



CHILD ABUSE LISTENING MEDIATION, INC.

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

JUNE 30, 2021 and 2020

CHILD ABUSE LISTENING MEDIATION, INC.
TABLE OF CONTENTS
June 30, 2021

Pages 1-2	Independent Auditor's Report
Pages 3-4	Report on Internal Control over Financial Reporting and on Compliance and Other Matters
Page 5	Management Discussion and Analysis
Page 6	Statement of Financial Position
Page 7	Statement of Activities
Page 8	Statement of Functional Expenses
Page 9	Statement of Cash Flows
Pages 10-22	Notes to Financial Statements



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, 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 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, 2021, 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.

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 5, 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 November 9, 2021, 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
November 9, 2021

*D*AMITZ

*B*ROOKS

*N*IGHTINGALE

*T*URNER

*M*ORRISSET



**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, 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, and have issued our report thereon dated November 9, 2021.

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
November 9, 2021

MANAGEMENT DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2021

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, 2021. 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, other natural settings, or via telehealth. For the fiscal year ended June 30, 2021, the Great Beginnings department provided 930 clients with 8,613 services.

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 therapy 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, 2021, the Childhood Trauma Treatment department provided 608 clients with 5,348 services.

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. Clinicians 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, 2021, the Whatever It Takes department provided 393 clients with 7,795 services.

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 identifying trauma early and 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, 2021, the Community Strengthening Collaborations department served 5,624 clients.

CHILD ABUSE LISTENING MEDIATION, INC.

Statement of Financial Position

June 30, 2021

(With Summarized Comparative Totals for 2020)

<i>Assets</i>	Without Donor Restrictions	With Donor Restrictions	Total	
			2021	2020
<i>Current Assets</i>				
Cash and cash equivalents	\$ 515,493	\$ 768,413	\$ 1,283,906	\$ 2,895,209
Grants receivable	1,083,211	-	1,083,211	475,922
Pledges receivable	-	417,336	417,336	633,425
Deposits and prepaid expenses	69,844	-	69,844	56,314
Total current assets	<u>1,668,548</u>	<u>1,185,749</u>	<u>2,854,297</u>	<u>4,060,870</u>
<i>Non- Current Assets</i>				
Pledges receivable	-	490,282	490,282	854,797
Investments	9,405,693	6,437,141	15,842,834	12,357,907
Property and equipment, net	2,269,994	-	2,269,994	2,359,634
Total non-current assets	<u>11,675,687</u>	<u>6,927,423</u>	<u>18,603,110</u>	<u>15,572,338</u>
<i>Total assets</i>	<u><u>\$ 13,344,235</u></u>	<u><u>\$ 8,113,172</u></u>	<u><u>\$ 21,457,407</u></u>	<u><u>\$ 19,633,208</u></u>
<i>Liabilities and Net Assets</i>				
<i>Current Liabilities</i>				
Accounts payable	\$ 234,067	\$ -	\$ 234,067	\$ 98,839
Accrued expenses	536,535	-	536,535	554,330
Total current liabilities	<u>770,602</u>	<u>-</u>	<u>770,602</u>	<u>653,169</u>
<i>Long Term Liabilities</i>				
Line of credit	-	-	-	2,070,833
Promissory note	1,000,000	-	1,000,000	-
Total long term liabilities	<u>1,000,000</u>	<u>-</u>	<u>1,000,000</u>	<u>2,070,833</u>
<i>Total liabilities</i>	<u>1,770,602</u>	<u>-</u>	<u>1,770,602</u>	<u>2,724,002</u>
<i>Net Assets</i>				
Without donor restrictions				
Undesignated	2,167,980	-	2,167,980	1,932,821
Board designated endowment	9,405,653	-	9,405,653	7,824,026
With donor restrictions	-	8,113,172	8,113,172	7,152,359
<i>Total net assets</i>	<u>11,573,633</u>	<u>8,113,172</u>	<u>19,686,805</u>	<u>16,909,206</u>
	<u><u>\$ 13,344,235</u></u>	<u><u>\$ 8,113,172</u></u>	<u><u>\$ 21,457,407</u></u>	<u><u>\$ 19,633,208</u></u>

CHILD ABUSE LISTENING MEDIATION, INC.

