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CALIFORNIA EMERGING TECHNOLOGY FUND

(A California Not-for-Profit Public Benefit Corporation)

FINANCIAL STATEMENTS

JUNE 30, 2016 AND JUNE 30, 2015



CALIFORNIA EMERGING TECHNOLOGY FUND

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Independent Auditors' Report

The Board of Directors
California Emerging Technology Fund

We have audited the accompanying financial statements of California Emerging Technology Fund (a California not-for-profit public benefit corporation) which comprise the statement of financial position as of June 30, 2016 and June 30, 2015, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our 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 California Emerging Technology Fund as of June 30, 2016 and June 30, 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads "Rina Accountancy Corporation".

Certified Public Accountants

San Francisco, California
December 1, 2016

CALIFORNIA EMERGING TECHNOLOGY FUND

STATEMENT OF FINANCIAL POSITION

<u>ASSETS</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
CURRENT:		
Cash and cash equivalents	\$ 3,545,140	\$ 4,082,058
Investments	4,686,471	10,227,810
Prepaid expenses	39,201	39,177
Other receivable	-	1,250
	<hr/>	<hr/>
TOTAL CURRENT ASSETS	8,270,812	14,350,295
PROPERTY AND EQUIPMENT, net	6,862	2,253
	<hr/>	<hr/>
	\$ 8,277,674	\$ 14,352,548
	<hr/> <hr/>	<hr/> <hr/>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT:		
Accounts payable and accrued expenses	\$ 69,419	\$ 82,377
Grants payable - short term	1,431,650	3,172,225
	<hr/>	<hr/>
TOTAL CURRENT LIABILITIES	1,501,069	3,254,602
Grants payable - long term	-	309,001
	<hr/>	<hr/>
TOTAL LIABILITIES	1,501,069	3,563,603
NET ASSETS:		
Unrestricted	4,705,409	5,037,402
Temporarily restricted	2,071,196	5,751,543
Permanently restricted	-	-
	<hr/>	<hr/>
TOTAL NET ASSETS	6,776,605	10,788,945
	<hr/>	<hr/>
	\$ 8,277,674	\$ 14,352,548
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See notes to financial statements.

CALIFORNIA EMERGING TECHNOLOGY FUND

STATEMENT OF ACTIVITIES

	For the Year Ended June 30, 2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
SUPPORT AND REVENUE:				
Non federal grants	\$ -	\$ 50,000	\$ -	\$ 50,000
Investment income, net	58,485	-	-	58,485
Other miscellaneous income	127	-	-	127
Reimbursed expenses	20,000	-	-	20,000
Net assets released from restrictions	3,730,347	(3,730,347)	-	-
TOTAL SUPPORT AND REVENUE	3,808,959	(3,680,347)	-	128,612
EXPENSES:				
Program services	3,730,347	-	-	3,730,347
Management and general	410,605	-	-	410,605
TOTAL EXPENSES	4,140,952	-	-	4,140,952
DECREASE IN NET ASSETS	(331,993)	(3,680,347)	-	(4,012,340)
NET ASSETS, beginning of year	5,037,402	5,751,543	-	10,788,945
NET ASSETS, end of year	\$ 4,705,409	\$ 2,071,196	\$ -	\$ 6,776,605

See notes to financial statements.

CALIFORNIA EMERGING TECHNOLOGY FUND

STATEMENT OF ACTIVITIES

	For the Year Ended June 30, 2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
SUPPORT AND REVENUE:				
Non federal grants	\$ -	\$ -	\$ -	\$ -
Investment income, net	55,138	-	-	55,138
Other miscellaneous income	-	-	-	-
Net assets released from restrictions	3,690,230	(3,690,230)	-	-
TOTAL SUPPORT AND REVENUE	3,745,368	(3,690,230)	-	55,138
EXPENSES:				
Program services	3,690,230	-	-	3,690,230
Management and general	470,534	-	-	470,534
TOTAL EXPENSES	4,160,764	-	-	4,160,764
DECREASE IN NET ASSETS	(415,396)	(3,690,230)	-	(4,105,626)
NET ASSETS, beginning of year	5,452,798	9,441,773	-	14,894,571
NET ASSETS, end of year	\$ 5,037,402	\$ 5,751,543	\$ -	\$ 10,788,945

See notes to financial statements.

