



**CHILD ADVOCATES OF SILICON VALLEY, INC.**

**FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2021**



## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Child Advocates of Silicon Valley, Inc.  
Milpitas, California

We have audited the accompanying financial statements of Child Advocates of Silicon Valley, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Child Advocates of Silicon Valley, Inc. as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 2 to the financial statements, for the year ended June 30, 2021, Child Advocates of Silicon Valley, Inc. adopted new accounting guidance Accounting Standards Update No. 2014-09 Revenue from Contracts with Customers (ASC Topic 606). Our opinion is not modified with respect to this matter.

*Abbott, Stringham & Lynch*

November 1, 2021

# CHILD ADVOCATES OF SILICON VALLEY, INC.

## STATEMENT OF FINANCIAL POSITION

June 30, 2021

### Assets

Current assets:	
Cash and cash equivalents	\$ 2,087,533
Accounts receivable	256,043
Employee Retention Credit receivable	86,700
Investments - Board reserves	15,854
Prepaid expenses and deposits	<u>9,913</u>
Total current assets	2,456,043
Property and equipment, net	74,425
Investments - Board endowment	<u>3,157,015</u>
	<u><u>\$ 5,687,483</u></u>

### Liabilities and Net Assets

Current liabilities:	
Accounts payable	\$ 51,006
Accrued liabilities	368,667
Paycheck Protection Program loan payable	<u>503,000</u>
Total current liabilities	922,673
Net assets:	
Without donor restrictions:	
Undesignated	1,351,420
Board designated reserves	15,854
Board designated endowment	3,157,015
Property and equipment fund	<u>74,425</u>
Total net assets without donor restrictions	4,598,714
With donor restrictions:	
Time and purpose restricted	<u>166,096</u>
Total net assets	<u><u>4,764,810</u></u>
	<u><u>\$ 5,687,483</u></u>

# CHILD ADVOCATES OF SILICON VALLEY, INC.

## STATEMENT OF ACTIVITIES

Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Grants from government agencies	\$ 1,561,549	\$ -	\$ 1,561,549
Contributions from foundations, corporations and individuals	1,409,180	25,236	1,434,416
In-kind contributions	254,620	-	254,620
Forgiveness of Paycheck Protection Program loan	547,600	-	547,600
Employee Retention Credit	86,700	-	86,700
Net investment income	616,082	-	616,082
Contributions and net revenue from special events, net of direct benefit to donor costs of \$47,958	93,836	-	93,836
Net assets released from restriction	110,169	(110,169)	-
Total revenue and support	4,679,736	(84,933)	4,594,803
Functional expenses:			
Program services	2,809,922	-	2,809,922
Management and general	353,309	-	353,309
Fundraising	351,735	-	351,735
Total functional expenses	3,514,966	-	3,514,966
Change in net assets	1,164,770	(84,933)	1,079,837
Net assets as originally reported, beginning of year	2,933,944	751,029	3,684,973
Reclassification of endowment (Note 5)	500,000	(500,000)	-
Net assets as restated, beginning of year	3,433,944	251,029	3,684,973
Net assets, end of year	\$ 4,598,714	\$ 166,096	\$ 4,764,810

# CHILD ADVOCATES OF SILICON VALLEY, INC.

## STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2021

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 1,769,018	\$ 215,627	\$ 167,791	\$ 2,152,436
Payroll taxes	135,271	16,488	12,830	164,589
Benefits	<u>205,877</u>	<u>25,095</u>	<u>19,527</u>	<u>250,499</u>
Total personnel expenses	2,110,166	257,210	200,148	2,567,524
Program materials and supplies	147,840	-	-	147,840
Contributed office space	120,976	14,745	11,475	147,196
Professional services	58,357	26,658	50,099	135,114
Employee development	126,068	340	434	126,842
Contributed supplies	65,841	-	-	65,841
Special events	-	-	64,958	64,958
Utilities	39,484	4,813	3,745	48,042
Dues and subscriptions	25,525	3,597	18,415	47,537
Depreciation	35,670	4,348	3,383	43,401
Contributed services	33,583	8,000	-	41,583
Office supplies	10,274	11,505	13,537	35,316
Bank and investment fees	-	5,017	27,156	32,173
Marketing	18,085	553	4,401	23,039
Miscellaneous	17,537	905	1,942	20,384
Insurance	-	14,651	-	14,651
Travel and transportation	<u>516</u>	<u>967</u>	<u>-</u>	<u>1,483</u>
Total expenses	2,809,922	353,309	399,693	3,562,924
Less direct benefit to donor costs	<u>-</u>	<u>-</u>	<u>(47,958)</u>	<u>(47,958)</u>
Total functional expenses	<u>\$ 2,809,922</u>	<u>\$ 353,309</u>	<u>\$ 351,735</u>	<u>\$ 3,514,966</u>

