

CHARITABLE VENTURES
OF ORANGE COUNTY,
DBA: CHARITABLE VENTURES
(a nonprofit corporation)

FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Charitable Ventures of
Orange County

We have audited the accompanying financial statements of Charitable Ventures of Orange County dba Charitable Ventures (a nonprofit organization), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities and changes in net assets, cash flows, and functional expenses for the years 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 audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

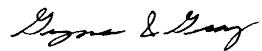
INDEPENDENT AUDITORS' REPORT (Continued)

Auditors' Responsibility (Continued)

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 financial statements referred to above present fairly, in all material respects, the financial position of Charitable Ventures of Orange County dba Charitable Ventures as of December 31, 2020 and 2019, and the changes in its net assets, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



GUZMAN & GRAY
Long Beach, CA
October 1, 2021

CHARITABLE VENTURES OF ORANGE COUNTY
 DBA: CHARITABLE VENTURES
 (a nonprofit corporation)
 STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2020 AND 2019

ASSETS

| | December 31, | |
|---|------------------|------------------|
| | 2020 | 2019 |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 2,477,704 | \$ 1,068,433 |
| Restricted cash | 5,873,047 | 5,302,727 |
| Contracts and grants receivable | 861,570 | 1,170,327 |
| Pledges receivable | | 11,941 |
| Deposits | 33,092 | 28,807 |
| Donor advised fund | 114,482 | 33,491 |
| Prepaid Expense | 50,814 | |
| Other | 5,845 | 7,500 |
| | 9,416,554 | 7,623,226 |
| PROPERTIES AND EQUIPMENT, | | |
| Net of \$73,580 of accumulated depreciation | 83,508 | 19,947 |
| OTHER ASSETS | | |
| Goodwill, net of \$96,000 of accumulated amortization | 544,000 | 608,000 |
| TOTAL ASSETS | \$10,044,062 | \$ 8,251,173 |

LIABILITIES AND NET ASSETS

| | | |
|---|------------------|------------------|
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 267,050 | \$ 225,814 |
| Accrued expenses | 295,204 | 390,926 |
| Grant advance | 2,356,507 | 4,022,007 |
| Membership advance | 37,500 | |
| Taxes payable | 12,310 | 12,789 |
| | 2,968,571 | 4,651,536 |
| TOTAL LIABILITIES | 2,968,571 | 4,651,536 |
| NET ASSETS | | |
| Without Donor Restrictions | 2,397,545 | 1,095,633 |
| With Donor Restrictions | 4,677,946 | 2,504,004 |
| TOTAL NET ASSETS | 7,075,491 | 3,599,637 |
| TOTAL LIABILITIES AND NET ASSETS | \$10,044,062 | \$ 8,251,173 |

See Independent Auditors' Report and Accompanying Notes to Financial Statements

CHARITABLE VENTURES OF ORANGE COUNTRY
 DBA: CHARITABLE VENTURES
 (a nonprofit corporation)
 STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2020

| | Without Donor Restriction | With Donor Restriction | Total |
|--|------------------------------|---------------------------|---------------------|
| SUPPORT AND REVENUES | | | |
| Contributions | \$ 10,665 | \$ 2,649,533 | \$ 2,660,198 |
| Contract | 1,183,091 | 6,904,744 | 8,087,835 |
| Program | 847,605 | 470,791 | 1,318,396 |
| Grants | 372,700 | 10,902,957 | 11,275,657 |
| Paycheck Protection Program | 1,083,091 | | 1,083,091 |
| Membership | | 176,000 | 176,000 |
| Special events, net of direct donor benefits worth \$62,185 | | 112,513 | 112,513 |
| In-kind contributions | | 15,080 | 15,080 |
| Interest | 1,423 | 7,200 | 8,623 |
| Investment, net | | 11,224 | 11,224 |
| | 3,498,575 | 21,250,042 | 24,748,617 |
| NET ASSETS RELEASED FROM RESTRICTIONS | 19,076,100 | (19,076,100) | |
| TOTAL SUPPORT AND REVENUES | 22,574,675 | 2,173,942 | 24,748,617 |
| EXPENSES | | | |
| Program services | 18,476,656 | | 18,476,656 |
| Supporting services expense | | | |
| General and administrative | 2,774,658 | | 2,774,658 |
| Fundraising and development | 21,449 | | 21,449 |
| TOTAL EXPENSES | 21,272,763 | | 21,272,763 |
| CHANGE IN NET ASSETS | 1,301,912 | 2,173,942 | 3,475,854 |
| BEGINNING NET ASSETS | 1,095,633 | 2,504,004 | 3,599,637 |
| ENDING NET ASSETS | \$ 2,397,545 | \$ 4,677,946 | \$ 7,075,491 |

