

# CHAC

**Financial Statements with Report of Independent Auditors  
June 30, 2022 (With Comparative Totals for 2021)**

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Report of Independent Auditors

To the Board of Directors of  
CHAC:

**Opinion**

We have audited the accompanying financial statements of CHAC (formerly known as Community Health Awareness Council, or “CHAC”), a California non-profit corporation, which comprise the statement of financial position as of June 30, 2022, 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 CHAC as of June 30, 2022, 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.

**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 Auditors’ Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of CHAC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 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.

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

**Auditors’ 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 auditors’ 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 CHAC'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 CHAC'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 Summarized Comparative Information**

The summarized comparative information presented herein as of and for the year ended June 30, 2021, derived from those financial statements that were audited by other auditors, is consistent, in all material respects, with the audited financial statements from which it has been derived. The financial statements of CHAC as of and for the year ended June 30, 2021 were audited by other auditors whose report dated January 18, 2022 expressed an unmodified opinion on those statements.

*Novogradec & Company LLP*

Walnut Creek, California  
November 28, 2022

**CHAC**  
Statement of Financial Position  
June 30, 2022  
(With Comparative Totals for 2021)

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 637,118	\$ 608,910
Accounts receivable	567,967	276,590
Contributions receivable	280,000	352,500
Investments, at fair value	480,424	552,743
Prepaid expenses	46,741	41,048
Total current assets	2,012,250	1,831,791
Property and equipment, net	3,389,534	3,489,871
Deposits	61,676	54,189
Total assets	\$ 5,463,460	\$ 5,375,851
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable	\$ 69,628	\$ 46,934
Accrued expenses	194,928	200,168
Total current liabilities	264,556	247,102
Funds held in trust	54,250	49,295
Total liabilities	318,806	296,397
Net assets		
Without donor restrictions		
Undesignated	321,117	188,280
Board designated scholarship fund	3,400	3,400
Board designated operating reserve	1,027,103	961,903
Board designated capital reserve	116,000	116,000
Invested property and equipment	3,389,534	3,489,871
Total without donor restrictions	4,857,154	4,759,454
With donor restrictions	287,500	320,000
Total net assets	5,144,654	5,079,454
Total liabilities and net assets	\$ 5,463,460	\$ 5,375,851

see accompanying notes

**CHAC**  
Statement of Activities  
For the Year Ended June 30, 2022  
(With Comparative Totals for 2021)

	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Total
Support and revenue				
Support				
Corporate and foundation grants	\$ 211,041	\$ 305,500	\$ 516,541	\$ 510,561
Individual contributions	155,611	-	155,611	285,909
Joint Power Agencies	1,529,200	-	1,529,200	1,088,550
Government grants - First 5	509,922	-	509,922	527,767
Contributed services	945,919	-	945,919	786,985
Contribution revenue - Paycheck Protection program	-	-	-	422,348
Total support	<u>3,351,693</u>	<u>305,500</u>	<u>3,657,193</u>	<u>3,622,120</u>
Revenue				
Program service fees	276,368	-	276,368	306,539
Contract revenue	683,099	-	683,099	495,743
Net investment (loss) income	(68,315)	-	(68,315)	92,017
Total revenue	<u>891,152</u>	<u>-</u>	<u>891,152</u>	<u>894,299</u>
Net assets released from restriction	<u>338,000</u>	<u>(338,000)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>4,580,845</u>	<u>(32,500)</u>	<u>4,548,345</u>	<u>4,516,419</u>
Functional expenses				
Program services	3,729,102	-	3,729,102	3,598,295
Management and general	590,431	-	590,431	414,815
Fundraising	163,612	-	163,612	277,805
Total functional expenses	<u>4,483,145</u>	<u>-</u>	<u>4,483,145</u>	<u>4,290,915</u>
Change in net assets	97,700	(32,500)	65,200	225,504
Net assets, beginning of year	<u>4,759,454</u>	<u>320,000</u>	<u>5,079,454</u>	<u>4,853,950</u>
Net assets, end of year	<u>\$ 4,857,154</u>	<u>\$ 287,500</u>	<u>\$ 5,144,654</u>	<u>\$ 5,079,454</u>

