

CHAC

Financial Statements

June 30, 2021
(With Comparative Totals for 2020)



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
CHAC
Mountain View, California

We have audited the accompanying financial statements of CHAC (formerly known as Community Health Awareness Council) (a nonprofit corporation) ("CHAC"), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall 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 financial statements referred to above present fairly, in all material respects, the financial position of CHAC as of June 30, 2021, 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.



An independent firm
associated with Moore
Global Network Limited

Change in Accounting Principle

As described in Note 3 to the financial statements, the Organization has adopted Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (Topic 606)*. In addition, CHAC has elected to change its method of accounting with respect to the Paycheck Protection Program from the debt model to the conditional grant model. Our opinion is not modified with respect to those matters.

Emphasis of Matter

As described in Note 15 of the financial statements, on March 11, 2020, the World Health Organization declared the novel strain of coronavirus ("COVID-19") a global pandemic and recommended containment and mitigation measures worldwide. The ultimate financial impact and duration of COVID-19 cannot be reasonably estimated through the report date of January 18, 2022. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited CHAC's 2020 financial statements, and our report dated November 5, 2020 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Armanino^{LLP}
San Jose, California

January 18, 2022

CHAC
Statement of Financial Position
June 30, 2021
(With Comparative Totals for 2020)

	2021	2020
ASSETS		
Current assets		
Cash and cash equivalents	\$ 608,910	\$ 676,692
Accounts receivable	276,590	395,052
Contributions receivable	352,500	334,741
Investments	552,743	456,990
Prepaid expenses	41,048	24,687
Total current assets	1,831,791	1,888,162
Property and equipment, net	3,489,871	3,589,731
Deposits	54,189	39,655
Total assets	\$ 5,375,851	\$ 5,517,548
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 46,934	\$ 12,899
Accrued expenses	200,168	181,474
Refundable advance - Paycheck Protection Program	-	422,348
Total current liabilities	247,102	616,721
Funds held in trust	49,295	46,877
Total liabilities	296,397	663,598
Net assets		
Without donor restrictions		
Undesignated	188,280	32,408
Board designated scholarship fund	3,400	3,400
Board designated operating reserve	961,903	712,344
Board designated capital reserve	116,000	101,000
Invested in property and equipment	3,489,871	3,589,731
Total without donor restrictions	4,759,454	4,438,883
With donor restrictions	320,000	415,067
Total net assets	5,079,454	4,853,950
Total liabilities and net assets	\$ 5,375,851	\$ 5,517,548

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

CHAC
Statement of Activities
For the Year Ended June 30, 2021
(With Comparative Totals for 2020)

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
Support and revenue				
Support				
Corporate and foundation grants	\$ 117,131	\$ 393,430	\$ 510,561	\$ 541,443
Individual contributions	284,909	1,000	285,909	158,714
Joint Powers Agencies	1,088,550	-	1,088,550	887,300
Government grants - First 5	527,767	-	527,767	500,449
Contributed services	786,985	-	786,985	909,731
Contribution revenue - Paycheck Protection Program	422,348	-	422,348	-
Other government grants	-	-	-	174,847
Special events	-	-	-	23,616
Miscellaneous	-	-	-	306
Total support	<u>3,227,690</u>	<u>394,430</u>	<u>3,622,120</u>	<u>3,196,406</u>
Revenue				
Program service fees	306,539	-	306,539	363,938
Contract revenue	495,743	-	495,743	473,795
Net investment income	92,017	-	92,017	34,224
Total revenue	<u>894,299</u>	<u>-</u>	<u>894,299</u>	<u>871,957</u>
Net assets released from restriction	<u>489,497</u>	<u>(489,497)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>4,611,486</u>	<u>(95,067)</u>	<u>4,516,419</u>	<u>4,068,363</u>
Functional expenses				
Program services	3,598,295	-	3,598,295	3,267,168
Management and general	414,815	-	414,815	599,221
Fundraising	277,805	-	277,805	266,760
Total functional expenses	<u>4,290,915</u>	<u>-</u>	<u>4,290,915</u>	<u>4,133,149</u>
Change in net assets	320,571	(95,067)	225,504	(64,786)
Net assets, beginning of year	<u>4,438,883</u>	<u>415,067</u>	<u>4,853,950</u>	<u>4,918,736</u>
Net assets, end of year	<u>\$ 4,759,454</u>	<u>\$ 320,000</u>	<u>\$ 5,079,454</u>	<u>\$ 4,853,950</u>