CALIFORNIA EMERGING TECHNOLOGY FUND

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2016

	Program Services	Management and General	Total
Personnel costs:			
Salaries, other compensation and expense reimbursement	\$ 1,049,329	\$ 185,176	\$ 1,234,505
Employee benefits	94,886	16,745	111,631
Employee retirement	95,909	16,925	112,834
Payroll taxes	62,728	11,070	73,798
Vacation liability expense	2,111	373	2,484
	1,304,963	230,289	1,535,252
Other expenses:			
Consultants and outside services	707,127	-	707,127
School2Home	798,238	-	798,238
Grant awards	500,000	-	500,000
Media relations and communications	392,048	-	392,048
Professional services	-	114,191	114,191
Occupancy	65,850	11,620	77,470
Board leadership and meetings	-	42,435	42,435
Information technology	34,171	-	34,171
Telephone	27,566	4,865	32,431
Regional roundtables and outreach	16,463	-	16,463
Insurance	16,555	2,921	19,476
Printing and reproduction	7,753	1,368	9,121
Equipment lease and maintenance	6,027	1,063	7,090
Postage and delivery services	2,884	509	3,393
Depreciation	1,438	254	1,692
Grants rescinded	(156,914)	-	(156,914)
Miscellaneous	6,178	1,090	7,268
	\$ 3,730,347	\$ 410,605	\$ 4,140,952
Total expenses	\$ 3,730,347	\$ 410,605	\$ 4,140,952

See notes to financial statements.

CALIFORNIA EMERGING TECHNOLOGY FUND

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2015

	Program Services	Management and General	Total
Personnel costs:			
Salaries, other compensation and expense reimbursement	\$ 1,248,574	\$ 220,336	\$ 1,468,910
Employee benefits	118,555	20,921	139,476
Employee retirement	116,218	20,509	136,727
Payroll taxes	78,704	13,889	92,593
Vacation liability expense	(2,179)	(384)	(2,563)
	1,559,872	275,271	1,835,143
Other Expenses:			
Consultants and outside services	670,346	-	670,346
School2Home	640,654	-	640,654
Grant awards	402,000	-	402,000
Media relations and communications	330,148	-	330,148
Professional services	-	111,848	111,848
Occupancy	68,262	12,046	80,308
Board leadership and meetings	-	57,446	57,446
Information technology	45,470	-	45,470
Telephone	31,113	5,491	36,604
Regional roundtables and outreach	19,776	-	19,776
Insurance	16,577	2,925	19,502
Printing and reproduction	8,720	1,539	10,259
Equipment lease and maintenance	5,976	1,054	7,030
Postage and delivery services	4,343	766	5,109
Depreciation	1,311	231	1,542
Grant rescinded	(125,200)	-	(125,200)
Miscellaneous	10,862	1,917	12,779
	\$ 3,690,230	\$ 470,534	\$ 4,160,764
Total expenses	\$ 3,690,230	\$ 470,534	\$ 4,160,764

See notes to financial statements.

CALIFORNIA EMERGING TECHNOLOGY FUND

STATEMENT OF CASH FLOWS

	<u>Year Ended June 30, 2016</u>	<u>Year Ended June 30, 2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Decrease in net assets	\$ (4,012,340)	\$ (4,105,626)
Adjustments to reconcile decrease in net assets to net cash used by operating activities:		
Depreciation expense	\$ 1,694	\$ 1,542
Unrealized loss on investments	291,339	436,736
Changes in operating assets and liabilities:		
Prepaid expenses	(24)	(2,255)
Other receivable	1,251	1,855
Accounts payable and accrued expenses	(12,961)	7,773
Grants payable	<u>(2,049,576)</u>	<u>(1,869,624)</u>
	<u>(1,768,277)</u>	<u>(1,423,973)</u>
NET CASH USED BY OPERATING ACTIVITIES	(5,780,617)	(5,529,599)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(6,301)	-
Proceeds from sale of marketable securities	5,250,000	8,080,000
Purchases of marketable securities	<u>-</u>	<u>(2,268,000)</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	5,243,699	5,812,000
CASH FLOWS FROM FINANCING ACTIVITIES	-	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(536,918)	282,401
CASH AND CASH EQUIVALENTS, beginning of year	<u>4,082,058</u>	<u>3,799,657</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 3,545,140</u></u>	<u><u>\$ 4,082,058</u></u>

See notes to financial statements.

