

# CHAC

**Financial Statements with Report of Independent Auditors  
June 30, 2023 (With Comparative Totals for 2022)**

## TABLE OF CONTENTS

	<u>Page No</u>
Independent Auditor's Report	1 – 2
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to the Financial Statements	7 - 19

Report of Independent Auditors

To the Board of Directors of  
CHAC:

**Opinion**

We have audited the accompanying financial statements of CHAC (formerly known as Community Health Awareness Council, or “CHAC”), a California non-profit corporation, which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CHAC as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of CHAC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about CHAC’s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

**Auditors’ Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of CHAC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about CHAC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

#### **Report on Summarized Comparative Information**

We have previously audited CHAC's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 28, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

#### **Change in Accounting Principle**

As discussed in Note 3 to the financial statements, CHAC adopted accounting standards changes related to accounting for and disclosing leasing arrangements. Our opinion is not modified with respect to this matter.

*Novogradac & Company LLP*

Walnut Creek, California  
December 7, 2023

**CHAC**  
Statement of Financial Position  
June 30, 2023  
(With Comparative Totals for 2022)

	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 683,063	\$ 637,118
Accounts receivable, net	96,681	567,967
Contributions receivable	304,000	280,000
Investments, at fair value	141,832	480,424
Prepaid expenses	64,255	46,741
Total current assets	1,289,831	2,012,250
Property and equipment, net	3,289,984	3,389,534
Other assets		
Contributions receivable, net of current portion	304,000	-
Deposits	50,811	61,676
Total other assets	354,811	61,676
Total assets	\$ 4,934,626	\$ 5,463,460
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable	\$ 37,958	\$ 69,628
Accrued expenses	155,313	194,928
Total current liabilities	193,271	264,556
Funds held in trust	51,778	54,250
Total liabilities	245,049	318,806
Net assets		
Without donor restrictions		
Undesignated	-	321,117
Board designated scholarship fund	3,400	3,400
Board designated operating reserve	641,743	1,027,103
Board designated capital reserve	116,000	116,000
Invested property and equipment	3,289,984	3,389,534
Total without donor restrictions	4,051,127	4,857,154
With donor restrictions	638,450	287,500
Total net assets	4,689,577	5,144,654
Total liabilities and net assets	\$ 4,934,626	\$ 5,463,460

see accompanying notes

**CHAC**  
Statement of Activities  
For the Year Ended June 30, 2023  
(With Comparative Totals for 2022)

	Without Donor Restrictions	With Donor Restrictions	2023 Total	2022 Total
Support and revenue				
Support				
Corporate and foundation grants	\$ 139,483	\$ 673,450	\$ 812,933	\$ 516,541
Individual contributions	195,083	-	195,083	155,611
Joint Power Agencies	1,725,546	-	1,725,546	1,529,200
Government grants - First 5	528,141	-	528,141	509,922
Contributed services	753,345	-	753,345	945,919
Total support	<u>3,341,598</u>	<u>673,450</u>	<u>4,015,048</u>	<u>3,657,193</u>
Revenue				
Program service fees	211,552	-	211,552	276,368
Contract revenue	399,000	-	399,000	683,099
Net investment (loss) income	30,827	-	30,827	(68,315)
Miscellaneous	45	-	45	-
Total revenue	<u>641,424</u>	<u>-</u>	<u>641,424</u>	<u>891,152</u>
Net assets released from restriction	322,500	(322,500)	-	-
Total support and revenue	<u>4,305,522</u>	<u>350,950</u>	<u>4,656,472</u>	<u>4,548,345</u>
Functional expenses				
Program services	4,137,794	-	4,137,794	3,729,102
Management and general	787,432	-	787,432	590,431
Fundraising	186,323	-	186,323	163,612
Total functional expenses	<u>5,111,549</u>	<u>-</u>	<u>5,111,549</u>	<u>4,483,145</u>
Change in net assets	(806,027)	350,950	(455,077)	65,200
Net assets, beginning of year	<u>4,857,154</u>	<u>287,500</u>	<u>5,144,654</u>	<u>5,079,454</u>
Net assets, end of year	<u>\$ 4,051,127</u>	<u>\$ 638,450</u>	<u>\$ 4,689,577</u>	<u>\$ 5,144,654</u>

