consultants

CALIFORNIA ASSOCIATION OF NONPROFITS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
California Association of Nonprofits
Capitola, California

Report on the Financial Statements

We have audited the accompanying financial statements of California Association of Nonprofits (a nonprofit association), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities and changes in net assets, functional expense, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free 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 the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

As discussed in Note 2 to the financial statements, the California Association of Nonprofits reports its investment in NAC Insurance Administration Corporation (NAC), a wholly owned subsidiary, on the equity method of accounting. Accounting principles generally accepted in the United States of America require that all majority-owned subsidiaries be accounted for as consolidated subsidiaries. If the financial statements of NAC had been consolidated with those of California Association of Nonprofits, total assets and total liabilities would increase by \$1,336,987 and \$1,482,676 as of December 31, 2020 and 2019, respectively. Revenues and expenses would increase by \$6,910,739 and \$6,089,986, for the year ended December 31, 2020, respectively. Revenues and expenses would increase by \$6,254,849 and \$5,536,816, for the year ended December 31, 2019, respectively.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of California Association of Nonprofits as of December 31, 2020 and 2019, 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.

Campbell Taylor Washburn

An Accountancy Corporation

Roseville, California
September 20, 2021

CALIFORNIA ASSOCIATION OF NONPROFITS

STATEMENTS OF FINANCIAL POSITION

December 31, 2020 and 2019

	ASSETS	
	<u>2020</u>	<u>2019</u>
Current Assets:		
Cash and cash equivalents	\$ 1,028,528	\$ 603,121
Dividends receivable from wholly-owned subsidiary	355,095	285,000
Accounts receivable	18,653	3,596
Grant receivable	18,000	-
Prepaid expenses and deposits	<u>19,761</u>	<u>16,918</u>
Total current assets	1,440,037	908,635
Investment in wholly-owned subsidiary	3,993,828	3,763,147
Investments	<u>106,024</u>	<u>213,034</u>
Total assets	<u>\$ 5,539,889</u>	<u>\$ 4,884,816</u>
	LIABILITIES AND NET ASSETS	
Current Liabilities:		
Accounts payable	\$ 16,495	\$ 55,904
Accounts payable to wholly-owned subsidiary	6,559	6,315
Accrued vacation	41,293	22,892
Contract liabilities	<u>265,632</u>	<u>273,110</u>
Total current liabilities	329,979	358,221
Net Assets:		
Without donor restrictions	4,945,869	4,493,262
With donor restrictions	<u>264,041</u>	<u>33,333</u>
Total net assets	<u>5,209,910</u>	<u>4,526,595</u>
Total liabilities and net assets	<u>\$ 5,539,889</u>	<u>\$ 4,884,816</u>

The accompanying notes are an integral part of these financial statements.

CALIFORNIA ASSOCIATION OF NONPROFITS

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended December 31, 2020

	Without Donor Restriction	With Donor Restriction	Total
Revenue and support:			
Membership dues	\$ 500,823	\$ -	\$ 500,823
Earnings from investment in wholly-owned subsidiary	585,776	-	585,776
Grants and contributions	141,800	358,000	499,800
Products and services	26,949	-	26,949
Investment loss	(26,364)	-	(26,364)
Honorarium and consulting	150	-	150
Conferences and workshops	21,540	-	21,540
Interest and dividend income	29,909	-	29,909
Advertising	3,990	-	3,990
Other income	488	-	488
Net assets released from restriction	127,292	(127,292)	-
Total revenue and support	1,412,353	230,708	1,643,061
Expenses:			
Program services:			
Education	406,229	-	406,229
Membership	178,552	-	178,552
Events	60,059	-	60,059
Public policy	182,582	-	182,582
Total program services	827,422	-	827,422
Management, general, and fundraising			
General and administrative	131,146	-	131,146
Fundraising	1,178	-	1,178
Total management, general, and fundraising	132,324	-	132,324
Total expenses	959,746	-	959,746
Change in net assets	452,607	230,708	683,315
Net assets, beginning of year	4,493,262	33,333	4,526,595
Net assets, end of year	\$ 4,945,869	\$ 264,041	\$ 5,209,910

The accompanying notes are an integral part of these financial statements.