# CHILD ADVOCATES OF SILICON VALLEY, INC.

## STATEMENT OF CASH FLOWS

Year Ended June 30, 2021

Cash flows from operating activities:	
Change in net assets	\$ 1,079,837
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	43,401
Net realized/unrealized gain on investments	(538,212)
Forgiveness of Paycheck Protection Program loan	(547,600)
Changes in assets and liabilities:	
Accounts receivable	200,804
Employee Retention Credit receivable	(86,700)
Prepaid expenses and deposits	12,762
Accounts payable	(12,522)
Accrued liabilities	249,079
	<hr/>
Net cash provided by operating activities	400,849
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Cash flows from investing activities:	
Purchases of property and equipment	(24,235)
Purchases of investments	(691,290)
Proceeds from the sales of investments	299,944
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Net cash used in investing activities	(415,581)
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Cash flows from financing activities:	
Proceeds from Paycheck Protection Program	503,000
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Net cash provided by financing activities	503,000
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Net increase in cash and cash equivalents	488,268
Cash and cash equivalents, beginning of year	1,599,265
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Cash and cash equivalents, end of year	\$ 2,087,533
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Non-cash investing and financing activities:	
Forgiveness of Paycheck Protection Program loan	\$ 547,600
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See accompanying independent auditor's report and notes to financial statements.

# CHILD ADVOCATES OF SILICON VALLEY, INC.

## Notes to Financial Statements

June 30, 2021

### Note 1 - Nature of operations

Child Advocates of Silicon Valley, Inc. (the "Organization") is an independent nonprofit 501(c)(3) organization founded in 1986. The Organization serves children aged birth to 21 years' old who are placed in the Santa Clara County Dependency Court System (commonly referred to as foster care) for having experienced trauma in the form of abuse, neglect and/or abandonment. The Organization serves children in foster care by:

- ensuring every child has a Court Appointed Special Advocate (CASA) Volunteer;
- building enduring community partnerships to broaden and strengthen our impact;
- influencing local policies and decisions that affect the children we serve.

The Organization is responsible for operating the Court Appointed Special Advocates (CASA) Program in Santa Clara County, which entails recruiting, training and supporting CASA Volunteers according to the National CASA Association standards.

### Note 2 - Summary of significant accounting policies

#### Basis of accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

#### Financial statement presentation

Under GAAP, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories and the types of transactions affecting each category are as follows:

Without donor restrictions - net assets that are not subject to donor-imposed restrictions. These funds record the net assets over which the Board of Directors has discretionary control and which are used to carry out operations of the Organization in accordance with its bylaws.

With donor restrictions - net assets subject to donor-imposed restrictions that will be met either by actions of the Organization or the passage of time. Includes resources currently available for use, but expendable only for those operating purposes specified by the donor or funding source. Resources of this fund originate from gifts, grants, and bequests.

#### Use of estimates

The preparation of financial statements in conformity with 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. Significant estimates used in preparing these financial statements include the allowance for doubtful accounts, useful lives of property and equipment, value of donated facilities, materials and services and functional expense allocations. Actual results could differ from these estimates.



# CHILD ADVOCATES OF SILICON VALLEY, INC.

## Notes to Financial Statements

June 30, 2021

### Note 2 - Summary of significant accounting policies (continued)

#### Cash and cash equivalents

The Organization considers all highly liquid investments with an original maturity of three months or less from the date of purchase to be cash equivalents. As of June 30, 2021, cash and cash equivalents consisted of cash deposited and money market funds held with banks. The recorded carrying amount of cash and cash equivalents approximates its fair value.

#### Investments and endowment assets

Investments in marketable securities with readily determinable fair values are reported at their fair values in the statements of financial position. Realized and unrealized gains and losses are reflected as increases or decreases in net assets without donor restrictions, unless their use has been restricted by donors. Investment earnings from the Board designated endowment assets are classified within the net assets without donor restrictions category.

