

COMMUNITY ACTION MARIN
(A California Not-For-Profit Corporation)

FINANCIAL STATEMENTS

JUNE 30, 2020



COMMUNITY ACTION MARIN

TABLE OF CONTENTS

JUNE 30, 2020

	Page(s)
Independent auditors' report	2 - 3
Statements of financial position	4
Statements of activities	5
Statements of functional expenses	6
Statements of cash flows	7
Notes to financial statements	8 - 18



Independent Auditors' Report

The Board of Directors
Community Action Marin

We have audited the accompanying financial statements of Community Action Marin (a California not-for-profit corporation), which comprise the statement of financial position as of June 30, 2020, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 upon 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 principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the 2020 financial statements referred to above present fairly, in all material respects, the financial position of Community Action Marin as of June 30, 2020 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information/Prior Period Financial Statements

The financial statements of Community Action Marin as of June 30, 2019, were audited by other auditors whose report dated December 16, 2019, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Rina Accountancy LLP

Certified Public Accountants

San Francisco, California
December 15, 2020

COMMUNITY ACTION MARIN

STATEMENTS OF FINANCIAL POSITION

<u>ASSETS</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 3,489,211	\$ 749,355
Restricted cash	277,814	131,152
Investments	2,474,919	2,179,950
Grants and contracts receivable	2,018,470	1,634,883
Pledges receivable	5,000	5,000
Other receivable	2,001	-
Prepaid expenses and other current assets	403,452	55,845
TOTAL CURRENT ASSETS	<u>8,670,867</u>	<u>4,756,185</u>
NONCURRENT ASSETS:		
Fixed assets, net of accumulated depreciation	1,612,553	1,779,093
TOTAL ASSETS	<u>\$ 10,283,420</u>	<u>\$ 6,535,278</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 449,611	\$ 353,211
Accrued payroll liabilities	30,660	73,267
Accrued vacation	528,674	467,973
Accrued unemployment liabilities	477,220	249,617
Contract advances and deferred income	277,195	236,368
Due to fiscal agents	1,292	135,705
TOTAL CURRENT LIABILITIES	<u>1,764,652</u>	<u>1,516,141</u>
LONG-TERM LIABILITIES:		
Notes payable	2,280,307	44,705
TOTAL LIABILITIES	<u>4,044,959</u>	<u>1,560,846</u>
NET ASSETS:		
Without donor restrictions		
Board designated	483,584	474,102
Undesignated	4,490,254	3,828,229
With donor restrictions	1,264,623	672,101
TOTAL NET ASSETS	<u>6,238,461</u>	<u>4,974,432</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 10,283,420</u>	<u>\$ 6,535,278</u>

See notes to financial statements.

COMMUNITY ACTION MARIN

STATEMENTS OF ACTIVITIES

YEAR ENDED JUNE 30, 2020 (With Comparative Totals for June 30, 2019)