see accompanying notes

**CHAC**  
Statement of Functional Expenses  
For the Year Ended June 30, 2023  
(With Comparative Totals for 2022)

	Program Services				Support Services			2023 Total	2022 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	\$ 413,384	\$ 538,075	\$ 1,455,741	\$ 2,407,200	\$ 415,223	\$ 136,497	\$ 551,720	\$ 2,958,920	2,294,811
Payroll taxes	30,905	39,766	109,721	180,392	31,445	10,043	41,488	221,880	172,011
Employee benefits	25,428	13,560	59,506	98,494	35,976	4,853	40,829	139,323	135,200
Total salaries and related expenses	469,717	591,401	1,624,968	2,686,086	482,644	151,393	634,037	3,320,123	2,602,022
Contributed services	-	-	753,345	753,345	-	-	-	753,345	945,919
Professional fees	32,399	155,918	151,045	339,362	250,807	14,115	264,922	604,284	484,539
Depreciation	16,597	30,121	54,374	101,092	10,045	-	10,045	111,137	109,972
Occupancy	36,084	15,097	32,856	84,037	8,649	1,862	10,511	94,548	91,361
Dues/miscellaneous	1,511	9,168	9,857	20,536	5,760	6,281	12,041	32,577	46,500
Bad debt expense	-	62,306	-	62,306	-	-	-	62,306	18,766
Telecommunications	2,123	2,219	5,220	9,562	21,270	245	21,515	31,077	28,464
Stipends/intern	1,249	-	28,196	29,445	-	-	-	29,445	58,522
Supplies	2,655	1,702	15,416	19,773	2,275	1,128	3,403	23,176	43,557
Insurance	1,603	2,919	6,835	11,357	2,952	309	3,261	14,618	19,814
Postage/printing	34	208	281	523	389	9,004	9,393	9,916	2,482
Service charges	-	12,168	-	12,168	1,848	327	2,175	14,343	15,068
Office/computer equipment	926	1,649	3,757	6,332	793	187	980	7,312	15,315
Advertising	-	-	-	-	-	1,472	1,472	1,472	-
Mileage/parking/travel	1,870	-	-	1,870	-	-	-	1,870	844
Total expenditures	<u>\$ 566,768</u>	<u>\$ 884,876</u>	<u>\$ 2,686,150</u>	<u>\$ 4,137,794</u>	<u>\$ 787,432</u>	<u>\$ 186,323</u>	<u>\$ 973,755</u>	<u>\$ 5,111,549</u>	<u>4,483,145</u>
Percentage of total	<u>11.09%</u>	<u>17.31%</u>	<u>52.55%</u>	<u>80.95%</u>	<u>15.40%</u>	<u>3.65%</u>	<u>19.05%</u>	<u>100.00%</u>	

see accompanying notes

**CHAC**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2023**  
(With Comparative Totals for 2022)

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Change in net assets	\$ (455,077)	\$ 65,200
Adjustments to reconcile change in net assets to		
Net cash (used in) provided by operating activities		
Depreciation	111,137	109,972
Bad debt expense	62,306	18,766
Net realized and unrealized (gains) losses on investments	(15,748)	79,036
Changes in operating assets and liabilities		
Accounts receivable	408,980	(310,143)
Contributions receivable	(328,000)	72,500
Prepaid expenses	(17,514)	(5,693)
Deposits	10,865	(7,487)
Accounts payable	(31,670)	22,694
Accrued expenses	(39,615)	(5,240)
Funds held in trust	(2,472)	4,955
Net cash (used in) provided by operating activities	<u>(296,808)</u>	<u>44,560</u>
 Cash flows from investing activities		
Purchases of investments	(20,057)	(11,225)
Proceeds from sale of investments	374,397	4,508
Purchases of property and equipment	<u>(11,587)</u>	<u>(9,635)</u>
Net cash provided by (used in) investing activities	<u>342,753</u>	<u>(16,352)</u>
 Net increase in cash and cash equivalents	45,945	28,208
 Cash and cash equivalents, beginning of year	<u>637,118</u>	<u>608,910</u>
 Cash and cash equivalents, end of year	<u>\$ 683,063</u>	<u>\$ 637,118</u>

see accompanying notes



CHAC  
Notes to Financial Statements  
June 30, 2023  
(With Comparative Totals for 2022)