CALIFORNIA ASSOCIATION OF NONPROFITS

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended December 31, 2019

	Without Donor Restriction	With Donor Restriction	Total
Revenue and support:			
Membership fees	\$ 469,752	\$ -	\$ 469,752
Earnings from investment in wholly-owned subsidiary	296,246	-	296,246
Grants and contributions	1,110	170,750	171,860
Products and services	36,938	-	36,938
Investment gain	19,487	-	19,487
Honorarium and consulting	9,050	-	9,050
Conferences and workshops	8,661	-	8,661
Interest and dividend income	7,810	-	7,810
Advertising	3,850	-	3,850
Other income	483	-	483
Net assets released from restriction	260,182	(260,182)	-
Total revenue and support	1,113,569	(89,432)	1,024,137
Expenses:			
Program services:			
Education	420,624	-	420,624
Membership	187,171	-	187,171
Events	170,411	-	170,411
Public Policy	181,219	-	181,219
Total program services	959,425	-	959,425
Management, general, and fundraising			
General and administrative	167,946	-	167,946
Fundraising	2,163	-	2,163
Total management, general, and fundraising	170,109	-	170,109
Total expenses	1,129,534	-	1,129,534
Change in net assets	(15,965)	(89,432)	(105,397)
Net assets, beginning of year	3,967,640	122,765	4,090,405
Cumulative effect from adoption of ASC 606	541,587	-	541,587
Net assets, end of year	\$ 4,493,262	\$ 33,333	\$ 4,526,595

The accompanying notes are an integral part of these financial statements.

CALIFORNIA ASSOCIATION OF NONPROFITS

STATEMENT OF FUNCTIONAL EXPENSE
For the Year Ended December 31, 2020

	Program Services				Management, General, and Fundraising		
	Education	Membership	Events	Public Policy	General and Administrative	Fundraising	Total
Personnel costs	\$ 358,047	\$ 144,097	\$ 53,439	\$ 160,796	\$ 113,749	\$ 1,039	\$ 831,167
Operating expenses							
Travel and meeting expenses	4,617	87	500	2,755	998	-	8,957
Non-personnel expenses	13,200	9,768	1,462	6,410	5,970	27	36,837
Facility and equipment expenses	17,448	7,605	2,221	7,250	5,891	62	40,477
Other expenses	12,917	16,995	2,437	5,371	4,260	50	42,030
Business expenses	-	-	-	-	278	-	278
Total	\$ 406,229	\$ 178,552	\$ 60,059	\$ 182,582	\$ 131,146	\$ 1,178	\$ 959,746

The accompanying notes are an integral part of these financial statements.

CALIFORNIA ASSOCIATION OF NONPROFITS

STATEMENT OF FUNCTIONAL EXPENSE
For the Year Ended December 31, 2019

	<u>Program Services</u>				<u>Management, General and Fundraising</u>		
	<u>Education</u>	<u>Membership</u>	<u>Events</u>	<u>Public Policy</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Personnel costs	\$ 364,041	\$ 153,663	\$ 79,795	\$ 160,688	\$ 142,558	\$ 1,871	\$ 902,616
Operating expenses							
Non-personnel expenses	9,388	26	77,636	7,275	6,217	49	100,591
Facility and equipment expenses	18,237	11,815	6,083	3,853	4,994	61	45,043
Travel and meeting expense	18,992	8,123	3,945	5,777	7,865	128	44,830
Other expenses	9,966	13,544	2,952	3,626	6,032	54	36,174
Business expenses	-	-	-	-	280	-	280
Total	<u>\$ 420,624</u>	<u>\$ 187,171</u>	<u>\$ 170,411</u>	<u>\$ 181,219</u>	<u>\$ 167,946</u>	<u>\$ 2,163</u>	<u>\$ 1,129,534</u>

The accompanying notes are an integral part of these financial statements.

CALIFORNIA ASSOCIATION OF NONPROFITS

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities:		
Change in net assets	\$ 683,315	\$ (105,397)
Adjustment to reconcile change in net assets to cash provided by (used for) operating activities		
Earnings from investment in wholly-owned subsidiary	(585,776)	(296,246)
Investment loss (gain)	26,364	(19,487)
(Increase) decrease in:		
Accounts receivable	(15,057)	7,091
Grant receivable	(18,000)	52,357
Prepaid expenses and deposits	(2,843)	(5,488)
Increase (decrease) in:		
Accounts payable	(39,409)	36,755
Accounts payable to wholly-owned subsidiary	244	640
Accrued vacation	18,401	4,551
Contract liabilities	(7,478)	21,032
Cash provided by (used for) operating activities	59,761	(304,192)
Cash Flows from Investing Activities:		
Dividends received	285,000	270,000
Net purchase of investments	80,646	(1,998)
Cash provided by investing activities	365,646	268,002
Net increase (decrease) in cash and cash equivalents	425,407	(36,190)
Cash and cash equivalents, beginning of year	603,121	639,311
Cash and cash equivalents, end of year	\$ 1,028,528	\$ 603,121

The accompanying notes are an integral part of these financial statements.