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

CHAC
Statement of Functional Expenses
For the Year Ended June 30, 2021
(With Comparative Totals for 2020)

	Program Services				Support Services			2021 Total	2020 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	\$ 444,605	\$ 498,047	\$ 1,086,862	\$ 2,029,514	\$ 243,310	\$ 200,777	\$ 444,087	\$ 2,473,601	\$ 2,237,505
Payroll taxes	31,669	36,029	81,321	149,019	16,404	14,560	30,964	179,983	161,291
Employee benefits	31,672	26,577	56,424	114,673	17,461	9,342	26,803	141,476	125,069
Total salaries and related expenses	507,946	560,653	1,224,607	2,293,206	277,175	224,679	501,854	2,795,060	2,523,865
Contributed services	-	-	784,760	784,760	-	2,225	2,225	786,985	909,731
Professional fees	25,606	90,558	98,263	214,427	93,086	24,996	118,082	332,509	323,554
Depreciation	16,030	29,318	52,742	98,090	10,036	-	10,036	108,126	109,147
Occupancy	30,439	12,500	25,300	68,239	5,148	1,433	6,581	74,820	72,003
Dues/miscellaneous	679	10,790	10,702	22,171	5,317	7,040	12,357	34,528	43,477
Bad debt expense	-	32,025	579	32,604	-	-	-	32,604	21,451
Telecommunications	5,550	2,075	4,019	11,644	13,476	250	13,726	25,370	18,070
Stipends/intern	901	-	22,169	23,070	-	-	-	23,070	34,146
Supplies	6,613	6,757	5,707	19,077	586	191	777	19,854	20,658
Insurance	2,329	3,295	6,699	12,323	6,427	372	6,799	19,122	19,026
Postage/printing	84	502	99	685	16	10,837	10,853	11,538	11,443
Service charges	-	8,357	-	8,357	2,081	626	2,707	11,064	7,056
Office/computer equipment	1,731	2,509	4,621	8,861	782	320	1,102	9,963	14,671
Advertising	-	414	-	414	175	4,836	5,011	5,425	1,578
Mileage/parking/travel	367	-	-	367	510	-	510	877	3,273
	<u>\$ 598,275</u>	<u>\$ 759,753</u>	<u>\$ 2,240,267</u>	<u>\$ 3,598,295</u>	<u>\$ 414,815</u>	<u>\$ 277,805</u>	<u>\$ 692,620</u>	<u>\$ 4,290,915</u>	<u>\$ 4,133,149</u>
Percentage of total	<u>14 %</u>	<u>18 %</u>	<u>52 %</u>	<u>84 %</u>	<u>10 %</u>	<u>6 %</u>	<u>16 %</u>	<u>100 %</u>	

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

CHAC
Statement of Cash Flows
For the Year Ended June 30, 2021
(With Comparative Totals for 2020)

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Change in net assets	\$ 225,504	\$ (64,786)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	108,126	109,147
Bad debt expense	32,604	21,451
Net realized and unrealized gains on investments	(81,353)	(16,973)
Contributions received for long-term purposes	-	(174,847)
Changes in operating assets and liabilities		
Accounts receivable	85,858	(189,024)
Contributions receivable	(17,759)	(10,741)
Prepaid expenses	(16,361)	43,773
Deposits	(14,534)	(10,798)
Accounts payable	34,035	(9,927)
Accrued expenses	18,694	74,219
Refundable advance - Paycheck Protection Program	(422,348)	422,348
Funds held in trust	<u>2,418</u>	<u>8,280</u>
Net cash provided by (used in) operating activities	<u>(45,116)</u>	<u>202,122</u>
Cash flows from investing activities		
Purchases of investments	(17,424)	(83,333)
Proceeds from sale of investments	3,024	197,954
Purchases of property and equipment	<u>(8,266)</u>	<u>(179,853)</u>
Net cash used in investing activities	<u>(22,666)</u>	<u>(65,232)</u>
Cash flows from financing activities		
Contributions received for long-term purposes	<u>-</u>	<u>174,847</u>
Net cash provided by financing activities	<u>-</u>	<u>174,847</u>
Net increase (decrease) in cash and cash equivalents	(67,782)	311,737
Cash and cash equivalents, beginning of year	<u>676,692</u>	<u>364,955</u>
Cash and cash equivalents, end of year	<u>\$ 608,910</u>	<u>\$ 676,692</u>

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

CHAC
Notes to Financial Statements
June 30, 2021
(With Comparative Totals for 2020)

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 integral to a healthy 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

In response to the pandemic and shelter-in-place restrictions, CHAC adapted services to meet the changing needs of the community. A tele-health model was used for counseling services to reach clients in their place of shelter. A brief "check-in" phone model was adopted to help facilitate the well-being of community members experiencing duress. Parents/caregivers of school-aged youth received phone and video support to help mitigate the burden borne by students in an at-home "zoom school" environment. Social-emotional learning programs pivoted to engaging videos for students to participate when in-person groups were not feasible.