See Independent Auditors' Report and Accompanying Notes to Financial Statements

CHARITABLE VENTURES OF ORANGE COUNTRY
 DBA: CHARITABLE VENTURES
 (a nonprofit corporation)
 STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2019

| | <u>Without Donor Restriction</u> | <u>With Donor Restriction</u> | <u>Total</u> |
|---|--------------------------------------|-----------------------------------|---------------------|
| SUPPORT AND REVENUES | | | |
| Contributions | \$ 12,683 | \$ 588,583 | \$ 601,266 |
| Contract | 932,231 | 3,479,022 | 4,411,253 |
| Program | 544,275 | 1,103,104 | 1,647,379 |
| Grants | 138,552 | 3,819,147 | 3,957,699 |
| Membership | | 151,500 | 151,500 |
| Special events, net of direct donor benefits worth \$176,401 | | 210,460 | 210,460 |
| In-kind contributions | 642,760 | 15,024 | 657,784 |
| Interest | 559 | 1,372 | 1,931 |
| Investment, net | | 4,939 | 4,939 |
| | <u>2,271,060</u> | <u>9,373,151</u> | <u>11,644,211</u> |
| NET ASSETS RELEASED FROM RESTRICTIONS | <u>8,028,474</u> | <u>(8,028,474)</u> | |
| TOTAL SUPPORT AND REVENUES | <u>10,299,534</u> | <u>1,344,677</u> | <u>11,644,211</u> |
| EXPENSES | | | |
| Program services | 7,258,937 | | 7,258,937 |
| Supporting services expense | | | |
| General and administrative | 2,125,730 | | 2,125,730 |
| Fundraising and development | 86,556 | | 86,556 |
| TOTAL EXPENSES | <u>9,471,223</u> | | <u>9,471,223</u> |
| CHANGE IN NET ASSETS | 828,311 | 1,344,677 | 2,172,988 |
| BEGINNING NET ASSETS | <u>267,322</u> | <u>1,159,327</u> | <u>1,426,649</u> |
| ENDING NET ASSETS | <u>\$ 1,095,633</u> | <u>\$ 2,504,004</u> | <u>\$ 3,599,637</u> |

CHARITABLE VENTURES OF ORANGE COUNTY
DBA: CHARITABLE VENTURES
(a nonprofit corporation)
STATEMENTS OF CASH FLOW

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

| | December 31, | |
|--|---------------------|---------------------|
| | 2020 | 2019 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in Net Assets | \$ 3,475,854 | \$ 2,172,988 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities | | |
| Depreciation | 23,902 | 5,108 |
| Amortization | 64,000 | 32,000 |
| Realized (gains) or losses reinvested | | (150) |
| Unrealized (gains) or losses | (11,224) | (4,789) |
| Forgiveness of paycheck protection program loan | (1,075,800) | |
| (Increase) decrease in contracts and grants receivables | 308,757 | (858,316) |
| (Increase) decrease in pledges receivables | 11,941 | (8,733) |
| (Increase) decrease in deposits | (4,285) | (2,506) |
| (Increase) decrease in goodwill | | (640,000) |
| (Increase) decrease in other assets | 1,655 | (5,000) |
| (Increase) decrease in prepaids | (50,814) | |
| Increase (decrease) in payables | 41,236 | 97,306 |
| Increase (decrease) in accrued expenses | (95,722) | 133,971 |
| Increase (decrease) in grant advance | (1,665,500) | 2,204,103 |
| Increase (decrease) in membership advance | 37,500 | |
| Increase (decrease) in taxes payable | (479) | 12,789 |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | 1,061,021 | 3,138,771 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of property and equipment | (87,462) | (7,750) |
| Purchase of investments | (92,956) | |
| Proceeds from investments | 23,188 | |
| NET CASH (USED) BY OPERATING ACTIVITIES | (157,230) | (7,750) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from paycheck protection program loan | 1,075,800 | |
| NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES | 1,075,800 | |
| NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH | 1,979,591 | 3,131,021 |
| BEGINNING CASH, CASH EQUIVALENTS, AND RESTRICTED CASH | 6,371,160 | 3,240,139 |
| ENDING CASH, CASH EQUIVALENTS, AND RESTRICTED CASH | \$ 8,350,751 | \$ 6,371,160 |
| <u>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</u> | | |
| INTEREST PAID | NONE | NONE |
| TAXES PAID | \$ 23,901 | \$ 14,000 |
| <u>SUPPLEMENTAL DISCLOSURES OF NONCASH OPERATING ACTIVITIES</u> | | |
| ACQUISITION OF CONTROLLING INTEREST IN A FOR PROFIT COMPANY | NONE | \$ 640,000 |
| FORGIVENESS OF PAYCHECK PROTECTION PROGRAM LOAN | \$ 1,075,800 | NONE |

