

CALM, INC.

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

JUNE 30, 2023

CALM, INC.
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June 30, 2023

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees of
CALM, Inc.

Opinion

We have audited the accompanying financial statements of CALM, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CALM, Inc. as of June 30, 2023, and the changes in net assets and its cash flows for the year 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. 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 CALM, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about CALM Inc.'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 Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted 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, including omissions, 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, 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 CALM Inc.’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 CALM Inc.’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.

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 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is

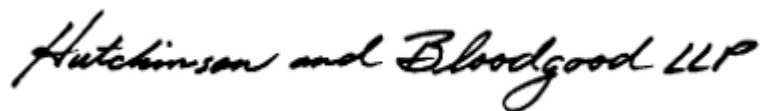
the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2023, 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.

Report on Summarized Comparative Information

We have previously audited CALM, Inc.'s 2022 financial statements, and their report dated November 1, 2022, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in cursive script that reads "Hutchinson and Bloodgood LLP".

Hutchinson and Bloodgood LLP
November 14, 2023

**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
CALM, 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 CALM, Inc. (“CALM”) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, 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 14, 2023.

Report on 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.

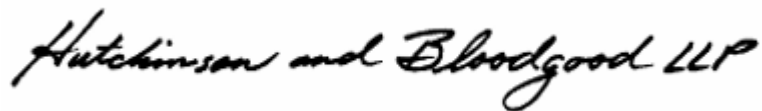
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Report on 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.

A handwritten signature in black ink that reads "Hutchinson and Bloodgood LLP". The signature is written in a cursive, flowing style.

Hutchinson and Bloodgood LLP
November 14, 2023

MANAGEMENT DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2023

The purpose of the Management Discussion and Analysis is to introduce the financial statements and provide an overview of CALM’s program service accomplishments and community impact for the fiscal year ended June 30, 2023. 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 serves families and caregivers with children prenatally through age nine. Programs offer a continuum of services including prevention, early intervention, and treatment. Services are delivered in the home, community setting, or CALM clinic. Program services support caregiver mental health, enhance healthy attachment, increase positive parenting, and reduce the impact of toxic stress. The goals of the department are increased parenting skills, strengthened attachment between caregivers and children, early identification and intervention of social-emotional or behavioral health challenges, and reduced child abuse and neglect. For the fiscal year ended June 30, 2023, the Great Beginnings department provided 993 clients with 8,905 services.

Childhood Trauma Treatment

The Childhood Trauma Treatment department focuses on facilitating recovery for children and families who have been exposed to abuse, neglect, or violence within their family or community. Programs provide individual and family treatment to foster children’s resilience and recovery from adverse experiences. The department goal is to mitigate the impact of trauma on children and families. For the fiscal year ended June 30, 2023, the Childhood Trauma Treatment department provided 223 clients with 3,846 services.

Intensive Family Services

The Intensive Family Services department provides services to children and families who require comprehensive and intensive support to achieve stability. Families served frequently have experienced complex trauma, including multigenerational histories of trauma, parental histories of substance abuse, and involvement with the criminal justice or child welfare system. Services are tailored to the needs of the family and may be provided in the home or community. The delivery of services may be more frequent and intensive than traditional outpatient treatment. All programs are served by referrals from the Department of Behavioral Wellness or the Department of Social Services. The department goal is to stabilize systems-involved families and caregivers. For the fiscal year ended June 30, 2023, the Intensive Family Services department provided 707 clients with 7,316 services.

Community Strengthening Collaborations

The Community Strengthening Collaborations department provides education, prevention, and treatment to children, families, and community professionals. By embedding services in natural settings where children learn and grow, CALM partners with organizations and systems to increase access to mental health services, overcome stigma, and build trauma-informed communities. For the fiscal year ended June 30, 2023, the Community Strengthening Collaborations department reached over 6,000 children, teachers, administrators, and parents in preschools, elementary schools, and pediatric settings.