School-based services for youth and teens

CHAC therapists support the psychological and emotional well-being of 1,230 students in grades K-12 in 35 schools with more than 10,000 hours of counseling and social emotional learning programs. Parents and caregivers received 3,057 hours of support and education as they assumed more duties in 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.

CHAC
Notes to Financial Statements
June 30, 2021
(With Comparative Totals for 2020)

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. 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 are provided free of charge to students and their families and are offered through four school districts: Mountain View-Whisman Elementary, Mountain View-Los Altos Union High School, Los Altos Elementary, and Sunnyvale Elementary, including six high-needs Title I schools.

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

CHAC served 435 unduplicated individuals, couples, and families of all ages with 7,500 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 during the COVID-19 pandemic and always on a sliding scale fee payment plan; no one is turned away due to inability to pay.

CHAC's Assessment Clinic provides 20 individuals with 476 hours of comprehensive psychological assessments using best-practice models and evidence-based testing measures.

CHAC's Family Resource Centers (FRCs) served more than 8,300 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 to encourage further.

Specialized programs for Substance Use, and culturally attuned services for our Latinx and LGBTQ+ community are provided through individualized services and group/support services.

CHAC
Notes to Financial Statements
June 30, 2021
(With Comparative Totals for 2020)

2. PROGRAM SERVICES (continued)

More than 152 unduplicated individuals and families were served with more than 1,603 hours of services in our Latinx, Substance and LGBTQ+ services. Since its inception, CHAC has focused on prevention of chemical dependency and other compulsive tendencies. 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 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 Latinx program with services in Spanish that include individual and group counseling, crisis intervention, nutrition and housing support, parenting classes, legal and immigration assistance, financial counseling, support groups, and parenting classes.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and financial statement presentation

CHAC prepares its financial statements in accordance with generally accepted accounting principles in the United States of America ("GAAP"), which involves the application of accrual accounting; consequently support and revenue is recognized when earned, and expenses are recorded when the obligation is incurred. In accordance with GAAP, the Organization 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.
 - o *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

CHAC
Notes to Financial Statements
June 30, 2021
(With Comparative Totals for 2020)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of accounting and financial statement 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 delegated 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 not met as of the end of the current reporting period.

Change in accounting principle

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topics 606)*. This ASU provides a five-step analysis of contracts to determine when and how revenue is recognized and replaces most existing revenue recognition guidance in U.S. GAAP. The core principle of the new guidance is that an entity should reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. The Organization adopted ASU 2014-09 with a date of the initial application of July 1, 2020, using the full retrospective method. The adoption of ASU 2014-09 did not have a significant impact on the Organization's financial position, result of operations, or cash flows. No changes were required to previously reported revenue as a result of the adoption of this standard.

CHAC
Notes to Financial Statements
June 30, 2021
(With Comparative Totals for 2020)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Change in accounting principle (continued)

CHAC has also determined that treatment of its Paycheck Protection Program ("PPP") loan as a conditional grant is more appropriate than the presentation as debt used in the prior year. This presentation is preferable because the arrangement, in substance, is a conditional grant that CHAC is entitled to at the point at which the barriers were overcome. CHAC incurred qualifying expenses and maintained its headcount as required. In addition, SBA's review and approval should be treated as an additional condition under FASB ASC 958-605. CHAC has determined that recognition of the full amount during the fiscal year ended June 30, 2021 is appropriate due to the level of uncertainty around the program in 2020 and receipt of approval from SBA in April 2021 (see Note 9).

Use of estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of support, revenue, and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents include highly liquid investments and investments with a maturity of three months or less. 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. Management believes it is not exposed to any significant risk on cash accounts.

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, 2021 and 2020, the allowance for doubtful accounts was \$32,003 and \$21,451 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.

CHAC
Notes to Financial Statements
June 30, 2021
(With Comparative Totals for 2020)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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.

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.

CHAC
Notes to Financial Statements
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(With Comparative Totals for 2020)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements (continued)

- *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 the 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, 2021 and 2020, compensated absences liabilities were \$129,278 and \$106,144, 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.