see accompanying notes

**CHAC**  
Statement of Functional Expenses  
For the Year Ended June 30, 2022  
(With Comparative Totals for 2021)

	Program Services				Support Services			2022 Total	2021 Total
	Family Resource Center	In-House Prevention/ Intervention	School Prevention/ Intervention	Total Program Services	Management and General	Fundraising	Total Support Services		
Salaries and related expenses									
Salaries and wages	\$ 412,935	\$ 454,004	\$ 1,052,777	\$ 1,919,716	\$ 251,722	\$ 123,373	\$ 375,095	\$ 2,294,811	2,473,601
Payroll taxes	30,710	33,786	78,972	143,468	19,389	9,154	28,543	172,011	179,983
Employee benefits	31,297	24,274	60,351	115,922	15,113	4,165	19,278	135,200	141,476
Total salaries and related expenses	474,942	512,064	1,192,100	2,179,106	286,224	136,692	422,916	2,602,022	2,795,060
Contributed services	-	-	945,919	945,919	-	-	-	945,919	786,985
Professional fees	22,703	79,615	130,244	232,562	240,542	11,435	251,977	484,539	332,509
Depreciation	16,358	29,783	53,686	99,827	10,145	-	10,145	109,972	108,126
Occupancy	32,185	17,654	29,776	79,615	8,797	2,949	11,746	91,361	74,820
Dues/miscellaneous	3,035	10,477	14,471	27,983	9,276	9,241	18,517	46,500	34,528
Bad debt expense	-	18,766	-	18,766	-	-	-	18,766	32,604
Telecommunications	3,019	2,574	4,335	9,928	18,105	431	18,536	28,464	25,370
Stipends/intern	1,123	1,200	56,199	58,522	-	-	-	58,522	23,070
Supplies	3,379	4,878	34,627	42,884	469	204	673	43,557	19,854
Insurance	2,311	3,665	6,128	12,104	7,090	620	7,710	19,814	19,122
Postage/printing	39	294	490	823	323	1,336	1,659	2,482	11,538
Service charges	-	12,491	-	12,491	2,220	357	2,577	15,068	11,064
Office/computer equipment	2,084	2,167	3,750	8,001	6,967	347	7,314	15,315	9,963
Advertising	-	-	-	-	-	-	-	-	5,425
Mileage/parking/travel	571	-	-	571	273	-	273	844	877
Total expenditures	<u>\$ 561,749</u>	<u>\$ 695,628</u>	<u>\$ 2,471,725</u>	<u>\$ 3,729,102</u>	<u>\$ 590,431</u>	<u>\$ 163,612</u>	<u>\$ 754,043</u>	<u>\$ 4,483,145</u>	<u>4,290,915</u>
Percentage of total	<u>12.53%</u>	<u>15.52%</u>	<u>55.13%</u>	<u>83.18%</u>	<u>13.17%</u>	<u>3.65%</u>	<u>16.82%</u>	<u>100.00%</u>	