CALM, INC.
Statement of Financial Position
June 30, 2023
(With Summarized Comparative Totals for 2022)

<i>Assets</i>	Without Donor Restrictions	With Donor Restrictions	Total	
			2023	2022
<i>Current Assets</i>				
Cash and cash equivalents	\$ 939,357	\$ -	\$ 939,357	\$ 2,219,068
Grants receivable	1,303,650	-	1,303,650	1,062,483
Pledges receivable	-	98,300	98,300	312,812
Employee Retention Credit receivable	1,297,752	-	1,297,752	1,848,858
Deposits and prepaid expenses	61,786	-	61,786	77,570
Total current assets	<u>3,602,545</u>	<u>98,300</u>	<u>3,700,845</u>	<u>5,520,791</u>
<i>Non- Current Assets</i>				
Pledges receivable	-	141,629	141,629	201,040
Investments	8,403,677	6,633,979	15,037,656	12,871,194
Property and equipment, net	2,273,815	-	2,273,815	2,339,821
Right of use asset, net	125,393	-	125,393	-
Total non-current assets	<u>10,802,885</u>	<u>6,775,608</u>	<u>17,578,493</u>	<u>15,412,055</u>
<i>Total assets</i>	<u><u>\$ 14,405,430</u></u>	<u><u>\$ 6,873,908</u></u>	<u><u>\$ 21,279,338</u></u>	<u><u>\$ 20,932,846</u></u>
<i>Liabilities and Net Assets</i>				
<i>Current Liabilities</i>				
Accounts payable	\$ 49,684	\$ -	\$ 49,684	\$ 196,016
Accrued expenses	509,390	-	509,390	560,275
Lease liability, current	69,546	-	69,546	-
Total current liabilities	<u>628,620</u>	<u>-</u>	<u>628,620</u>	<u>756,291</u>
<i>Long Term Liabilities</i>				
Note payable	1,000,000	-	1,000,000	1,000,000
Lease liability, non-current	58,698	-	58,698	-
Total long term liabilities	<u>1,058,698</u>	<u>-</u>	<u>1,058,698</u>	<u>1,000,000</u>
<i>Total liabilities</i>	<u>1,687,318</u>	<u>-</u>	<u>1,687,318</u>	<u>1,756,291</u>
<i>Net Assets</i>				
Without donor restrictions				
Undesignated	5,235,539	-	5,235,539	4,514,586
Board designated endowment	7,482,573	-	7,482,573	7,348,872
With donor restrictions	-	6,873,908	6,873,908	7,313,097
<i>Total net assets</i>	<u>12,718,112</u>	<u>6,873,908</u>	<u>19,592,020</u>	<u>19,176,555</u>
	<u><u>\$ 14,405,430</u></u>	<u><u>\$ 6,873,908</u></u>	<u><u>\$ 21,279,338</u></u>	<u><u>\$ 20,932,846</u></u>

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

CALM, INC.
Statement of Activities
Year Ended June 30, 2023
(With Summarized Comparative Totals for 2022)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2023	2022
<i>Support, Revenues, and Gains</i>				
Government contracts	\$ 5,751,025	\$ -	\$ 5,751,025	\$ 5,870,741
Contributions	1,976,723	-	1,976,723	2,017,916
Program service fees	26,665	-	26,665	105,093
In-kind donations	125,418	-	125,418	138,479
Rental income	113,500	-	113,500	94,500
Employee Retention Credit	77,040	-	77,040	1,848,858
Investment gain (loss), net	719,099	425,165	1,144,264	(2,406,070)
Special events:				
Special events - gross	522,397	-	522,397	409,841
Direct special event costs	(170,103)	-	(170,103)	(101,184)
Net special event proceeds	352,294	-	352,294	308,657
Net assets released from restrictions	864,354	(864,354)	-	-
<i>Total support, revenues, and gains</i>	10,006,118	(439,189)	9,566,929	7,978,174
<i>Expenses</i>				
Program services	7,041,883	-	7,041,883	6,325,043
Management and general	1,132,614	-	1,132,614	1,421,341
Fundraising	976,967	-	976,967	742,040
<i>Total expenses</i>	9,151,464	-	9,151,464	8,488,424
<i>Increase (decrease) in net assets</i>	854,654	(439,189)	415,465	(510,250)
<i>Net assets, beginning of year</i>	11,863,458	7,313,097	19,176,555	19,686,805
<i>Net assets, end of year</i>	\$ 12,718,112	\$ 6,873,908	\$ 19,592,020	\$ 19,176,555