CHARITABLE VENTURES OF ORANGE COUNTY
DBA: CHARITABLE VENTURES
(a nonprofit corporation)
STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2020

| | Program Services | Supportive Services | | | Total |
|--|----------------------|-------------------------------|--------------------------------|---|----------------------|
| | | General and Administrative | Fundraising and development | Cost of Direct Benefits to Donors | |
| Accounting | | \$ 48,561 | | | \$ 48,561 |
| Advertising | \$ 227,552 | | \$ 6,421 | | 233,973 |
| Amortization | | 64,000 | | | 64,000 |
| Bank charges | | 13,953 | | | 13,953 |
| Conferences, convention, and meetings | 41,697 | | | | 41,697 |
| Depreciation | | 23,902 | | | 23,902 |
| Donations, pledges, and scholarships | 8,477,329 | | | | 8,477,329 |
| Dues and subscriptions | | 12,580 | | | 12,580 |
| Employee benefits | 396,832 | 69,253 | | | 466,085 |
| Equipment and equipment repair | 25,861 | 4,067 | | | 29,928 |
| Event expenses | | | | \$ 62,185 | 62,185 |
| Fiscal sponsorship | | 1,151,171 | | | 1,151,171 |
| Incentives and rewards | 8,790 | | | | 8,790 |
| In-kind goods and services | 20,580 | | | | 20,580 |
| Insurance | | 40,240 | | | 40,240 |
| Interest | | 7,291 | | | 7,291 |
| Payroll tax | 431,703 | 59,901 | | | 491,604 |
| Postage and shipping | | 2,411 | | | 2,411 |
| Printing | 86,084 | 1,802 | 4,849 | | 92,735 |
| Professional services | 829,287 | 145,680 | 10,011 | | 984,978 |
| Program | 1,757,490 | | | | 1,757,490 |
| Promotional products | 6,979 | | | | 6,979 |
| Rent and leases | 396,643 | 144,432 | | | 541,075 |
| Salaries | 5,331,400 | 860,475 | | | 6,191,875 |
| Supplies | 166,999 | 16,283 | | | 183,282 |
| Tax and licenses | | 39,307 | | | 39,307 |
| Telephone | 33,348 | 48,152 | | | 81,500 |
| Training | 26,068 | | | | 26,068 |
| Travel, meals, and entertainment | 26,025 | 4,627 | | | 30,652 |
| Utilities | 22,533 | | | | 22,533 |
| Website | 55,485 | | | | 55,485 |
| Other | 107,971 | 16,570 | 168 | | 124,709 |
| Total expenses by function | <u>18,476,656</u> | <u>2,774,658</u> | <u>21,449</u> | <u>62,185</u> | <u>21,334,948</u> |
| Less: expenses included with revenues on the statement of activities | | | | | |
| Cost of direct donor benefits to donors | | | | (62,185) | (62,185) |
| Total expenses included in the expense on the statement of activities | <u>\$ 18,476,656</u> | <u>\$ 2,774,658</u> | <u>\$ 21,449</u> | <u>\$ -</u> | <u>\$ 21,272,763</u> |

CHARITABLE VENTURES OF ORANGE COUNTY
 DBA: CHARITABLE VENTURES
 (a nonprofit corporation)
 STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2019