1. Nature of operations

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

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

2. Program services

*Into the third full year of the COVID-19 pandemic, CHAC continued to adapt services to meet the changing needs of the community. A hybrid model of in-person and tele-health was used for counseling services to reach clients in their preferred place of service. An in-person model was used for services provided to the school districts and clinic services were offered both in-person and via tele-health for counseling and assessment services.*

*School-based services for youth and teens.*

CHAC therapists supported students with in-person services and full classroom interventions for a second year after the pandemic imposed social isolation in shelter-in-place. Students and teachers continued their connection and learning in the in-person environment. CHAC therapists supported the psychological and emotional well-being of 4,824 students in grades K-12 in 33 schools with more than 27,000 hours of counseling and social emotional learning programs. Parents and caregivers received 4,335 hours of support and education to assist with the care of their youth.

CHAC provides ongoing counseling for students with behavioral and emotional challenges with a goal of serving the WHOLE child, in partnership with the school. CHAC’s clinicians take a collaborative approach, providing students with a safe environment with a trusted adult to practice new ways of coping with challenging emotions, build skills to improve school functioning, and encourage healthy social relationships. CHAC’s integrated model for mental health seeks to increase protective factors that reduce high risk behaviors and build personal assets.

Research shows that social-emotional learning (“SEL”) improves academic achievement and increases prosocial behaviors such as kindness, sharing, and empathy; improves student attitudes toward school; and reduces depression and stress among students. CHAC offers several innovative SEL programs targeted to help students succeed during their elementary and middle school journeys. CHAC offers the full classroom SEL programs for different grade levels and activities, based on district requests/needs.

CHAC  
Notes to Financial Statements  
June 30, 2023  
(With Comparative Totals for 2022)

2. Program services (continued)

CHAC revised its SEL program from a small group format to a full classroom format for grades 1<sup>st</sup>, 3<sup>rd</sup>, and 5<sup>th</sup>. CHAC continued with its *BackTogether* SEL program for grades 2<sup>nd</sup> and 4<sup>th</sup>. CHAC piloted a SEL program for Transitional Kindergarten and Kindergarten students in two of its districts. Additionally, CHAC introduced curriculum-based Psycho-Ed groups to address specific topics related to students' needs. Topics include: Healthy Friendships, Anxiety Management, Newcomers, Pride Tribe, and Mindfulness. CHAC's most popular groups were Healthy Friendships and Anxiety Management. CHAC's SEL programs served 3,687 students for the year ended June 30, 2023.

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

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

CHAC served 273 unduplicated individuals, couples, and families of all ages with 4,176 hours of counseling and support to provide what CHAC believes in most: the value of each individual, the importance of family, and the necessity of community. CHAC's counseling programs serve all ages on a sliding scale fee payment plan and address a variety of emotional challenges that cause stress within their families including bullying, anxiety, sadness/depression, aggressive or defiant behavior, drug and alcohol abuse, physical and psychological abuse, truancy, domestic violence, gang participation, child custody conflicts, suicide prevention, and economic hardship. Clinical services are provided via tele-health and in-person and always on a sliding scale fee payment plan; no one is turned away due to the inability to pay.

CHAC's Assessment Clinic provided 13 individuals with 142 hours of comprehensive neuropsychological assessments using best-practice models and evidence-based testing measures. Assessment services are provided on a sliding scale fee payment plan.

More than 70 unduplicated individuals and families were served in CHAC's Latinx program with services in Spanish that include individual and group counseling, crisis intervention, nutrition and housing support, legal and immigration assistance, financial counseling, support groups, and parenting classes.