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

CALM, INC.
Statement of Functional Expenses
Year Ended June 30, 2023
(With Summarized Comparative Totals for 2022)

	Program Services							Total	
	Great Beginnings	Childhood Trauma Treatment	Intensive Family Services	Community Strengthening Collaborations	Total Program Services	Management and General	Fundraising	2023	2022
Operating expenses									
Salaries	\$ 1,679,507	\$ 801,602	\$ 1,350,604	\$ 1,204,550	\$ 5,036,263	\$ 359,973	\$ 551,733	\$ 5,947,969	\$ 5,584,665
Payroll taxes	121,741	58,121	97,924	87,412	365,198	36,366	38,170	439,734	414,202
Employee benefits	280,970	134,140	226,003	201,740	842,853	84,215	88,159	1,015,227	883,151
Contributed services	19,299	9,211	15,520	13,842	57,872	4,137	6,340	68,349	89,830
Total salaries and related expenses	2,101,517	1,003,074	1,690,051	1,507,544	6,302,186	484,691	684,402	7,471,279	6,971,848
Other operating expenses									
Auto and travel	8,310	4,836	9,095	5,349	27,590	8,291	23,214	59,095	49,094
Building operating costs	73,752	22,122	47,199	26,285	169,358	84,047	41,964	295,369	257,803
Consulting and IT	22,421	9,055	15,388	15,690	62,554	111,978	57,368	231,900	355,596
Education and training	13,184	7,205	9,113	10,868	40,370	4,163	429	44,962	45,645
Equipment rental and maintenance	3,609	1,082	2,309	1,286	8,286	4,113	2,053	14,452	9,191
Insurance	-	-	-	-	-	81,734	-	81,734	67,350
Interest	-	-	-	-	-	30,637	-	30,637	30,417
Office expenses	17,835	7,577	13,715	9,934	49,061	53,195	25,552	127,808	79,918
Dues and subscriptions	1,735	1,010	1,899	1,117	5,761	1,731	4,847	12,339	27,023
Printing and postage	6,329	1,898	4,050	2,255	14,532	7,212	3,601	25,345	17,361
Professional services	72,841	13,481	23,666	25,196	135,184	167,975	77,794	380,953	103,440
Promotion	6,226	3,623	6,814	4,007	20,670	6,211	17,391	44,272	28,608
Special events - Facility rentals	-	-	-	-	-	-	5,000	5,000	32,030
Special events - Food	-	-	-	-	-	-	35,323	35,323	24,948
Special events - Other expenses	-	-	-	-	-	-	129,780	129,780	43,206
Supplies	37,479	8,591	18,336	10,757	75,163	31,340	16,161	122,664	195,914
Telephone	21,055	6,315	13,474	7,504	48,348	23,994	11,980	84,322	82,774
Total other operating expenses	284,776	86,795	165,058	120,248	656,877	616,621	452,457	1,725,955	1,450,318
Total Operating Expenses	2,386,293	1,089,869	1,855,109	1,627,792	6,959,063	1,101,312	1,136,859	9,197,234	8,422,166
Non-operating expenses									
Depreciation expense	20,705	20,705	20,705	20,705	82,820	20,420	10,211	113,451	76,929
Bad debt expenses	-	-	-	-	-	-	-	-	79,552
Taxes on rental property	-	-	-	-	-	10,882	-	10,882	9,961
Total non-operating expenses	20,705	20,705	20,705	20,705	82,820	31,302	10,211	124,333	166,442
Less expenses included with revenues on the statement of activities									
Special events expenses	-	-	-	-	-	-	(170,103)	(170,103)	(100,184)
Total expenses by function	<u>\$ 2,406,998</u>	<u>\$ 1,110,574</u>	<u>\$ 1,875,814</u>	<u>\$ 1,648,497</u>	<u>\$ 7,041,883</u>	<u>\$ 1,132,614</u>	<u>\$ 976,967</u>	<u>\$ 9,151,464</u>	<u>\$ 8,488,424</u>

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

CALM, INC.
Statement of Cash Flows
Year Ended June 30, 2023
(With Summarized Comparative Totals for 2022)