| | Program Services | Supportive Services | | | Total |
|--|---------------------|-------------------------------|--------------------------------|---|---------------------|
| | | General and Administrative | Fundraising and development | Cost of Direct Benefits to Donors | |
| Accounting | | \$ 15,794 | | | \$ 15,794 |
| Advertising | \$ 8,794 | | \$ 9,886 | | 18,680 |
| Amortization | | 32,000 | | | 32,000 |
| Bank charges | | 12,298 | | | 12,298 |
| Conferences, convention, and meetings | 58,973 | | | | 58,973 |
| Depreciation | | 5,108 | | | 5,108 |
| Donations, pledges, and scholarships | 376,585 | | | | 376,585 |
| Dues and subscriptions | 95 | 11,941 | | | 12,036 |
| Employee benefits | 272,477 | 36,933 | | | 309,410 |
| Equipment and equipment repair | 16,905 | 6,444 | | | 23,349 |
| Event expenses | | | | \$ 176,401 | 176,401 |
| Fiscal sponsorship | | 869,738 | | | 869,738 |
| Incentives and rewards | 6,964 | | | | 6,964 |
| In-kind goods and services | 1,909 | | 10,244 | | 12,153 |
| Insurance | | 40,635 | | | 40,635 |
| Payroll tax | 340,986 | 53,127 | | | 394,113 |
| Postage and shipping | | 2,826 | | | 2,826 |
| Printing | 65,594 | 4,931 | 7,478 | | 78,003 |
| Professional services | 635,732 | 173,647 | 40,951 | | 850,330 |
| Program | 444,733 | | | | 444,733 |
| Promotional products | 6,544 | | | | 6,544 |
| Rent and leases | 673,728 | 73,371 | | | 747,099 |
| Salaries | 3,991,639 | 687,211 | | | 4,678,850 |
| Supplies | 117,431 | 11,677 | | | 129,108 |
| Tax and licenses | | 28,565 | | | 28,565 |
| Telephone | 22,813 | 35,997 | | | 58,810 |
| Training | 16,971 | | | | 16,971 |
| Travel, meals, and entertainment | 36,731 | 9,972 | | | 46,703 |
| Utilities | 26,331 | | | | 26,331 |
| Website | 36,325 | | | | 36,325 |
| Other | 100,677 | 13,515 | 17,997 | | 132,189 |
| Total expenses by function | <u>7,258,937</u> | <u>2,125,730</u> | <u>86,556</u> | <u>176,401</u> | <u>9,647,624</u> |
| Less: expenses included with revenues on the statement of activities | | | | | |
| Cost of direct donor benefits to donors | | | | (176,401) | (176,401) |
| Total expenses included in the expense on the statement of activities | <u>\$ 7,258,937</u> | <u>\$ 2,125,730</u> | <u>\$ 86,556</u> | <u>\$ -</u> | <u>\$ 9,471,223</u> |

CHARITABLE VENTURES OF ORANGE COUNTY, INC.
DBA CHARITABLE VENTURES
(a nonprofit corporation)
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

NOTE 1 - ORGANIZATION

Nature of Activities

Charitable Ventures of Orange County, Inc. dba Charitable Ventures (the "Organization") was incorporated May 2007 as a California nonprofit corporation. The Organization enables nonprofit groups to effectively build capacity by providing a comprehensive array of business services, including fiscal sponsorship, accounting, strategic planning, marketing, and training. The Organization's facilities are located in Orange County, California.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Recently Adopted Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers (Topic 606). The ASU and all subsequently issued clarifying ASUs replace most existing revenue recognition guidance in U.S. GAAP. The ASU also required expanded disclosure related to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Organization adopted the new standard effective July 1, 2018, the first day of the Organization's fiscal year presented. No changes to the current financial statements resulted from applying the new accounting standards update.

Basis of Presentation

The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the America Institute of Certified Public Accountant (AICPA) "Audit and Accounting Guide for Not-for-Profit Associations" (the "Guide"), (ASC) 958-205 was effective January 1, 2018.

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

Net assets with donor restrictions:

Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of 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.

CHARITABLE VENTURES OF ORANGE COUNTY, INC.
DBA CHARITABLE VENTURES
(a nonprofit corporation)
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Net assets released from donor restrictions:

Net assets are released by incurring expenses satisfying the restriction or by occurrence of other events specified by donors.

The Organization shows restricted contributions whose restrictions are met in the same reporting period as support without donor restrictions.

Use of Estimates and Assumptions

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements.

Cash and cash equivalents

All cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash. Cash and highly liquid financial instruments restricted to sponsoree usage or long-term usage are excluded from this definition.

Receivables

Receivables are recorded when collectability is reasonably assured. No allowance for uncollectable amounts has been established as management believes the total receivables to be fully collectible.

