



Report of Independent Auditors and
Financial Statements

California Association of Nonprofits

December 31, 2024 and 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, 2024 and 2023, 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, 2024 and 2023, the changes in 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 (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 \$2,383,641 and \$1,767,489 as of December 31, 2024 and 2023, respectively. Revenues and expenses would increase by \$9,580,256 and \$8,311,389 for the years ended December 31, 2024 and 2023, respectively.

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.

Moss Adams LLP

San Francisco, California
May 2, 2025

Financial Statements

California Association of Nonprofits
Statements of Financial Position
December 31, 2024 and 2023

	2024	2023
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 63,101	\$ 356,255
Accounts receivable, net	3,520	53,819
Grant receivable	16,848	-
Prepaid expenses and deposits	55,879	20,731
Total current assets	139,348	430,805
Investment in wholly owned subsidiary	7,502,595	6,562,018
Investments	1,964,212	1,572,872
Right-of-use asset, operating lease	105,428	62,446
Total assets	\$ 9,711,583	\$ 8,628,141
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 22,274	\$ 32,924
Accrued liabilities	32,735	47,057
Contract liabilities	271,939	272,114
Operating lease liability, current portion	51,818	45,704
Total current liabilities	378,766	397,799
Operating lease liability, net of current portion	54,618	17,656
Total liabilities	433,384	415,455
NET ASSETS		
Without donor restrictions	9,050,142	8,065,452
With donor restrictions	228,057	147,234
Total net assets	9,278,199	8,212,686
Total liabilities and net assets	\$ 9,711,583	\$ 8,628,141

See accompanying notes.

California Association of Nonprofits
Statement of Activities and Changes in Net Assets
Year Ended December 31, 2024

	Without Donor Restriction	With Donor Restriction	Total
REVENUE AND SUPPORT			
Membership dues	\$ 539,136	\$ -	\$ 539,136
Earnings from investment in wholly-owned subsidiary	940,577	-	940,577
Dividends from wholly-owned subsidiary	863,724	-	863,724
Contract revenues	7,000	-	7,000
Products and services	49,898	-	49,898
Investment gain	120,042	-	120,042
Grants and contributions	39,848	203,000	242,848
Conferences and workshops	65,441	-	65,441
Other income	5,338	-	5,338
Net assets released from restriction	122,177	(122,177)	-
Total revenue and support	<u>2,753,181</u>	<u>80,823</u>	<u>2,834,004</u>
EXPENSES			
Program services:			
Education and Membership	835,061	-	835,061
Events	194,031	-	194,031
Public policy	384,378	-	384,378
Total program services	<u>1,413,470</u>	<u>-</u>	<u>1,413,470</u>
Management, general, and fundraising:			
General and administrative	346,567	-	346,567
Fundraising	8,454	-	8,454
Total management, general, and fundraising	<u>355,021</u>	<u>-</u>	<u>355,021</u>
Total expenses	<u>1,768,491</u>	<u>-</u>	<u>1,768,491</u>
CHANGE IN NET ASSETS	984,690	80,823	1,065,513
NET ASSETS, beginning of year	<u>8,065,452</u>	<u>147,234</u>	<u>8,212,686</u>
NET ASSETS, end of year	<u>\$ 9,050,142</u>	<u>\$ 228,057</u>	<u>\$ 9,278,199</u>

See accompanying notes.

California Association of Nonprofits
Statements 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)	-
	<u>2,571,144</u>	<u>(152,465)</u>	<u>2,418,679</u>
EXPENSES			
Program services:			
Education and membership	739,804	-	739,804
Events	119,868	-	119,868
Public policy	338,411	-	338,411
	<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
	<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
Statements of Functional Expense
Years Ended December 31, 2024 and 2023