*Family resource centers*

CHAC's Family Resource Centers (FRCs) served more than 6,453 families with support from FIRST 5 Santa Clara County and other community partners with programs that help parents and other caregivers understand the importance of physical and social-emotional development during the first years of life and provide the family and community engagement needed to build strong communities. FRC classes, events, and individual consultations foster ways of building and maintaining a healthy connection between parent and child and increasing resilience in the family. FRC staff also train a dedicated group of volunteers, many of whom started as participants, to carry out CHAC's vision and mission.

CHAC  
Notes to Financial Statements  
June 30, 2023  
(With Comparative Totals for 2022)

3. Summary of significant accounting policies

Basis of accounting

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

Basis of presentation

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

- *Net assets without donor restrictions:* assets over which the Board of Directors has discretionary control in carrying out the operations of the Organization. Under this category, the Organization maintains an operating fund plus any net assets designated by the Board for specific purposes and invested in property and equipment.
  - *Board designated net assets* – assets that are not subject to donor-imposed restrictions that have been designated by the Board for specific purposes. These funds may be disbursed at the discretion of the Board.
    - *Board designated scholarship fund* – the purpose of the Scholarship Fund is to accumulate reserves to fund future scholarships
    - *Board designated operating reserve* – the purpose of the Operating Reserve is to help ensure the long-term ability of CHAC to meet its mission. CHAC will maintain the Operating Reserve to achieve the following objectives:
      - To create an internal line of credit to manage cash flow and maintain financial flexibility
      - To enable CHAC to sustain operations through delays in payments of committed funding
      - To pay for one-time, nonrecurring expenses that will build capacity, such as staff development

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

  - *Board designated capital reserve* – the purpose of the Capital Reserve is to provide the replacement of capital items that have reached the end of their useful life and any new capital items that are needed for operations.

- *Net assets with donor restrictions:* assets which are subject to donor restrictions and for which the applicable restriction was met as of the end of the current reporting period.

CHAC  
Notes to Financial Statements  
June 30, 2023  
(With Comparative Totals for 2022)

3. Summary of significant accounting policies

Basis of presentation (continued)

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

Estimates

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

Cash and cash equivalents

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

Concentration of credit risk

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

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, 2023 and 2022, the allowance for doubtful accounts was \$62,306 and \$18,766, 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. 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. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Discount amortization is included in contribution revenue. Conditional promises to give are not included as support until the conditions are met.

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.

CHAC  
Notes to Financial Statements  
June 30, 2023  
(With Comparative Totals for 2022)

3. Summary of significant accounting policies (continued)

Investments (continued)

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

Fair value measurements

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

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

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

CHAC  
Notes to Financial Statements  
June 30, 2023  
(With Comparative Totals for 2022)

3. Summary of significant accounting policies (continued)

Property and equipment

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

Compensated absences

Accumulated unpaid employee vacation benefits are recognized as liabilities when employees have earned such compensated absences and to the extent that it is probable that these will be paid upon termination or retirement. The Organization's policy on sick leave benefits is to record amounts as operating expenses in the period sick leave is taken. As of June 30, 2023 and 2022, compensated absences liabilities were \$84,519 and \$112,494, 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.

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

CHAC  
Notes to Financial Statements  
June 30, 2023  
(With Comparative Totals for 2022)

3. Summary of significant accounting policies (continued)

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 20,186 and 26,601 hours for the years ended June 30, 2023 and 2022, respectively, as counselors and educators for the various programs sponsored by CHAC during those years. The fair value per hour is based in a published study titled Independent Sector Study for Fair Value of Volunteer Services (updated annually from the Bureau of Labor Statistics) which provides annual national and state rates. The California rates were used for the years ended June 30, 2023 and 2022, respectively. The estimated fair value of these contributed services recognized as revenues was \$753,345 and \$945,919 for the years ended June 30, 2023 and 2022, 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.

