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CALIFORNIA EMERGING TECHNOLOGY FUND

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

FINANCIAL STATEMENTS

JUNE 30, 2022 AND JUNE 30, 2021



Advisory Assurance Tax Private Client

CALIFORNIA EMERGING TECHNOLOGY FUND

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Independent Auditors' Report

The Board of Directors
California Emerging Technology Fund

Opinion

We have audited the accompanying financial statements of California Emerging Technology Fund (a California not-for-profit public benefit corporation) which comprise the statements of financial position as of June 30, 2022 and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the 2022 financial statements referred to above present fairly, in all material respects, the financial position of California Emerging Technology Fund as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Prior Period Financial Statements

The financial statements as of June 30, 2021, were audited by RINA Accountancy LLP, who merged with Aprio, LLP as of August 1, 2022, and whose report dated October 15, 2021, expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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 California Emerging Technology Fund's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor’s 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 auditor’s 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 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.

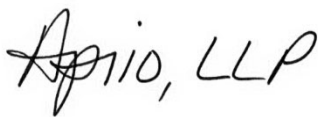
In performing an audit in accordance with generally accepted auditing standards, we:

- 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 California’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 California Emerging Technology Fund’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 Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Statement of Financial Position by Revenue Source on page 21 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



San Francisco, California
November 29, 2022

CALIFORNIA EMERGING TECHNOLOGY FUND

STATEMENTS OF FINANCIAL POSITION

<u>ASSETS</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>
CURRENT:		
Cash	\$ 21,071,055	\$ 23,040,956
Grants and accounts receivable, current	7,134,406	7,054,476
Prepaid expenses	64,394	52,252
	<hr/>	<hr/>
TOTAL CURRENT ASSETS	28,269,855	30,147,684
GRANTS RECEIVABLE, net of current	7,000,000	14,000,000
PROPERTY AND EQUIPMENT, net	12,173	2,827
	<hr/>	<hr/>
	\$ 35,282,028	\$ 44,150,511
	<hr/> <hr/>	<hr/> <hr/>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT:		
Accounts payable and accrued expenses	\$ 105,098	\$ 110,861
Funds held for Digital Equity program	38,280	726
Funds held for San Jose grants	570,687	313,831
Funds held for Frontier grants	927,409	1,681,436
Grants payable	1,468,316	1,535,421
	<hr/>	<hr/>
TOTAL LIABILITIES (All Current)	3,109,790	3,642,275
NET ASSETS:		
Without donor restrictions	29,860,857	33,592,056
With donor restrictions	2,311,381	6,916,180
	<hr/>	<hr/>
TOTAL NET ASSETS	32,172,238	40,508,236
	<hr/>	<hr/>
	\$ 35,282,028	\$ 44,150,511
	<hr/> <hr/>	<hr/> <hr/>

See notes to financial statements.

CALIFORNIA EMERGING TECHNOLOGY FUND

STATEMENT OF ACTIVITIES

	For the Year Ended June 30, 2022		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE:			
Non-federal grants	\$ -	\$ 493,702	\$ 493,702
Federal grants	-	749,644	749,644
Investment income, net	3,561	285	3,846
Net assets released from restrictions	<u>5,848,430</u>	<u>(5,848,430)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	<u>5,851,991</u>	<u>(4,604,799)</u>	<u>1,247,192</u>
EXPENSES:			
Program services	9,051,752	-	9,051,752
Management and general	<u>531,438</u>	<u>-</u>	<u>531,438</u>
TOTAL EXPENSES	<u>9,583,190</u>	<u>-</u>	<u>9,583,190</u>
DECREASE IN NET ASSETS	(3,731,199)	(4,604,799)	(8,335,998)
NET ASSETS, beginning of year	<u>33,592,056</u>	<u>6,916,180</u>	<u>40,508,236</u>
NET ASSETS, end of year	<u>\$ 29,860,857</u>	<u>\$ 2,311,381</u>	<u>\$ 32,172,238</u>

See notes to financial statements.