	Without Donor Restrictions	With Donor Restrictions	Subtotal	Elimination	2020 Total	2019 Total
SUPPORT AND REVENUES:						
Government contracts	\$ 15,039,691	\$ -	\$ 15,039,691	\$ (353,887)	\$ 14,685,804	\$ 13,565,399
Child care food program	353,887	-	353,887	-	353,887	516,409
Grants income	1,166,549	3,079,253	4,245,802	-	4,245,802	2,275,684
Contributions	75,959	3,880	79,839	-	79,839	52,174
Other income	83,807	-	83,807	-	83,807	43,506
Parent fees	344,918	-	344,918	-	344,918	458,697
Rental income	47,040	-	47,040	-	47,040	56,589
Investment return, net	59,232	-	59,232	-	59,232	140,460
Net assets released from restrictions	2,490,611	(2,490,611)	-	-	-	-
TOTAL SUPPORT AND REVENUES	19,661,694	592,522	20,254,216	(353,887)	19,900,329	17,108,918
EXPENSES:						
Program services:						
Emergency Family Needs	571,580	-	571,580	-	571,580	408,165
Energy and Housing Programs	159,852	-	159,852	-	159,852	231,539
Mental Health Programs	2,183,775	-	2,183,775	-	2,183,775	2,279,656
Food Service Program	329,547	-	329,547	-	329,547	499,639
Bolinas Child Care	65,008	-	65,008	-	65,008	-
Child Development Programs	6,089,949	-	6,089,949	(216,410)	5,873,539	5,748,812
Head Start Programs	5,429,500	-	5,429,500	(137,477)	5,292,023	4,985,366
Economic Opportunity	575,404	-	575,404	-	575,404	475,913
Other programs	1,099,838	-	1,099,838	-	1,099,838	-
Total program services	16,504,453	-	16,504,453	(353,887)	16,150,566	14,629,090
Administration services	2,354,404	-	2,354,404	-	2,354,404	2,053,064
Special events and fundraising	131,330	-	131,330	-	131,330	123,088
TOTAL EXPENSES	18,990,187	-	18,990,187	(353,887)	18,636,300	16,805,242
CHANGE IN NET ASSETS	671,507	592,522	1,264,029	-	1,264,029	303,676
NET ASSETS, beginning of year	4,302,331	672,101	4,974,432	-	4,974,432	4,520,414
PRIOR PERIOD ADJUSTMENTS	-	-	-	-	-	150,342
NET ASSETS, beginning of year, as restated	4,302,331	672,101	4,974,432	-	4,974,432	4,670,756
NET ASSETS, end of year	\$ 4,973,838	\$ 1,264,623	\$ 6,238,461	\$ -	\$ 6,238,461	\$ 4,974,432

See notes to financial statements.

COMMUNITY ACTION MARIN
STATEMENTS OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020
(With Comparative Totals for June 30, 2019)

	Program Services											Management and General	Special Events and Fundraising	2020 Total	2019 Total	
	Emergency Family Needs	LIHEAP Programs	Mental Health Programs	Food Services	Bolinas Child Care	Child Development Programs	Head Start and Early Head Start	Economic Opportunity	Other Programs	Program Services Total						
EXPENSES:																
Salaries	\$ 15,763	\$ 80,648	\$ 1,433,613	\$ 158,989	\$ 92,299	\$ 2,729,917	\$ 3,569,687	\$ 399,649	\$ 34,922	\$ 8,515,487	\$ 1,145,009	\$ 79,243	\$ 9,739,739	\$ 9,806,473		
Client expenses	552,915	11,976	158,416	170,998	1,117	222,531	146,214	24,024	948,079	2,236,270	(2,830)	-	2,233,440	1,389,864		
Employee benefits	669	5,088	159,856	17,932	14,895	484,517	452,690	38,104	1,248	1,174,999	63,027	7,162	1,245,188	1,120,424		
Contract services	-	-	-	-	(73,308)	1,152,970	(335,871)	18,450	93,000	855,241	-	-	855,241	207,564		
Occupancy	-	6,056	135,019	22,954	4,845	365,385	248,424	30,655	-	813,338	102,196	-	915,534	944,370		
Professional fees	800	37,160	41,096	915	2,400	59,538	79,874	21,165	8,354	251,302	430,997	33,950	716,249	729,156		
Payroll taxes	1,189	6,004	108,637	11,822	6,971	201,502	264,014	25,758	2,128	628,025	64,878	5,451	698,354	714,687		
Building repairs & maintenance	-	-	59	12,535	10,574	210,539	358,043	1,005	-	592,755	(28,198)	-	564,557	497,864		
Program supplies	-	12	1,463	24,388	3,354	74,866	100,402	1,012	-	205,497	2,677	-	208,174	190,098		
Tools & equipment	157	786	13,815	13,572	-	48,911	104,878	5,870	-	187,989	16,587	87	204,663	113,089		
Employee development	-	-	12,601	207	-	76,676	51,497	2,939	-	143,920	27,448	244	171,612	119,638		
Equipment & vehicle maintenance	-	10,706	34,422	29,522	-	34,194	10,559	-	-	119,403	27,182	-	146,585	65,965		
Telephone	-	158	26,812	4,247	711	42,586	43,340	1,224	-	119,078	14,751	-	133,829	109,123		
Office supplies	27	281	3,945	296	50	21,829	21,324	1,245	-	48,997	66,571	717	116,285	85,955		
Facility costs	-	-	-	2,700	242	8,897	72,885	-	-	84,724	6,390	-	91,114	121,559		
Insurance	-	-	15,000	-	-	-	-	-	-	15,000	69,183	-	84,183	99,703		
Travel	28	294	30,621	5,442	-	7,787	12,980	2,143	-	59,295	14,415	-	73,710	94,849		
Printing & publications	-	525	2,024	1,097	-	3,501	4,870	1,741	12,107	25,865	15,318	1,835	43,018	31,566		
Advertising	32	158	3,450	2,285	70	6,526	486	341	-	13,348	15,426	2,472	31,246	25,794		
Equipment rental	-	-	-	49	-	3,445	144	49	-	3,687	16,338	-	20,025	3,318		
Food service charge	-	-	-	(164,864)	-	94,755	70,109	-	-	-	10,419	-	10,419	-		
Interest	-	-	-	8	-	-	-	-	-	8	3,726	-	3,734	571		
Miscellaneous	-	-	2,926	14,453	788	22,667	15,474	30	-	56,338	132,734	169	189,241	198,063		
Total expenses before depreciation and indirect cost allocation	571,580	159,852	2,183,775	329,547	65,008	5,873,539	5,292,023	575,404	1,099,838	16,150,566	2,214,244	131,330	18,496,140	16,669,693		
Depreciation	-	-	-	-	-	-	-	-	-	-	140,160	-	140,160	135,549		
Indirect cost allocation	2,667	11,619	362,484	28,407	16,028	556,355	656,803	58,727	122,422	1,815,512	(1,716,653)	(98,859)	-	-		
TOTAL EXPENSES	\$ 574,247	\$ 171,471	\$ 2,546,259	\$ 357,954	\$ 81,036	\$ 6,429,894	\$ 5,948,826	\$ 634,131	\$ 1,222,260	\$ 17,966,078	\$ 637,751	\$ 32,471	\$ 18,636,300	\$ 16,805,242		