	2024						
	Program Services			Program Services Total	General, Administrative, and Fundraising		Total
	Education and Membership	Events	Public Policy		General and Administrative	Fundraising	
PERSONNEL COSTS	\$ 654,575	\$ 21,895	\$ 318,976	\$ 995,446	\$ 294,199	\$ 7,403	\$ 1,297,048
OPERATING EXPENSES							
Travel and meeting expenses	21,675	165,923	16,556	204,154	425	-	204,579
Other expenses	35,441	6,213	19,305	60,959	18,228	44	79,231
Facility and equipment expenses	46,768	-	13,770	60,538	15,895	717	77,150
Member communications	45,998	-	8,782	54,780	-	-	54,780
Technology	23,411	-	4,711	28,122	15,412	171	43,705
Insurance	7,193	-	2,278	9,471	2,408	119	11,998
Total	<u>\$ 835,061</u>	<u>\$ 194,031</u>	<u>\$ 384,378</u>	<u>\$ 1,413,470</u>	<u>\$ 346,567</u>	<u>\$ 8,454</u>	<u>\$ 1,768,491</u>
	2023						
	Program Services			Program Services Total	General, Administrative, and Fundraising		Total
	Education and Membership	Events	Public Policy		General and Administrative	Fundraising	
PERSONNEL COSTS	\$ 619,723	\$ 63,313	\$ 306,429	\$ 989,465	\$ 230,233	\$ 14,268	\$ 1,233,966
OPERATING EXPENSES							
Travel and meeting expenses	22,575	49,572	2,060	74,207	4,288	-	78,495
Member communications	45,191	438	6,615	52,244	-	-	52,244
Other expenses	9,831	3,567	16,169	29,567	13,308	38	42,913
Facility and equipment expenses	23,838	1,602	3,879	29,319	5,645	376	35,340
Technology	10,942	835	1,979	13,756	1,821	133	15,710
Insurance	7,704	541	1,280	9,525	1,611	126	11,262
Total	<u>\$ 739,804</u>	<u>\$ 119,868</u>	<u>\$ 338,411</u>	<u>\$ 1,198,083</u>	<u>\$ 256,906</u>	<u>\$ 14,941</u>	<u>\$ 1,469,930</u>

See accompanying notes.

California Association of Nonprofits
Statements of Cash Flows
Years Ended December 31, 2024 and 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 1,065,513	\$ 945,749
Adjustment to reconcile changes in net assets to net cash used in operating activities:		
Earnings from investment in wholly owned subsidiary	(1,804,301)	(1,613,438)
Investment gain	(120,042)	(46,737)
Amortization of operating lease asset	(161,754)	42,580
Change in operating assets and liabilities		
Accounts receivable	50,299	(49,580)
Grant receivable	(16,848)	1,250
Prepaid expenses and deposits	(35,148)	(1,167)
Accounts payable	(10,650)	(3,980)
Accounts payable to wholly owned subsidiary	-	(7,495)
Accrued liabilities	(14,322)	474
Contract liabilities	(175)	10,487
Operating lease liability	161,848	(42,051)
	<u>(885,580)</u>	<u>(763,908)</u>
Net cash used in operating activities		
CASH FLOWS FROM INVESTING ACTIVITY		
Purchase of investments	(950,000)	(1,418,934)
Redemption of certificates of deposits	370,148	-
Proceeds from sale of investments	308,554	-
Capital distribution from wholly-owned subsidiary	863,724	615,059
	<u>592,426</u>	<u>(803,875)</u>
Net cash provided by (used in) investing activities		
NET CHANGES IN CASH AND CASH EQUIVALENTS	(293,154)	(1,567,783)
CASH AND CASH EQUIVALENTS, beginning of year	<u>356,255</u>	<u>1,924,038</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 63,101</u>	<u>\$ 356,255</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH OPERATING AND FINANCING ACTIVITIES		
Operating right-of-use asset obtained in exchange for operating lease liability	<u>\$ 118,772</u>	<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 and Advocacy – CalNonprofits works with legislators, regulators, agency leaders, and nonprofit coalitions to support a policy and budget environment that allows California nonprofits to thrive and do their best work. CalNonprofits documents the value of nonprofit contributions to the economy and the community, keeps nonprofits informed of and involved in relevant legislation and court cases, and educates nonprofits about government funding opportunities and regulatory requirements. CalNonprofits also helps nonprofits build stronger relationships with elected leaders through California Nonprofits Day and the Nonprofits of the Year celebration, publishing and distributing a Guide to the California Legislature, and convening elected leaders and nonprofits.

Education – Through frequent webinars, presentations to nonprofit organizations and networks, 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. CalNonprofits partners with professional advisors and vendors to present a regular series of webinars on tax policy, HR, insurance, regulatory compliance and other critical issues. In addition to these regular updates, specific programs include the California Policy Forum, the Nonprofit Student Debt Project, and a Peer Learning series. In 2024, CalNonprofits held 24* webinars which drew a total of 1780* participants. to inform, educate, and keep nonprofits up to date on important issues.

Data and Research – CalNonprofits aggregates and shares relevant data on the nonprofit sector, partners with researchers to conduct and publish original research, and offers analysis, news, and opinion via its website and e-newsletter (55,000* subscribers). CalNonprofits' signature economic impact report, "Causes Count: The Economic Power of the Nonprofit Sector," found, for example, that California nonprofits make us the third largest employment sector by wages, bring more than \$40billion* into the state each year, and that one in every 14* California jobs is at a nonprofit.

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 approximately 2,000* nonprofits and protects 25,000* nonprofit employees. In addition, CalNonprofits sponsors the Nonprofit Benefits Trust (dental and vision plan) which is offered by and administered by NAC.

