



CHILD ABUSE LISTENING MEDIATION, INC.

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

JUNE 30, 2019 and 2018

CHILD ABUSE LISTENING MEDIATION, INC.
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*D*AMITZ
*B*ROOKS
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INDEPENDENT AUDITOR'S REPORT

Board of Trustees of
Child Abuse Listening Mediation, Inc.

We have audited the accompanying financial statements of Child Abuse Listening Mediation, Inc. ("CALM") which comprise the statement of financial position as of June 30, 2019, 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 and the standards applicable to the financial statement audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable 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 CALM as of June 30, 2019, and the changes in net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

The financial statements of CALM as of June 30, 2018, were audited by other auditors whose report dated November 13, 2018, expressed an unmodified audit opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The management discussion and analysis on page 6, which is the responsibility of management, is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.



Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2019, on our consideration of CALM's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of CALM's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CALM's internal control over financial reporting and compliance.

DAMITZ, BROOKS, NIGHTINGALE, TURNER & MORRISSET

Damitz, Brooks, Nightingale,
Turner & Morrisset
September 12, 2019

DAMITZ

BROOKS

NIGHTINGALE

TURNER

MORRISSET



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Trustees of
Child Abuse Listening Mediation, Inc.

We have audited, in accordance with the 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, the financial statements of Child Abuse Listening Mediation, Inc. ("CALM") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 12, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered CALM's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of CALM's internal control. Accordingly, we do not express an opinion on the effectiveness of CALM's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be



prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether CALM's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of CALM's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CALM's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

DAMITZ, BROOKS, NIGHTINGALE, TURNER & MORRISSET

Damitz, Brooks, Nightingale,
Turner & Morrisset
September 12, 2019

MANAGEMENT DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2019

The purpose of the Management Discussion and Analysis is to introduce the financial statements and provide an overview of Child Abuse Listening Mediation, Inc.'s (CALM) program service accomplishments and community impact for the fiscal year ended June 30, 2019. CALM's mission is to prevent childhood trauma, heal children and families, and build resilient communities throughout Santa Barbara County. CALM's continuum of care consists of the following program departments:

Great Beginnings: Early Childhood Prevention & Intervention

The Great Beginnings department helps promote protective factors and reduce vulnerabilities. Programs in this department provide services to children prenatally through seven years of age who have experienced trauma or demonstrate risk factors for trauma or negative developmental outcomes. The services address the family's needs and support optimal development through case management, parental education, and/or clinical treatment services. Services are delivered in the home, at CALM clinics, in family resource centers, early care and education settings or other natural settings. For the fiscal year ended June 30, 2019, the Great Beginnings department served 1,649 clients.

Childhood Trauma Treatment

The Childhood Trauma Treatment department focuses on facilitating recovery for children who have been exposed to trauma, neglect, or family violence. Untreated childhood trauma can have devastating life-long effects that impact a child's physical and mental health, ability to grow and learn, trust others, and make healthy choices. Programs in this department provide evidence-based individual and family treatment to build children's resilience and recovery from adverse experiences, as well as strengthen parent-child relationships. For the fiscal year ended June 30, 2019, the Childhood Trauma Treatment department served 513 clients.

Whatever It Takes: Intensive Family Services

The Whatever It Takes department provides intensive family services to children and families demonstrating serious emotional or behavioral problems. The families seen in these programs demonstrate significant difficulties, including multigenerational histories of familial trauma, parental histories of substance abuse or mental illness, and involvement with the criminal justice or child welfare systems. Therapists in this department carry lower caseloads and spend a considerable amount of time with the child and parents. For the fiscal year ended June 30, 2019, the Whatever It Takes department served 338 clients.

Community Strengthening Collaborations

The Community Strengthening Collaborations department aims to build a trauma-informed, resilient community by collaborating effectively with schools, preschools, learning centers, law enforcement, family resource centers and health care providers. By building the capacity of adults to understand children's behaviors when impacted by trauma, CALM promotes optimal social-emotional development for all children in our community. For the fiscal year ended June 30, 2019, the Community Strengthening Collaborations department served 10,299 clients.

