

**CALIFORNIA FOUNDATION FOR
INDEPENDENT LIVING CENTERS**

Audited Financial Statements

September 30, 2022

CALIFORNIA FOUNDATION FOR INDEPENDENT LIVING CENTERS

AUDITED FINANCIAL STATEMENTS

September 30, 2022

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550 Howe Avenue, Suite 210
Sacramento, California 95825

Telephone: (916) 564-8727
FAX: (916) 564-8728

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
California Foundation for Independent Living Centers
Sacramento, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of California Foundation for Independent Living Centers (CFILC) (a nonprofit organization), which comprise the statement of financial position as of September 30, 2022, and the related statements of activities, functional expenses and cash flows for the nine months then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of CFILC as of September 30, 2022, and the changes in its net assets and its cash flows for the nine months then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 CFILC 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.

Change in Accounting Principle

As described in Note F to the financial statements, CFILC adopted Accounting Standard Update 842 related to the accounting for leases during the nine months ended September 30, 2022. Due to the implementation of this ASU, CFILC recognized a right-of-use asset and operating lease liability in the financial statements as of January 1, 2022. Our opinion is not modified with respect to this matter.

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.

To the Board of Directors of
California Foundation for Independent Living Centers

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 CFILC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibility 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 generally accepted auditing standards and *Government Auditing Standards* 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 generally accepted auditing standards and *Government Auditing Standards*, 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 CFILC's 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 CFILC's 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.

Richardson & Company, LLP

May 26, 2023

CALIFORNIA FOUNDATION FOR INDEPENDENT LIVING CENTERS

STATEMENTS OF FINANCIAL POSITION

September 30, 2022

ASSETS

Current assets:

Cash and cash equivalents	\$ 657,671
Restricted cash - Loan Guarantee Fund	864,325
Subtotal Cash	<u>1,521,996</u>

Grants and contracts receivable	1,526,769
Other receivables	5,300
Prepaid expenses	29,430
Deposits	13,438
Total Current Assets	<u>3,096,933</u>

Furniture and equipment, net	17,032
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Other assets:

Loans receivable	6,203
Operating Right-of-Use assets	203,548
Total Other Assets	<u>209,751</u>

TOTAL ASSETS	<u><u>\$ 3,323,716</u></u>
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LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable	\$ 787,758
Accrued payroll	51,054
Accrued vacation	32,092
Deferred revenue and refundable advances	485,234
Deferred revenue-Loan Guarantee Fund	796,013
Operating lease liability - current	134,889
Total current liabilities	<u>2,287,040</u>

Long-term liabilities:

Operating lease liability	70,354
TOTAL LIABILITIES	<u>2,357,394</u>

NET ASSETS

Without donor restrictions	951,506
With donor restrictions	14,816
TOTAL NET ASSETS	<u>966,322</u>

TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 3,323,716</u></u>
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The accompanying notes are an integral part of these financial statements.

CALIFORNIA FOUNDATION FOR INDEPENDENT LIVING CENTERS

STATEMENT OF ACTIVITIES

For the Nine Months Ended September 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUES			
Government grant and contract revenue	\$ 1,742,582		\$ 1,742,582
Foundation and corporate grants	4,987,767		4,987,767
Individual donations	774		774
Membership dues	87,000		87,000
Conferences and event fees	6,185		6,185
Other income	45,697		45,697
Donated materials and services	7,550		7,550
TOTAL SUPPORT AND REVENUES	<u>6,877,555</u>		<u>6,877,555</u>
EXPENSES			
Program Services:			
DoNetwork	272,637		272,637
Ability Tools Assistive Technology	817,464		817,464
Disability Disaster Access and Recources	5,543,204		5,543,204
Youth Organizing	94,139		94,139
Membership	117,646		117,646
Total Program Services	<u>6,845,090</u>	-	<u>6,845,090</u>
Supporting Services:			
Management and general	12,040		12,040
Fundraising and development	4,040		4,040
Total Supporting Services	<u>16,080</u>	-	<u>16,080</u>
TOTAL EXPENSES	<u>6,861,170</u>	-	<u>6,861,170</u>
CHANGE IN NET ASSETS	16,385		16,385
Net assets at beginning of year	<u>935,121</u>	<u>\$ 14,816</u>	<u>949,937</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 951,506</u></u>	<u><u>\$ 14,816</u></u>	<u><u>\$ 966,322</u></u>