see accompanying notes

**CHAC**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2022**  
(With Comparative Totals for 2021)

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Change in net assets	\$ 65,200	\$ 225,504
Adjustments to reconcile change in net assets to		
Net cash provided by (used in) operating activities:		
Depreciation	109,972	108,126
Bad debt expense	18,766	32,604
Net realized and unrealized losses (gains) on investments	79,036	(81,353)
Changes in operating assets and liabilities		
Accounts receivable	(310,143)	85,858
Contributions receivable	72,500	(17,759)
Prepaid expenses	(5,693)	(16,361)
Deposits	(7,487)	(14,534)
Accounts payable	22,694	34,035
Accrued expenses	(5,240)	18,694
Refundable advance - Paycheck Protection Program	-	(422,348)
Funds held in trust	4,955	2,418
Net cash provided by (used in) operating activities	<u>44,560</u>	<u>(45,116)</u>
Cash flows from investing activities		
Purchases of investments	(11,225)	(17,424)
Proceeds from sale of investments	4,508	3,024
Purchases of property and equipment	(9,635)	(8,266)
Net cash used in investing activities	<u>(16,352)</u>	<u>(22,666)</u>
Net increase (decrease) in cash and cash equivalents	28,208	(67,782)
Cash and cash equivalents, beginning of year	<u>608,910</u>	<u>676,692</u>
Cash and cash equivalents, end of year	<u>\$ 637,118</u>	<u>\$ 608,910</u>

see accompanying notes



CHAC  
Notes to Financial Statements  
June 30, 2022  
(With Comparative Totals for 2021)

1. Nature of operations

CHAC (formerly known as Community Health Awareness Council) (the “Organization” or “CHAC”) was organized on May 15, 1973, as a joint powers agency whose members are the City of Los Altos, the City of Mountain View, the Town of Los Altos Hills, the Los Altos School District, the Mountain View-Whisman School District and the Mountain View-Los Altos Union High School District. CHAC receives funding from its members, the County of Santa Clara, and other contributors.

CHAC’s mission is to improve lives and strengthen communities through access to comprehensive and culturally responsive mental health services in northern Santa Clara County. CHAC’s vision is that communities embrace mental health and wellness as an integral part to a health fulfilled life. People know where and how to access appropriate help because they understand the importance of seeking mental health services when needed and that there is universal access to a continuum of mental health services that includes prevention and intervention. The result is an increasingly healthy, resilient, and understanding community.

2. Program services

*Into the second full year of the COVID-19 pandemic, CHAC continued to adapt services to meet the changing needs of the community. A hybrid model of in-person and tele-health was used for counseling services to reach clients in their preferred place of service. An in-person model was used for services provided to the school districts and clinic services were offered both in-person and via tele-health for counseling and assessment services. CHAC piloted a new prevention program in the school districts to ease re-entry into the classroom and further increased access through enhanced group services.*

*School-based services for youth and teens.*

CHAC therapists supported students and teachers returning to in-person classrooms after a year of the pandemic imposed social isolation in shelter-in-place. Students re-engaged with an unfamiliar classroom environment and experienced the challenging social and academic demands. A total of 5,848 K-12 students in 34 schools across four school districts received CHAC services.

CHAC therapists support the psychological and emotional well-being of 2,460 students in grades K-12 in 34 schools with more than 20,000 hours of counseling and social emotional learning programs. Parents and caregivers received 3,507 hours of support and education to assist with the care of their youth. CHAC provides ongoing tele-health and in-person counseling for students with behavioral and emotional challenges with a goal of serving the WHOLE child. CHAC’s clinicians take an “integrated care” approach, providing students with coping mechanisms that replace unhealthy habits with better choices and facilitate academic success, increased attendance, decreased tardiness and improved social relationships. This program is designed to give each student the greatest chance for success in life by protecting them from high-risk behaviors while building personal assets, such as school success, valuing diversity, maintaining good health, and delaying gratification.

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2. Program services (continued)

Research shows that social-emotional learning (“SEL”) improves academic achievement and increases prosocial behaviors such as kindness, sharing, and empathy; improves student attitudes toward school; and reduces depression and stress among students. CHAC offers several innovative SEL programs targeted to help students succeed during their elementary and middle school journeys. CHAC introduced the new, *BackTogether* program, a therapist led, whole class prevention program to promote positive mental health and increase student engagement in SEL skills development. This engaging program served 3,388 students. Beyond SEL support, CHAC’s counselors are poised to support school personnel, both on-site and out of its clinic with additional staff and resources in responding to local, site-based, or family crises.