Contributed services for the years ended June 30, 2023 and 2022 consisted of the following:

	<u>2023</u>	<u>2022</u>
Individual counseling	\$ 522,614	\$ 525,699
Group counseling	93,449	65,714
SEL & educational group	411	217,258
Case management	<u>136,871</u>	<u>137,248</u>
Total contributed services	<u>\$ 753,345</u>	<u>\$ 945,919</u>

Program service fees and contract revenue recognition

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

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

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

Income taxes

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

CHAC  
Notes to Financial Statements  
June 30, 2023  
(With Comparative Totals for 2022)

3. Summary of significant accounting policies (continued)

Income taxes (continued)

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

Functional expenses

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

Comparative financial information

The financial statements include certain prior year summarized comparative information in total but not by net asset class of functional expenses categories. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with CHAC's financial statements for the year ended June 30, 2022, from which the summarized information was derived.

Leases

The Organization determines if an arrangement is a lease at inception. An arrangement is a lease if the arrangement conveys a right to direct the use of and to obtain substantially all of the economic benefits from the use of an asset for a period of time in exchange for consideration.

Operating lease right-of-use assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. The Organization uses a risk-free rate at the commencement date in determining the present value of lease payments.

The operating lease right-of-use asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Change in accounting principle

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Codification ("ASC") 842, Leases ("FASB ASC 842") to increase transparency and comparability among organizations by requiring the recognition of lease assets and lease liabilities on the balance sheet by lessees and the disclosure of key information about leasing arrangements.



CHAC  
Notes to Financial Statements  
June 30, 2023  
(With Comparative Totals for 2022)

3. Summary of significant accounting policies (continued)

Change in accounting principle (continued)

FASB ASC 842 was adopted July 1, 2022 with certain practical expedients available. Lease disclosures for the year ended June 30, 2022 are made under prior lease guidance in FASB ASC 840.

The Organization elected the available practical expedient, as an accounting policy election, to apply the short-term lease exception, which does not require the capitalization of leases with terms of 12 months or less.

4. Accounts receivable

Accounts receivable consisted of the following:

	<u>2023</u>	<u>2022</u>
Contracts and grants	\$ 87,855	\$ 499,263
Client fees	<u>71,132</u>	<u>87,470</u>
Gross accounts receivable	158,987	586,733
Less: allowance for doubtful accounts	<u>(62,306)</u>	<u>(18,766)</u>
Total accounts receivable	<u>\$ 96,681</u>	<u>\$ 567,967</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, 2023 and 2022:

	<u>June 30, 2023</u>			<u>Fair Value</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Measurements</u>
Exchange traded funds	<u>\$ 141,832</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 141,832</u>
	<u>June 30, 2022</u>			<u>Fair Value</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Measurements</u>
Exchange traded funds	<u>\$ 480,424</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 480,424</u>

Net investment income (loss) consisted of the following:

	<u>2023</u>	<u>2022</u>
Interest and dividends	\$ 15,079	\$ 10,721
Net realized and unrealized gains (losses)	<u>15,748</u>	<u>(79,036)</u>
Net investment income (loss)	<u>\$ 30,827</u>	<u>\$ (68,315)</u>

CHAC  
Notes to Financial Statements  
June 30, 2023  
(With Comparative Totals for 2022)

6. Property and equipment

Property and equipment at cost consisted of the following:

	<u>2023</u>	<u>2022</u>
Land	\$ 1,371,249	\$ 1,371,249
Buildings and improvements	2,466,160	2,461,435
Furniture and equipment	130,962	124,100
Other property and equipment	<u>169,363</u>	<u>169,363</u>
Total property and equipment	4,137,734	4,126,147
Accumulated depreciation	<u>(847,750)</u>	<u>(736,613)</u>
Property and equipment, net	<u>\$ 3,289,984</u>	<u>\$ 3,389,534</u>

Depreciation expense was \$111,137 and \$109,972 for the years ended June 30, 2023 and 2022, 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, 2023 and 2022, the balance for the Challenge Team was \$51,778 and \$54,250, 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.