CHAC
Notes to Financial Statements
June 30, 2021
(With Comparative Totals for 2020)

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 government 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. Under ASU 2018-08, 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 23,349 and 28,769 hours for the years ended June 30, 2021 and 2020, respectively, as counselors and educators for the various programs sponsored by CHAC during those years. The fair value per hour is based on 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, 2021 and 2020, respectively. The estimated fair value of these contributed services recognized as revenues was \$786,985 and \$909,731 for the years ended June 30, 2021 and 2020, 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 follows the following steps to determine revenue recognition:

- 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.

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Notes to Financial Statements
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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Program service fees and contract revenue recognition (continued)

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

Income tax status

CHAC is a qualified organization exempt from federal and California income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code (IRC) and 23701(d) of the State of California Revenue and Taxation Code. As such, CHAC qualifies for the maximum charitable contribution deduction by donors.

CHAC has evaluated its current tax positions and has concluded that as of June 30, 2021, CHAC does not have any significant uncertain tax positions for which a reserve would be necessary.

Functional allocation of expenses

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

Joint cost allocation

Expenses that have the result of furthering fundraising as well as the program services and/or management functions are allocated based on the proportionate value of the expense to each function. Newsletters and certain special event costs are also allocated between program services, management general and/or fundraising functions, based on the proportionate value of the expense to each function.

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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with CHAC's financial statements for the year ended June 30, 2020, from which the summarized information was derived.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent events

Subsequent events have been evaluated through January 18, 2022, which is the date the financial statements were available to be issued. Based upon this evaluation, it was determined no subsequent events occurred that require recognition or additional disclosure in the financial statements, except as disclosed in Note 17.

4. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following:

	2021	2020
Contracts and grants	\$ 228,266	\$ 349,286
Client fees	<u>80,327</u>	<u>67,217</u>
	308,593	416,503
Allowance for doubtful accounts	<u>(32,003)</u>	<u>(21,451)</u>
	<u>\$ 276,590</u>	<u>\$ 395,052</u>

5. INVESTMENTS

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

	Level 1	Level 2	Level 3	Fair Value
Exchange traded funds	<u>\$ 552,743</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 552,743</u>

The following table sets forth by level, within the fair value hierarchy, CHAC's investments at fair value as of June 30, 2020:

	Level 1	Level 2	Level 3	Fair Value
Exchange traded funds	<u>\$ 456,990</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 456,990</u>

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5. INVESTMENTS (continued)

Net investment income consisted of the following:

	2021	2020
Interest and dividends	\$ 10,664	\$ 17,251
Net realized and unrealized gains	81,353	16,973
	\$ 92,017	\$ 34,224

6. PROPERTY AND EQUIPMENT

Property and equipment at cost consisted of the following:

	2021	2020
Land	\$ 1,371,249	\$ 1,371,249
Buildings and improvements	2,451,800	2,443,534
Furniture and equipment	124,100	124,100
Other property and equipment	169,363	169,363
	4,116,512	4,108,246
Accumulated depreciation	(626,641)	(518,515)
	\$ 3,489,871	\$ 3,589,731

Depreciation expense was \$108,126 and \$109,147 for the years ended June 30, 2021 and 2020, 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, 2021 and 2020, the balance for the Challenge Team was \$49,295 and \$46,877, respectively.

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.

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9. REFUNDABLE ADVANCE - PAYCHECK PROTECTION PROGRAM

On May 7, 2020, the Organization received a loan from a qualified lender under the Paycheck Protection Program, a program implemented by the U.S. Small Business Administration ("SBA") under the Coronavirus Aid, Relief, and Economic Security Act ("CARES"), 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. Such forgiveness will be determined based on the use of the loan proceeds for payroll costs, rent and utility expenses and the maintenance of workforce and compensation levels with certain limitations.

On June 5, 2020, the Paycheck Protection Flexibility Act ("PPPFA") was signed into law, and was followed by revised forgiveness applications on June 16, 2020 and revised interim final rules ("IFRS") on June 22, 2020. The enactment of PPPFA and subsequent releases of the related IFRS and forgiveness applications provided several structural changes to the program aimed to provide businesses with added flexibility to utilize the funds and to be able to obtain forgiveness. The primary modifications include: reducing from 75% to 60% the percent of a borrower's loan proceeds which must be used for payroll costs; increase from 8 weeks to 24 weeks the covered period, which is the period eligible costs can qualify for forgiveness; extended the deferral period for principal and interest on the loan to the date SBA remits the loan forgiveness amount to the lender or ten months after the loan forgiveness covered period if the borrower has not applied for forgiveness.