CHAC’s school-based approach has a ripple effect; healthier children lead to healthier families, classmates and teachers, and ultimately, healthier communities. All CHAC school programs that are provided free of charge to students and their families that are offered through four school districts: Mountain View-Whisman Elementary, Mountain View-Los Altos Union High School, Los Altos Elementary, and Sunnyvale Elementary, include six high-needs Title I schools.

*Clinic Services for individuals, couples, families of all ages including counseling, support groups, and classes.*

CHAC served 404 unduplicated individuals, couples, and families of all ages with 6,800 hours of counseling to provide what CHAC believes in most: the value of each individual, the importance of family, and the necessity of community. CHAC’s counseling programs serve all ages on a sliding scale fee payment plan and address a variety of emotional challenges that cause stress within their families including bullying, anxiety, sadness/depression, aggressive or defiant behavior, drug and alcohol abuse, physical and psychological abuse, truancy, domestic violence, gang participation, child custody conflicts, suicide prevention, and economic hardship. Clinical services are provided via tele-health and in-person and always on a sliding scale fee payment plan; no one is turned away due to the inability to pay.

CHAC’s Assessment Clinic provides 27 individuals with 403 hours of comprehensive neuro-psychological assessments using best-practice models and evidence-based testing measures. Assessment services are provided on a sliding scale fee payment plan.

CHAC’s Family Resource Centers (FRCs) served more than 8,400 families with support from FIRST 5 Santa Clara County and other community partners with programs that help parents and other caregivers understand the importance of physical and social-emotional development during the first years of life and provide the family and community engagement needed to build strong communities. FRC classes, events, and individual consultations foster ways of building and maintaining a healthy connection between parent and child and increasing resilience in the family. FRC staff also train a dedicated group of volunteers, many of whom started as participants, to carry out CHAC’s vision and mission.

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Notes to Financial Statements  
June 30, 2022  
(With Comparative Totals for 2021)

2. Program services (continued)

*Culturally attuned services for our Latinx, LGBTQ+ community and addictions are provided through individualized services and group/support services.*

More than 109 unduplicated individuals and families were served in our Latinx program with services in Spanish that include individual and group counseling, crisis intervention, nutrition and housing support, legal and immigration assistance, financial counseling, support groups, and parenting classes. More than 300 individuals participated in Latinx video events to support community engagement. CHAC's outpatient counseling program turns lives around for teens and young adults affected by substance misuse/abuse, as well as for their families, defining health through a bio-psycho-social lens and using the therapeutic modalities of mindfulness-based psychotherapy, family systems therapy, and relapse prevention to help the individuals develop the resiliency and skills which allow for healthier choices and successful recoveries. With a commitment to diversity and inclusion, CHAC has a continual focus to ensure cultural competencies throughout the agency and offers services in 13 languages. CHAC provides support to the multi-cultural population in Santa Clara County emphasizing positive parenting, family resources, skill building, early literacy & language, healthy lifestyles, and community connection. CHAC is proud to offer a robust in-house program for the community.

3. Summary of significant accounting policies

Basis of accounting

CHAC prepares its financial statements on the accrual basis of accounting consistent with accounting principles generally accepted in the United States of America ("GAAP").

Basis of presentation

In accordance with GAAP, CHAC is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

- *Net assets without donor restrictions*: assets over which the Board of Directors has discretionary control in carrying out the operations of the Organization. Under this category, the Organization maintains an operating fund plus any net assets designated by the Board for specific purposes and invested in property and equipment.
  - *Board designated net assets* – assets that are not subject to donor-imposed restrictions that have been designated by the Board for specific purposes. These funds may be disbursed at the discretion of the Board.
    - *Board designated scholarship fund* – the purpose of the Scholarship Fund is to accumulate reserves to fund future scholarships

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Notes to Financial Statements  
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(With Comparative Totals for 2021)

3. Summary of significant accounting policies (continued)

Basis of presentation (continued)

- *Board designated operating reserve* – the purpose of the Operating Reserve is to help ensure the long-term ability of CHAC to meet its mission. CHAC will maintain the Operating Reserve to achieve the following objectives:
  - To create an internal line of credit to manage cash flow and maintain financial flexibility
  - To enable CHAC to sustain operations through delays in payments of committed funding
  - To pay for one-time, nonrecurring expenses that will build capacity, such as staff development

The Operating reserve is not intended to replace a permanent loss of funds or eliminate an ongoing budget gap. It is the intention of CHAC for the Operating Reserve to be used and replenished within a year. Its oversight is designated to the Finance Committee.