See notes to financial statements.

COMMUNITY ACTION MARIN

STATEMENTS OF CASH FLOWS

	Year Ended June 30, 2020	Year Ended June 30, 2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,264,029	\$ 303,676
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	140,160	135,549
Loss on disposal of property and equipment	26,380	-
Realized and unrealized gains on investments	(46,238)	(80,221)
Changes in assets and liabilities:		
Grants and contracts receivable	(383,587)	(15,863)
Pledge receivable	-	(5,000)
Other receivable	(2,001)	-
Prepaid expenses and other current assets	(347,607)	32,408
Accounts payable including payments in transit	96,400	114,416
Accrued payroll liabilities	(42,607)	(68,569)
Accrued vacation	60,701	(14,521)
Accrued unemployment liabilities	227,603	65,639
Contract advances and deferred income	40,827	(322,269)
Due to fiscal agents	(134,413)	68,355
	899,647	213,600
NET CASH PROVIDED BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	-	(170,851)
Purchases of investments	(2,443,855)	(44,246)
Proceeds from sale of investments	2,195,124	-
	(248,731)	(215,097)
NET CASH USED BY INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from loan	2,235,602	-
	2,235,602	-
NET CASH PROVIDED BY FINANCING ACTIVITIES		
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,886,518	(1,497)
CASH & EQUIVALENTS AND RESTRICTED CASH, beginning of year	880,507	882,004
CASH & EQUIVALENTS AND RESTRICTED CASH, end of year	\$ 3,767,025	\$ 880,507
CASH BALANCE AT JUNE 30 INCLUDES THE FOLLOWING:		
Cash and cash equivalents	\$ 3,489,211	\$ 749,355
Restricted cash	277,814	131,152
	\$ 3,767,025	\$ 880,507
TOTAL CASH AND CASH EQUIVALENTS		
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Interest paid	\$ 3,734	\$ 571
Non-cash investing and financing activities:		
Property and equipment acquired by restricted funds	\$ -	\$ (170,851)

See notes to financial statements.