Statement of Activities

Year Ended June 30, 2021

(With Summarized Comparative Totals for 2020)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2021	2020
<i>Support, Revenues, and Gains</i>				
Government contracts	\$ 5,782,481	\$ -	\$ 5,782,481	\$ 4,787,929
Government grant	-	-	-	1,342,602
Contributions	1,217,603	528,769	1,746,372	3,500,693
Program service fees	165,722	-	165,722	121,082
In-kind donations	126,773	-	126,773	139,171
Rental income	48,500	-	48,500	77,220
Other income	5,823	-	5,823	2,915
Investment income, net	1,924,851	1,112,832	3,037,683	299,868
Special events:				
Special events - gross	60,823	-	60,823	302,677
Direct special event costs	(11,872)	-	(11,872)	(69,327)
Net special event proceeds	48,951	-	48,951	233,350
Net assets released from restrictions	680,788	(680,788)	-	-
<i>Total support, revenues, and gains</i>	10,001,492	960,813	10,962,305	10,504,830
<i>Expenses</i>				
Program services	6,233,880	-	6,233,880	6,957,371
Management and general	1,224,720	-	1,224,720	1,031,150
Fundraising	726,106	-	726,106	552,010
<i>Total expenses</i>	8,184,706	-	8,184,706	8,540,531
<i>Increase in net assets</i>	1,816,786	960,813	2,777,599	1,964,299
<i>Net assets, beginning of year</i>	9,756,847	7,152,359	16,909,206	14,944,907
<i>Net assets, end of year</i>	\$ 11,573,633	\$ 8,113,172	\$ 19,686,805	\$ 16,909,206

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

CHILD ABUSE LISTENING MEDIATION, INC.
Statement of Functional Expenses
Year Ended June 30, 2021
(With Summarized Comparative Totals for 2020)

	Program Services							Total	
	Great Beginnings	Childhood Trauma Treatment	Whatever It Takes	Community Strengthening Collaborations	Total Program Services	Management and General	Fundraising	2021	2020
Operating expenses									
Salaries	\$ 1,408,155	\$ 736,197	\$ 1,094,789	\$ 903,534	\$ 4,142,675	\$ 594,172	\$ 426,903	\$ 5,163,750	\$ 5,453,364
Payroll taxes	97,207	50,821	75,575	62,372	285,975	41,017	29,470	356,462	397,872
Employee benefits	276,722	147,650	218,757	180,105	823,234	83,088	83,854	990,176	1,007,003
Contributed services	26,538	30,926	1,667	9,271	68,402	159	-	68,561	102,556
Total salaries and related expenses	1,808,622	965,594	1,390,788	1,155,282	5,320,286	718,436	540,227	6,578,949	6,960,795
Other operating expenses									
Auto and travel	6,290	5,328	14,882	549	27,049	502	631	28,182	97,082
Building operating costs	110,314	70,169	44,689	12,855	238,027	23,173	6,832	268,032	187,708
Consulting and IT	142,513	40,826	66,010	47,802	297,151	46,816	29,567	373,534	403,938
Education and training	10,436	2,177	2,140	5,885	20,638	214	742	21,594	38,065
Equipment rental and maintenance	2,392	1,251	1,860	1,535	7,038	1,009	725	8,772	8,242
Insurance	14,041	7,341	10,916	9,009	41,307	8,908	4,257	54,472	53,572
Interest	12,319	6,440	9,577	7,904	36,240	5,198	3,735	45,173	74,741
Office expenses	2,757	1,441	2,144	1,769	8,111	10,208	5,887	24,206	8,766
Dues and subscriptions	3,780	1,400	2,196	3,042	10,418	1,477	4,363	16,258	4,752
Printing and postage	3,870	1,877	2,813	2,304	10,864	1,515	30,038	42,417	28,713
Professional services	-	-	-	-	-	236,456	-	236,456	145,264
Promotion	-	-	-	-	-	-	19,963	19,963	78,489
Special events - Facility rentals	-	-	-	-	-	-	-	-	30,693
Special events - Food	-	-	-	-	-	-	9,471	9,471	-
Special events - Other expenses	-	-	-	-	-	-	2,183	2,183	38,634
Supplies	13,845	33,408	31,634	5,289	84,176	32,953	68,250	185,379	249,447
Telephone	23,884	8,407	20,827	12,520	65,638	4,230	3,991	73,859	52,073
Total other operating expenses	346,441	180,065	209,688	110,463	846,657	372,659	190,635	1,409,951	1,500,179
Total Operating Expenses	2,155,063	1,145,659	1,600,476	1,265,745	6,166,943	1,091,095	730,862	7,988,900	8,460,974
Non-operating expenses									
Depreciation expense	22,753	11,895	17,690	14,599	66,937	9,601	6,898	83,436	116,526
Loss on disposal of fixed assets	-	-	-	-	-	114,242	-	114,242	-
Taxes on rental property	-	-	-	-	-	9,782	-	9,782	32,358
Total non-operating expenses	22,753	11,895	17,690	14,599	66,937	133,625	6,898	207,460	148,884
Less expenses included with revenues on the statement of activities									
Special events expenses	-	-	-	-	-	-	(11,654)	(11,654)	(69,327)
Total expenses by function	<u>\$ 2,177,816</u>	<u>\$ 1,157,554</u>	<u>\$ 1,618,166</u>	<u>\$ 1,280,344</u>	<u>\$ 6,233,880</u>	<u>\$ 1,224,720</u>	<u>\$ 726,106</u>	<u>\$ 8,184,706</u>	<u>\$ 8,540,531</u>