CALIFORNIA EMERGING TECHNOLOGY FUND

NOTES TO FINANCIAL STATEMENTS – JUNE 30, 2016 AND JUNE 30, 2015

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

Nature of business:

The California Emerging Technology Fund (CETF) was established and funded through the SBC/AT&T and Verizon/MCI merger agreements approved by the California Public Utilities Commission (CPUC) in November 2005 to help bridge the Digital Divide. It became a qualified public benefit entity in May 2006.

As a condition of approval of the mergers, CPUC required the surviving companies, AT&T and Verizon, to collectively provide a total of \$60 million over a 5-year period to CETF in shareholder contributions “for the purpose of achieving ubiquitous access to broadband and advanced services in California, particularly in underserved communities, through the use of emerging technologies by 2010”. AT&T and Verizon are required to contribute \$9 million and \$3 million each per year, respectively. Funds dedicated to CETF were used to attract matching funds in like amounts from other organizations. As a result, CETF total audited expenditures to date through June 30, 2016 exceed \$73 million. Additional match funds from grantees were documented and verified by CETF and external audits although their match dollars did not flow through CETF.

The stated mission of CETF is to provide leadership statewide to minimize the Digital Divide by accelerating the deployment and adoption of broadband and other advanced communication services to un-served and underserved communities. These tasks and initiatives will be accomplished by making investments in programs and projects to improve access, applications, affordability, accessibility and assistance to broadband - the “5As” of the Digital Divide - while utilizing its core paradigm of Communicate, Connect and Compete.

The initial priority consumer communities for project focus are:

- Rural communities that lack the broadband infrastructure.
- Urban poor and disadvantaged communities that lack the computers and affordable connections to the Internet with relevant applications.
- Disabled populations that lack technology accessibility.

The CETF Board of Directors set overall goals to be accomplished in a decade (by June 2017) of 98% deployment (98% of all households having access to high-speed Internet infrastructure) and 80% adoption (80% of all households using the Internet from their homes with high-speed service). Thus, CETF has planned to expend all \$60 million of the original Seed Capital by June 2017 with the associated intended decline each year of Total Assets and Total Liabilities and Equities. CETF is on target accomplish this objective by June 2017 as planned.

CALIFORNIA EMERGING TECHNOLOGY FUND

NOTES TO FINANCIAL STATEMENTS – JUNE 30, 2016 AND JUNE 30, 2015

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

Financial statement presentation:

Professional accounting standards require CETF to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. A description of the three net asset categories follows:

Unrestricted net assets:

The portion of net assets that is neither temporarily restricted nor permanently restricted by donor imposed stipulations.

Temporarily restricted net assets:

The portion of net assets whose use by CETF is limited by donor imposed stipulations that either will be fulfilled or expire by passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. All assets that were released from restriction were utilized in the organizations mission to minimize the digital divide. The temporarily restricted fund balance at June 30, 2016 and June 30, 2015 is held for the purpose of increasing access to broadband services.

Permanently restricted net assets:

The portion of net assets whose use by CETF is limited by donor imposed stipulations that the net assets are held in perpetuity and its income be used for the stipulated purposes. Generally, the donors of these assets permit CETF to use all or part of the income earned on any related investments for general or specific purposes. There were no permanently restricted net assets at June 30, 2016 and 2015.

Basis of presentation:

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under this method, revenues are recorded when rights to receive them are earned, or when services have been provided, and expenditures are recorded when an obligation to pay is incurred.

Revenue recognition:

Contribution income is recognized when there is an unconditional promise to give. Revenues are reported as increases in unrestricted net assets unless their use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Appreciation or depreciation in market value of investments and gains and losses on other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expiration of temporary restrictions on net assets is reported as net assets released from restrictions. Grant income is recognized when the service is provided and conditions are satisfied.

CALIFORNIA EMERGING TECHNOLOGY FUND

NOTES TO FINANCIAL STATEMENTS – JUNE 30, 2016 AND JUNE 30, 2015

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

Cash and cash equivalents:

CETF considers all unrestricted highly liquid investments with original maturities of three months or less to be cash equivalents.

Investments:

CETF reports investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Realized gains and losses on sales of securities are determined on the specific-identification method.