CHILD ABUSE LISTENING MEDIATION, INC.

Statement of Financial Position

June 30, 2019

(With Summarized Comparative Totals for 2018)

<i>Assets</i>	Without Donor Restrictions	With Donor Restrictions	Total	
			2019	2018
<i>Current Assets</i>				
Cash and cash equivalents	\$ 282,845	\$ 478,556	\$ 761,401	\$ 620,402
Grants receivable	684,263	-	684,263	443,903
Pledges receivable	-	358,095	358,095	493,721
Deposits and prepaid expenses	21,071	-	21,071	32,846
Total current assets	<u>988,179</u>	<u>836,651</u>	<u>1,824,830</u>	<u>1,590,872</u>
<i>Non- Current Assets</i>				
Pledges receivable	-	663,211	663,211	976,820
Investments	8,049,310	4,522,851	12,572,161	11,887,958
Property and equipment, net	2,476,160	-	2,476,160	2,392,952
Total non-current assets	<u>10,525,470</u>	<u>5,186,062</u>	<u>15,711,532</u>	<u>15,257,730</u>
<i>Total assets</i>	<u>11,513,649</u>	<u>6,022,713</u>	<u>17,536,362</u>	<u>16,848,602</u>
 <i>Liabilities and Net Assets</i>				
<i>Current Liabilities</i>				
Accounts payable	\$ 51,967	\$ -	\$ 51,967	\$ 50,774
Accrued expenses	468,655	-	468,655	464,779
Total current liabilities	<u>520,622</u>	<u>-</u>	<u>520,622</u>	<u>515,553</u>
<i>Long Term Liabilities</i>				
Line of credit	2,070,833	-	2,070,833	2,070,833
Total long term liabilities	<u>2,070,833</u>	<u>-</u>	<u>2,070,833</u>	<u>2,070,833</u>
<i>Total liabilities</i>	<u>2,591,455</u>	<u>-</u>	<u>2,591,455</u>	<u>2,586,386</u>
<i>Net Assets</i>				
Without donor restrictions				
Undesignated	695,609	-	695,609	584,754
Board designated for program	177,275	-	177,275	230,542
Board designated endowment	8,049,310	-	8,049,310	7,365,097
With donor restrictions	-	6,022,713	6,022,713	6,081,823
<i>Total net assets</i>	<u>8,922,194</u>	<u>6,022,713</u>	<u>14,944,907</u>	<u>14,262,216</u>
	<u>\$ 11,513,649</u>	<u>\$ 6,022,713</u>	<u>\$ 17,536,362</u>	<u>\$ 16,848,602</u>

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

CHILD ABUSE LISTENING MEDIATION, INC.

Statement of Activities

Year Ended June 30, 2019

(With Summarized Comparative Totals for 2018)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2019	2018
<i>Support, Revenues, and Gains</i>				
Government contracts	\$ 4,456,158	\$ -	\$ 4,456,158	\$ 4,353,447
Contributions	1,130,554	2,007,513	3,138,067	2,120,672
Program service fees	84,950	-	84,950	80,002
In-kind donations	171,232	-	171,232	171,332
Rental income	123,028	-	123,028	155,285
Other income	5,395	-	5,395	-
Investment income, net	381,922	231,071	612,993	652,562
Special events:				
Special events - gross	340,517	-	340,517	324,413
Direct special event costs	(120,235)	-	(120,235)	(126,223)
Net special event proceeds	220,282	-	220,282	198,190
Net assets released from restrictions	2,297,694	(2,297,694)	-	-
<i>Total support, revenues, and gains</i>	8,871,215	(59,110)	8,812,105	7,731,490
<i>Expenses</i>				
Program services	6,466,739	-	6,466,739	5,883,358
Management and general	1,214,859	-	1,214,859	1,121,418
Fundraising	447,816	-	447,816	423,050
<i>Total expenses</i>	8,129,414	-	8,129,414	7,427,826
<i>Increase (decrease) in net assets</i>	741,801	(59,110)	682,691	303,664
<i>Net assets, beginning of year</i>	8,180,393	6,081,823	14,262,216	13,958,552
<i>Net assets, end of year</i>	\$ 8,922,194	\$ 6,022,713	\$ 14,944,907	\$ 14,262,216

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

CHILD ABUSE LISTENING MEDIATION, INC.