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

CHILD ABUSE LISTENING MEDIATION, INC.

Statement of Cash Flows

Year Ended June 30, 2021

(With Summarized Comparative Totals for 2020)

	2021	2020
<i>Cash flows from operating activities</i>		
Increase in net assets	\$ 2,777,599	\$ 1,964,299
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	83,436	116,526
Realized (gain)/loss on investments	(538,919)	163,182
Unrealized gain on investments	(2,337,220)	(254,158)
Loss on disposal of fixed assets	114,242	-
Decrease (increase) in:		
Pledges and grants receivable	(26,685)	(258,575)
Deposits and prepaid expenses	(13,530)	(35,243)
Increase (decrease) in:		
Accounts payable and accrued expenses	117,433	132,547
<i>Net cash provided by operating activities</i>	176,356	1,828,578
<i>Cash flows from investing activities</i>		
Purchase of property and equipment	(108,038)	-
Proceeds from sale of investments	4,697,246	4,199,259
Purchase of investments	(5,306,034)	(3,894,029)
<i>Net cash provided (used) by investing activities</i>	(716,826)	305,230
<i>Cash flows from financing activities</i>		
Payments on line of credit	(1,070,833)	-
<i>Net cash used by financing activities</i>	(1,070,833)	-
Net increase (decrease) in cash and cash equivalents	(1,611,303)	2,133,808
<i>Cash and cash equivalents, beginning of year</i>	2,895,209	761,401
<i>Cash and cash equivalents, end of year</i>	\$ 1,283,906	\$ 2,895,209

CHILD ABUSE LISTENING MEDIATION, INC.
Notes to Financial Statements
June 30, 2021
(With Summarized Comparative Totals for 2020)

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. 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.

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 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 is met, 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

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 the tenant of the rental space is an operating lease.

Under Financial Accounting Standard Board (FASB), Accounting Standard Codification (ASC) No. 606, *Revenue from Contracts*, revenue is recognized when a company satisfies a performance obligation by transferring a promised good or service to a client. Therefore, program service fees revenue is recognized at the time services are provided to clients.

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.

Payroll Protection Program Loan – Conditional Grant

On April 27, 2020, CALM received a loan of \$1,342,602 under the Small Business Administration Payroll Protection Program. Loans received under this program are eligible for forgiveness as documented in the regulations. CALM had met the forgiveness criteria described in the regulations as of June 30, 2020. In accordance with ASC No. 958, CALM recognized the forgiveness of the loan as government grant income in the statement of activities.

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 ASC No. 820, *Fair Value Measurements and Disclosures*, issued by the 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:

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)

Mutual funds and fixed income funds: 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, 2021 and 2020, totaled \$126,773 and \$139,171, 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 uncollectible 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. No allowance for uncollectible pledge receivables has been recorded as all amounts are expected to be collected. Conditional pledges are recognized when the conditions on which they depend are substantially met.

Uncertain Tax Positions

FASB'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 2017 to the present remain subject to examination by the IRS for federal tax purposes, and the tax years from 2016 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, 2021 and 2020 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, 2021 and 2020, rental income of \$48,500 and \$77,220, respectively, was received and unrelated business income tax of \$225 and \$21,640 was paid on net rental income, respectively.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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 prior year amounts have been reclassified to conform to the current year presentation.

