



Communications with the Board of Directors

California Association of Nonprofits

December 31, 2023

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Report of Independent Auditors

The Board of Directors
California Association of Nonprofits

Report on the Audit of the Financial Statements

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, 2023, and the related statements of activities and changes in net assets, functional expense, and cash flows for the year 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, 2023, and the results of its operations and its cash flows for the year 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 (U.S. GAAP) 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 \$1,767,489 and as of December 31, 2023. Revenues and expenses would increase by \$8,311,389 for the year ended December 31, 2023.

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 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 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 California Association of Nonprofits' ability to continue as a going concern within 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.



San Francisco, California
June 28, 2024

Financial Statements

California Association of Nonprofits
Statement of Financial Position
December 31, 2023

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 356,255
Accounts receivable	53,819
Prepaid expenses and deposits	<u>20,731</u>

Total current assets 430,805

Investment in wholly owned subsidiary	6,562,018
Investments	1,572,872
Right-of-use asset, operating lease	<u>62,446</u>

Total assets \$ 8,628,141

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 32,924
Accrued liabilities	47,057
Contract liabilities	272,114
Operating lease liability, current portion	<u>45,704</u>

Total current liabilities 397,799

Operating lease liability, net of current portion 17,656

Total liabilities 415,455

NET ASSETS

Without donor restrictions	8,065,452
With donor restrictions	<u>147,234</u>

Total net assets 8,212,686

Total liabilities and net assets \$ 8,628,141

See accompanying notes.

California Association of Nonprofits
Statement of Activities and Changes in Net Assets
Year Ended December 31, 2023

	Without Donor Restriction	With Donor Restriction	Total
REVENUE AND SUPPORT			
Membership dues	\$ 515,812	\$ -	\$ 515,812
Earnings from investment in wholly-owned subsidiary	1,613,438	-	1,613,438
Contract revenues	100,000	-	100,000
Products and services	61,243	-	61,243
Investment gain	46,737	-	46,737
Grants and contributions	16,950	25,000	41,950
Conferences and workshops	29,574	-	29,574
Other income	7,725	-	7,725
Honorarium and consulting	2,200	-	2,200
Net assets released from restriction	177,465	(177,465)	-
Total revenue and support	<u>2,571,144</u>	<u>(152,465)</u>	<u>2,418,679</u>
EXPENSES			
Program services:			
Education	397,524	-	397,524
Membership	342,280	-	342,280
Events	119,868	-	119,868
Public policy	338,411	-	338,411
Total program services	<u>1,198,083</u>	<u>-</u>	<u>1,198,083</u>
Management, general, and fundraising:			
General and administrative	259,906	-	259,906
Fundraising	14,941	-	14,941
Total management, general, and fundraising	<u>274,847</u>	<u>-</u>	<u>274,847</u>
Total expenses	<u>1,472,930</u>	<u>-</u>	<u>1,472,930</u>
CHANGE IN NET ASSETS	1,098,214	(152,465)	945,749
NET ASSETS, beginning of year	<u>6,967,238</u>	<u>299,699</u>	<u>7,266,937</u>
NET ASSETS, end of year	<u>\$ 8,065,452</u>	<u>\$ 147,234</u>	<u>\$ 8,212,686</u>

See accompanying notes.

California Association of Nonprofits
Statement of Functional Expense
Year Ended December 31, 2023

	Program Services				Program Services Total	General, Administrative, and Fundraising		Total
	Education	Membership	Events	Public Policy		General and Administrative	Fundraising	
PERSONNEL COSTS	\$ 339,004	\$ 280,719	\$ 63,313	\$ 306,429	\$ 989,465	\$ 230,233	\$ 14,268	\$ 1,233,966
OPERATING EXPENSES								
Facility and equipment expenses	22,554	21	49,572	2,060	74,207	4,288	-	78,495
Travel and meeting expenses	11,014	44,947	1,273	8,594	65,828	1,821	133	67,782
Other expenses	11,907	5,800	4,108	17,449	39,264	17,604	164	57,032
Professional service fees	13,045	10,793	1,602	3,879	29,319	5,960	376	35,655
Total	<u>\$ 397,524</u>	<u>\$ 342,280</u>	<u>\$ 119,868</u>	<u>\$ 338,411</u>	<u>\$ 1,198,083</u>	<u>\$ 259,906</u>	<u>\$ 14,941</u>	<u>\$ 1,472,930</u>

See accompanying notes.