* unaudited

California Association of Nonprofits

Notes to Financial Statements

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 a 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 entities are in separate and distinct lines of business. U.S. GAAP require that all majority-owned subsidiaries be accounted for as consolidated subsidiaries and that certain transactions 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. At December 31, 2024 and 2023, board-designated reserves totaled \$500,000 and \$405,000, respectively.

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. At December 31, 2024 and 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.

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 and \$0 as of December 31, 2024 and 2023, respectively. All accounts receivable are due in less than one year.

California Association of Nonprofits Notes to Financial Statements

Grants receivable – Grants receivable represent conditional agreements to support a specified cause or purpose. The majority of CalNonprofits’ grants operate on a reimbursable basis with consistent payment schedules. Revenue for grants receivable is recorded once the funds have been earned and qualify to be reimbursed and received. Grants receivable are stated at the amount CalNonprofits expects to collect from outstanding balances based on historical experience. Management does not believe an allowance is required for grants receivable as of December 31, 2024 and 2023.

Prepaid expenses – Prepaid expenses consist primarily of prepaid subscription fees and prepaid services. Prepaid expenses are amortized over the period of benefit.

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 2024 or 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 \$2,383,641 and \$1,767,489 as of December 31, 2024 and 2023, respectively. Revenues and expenses would increase by \$9,580,256 and \$8,311,389 for the years ended December 31, 2024 and 2023, respectively.

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 carried at fair value. Total net investment income and net realized/unrealized gains was comprised of \$120,042 and \$46,737 for the years ended December 31, 2024 and 2023, respectively. The following were components of total net investment income.

	2024	2023
Unrealized and realized gains	\$ 11,690	\$ 4,410
Dividends and interest	108,352	42,327
	\$ 120,042	\$ 46,737

California Association of Nonprofits Notes to Financial Statements

Leases – CalNonprofits has lessee activity with various lessors that is classified as operating leases. Operating leases are included in right-of-use assets and lease liabilities in the statements of financial position. CalNonprofits considers a contract is, or contains, a lease if the contract conveys the right to control the use of an identifiable asset for a period of time in exchange for consideration.

Right-of-use asset represents the right-of-use of an underlying asset for the lease term and lease liabilities represent obligations to make lease payments arising from the lease. Operating lease right-of-use assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. When discount rates implicit in leases cannot be readily determined, CalNonprofits uses the risk-free rate at lease commencement to perform lease classification tests and to measure lease liabilities and right-of-use assets. Lease expense for operating leases is recognized on a straight-line basis over the lease term. Certain options renewal periods were not included in the determination of the lease liabilities and right-of-use assets if management determined it was not reasonably certain that the lease would be extended. In addition, CalNonprofits' leases generally do not contain any residual or restrictive covenants.

In addition, CalNonprofits made an accounting policy election not to apply the recognition requirements of ASC 842 to leases that, at the commencement date, have a lease term of 12 months or less (short-term lease). CalNonprofits will continue to recognize those lease payments for short-term leases in the Statement of Financial Position on a straight-line basis over the lease term.

CalNonprofits has operating lease assets of \$105,428 and \$62,446, and operating lease liabilities of \$106,436 and \$63,360, as of December 31, 2024 and 2023, respectively.

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 \$266,589 and \$256,102 that was included in the contract liability balance at January 1, 2024 and 2023, respectively.

Concentration of credit risk – Financial instruments that are potentially subject to risk consist primarily of cash and cash equivalents, and investments. 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 which 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.

California Association of Nonprofits Notes to Financial Statements

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. Contributions to be received after a year and/or over a number of years, are discounted at a risk-adjusted rate. The discount is amortized and recorded as additional contribution revenue in accordance with the donor-imposed restrictions, if any. 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.

As of January 1, 2023, the balance of accounts receivables was \$4,239. The change in accounts receivable during the year ended December 31, 2024 and 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 with 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.

California Association of Nonprofits

Notes to Financial Statements

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, 2024 and 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.

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:

	2024	2023
Cash and cash equivalents	\$ 63,101	\$ 356,255
Accounts receivable	3,520	53,819
Grant receivable	16,848	-
Investment in wholly owned subsidiary	7,502,595	6,562,018
Investments - other	1,964,212	1,572,872
Total financial assets	9,550,276	8,544,964
Less amounts unavailable for general expenditures within one year		
Board designated reserve	(500,000)	(405,000)
Investment in wholly owned subsidiary	(7,502,595)	(6,562,018)
Total financial assets available to management for general expenditure within one year	\$ 1,547,681	\$ 1,577,946

California Association of Nonprofits Notes to Financial Statements

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. Drawdown of funds beyond 10% requires advance Board approval and a 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 its wholly owned subsidiary as an available, liquid resource for CalNonprofits' operations.