Subsequent Events

Management has evaluated subsequent events through November 9, 2021, 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, 2021:

Cash and cash equivalents	\$ 515,493
Grants receivable	<u>1,083,211</u>
	<u>\$ 1,598,704</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 \$417,336, for which the donor 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:

<u>Year Ending June 30,</u>	
2022	\$ 417,336
2023	337,212
2024	72,000
2025	65,000
2026	65,000
Thereafter	<u>12,500</u>
	969,048
Less discount	<u>(61,430)</u>
Pledges receivable, net	<u>\$ 907,618</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>2021</u>	<u>2020</u>
Land and building	\$ 2,177,475	\$ 2,177,475
Leasehold improvements	481,243	488,943
Furniture, fixtures and equipment	26,557	324,263
Construction in Progress	<u>108,037</u>	<u>-</u>
	2,793,312	2,990,681
Accumulated depreciation	<u>(523,318)</u>	<u>(631,047)</u>
	<u>\$ 2,269,994</u>	<u>\$ 2,359,634</u>

Depreciation expense related to property and equipment for the years ended June 30, 2021 and 2020, was \$83,436 and \$116,526, respectively.

5. INVESTMENTS

Investments consist of the following:

<u>June 30, 2021</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Excess of Fair Value Over Cost</u>
Cash and cash equivalents	\$ 63,667	\$ 63,667	\$ -
Domestic equity funds	4,657,469	8,182,024	3,524,555
International equity funds	2,441,633	3,110,860	669,227
Real estate funds	340,000	411,142	71,142
Fixed income funds	<u>3,969,406</u>	<u>4,075,141</u>	<u>105,735</u>
	<u>\$ 11,472,175</u>	<u>\$ 15,842,834</u>	<u>\$ 4,370,659</u>

<u>June 30, 2020</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Excess (Deficit) of Fair Value Over Cost</u>
Cash and cash equivalents	\$ 142,164	\$ 142,164	\$ -
Domestic equity funds	4,237,232	5,929,708	1,692,476
International equity funds	1,139,238	1,236,308	97,070
Real estate funds	340,000	322,922	(17,078)
Fixed income funds	<u>4,465,834</u>	<u>4,726,805</u>	<u>260,971</u>
	<u>\$ 10,324,468</u>	<u>\$ 12,357,907</u>	<u>\$ 2,033,439</u>

5. INVESTMENTS (Cont.)

Investment income (loss) for the years ended June 30, 2021 and 2020 consists of the following:

	<u>2021</u>	<u>2020</u>
Interest and dividends	\$ 236,031	\$ 277,634
Net realized gain/(loss)	538,919	(163,182)
Net change in unrealized gain	<u>2,337,220</u>	<u>254,158</u>
	3,112,170	368,610
Less investment fees	<u>(74,487)</u>	<u>(68,742)</u>
Total investment income	<u>\$ 3,037,683</u>	<u>\$ 299,868</u>

6. FAIR VALUE MEASUREMENTS

The following sets forth by level, within the fair value hierarchy, CALM's assets as of June 30, 2021:

	<u>Fair Value (Level 1)</u>	<u>Fair Value (Level 2)</u>	<u>Fair Value (Level 3)</u>
Cash equivalents	\$ 63,667	\$ -	\$ -
Equity funds:			
Domestic	8,182,024	-	-
International	3,110,860	-	-
Real estate funds	411,142	-	-
Fixed income funds	<u>4,075,141</u>	<u>-</u>	<u>-</u>
	<u>\$ 15,842,834</u>	<u>\$ -</u>	<u>\$ -</u>

The following sets forth by level, within the fair value hierarchy, CALM's assets as of June 30, 2020:

	<u>Fair Value (Level 1)</u>	<u>Fair Value (Level 2)</u>	<u>Fair Value (Level 3)</u>
Cash equivalents	\$ 142,164	\$ -	\$ -
Equity funds:			
Domestic	5,929,708	-	-
International	1,236,308	-	-
Real estate funds	322,922	-	-
Fixed income funds	<u>4,726,805</u>	<u>-</u>	<u>-</u>
	<u>\$ 12,357,907</u>	<u>\$ -</u>	<u>\$ -</u>

7. LINES OF CREDIT

As of June 30, 2020, CALM had an outstanding balance on the line of credit with Montecito Bank & Trust of \$2,070,833. 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 was fixed at 3.55%, required monthly payments, and matured on May 1, 2025. In September 2020, CALM paid \$1,070,833 towards the line of credit and converted the remaining \$1,000,000 balance outstanding to an interest only promissory note (Note 8).