California Association of Nonprofits
Statement of Cash Flows
Year Ended December 31, 2023

CASH FLOWS FROM OPERATING ACTIVITIES	
Changes in net assets	\$ 945,749
Adjustment to reconcile changes in net assets to net cash used in operating activities:	
Earnings from investment in wholly owned subsidiary	(1,613,438)
Investment gain	(17,688)
Amortization of operating lease asset	42,580
Change in operating assets and liabilities	
Accounts receivable	(49,580)
Grant receivable	1,250
Prepaid expenses and deposits	(1,167)
Accounts payable	(3,980)
Accounts payable to wholly owned subsidiary	(7,495)
Accrued liabilities	474
Contract liabilities	10,487
Operating lease liability	<u>(42,051)</u>
Net cash used in operating activities	<u>(734,859)</u>
CASH FLOWS FROM INVESTING ACTIVITY	
Purchase of investments	(1,447,983)
Capital distribution from wholly-owned subsidiary	<u>615,059</u>
Net cash used in investing activities	<u>(832,924)</u>
NET CHANGES IN CASH AND CASH EQUIVALENTS	(1,567,783)
CASH AND CASH EQUIVALENTS, beginning of year	<u>1,924,038</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 356,255</u></u>

See accompanying notes.

California Association of Nonprofits

Notes to Financial Statements

Note 1 – Nature of Operations

The California Association of Nonprofits (CalNonprofits) focuses on advocacy, education, and research to build a more powerful and politically engaged nonprofit network across California. As a statewide membership organization, CalNonprofits is dedicated to bringing the full power of California’s nonprofit sector to strengthen communities and speak as the leading voice of California nonprofits to the legislature, government agencies, philanthropy, and the public.

CalNonprofits conducts and disseminates research, works to strengthen government-nonprofit partnerships, convenes nonprofit leaders around critical issues, engages in advocacy, and provides specialized services – all designed to improve the social, economic, and regulatory climate in which nonprofits work. By providing tools and information to nonprofits, CalNonprofits strengthens the administration, governance, influence, and fiscal strength of California nonprofit organizations.

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

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. Specific programs include the California Policy Forum, the Nonprofit Student Debt Project, accessing government grants, and participation in philanthropic reform activities. In 2023, CalNonprofits held 22 webinars which drew a total of 4,632 participants.

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.

Access to Resources – CalNonprofits conducts and publishes research, analysis, news, and opinion via its website and e-newsletter (55,000 subscribers) to inform, educate, and keep nonprofits up to date on important issues. 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, an online job center, IT services, student borrower support, and more.

California Association of Nonprofits

Notes to Financial Statements

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 1,800 nonprofits and protects 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 2 – 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 (U.S. GAAP), except as relates to the presentation and accounting related to the investment in wholly-owned subsidiary.

For the purpose of presenting CalNonprofits' financial position on a stand-alone 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. U.S. GAAP require that all majority-owned subsidiaries be accounted for as consolidated subsidiaries and certain transactions to be eliminated upon consolidation.

Financial statement presentation – The financial statements are presented in conformity with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-For-Profit Entities* (FASB ASC 958). Under FASB 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 as elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. At December 31, 2023, CalNonprofits had no net assets in perpetuity.

Cash and cash equivalents – For purposes of the statement of cash flows, CalNonprofits considers all cash investments with an original maturity of three 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.

California Association of Nonprofits Notes to Financial Statements

Accounts receivable – Accounts receivable are recorded for services performed. The carrying value of receivables, net of the allowance for credit losses, if any, represents their estimated net realizable value. Payments are due within 30 days of service date. The allowance for credit losses, if any, is estimated based on management’s evaluation of, among other factors, current and reasonably supportable expected future economic conditions and the customer’s willingness to or ability to pay. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. Management’s evaluation resulted in an allowance for credit losses of \$0 as of December 31, 2023. All accounts receivable are due in less than one year.

Investment in wholly-owned subsidiary – Management has elected to account for CalNonprofits’ investment in NAC under the equity method of accounting. 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 2023.

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 entities are in separate and distinct lines of business. U.S. GAAP require that all majority-owned subsidiaries be accounted for as consolidated subsidiaries.

The financial statements of CalNonprofits should be viewed in conjunction with the consolidated financial statements of California Association of Nonprofits and Subsidiary and the stand-alone financial statements of NAC.

If the financial statements of NAC had been consolidated with those of California Association of Nonprofits, total assets and total liabilities would increase by \$1,767,489 as of December 31, 2023. Revenues and expenses would increase by \$8,311,389 for the year ended December 31, 2023.

CalNonprofits is the sole shareholder of NAC, which has been consolidated within another comprehensive set of financial statements.

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 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.