Note 4 – Investments and 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 CalNonprofits 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.

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.

California Association of Nonprofits
Notes to Financial Statements

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, 2024 and 2023:

	2024			
	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ -	\$ 1,964,212	\$ -	\$ 1,964,212
	\$ -	\$ 1,964,212	\$ -	\$ 1,964,212
	2023			
	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ -	\$ 1,572,872	\$ -	\$ 1,572,872
	\$ -	\$ 1,572,872	\$ -	\$ 1,572,872

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, 2024 and 2023:

	2024	2023
Current assets	\$ 4,963,299	\$ 5,411,961
Long-term assets	4,909,508	2,879,902
Property and equipment	31,941	76,046
Total assets	\$ 9,904,748	\$ 8,367,909
Current liabilities	\$ 2,198,333	\$ 1,486,846
Long-term liabilities	203,820	319,045
Stockholder's equity	7,502,595	6,562,018
Total liabilities and stockholder's equity	\$ 9,904,748	\$ 8,367,909

Total revenues and net income for the year ended December 31, 2024 and 2023, were \$11,487,892 and \$10,016,381, and \$1,804,301 and \$1,613,438, respectively.

California Association of Nonprofits

Notes to Financial Statements

NAC remitted \$6,775 and \$8,275 to CalNonprofits in membership dues paid on behalf of its clients in 2024 and 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 \$96,560 and \$83,279 for the years ended December 31, 2024 and 2023, respectively, 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 during the years ended December 31 are as follows:

	2024	2023
Contract liabilities, beginning of year	\$ 272,114	261,627
Membership dues received	266,414	266,589
Total contract liabilities	538,528	528,216
Membership dues recognized	(266,589)	(256,102)
Contract liabilities, end of year	\$ 271,939	\$ 272,114

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, 2024 and 2023:

	2024	2023
Undesignated	\$ 8,550,142	\$ 7,660,452
Board-designated reserve	500,000	405,000
Total net assets without donor restriction	\$ 9,050,142	\$ 8,065,452

California Association of Nonprofits
Notes to Financial Statements

Note 8 – Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods as follows at December 31, 2024 and 2023:

	2024	2023
Subject to the passage of time		
Core support grants	\$ 40,000	\$ 76,458
Project related grants	188,057	70,776
Total net assets with donor restrictions	\$ 228,057	\$ 147,234

Note 9 – 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 for the years ended December 31, 2024 and 2023:

	2024	2023
Expiration of time restriction		
Core support grants	\$ 36,458	\$ 162,500
Project related grants	85,719	14,965
Net assets released from donor restrictions	\$ 122,177	\$ 177,465

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 six months of employment. For the years ended December 31, 2024 and 2023, CalNonprofits made matching contributions of \$34,933 and \$16,099, respectively.

California Association of Nonprofits Notes to Financial Statements

Note 11 – Lease Commitments

CalNonprofits leases office facilities in San Francisco, California under a noncancelable operating lease which runs through May 2025. Future minimum lease commitments under the noncancelable lease as of December 31, 2024, are as follows:

<u>Year Ending December 31,</u>	
2025	\$ 51,818
2026	37,749
2027	<u>18,249</u>
Total minimum lease payments	107,816
Less effects of discounting	<u>(1,380)</u>
Operating lease liability	106,436
Less current portion of operating Operating lease liability, noncurrent portion	<u>(51,818)</u>
Operating lease liability, noncurrent portion	<u><u>\$ 54,618</u></u>

The components of lease costs are as follows for the years ended December 31:

	<u>2024</u>	<u>2023</u>
Operating lease cost	\$ 59,539	\$ 22,262
Short-term lease cost	<u>17,584</u>	<u>14,646</u>
Total lease costs	<u><u>\$ 77,123</u></u>	<u><u>\$ 36,908</u></u>

Other pertinent information as of December 31, 2024, is as follows:

	<u>2024</u>	<u>2023</u>
Operating cash flows from operating leases		
Weighted-average remaining lease term	2.13 years	1.42 years
Weighted-average discount rate	4.45%	2.84%

CalNonprofits is the sublessor for office spaces used by their wholly owned subsidiary. CalNonprofits recorded \$26,539 and \$22,262 in revenue related to this agreement for the years ended December 31, 2024 and 2023, respectively.

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.

California Association of Nonprofits

Notes to Financial Statements

Note 12 – 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, 2024, the NAC Board of Directors declared a dividend of \$1,010,590 to be paid to CalNonprofits for the year ending December 31, 2024.

CalNonprofits has evaluated subsequent events through May 2, 2025, which is the date the financial statements were available to be issued.