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

CALIFORNIA FOUNDATION FOR INDEPENDENT LIVING CENTERS

STATEMENT OF FUNCTIONAL EXPENSES

For the Nine Months Ended September 30, 2022

	Program Services					Total Program Services	Supporting Services		Total Supporting Services	Total Expenses
	DoNetwork	Ability Tools	Disability Disaster Access and Resources	Youth Organizing	Membership		Management and General	Fundraising and Development		
Salaries and wages	\$ 161,140	\$ 349,412	\$ 276,053	\$ 25,529	\$ 42,604	\$ 854,738	\$ 2,242	\$ 1,150	\$ 3,392	\$ 858,130
Payroll taxes	12,864	19,797	17,725	1,673	458	52,517	24	130	154	52,671
Employee benefits	29,566	51,129	33,050	3,398	25,362	142,505	1,335	685	2,020	144,525
Rent and Equipment Lease	21,283	74,252	20,634	6,463	2,785	125,417	2,230	-	2,230	127,647
Travel	283	1,658	350	-	646	2,937	-	-	-	2,937
Insurance	3,260	6,646	735	518	1,028	12,187	-	-	-	12,187
Conference and conventions	78	-	-	227	289	594	-	700	700	1,294
Postage and printing	582	5,398	59,379	2,809	382	68,550	-	-	-	68,550
Depreciation	-	-	-	-	-	-	2,901	-	2,901	2,901
Donations and program funding	1,138	679	3,449,744	1,099	851	3,453,511	-	-	-	3,453,511
Demo and partner center contracts	-	160,724	1,641,111	-	-	1,801,835	-	-	-	1,801,835
Professional fees	2,713	37,958	4,449	3,821	2,461	51,402	-	1,320	1,320	52,722
Advertising	60	-	-	25	-	85	-	-	-	85
Supplies	492	4,615	1,417	125	358	7,007	-	-	-	7,007
Consultants/outside services	10,547	46,363	24,344	42,447	26,114	149,815	3,300	-	3,300	153,115
Repairs and maintenance	14,495	27,564	3,600	3,733	4,414	53,806	-	-	-	53,806
Accommodations	1,428	4,083	3,097	1,453	541	10,602	-	-	-	10,602
Telephone and internet	7,777	24,972	7,516	749	1,851	42,865	-	47	47	42,912
Staff development	40	62	-	2	476	580	-	-	-	580
Dues and subscriptions	4,676	1,777	-	17	6,711	13,181	-	-	-	13,181
Interest and bank charges	215	375	-	51	315	956	8	8	16	972
TOTAL EXPENSES	\$ 272,637	\$ 817,464	\$ 5,543,204	\$ 94,139	\$ 117,646	\$ 6,845,090	\$ 12,040	\$ 4,040	\$ 16,080	\$ 6,861,170

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

CALIFORNIA FOUNDATION FOR INDEPENDENT LIVING CENTERS

STATEMENT OF CASH FLOWS

For the Nine Months Ended September 30, 2022

	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 16,385
Depreciation	2,901
Amortization of operating lease right-of-use assets	97,305
Changes in operating assets and liabilities	
Grants and contracts receivable	659,166
Other receivable	13,296
Prepaid expenses	(28,033)
Deposits	1,564
Loans receivable	5,788
Furniture and equipment	(10,559)
Accounts payable	(943,414)
Accrued payroll	(2,403)
Accrued vacation	(883)
Deferred revenue and refundable advances	346,194
Lease liability	(95,610)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>61,697</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	61,697
Cash and cash equivalents at beginning of year	<u>1,460,299</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 1,521,996</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION	
Right-of-use assets obtained in exchange for lease liabilities	\$ 300,853
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash outflows from operating leases	\$ 120,342

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

CALIFORNIA FOUNDATION FOR INDEPENDENT LIVING CENTERS

NOTES TO FINANCIAL STATEMENTS

September 30, 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: California Foundation for Independent Living Centers (CFILC) is a nonprofit organization which supports member California Independent Living Centers in advocating for systems change and in creating access and integration for people with disabilities in their community. CFILC receives both government and non-government funding sources. The majority of funding comes from non-government sources. CFILC changed its fiscal year end from December 31 to September 30 during 2022. CFILC has the following programs:

Disability Organizing Network (DONetwork) – The DONetwork calls to action the California Disability Communities and allies, through community organizing, advocacy, education, leadership development and coalition building to effect systems change in local, state and national issues. The CFILC Disability Organizing Network is a statewide disability advocacy network of 28 Independent Living Centers and the communities they serve. In each center there is a full-time staff person devoted to increasing civic participation through community organizing, education and advocacy around issues that affect the Disability Communities. Dept of Rehabilitation System Change Network Technical Assistance Grants are included in DONetwork Category.