CALIFORNIA ASSOCIATION OF NONPROFITS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020

NOTE 1: NATURE OF OPERATIONS, AND SIGNIFICANT ACCOUNTING POLICIES

The California Association of Nonprofits (CalNonprofits) is a statewide "chamber of commerce" dedicated to bringing the full power of California's nonprofits to strengthen communities. With more than 10,000 member organizations, CalNonprofits speaks with the voice of California nonprofits to the legislature, government agencies, philanthropy, and the public. CalNonprofits conducts and disseminates research, works to strengthen government-nonprofit partnerships, engages in advocacy, and provides specialized services -- all designed to improve the economic and regulatory climate in which nonprofits work, and to strengthen the administration, governance, and fiscal position of California nonprofit organizations.

The following is a summary of CalNonprofits' most significant programs and services:

Programs

Public policy, advocacy, and education: CalNonprofits works with legislators and nonprofit coalitions to support an economic and regulatory climate that allows California nonprofits to do their best work. CalNonprofits documents the value of nonprofit contributions to the economy and the community, keeps nonprofits informed and involved in relevant legislation and court cases, and educates nonprofits about government funding opportunities and regulatory requirements. Through frequent webinars, regional and online convenings, a statewide convention, and other efforts, CalNonprofits brings nonprofits together to discuss and debate critical issues facing the sector, to think through the implications of government and philanthropic actions, and to build networks that support nonprofits and the communities they serve. Through its "Vote with Your Mission" campaign, CalNonprofits encourages nonprofit staff, board members, and volunteers to vote with the ideals and values that brought them into the nonprofit community.

Strengthening the government-nonprofit partnership: CalNonprofits educates nonprofits about compliance with relevant regulations and works with government to streamline paperwork. CalNonprofits sponsors the annual "California Nonprofits Day" in Sacramento, where legislators select a "Nonprofit of the Year" from their districts and join them for a celebratory luncheon. CalNonprofits brings elected officials and nonprofits into direct dialog through in-person and online convenings.

Resources: CalNonprofits conducts and publishes research, analysis, news and opinion via its website, print publication, and e-newsletter, to inform, educate and keep nonprofits up to date on important issues. CalNonprofits delivers concise and valuable information and resources for members to use in their day-to-day operations and long-term planning. CalNonprofits' signature economic impact report - "Causes Count: The Economic Power of the Nonprofit Sector," -- found, for example, that California nonprofits bring \$40 billion into the state each year, and that one in every 14 California jobs is at a nonprofit.

Discounts: CalNonprofits helps members save time and money with sponsored discount services including HR resources, printing, employee/volunteer background checks, shipping, office supplies, online job center, IT services and more.

Services

NAC Insurance Administration Corporation DBA CalNonprofits Insurance Services (NAC) (subsidiary): A social enterprise subsidiary of CalNonprofits, this full-service brokerage provides Property/Casualty and Employee Benefits insurance to more than 1,300 nonprofits and protecting 20,000 nonprofit employees. In addition, CalNonprofits sponsors the Nonprofit Benefits Trust (dental and vision plan) which is offered by and administered by NAC.

NOTE 1: NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

The following is a summary of significant accounting policies:

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States, except as disclosed in Note 2.

Financial Statement Presentation

The financial statements are presented in conformity with Accounting Standards Codification (ASC) 958, *Not-For-Profit Entities (ASC 958)*. Under ASC 958, CalNonprofits reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Accordingly, all financial transactions have been recorded and reported in the following net asset classifications:

Net Assets Without Donor Restrictions

Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a board-designated reserve.