Statement of Functional Expenses

Year Ended June 30, 2019

(With Summarized Comparative Totals for 2018)

	Program Services				Total Program Services	Management and General	Fundraising	Total	
	Great Beginnings	Childhood Trauma Treatment	Whatever It Takes	Community Strengthening Collaborations				2019	2018
Operating expenses									
Salaries	\$ 1,260,463	\$ 902,976	\$ 1,027,137	\$ 1,000,741	\$ 4,191,317	\$ 713,167	\$ 277,149	\$ 5,181,633	\$ 4,744,273
Payroll taxes	93,013	66,633	75,795	73,847	309,288	52,626	20,452	382,366	353,642
Employee benefits	229,915	167,025	188,825	185,137	770,902	106,034	59,729	936,665	933,289
Contributed services	30,730	78,582	9,228	27,666	146,206	-	-	146,206	117,403
Total salaries and related expenses	1,614,121	1,215,216	1,300,985	1,287,391	5,417,713	871,827	357,330	6,646,870	6,148,607
Other operating expenses									
Accounting	-	-	-	-	-	43,807	-	43,807	44,975
Advertising	-	-	-	-	-	-	21,645	21,645	18,761
Auto and travel	33,083	14,612	49,085	21,731	118,511	5,089	3,301	126,901	111,876
Building operating costs	78,317	27,329	39,430	9,075	154,151	18,559	6,231	178,941	172,156
Consulting and IT	129,821	47,254	55,906	98,140	331,121	38,998	6,714	376,833	321,732
Education and training	4,780	10,408	3,537	8,893	27,618	3,982	1,802	33,402	28,649
Equipment rental and maintenance	1,794	1,285	1,462	1,425	5,966	1,015	395	7,376	5,315
Insurance	11,564	8,284	9,423	9,181	38,452	6,543	2,543	47,538	44,499
Interest	19,456	13,938	15,855	15,447	64,696	11,008	4,278	79,982	74,534
Office expenses	441	312	352	349	1,454	3,039	365	4,858	3,426
Dues and subscriptions	380	269	304	301	1,254	2,619	314	4,187	3,961
Miscellaneous	484	342	386	382	1,594	3,331	400	5,325	4,000
Printing and postage	2,775	2,014	2,261	2,203	9,253	1,570	17,058	27,881	28,750
Professional services	-	-	-	-	-	67,218	-	67,218	-
Supplies	39,527	18,950	29,082	36,567	124,126	31,513	14,457	170,096	160,722
Taxes	-	-	-	-	-	1,409	-	1,409	10,494
Telephone	14,213	3,499	14,199	6,971	38,882	1,639	2,259	42,780	44,503
Total other operating expenses	336,635	148,496	221,282	210,665	917,078	241,339	81,762	1,240,179	1,078,353
Total Operating Expenses	1,950,756	1,363,712	1,522,267	1,498,056	6,334,791	1,113,166	439,092	7,887,049	7,226,960
Non-operating expenses									
Depreciation expense	27,029	19,363	22,026	21,460	89,878	15,293	5,943	111,114	112,389
Income and property taxes	-	-	-	-	-	63,180	-	63,180	36,129
Building maintenance expense	2,985	2,139	2,433	2,370	9,927	5,479	656	16,062	52,348
Software implementation	9,666	6,925	7,877	7,675	32,143	17,741	2,125	52,009	-
Total non-operating expenses	39,680	28,427	32,336	31,505	131,948	101,693	8,724	242,365	200,866
Total expenses	\$ 1,990,436	\$ 1,392,139	\$ 1,554,603	\$ 1,529,561	\$ 6,466,739	\$ 1,214,859	\$ 447,816	\$ 8,129,414	\$ 7,427,826