Ability Tools – Assistive Technology Network – Ability Tools is dedicated to expanding the availability of tools, resources and technology that increases independence, improves personal productivity and enhances the quality of life of Californians with disabilities. We support Device Lending Libraries, Reuse Centers, and Independent Living Centers throughout the state. We provide funding, training, and technical assistance to a network of over 1,600 organizations and individuals. We developed the FreedomTech Alternative Financing Program to provide low-interest loans to people with disabilities and their families who are seeking loans for Assistive Technologies and home or vehicle modifications. This category includes funding from the Dept of Rehabilitation Assistive Technology Grant, AT CarryForward Contract; FreedomTech Loan Program; US Dept of Treasury CDFI Grant; UCD Agribility Project; CETF Digital Access Project and other funding related to Assistive Technology.

Disability Disaster Access and Resources – Disability Disaster Access and Resources assists individuals with disabilities and older adults in disaster readiness and recovery. This program provides individuals with information and assistance, disaster readiness training, backup electricity support, personal preparedness planning assistance, public awareness, and Assistive Technology and Durable Medical Equipment reuse and loan closet referrals; before, during and after a disaster or electricity shut-off. This category includes funding expense from Pacific Gas & Electric Co., Anthem, and other funding and donations related to Emergency Services, Disaster Preparedness and Disability Disaster Access and Resource Centers.

Youth Organizing! Disabled and Proud – Youth Organizing (YO!) develops community organizing activities to build a power base among youth with disabilities so that we can effectively work for change. We engage youth to learn about our history, the disability rights movement, disability pride, organizing and advocacy. Youth with disabilities build community with each other, develop a sense of leadership, a positive disability identity and organize and mobilize each other on issues that affect our lives. We provide opportunities, resources, and information for young adults with disabilities. Disabled youth are able to volunteer with local independent living centers, work on advocacy issues and campaigns that are important to them and find mentors within the disability community. YO! works with teens and young adults with disabilities ages 16 to 28. This program of CFILC and receives funding from government, foundation, corporate and individuals.

CALIFORNIA FOUNDATION FOR INDEPENDENT LIVING CENTERS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Membership –CFILC started as a peer support mechanism for executive directors of the fledgling Independent Living Centers in California (ILC) in 1976. Originally the directors were the usual representatives who went to Sacramento to educate public policy makers on issues affecting persons with disabilities. Since 1978, CFILC members have been meeting to determine how best to provide critical services, and advocate for freedom, choice and equality. Building strong and sustainable Independent Living Centers is one way we have proven our strength. CFILC moderates a series of communication listservs for ILC Executives, Management and Staff so that they may access and share information and expertise quickly and throughout the state. ILCs regularly share resources, materials and "know how," which fosters collaboration and innovation. CFILC produces statewide meetings for members to develop our Public Policy Agenda and actions plan for systems and social change. Our meetings include presentations from funders, foundations, and government agencies and ILC Executives sharing expertise, best practices and resources.

Basis of Accounting and Financial Statement Presentation: The financial statements are prepared on the accrual basis of accounting and in conformity with professional standards applicable to not-for-profit entries. CFILC reports information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

Revenue Recognition: Revenue is derived primarily from grants, contracts, membership dues, contributions and event fees. A portion of revenues is derived from contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when expenditures have been incurred in compliance with specific contract or grant provisions. Contracts and grants deemed exchange transactions are recognized at the time expenses are incurred or the service is performed. Any excess of expenses incurred over cash received is recorded as grants receivable; any excess of cash received over expenses incurred is recorded as deferred grant revenue. Grant revenues considered revenues from contracts with customers are recognized for services transferred at a point in time and for services transferred over time, which totaled \$4,992,437 for the nine months ended September 30, 2022. Grants and contracts receivables at September 30, 2022 and December 31, 2021, totaling \$548,563 and \$2,148,274, respectively, represents receivables related to contracts with customers. Deferred revenue related to contracts with customers at September 30, 2022 and December 31, 2021 totaled \$202,532 and \$80,000, respectively.