	2023	2022
<i>Cash flows from operating activities</i>		
Increase (decrease) in net assets	\$ 415,465	\$ (510,250)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	116,301	76,929
Realized gain on investments	(15,957)	(516,897)
Unrealized (gain) loss on investments	(865,913)	3,120,880
Decrease (increase) in:		
Pledges and grants receivable	32,756	414,494
Employee Retention Credit receivable	551,106	(1,848,858)
Deposits and prepaid expenses	15,784	(7,726)
Increase (decrease) in:		
Accounts payable and accrued expenses	(197,217)	(14,311)
<i>Net cash provided by operating activities</i>	52,325	714,261
<i>Cash flows from investing activities</i>		
Purchase of property and equipment	(47,444)	(146,756)
Proceeds from sale of investments	3,659,552	2,790,211
Purchase of investments	(4,944,144)	(2,422,554)
<i>Net cash provided (used) by investing activities</i>	(1,332,036)	220,901
Net increase (decrease) in cash and cash equivalents	(1,279,711)	935,162
<i>Cash and cash equivalents, beginning of year</i>	2,219,068	1,283,906
<i>Cash and cash equivalents, end of year</i>	\$ 939,357	\$ 2,219,068

CALM, INC.
Notes to Financial Statements
June 30, 2023
(With Summarized Comparative Totals for 2022)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of CALM, Inc. (“CALM” or the “Organization”) 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 whose 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.

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 an entity 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.

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 6.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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, 2023 and 2022, totaled \$98,015 and \$138,479, 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 2019 to the present remain subject to examination by the IRS for federal tax purposes, and the tax years from 2018 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, 2023 and 2022 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, 2023 and 2022, rental income of \$113,500 and \$94,500, respectively, was received and unrelated business income tax of \$6,926 and \$10,000 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	10
Improvements	3-15

Leases

The Organization has adopted Financial Accounting Standard Board (FASB) Accounting Standard codification (ASC 842), *Leases*, with a date of initial application of July 1, 2022. For leases with a lease term greater than one year, the Organization recognizes a lease asset for its right to use the underlying leased asset and a lease liability for the corresponding lease obligation. The Organization determines whether an arrangement is or contains a lease at contract inception. Operating leases with a duration greater than one year are included in operating lease right-of-use assets, current portion operating lease liabilities, and operating lease liabilities, net of current portion in the Organization's statement of financial position as of June 30, 2023.

Operating lease right-of-use assets and operating lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. In determining the present value of lease payments, the Organization uses a risk-free rate of a period comparable with that of the lease term. The Organization considers the lease term to be the noncancelable period that it has the right to use the underlying asset, including all periods covered by an option to (1) extend the lease if the Organization is reasonably certain to exercise the option, (2) terminate the lease if the Organization is reasonably certain not to exercise that option, and (3) extend, or not to terminate, the lease in which exercise of the option is controlled by the lessor.

The operating lease right-of-use assets also include any lease payments made and exclude lease incentives received or receivable. Lease expense is recognized on a straight-line basis over the expected lease term. Variable lease expenses are recorded when incurred.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Subsequent Events

Management has evaluated subsequent events through November 14, 2023, 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, 2023:

Cash and cash equivalents	\$ 939,357
Employee Retention Credit	1,297,752
Grants receivable	<u>1,303,650</u>
	<u>\$ 3,540,759</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 \$98,300, 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:

Year Ending June 30, 2023

2024	98,300
2025	75,000
2026	64,820
2027	<u>12,256</u>
	250,376
Less discount	<u>(10,447)</u>
Pledges receivable, net	<u>\$ 239,929</u>

Pledges receivable due after one year are recorded at the present value of estimated future cash flows using a discount rate of 4.87% 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>2023</u>	<u>2022</u>
Land and building	\$ 2,177,475	\$ 2,177,475
Leasehold improvements	783,479	481,243
Furniture, fixtures and equipment	26,557	26,557
Construction in Progress	<u>-</u>	<u>254,792</u>
	2,987,511	2,940,067
Accumulated depreciation	<u>(713,696)</u>	<u>(600,246)</u>
	<u>\$ 2,273,815</u>	<u>\$ 2,339,821</u>

Depreciation expense related to property and equipment for the years ended June 30, 2023 and 2022, was \$113,450 and \$76,929, respectively.