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

CHILD ABUSE LISTENING MEDIATION, INC.**Statement of Cash Flows**

Year Ended June 30, 2019

(With Summarized Comparative Totals for 2018)

	<u>2019</u>	<u>2018</u>
<i>Cash flows from operating activities</i>		
Increase in net assets	\$ 682,691	\$ 303,664
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation and amortization	111,114	112,389
Realized (gain) loss on investments	10,168	(170,625)
Unrealized gain on long-term investments	(358,676)	(252,439)
Decrease (increase) in:		
Pledges and grants receivable	208,875	(695,666)
Prepaid expenses and deposits	11,775	(24)
Increase (decrease) in:		
Accounts payable and accrued expenses	5,069	(79,449)
<i>Net cash provided (used) by operating activities</i>	<u>671,016</u>	<u>(782,150)</u>
<i>Cash flows from investing activities</i>		
Purchase of property and equipment	(194,322)	(29,231)
Proceeds from sale of marketable securities	3,965,401	7,769,259
Purchase of marketable securities	<u>(4,301,096)</u>	<u>(7,495,698)</u>
<i>Net cash provided (used) by investing activities</i>	<u>(530,017)</u>	<u>244,330</u>
Net increase (decrease) in cash and cash equivalents	140,999	(537,820)
<i>Cash and cash equivalents, beginning of year</i>	<u>620,402</u>	<u>1,158,222</u>
<i>Cash and cash equivalents, end of year</i>	<u>\$ 761,401</u>	<u>\$ 620,402</u>

CHILD ABUSE LISTENING MEDIATION, INC.
Notes to Financial Statements
June 30, 2019
(With Summarized Comparative Totals for 2018)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Child Abuse Listening Mediation, Inc. (“CALM”) is presented to assist in understanding CALM’s financial statements. The financial statements and notes are representations of CALM’s management, who are responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America (GAAP) and have been consistently applied in the preparation of the financial statements.

Nature of Activities

CALM is a California nonprofit corporation located in Santa Barbara, California. CALM’s mission is to prevent childhood trauma, heal children and families, and build resilient communities throughout Santa Barbara County. Prevention and treatment services include individual, family and group therapy; home and school-based prevention programs; phone and in-person crisis intervention; and community outreach and awareness programs. CALM partners with preschools, schools, pediatric clinics and family resource centers to reach as many children in our community as possible. Services are available to children and families without regard to ability to pay. Services are provided in English, Spanish, Mixteco, Cantonese, American Sign Language, and other languages through interpreters.

CALM’s clients are children, adults, and families residing throughout Santa Barbara County.

Financial Statement Presentation

Information regarding CALM’s financial position and activities are based on the existence or absence of donor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of CALM. These net assets may be used at the discretion of management and the Board of Trustees. As a component of unrestricted net assets, CALM reports board designated net assets that have been designated by the Board of Trustees for a particular purpose or time.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of CALM or by the passage of time. Other donor restrictions are permanent in nature, where by the donor has stipulated the funds be maintained in perpetuity.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents consists of cash on hand, and cash in banks, and excludes cash and cash equivalents held for investment.

Revenue Recognition

Program service fees revenue is recognized at the time services are provided. In the absence of donor restrictions, contributions and government grants are considered to be available for unrestricted use. All income is recognized in the period when the contribution or unconditional promise to give is received.

Rental income is recognized as rents become due, generally on the first of the month. The lease between CALM and tenant of the rental space is an operating lease.

Contributions and Grants

Contributions are recorded at their fair value on the date of donation. All contributions and grants are considered to be available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as with donor restrictions support that increases those net asset classes.

Investments

In accordance with GAAP, CALM accounts for its investments in securities at fair value. Information about the unrealized gains and losses and the fair value of investments is presented in Note 5.