- *Board designated capital reserve* – the purpose of the Capital Reserve is to provide the replacement of capital items that have reached the end of their useful life and any new capital items that are needed for operations.
- *Net assets with donor restrictions*: assets which are subject to donor restrictions and for which the applicable restriction was met as of the end of the current reporting period.

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

Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents include all cash balances on deposit with financial institutions and highly liquid investments with a maturity of three months or fewer at the date of acquisition.

Concentration of credit risk

The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents.

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Notes to Financial Statements  
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(With Comparative Totals for 2021)

3. Summary of significant accounting policies (continued)

Accounts receivable

Accounts receivable for amounts due from grants, contracts and client fees are carried at the original invoice amount less an estimate made for doubtful accounts based on a review of all outstanding amounts. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received. As of June 30, 2022 and 2021, the allowance for doubtful accounts was \$18,766 and \$32,003, respectively.

Contributions receivable

Contributions receivable represent unconditional promises to give by donors. Current contributions receivable are expected to be collected during the next performance year and are recorded at net realizable value.

Investments

CHAC has a policy for its investments that provides for the use of socially responsible pooled funds and/or nationally recognized mutual funds, within a range of fixed income and growth and income investments. Earnings and income from the investments are available for CHAC operations. Investments in debt securities and in equity securities that have readily determinable market values are accounted for and reported at fair value. Investments received by gift are recorded at market value on the date of donation.

Dividends, interest, and other investment income are reported in the period earned as an increase in net assets without donor restrictions unless the use of the income is limited by donor-imposed restrictions, in which case it is reported as an increase in net assets with donor restrictions. Gains and losses on investments are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by donor stipulation or law.

Fair value measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Organization determines the fair values of its assets and liabilities based on a fair value hierarchy that includes three levels of inputs that may be used to measure the fair value (Level 1, Level 2, and Level 3). Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis. Level 2 inputs are inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs reflect CHAC's own assumptions about what market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include CHAC's own data.

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Notes to Financial Statements  
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3. Summary of significant accounting policies (continued)

Fair value measurements (continued)

The following methods and assumptions were used to estimate the fair value of financial assets and liabilities:

- Level 1:* Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.
- Level 2:* Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.
- Level 3:* Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

Property and equipment

Property and equipment are recorded at historical cost. Assets received as donations are recorded at their estimated fair market value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as support without donor restrictions. Acquisitions of property and equipment of \$2,000 or more are capitalized and depreciated using straight-line method over their useful lives ranging from 5 to 39 years. Depreciation begins when the property and equipment is placed in service. Expenditures representing general maintenance and repairs are expensed in the year incurred.

Compensated absences

Accumulated unpaid employee vacation benefits are recognized as liabilities when employees have earned such compensated absences and to the extent that it is probable that these will be paid upon termination or retirement. The Organization's policy on sick leave benefits is to record amounts as operating expenses in the period sick leave is taken. As of June 30, 2022 and June 30, 2021, compensated absences liabilities were \$112,494 and \$129,278, respectively.

Contributions

Contributions are recognized when the donor makes a pledge to give that is, in substance, an unconditional promise. Contributions are recorded as without donor restrictions or with donor restrictions depending on the nature of donor restrictions. Restricted contributions are reported as increases in net assets with donor restrictions. When the restriction is met, the amount is shown as a reclassification of net assets with donor restrictions to net assets without donor restrictions.