Professional accounting standards establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy under professional accounting standards are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that CETF has the ability to access.

Level 2 Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data, by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Contributions and unconditional promises to give:

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of donation. Contributions to be received after one year are presented at their discounted value.

CALIFORNIA EMERGING TECHNOLOGY FUND

NOTES TO FINANCIAL STATEMENTS – JUNE 30, 2016 AND JUNE 30, 2015

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

A substantial number of unpaid volunteers and board of director members have made significant contributions of their time and other resources to support CETF's activities. The value of these services is not reflected in these statements since it is not susceptible to objective measurement or valuation.

Property and equipment:

Property and equipment are recorded at cost and depreciated on a straight-line basis over their estimated useful life. Major additions are capitalized, and repair and maintenance that do not improve or extend the life of the assets are expensed.

Grant commitments and payments:

CETF made grant commitments of approximately \$343 thousand (2016) and \$277 thousand (2015) out of the total cumulative board-approved grants of \$30.1 million. Board-approved grant solicitation requests are not recognized as liabilities until management concludes due diligence and suitability analysis and then executes grant agreements evidencing the commitments. Total grant payments were approximately \$2.4 million and \$2.2 million, with the remaining commitments of \$1.4 million and \$3.5 million accrued as a liability as of June 30, 2016 and 2015, respectively. CETF requires most grant recipients to obtain matching funds. Matching funds of approximately \$3.7 million and \$7.8 million were secured during the years ended June 30, 2016 and 2015, respectively.

During fiscal year 2016, partial amounts granted to Korean Churches for Community Development, Los Angeles Cleantech Incubator and YMCA of the East Bay – West Contra Costa, were amended to properly reflect scope of work performed there are no amounts outstanding on these grants at June 30, 2016. During fiscal year 2015, partial amounts granted to California State University, Monterey Bay and Families in Schools Foundation were amended to properly reflect scope of work performed by reducing amounts awarded but not yet distributed of \$75,000 and \$50,200, respectively.

Functional allocation of expenses:

Costs of providing programs and other activities are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated to the programs and supporting services by a method which best measured the relative degree of benefit. Accordingly, certain costs have been allocated between the program and supporting services in reasonable ratios determined by management.

Contingent liabilities:

Conditions contained within various contracts and grants awarded to CETF are subject to the funding organizations' criteria and regulations, as well as CPUC enabling order, under which expenditures may be charged against and may be subject to audits under such regulations and criteria. Occasionally, such audits may determine that certain costs incurred against the contracts or grant awards may not comply with the established criteria that govern them. In such cases, CETF could be held responsible for payments to the funding organizations and/or oversight public agencies for the costs or be subject to the reductions of future funding in the amount of the costs. Management does not anticipate any material questioned costs for the contracts administered and/or grants received and/or awarded during the audit period.

CALIFORNIA EMERGING TECHNOLOGY FUND

NOTES TO FINANCIAL STATEMENTS – JUNE 30, 2016 AND JUNE 30, 2015

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

Retention bonus:

The CETF Strategic Action Plan aims to close the Digital Divide by achieving 98% deployment and 80% adoption within a decade of beginning operations. The CETF Board of Directors planned to achieve decade success by 2017 for broadband deployment and adoption goals and to expend all the Seed Capital plus some earnings. Thus, Total Assets and Total Liabilities and Equities were planned and have continued to decline each Fiscal Year. In order to successfully accomplish this objective, the Organization established an employee retention and reward program. The purpose of the program is to incentivize employees to remain with the organization until their particular position is no longer essential to meeting the organizational mission. The Organization has set aside \$500,000 of investment earnings to be used for this purpose. To date \$12,269 has been distributed.

Income tax status:

CETF is a not-for-profit organization, exempt from income tax under Section 501(c)(3) and the applicable code section of the State of California Revenue and Taxation Code. In addition, CETF qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2) of the U.S. Internal Revenue Code.

Subsequent Events:

Management has evaluated subsequent events through December 1, 2016, the date which the financial statements were available for issue. No significant events were identified that require additional disclosure.