CALIFORNIA EMERGING TECHNOLOGY FUND

STATEMENT OF ACTIVITIES

	For the Year Ended June 30, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:			
Non-federal grants	\$ -	\$ 250,346	\$ 250,346
Investment income, net	658	797	1,455
Net assets released from restrictions	7,674,650	(7,674,650)	-
TOTAL SUPPORT AND REVENUE	7,675,308	(7,423,507)	251,801
EXPENSES:			
Program services	7,423,734	-	7,423,734
Management and general	468,608	-	468,608
TOTAL EXPENSES	7,892,342	-	7,892,342
DECREASE IN NET ASSETS	(217,034)	(7,423,507)	(7,640,541)
NET ASSETS, beginning of year	33,809,090	14,339,687	48,148,777
NET ASSETS, end of year	<u>\$ 33,592,056</u>	<u>\$ 6,916,180</u>	<u>\$ 40,508,236</u>

See notes to financial statements.

CALIFORNIA EMERGING TECHNOLOGY FUND

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2022

	Program Services	Management and General	Total
Personnel costs:			
Salaries, other compensation and expense reimbursement	\$ 1,463,227	\$ 258,216	\$ 1,721,443
Employee benefits	146,346	25,826	172,172
Employee retirement	161,932	28,576	190,508
Payroll taxes	84,240	14,866	99,106
Vacation liability expense	(4,899)	(864)	(5,763)
	1,850,846	326,620	2,177,466
Other expenses:			
School2Home	2,144,849	-	2,144,849
Grants awards - T-Mobile	1,610,000	-	1,610,000
Programs - Charter	869,575	-	869,575
Consultants and outside services	724,650	-	724,650
Grant awards - FCC Telehealth	684,169	-	684,169
Media relations and communications	317,819	-	317,819
Programs - Southern California	223,001	-	223,001
Programs - San Jose Digital Inclusion	207,675	-	207,675
Broadband adoption	171,260	-	171,260
Professional services	-	166,986	166,986
Programs - Skilled Nursing Facilities Pilot	73,723	-	73,723
Occupancy	43,954	7,757	51,711
Insurance	39,714	7,008	46,722
Information technology	39,976	-	39,976
Telephone	19,474	3,437	22,911
Travel	12,305	2,172	14,477
Board leadership and meetings	-	13,034	13,034
Equipment lease and maintenance	9,925	1,752	11,677
Regional roundtables and outreach	10,850	-	10,850
Postage and delivery services	5,850	1,032	6,882
Miscellaneous	3,435	606	4,041
Depreciation	3,233	571	3,804
Office supplies	3,786	-	3,786
Printing and reproduction	2,623	463	3,086
Grant awards - Charter Funds	(20,940)	-	(20,940)
	\$ 9,051,752	\$ 531,438	\$ 9,583,190

See notes to financial statements.

CALIFORNIA EMERGING TECHNOLOGY FUND

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2021

	Program Services	Management and General	Total
Personnel costs:			
Salaries, other compensation and expense reimbursement	\$ 1,257,031	\$ 221,829	\$ 1,478,860
Employee benefits	139,829	24,676	164,505
Employee retirement	155,237	27,395	182,632
Payroll taxes	78,933	13,929	92,862
Vacation liability expense	10,763	1,899	12,662
	1,641,793	289,728	1,931,521
Other expenses:			
School2Home	1,768,817	-	1,768,817
Programs - Charter	1,408,308	-	1,408,308
Grant awards	667,100	-	667,100
Consultants and outside services	674,625	-	674,625
Programs - San Jose digital inclusion	198,063	-	198,063
Media relations and communications	230,796	-	230,796
Grants awarded - T-Mobile	221,590	-	221,590
Annual Statewide Survey	174,642	-	174,642
Professional services	-	154,001	154,001
Broadband adoption	55,045	-	55,045
Programs - Skilled Nursing Facilities	99,525	-	99,525
Programs - Southern California Association	53,183	-	53,183
Occupancy	60,600	10,694	71,294
Information technology	44,507	-	44,507
Regional roundtables and outreach	25,034	-	25,034
Board leadership and meetings	-	476	476
Telephone	19,722	3,480	23,202
Insurance	36,054	6,363	42,417
Equipment lease and maintenance	9,631	1,699	11,330
Office supplies	22,422	-	22,422
Miscellaneous	3,290	581	3,871
Printing and reproduction	884	156	1,040
Depreciation	3,236	571	3,807
Travel	1,129	199	1,328
Postage and delivery services	3,738	660	4,398
	\$ 7,423,734	\$ 468,608	\$ 7,892,342