Net Assets With Donor Restrictions

Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The new accounting standard develops a common revenue standard that will remove inconsistencies and weaknesses in revenue requirements, provide a more robust framework for addressing revenue issues, improve comparability of revenue recognition practices, provide more useful information to users of financial statements, and simplify the preparation of financial statements. CalNonprofits elected to adopt the standard for the year ending December 31, 2019, using the modified retrospective method of transition. The adoption resulted in a cumulative effect to increase net assets without donor restriction by \$541,587.

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. The new accounting standard requires lessees to recognize a lease liability measured on a discounted basis and a right-of-use asset for all leases. Application of this standard is effective for CalNonprofits for the year ended December 31, 2022. CalNonprofits is currently evaluating the impact of adoption of the new standard on its financial statements.

NOTE 1: NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, CalNonprofits considers all cash investments with an original maturity of six months or less to be cash equivalents.

CalNonprofits maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. CalNonprofits has not experienced any loss in such accounts and believes it is not exposed to any significant cash risk.

Investments

CalNonprofits has adopted an investment policy in which to guide the management of CalNonprofits' portfolio of invested funds for cash reserves. The primary investment objective for cash reserves is income generation and capital appreciation.

Investments are stated at estimated fair market value. Changes in unrealized gains and losses resulting from changes in fair value are reflected in the statements of activities and changes in net assets. Interest and dividends are recognized as earned.

Revenue Recognition, Accounts Receivable and Contract Liabilities

Grants and Contributions Revenue

CalNonprofits receives grants and contributions in support of CalNonprofits' mission. Grant and contributions revenue is recognized at fair value on the earlier of the receipt of cash or unconditional promise to give. Grants and contributions may have revocable conditions. These grants and contributions are recognized when the conditions are substantially met. Grants and contributions received are recorded as without donor restrictions and with donor restrictions support, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions. CalNonprofits reports restricted grants and contributions as unrestricted support if the donor restrictions are met within the fiscal year of receipt.

Membership Dues

Membership dues are billed and collected from members. The transaction price varies based on the budget of the member agency and amounts paid are non-refundable. Dues are generally paid in full for a 12-month membership period. The performance obligation consists of providing members certain membership benefits and is recognized ratably monthly as services are simultaneously received and consumed by the members. Amounts not yet recognized as membership dues are reflected as contract liabilities in the statement of financial position.

Contract Liabilities

Contract liabilities consist primarily of membership dues paid in advance. Dues are deferred to the membership period to which they relate. Due to the nature and timing of the performance and/or transfer of services, substantially all contract liabilities at December 31 of each year are recognized in the following year. CalNonprofits recognized revenue of \$265,510 and \$247,078 that was included in the contract liability balance at the beginning of the year in 2020 and 2019, respectively.

Accounts Receivable

Accounts receivable are recorded for services performed. The carrying value of receivables, net of the allowance for doubtful accounts, if any, represents their estimated net realizable value. The allowance for doubtful accounts, if any, is estimated based on historical collection trends, type of customer, the age of outstanding receivables, and existing economic conditions. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

NOTE 1: NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable (Continued)

Accounts receivable at December 31, 2020 and 2019 are considered fully collectible; therefore, no allowance for doubtful accounts has been established.

Property and Equipment

Property and equipment are stated at cost, if purchased, or at fair market value at the date of the gift, if donated. Property and equipment are depreciated using the straight-line method over estimated useful lives of three to five years. CalNonprofits capitalizes equipment with a cost of \$5,000 or greater. Expenditures for maintenance and repairs are charged to operations as incurred while renewals and betterments are capitalized. At December 31, 2020 and 2019, CalNonprofits' property and equipment were fully depreciated.

Income Tax Status

CalNonprofits is tax-exempt under Section 501(c)(3) of the Internal Revenue Code as well as the California Revenue and Taxation Code Section 23701(d). CalNonprofits, however, is subject to income taxes from activities unrelated to their tax-exempt purposes.

Accounting principles generally accepted in the United States of America require CalNonprofits management to evaluate tax positions taken by the CalNonprofits and recognize a tax liability or asset if CalNonprofits has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. CalNonprofits' management has determined that as of December 31, 2020, there are no uncertain tax positions taken or expected to be taken that would require recognition or disclosure in the financial statements. CalNonprofits is subject to routine audits by taxing authorities; however, there are currently no audits for any tax periods in progress. CalNonprofits is open to examination for the previous three (Federal) and four (State) years by various tax authorities.