Fair Value Measurements

CALM follows Accounting Standard Codification (ASC) No. 820, *Fair Value Measurements and Disclosures*, issued by the Financial Accounting Standards Board (FASB). This standard defines fair value, establishes a framework for measuring fair value, and requires certain disclosures about fair value measurements. Pursuant to ASC No. 820, assets and liabilities recorded at fair value are categorized based upon the level of judgment associated with the inputs used to measure fair value. ASC No. 820 establishes a three-level fair value hierarchy that describes the inputs that are used to measure the fair values of respective assets and liabilities:

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Level 1 – Quoted prices are available in active markets for identical investments as of the reporting date.

Level 2 – Pricing inputs, including broker quotes, are generally those other than exchange quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level 3 – Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment, estimation, or other unobservable inputs.

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value on a recurring basis.

Cash and cash equivalents: Valued at face value. (Level 1)

Equity securities, mutual and exchange traded funds, and fixed income: Valued utilizing quoted prices available in active markets for identical investments as of the reporting date. (Level 1)

In-kind Contributions

Donated goods and services are recognized as in-kind contributions in accordance with GAAP for not-for-profit organizations, if the goods and services (a) create or enhance non-financial assets or (b) the services require specialized skills and are performed by people with those skills and would otherwise be purchased by CALM. The amount of in-kind contributions of goods and services received for June 30, 2019 and 2018, totaled \$171,232 and \$171,332, respectively.

Functional Expenses

CALM allocates its expenses on a functional basis among its various program and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their expenditure classification. Other expenses that are common to several functions are allocated based on total salaries within each function.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Grants and Pledges Receivable

Grants receivable are stated as unpaid balances, less an allowance for doubtful accounts. CALM provides for losses on grants receivable using the allowance method. The allowance is based on experience, third-party contracts, and other circumstances, which may affect the ability of agencies to meet their obligations. Grants receivable are considered impaired if full principal payments are not received in accordance with the contractual terms. It is CALM's policy to charge off uncollectible grants receivable when management determines the receivable will not be collected. No allowance for doubtful grants receivable has been recorded as all amounts are expected to be collected. Conditional grants are recognized when the conditions on which they depend are substantially met.

Pledges (unconditional promises to give) are recorded as pledges receivable. Long-term pledges are discounted to present value using a discount rate commensurate with the risk involved. An allowance for uncollectible pledges is estimated by management based on such factors as prior collection history, type of contribution and the nature of the fundraising activity. Conditional pledges are recognized when the conditions on which they depend are substantially met.

Uncertain Tax Positions

Financial Accounting Standards Board's ASC 740-10, *Accounting for Uncertainty in Income Taxes*, prescribes a threshold for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. CALM files tax returns in the U.S. federal jurisdiction and in the state of California. The CALM's tax returns from the year 2015 to the present remain subject to examination by the IRS for federal tax purposes, and the tax years from 2014 to the present remain subject to examination by the state of California. Management has evaluated its tax positions for all jurisdictions in which the statute of limitations remains open and has determined that CALM had taken no uncertain tax positions that require adjustment to the financial statements. CALM had no unrecognized tax benefits related to tax positions taken during the years ended June 30, 2019 and 2018 or for prior periods.

Tax Exempt Status

CALM is an exempt organization under Section 501(c)(3) of the Internal Revenue Code (IRC) and Section 23701(d) of the California Revenue and Taxation Code, and is considered a public charity. During the years ended June 30, 2019 and 2018, rental income of \$123,028 and \$155,285, respectively, was received and unrelated business income tax of \$52,857 and \$36,129 was paid, respectively.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Prior-Year Summarized Comparative Information

The financial statements include certain prior-year summarized comparative information in total but are not presented by net assets class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with CALM's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

Advertising Costs

CALM follows the policy of expensing the costs of advertising as incurred. Amounts expensed for advertising costs during the years ended June 30, 2019 and 2018 were \$21,645 and \$18,761, respectively.