5. LEASE

The Organization leases a property of approximately 3,278 square feet. The lease term is from May 1, 2020, through April 30, 2023. In April 2023, the Organization extended the lease for another two years, through April 30, 2025.

Lease expense: \$ 69,250

Other information:

Operating cash flows used for operating lease	\$ 66,400
Right of use asset obtained in exchange for operating lease liability	192,448
Weighted-average remaining lease term in years for operating lease	1.83
Weighted-average discount rate for operating lease	1.39%

Maturity analysis:

June 30,		
	2024	\$ 70,805
	2025	<u>59,004</u>
Total undiscounted cash flows		129,809
Present value discount		<u>(1,565)</u>
Total lease liability		<u>\$ 128,244</u>

6. INVESTMENTS

Investments consisted of the following:

<u>June 30, 2023</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Excess (Deficit) of Fair Value Over Cost</u>
Cash and cash equivalents	\$ 734,519	\$ 734,519	\$ -
U.S. treasury bills	1,074,180	1,088,107	13,927
Domestic equity funds	3,901,935	6,296,956	2,395,021
International equity funds	2,264,632	2,261,345	(3,287)
Real estate funds	385,482	369,215	(16,267)
Fixed income funds	<u>4,561,549</u>	<u>4,287,514</u>	<u>(274,035)</u>
	<u>\$ 12,922,297</u>	<u>\$ 15,037,656</u>	<u>\$ 2,115,359</u>

6. INVESTMENTS (Cont.)

<u>June 30, 2022</u>	<u>Cost</u>	<u>Fair Value</u>	Excess (Deficit) of Fair Value <u>Over Cost</u>
Cash and cash equivalents	\$ 123,475	\$ 123,475	\$ -
Domestic equity funds	4,402,068	6,407,831	2,005,763
International equity funds	3,026,089	2,653,854	(372,235)
Real estate funds	440,000	446,066	6,066
Fixed income funds	<u>3,629,783</u>	<u>43,239,968</u>	<u>(389,815)</u>
	<u>\$ 11,621,415</u>	<u>\$ 12,871,194</u>	<u>\$ 1,249,779</u>

Investment income (loss) for the years ended June 30, 2023 and 2022 consisted of the following:

	<u>2023</u>	<u>2022</u>
Interest and dividends	\$ 334,354	\$ 277,543
Net realized gain	15,957	516,897
Net change in unrealized gain/(loss)	<u>865,580</u>	<u>(3,120,880)</u>
	1,215,891	(2,326,440)
Less investment fees	<u>(71,627)</u>	<u>(79,630)</u>
Total investment income (loss)	<u>\$ 1,144,264</u>	<u>\$ (2,406,070)</u>

7. FAIR VALUE MEASUREMENTS

The following sets forth by level, within the fair value hierarchy, CALM's investments as of June 30, 2023.

	<u>Fair Value (Level 1)</u>	<u>Fair Value (Level 2)</u>	<u>Fair Value (Level 3)</u>
Cash equivalents	\$ 734,519	\$ -	\$ -
U.S. treasury bills	1,088,107	-	-
Equity funds:			
Domestic	6,296,956	-	-
International	2,261,345	-	-
Real estate funds	369,215	-	-
Fixed income funds	<u>4,287,514</u>	<u>-</u>	<u>-</u>
	<u>\$ 15,037,656</u>	<u>\$ -</u>	<u>\$ -</u>

7. FAIR VALUE MEASUREMENTS (Cont.)

The following sets forth by level, within the fair value hierarchy, CALM's investments as of June 30, 2022:

	<u>Fair Value (Level 1)</u>	<u>Fair Value (Level 2)</u>	<u>Fair Value (Level 3)</u>
Cash equivalents	\$ 123,475	\$ -	\$ -
Equity funds:			
Domestic	6,407,831	-	-
International	2,653,854	-	-
Real estate funds	446,066	-	-
Fixed income funds	<u>3,239,968</u>	<u>-</u>	<u>-</u>
	<u>\$ 12,871,194</u>	<u>\$ -</u>	<u>\$ -</u>

8. LINE OF CREDIT

CALM 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 4.50% and has no outstanding balances as of June 30, 2023 and 2022.