Functional Expense

Costs identified with a specific program are charged as direct costs to the applicable program. Indirect costs of various programs or services have been allocated among the program or service benefited based on benefits received.

Estimates and Assumptions

The preparation of the 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant estimates are the allocation of expense by function and the allowance for doubtful accounts. Actual results could differ from those estimates.

NOTE 2: KNOWN DEPARTURE FROM ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA (GAAP)

The California Association of Nonprofits is the sole shareholder of NAC Insurance Administration Corporation dba CalNonprofits Insurance Services, which has been consolidated within another comprehensive set of financial statements. For the purpose of presenting California Association of Nonprofits financial position on a standalone basis, management believes it is more appropriate to show California Association of Nonprofits' investment in NAC Insurance Administration Corporation on the equity method since the two companies are in separate and distinct lines of business. Accounting principles generally accepted in the United States of America require that all majority-owned subsidiaries be accounted for as consolidated subsidiaries.

NOTE 2: KNOWN DEPARTURE FROM ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA (GAAP) (Continued)

If NAC Insurance Administration Corporation had been consolidated within these financial statements, total assets and total liabilities would increase by \$1,336,987 and \$1,482,676 as of December 31, 2020 and 2019, respectively. Revenues and expenses would increase by \$6,910,739 and \$6,089,986, for the year ended December 31, 2020, respectively. Revenues and expenses would increase by \$6,254,849 and \$5,536,816, for the year ended December 31, 2020, respectively.

NOTE 3: LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following.

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 1,028,528	\$ 603,121
Dividends receivable from wholly-owned subsidiary	355,095	285,000
Accounts receivable	18,653	3,596
Grant receivable	18,000	-
Investment in wholly-owned subsidiary	3,993,828	3,763,147
Investments - other	<u>106,024</u>	<u>213,034</u>
Total financial assets	5,520,128	4,867,898
Less:		
Amounts unavailable for general expenditures within one year		
Board designated reserve	(202,500)	(202,500)
Investment in wholly-owned subsidiary	<u>(3,993,828)</u>	<u>(3,763,147)</u>
Total financial assets available to management for general expenditure within one year	<u>\$ 1,323,800</u>	<u>\$ 902,251</u>

CalNonprofits strives to maintain sufficient liquid financial assets to cover its general expenditures, liabilities, and other obligations as they come due.

CalNonprofits has Board designated net assets without donor restriction which can be drawn upon, per discretion of the CEO, up to 10% of its target value for purposes set forth in the Cash Reserve Policy. Draw down of funds beyond 10% would require advance Board Approval and payback plan prior to use.

CalNonprofits considers contributions with donor restrictions for use in current programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures.

CalNonprofits does not consider the Investment in wholly-owned subsidiary as available, liquid resources for CalNonprofits' operations.

NOTE 4: FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board (FASB) ASC 820 provides a framework for measuring fair value. That framework provides a three-tier hierarchy that prioritizes the inputs to valuation techniques used for measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy are as follows:

Level 1 Fair Value Measurements: Inputs are unadjusted quoted prices for identical assets or liabilities that the Association has the ability to access.

Level 2 Fair Value Measurements: Inputs other than level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, model-based valuation techniques for which all significant assumptions are observable in the market, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 Fair Value Measurement: Inputs that are unobservable and significant to the fair value measurement.

The asset 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 use of observable inputs and minimize the use of unobservable inputs.

There have been no changes in the methodologies used as of December 31, 2020.

Mutual Funds: Prices are obtained from independent vendors and are based on quoted net asset values of the shares held by the funds at year end.

Certificates of Deposit: Security and brokered certificate of deposit (CD) prices are obtained from independent vendors or internal pricing models. The price of CDs that mature in greater than one year are estimated using similar securities for which prices are available.

The following table sets forth by level, within the fair value hierarchy, CalNonprofits' assets at fair value on a recurring basis as of December 31, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit	\$ -	\$ 106,024	\$ -	\$ 106,024
	<u>\$ -</u>	<u>\$ 106,024</u>	<u>\$ -</u>	<u>\$ 106,024</u>

The following table sets forth by level, within the fair value hierarchy, CalNonprofits' assets at fair value on a recurring basis as of December 31, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	\$ 108,928	\$ -	\$ -	\$ 108,928
Certificates of deposit	-	104,106	-	104,106
	<u>\$ 108,928</u>	<u>\$ 104,106</u>	<u>\$ -</u>	<u>\$ 213,034</u>

NOTE 5: INVESTMENT IN WHOLLY-OWNED SUBSIDIARY

CalNonprofits is the sole shareholder of NAC Insurance Administration Corporation dba CalNonprofits Insurance Services (NAC), a for-profit corporation formed for the purpose of providing administration services to the benefit plans offered to CalNonprofits' members. The investment has been recorded using the equity method of accounting.