COMMUNITY ACTION MARIN

NOTES TO FINANCIAL STATEMENTS – JUNE 30, 2020 AND JUNE 30, 2019

Note 1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of activities:

Community Action Marin (the "Organization") is a local community action agency serving Marin County. Created in 1966 with federal Economic Opportunity Act funds, Community Action Marin set about meeting its mission to assist low-income Marin residents in achieving a quality of life based on self-sufficiency and the reduction of dependency through the following programs:

Child Development Programs

Community Action Marin has provided high-quality early childhood education to the families of Marin for over 30 years. We are the largest provider of subsidized child care in the county, serving families of low income from Marin City to Novato, San Rafael to West Marin. 25% of families with children under 18 in Marin County have low enough income to qualify for subsidized child care, and we ensure that children from infancy to school-age do well by giving them a safe, caring, home-away-from-home to have fun, learn, and explore, setting them up for school and life success.

Head Start & Early Head Start

We are the county's Head Start agency, operating this federally-funded program designed to ensure that children ages 0-5 from income-eligible families get high-quality childhood education and support with health, nutrition, social services, and family development. We ensure family well-being, positive parent child relationships, and nurture parent connections to peers and community, helping families to be successful life-long learners and contributing members of the community.

Central Kitchen

The agency's Central Kitchen prepares daily breakfast, lunch, and snack for almost 1,000 children across all of our free and affordable child care programs. We use fresh ingredients grown in our Production Farm and school gardens as programs help educate children about healthy eating and active living. The kitchen also provides a vital space for select local business owners and entrepreneurs to operate and grow small food service businesses.

Economic Opportunity & Workforce Development

Our agency promotes prosperity and hope through a powerful set of coaching and workforce development programs. Bilingual and bicultural coaches partner with clients for household budgeting, rebuilding credit, managing debt, navigating housing, or getting trained for a new career, helping people to put dreams within reach. Staff and volunteers also provided over 600 people with free tax assistance, returning over \$1M to community.

Emergency Family Needs

Community Action Marin offers one-time emergency support for clients who need help with rent or mortgage payments, rental deposits and, in limited cases, emergency car repairs, durable medical equipment or other essential needs. Our safety net services help to keep people out of crisis. This service is for families with children living in the home; veterans; victims of domestic violence, seniors, or disabled adults.

COMMUNITY ACTION MARIN

NOTES TO FINANCIAL STATEMENTS – JUNE 30, 2020 AND JUNE 30, 2019

Note 1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Nature of activities (continued):

Energy and Housing Programs

Community Action Marin is the local administrator of the federally-funded Low-Income Home Energy Assistance Program (LIHEAP). Our Energy Program also acts as a conduit to other energy assistance and residential conservation programs. Reaching over 800 households each year, our Low-Income Energy Assistance Program ensures that families get assistance with utility payments, wood and propane home energy costs. We also provide weatherization services so that low-income households have access to free services that will make their homes more comfortable and energy efficient.

Community Action Marin receives its principal funding from the United States Department of Health & Human Services and the State of California Department of Education and accordingly, operates under the guidelines and regulations of these funding sources.

Basis of accounting:

The financial statements have been prepared on the accrual basis of accounting and, therefore, include all support and revenues when earned and all expenses when incurred, regardless of whether the support and revenues or expenses were received or paid as of the end of a period. Grants are recognized as support when earned in accordance with the terms of each grant or agreement.

Financial statement presentation:

In accordance with Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities*, the Organization reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions, and with donor restrictions. Descriptions of these categories are as follows:

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 the Organization. The Organization's board may designate assets without restrictions for specific operational purposes from time to time.

With donor restrictions:

These are net assets that are subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, this is, when the stipulated time has elapsed, or when the stipulated purpose for which the resource was restricted has been fulfilled.

COMMUNITY ACTION MARIN

NOTES TO FINANCIAL STATEMENTS – JUNE 30, 2020 AND JUNE 30, 2019

Note 1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Cash and cash equivalents:

For purposes of reporting the statement of cash flows, cash and cash equivalents include cash on deposit with financial institutions and highly liquid debt instruments purchased with maturities of three months or less.

Cash that is considered as an investment of the Organization is not included as a part of cash and cash equivalents for the purposes of the statements of cash flows.

At June 30, 2020 and 2019, the restricted cash and cash equivalents of \$277,814 and \$131,152, respectively, was the amount the Organization maintains for the funds that have restrictions for Season of Sharing and California Department of Education reserve account.

Investments:

Investments consisting of certificates of deposit, money market funds, fixed income obligations and equities are recorded at their estimated fair market value based on quoted market values. Interest and dividend income is recognized as it is earned.