Leases – CalNonprofits recognizes assets and liabilities arising from leases with terms longer than 12 months on the statement of financial position. Leases are classified as either operating or financing, with classification affecting the pattern of expense recognition in the statement of activities and changes in net assets.

CalNonprofits has operating lease assets of \$62,446 and operating lease liabilities of \$63,360, as of December 31, 2023, respectively.

California Association of Nonprofits Notes to Financial Statements

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 \$261,627 and \$249,656 that was included in the contract liability balance at the beginning of the year in 2023 and 2022, respectively.

Concentration of credit risk – Financial instruments that are potentially subject to risk consist primarily of cash and cash equivalents, investments, and receivables. Cash, cash equivalents, and investments consist primarily of balances at financial institutions in excess of Federal Deposit Insurance Corporation (FDIC) insurance thresholds, cash held in money market accounts in excess of the amounts insured by the U.S. Treasury insurance for money market funds, and various debt and equity instruments in excess of Securities Investor Protection Corporation (SIPC) insurance limits. If any of the financial institutions with whom CalNonprofits does business were to be placed into receivership with the FDIC, CalNonprofits may be unable to access the cash it has on deposit with such institutions. If CalNonprofits was unable to access its cash and cash equivalents as needed, CalNonprofits financial position and ability to operate its business could be adversely affected. CalNonprofits has not experienced any losses in such accounts, and management believes it is not exposed to any significant credit risk on cash and investments.

Revenue recognition –

Contributions revenue – CalNonprofits receives contributions in support of CalNonprofits' mission. Contributions revenue is recognized at fair value on the earlier of the receipt of cash or unconditional promise to give. Contributions may have revocable conditions. These contributions are recognized when the conditions are substantially met. 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 contributions as without donor restrictions 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.

Grant revenue – Grant revenues are recognized in accordance with ASC 958, *Not-For-Profit Entities – Revenue Recognition – Contributions* (ASC 958). Grant revenues are considered to be a conditional contribution and the contribution is recognized as the performance obligation is satisfied or at the end of the service period. The performance obligation is met when services are performed and/or when expenses are incurred.

CalNonprofits records certain revenue from contracts with customers in accordance with ASC Topic 606. Under ASC Topic 606, CalNonprofits must identify the contract with a customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to the performance obligations in the contract, and recognize revenue when (or as) CalNonprofits satisfies a performance obligation. Significant revenue has not been recognized in the current reporting period that results from performance obligations satisfied in previous periods.

California Association of Nonprofits Notes to Financial Statements

As of January 1, 2023, the balance of accounts receivables was \$4,239. The change in accounts receivable during the year ended December 31, 2023, relates to the timing of billings and collections. Certain sources of revenue are derived from interest and dividends earned on investment securities and other financial instruments that are not within the scope of ASC Topic 606. Sources of revenue from contracts with customers that are in the scope of ASC Topic 606 include the following:

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 nonrefundable. 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 revenues – Certain contracts of CalNonprofits contain fees associated with services. CalNonprofits accounts for fees for services as the performance obligation is satisfied or at the end of the service period. The performance obligation is met when services are performed and/or when expenses are incurred.

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.

U.S. GAAP 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, 2023, 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 – In accordance with FASB ASC 958, CalNonprofits classifies costs incurred in the accompanying statement of activities and changes in net assets by the cost's functional nature. 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. Expenses that apply to more than one functional category have been allocated between program, general and administrative, and fundraising based on time spent on these functions by specific employees as estimated by senior management.

California Association of Nonprofits Notes to Financial Statements

New accounting pronouncements – In June 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (ASU 2016-13), which introduced an expected credit loss methodology for the measurement and recognition of credit losses on most financial assets, including trade accounts receivables. The expected credit loss methodology under ASU 2016-13 is based on historical experience, current conditions and reasonable and supportable forecasts, and replaced the probable/incurred loss model for measuring and recognizing expected losses under current GAAP. The ASU also requires disclosure of information regarding how a company developed its allowance, including changes in the factors that influenced management’s estimate of expected credit losses and the reasons for those changes. The ASU and its related clarifying updates are effective for fiscal years beginning after December 15, 2022, and interim periods within those fiscal years, with early adoption permitted. CalNonprofits adopted the new standard on January 1, 2023, and it did not have a material impact on the estimate of the allowance for credit losses.

Estimates and assumptions – The preparation of the financial statements in conformity with U.S. GAAP 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. Actual results could differ from those estimates.

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.