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3. Summary of significant accounting policies (continued)

Contributions (continued)

Contributions that are considered conditional promises to give which contain barriers and a right of return or right of release are not recognized until the conditions on which they depend are met, at which time, the gift is recognized as either grants and contributions revenue with or without donor restrictions. The Organization receives a significant amount of government grants through reimbursement local, state and federally funded programs. The revenue generated from these programs is recorded as government grants in the statement of activities. These governmental grants meet the criteria to be classified as conditional contributions under GAAP revenue recognition for nonprofit organizations as they contain barriers related to incurrence of qualifying expenditures and a right of return or release. The Organization has elected a simultaneous release option to account for these grants. Therefore, they are recorded as without donor restrictions upon satisfaction of the barriers.

Contributed services

Contributions of services are recognized when they are received if the services create or enhance nonfinancial assets, or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not donated. Volunteers and interns contributed 26,601 and 23,349 hours for the years ended June 30, 2022 and 2021, respectively, as counselors and educators for the various programs sponsored by CHAC during those years. The fair value per hour is based in a published study titled Independent Sector Study for Fair Value of Volunteer Services (updated annually from the Bureau of Labor Statistics) which provides annual national and state rates. The California rates were used for the years ended June 30, 2022 and 2021, respectively. The estimated fair value of these contributed services recognized as revenues was \$945,919 and \$786,985 for the years ended June 30, 2022 and 2021, respectively. Additionally, no hours or value is recognized for office work volunteers. These services are not recognized in the accompanying financial statements because they neither require specialized skills nor would have been typically purchased had they not been donated. The value of these services is not readily determinable.

Program service fees and contract revenue recognition

The Organization generates revenue through program service fees and contract services, by providing counseling services to clients. The Organization determines revenue recognition through the following steps:

- Identifying the contract(s) with a customer,
- Identifying the performance obligations in the contract(s),
- Determining the transaction price,
- Allocating the transaction price to the performance obligations in the contract(s), and
- Recognizing revenue when, or as, the Organization satisfies a performance obligation.

Revenue from program service fees and contract services are recognized as revenue in the period in which the service is provided.

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(With Comparative Totals for 2021)

3. Summary of significant accounting policies (continued)

Income taxes

The Organization is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) and from California income and franchise taxes under Revenue and Taxation Code Section 23701(d). As a result, no provisions for federal or state income taxes has been provided for in the financial statements.

The preparation of financial statements in accordance with GAAP requires the Organization to report information regarding its exposure to various tax positions taken by the Organization. The Organization has determined whether any tax positions have met the recognition threshold and has measured the Organization's exposure to those tax positions. Management believes that the Organization has adequately addressed all relevant tax positions and that there are no unrecorded tax liabilities. Federal and state tax authorities generally have the right to examine and audit the previous three years of tax returns filed (four years in California). Any interest or penalties assessed to the Organization are recorded in operating expenses. No interest or penalties from federal or state tax authorities were recorded in the accompanying financial statements.

Functional expenses

CHAC allocates its expenses on a functional basis among its program and support services. Expenses that can be identified with a specific program and support services are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated based on full-time equivalents.

Comparative financial information

The financial statements include certain prior year summarized comparative information in total but not by net asset class of functional expenses categories. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with CHAC's financial statements for the year ended June 30, 2021, from which the summarized information was derived.

Subsequent events

Subsequent events have been evaluated through November 28, 2022, which is the date the financial statements were available to be issued, and there are no subsequent events requiring disclosure.