Fixed assets:

Fixed assets are stated at cost and depreciation is computed on the straight-line basis of accounting over the estimated useful lives of the assets. The aggregate cost of assets over \$5,000 acquired through unrestricted grant resources is capitalized in the statement of financial position.

Assets acquired through grant resources are considered to be owned by the grantor while such assets are in use under the funded program, or while they are being used for a similar program. Any disposition of restricted assets or any funds derived therefrom are subject to grant regulations.

Revenue recognition:

The Organization adopted Accounting Standards Codification (“ASC”) Topic 606, Revenue from Contracts with Customers (“ASC Topic 606”) on July 1, 2019 using the modified retrospective method. The Organization’s operating results for reporting periods beginning after July 1, 2019 are presented under ASC Topic 606, while prior period amounts continue to be reported in accordance with historic accounting under Topic 605. The timing and measurement of revenues under ASC Topic 606 is similar to that recognized under previous guidance, accordingly, the adoption of ASC Topic 606 did not have a material impact on the statement of financial position, statement of activities, cash flows, or presentation thereof at adoption or in the current period. There were no changes in the opening net assets balance as a result of the adoption of ASC Topic 606.

In June 2018, FASB issued ASU No. 2018-08, Not-For-Profit Entities – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The new standard provides a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction based on whether a resource provider is receiving value in return for the resources transferred. Further, the ASU provides additional guidance to help determine whether a contribution is conditional and better distinguish a donor-imposed condition from a donor-imposed restriction. The effective date of this amendment is for fiscal years beginning after December 15, 2018. The Organization has implemented the standard in the year ended June 30, 2020.

COMMUNITY ACTION MARIN

NOTES TO FINANCIAL STATEMENTS – JUNE 30, 2020 AND JUNE 30, 2019

Note 1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Revenue recognition (continued):

Unconditional contributions are recognized at their fair value when the donor makes an unconditional promise to give to the Organization. Contributions restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction is released in the same reporting period in which the support is received. All other contributions with donor restrictions are reported as an increase in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Government grants, local grants, and contracts are recognized when the Organization incurs expenditures related to the required services. Amounts billed or received in advance are recorded as contract advances and deferred revenue until the related services are performed. Amounts due the Organization for services performed at June 30, 2020 and 2019 are included in accounts receivable.

The Organization has not accrued a loss for allowances for uncollectable receivables since it is the opinion of management that it is highly probable that all receivables will be collected. This was based on previous experiences and management's analysis and assurances made by the staff. No provision for uncollectable receivables is reserved at June 30, 2020 and 2019.

Donated services:

Donated services are recognized as contributions in accordance with FASB ASC 958, *Accounting for Contributions and Presentation on Financial Statements*, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Volunteers also provided services that are not recognized as contributions in the financial statements since the recognition criteria FASB ASC 958 were not met.

Donated services are not recognized as contributions in the financial statements since the recognition criteria under FASB ASC 958 were not met. The Head Start Program requires 20% of the total expenses to be provided by the sponsor and participants in the program. To comply with this requirement, the Organization has developed a reporting system to determine all in-kind contributions, which consist primarily of parent volunteer services valued at a nominal hourly rate, to the Head Start Program. The value of Head Start in-kind contributions for the fiscal years ended June 30, 2020 and 2019 of \$1,349,611 and \$1,701,146, respectively, has not been reflected in the financial statements.

Functional expenses and indirect costs:

Directly identifiable expenses are charged to program services. Expenses related to more than one function are charged to program services on the basis of periodic time and expense studies. Administration services include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Charging costs will be determined on the basis of whether that expense is a direct cost or indirect (allocable) cost. Direct cost expenses will be charged directly to the grant or project and specific cost category. Once that determination is made the expense will be coded and recorded in the

COMMUNITY ACTION MARIN

NOTES TO FINANCIAL STATEMENTS – JUNE 30, 2020 AND JUNE 30, 2019

Note 1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Functional expenses and indirect costs (continued):

accounting system. Charging of allocable costs must be determined on whether the expense benefits multiple grants or projects. Once the determination is made on which program(s) received the benefit, then the expense will be coded accordingly and recorded in the accounting system. Indirect costs represent administrative costs recorded in the general administration fund which are allocable to the restricted program as indirect administrative costs.

