

*Financial Statements and  
Independent Auditor's Report of*

**CALIFORNIA ASSOCIATION OF  
NONPROFITS**

*December 31, 2021 and 2020*



**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

### ***Qualified Opinion***

We have audited the financial statements of California Association of Nonprofits (a nonprofit association), which comprise the statements of financial position as of December 31, 2021 and 2020, 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.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of California Association of Nonprofits as of December 31, 2021 and 2020, 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 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 wholly 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 \$1,742,061 and \$1,336,987 as of December 31, 2021 and 2020, respectively. Revenues and expenses would increase by \$6,572,684 for the year ended December 31, 2021 and \$6,324,963 for the year ended December 31, 2020.

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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of California Association of Nonprofits 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 qualified 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 California Association of Nonprofits' ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

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

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of California Association of Nonprofits' 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 California Association of Nonprofits' 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.

*Campbell Taylor Washburn*

An Accountancy Corporation

Roseville, California

August 16, 2022

**CALIFORNIA ASSOCIATION OF NONPROFITS**

STATEMENTS OF FINANCIAL POSITION

December 31, 2021 and 2020

	ASSETS	
	<u>2021</u>	<u>2020</u>
Current Assets:		
Cash and cash equivalents	\$ 1,909,344	\$ 1,028,528
Dividends receivable from wholly-owned subsidiary	523,832	355,095
Accounts receivable	5,012	18,653
Grant receivable	-	18,000
Prepaid expenses and deposits	<u>17,143</u>	<u>19,761</u>
Total current assets	2,455,331	1,440,037
Investment in wholly-owned subsidiary	4,558,887	3,993,828
Investments	<u>106,773</u>	<u>106,024</u>
Total assets	<u>\$ 7,120,991</u>	<u>\$ 5,539,889</u>

	LIABILITIES AND NET ASSETS	
Current Liabilities:		
Accounts payable	\$ 197,238	\$ 16,495
Accounts payable to wholly-owned subsidiary	8,756	6,559
Accrued liabilities	67,170	41,293
Contract liabilities	<u>249,656</u>	<u>265,632</u>
Total current liabilities	522,820	329,979
Net Assets:		
Without donor restrictions	6,226,296	4,945,869
With donor restrictions	<u>371,875</u>	<u>264,041</u>
Total net assets	<u>6,598,171</u>	<u>5,209,910</u>
Total liabilities and net assets	<u>\$ 7,120,991</u>	<u>\$ 5,539,889</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, 2021

	Without Donor Restriction	With Donor Restriction	Total
Revenue and support:			
Membership dues	\$ 497,451	\$ -	\$ 497,451
Earnings from investment in wholly-owned subsidiary	1,088,891	-	1,088,891
Grants and contributions	133,869	951,751	1,085,620
Products and services	47,593	-	47,593
Honorarium and consulting	5,950	-	5,950
Conferences and workshops	50,296	-	50,296
Interest and dividend income	2,283	-	2,283
Advertising	3,035	-	3,035
Other income	3,184	-	3,184
Net assets released from restriction	843,917	(843,917)	-
Total revenue and support	2,676,469	107,834	2,784,303
Expenses:			
Program services:			
Education	671,104	-	671,104
Membership	214,888	-	214,888
Events	102,459	-	102,459
Public policy	219,208	-	219,208
Total program services	1,207,659	-	1,207,659
Management, general, and fundraising			
General and administrative	183,863	-	183,863
Fundraising	4,520	-	4,520
Total management, general, and fundraising	188,383	-	188,383
Total expenses	1,396,042	-	1,396,042
Change in net assets	1,280,427	107,834	1,388,261
Net assets, beginning of year	4,945,869	264,041	5,209,910
Net assets, end of year	\$ 6,226,296	\$ 371,875	\$ 6,598,171

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 fees	\$ 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 FUNCTIONAL EXPENSE  
For the Year Ended December 31, 2021