The following is a condensed balance sheet of the subsidiary as of December 31, 2020 and 2019.

	<u>2020</u>	<u>2019</u>
Current assets	\$ 3,078,908	\$ 3,431,498
Long-term assets	2,213,599	1,766,818
Property and equipment	<u>38,308</u>	<u>47,507</u>
 Total assets	 <u>\$ 5,330,815</u>	 <u>\$ 5,245,823</u>
 Current liabilities	 \$ 1,244,640	 \$ 1,166,993
Long-term liabilities	92,347	315,683
Stockholder's equity	<u>3,993,828</u>	<u>3,763,147</u>
 Total liabilities and stockholder's equity	 <u>\$ 5,330,815</u>	 <u>\$ 5,245,823</u>

Total revenues and net income for the year ended December 31, 2020 was \$6,910,739 and \$585,776 respectively. Total revenues and net income for the year ended December 31, 2019 was \$6,254,849 and \$296,246 respectively.

CalNonprofits is due to receive dividends of \$355,095 and \$285,000 for the years ending December 31, 2020 and 2019, respectively.

NOTE 6: NET ASSETS WITHOUT DONOR RESTRICTIONS

CalNonprofits' net assets without donor restrictions is comprised of undesignated and Board designated amounts for the following purposes at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Undesignated	\$ 4,743,369	\$ 4,290,762
Board designated reserve	<u>202,500</u>	<u>202,500</u>
Total net assets without donor restriction	<u>\$ 4,945,869</u>	<u>\$ 4,493,262</u>

NOTE 7: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods as follows at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Subject to the passage of time:		
General Support	\$ 264,041	\$ 33,333
Total assets with donor restrictions	<u>\$ 264,041</u>	<u>\$ 33,333</u>

The purpose of the above donor restricted amounts is as follows:

General support: Time restricted funds to be used at the discretion of CalNonprofits to fulfill its mission.

NOTE 8: NET ASSETS RELEASED FROM DONOR RESTRICTION

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors. The net assets released from restrictions are as follows at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Expiration of time restriction:		
General support	\$ 78,959	\$ 160,182
Unrestricted operating support	48,333	100,000
Net assets released from donor restriction	<u>\$ 127,292</u>	<u>\$ 260,182</u>

NOTE 9: CORONAVIRUS AID, RELIEF, AND ECONOMIC SECURITY (CARES) ACT

In May 2020, CalNonprofits obtained a loan from a bank under the Paycheck Protection Program (PPP) of the CARES Act in the amount of \$100,400. CalNonProfits has determined that the loan represents a grant and there is reasonable assurance that the conditions of the grant have been met. In 2020, CalNonProfits recorded \$100,400 as a grant on the Statement of Activities and Changes in Net Assets.

NOTE 10: EMPLOYEE BENEFIT PLAN

CalNonprofits has a 403(b) Retirement Plan for all eligible employees. Employees may elect to make salary deferred contributions to the Plan. The plan allows matching on behalf of each employee up to a preset limit based on the employee's salary after two years of employment. For the years ended December 31, 2020 and 2019, CalNonprofits made matching contributions of \$9,138 and \$10,050, respectively.

NOTE 11: LEASE COMMITMENTS

CalNonprofits leases office facilities in San Francisco, under a non-cancelable operating lease which runs through year 2021. CalNonprofits also leases office facilities in Los Angeles on a month-to-month basis.

Minimum annual rental commitments under the non-cancelable lease are as follows at December 31, 2020:

For the year ending December 31,

2021	\$	19,016
2022		<u>6,990</u>
Total	\$	<u>26,006</u>

Rent expense under the leases for the years ended December 31, 2020 and 2019 was \$38,080 and \$43,197, respectively.

NOTE 12: SUBSEQUENT EVENTS

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through September 20, 2021, the date the financial statements were available to be issued. Management has determined that there are no material events have occurred that should be disclosed.



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The Path Forward