The Organization submits an indirect cost rate agreement to the Department of Health and Human Services on an annual basis. The indirect cost rate is used to support the claim for indirect costs on grants and contracts with the Federal Government.

Fundraising expenses:

Fundraising expenses are recognized when incurred, regardless of the campaign year to which they relate.

Risk management:

The Organization is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Organization carries commercial insurance.

Income taxes:

The Organization has received tax-exempt status under the Internal Revenue Code Section 501(c)(3) and under the California Revenue Code Section 23701(d), and therefore has made no provision for Federal or California income taxes. In addition, the Organization has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualified for deductible contributions as provided in Section 170(b)(1)(A)(vi).

The Organization has adopted the accounting principles generally accepted in the United States of America for recognition, measurement, presentation and disclosure relating to uncertain tax positions, which prescribed a threshold of more likely than not for recognition and de-recognition of tax provisions taken or expected to be taken in a tax return. There are no such uncertain tax positions for the Organization for the year ended June 30, 2020. The Organization files information returns in the United States of America federal jurisdiction and the State of California.

Reclassifications:

Certain amounts in the June 30, 2020 financial statements have been reclassified to conform with the June 30, 2019 presentation, specifically the revenue categories in the Statement of Activities. These reclassifications have no effect on the change in net assets as previously reported.

Eliminations:

In the June 30, 2020 and 2019 financial statements, government contracts revenue for the Food Services program was eliminated for the amount presented as Child Care Food Program revenues to off-set the elimination of the internal allocation of expenses in the Child Development program and Head Start and Early Head Start program. The presentation of internal allocation of Child Care Food program expenses in the Statements of Functional Expenses to the Child Development program and the Head Start and Early Head Start program is to meet the reporting purposes required by the Head Start and Early Head Start grant and California Department of Education contracts in Schedule 1 and Schedule 2

COMMUNITY ACTION MARIN

NOTES TO FINANCIAL STATEMENTS – JUNE 30, 2020 AND JUNE 30, 2019

Note 1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Comparative financial information:

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2019, from which the summarized information was derived.

Subsequent events:

Management has evaluated subsequent events through December 15, 2020 the date the financial statements were available to be issued.

Note 2. NATURE OF ESTIMATES:

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

Note 3. CONCENTRATIONS:

At June 30, 2020 and June 30, 2019, the Organization maintains several bank accounts at two financial institutions and the respective bank balances were insured up to the \$250,000 blanket umbrella by the Federal Deposit Insurance Corporation (FDIC) at each financial institution, respectively

The Organization receives a substantial amount of revenue for its programs funded by the U.S. Department of Health and Human Services. During the years ended June 30, 2020 and 2019, the Organization received \$7,064,596 and \$6,832,681, respectively. This amounts to 35% and 40% of total revenue for the fiscal years ended June 30, 2020 and 2019, respectively.

Note 4. AVAILABILITY OF FINANCIAL ASSETS:

The following reflects the Organization's financial assets as of June 30, 2020, reduced by amounts not available for general use within one year of the year end date because of contractual or donor-imposed restrictions or internal designations. Amounts not available include amounts set aside for long-term investing in the operating fund and other reserves that could be drawn upon if the governing board approves that action.

	June 30, 2020	June 30, 2019
Cash and cash equivalents	\$ 3,489,211	\$ 749,355
Investments	2,474,919	2,179,950
Government grants and contracts receivable	2,018,470	1,634,883
Pledges receivable	5,000	5,000
Total financial assets	7,987,600	4,569,188
Contractual or donor-imposed restrictions:		
Cash restricted by grantors and others to specific uses	(1,264,623)	(672,101)
Cash held for fiscal agents	(1,292)	(135,705)
Board-designated reserves for future contingencies	(483,584)	(474,102)
Financial assets available to meet cash needs for general expenditures within one year	\$ 6,238,101	\$ 3,287,280

COMMUNITY ACTION MARIN

NOTES TO FINANCIAL STATEMENTS – JUNE 30, 2020 AND JUNE 30, 2019

Note 5. INVESTMENTS:

Investments at June 30 consisted of the following:

	<u>2020</u>	<u>2019</u>
Cash and money market funds	\$ 123,746	\$ 31,759
Fixed income	618,730	101,389
Equities	1,237,460	276,791
Bond funds	-	206,087
Equity funds	-	1,356,113
Other assets	494,984	207,811
Totals	<u>\$ 2,474,919</u>	<u>\$ 2,179,950</u>

Investment earnings are as follows for the year ended June 30, 2020:

Interest and dividend income	\$ 27,973
Net realized gains (losses)	(3,174)
Net unrealized gains (losses)	<u>34,379</u>
Total investment return	<u>\$ 59,178</u>

Note 6. FAIR VALUE MEASUREMENT:

The Organization applies Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures, which defines fair value, establishes a framework for measuring fair value, and requires certain disclosures about fair value measurements. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to observable inputs (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three tiers of the fair value hierarchy under FASB ASC 820-10 are described as follows:

Level 1: Quoted prices for identical assets or liabilities in active markets.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Valuation techniques used in fair value measurements need to maximize the use of observable inputs and minimize the use of unobservable inputs. A valuation method may produce a fair value measurement that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with those used by other market participants, the use of different methodologies or assumptions could result in different fair value measurements at the reporting date. There have been no changes in the methodologies used during the years ended June 30, 2020 and 2019.

COMMUNITY ACTION MARIN

NOTES TO FINANCIAL STATEMENTS – JUNE 30, 2020 AND JUNE 30, 2019

Note 6. FAIR VALUE MEASUREMENTS (Continued):

The underlying investments in mutual funds are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain marketable securities, and the level of uncertainty related to changes in the value of the mutual funds, it is at least possible that changes in risks in the near term could materially affect accounting balances and the amounts reported in the statements of financial position and the statements of activities.

All of the Organizations assets are level 1.

Note 7. FIXED ASSETS:

Fixed assets as of June 30 were as follows:

	2020	2019
Unrestricted Fixed Assets:		
Land	\$ 363,030	\$ 363,030
Buildings and improvements	1,156,955	1,156,954
Leasehold improvements	30,428	30,428
Equipment	67,474	67,475
Vehicle	66,589	87,778
Totals	1,684,476	1,705,665
Less accumulated depreciation	(864,927)	(831,208)
Unrestricted fixed assets, net	819,549	874,457
Restricted Fixed Assets:		
Buildings and improvements	\$ 1,219,275	\$ 1,219,275
Construction in progress	-	90,056
Leasehold improvements	358,134	290,379
Equipment	50,344	55,529
Vehicle	83,338	132,803
Totals	1,711,091	1,788,042
Less accumulated depreciation	(918,087)	(883,406)
Restricted fixed assets, net	793,004	904,636
Total fixed assets, net	\$ 1,612,553	\$ 1,779,093

Depreciation expense was \$140,160 and \$135,549, for the years ended June 30, 2020 and 2019, respectively.

Note 8. ACCRUED VACATION:

Accumulated unpaid employee vacation benefits are recognized as liabilities of the Organization. The amount of accumulated vacation was \$528,674 and \$467,973 as of June 30, 2020 and 2019, respectively.

COMMUNITY ACTION MARIN

NOTES TO FINANCIAL STATEMENTS – JUNE 30, 2020 AND JUNE 30, 2019

Note 9. ACCRUED UNEMPLOYMENT LIABILITIES:

The Organization has elected to be self-insured for the purpose of California State Unemployment Insurance. At June 30, 2020 and 2019, the amount of accrued unemployment liability was \$477,220 and \$249,617, which represents the estimated future claims arising from payroll paid through June 30, 2020 and 2019, respectively. Unemployment claims paid for the years ended June 30, 2020 and 2019 were \$103,427 and \$102,813, respectively.

Note 10. CDE RESERVE:

Beginning July 1, 2015, the Organization maintains a reserve account for Center Based contracts. Reserve funds are deposited into an interest-bearing account. Upon termination of all child development center-based contracts with California Department of Education, the Organization would have to return the reserve funds; thus, the reserve account is recorded as a liability (deferred revenue).

Reserve account was \$-0- during the years ended June 30, 2020 and 2019.