#### Accounts receivable

Accounts receivable arise principally from charges to funding sources, generally in proportion to current expenses incurred. The Organization records an allowance for doubtful accounts based on specifically identified amounts that it believes are uncertain and records additional allowances based upon certain percentages of aged receivables, which are determined based on historical experience and consideration of the general financial conditions that may affect payment. As of June 30, 2021, the Organization did not recognize an allowance for doubtful accounts.

#### Employee Retention Credit receivable

In March 2020, the U.S. Congress enacted the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), which among other things, contains provisions for an Employee Retention Credit ("ERC"). The ERC allows for a refundable tax credit against certain employment taxes equal to 50% of the first \$10,000 in qualified wages paid to each employee commencing on March 13, 2020 and through January 1, 2021. To be eligible, the Organization must (i) have had operations fully or partially suspended because of a shut-down order from a governmental authority related to the COVID-19 pandemic, or (ii) have had gross receipts decline by more than 50% in a calendar quarter, when compared to the same quarter in 2019. Qualified wages are those wages including health care costs paid to any employee during the period the operations were suspended or the period of the decline in gross receipts. During the year ended June 30, 2021, the Organization recognized \$86,700 related to the ERC.

#### Contributed support

Contributions are recognized as receivables when the donor makes a promise to give to the Organization that is, in substance, unconditional. Unconditional promises to give that are expected to be collected in future years are recognized at fair value based on discounted cash flows. The discount on these amounts is computed using the rate applicable in the year the promises were received. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the original contribution. Contributions of assets other than cash are recorded at their estimated fair value at the date of donation. The Organization did not have any contributed support receivables at June 30, 2021.

# CHILD ADVOCATES OF SILICON VALLEY, INC.

## Notes to Financial Statements

June 30, 2021

### Note 2 - Summary of significant accounting policies (continued)

#### Contributed support (continued)

Conditional promises to give are not recognized until the conditions on which they depend are substantially met. As of June 30, 2021, the Organization had received one conditional contribution in which not all of the conditions had been met. At June 30, 2021, the amount expected to be received upon the satisfaction of the condition was \$40,000.

#### Recognition of donor restrictions

Revenue and support that is restricted by the donor is reported as an increase in net assets without donor restrictions, if the restriction expires or is fulfilled by actions of the Organization in the reporting period in which the revenue and support is recognized. All other donor-restricted revenue and support is reported as an increase in net assets with donor restrictions depending on the nature of the restriction. When a restriction expires or is fulfilled by actions of the Organization, net assets with donor restrictions are released to net assets without donor restrictions.

#### In-kind support

The Organization records various types of in-kind support for professional services. Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets or the use thereof is recognized when promised or received, whichever is earlier. The amounts reflected in the accompanying financial statements as in-kind support are offset by like amounts included in operating expenses, or in the case of long-term assets, over the period benefited.

#### Revenue recognition - contract with customers

On July 1, 2020, the Organization adopted ASC 606, Revenue from Contracts with Customers (ASC 606) and all the related amendments using the modified retrospective method, whereby the adoption did not impact any prior periods. The effect of adopting the new standard did not require any cumulative effect adjustment to net assets as of July 1, 2020.

#### *Grant revenue*

The Organization reports grant revenue at the amounts that reflect the consideration to which the Organization expects to be entitled in exchange for services provided. These amounts are due from third-party payers, with the majority of the grant revenue coming from local nonprofit organizations and local, state and federal governmental agencies. The grant revenue is recognized when invoices are issued for reimbursement of costs incurred during the period the services are performed. The transaction prices for the services provided are dependent upon the terms provided by or negotiated with the third-party payers.

The Organization determines performance obligations based on the nature of the services the Organization provides. Revenue generated from contracts with nonprofit organizations and governmental agencies is recognized over time as actual services are provided, because control is transferred continuously to the customers. The Organization is using a cost-based input method to recognize revenue as the Organization believes that this method provides a faithful depiction of the transfer of services based on the inputs needed to satisfy the obligations.

# CHILD ADVOCATES OF SILICON VALLEY, INC.

## Notes to Financial Statements

June 30, 2021

### Note 2 - Summary of significant accounting policies (continued)

#### Revenue recognition - contract with customers (continued)

##### *Grant revenue (continued)*

All program services are delivered to the children primarily in Santa Clara County. All of these revenue streams are short-term in nature and do not have any significant financing components as payments are generally received shortly after the services are provided.

##### *Contract liabilities*

Contract liabilities represents amount received in advance from grants for which the services have not yet been performed. The Organization does not have any contract liabilities at June 30, 2021.