Property and Equipment

Properties and equipment are purchased and capitalized at cost. Donated properties and equipment are capitalized at fair market value on the date of the gift. Property and equipment is being depreciated using the straight-line method over its estimated useful life as follows:

| | |
|-------------------------|----------|
| Leasehold improvements | 39 years |
| Land improvements | 39 years |
| Furniture and equipment | 5 years |
| Vehicles | 5 years |

CHARITABLE VENTURES OF ORANGE COUNTY, INC.
DBA CHARITABLE VENTURES
(a nonprofit corporation)
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible Asset – Goodwill

The accounting for the gift of controlling interest in the Olin Group in 2020 resulted in recognizing goodwill of \$640,000. Management has elected to amortize the goodwill over the next ten years. Management will reduce the carrying amount of goodwill if it is determined that the goodwill's fair value has been impaired.

Grant Advance

The Organization received an advance to reimburse program specific expenses. Grant advance liability will be reduced as proper expenses are incurred during operations.

Revenue Recognition

Contributions

The Organization recognizes contributions when cash, securities, other assets, and unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

All contributions are considered to be available for operations, unless specifically restricted by the donor. Amounts received that are restricted by the donor for future periods or for specific purposes are reported as support with donor restrictions that increases that net asset class. When a restriction expires, that is, when a stipulated time restriction or purpose restriction is satisfied, 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 restriction. If a restriction is satisfied in the same year the contribution is received, the support is reported as revenue without donor restrictions.

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Amortization of the discount to present value is included in contribution revenue. Conditional promises to give are not included in support until the conditions are substantially met.

CHARITABLE VENTURES OF ORANGE COUNTY, INC.
DBA CHARITABLE VENTURES
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NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Contracts and Grants

The Organization receives grant and contract funding derived from various cost-reimbursable contracts and grants, which are conditioned upon certain performance requirements and / or the incurrence of allowable qualifying expenses to provide a variety of program services based on specific requirements in the agreements including eligibility, procurement, reimbursement, staffing and other requirements outlined by the grant or contract. These program services enable nonprofit groups to effectively build capacity and allow these sponsors the ability to function by providing a comprehensive array of business services, including fiscal sponsorship, accounting, strategic planning, marketing, training, and other program costs. Such grants and contracts are nonreciprocal transactions and include conditions stipulated by the contracting agency or grantor, and are, therefore, accounted for as conditional contributions.

Amounts received are recognized as revenue when expenditures have been incurred in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred liabilities which are included in accrued expenses in the statement of financial position.

These reimbursements are subject to audit by appropriate governmental agencies. In the opinion of management, the results of such audits, if any, will not have a material effect on the financial position of the Organization at December 31, 2020, or its changes in net assets for the year then ended.

Net assets that have restrictions stipulated by the donor that the corpus be invested in perpetuity and only income be made available for operations are classified as net assets with donor restrictions in perpetuity.

Special Events

Special events include some events with both an exchange element, in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received, and a contribution element for the Organization. The contribution component is the excess of the gross proceeds over the fair value of the direct donor benefit. Special event fees collected by the Organization in advance are initially recorded as liabilities (deferred revenue) and recognized as special events after delivery of the event.

CHARITABLE VENTURES OF ORANGE COUNTY, INC.
DBA CHARITABLE VENTURES
(a nonprofit corporation)
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Fiscal Sponsorship Fees

The Organization records contractual fiscal sponsorship service fees and matching fiscal sponsorship expenditures based on the revenues generated by its fiscal sponsors. The Organization presents these fees as contract revenues and matching fiscal sponsorship expenses on the face of its financial statements.

Donated Services and Materials

The contribution of services shall be recognized if the services received require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributed services that do not meet the criteria shall not be recognized. Donated materials and assets are recorded at fair market value at the date of the gift. For the years ended December 31, 2020 and 2019, the Organization recognized donated goods and services of \$15,080 and \$17,784, respectively.

Allocation of Functional Expenses

The Organization allocates its expenses on a functional basis among their various programs and support services. Expenses that can be identified with a specific program or support service are allocated directly according to their natural expenditure classification. Certain salaries, employee benefits, payroll taxes, advertising, outside services, training, fiscal sponsorship, and telephone, are based on time and effort. Certain costs such as supplies, in-kind donations, dues, subscriptions, bank charges, insurance, postage and shipping, printing, equipment, depreciation, travel, meals, entertainment, and other are allocated based on estimated usage for programs, general administration, and fundraising. Costs related to space include lodging and rental assistance, repairs and maintenance, rent, and utilities, are allocated on a square footage basis.