9. Net assets with donor restrictions

Net assets with donor restrictions consisted of the following:

	<u>Balance at</u>	<u>Contributions</u>	<u>Releases</u>	<u>Balance at</u>
	<u>June 30, 2022</u>			<u>June 30, 2023</u>
Prevention plus program	\$ 287,500	\$ 673,450	\$ (322,500)	\$ 638,450

CHAC  
Notes to Financial Statements  
June 30, 2023  
(With Comparative Totals for 2022)

10. Revenue from Joint Powers Agencies

During the years ended June 30, 2023 and 2022, funding was authorized by Joint Power Agencies as follows:

	2023	2022
School districts		
Mountain View / Whisman School District	\$ 624,529	\$ 396,000
Mountain View / Los Altos Union High School District	459,157	443,000
Los Altos School District	424,000	225,000
Total school districts	1,507,686	1,064,000
Cities and towns		
City of Mountain View	128,000	221,000
City of Los Altos	55,860	124,000
Town of Los Altos	34,000	120,200
Total cities and towns	217,860	465,200
Total revenue from Joint Power Agencies	\$ 1,725,546	\$ 1,529,200

11. 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, 2023 and 2022 were \$8,330 and \$11,937, respectively. Claims paid for the year ended June 30, 2023 was \$3,803, and there were no claims paid for the year ended June 30, 2022. The policy calls for a reserve account to provide for future claims based on a profile. The reserve balances at June 30, 2023 and 2022 were \$50,811 and \$61,676, respectively, and reported as "Deposits" on the statement of financial position.

12. Retirement plan

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

CHAC contributes to the retirement savings accounts of employees who choose to participate in the retirement plan. CHAC will equally match employee contributions up to 3 percent of employee earnings. Employee contributions are subject to IRS limitations for each year. Matching contributions for the years ended June 30, 2023 and 2022 were \$27,601 and \$31,555, respectively.

CHAC  
Notes to Financial Statements  
June 30, 2023  
(With Comparative Totals for 2022)

13. Facility lease

On September 1, 2021, the Organization entered into a lease agreement with Trinity United Methodist Church (“Trinity UMC”) to rent certain facilities at 748 Mercy Street, Mountain View, California for a term of two years, commencing on the same date. In accordance with the agreement, the Organization pays \$1,900 per month until the point in time when COVID-19 restrictions and precautions enable the Organization to resume indoor preschool activities, or January 1, 2022, whichever is later. Upon resumption of indoor preschool activities, the rent will increase to \$2,600 per month. As of June 30, 2022, monthly rental payments remained at \$1,900 per month.

On July 1, 2022, the Organization entered into a new lease agreement with Trinity UMC to rent the aforementioned facilities for a new term of one year, commencing on the same date, and ending on June 30, 2023. In accordance with the agreement, the Organization pays \$2,200 per month. For the year ended June 30, 2023, total monthly rental payments were \$26,100, and are reported in “Occupancy” on the statement of functional expenses.

14. Liquidity and availability of financial assets

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

Accounts receivable consist of amounts expected to be received within one year from June 30, 2023. 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, 2023 and 2022 to fund general expenditures and other obligations when they become due:

	2023	2022
Financial assets		
Cash and cash equivalents	\$ 683,063	\$ 637,118
Accounts receivable	96,681	567,967
Contributions receivable	304,000	280,000
Investments	141,832	480,424
Total financial assets	1,225,576	1,965,509
Less: amounts unavailable for general expenditures within one year		
Net assets restricted for a specified purpose	(334,450)	(287,500)
Funds held in trust	(51,778)	(54,250)
Board designated scholarship fund	(3,400)	(3,400)
Board designated capital reserve	(116,000)	(116,000)
Total amounts unavailable for general expenditures within one year	(505,628)	(461,150)
Total available financial assets	\$ 719,948	\$ 1,504,359

As of June 30, 2023 and 2022, the financial assets include board designated operating reserve of \$641,743 and \$1,027,103 for each respective year. The Organization can request the funds for general operating use purpose upon board approval (see Note 3).

CHAC  
Notes to Financial Statements  
June 30, 2023  
(With Comparative Totals for 2022)

15. Subsequent events

Subsequent events have been evaluated through December 7, 2023, which is the date the financial statements were available to be issued. The following is a summary of significant transactions through December 7, 2023.

On October 3, 2023, CHAC was awarded a \$1,000,000 grant from the County of Santa Clara, with a term from October 6, 2023 through June 30, 2024.