Property and Equipment

Property and equipment are stated at cost or, if acquired by gift, at the fair market value at the date of donation. Expenditures for building improvements and major renewals in excess of \$5,000 that extend the useful lives of property and equipment are capitalized. Donations of property and equipment are recorded as contributions at their estimated fair value. Depreciation is computed using the straight-line method over the estimated useful lives as follows:

	<u>Years</u>
Buildings	30
Furniture and equipment	5-10
Improvements	5-10

Use of Estimates

Financial statements prepared in accordance with GAAP require management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Reclassifications

Certain items in the 2018 financial statements were reclassified in order to conform to the 2019 presentation.

New Accounting Pronouncement

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) - *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. CALM implemented ASU 2016-14 and adjusted the presentation of the financial statements accordingly.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Subsequent Events

Management has evaluated subsequent events through September 12, 2019, the date that the financial statements were available to be issued.

2. AVAILABILITY AND LIQUIDITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following as of June 30, 2019:

Cash and cash equivalents	\$ 282,845
Grants receivable	<u>684,263</u>
	<u>\$ 967,108</u>

Additional funds are expected to be received from grants, contributions, investment income, and rental income. In addition, CALM has current donor restricted assets of \$836,651, for which the donor use restrictions will be met during the next year. These assets are expected to be sufficient to fund the operations of CALM over the next year.

3. PLEDGES RECEIVABLE

Pledges receivable are expected to be received as follows:

Year ending June 30,	
2020	\$ 358,095
2021	307,019
2022	153,500
2023	81,000
2024	65,000
Thereafter	<u>142,500</u>
	1,107,114
Less discount	<u>(85,808)</u>
Pledges receivable, net	<u>\$ 1,021,306</u>

Pledges receivable due after one year are recorded at the present value of estimated future cash flows using a discount rate of 2.21% per annum. The present value discount is amortized to contribution revenue over the terms of the pledges receivable.

4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	<u>2019</u>	<u>2018</u>
Land and building	\$ 2,177,475	\$ 2,177,475
Leasehold improvements	488,943	292,708
Furniture, fixtures and equipment	357,878	365,691
Construction in progress	<u>-</u>	<u>29,654</u>
	3,024,296	2,865,528
Accumulated depreciation	<u>(548,136)</u>	<u>(472,576)</u>
	<u>\$ 2,476,160</u>	<u>\$ 2,392,952</u>

Depreciation expense related to property and equipment for the years ended June 30, 2019 and 2018, was \$111,114 and \$112,389, respectively

5. INVESTMENTS

Investments consist of the following:

<u>June 30, 2019</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Excess of Fair Value Over Cost</u>
Cash and cash equivalents	\$ 1,200,149	\$ 1,200,149	\$ -
U.S. equities	3,857,447	5,405,607	1,548,160
International equities	1,085,717	1,192,310	106,593
Liquid real assets	250,000	274,518	24,518
Fixed income	<u>4,399,567</u>	<u>4,499,577</u>	<u>100,010</u>
	<u>\$ 10,792,880</u>	<u>\$ 12,572,161</u>	<u>\$ 1,779,281</u>
			<u>Excess (Deficit) of Fair Value Over Cost</u>
<u>June 30, 2018</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Over Cost</u>
Cash and cash equivalents	\$ 373,339	\$ 373,339	\$ -
U.S. equities	3,341,505	4,630,646	1,289,141
International equities	2,255,128	2,442,337	187,209
Liquid real assets	400,000	392,470	(7,530)
Fixed income	<u>4,097,381</u>	<u>4,049,166</u>	<u>(48,215)</u>
	<u>\$ 10,467,353</u>	<u>\$ 11,887,958</u>	<u>\$ 1,420,605</u>

5. INVESTMENTS (Cont.)

Investment income (loss) for the years ended June 30, 2019 and 2018 consists of the following:

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 330,689	\$ 297,644
Net realized gain (loss)	(10,168)	170,625
Net change in unrealized gain	<u>358,676</u>	<u>252,439</u>
	679,197	720,708
Less investment fees	<u>(66,204)</u>	<u>(68,146)</u>
Total investment income	<u>\$ 612,993</u>	<u>\$ 652,562</u>

6. FAIR VALUE MEASUREMENTS

The following sets forth by level, within the fair value hierarchy, CALM's assets as of June 30, 2019:

	<u>Fair Value (Level 1)</u>	<u>Fair Value (Level 2)</u>	<u>Fair Value (Level 3)</u>
Cash equivalents	\$ 1,200,149	\$ -	\$ -
Equity securities:			
U.S. equities	5,405,607	-	-
International equities	1,192,310	-	-
Liquid real assets	274,518	-	-
Domestic fixed income	<u>4,499,577</u>	<u>-</u>	<u>-</u>
	<u>\$ 12,572,161</u>	<u>\$ -</u>	<u>\$ -</u>

The following sets forth by level, within the fair value hierarchy, CALM's assets as of June 30, 2018:

	<u>Fair Value (Level 1)</u>	<u>Fair Value (Level 2)</u>	<u>Fair Value (Level 3)</u>
Cash equivalents	\$ 373,339	\$ -	\$ -
Equity securities:			
U.S. equities	4,630,646	-	-
International equities	2,442,337	-	-
Liquid real assets	392,470	-	-
Domestic fixed income	<u>4,049,166</u>	<u>-</u>	<u>-</u>
	<u>\$ 11,887,958</u>	<u>\$ -</u>	<u>\$ -</u>

7. LINES OF CREDIT

CALM has a \$2,070,833 line of credit with Montecito Bank & Trust. The proceeds of the line of credit were used to purchase the land and building occupied by CALM. Under the terms of the line of credit, the interest rate is fixed at 3.55%, requires monthly payments, and matures on May 1, 2025. The line of credit is secured by CALM's endowment assets held at Montecito Bank & Trust. As of June 30, 2019 and 2018, the outstanding balance was \$2,070,833.

CALM also has a \$1,000,000 line of credit with Montecito Bank & Trust. The line of credit is secured by the endowment assets held at Montecito Bank & Trust. Interest rate has a floor of 2.50% and has no outstanding balances as of June 30, 2019 and 2018.

8. CONCENTRATIONS AND RISKS

A significant portion of the CALM's revenues come from state and local government entities. For the year ended June 30, 2019, total grants received from these entities accounted for approximately 50% of total revenue, gain and other support. Additionally, the contracts which make up these programs are subject to audit by the granting agencies as to allowable costs paid with government funds. CALM would be liable for up the full amount of government funds expended should costs charged to the grants be disallowed.

CALM maintains cash balances at several financial institutions insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution. Cash balances held in brokerage accounts are insured by the Securities Investor Protection Corporation (SIPC) up to \$250,000 per institution. Uninsured cash balances at June 30, 2019 totaled approximately \$428,000.

9. ENDOWMENT FUNDS

CALM's endowment has been established for general operating purposes. Its endowment consists of board designated and donor-restricted endowment funds. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor imposed restrictions.

Interpretation of Relevant Law

The Board of Trustees of CALM has interpreted the California adopted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, CALM classifies as permanently restricted net assets (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the donor gift instrument.

9. ENDOWMENT FUNDS (Cont.)

In accordance with California UPMIFA, CALM considers the following factors in making a determination to appropriate or invest donor-restricted endowment funds:

- (a) The duration and preservation of the funds
- (b) The purposes of CALM and the donor-restricted endowment funds
- (c) General economic conditions
- (d) The possible effect of inflation and deflation
- (e) The expected total return and the appreciation of investments
- (f) Other resources of CALM
- (g) The investment policies of CALM

Endowment Investment and Spending Policies

CALM has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the long-term purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that CALM must hold in perpetuity for donor-specified periods. The endowment assets are invested in a manner that is intended to produce results that provide a reasonable balance between the quest for growth and the need to protect principal. The investment policy calls for a diversified portfolio utilizing various asset classes with a goal of reducing portfolio volatility and risk.