#### Property, equipment, and depreciation

The Organization capitalizes property and equipment acquisitions over \$1,000. Purchased property and equipment are stated at cost less accumulated depreciation. Donated property and equipment are recorded at their estimated fair value at the time of the donation. Depreciation is computed using the straight-line method over the estimated useful life of each asset ranging from three to five years.

#### Fair value measurements

The Organization measures and discloses fair value measurements as required by the Fair Value Measurements and Disclosures Topic of the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification.

Fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that is determined based on assumptions that market participants would use in pricing an asset or a liability. As a basis for considering such assumptions, the FASB establishes a three-tier value hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value. The three-tiers are defined as follows:

Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets. The Organization’s valuation methodology for Level 1 is based upon quoted market prices. Inputs are obtained from various sources including market participants, dealers, brokers, and financial institutions.

Level 2 – inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the same term of the financial instrument.

Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurements. The Organization’s valuation methodology for Level 3 is based upon the present value of expected future cash flows and references to pricing models.

A financial instrument’s categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

# CHILD ADVOCATES OF SILICON VALLEY, INC.

## Notes to Financial Statements

June 30, 2021

### Note 2 - Summary of significant accounting policies (continued)

#### Functional allocation of expenses

The costs of providing various program services and general and administrative expenses have been summarized on a functional basis in the statement of activities. Directly identifiable expenses are charged to the related program or supporting services benefited. Accordingly, certain costs have been allocated among program services and supporting services based on management's estimates. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

#### Tax-exempt status

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the Revenue and Taxation Code of the State of California. Accordingly, no provision for income taxes or related credits is included in these financial statements. The Organization is not a private foundation under Section 509(a)(i) and 170(b)(a)(vi) of the Internal Revenue Code.

The Organization has adopted the accounting standard related to uncertainties in income taxes. The Organization evaluates uncertain tax positions through its review of the source of revenue to identify unrelated business income and certain other matters, including those which may affect its tax exempt status. Management believes their estimates related to income tax uncertainties are appropriate based on the current facts and circumstances.

The Organization's federal Return of Organization Exempt from Income Tax (Form 990) for years ended June 30, 2018 and after are subject to examination by the IRS, generally for three years after they are filed. The Organization's state returns (Form 199) for the years ended June 30, 2017 and after could be subject to examination by state taxing authorities, generally for four years after they are filed.

#### New accounting pronouncements - not yet adopted

In 2016 and through subsequent amendments, the FASB issued new accounting guidance for reporting leases, which requires an entity that is a lessee to classify leases as either finance or operating and to recognize a lease liability and a right-of-use asset for all leases that have a term of greater than 12 months. Leases of 12 months or less will be accounted for similar to existing guidance for operating leases. The new standard will be effective for annual reporting periods beginning with July 2022 with early adoption permitted, and must be applied using a modified retrospective approach. The Organization is currently evaluating the impact of adopting this standard on its financial statements and does not expect to adopt the new guidance earlier than required.

In 2016, the FASB issued ASU 2016-13, Financial Instruments-Credit Losses. The standard requires a financial asset (including trade receivables) measured at amortized cost basis to be presented at the net amount expected to be collected. Thus, the statement of activities will reflect the measurement of credit losses for newly recognized financial assets as well as the expected increases or decreases of expected credit losses that have taken place during the period. This standard will be effective for the calendar year beginning July 1, 2023. The Organization is currently in the process of evaluating the impact of adoption of this ASU on its financial statements.

# CHILD ADVOCATES OF SILICON VALLEY, INC.

## Notes to Financial Statements

June 30, 2021

### Note 2 - Summary of significant accounting policies (continued)

#### New accounting pronouncements - not yet adopted (continued)

In 2020, the FASB issued accounting guidance focused on the presentation and disclosure requirements for contributed nonfinancial assets. The new guidance is effective for the Organization's year beginning July 2021. The new standard requires the entity to present contributed nonfinancial assets, such as property and equipment, food, supplies and intangible assets, as a separate line item on the statement of activities. In addition, the standard also requires enhanced disclosures including qualitative information about whether or not the contributed nonfinancial assets were utilized in a program or monetized; policies for monetizing those assets; descriptions of donor restrictions; and enhanced disclosure regarding the fair value techniques. Early adoption is permitted and the standard is to be applied retrospectively. The Organization is currently evaluating the impact of adopting this standard on its financial statements.

Other accounting pronouncements that have been enacted but not yet implemented are not expected to have a material impact on the Organization's financial statements.