Income Taxes

The Organization is organized as a California nonprofit and has been recognized by the IRS as exempt from federal income taxes under IRC Section 501(c)(3), is exempt from franchise tax and income tax in California under the provisions of Section 23701(d) of the California Revenue Code, qualifies for the charitable contribution deductions, and has been determined not to be a private foundation. The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Association is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purposes. The Organization files an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS to report unrelated business taxable income.

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DBA CHARITABLE VENTURES
(a nonprofit corporation)
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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

The Organization evaluates uncertain tax positions whereby the effect of the uncertainty would be recorded if the tax positions will more likely than not be sustained upon examination. At December 31, 2020, management does not believe the Organization has any uncertain tax positions requiring accrual or disclosure. The Organization is subject to potential income tax audits on open tax years by any taxing jurisdiction in which it operates. The statute of limitations for federal and California state purposes is generally three and four years, respectively.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency. The reclassifications had no material impact on previously reported net assets.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expense was \$233,973 and \$18,680 for the years ended December 31, 2020 and 2019, respectively.

Recently Issued Accounting Pronouncements

In February 2018, the FASB issued ASU 2018-02, Leases (Topic 842) (ASU 2018-02). The guidance in this ASU supersedes the leasing guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. The Organization is currently evaluating the impact of the adoption of the new standard on the financial statements.

Fair Value of Financial Instruments

The Organization has adopted the provisions of Fair Value Measurements and Disclosures for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. Fair value is defined as the price that would be received to sell an asset or paid to transfer liability in an orderly transaction between market participants at the measurement date. The standard also establishes a framework for measuring fair value and expands disclosures about fair value measurements.

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NOTE 3 – CASH, CASH EQUIVALENTS, AND RESTRICTED CASH

Cash, cash equivalents, and restricted cash are summarized as follows as of December 31, 2020:

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|--|---------------------------------------|------------------------------------|---------------------|
| General checking and savings accounts, & cash on hand | \$ 2,477,704 | | \$ 2,477,704 |
| Segregated sponsoree checking accounts, and money market funds | | 5,873,047 | 5,873,047 |
| | <u>\$ 2,477,704</u> | <u>\$ 5,873,047</u> | <u>\$ 8,350,751</u> |

Cash, cash equivalents, and restricted cash are summarized as follows as of December 31, 2019:

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|--|---------------------------------------|------------------------------------|---------------------|
| General checking and savings accounts, & cash on hand | \$ 1,068,433 | | \$ 1,068,433 |
| Segregated sponsoree checking accounts, and money market funds | | 5,302,727 | 5,302,727 |
| | <u>\$ 1,068,433</u> | <u>\$ 5,302,727</u> | <u>\$ 6,371,160</u> |

NOTE 4 – PROPERTY AND EQUIPMENT, net

Property, equipment and the related accumulated depreciation consist of the following as of December 31:

| | <u>2020</u> | <u>2019</u> |
|--------------------------------|------------------|------------------|
| Furniture and fixtures | \$ 157,088 | \$ 69,624 |
| Less: accumulated depreciation | (73,580) | (49,677) |
| | <u>\$ 83,508</u> | <u>\$ 19,947</u> |

Depreciation expense was \$23,902 and \$5,108 for the year ended December 31, 2020 and 2019, respectively.

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NOTE 5 – PROVISION FOR INCOME TAXES

The Organization provides communication, marketing, and fund development services to entities not affiliated with the Organization. The provision for income taxes consisted of the following as of December 31:

| | 2020 | 2019 |
|---------|-----------|-----------|
| Federal | \$ 25,459 | \$ 18,641 |
| State | 10,752 | 7,847 |
| | \$ 36,211 | \$ 26,488 |

There was no significant interest expense or penalties related to unrecognized tax benefits recorded through December 31, 2020. The tax years 2016-2020 remain open to examination by one or more major taxing jurisdictions to which the Organization is subject.

NOTE 6 – PAYCHECK PROTECTION PROGRAM

In April 2020, CVOC received Paycheck Protection Program (“PPP”) loan proceeds of \$1,075,800. The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides qualifying businesses with loans up to 2.5 times the qualifying business’s average monthly payroll expenses. The loans and accrued interest are forgivable after twenty-four weeks as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible purposes as outlined in the loan. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the twenty-four-week period. The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, and payments are deferred for the first seven months. CVOC fulfilled and used all of the loan proceeds and recorded the loan forgiveness revenue on the statement of activities and changes in net assets for the year ended December 31, 2020. The balance of the forgiven PPP loan and accrued interest is \$1,083,091 at December 31, 2020.