	Program Services				Management, General, and Fundraising		Total
	Education	Membership	Events	Public Policy	General and Administrative	Fundraising	
Personnel costs	\$ 615,689	\$ 193,944	\$ 90,995	\$ 199,683	\$ 157,083	\$ 4,161	\$ 1,261,555
Operating expenses							
Travel and meeting expenses	1,681	-	126	366	456	-	2,629
Non-personnel expenses	27,179	4,295	3,598	4,741	6,239	88	46,140
Facility and equipment expenses	13,913	5,944	3,877	10,781	5,988	155	40,658
Other expenses	12,642	10,705	3,863	3,637	13,920	116	44,883
Business expenses	-	-	-	-	177	-	177
Total	<u>\$ 671,104</u>	<u>\$ 214,888</u>	<u>\$ 102,459</u>	<u>\$ 219,208</u>	<u>\$ 183,863</u>	<u>\$ 4,520</u>	<u>\$ 1,396,042</u>

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 expense	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	<u>\$ 406,229</u>	<u>\$ 178,552</u>	<u>\$ 60,059</u>	<u>\$ 182,582</u>	<u>\$ 131,146</u>	<u>\$ 1,178</u>	<u>\$ 959,746</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, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities:		
Change in net assets	\$ 1,388,261	\$ 683,315
Adjustment to reconcile change in net assets to cash provided by operating activities		
Earnings from investment in wholly-owned subsidiary	(1,088,891)	(585,776)
Investment loss (gain)	(749)	26,364
(Increase) decrease in:		
Accounts receivable	13,641	(15,057)
Grant receivable	18,000	(18,000)
Prepaid expenses and deposits	2,618	(2,843)
Increase (decrease) in:		
Accounts payable	180,743	(39,409)
Accounts payable to wholly-owned subsidiary	2,197	244
Accrued liabilities	25,877	18,401
Contract liabilities	(15,976)	(7,478)
Cash provided by operating activities	525,721	59,761
Cash Flows from Investing Activities:		
Dividends received	355,095	285,000
Net purchase of investments	-	80,646
Cash provided by investing activities	355,095	365,646
Net change in cash and cash equivalents	880,816	425,407
Cash and cash equivalents, beginning of year	1,028,528	603,121
Cash and cash equivalents, end of year	\$ 1,909,344	\$ 1,028,528

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

# CALIFORNIA ASSOCIATION OF NONPROFITS

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

### 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 1,500 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 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.

**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 for managing 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.

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

**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. CalNonprofits' revenues, results of operations, and cash flows are affected by a wide variety of factors, including general economic conditions and public perception of the nonprofit.

***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 \$265,632 and \$273,110 that was included in the contract liability balance at the beginning of the year in 2021 and 2020, 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. Payments are due within 30 days of service date. 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.

Accounts receivable at December 31, 2021 and 2020 are considered fully collectible; therefore, no allowance for doubtful accounts has been established.

The following is a summary of accounts receivable and contract liabilities as of December 31:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Accounts receivable	\$ 5,012	\$ 18,653	\$ 3,596
Contract liabilities	\$ 249,656	\$ 265,632	\$ 273,110

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

**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, 2021 and 2020, 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, 2021, 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.

**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.

**Equity Method Investment**

Management has elected to account for CalNonprofits' investment in NAC under the equity method of accounting. Refer to Note 2 for known GAAP departure. Under the equity method of accounting, CalNonprofits has recorded its initial investment at cost and its proportionate share of undistributed income or loss each period as an increase/decrease in its investment account. Distributions from the investment are recorded as a reduction in the investment account. Management evaluates for impairment on an annual basis. No provision for impairment was recorded in 2021 and 2020.

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

CalNonprofits is the sole shareholder of NAC, which has been consolidated within another comprehensive set of financial statements. For the purpose of presenting CalNonprofits' financial position on a standalone basis, management believes it is more appropriate to show CalNonprofits' investment in NAC 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.

If the financial statements of NAC had been consolidated with those of CalNonprofits', total assets and total liabilities would increase by \$1,742,061 and \$1,336,987 as of December 31, 2021 and 2020, respectively. Revenues and expenses would increase by \$6,572,684 for the year ended December 31, 2021 and \$6,324,963 for the year ended December 31, 2020.