Note 2. NATURE OF ESTIMATES:

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

Note 3. CONCENTRATIONS OF CREDIT RISK:

Financial instruments that potentially subject CETF to concentrations of credit risk consist principally of cash and cash equivalents and marketable securities. Cash and cash equivalents were held in financial institutions in the United States of America. Cash and cash equivalents in interest bearing accounts were held in financial institutions in amounts exceeding the guaranteed amounts of the FDIC. Marketable securities were held by brokerage firms in amounts exceeding the guaranteed amounts of the Securities Investor Protection Corporation. CETF is exposed to credit loss for amounts in excess of insured limits in the event of non-performance by the institutions. However, management does not anticipate non-performance by these institutions and has not experienced any losses on deposits of cash and cash equivalents.

CALIFORNIA EMERGING TECHNOLOGY FUND

NOTES TO FINANCIAL STATEMENTS – JUNE 30, 2016 AND JUNE 30, 2015

Note 4. INVESTMENTS:

The investment portfolio is managed based on guidelines established by the CETF's Board of Directors. Investments, stated at fair value, are comprised of the following:

	June 30, 2016		June 30, 2015	
	Cost	Fair Value	Cost	Fair Value
Government securities	\$ 4,525,425	\$ 4,543,764	\$ 6,206,150	\$ 6,285,862
Fixed income securities	141,791	142,707	3,917,907	3,941,948
Total	<u>\$ 4,667,216</u>	<u>\$ 4,686,471</u>	<u>\$ 10,124,057</u>	<u>\$ 10,227,810</u>

Investment income shown on the Statement of Activities consists of the following:

	June 30,	
	2016	2015
Interest and dividend income	\$ 376,721	\$ 532,483
Realized and unrealized gains (losses) on sales		
of investments	(291,339)	(436,736)
Investment fees	(26,897)	(40,609)
Totals	<u>\$ 58,485</u>	<u>\$ 55,138</u>

Note 5. FAIR VALUE MEASUREMENTS:

The following tables sets forth by level, the fair value hierarchy, the plan's assets at fair value as of June 30, 2016 and 2015:

Assets at Fair Value as of June 30, 2016

	Quoted Prices In Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Government securities	\$ -	\$ 4,543,764	\$ -	\$ 4,543,764
Fixed income	-	142,707	-	142,707
Total investments	<u>\$ -</u>	<u>\$ 4,686,471</u>	<u>\$ -</u>	<u>\$ 4,686,471</u>

CALIFORNIA EMERGING TECHNOLOGY FUND

NOTES TO FINANCIAL STATEMENTS – JUNE 30, 2016 AND JUNE 30, 2015

Note 5. FAIR VALUE MEASUREMENTS (Continued):

Assets at Fair Value as of June 30, 2015

	Quoted Prices In Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Government securities	\$ -	\$ 6,285,862	\$ -	\$ 6,285,862
Fixed income	-	3,941,948	-	3,941,948
Total investments	\$ -	\$ 10,227,810	\$ -	\$ 10,227,810

Note 6. PROPERTY AND EQUIPMENT:

Property and equipment and accumulated depreciation consist of the following:

	June 30,	
	2016	2015
Furniture and fixtures	\$ 32,347	\$ 32,347
Computers	68,799	62,499
Totals	101,146	94,846
Less accumulated depreciation	(94,284)	(92,593)
	\$ 6,862	\$ 2,253

Note 7. RETIREMENT PLAN:

CETF has established a 401(k) retirement plan to provide eligible employees with retirement benefits. Eligible employees include all employees, except for leased and hourly paid employees. The CETF contributes 10% of active participants' compensation to the plan. For the years ended June 30, 2016 and 2015, contributions to the plan amounted to \$112,834 and \$136,727, respectively. It is the organization's policy to offset contributions with amounts forfeited. During the year ended June 30, 2016 and 2015, there were forfeitures of \$0.

Note 8. GRANT REVENUE:

CETF's support and revenue activities for the first five years were derived primarily from corporate grants provided by AT&T and Verizon, pursuant to the CPUC merger approval Order. Final grant payments under this agreement were received during fiscal year ending June 30, 2010. Though CETF plans to leverage these corporate grants through grant-matching efforts, there are no assurances that the CETF would be successful in other fundraising initiatives and grant-matching efforts. There is no indication about the renewability of the corporate grants after the initial 5-year period. However, management has proposed, and the board has adopted a 10-year goal to close the Digital Divide within the requisite constraint of not expending more than \$5 million annually of the seed grant resources for each of the remaining 5 years.