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NOTE 7 – DONOR RESTRICTED NET ASSETS

Net assets with donor restrictions include the following as of December 31:

| | <u>2020</u> | <u>2019</u> |
|----------------------|---------------------|--------------------|
| Project restrictions | <u>\$ 4,677,946</u> | <u>\$2,504,004</u> |

Net assets were released from donor restrictions either by incurring expenses, which satisfied the restricted purposes or by the occurrences of other events specified by donors for the years ended December 31, 2020 and 2019, were \$19,076,100 and \$8,028,474, respectively.

NOTE 8 – RETIREMENT PLAN

Effective August 2015, the Organization adopted a noncontributory profit sharing and retirement savings 401(k) plan. Employees 18 years or older are eligible to participate on the first of the month following nine months of employment. The annual employee contribution limit is \$24,500 for all employees age 50 and up and all other employees are limited to \$18,500.

NOTE 9 – MARKET RISKS, UNCERTAIN RISKS, AND CONCENTRATION OF CREDIT RISKS

Market Risk

The Organization operates in Orange County, California, and is dependent upon the local economy.

Concentration of Credit Risk

Cash deposits in financial institutions may exceed federally insured limits at times during the year. Charitable Ventures of Orange County maintains cash in several accounts in financial institutions which are presently insured by the Federal Deposit Insurance Corporation up to \$250,000. At times during the years the FDIC limit has been exceeded. At the years ended December 31, 2020 and 2019, \$8,877,931 and \$6,318,258 respectively, of cash was over the FDIC limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk in these accounts.

Grants received have various objectives and compliance requirements. Management believes that all objectives and requirements have been met, or will be met within the time allotted by the grantor or donor.

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NOTE 9 - MARKET RISKS, UNCERTAIN RISKS, AND CONCENTRATION OF CREDIT RISKS (Continued)

Risk of Uncertainty

The Global Coronavirus Outbreak has not created any significant financial impact on the Organization at this time. However, any future cancellation of significant special fundraising events and unforeseen business interruptions caused by the Outbreak could have an adverse effect on the Organization's operations and cash flow.

NOTE 10 – DONOR ADVISED FUNDS

In 2018 the Organization developed a donor development fund with the Orange County Community Foundation (the "OCCF"). The donor advised funds are held by OCCF until the Organization decides to spend the funds. The balances of the donor advised fund as of December 31, 2020 and 2019 were \$114,482 and \$33,491, respectively.

NOTE 11 – FAIR VALUE MEASUREMENTS

GAAP emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As a basis for considering market participant assumptions in fair market value measurements, the fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

Level 1 inputs utilize quoted prices in active market for identical assets or liabilities that we have the ability to access. Level 2 inputs utilize other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs may include quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the asset or liability, such as interest rates, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs for the assets or liabilities, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

In instances where the determination of the fair value measurement is based upon inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

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NOTE 11 – FAIR VALUE MEASUREMENTS (Continued)

Fair values measured on a recurring basis

Fair values of assets measured on a recurring basis at December 31, 2020 are as follows:

| | <u>Fair Value</u> | <u>(Level 1)</u> | <u>(Level 2)</u> | <u>(Level 3)</u> |
|---------------------|-------------------|------------------|-------------------|-------------------|
| Donor advised funds | \$ 114,482 | | \$ 114,482 | |
| Goodwill, net | <u>544,000</u> | _____ | _____ | <u>\$ 544,000</u> |
| | <u>\$ 658,482</u> | ===== | <u>\$ 114,482</u> | <u>\$ 544,000</u> |

Fair values of assets measured on a recurring basis at December 31, 2019 are as follows:

| | <u>Fair Value</u> | <u>(Level 1)</u> | <u>(Level 2)</u> | <u>(Level 3)</u> |
|---------------------|-------------------|------------------|------------------|-------------------|
| Donor advised funds | \$ 33,491 | | \$ 33,491 | |
| Goodwill, net | <u>608,000</u> | _____ | _____ | <u>\$ 608,000</u> |
| | <u>\$ 641,491</u> | ===== | <u>\$ 33,491</u> | <u>\$ 608,000</u> |

Fair values for the beneficial interest in foundation endowment are determined by reference to quoted market prices and other relevant information generated by market transactions.

NOTE 12 – RELATED PARTY TRANSACTION

During the year ended December 31, 2020, the Organization obtained consultation services from the spouse of a senior manager. One of the heirs in the F.L.P. is a current member of the Organization’s board of directors. As of the years ending December 31, 2020 and 2019 the consulting fees paid for these services totaled \$60,000 and \$15,000, respectively.