In accordance with generally accepted accounting principles, the Organization has two options to record the transactions of PPP loan. An organization can record the PPP loan as a loan payable when receives the loan proceeds, and other income when receives loan forgiveness approval. If an organization expects to meet the PPP eligibility criteria and concludes that the PPP loan represents a grant, the PPP loan can be also recorded as refundable advance at receiving, and recognized as contribution revenue when conditions are met.

The Organization expects to meet the PPP's eligibility criteria and, therefore, has concluded that the PPP loan represents, in substance, a grant that is expected to be forgiven. As a result, the Organization has 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 full loan amount of \$422,348 from the SBA, resulting in recognition of the entire amount as contribution revenue in the accompanying financial statements.

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10. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

	Balance at June 30, 2020	Contributions	Releases	Balance at June 30, 2021
Prevention plus program	\$ 332,062	\$ 384,430	\$ (396,492)	\$ 320,000
Others	83,005	10,000	(93,005)	-
	\$ 415,067	\$ 394,430	\$ (489,497)	\$ 320,000

11. REVENUE FROM JOINT POWERS AGENCIES

During the years ended June 30, 2021 and 2020, funding was authorized by Joint Powers Agencies as follows:

	2021	2020
School districts:		
Mountain View / Whisman School District	\$ 360,000	\$ 360,000
Mountain View / Los Altos Union High School District	292,000	188,300
Los Altos School District	175,000	175,000
	827,000	723,300
Cities and towns:		
City of Mountain View	196,000	109,500
City of Los Altos	48,125	44,000
Town of Los Altos Hills	17,425	10,500
	261,550	164,000
	\$ 1,088,550	\$ 887,300

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, 2021 and 2020 were \$12,200 and \$12,738, respectively. There were \$1,445 of claims paid for the year ended June 30, 2021, and there were no claims paid for the year ended June 30, 2020. The policy calls for a reserve account to provide for future claims based on a profile. The reserve balances at June 30, 2021 and 2020 were \$54,189 and \$39,655, respectively, and reported as "Deposits" on the statement of financial position.

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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 working more than twenty hours a week are eligible to participate immediately with their employment in the 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 the IRS limitations for each year. Matching contributions for the years ended June 30, 2021 and 2020 were \$31,011 and \$28,906, 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. Per 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 payment 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 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 a use fee 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 Organization's use fee will increase to \$2,600 per month. Thus, the scheduled minimum lease payments under the lease term is \$25,200 for the year ending June 30, 2022.

15. RISKS AND UNCERTAINTIES

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus ("COVID-19") a global pandemic and recommended containment and mitigation measures worldwide. The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses and shelter in place orders. In response, the U.S. Government enacted the CARES Act, which includes significant provisions to provide relief and assistance to affected organizations.

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15. RISKS AND UNCERTAINTIES (continued)

COVID-19 could adversely affect the economies and financial markets of many countries, namely the United States, resulting in an economic downturn that could affect the Organization in a variety of ways. While the Organization pivoted the majority services to a tele-health model (see Note 2), it cannot anticipate all of the ways in which COVID-19 could adversely impact its operations and funding. Although the Organization is continuing to monitor and assess the impact of the COVID-19 outbreak, the ultimate financial impact and duration cannot be reasonably estimated at this time.

16. LIQUIDITY AND AVAILABILITY OF RESOURCES

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, 2021. 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, 2021 and 2020 to fund general expenditures and other obligations when they become due:

	2021	2020
Financial assets		
Cash and cash equivalents	\$ 608,910	\$ 676,692
Accounts receivable	276,590	395,052
Contributions receivable	352,500	334,741
Investments	552,743	456,990
	1,790,743	1,863,475
Less: amounts unavailable for general expenditures within one year		
Net assets restricted for a specified purpose	(320,000)	(415,067)
Funds held in trust	(49,295)	(46,877)
Board designated scholarship fund	(3,400)	(3,400)
Board designated capital reserve	(116,000)	(101,000)
	(488,695)	(566,344)
	\$ 1,302,048	\$ 1,297,131

As of June 30, 2021 and 2020, the financial assets include board designated operating reserve of \$961,903 and \$712,344, respectively. The Organization can request the funds for general operating use purpose upon board approval (see Note 3).

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17. SUBSEQUENT EVENTS

On September 1, 2021, the Organization entered into a new agreement with Trinity UMC to rent the aforementioned facilities for a new term of two years, commencing on the same date (see Note 14).