CALIFORNIA EMERGING TECHNOLOGY FUND

NOTES TO FINANCIAL STATEMENTS – JUNE 30, 2016 AND JUNE 30, 2015

Note 9. PROGRAM EXPENDITURES:

CETF has established processes and procedures for classifying categories of grants, tracking geographic distributions of grants, and allocating expenditures to support the 5 Overarching Strategies adopted by the CETF Board of Directors.

The following summaries of grant categories, geographic distribution of grants, and allocation of expenditures may be relied upon by policymakers, regulators, stakeholders, and other interested parties as an accurate description of the use of seed capital and other funds received by CETF over the last nine years through June 30, 2016.

The summary of grant expenditures, by category for the nine years ended June 30, 2016 is as follows:

<u>Grant Category</u>	<u>Amount</u>	<u>Percentage</u>
Demand Aggregation for Rural Deployment	\$ 1,440,000	4.78
Telehealth-Telemedicine	4,620,000	15.34
Digital Literacy	2,564,700	8.52
Workforce Preparation	4,542,320	15.08
Computer Recycling and Refurbishing	1,383,586	4.59
Accessibility for People with Disabilities	1,595,000	5.30
Small Business	273,800	0.91
Public Awareness and Education	160,000	0.53
Public Policy Development and Support	790,000	2.62
Education and School2Home	2,386,300	7.92
Smart Housing	2,017,000	6.70
Neighborhood Transformation	2,119,000	7.05
Broadband Adoption	6,220,776	20.66
	<u>\$ 30,112,482</u>	<u>100.00</u>

CALIFORNIA EMERGING TECHNOLOGY FUND

NOTES TO FINANCIAL STATEMENTS – JUNE 30, 2016 AND JUNE 30, 2015

Note 9. PROGRAM EXPENDITURES (Continued):

The summary of program expenditures, by the 5 Overarching Strategies for the nine years ended June 30, 2016 is as follows:

Program Expenditures	Amount	Percentage
Civic Leadership Engagement		
Annual Reports and Annual Surveys	\$ 1,131,897	4.57
Civic Leadership Engagement	1,484,677	5.99
Deployment Support and Regional Consortia	1,128,799	4.55
Total Civic Leadership Engagement	\$ 3,745,373	15.11
Venture Philanthropy Grantmaking	4,840,231	19.52
Public Policy		
Digital Literacy	549,329	2.22
School2Home	6,058,310	24.44
California Telehealth Network	681,603	2.75
Smart Housing	821,435	3.31
Other Public Policy	1,579,446	6.37
Total Public Policy	9,690,123	39.08
Public Awareness and Education	4,340,690	17.51
Strategic Partnerships	940,905	3.80
Other Direct Program Expenditures	1,235,117	4.98
	\$ 24,792,439	100.00

Note 9. LEASE COMMITMENTS:

CETF is a party to a five-year non-cancelable operating lease for its principal office facility located in a commercial building in San Francisco, CA. The average monthly rent is \$5,096. The lease agreement expires on June 30, 2017.

Effective December 1, 2014, CETF entered into a two year lease at the satellite office in Southern California. CETF is required to pay shared costs associated with the operation of the facility and other occupancy related common costs based on a prorated allocation formula. CETF also leases certain equipment under monthly operating leases.

CETF's future minimum rental commitments and operating lease shared costs under all such non-cancellable operating leases are approximately \$73,961 for the year ending June 30, 2017. Total operating lease and facilities related expenses for the years ended June 30, 2016 and 2015 was \$77,470 and \$81,531 gross, respectively.

CALIFORNIA EMERGING TECHNOLOGY FUND

NOTES TO FINANCIAL STATEMENTS – JUNE 30, 2016 AND JUNE 30, 2015

Note 10. FUTURE OPERATIONS:

As explained in Note 1, the CETF Board of Directors planned to expend all \$60 million of the original Seed Capital by June 2017 and is on target to accomplish that objective. However, during the last Fiscal Year, CETF entered into Memoranda of Understanding with Frontier Communications, Inc. and Charter Communications, Inc. to implement public benefits as a result of corporate consolidations. CETF will be managing charitable funds from Frontier to achieve new broadband adoptions by low-income households in their service areas. And, CETF will receive \$32.5 million from Charter over the next 5 years to continue organizational operations and support School2Home and other digital inclusion programs in their service areas.