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NOTE 13– SHARES RECEIVED FROM THE OLIN GROUP

On June 30, 2019, the Organization was gifted 100 percent of the shares of the Olin Group, Inc. (TOGI), a for profit consulting firm with ties to non-profit, public, private, and philanthropic sectors throughout the state of California. As a result of this gift the Organization is expected to continue a majority of TOGI's consulting work. The goodwill of \$640,000 arising from the gift consists largely of TOGI's client list and projected revenues. The following represents the recognized amount of identifiable assets acquired and liabilities assumed by the Organization:

| | | |
|---|-----------------|--------------------------|
| Fair Value of TOGI when gifted | | \$ 642,760 |
| Property, plant, and equipment | \$ 37,397 | |
| Accumulated depreciation | <u>(37,397)</u> | |
| Property, plant, and equipment, net | | - |
| Security deposit absorbed by the Organization | | (3,333) |
| Liability assumed | | <u>573</u> |
| Goodwill | | 640,000 |
| Less the accumulated amortization of goodwill | | <u>(96,000)</u> |
| Goodwill, net | | <u><u>\$ 544,000</u></u> |

The Organization is using the straight line method of amortization to amortize the goodwill over the next ten years. As of December 31, 2020 the balance of the goodwill was \$544,000.

NOTE 14– LEASE COMMITMENTS

The Organization entered into a non-cancelable operating lease agreement for office space which commenced December 1, 2018 and expires November 30, 2021 with monthly payments of \$2,500 and 5 percent annual increases.

The Organization entered into another non-cancelable operating lease agreement for additional office space which commenced December 1, 2018 and expires November 30, 2021 with monthly payments of \$600 and 5 percent annual increases.

The Organization entered into another non-cancelable operating lease agreement for additional office space which commenced May 1, 2020 and expires March 31, 2025 with monthly payments of \$8,400 and annual 2 to 3 percent increases.

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NOTE 14– LEASE COMMITMENTS (Continued)

The Organization entered into another non-cancelable operating lease agreement for additional office space which commenced May 1, 2019 and expires April 30, 2021 with monthly payments of \$1,958 and 2 percent annual increases.

The Organization entered into another non-cancelable operating lease agreement for additional office space which commenced July 1, 2019 and expires April 30, 2021 with monthly payments of \$10,434 and annual increases up to 3 percent to be determined on the anniversary of the lease.

The Organization entered into a non-cancelable operating lease agreement for 2 printers which commenced January 1, 2017 and expires March 31, 2022 with monthly payments of \$889 and a contract to buy printing supplies from the company.

The Organization entered into a non-cancelable operating lease agreement for 4 printers which commenced April 5, 2020 and expires June 30, 2025 with monthly payments of \$576 and a contract to buy printing supplies from the company.

The Organization entered into a non-cancelable operating lease agreement for a printer which commenced May 1, 2021 and expires April 30, 2024 with monthly payments of \$11,550.

Future minimum payments under the non-cancelable operating lease is summarized as follows:

| <u>Year Ending December 31,</u> | |
|-------------------------------------|---------------------|
| 2021 | \$ 331,054 |
| 2022 | 260,494 |
| 2023 | 251,857 |
| 2024 | 161,473 |
| 2025 | <u>30,672</u> |
| | <u>\$ 1,035,547</u> |

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NOTE 15 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, are comprised of the following:

| | |
|---|---------------------|
| Cash and cash equivalents | \$ 2,477,704 |
| Restricted Cash | 5,873,047 |
| Contracts and grants receivable | <u>861,570</u> |
| Financial assets, at year end | <u>9,212,321</u> |
| Less: those unavailable for general expenditures within one year, due to: | |
| Funds restricted for affiliates use | (4,563,464) |
| Funds not yet earned by the Organization | <u>(2,394,007)</u> |
| Total financial assets unavailable for general expenditure | <u>(6,957,471)</u> |
| Financial assets available to meet cash needs or general expenditures within one year | <u>\$ 2,254,850</u> |

The Organization's board of directors review and approve an annual budget made by management for Charitable Ventures of Orange County. The Organization's top management reviews each programs liquidity with its program manager on a regular basis and regulates the expenditures and revenues of each program.

NOTE 16 – SUBSEQUENT EVENTS

The Organization has evaluated events and transactions for potential recognition or disclosure through October 1, 2021, which represents the date the financial statements were available to be issued.