CALM's endowment is invested in a diversified portfolio of domestic equities, international equities and fixed income. The portfolio employs both passive index funds and actively managed funds. The portfolio's objective is to achieve a total return equivalent to or greater than CALM's financial requirements over the long-term time horizon. Long-term investment strategies are used to manage risk with the goal to grow charitable dollars over time.

To satisfy its long-term rate-of-return objectives, CALM relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). CALM targets a diversified asset allocation that places a greater emphasis on equity mutual funds investment to achieve its long-term return objectives within prudent risk constraints. The current spending policy is 4.50% of a 12-quarter rolling average.

Endowment Funds with Deficiencies

From time to time, the fair value of the assets associated with individual donor-restricted funds may fall below the level that current law requires CALM to retain for a fund of perpetual duration. Such deficiencies may result from unfavorable market fluctuations, particularly if the funds were invested in the endowment pool shortly prior to significant market declines. As of June 30, 2019 and 2018, CALM held no endowment funds where the principal had fallen below the original corpus due to market conditions.

9. ENDOWMENT FUNDS (Cont.)

Changes in endowment net assets consist of the following:

<u>June 30, 2019</u>	<u>Without donor Restrictions</u>	<u>With donor Restrictions</u>	<u>Total</u>
Beginning endowment net assets	\$ 7,365,107	\$ 4,522,851	\$ 11,887,958
Net investment return	376,281	231,071	607,352
Contributions	594,851	-	594,851
Appropriation of endowment assets for expenditure	<u>(286,929)</u>	<u>(231,071)</u>	<u>(518,000)</u>
Ending endowment net assets	<u>\$ 8,049,310</u>	<u>\$ 4,522,851</u>	<u>\$ 12,572,161</u>

<u>June 30, 2018</u>	<u>Without donor Restrictions</u>	<u>With donor Restrictions</u>	<u>Total</u>
Beginning endowment net assets	\$ 7,214,557	\$ 4,522,851	\$ 11,737,408
Net investment return	399,873	250,677	650,550
Appropriation of endowment assets for expenditure	<u>(249,323)</u>	<u>(250,677)</u>	<u>(500,000)</u>
Ending endowment net assets	<u>\$ 7,365,107</u>	<u>\$ 4,522,851</u>	<u>\$ 11,887,958</u>

10. RETIREMENT PLAN

CALM has adopted a 403(b) retirement plan and allows all employees the option to participate in a matching program for retirement benefits. Each plan year, CALM will determine the amount of the matching contribution (if any) that they will make for all eligible participants. Such contributions will be allocated to each participant who is eligible to receive an employer matching contribution. For the years ended June 30, 2019 and 2018, employer contributions to the plan totaled \$82,817 and \$72,155, respectively.

11. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are temporality restricted for the following purposes and amounts at June 30:

	<u>2019</u>	<u>2018</u>
CALM for Kids Campaign	\$ 1,499,862	\$ 1,558,972

Net assets with donor restrictions are permanently restricted for the following purposes and amounts at June 30:

	<u>2019</u>	<u>2018</u>
Endowment	\$ 4,522,851	\$ 4,522,851

12. BOARD OF TRUSTEES' DESIGNATED FUNDS

The Board of Trustees has established the following designated funds as of June 30:

	<u>2019</u>
Building maintenance – non-endowment	\$ 177,275
Board designated endowment	<u>8,049,310</u>
Total designated funds	<u>\$ 8,226,585</u>
	<u>2018</u>
Building maintenance – non-endowment	\$ 228,451
Campaign administration –non-endowment	2,091
Board designated endowment	<u>7,365,097</u>
Total designated funds	<u>\$ 7,595,639</u>

13. CASH FLOW INFORMATION

CALM had noncash transactions consisting of the following for the years ended June 30:

	<u>2019</u>	<u>2018</u>
Contributed services	\$ 146,206	\$ 117,403
In-kind donations of goods	25,026	53,929