Cash and cash equivalents	\$ 356,255
Accounts receivable	53,819
Investment in wholly owned subsidiary	6,562,018
Investments - other	<u>1,572,872</u>
Total financial assets	8,544,964
Less amounts unavailable for general expenditures within one year	
Board designated reserve	(405,000)
Investment in wholly owned subsidiary	<u>(6,562,018)</u>
Total financial assets available to management for general expenditure within one year	<u><u>\$ 1,577,946</u></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% requires advance Board Approval and a payback plan prior to use.

California Association of Nonprofits Notes to Financial Statements

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 its wholly owned subsidiary as an available, liquid resource for CalNonprofits' operations.

Note 4 – Fair Value Measurements

FASB ASC 820, *Fair Value Measurement*, 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 – Inputs are unadjusted quoted prices for identical assets or liabilities that the Association has the ability to access.

Level 2 – 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 – Inputs that are unobservable and significant to the fair value measurement.

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

There have been no changes in the methodologies used as of December 31, 2023.

Certificates of deposit – Security and brokered certificate of deposit (CD) prices are obtained from independent vendors or internal pricing models. The prices of CDs 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, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit	<u>\$ -</u>	<u>\$ 1,572,872</u>	<u>\$ -</u>	<u>\$ 1,572,872</u>

California Association of Nonprofits Notes to Financial Statements

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, 2023:

Current assets	\$ 5,411,961
Long-term assets	2,879,902
Property and equipment	<u>76,046</u>
Total assets	<u><u>\$ 8,367,909</u></u>
Current liabilities	\$ 1,486,846
Long-term liabilities	319,045
Stockholder's equity	<u>6,562,018</u>
Total liabilities and stockholder's equity	<u><u>\$ 8,367,909</u></u>

Total revenues and net income for the year ended December 31, 2023 was \$10,016,381 and \$1,613,438, respectively.

NAC remitted \$8,275 to CalNonprofits in membership dues paid on behalf of its clients in 2023. 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 \$83,279 for the year ended December 31, 2023, and is included as personnel costs on the statements of functional expense.

These amounts received from NAC the wholly owned subsidiary are not eliminated under these financial statements, see known departure from U.S. GAAP in Note 2.

Note 6 – Contract Liabilities

Contract liabilities consisted of unearned membership dues as of December 31, 2023

Changes in contract liabilities were as follows for the year ended December 31, 2023:

Contract liabilities, beginning of year	\$ 261,627
Membership dues received	<u>266,589</u>
Total contract liabilities	528,216
Membership dues recognized	<u>256,102</u>
Contract liabilities, end of year	<u><u>\$ 272,114</u></u>

California Association of Nonprofits
Notes to Financial Statements

Note 7 – Net Assets Without Donor Restrictions

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

	2023
Undesignated	\$ 7,660,452
Board designated reserve	405,000
Total net assets without donor restriction	\$ 8,065,452

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

	2023
Subject to the passage of time:	
Core support grants	\$ 76,458
Project related grants	70,776
Total net assets without donor restriction	\$ 147,234

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:

	2023
Expiration of time restriction:	
Core support grants	\$ 162,500
Project related grants	14,965
Net assets released from donor restriction	\$ 177,465

Note 9 – 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 six months of employment. For the year ended December 31, 2023 and 2022, CalNonprofits made matching contributions of \$16,099.

California Association of Nonprofits Notes to Financial Statements

Note 10 – Lease Commitments

The Company leases office facilities in San Francisco, California under a noncancelable operating lease which run through 2025. Future minimum lease commitments under the noncancelable lease as of December 31, 2023 are as follows:

<u>Years Ending December 31,</u>	
2024	\$ 45,704
2025	<u>19,260</u>
Total minimum lease payments	64,964
Less: effects of discounting	<u>(1,604)</u>
Operating lease liability	63,360
Less: current portion of operating lease liability	<u>(45,704)</u>
Operating lease liability, noncurrent portion	<u><u>\$ 17,656</u></u>

Other pertinent information as of December 31, 2023, is as follows:

Weighted-average remaining lease term	1.42 years
Weighted-average discount rate	2.84%

The Company is the sublessor for office space used by their wholly owned subsidiary. The Company recorded \$22,262 in revenue related to this agreement.

Rent expense under the leases for the year ended December 31, 2023, was \$34,442.

Note 11 – Subsequent Events

Subsequent events are events or transactions that occur after the statement of financial position date but before financial statements are available to be issued. CalNonprofits' recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, but arose after the date the financial statements were available to be issued.

Subsequent to December 31, 2023, the NAC Board of Directors declared a dividend of \$863,724 to be paid to CalNonprofits for the year ending December 31, 2023.

CalNonprofits has evaluated subsequent events through June 28, 2024, which is the date the financial statements were available to be issued.