4. Accounts receivable

Accounts receivable consisted of the following:

	<u>2022</u>	<u>2021</u>
Contracts and grants	\$ 499,263	\$ 228,266
Client fees	<u>87,470</u>	<u>80,327</u>
Gross accounts receivable	586,733	308,593
Less: allowance for doubtful accounts	<u>(18,766)</u>	<u>(32,003)</u>
Total accounts receivable	<u>\$ 567,967</u>	<u>\$ 276,590</u>



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5. Investments

The following table sets forth by level, within the fair value hierarchy, CHAC's investments at fair value as of June 30, 2022 and 2021:

	June 30, 2022			Fair Value Measurements
	Level 1	Level 2	Level 3	
Exchange traded funds	\$ 480,424	\$ -	\$ -	\$ 480,424
	June 30, 2021			
	Level 1	Level 2	Level 3	Fair Value Measurements
Exchange traded funds	\$ 552,743	\$ -	\$ -	\$ 552,743

Net investment income consisted of the following:

	<u>2022</u>	<u>2021</u>
Interest and dividends	\$ 10,721	\$ 10,664
Net realized and unrealized (losses) gains	(79,036)	81,353
Net investment (loss) income	\$ (68,315)	\$ 92,017

6. Property and equipment

Property and equipment at cost consisted of the following:

	<u>2022</u>	<u>2021</u>
Land	\$ 1,371,249	\$ 1,371,249
Buildings and improvements	2,461,435	2,451,800
Furniture and equipment	124,100	124,100
Other property and equipment	169,363	169,363
Total property and equipment	4,126,147	4,116,512
Accumulated depreciation	(736,613)	(626,641)
Property and equipment, net	\$ 3,389,534	\$ 3,489,871

Depreciation expense was \$109,972 and \$108,126 for the years ended June 30, 2022 and 2021, respectively.

7. Funds held in trust

The funds held in trust were set up and are maintained for the Challenge Team, a nonprofit organization organized by local community groups, including CHAC. As of June 30, 2022 and 2021, the balance for the Challenge Team was \$54,250 and \$49,295, respectively.

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8. Contingent liabilities

State grants and contracts require the fulfillment of certain conditions as set forth in the terms of the contract or grant award agreement and are subject to audit by the grantor. Failure to comply with these conditions could result in the return of funds to the grantor. Although it is a possibility, the Organization believes that it has complied with the conditions of its contracts and grant award agreements, and no significant liabilities will result from audit.

9. Refundable advance – Paycheck Protection Program

On May 7, 2020 the Organization received a loan from a qualified lender under the Paycheck Protection Program for an aggregate principal amount of \$422,348 (“PPP Loan”). The PPP loan bears interest at a fixed rate of 1% per annum, with the first six months of interest deferred, has a term of two years and is unsecured and guaranteed by the SBA. Under the terms of the CARES Act, PPP loan recipients can apply for and be granted forgiveness for all or a portion of the loan proceeds. The Organization expected to meet the PPP’s eligibility criteria, and, therefore, concluded that the PPP loan represents, in substance, a grant that is expected to be forgiven. As a result, the Organization accounted for the PPP loan in accordance with FASB ASC 958-605 as a conditional contribution. On April 26, 2021, the Organization received forgiveness for the full amount of \$422,348 from the SBA, resulting in recognition of the entire amount as contribution revenue for the year ended June 30, 2021 in the accompanying comparative financial information.

10. Net assets with donor restrictions

Net assets with donor restrictions consisted of the following:

	Balance at June 30, 2021	Contributions	Releases	Balance at June 30, 2022
Prevention plus program	\$ 320,000	\$ 305,500	\$ (338,000)	\$ 287,500

11. Revenue from Joint Powers Agencies

During the years ended June 30, 2022 and 2021, funding was authorized by Joint Power Agencies as follows:

	2022	2021
School districts		
Mountain View / Whisman School District	\$ 396,000	\$ 360,000
Mountain View / Los Altos Union High School District	443,000	292,000
Los Altos School District	225,000	175,000
Total school districts	1,064,000	827,000
Cities and towns		
City of Mountain View	221,000	196,000
City of Los Altos	124,000	48,125
Town of Los Altos	120,200	17,425
Total cities and towns	465,200	261,550
Total revenue from Joint Power Agencies	\$ 1,529,200	\$ 1,088,550

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12. Private unemployment insurance

The Organization has unemployment insurance through a private program in lieu of participation in the California state unemployment compensation system. Deposits to the program plus an allocated share of investment income are reduced by benefits paid and an allocated share of operating expenses.