#### Subsequent events

In preparing its financial statements, the Organization has evaluated subsequent events through November 1, 2021, which is the date the financial statements were available to be issued.

### Note 3 - Liquidity and availability of resources

The following table reflects the Organization's financial assets as of June 30, 2021, reduced by amounts not available for general expenditure within one year from this date. Financial assets are considered to be unavailable when illiquid or not readily convertible to cash within one year.

Financial assets available to meet cash needs for general expenditures within one year as of June 30, 2021 are as follows:

Financial assets:	
Cash and cash equivalents	\$ 2,087,533
Accounts receivable	256,043
Employee Retention Credit receivable	86,700
Investments	<u>3,172,869</u>
Financial assets, at June 30, 2021	<u>5,603,145</u>
Less:	
Accounts payable and accrued liabilities	(419,673)
Amounts unavailable to management without Board approval	<u>(3,172,869)</u>
	<u>(3,592,542)</u>
Total financial assets and liquidity resources available within one year	<u><u>\$ 2,010,603</u></u>

# CHILD ADVOCATES OF SILICON VALLEY, INC.

## Notes to Financial Statements

June 30, 2021

### Note 4 - Investments and fair value measurements

The Organization holds separate investment accounts at a brokerage firm. The investments are recorded at fair value and are invested in money market funds, mutual funds, and exchange traded funds.

Following are the major categories of assets measured at fair value on a recurring basis at June 30, 2021. This table also represents the Organization's entire Board designated investment portfolio at June 30, 2021.

	Fair Value	Quoted Prices in Active Markets for Identifiable Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets at fair value:				
Money market funds	\$ 68,206	\$ 68,206	\$ -	\$ -
Mutual funds:				
Equity funds	567,199	567,199	-	-
Bond funds	753,142	753,142	-	-
Exchange traded funds	1,784,322	1,784,322	-	-
Total assets at fair value	<u>\$ 3,172,869</u>	<u>\$ 3,172,869</u>	<u>\$ -</u>	<u>\$ -</u>

### Note 5 - Board designated reserve and endowment funds

During the year ended June 30, 2021, management determined that the endowment fund of \$500,000 that had previously been reported as net assets with donor restrictions, was not originally restricted by the donor, but instead was part of the Board of Directors' efforts to create a Board designated endowment fund. The reclassification of the endowment fund only affected the presentation of the beginning net asset balances by reducing net assets with donor restriction by \$500,000 and increasing net assets without donor restrictions by \$500,000.

The Organization has developed both a Board designated reserve and a Board designated endowment fund. The funds are held in separate investment accounts and are managed by investment advisors in accordance with the Organization's investment policy, which is approved by majority vote of the Board of Directors.

#### *Board designated reserves*

The Board has established a reserve with the intention of creating a reserve equal to two months of operating expenses, approximating \$600,000. The Organization's current cash flows do not create an immediate need to use these funds for current operations, but could make them available upon Board approval. No funds have been approved for expenditure in the coming year. These funds are held in exchange traded funds and are presented as Investments - Board reserves on the accompanying statements of financial position. At June 30, 2021, total reserves were \$15,854. Subsequent to the year ended June 30, 2021, the Board of Directors authorized the transfer of \$547,600 from the Organization's operating cash flows to be part of the Board designated reserves.

# CHILD ADVOCATES OF SILICON VALLEY, INC.

## Notes to Financial Statements

June 30, 2021

### Note 5 - Board designated reserve and endowment funds (continued)

#### *Board designated endowment*

The Organization developed a Board designated endowment for the long-term sustainability of the Organization. The funds are invested in a separate investment account and are managed based on the policies established by the Board of Directors. The Organization does not intend to use these funds for current operations, but could make them available upon Board approval.

#### Investment policy

The primary investment objectives are the preservation of capital and purchasing power, and long-term growth of assets. The Organization manages its assets from the perspective of the total portfolio return targeting a time-weighted rate of return of 3%, after fees and cost. The Organization seeks to achieve growth of the portfolio at a moderate rate in excess of inflation with asset allocation diversified across multiple markets and asset classes. In managing the asset allocation policy, the Organization establishes long-term targets and ranges to provide a structure for implementation, ongoing decision making and evaluation and approving any deviation from any targeted strategy taken by the investment managers. These targets are reviewed annually and revised to accommodate changes in the goals and objectives of the funds.