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, 2021 and 2020.

8. NOTE PAYABLE

In September 2020, CALM converted the outstanding balance of \$1,000,000 on the line of credit they had with Montecito Bank and Trust (Note 7) to an interest only promissory note for \$1,000,000. Under the terms of the new note, the interest rate is fixed at 3%, requires monthly payments, and matures on November 1, 2030. The note is secured by CALM's endowment assets held at Montecito Bank & Trust. As of June 30, 2021, the outstanding balance was \$1,000,000.

9. CONCENTRATIONS AND RISKS

A significant portion of the CALM's revenues come from state and local government entities. For the year ended June 30, 2021, total grants received from these entities accounted for approximately 53% 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, 2021 totaled \$1,049,771.

10. 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.

10. ENDOWMENT FUNDS (Cont.)

Interpretation of Relevant Law

The Board of Trustees of CALM has interpreted the California adopted Uniform Prudent Management Institutional Funds Act (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.

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 the original gift amount of donor-restricted funds that CALM must hold in perpetuity of \$4,522,851. 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.

As required by its investment policy, 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 with a goal of reducing portfolio volatility and risk. 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.

10. ENDOWMENT FUNDS (Cont.)

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, 2021 and 2020, CALM held no endowment funds where the principal had fallen below the original corpus due to market conditions.

Changes in endowment net assets consist of the following:

<u>June 30, 2021</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Beginning endowment net assets	\$ 7,824,026	\$ 4,522,851	\$ 12,346,877
Net investment return	1,924,851	1,112,832	3,037,683
Appropriation of endowment assets for expenditure	<u>(343,224)</u>	<u>(198,542)</u>	<u>(541,766)</u>
Ending endowment net assets	<u>\$ 9,405,653</u>	<u>\$ 5,437,141</u>	<u>\$ 14,842,794</u>

<u>June 30, 2020</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Beginning endowment net assets	\$ 8,049,310	\$ 4,522,851	\$ 12,572,161
Net investment return	190,598	107,118	297,716
Appropriation of endowment assets for expenditure	<u>(415,882)</u>	<u>(107,118)</u>	<u>(523,000)</u>
Ending endowment net assets	<u>\$ 7,824,026</u>	<u>\$ 4,522,851</u>	<u>\$ 12,346,877</u>

11. RETIREMENT PLAN

CALM has adopted a 403(b) retirement plan and allows all eligible employees the option to participate in a matching program for retirement benefits. Each plan year, CALM determines the amount of the matching contribution, if any, that they will make for all eligible participants. Contributions are allocated to each participant who is eligible to receive an employer matching contribution. For the years ended June 30, 2021 and 2020, employer contributions to the plan totaled \$81,554 and \$86,111, respectively.

12. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following:

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specified purpose:		
CALM for Kids Campaign	\$ 2,676,031	\$ 2,629,508
Subject to endowment spending policy:		
Endowment – Original gift	4,522,851	4,522,851
Unappropriated endowment earnings	<u>914,290</u>	<u>-</u>
Total net assets with donor restrictions	<u>\$ 8,113,172</u>	<u>\$ 7,152,359</u>

13. BOARD OF TRUSTEES' DESIGNATED FUNDS

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

	<u>2021</u>	<u>2020</u>
Board designated endowment	<u>\$ 9,405,683</u>	<u>\$ 7,824,026</u>

14. RELATED PARTY TRANSACTIONS

For the year ended June 30, 2021, board members contributed approximately \$44,400 to CALM. As of June 30, 2021, there were no contributions receivable from board members.

15. CASH FLOW INFORMATION

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

	<u>2021</u>	<u>2020</u>
Contributed services	\$ 68,561	\$ 117,749
In-kind donations of goods	58,212	21,422

CALM engaged in a non-cash financing activity by converting its line of credit balance of \$1,000,000 to a promissory note. See Notes 7 and 8.

Interest paid as of June 30, 2021 and 2020 was \$45,173 and \$74,741, respectively.