Deposits for the years ended June 30, 2022 and 2021 were \$11,937 and \$12,200, respectively. There were no claims paid for the year ended June 30, 2022, and \$1,445 of claims paid for the year ended June 30, 2021. The policy calls for a reserve account to provide for future claims based on a profile. The reserve balances at June 30, 2022 and 2021 were \$61,676 and \$54,189, respectively, and reported as “Deposits” on the statement of financial position.

13. Retirement plan

Effective January 1, 2009, CHAC started its 401(k) plan that is managed by Paychex Retirement Services. A selection of investments is offered that enables employees to diversify their retirement plan accounts. Paychex Retirement Services provides a full range of investment options from well-known and respected money managers. All regular employees are eligible to participate immediately upon completing three consecutive months of employment with CHAC.

CHAC contributes to the retirement savings accounts of employees who choose to participate in the retirement plan. CHAC will equally match employee contributions up to 3 percent of employee earnings. Employee contributions are subject to IRS limitations for each year. Matching contributions for the years ended June 30, 2022 and 2021 were \$31,555 and \$31,011, respectively.

14. Commitments

On July 1, 2019, the Organization entered into an agreement with Trinity United Methodist Church (“Trinity UMC”) to rent certain facilities at 748 Mercy Street, Mountain View, California for a term of two years, commencing on the same date. In accordance with the agreement, the Organization pays \$1,607 per month until completion of certain tenant improvement projects as described in the agreement, and the rent rate will increase to \$2,600 per month afterwards. Monthly rental payments increased to \$2,600 in December 2019 upon completion of the prescribed tenant improvement projects. Due to COVID-19 restrictions, Trinity UMC later agreed to temporarily reduce the rent to \$1,000 per month starting January 1, 2021 through August 31, 2021.

On September 1, 2021, the Organization entered into a new lease agreement with Trinity UMC to rent the aforementioned facilities for a new term of two years, commencing on the same date. With COVID-19 restrictions partially lifting, the parties agreed to rent of \$1,900 per month until the point in time when COVID-19 restrictions and precautions enable the Organization to resume indoor preschool activities, or January 1, 2022, whichever is later. Upon resumption of indoor preschool activities, the rent will increase to \$2,600 per month. As of June 30, 2022, monthly rental payments remained at \$1,900 per month. Thus, the scheduled minimum lease payments under the lease term are \$22,800 for the year ending June 30, 2023.

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15. Liquidity and availability of financial assets

As part of CHAC's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Accounts receivable consist of amounts expected to be received within one year from June 30, 2022. These receivables will be available to support the general operations of CHAC.

The following is a quantitative disclosure which describes financial assets that are available as of June 30, 2022 and 2021 to fund general expenditures and other obligations when they become due:

	<u>2022</u>	<u>2021</u>
Financial assets		
Cash and cash equivalents	\$ 637,118	\$ 608,910
Accounts receivable	567,967	276,590
Contributions receivable	280,000	352,500
Investments	<u>480,424</u>	<u>552,743</u>
Total financial assets	<u>1,965,509</u>	<u>1,790,743</u>
Less: amounts unavailable for general expenditures within one year		
Net assets restricted for a specified purpose	(287,500)	(320,000)
Funds held in trust	(54,250)	(49,295)
Board designated scholarship fund	(3,400)	(3,400)
Board designated capital reserve	<u>(116,000)</u>	<u>(116,000)</u>
Total amounts unavailable for general expenditures within one year	<u>(461,150)</u>	<u>(488,695)</u>
Total available financial assets	<u>\$ 1,504,359</u>	<u>\$ 1,302,048</u>

As of June 30, 2022 and 2021, the financial assets include board designated operating reserve of \$1,027,103 for each year. The Organization can request the funds for general operating use purpose upon board approval (see Note 3).