Contributions are recognized when cash, other assets or an unconditional promise to give is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return are not recognized until the conditions on which they depend have been substantially met. Conditional contributions received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. Unconditional contributions received are recorded with or without donor restrictions depending on the existence and/or nature of any donor restrictions. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions with donor restrictions are classified as net assets without donor restrictions if the restriction expires in the reporting period in which the revenue is recognized.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at fair value, which is measured as the present value of their future cash flows.

CALIFORNIA FOUNDATION FOR INDEPENDENT LIVING CENTERS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets: Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor-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. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates those resources be maintained in perpetuity. CFILC reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Cash and Cash Equivalents: For purposes of the statement of cash flows, CFILC considers all cash and time certificates of deposit to be cash equivalents.

CFILC minimizes credit risk associated with cash by periodically evaluating the credit quality of its primary financial institution. The balance at times may exceed federally insured limits. As of September 30, 2022, the balance of cash held by CFILC exceeded the federally insured limits by \$925,124. CFILC has not experienced any losses in such accounts and management believes CFILC is not exposed to any significant credit risk related to cash.

Grants and Contracts Receivable/Other Receivable/Loans Receivable: CFILC considers grants and contracts receivable and other receivable to be fully collectible; accordingly no allowance for doubtful accounts is required. Receivables are determined to be past due based on contractual terms. Substantially all receivables are due from governmental entities.

Furniture and Equipment: Furniture and equipment is stated at cost, or if donated, fair market value at the time of donation. Provision is made for depreciation by the straight-line method over the estimated useful life of the property (generally two to forty years). Expenditures for maintenance and repairs are charged to expense as incurred. Additions, major renewals and replacements that increase the property's useful life and exceed \$1,000 are capitalized.

Leases: CFILC determines if an arrangement is or contains a lease at inception. Leases are included right-of-use (ROU) assets and liabilities in the statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, and ROU assets also include prepaid or accrued rent. Operating lease expense is recognized on a straightline basis over the lease term. CFILC does not report ROU assets and lease liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that CFILC will exercise that option.

Expense Allocation: Expenses of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

CALIFORNIA FOUNDATION FOR INDEPENDENT LIVING CENTERS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Some categories of expense are attributable to more than one function and are allocated on a consistent basis. Depreciation for leasehold improvements and other assets, utilities and rent are allocated based on square footage and estimated function. Salaries, benefits and payroll tax allocation are based on a percentage associated with an employee function and imputed time.

Income Taxes: CFILC is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code but is subject to income taxes from activities unrelated to its tax-exempt purpose.

CFILC's federal returns for the years ended December 2021, 2020, and 2019 could be subject to examination by federal taxing authorities, generally for three years after they are filed. CFILC's state returns for the years ended December 31, 2021, 2020, 2019 and 2018 could be subject to examination by state taxing authorities, generally for four years after they are filed.

Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Pronouncements: In September 2020, the FASB issued ASU 2020-07, Topic 958, Presentation and Disclosures by Not-for Profit Entities for Contributed Nonfinancial Assets. The new accounting standard increases transparency of the measurement of contributed nonfinancial assets as well as the amount of those contributions used in programs and activities. Application of this statement is effective for the year ended June 30, 2022. The implementation of this ASU for the nine months ended September 30, 2022 had no effect on the total net assets or change in net assets.

NOTE B – GRANTS AND CONTRACTS RECEIVABLE

Grants and contracts receivable as of September 30, 2022 and consist of the following:

Department of Rehabilitation	\$ 639,962
PG&E	548,563
Department of Developmental Services	285,244
UC Davis Regents	13,000
Disability Rights Education & Defense Fund	<u>40,000</u>
	<u>\$ 1,526,769</u>

NOTE C – FURNITURE AND EQUIPMENT

Furniture and equipment are recorded at cost and depreciated using the straight-line method over estimated useful lives. Depreciation expense for the nine months ended September 30, 2022 was \$2,901. Property and equipment as of September 30, 2022 are as follows:

Furniture and equipment	\$ 156,719
Construction in process	6,400
Accumulated depreciation	<u>(146,087)</u>
Net	<u>\$ 17,032</u>

CALIFORNIA FOUNDATION FOR INDEPENDENT LIVING CENTERS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2022

NOTE D – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions represent donations or grants awarded to CFILC for which expenditures have not been incurred or for which a donor stipulation has not been met. For the nine months ended September 30, 2022, net assets with donor restrictions consisted of the following:

Contributions for Disability Capital Action Day (DCAD)	\$ 14,816
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NOTE E – LOAN GUARANTEE FUND – AFP

CFILC received an award of \$993,000 from U.S. Department of Education to establish and administer an Alternative Finance Program (AFP) for Assistive Technology (AT). Many individuals with disabilities do not have the private financial resources to purchase the Assistive Technology (AT) they need. The purpose of this program is to provide an alternative financing option and related financial services to enhance access to AT and assist individuals in achieving maximum independence and self-sufficiency.