9. 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 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, 2023, the outstanding balance was \$1,000,000.

10. CONCENTRATIONS AND RISKS

A significant portion of the CALM's revenues come from state and local government entities. For the year ended June 30, 2023, total grants received from these entities accounted for approximately 61% of total revenue, gain and other support, excluding investment. 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 to 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, 2023 totaled \$760,643.

11. 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 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

11. ENDOWMENT FUNDS (Cont.)

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 spending policy is 4.50% of a 12-quarter rolling average of the endowment asset balance. Effective July 1, 2022, CALM's endowment spending policy was temporarily increased from 4.5% to 6.5% of a 12-quarter rolling average of endowment assets. This adjustment facilitates an expedited spend-down of approximately \$1 million designated as endowment and raised during the CALM for Kids Campaign, which ended in 2020. The increase enables CALM to disburse the earmarked funds from endowment over a period of time.

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, 2023 and 2022, CALM held no endowment funds where the principal had fallen below the original corpus due to market conditions.

11. ENDOWMENT FUNDS (Cont.)

Changes in endowment net assets consist of the following:

<u>June 30, 2023</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Beginning endowment net assets	\$ 7,348,872	\$ 4,522,851	\$ 11,871,723
Net investment gain	690,822	425,165	1,115,987
Appropriation of endowment assets for expenditure	<u>(557,121)</u>	<u>(342,879)</u>	<u>(900,000)</u>
Ending endowment net assets	<u>\$ 7,482,573</u>	<u>\$ 4,605,137</u>	<u>\$ 12,871,194</u>

<u>June 30, 2022</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Beginning endowment net assets	\$ 9,405,653	\$ 5,437,141	\$ 14,842,794
Net investment loss	(1,672,900)	(733,170)	(2,406,070)
Appropriation of endowment assets for expenditure	<u>(383,881)</u>	<u>(181,120)</u>	<u>(565,001)</u>
Ending endowment net assets	<u>\$ 7,348,872</u>	<u>\$ 4,522,851</u>	<u>\$ 11,871,723</u>

12. 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, 2023 and 2022, employer contributions to the plan totaled \$110,631 and \$116,705, respectively.

13. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following:

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specified purpose:		
CALM for Kids Campaign	\$ 2,268,771	\$ 2,603,771
Subject to endowment spending policy:		
Endowment – Original gift	4,522,851	4,522,851
Unappropriated endowment earnings	82,286	-
Telehealth grants	<u>-</u>	<u>186,475</u>
Total net assets with donor restrictions	<u>\$ 6,873,908</u>	<u>\$ 7,313,097</u>

14. BOARD OF TRUSTEES' DESIGNATED FUNDS

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

	<u>2023</u>	<u>2022</u>
Board designated endowment	<u>\$ 7,482,573</u>	<u>\$ 7,348,872</u>

15. RELATED PARTY TRANSACTIONS

For the year ended June 30, 2023, board members contributed approximately \$124,500 to CALM. As of June 30, 2023, there were no contributions receivable from board members.

16. CASH FLOW INFORMATION

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

	<u>2023</u>	<u>2022</u>
Contributed services	\$ 68,349	\$ 89,830
In-kind donations	57,069	48,649

Interest paid as of June 30, 2023 and 2022 was \$30,637 and \$30,417, respectively.

17. EMPLOYEE RETENTION CREDIT

CALM qualified to receive \$1,848,658 from the Employee Retention Credit under The Coronavirus Aid, Relief, and Economic Security Act. The Employee Retention Credit was created by Congress to encourage employers to keep their employees on the payroll during the months in 2020 affected by the coronavirus pandemic. When initially introduced, this tax credit was worth 50% of qualified employee wages but limited to \$10,000 for any one employee, granting a maximum credit of \$5,000 for wages paid from March 13, 2020, to December 31, 2021. It was updated, increasing the percentage of qualified wages to 70% for 2021. The per employee wage limit was increased from \$10,000 per year to \$10,000 per quarter. During the year ended June 30, 2023, CALM qualified for an additional \$77,040. As of June 30, 2023, CALM had a remaining Employee Retention Credit receivable of \$1,297,752, which was received in July 2023.