#### Spending policy

The Organization's policy for appropriating annual distributions limits the spending policy amount to the amount as approved by the Board of Directors, with consideration of prudent spending guidelines. During the year ended June 30, 2021, there were no earnings appropriated from the endowment funds.

### Note 6 - Property and equipment

Property and equipment consisted of the following at June 30, 2021:

Machinery and equipment	\$ 242,115
Furniture and fixtures	138,124
Leasehold improvements	<u>183,727</u>
	563,966
Less accumulated depreciation	<u>(489,541)</u>
	<u><u>\$ 74,425</u></u>

Depreciation expense for the year ended June 30, 2021 was \$43,401.

# CHILD ADVOCATES OF SILICON VALLEY, INC.

## Notes to Financial Statements

June 30, 2021

### Note 7 - Accrued expenses

Accrued expenses consisted of the following at June 30, 2021:

Accrued payroll and related taxes	\$ 101,628
Accrued vacation	207,368
Other expenses	<u>59,671</u>
	<u>\$ 368,667</u>

### Note 8 - Paycheck Protection Program

In April 2020, the Organization received loan proceeds in the amount of \$547,600 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), provided for loans to qualifying businesses for amounts of up to 2.5 times the average monthly payroll expenses of the qualifying business for the qualifying time period. The loan and accrued interest are forgivable after the applicable time period defined in the CARES Act as long as the borrower uses the loan proceeds for eligible purposes, including payroll, defined benefits, rent and utilities, and maintains its payroll levels.

The unforgiven portion of the PPP loan is payable over two years, in monthly installments and interest rate of 1%, with payment being deferred to the date that the Small Business Administration ("SBA") remits the loan forgiveness amount to the lender or, if the borrower does not apply for loan forgiveness, 10 months after the end of the borrower's loan forgiveness covered period.

In January 2021, the Organization received full forgiveness of the principle balance of \$547,600 and all accrued interest was fully forgiven by the SBA and lending institution.

In May 2021, the Organization obtained a second PPP loan in the amount of \$503,000, which may be forgiven if spent on qualifying expenses during the covered period. Any loan amount that is not forgiven will be payable within 5 years from the date of determination of loan forgiveness.

### Note 9 - In-kind contributions

In-kind contributions are recorded in the financial statements at the estimated fair market value. The in-kind contributions consisted of the following for the year ended June 30, 2021:

Facilities	\$ 147,196
Supplies	99,424
Professional services	<u>8,000</u>
	<u>\$ 254,620</u>

The in-kind facilities is received from the Sobrato Foundation on a month-to-month agreement for the Organization's office space.



# CHILD ADVOCATES OF SILICON VALLEY, INC.

## Notes to Financial Statements

June 30, 2021

### **Note 10 - Employee benefit plan**

The Organization provides a 403(b) Plan for employees who work 750 or more hours per year. Under this plan, eligible employees may elect to contribute a portion of their salary, on a pre-tax basis. The Organization may also make contributions on behalf of each eligible employee who works a minimum of 750 hours per year, and credit such contributions to the participant's account. Contributions will be determined at the sole discretion of the Executive Director, Human Resources Committee and Board of Directors, depending on the financial and operational performance of the Organization during each fiscal year. Contributions to the employee accounts will occur in July, following the assessment of the agency's prior year performance. An employee must be in active status as of the last day of the fiscal year and in good standing to receive the contribution. Contributions made to a participating employee's account by the Organization are fully vested. The Organization approved contributions to the plan in the amount of \$42,285 for the year ended June 30, 2021.

### **Note 11 - Concentrations, risks and uncertainties**

Risks associated with cash and cash equivalents are mitigated by maintaining balances in multiple credit-worthy financial institutions. The Organization maintains its cash in bank deposit accounts, which, at times, may exceed amounts insured by the Federal Deposit Insurance Corporation. As of June 30, 2021, the Organization has not experienced any losses on such accounts. Management believes that the Organization is not exposed to any significant credit risk related to concentrations.

The Organization holds investments in various investment vehicles outlined above. These securities are exposed to various risks such as interest rate and market risks. Due to the level of risk associated with these securities and the level of uncertainty related to changes in value, it is at least reasonably possible that changes in the risk factors will occur in the near term that could materially affect the value of the investments reported in the accompanying financial statements.

Domestic and international economies continue to face uncertainty related to the impact of the COVID-19 disease. The extent of the impact of COVID-19 on the Organization's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on the Organization's funders, employees and partners all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the Organization's financial condition or results of operations is uncertain.