Note 11. NOTES PAYABLE:

The Organization purchased modular buildings for the Head Start and Marin Community Child Development programs. To finance the purchase, the Organization obtained Community Development Block Grant funds in the amount of \$44,705 from the County of Marin. The Community Development Block Grant has a reversionary interest in the modular buildings. If the Organization, for any reason whatsoever, sells, conveys, encumbers, grants, leases, or otherwise alienates the premises, this loan will be paid, as an implementer of the Community Development Block Grant Program.

The Organization received a Payroll Protection Program loan in the year ended June 30, 2020 and will be applying for loan forgiveness. For any amounts not forgiven, the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first ten months.

As of June 30, 2020, notes payable are as follows:

Note payable to a government agency, secured by a real property	\$ 44,705
Note payable to Bank of Marin for the Paycheck Protection Program	<u>2,235,602</u>
	2,280,307
Less current portion	<u>-</u>
Total, net of current position	<u>\$ 2,280,307</u>

COMMUNITY ACTION MARIN

NOTES TO FINANCIAL STATEMENTS – JUNE 30, 2020 AND JUNE 30, 2019

Note 12. BOARD DESIGNATED NET ASSETS:

Board designated net assets of June 30 include:

	2020	2019
Fund I	\$ 483,584	\$ 474,102
Released and used for program expenses	-	-
Total board designated net assets	\$ 483,584	\$ 474,102

The assets related to the Fund I as shown on the statements of financial position are as follows:

	2020	2019
Investments - Marin Community Foundation	\$ 483,584	\$ -
Investments - Charles Schwab	-	474,102
Totals	\$ -	\$ 474,102

Board designated net assets are reserves to be used with board approval.

Note 13. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restriction as of June 30 were available for the following programs:

	2020	2019
Head Start and Early Head Start	\$ -	\$ 48,447
Child Development and Bolinas	-	216,994
LIHEAP	304	304
Mental Health Program	426,766	325,986
Spark Point	39,334	17,877
Children & Family Services	312,514	-
Season of Sharing	295,230	-
Other Programs	180,475	-
Admin	10,000	62,493
Totals	\$ 1,264,623	\$ 672,101

Note 14. COMMITMENTS AND CONTINGENCIES:

Contingencies:

The Organization's grants and contracts are subject to inspection and audit by the appropriate governmental funding agency. The purpose of such audits is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously funded program costs. The ultimate liability, if any, which may result from these governmental audits cannot be reasonably estimated and, accordingly, the Organization has no provisions for the possible disallowance of program costs on its financial statements.

COMMUNITY ACTION MARIN

NOTES TO FINANCIAL STATEMENTS – JUNE 30, 2020 AND JUNE 30, 2019

Note 14. COMMITMENTS AND CONTINGENCIES (Continued):

Operating Leases

The Organization entered a five-year lease agreement for the new location in San Rafael, California that commenced on April 1, 2018 and expires on February 28, 2023. Rents were deferred at this new location for three months and the monthly payment of \$24,086 began on July 1, 2018. The Organization also leases various facilities and equipment under operating leases with various terms. Future minimum payments, by year, and in the aggregate, under non-cancellable leases with initial or remaining terms of one year or more consist of the following:

Operating Leases (continued):

Year Ending June 30,		
2021	\$	323,177
2022		309,249
2023		236,991
2024		20,217
Thereafter		<u>3,806</u>
Total	\$	<u>893,440</u>

Rent expense under operating leases for the years ended June 30, 2020 and 2019 was \$824,608 and \$846,628, respectively.

Note 15. PRIOR PERIOD ADJUSTMENTS:

During the fiscal year ended June 30, 2019, the Organization increased beginning net assets in the amount of \$150,342. The \$150,342 is a total effect of recording revenues from the prior year of \$193,275 from Harriet Richards Mental Health Bequest, net with \$8,675 of transfer to the reserve account and \$34,258 of prepaids and other assets.

Note 16. COMPARATIVE FINANCIAL INFORMATION:

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2019, from which the summarized information was derived.

Note 17. COVID-19 IMPACT:

As a result of the spread of COVID-19 coronavirus, economic uncertainties have arisen which are likely to negatively impact revenue and operating results. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. The related financial impact and duration cannot be reasonably estimated at this time.