Individuals of all income levels are eligible for loans; however, the program will focus on the needs of low to middle income persons with disabilities throughout the state who would not otherwise qualify for a traditional bank loan. Of the total award, \$864,325 at September 30, 2022, is held in deposit at Beneficial State Bank and is restricted for use to guarantee loans made through this program. At September 30, 2022 the outstanding loans receivable to CFILC for these loans amounted to \$6,203. The amount of grant funds not yet loaned out are reported as deferred revenue and totals \$796,013 at September 30, 2022.

NOTE F – LEASES

CFILC had an operating lease for office and parking spaces beginning on September 1, 2017 through March 31, 2024, with two (2) five (5) year options to renew the lease. As of January 1, 2022, CFILC adopted Accounting Standards Update (ASU) No. 2016-02, ASC 842, *Leases*, which requires the recognition of a right-of-use asset and a lease liability based on the present value of the remaining lease payments. Adoption of the leasing standard resulted in the recognition of operating right-of-use assets of \$300,853, and operating lease liabilities of \$300,853 as of January 1, 2022. CFILC's incremental borrowing rate of 4% was used as the discount rate in order to determine present value. Rent expense during the nine months ended September 30, 2022 amounted to \$120,342.

Future minimum lease payments under operating leases that have remaining terms in excess of one year as of September 30, 2022 are:

<u>Year Ending September 30:</u>	
2023	\$ 140,660
2024	<u>71,177</u>
Total undiscounted lease payments	211,837
Less: imputed interest	<u>(6,594)</u>
Net lease liability	<u>\$ 205,243</u>

CALIFORNIA FOUNDATION FOR INDEPENDENT LIVING CENTERS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2022

NOTE F – LEASES (Continued)

Supplemental disclosure about operating lease arrangements are as follows as of September 30, 2022:

Right of use assets	\$ 300,853
Accumulated amortization	<u>(97,305)</u>
	<u>\$ 203,548</u>
Weighted Average Remaining Lease Term	1.50 years
Weighted Average Discount Rate	4.00%

NOTE G – LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects CFILC’s financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date. Donor-restricted amounts that are available for use within one year:

Cash and cash equivalents	\$ 657,671
Cash restricted for loan guarantee fund - AFP	864,325
Receivables	<u>1,532,069</u>
Total financial assets	3,054,065
Less those unavailable for general expenditures due within one year:	
Unexpended AFP loan funds	796,013
Cash restricted by donor for specific uses	<u>14,816</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,243,236</u>

At September 30, 2022 CFILC has \$2,243,236, of financial assets available within one year of the balance sheet date to meet cash needs for general expenditures including cash of \$657,671. Receivables are subject to implied time restrictions but are expected to be collected within one year.

CFILC has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 60 days of normal operating expenses, which are, on average, approximately \$200,000. CFILC has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE H – RETIREMENT PLANS

CFILC sponsors a Section 401(k) retirement plan that covers all employees who are at least 18 years of age and have completed one month of service. Under the terms of the plan, employees can elect to contribute a portion of their salary up to the limits imposed by the Internal Revenue Code. CFILC may make nonelective or matching contributions but is not required to do so. Such contributions would be subject to a six-year vesting schedule. No contributions were made by CFILC during the nine months ended September 30, 2022.

CALIFORNIA FOUNDATION FOR INDEPENDENT LIVING CENTERS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2022

NOTE I- CONTINGENCIES

CFILC receives grants for specific purposes that are subject to review and audit by the funding source. Such audits could result in the funding source's request for reimbursement for expenditures disallowed under the terms and conditions of the contracts. Management is of the opinion that no material liabilities will result from such potential audits.

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. The extent of the impact of COVID-19 on CFILC operation and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on the grantors, employees and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the financial condition or results of operations is uncertain.