**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.

	2021	2020
Cash and cash equivalents	\$ 1,909,344	\$ 1,028,528
Dividends receivable from wholly-owned subsidiary	523,832	355,095
Accounts receivable	5,012	18,653
Grant receivable	-	18,000
Investment in wholly-owned subsidiary	4,558,887	3,993,828
Investments - other	106,773	106,024
Total financial assets	7,103,848	5,520,128
Less:		
Amounts unavailable for general expenditures within one year		
Board designated reserve	(202,500)	(202,500)
Investment in wholly-owned subsidiary	(4,558,887)	(3,993,828)
Total financial assets available to management for general expenditure within one year	<u>\$ 2,342,461</u>	<u>\$ 1,323,800</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 Measurements:* 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, 2021.

*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, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit	\$ -	\$ 106,773	\$ -	\$ 106,773
	<u>\$ -</u>	<u>\$ 106,773</u>	<u>\$ -</u>	<u>\$ 106,773</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, 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>

**NOTE 5: INVESTMENT IN WHOLLY-OWNED SUBSIDIARY**

CalNonprofits is the sole shareholder of 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, 2021 and 2020.

	<u>2021</u>	<u>2020</u>
Current assets	\$ 4,449,192	\$ 3,078,908
Long-term assets	1,768,261	2,213,599
Property and equipment	<u>83,495</u>	<u>38,308</u>
Total assets	<u>\$ 6,300,948</u>	<u>\$ 5,330,815</u>
Current liabilities	\$ 1,742,061	\$ 1,244,640
Long-term liabilities	-	92,347
Stockholder's equity	<u>4,558,887</u>	<u>3,993,828</u>
Total liabilities and stockholder's equity	<u>\$ 6,300,948</u>	<u>\$ 5,330,815</u>

Total revenues and net income for the year ended December 31, 2021 was \$7,661,575 and \$1,088,891 respectively. Total revenues and net income for the year ended December 31, 2020 was \$6,910,739 and \$585,776 respectively.

CalNonprofits is due to receive dividends of \$523,832 and \$355,095 for the years ending December 31, 2021 and 2020, respectively.

NAC remitted \$6,175 and \$9,925 to CalNonprofits in membership dues paid on behalf of its clients in 2021 and 2020, respectively. These payments are reported as membership dues income without donor restrictions on the statements of activities and changes in net assets. NAC provides support and other services to CalNonprofits in the form of a shared services agreement. The total billed was \$72,661 and \$66,023 for the years ended December 31, 2021 and 2020, respectively, and is included as personnel costs on the statements of functional expense.

**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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Undesignated	\$ 6,023,796	\$ 4,743,369
Board designated reserve	<u>202,500</u>	<u>202,500</u>
Total net assets without donor restriction	<u>\$ 6,226,296</u>	<u>\$ 4,945,869</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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Subject to the passage of time:		
General Support	\$ 371,875	\$ 264,041
Total assets with donor restrictions	<u>\$ 371,875</u>	<u>\$ 264,041</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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Expiration of time restriction:		
General support	\$ 217,167	\$ 78,959
Unrestricted operating support	<u>626,750</u>	<u>48,333</u>
Net assets released from donor restriction	<u>\$ 843,917</u>	<u>\$ 127,292</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.

In February 2021, CalNonprofits obtained a loan from a bank under the Paycheck Protection Program (PPP) of the CARES Act in the amount of \$101,225. CalNonProfits has determined that the loan represents a grant and there is reasonable assurance that the conditions of the grant have been met. In 2021, CalNonProfits recorded \$101,225 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, 2021 and 2020, CalNonprofits made matching contributions of \$13,839 and \$9,138, respectively.

**NOTE 11: LEASE COMMITMENTS**

CalNonprofits leases an office facility in San Francisco, under a non-cancelable operating lease which runs through May 2022. 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, 2021:

<u>For the year ending December 31,</u>	
2022	\$ 13,098
Total	<u>\$ 13,098</u>

Rent expense under the leases for the years ended December 31, 2021 and 2020 was \$31,507 and \$38,080, respectively.

**NOTE 12: SUBSEQUENT EVENTS**

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through August 16, 2022, the date the financial statements were available to be issued. Management has determined that no material events have occurred that should be disclosed.



**Campbell Taylor Washburn**  
Certified Public Accountants & Consultants

## **The Path Forward**