See notes to financial statements.

CALIFORNIA EMERGING TECHNOLOGY FUND

STATEMENTS OF CASH FLOWS

	Year Ended June 30, 2022	Year Ended June 30, 2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (8,335,998)	\$ (7,640,541)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation expense	\$ 3,804	\$ 3,807
Changes in operating assets and liabilities:		
Grants and accounts receivable	6,920,070	13,496,250
Prepaid expenses	(12,142)	12,043
Accounts payable and accrued expenses	(5,763)	12,662
Funds held for Digital Equity programs	37,554	726
Funds held for San Jose grants	256,856	49,222
Funds held for Frontier grants	(754,027)	1,615,565
Grants payable	(67,105)	(364,649)
	<u>6,379,247</u>	<u>14,825,626</u>
 NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	 (1,956,751)	 7,185,085
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(13,150)	-
	<u>(13,150)</u>	<u>-</u>
 NET CASH USED BY INVESTING ACTIVITIES	 (13,150)	 -
CASH FLOWS FROM FINANCING ACTIVITIES		
	<u>-</u>	<u>-</u>
 NET INCREASE (DECREASE) IN CASH	 (1,969,901)	 7,185,085
CASH, beginning of year	23,040,956	15,855,871
CASH, end of year	<u>\$ 21,071,055</u>	<u>\$ 23,040,956</u>

See notes to financial statements.

CALIFORNIA EMERGING TECHNOLOGY FUND

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2022 AND JUNE 30, 2021

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

Nature of business:

The mission of the California Emerging Technology Fund (CETF) is to provide leadership statewide to close the Digital Divide by accelerating the deployment and adoption of broadband and other advanced communication services to unserved and underserved communities, with a focus on low-income households and other digitally disadvantaged residents. CETF was established at the direction of the California Public Utilities Commission (CPUC) as a voluntary public benefit resulting from the SBC/AT&T and Verizon/MCI merger agreements approved by CPUC in November 2005. 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 provide \$45 million and \$15 million respectively for a total of \$60 million in seed capital 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”. Funds dedicated to CETF were used to attract matching funds from other organizations. CETF also earned interest on the seed capital. As a result, CETF total audited expenditures through June 30, 2017 exceeded \$79 million, including all of the original \$60 million in seed capital. Additional match funds of \$126 million generated by grantees were documented and verified by CETF and external audits although those dollars did not flow through CETF.

The CETF Board of Directors set overall goals to be accomplished in the first 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). CETF developed a Strategic Action Plan to engage partners and government agencies to accomplish those goals which were largely achieved at 97.5% deployment and 87% adoption. The CETF Board of Directors adopted a new 5-Year Strategic Plan in 2017 with overall goals to achieve at least 98% deployment in each region and 90% adoption statewide by 2022 which were achieved and exceeded. Grants and grant payments presented in the financial statements generally align with the 5-Year Strategic Plan.

CETF entered into Memoranda of Understanding (MOU) with Internet Service Providers (ISPs) Frontier Communications, Inc. (2015) and Charter Communications, Inc. (2016) to implement public benefits as a result of corporate consolidations. In addition to supporting and monitoring fulfillment of the MOU public benefit obligations by these ISPs, CETF is managing \$3 million in charitable funds from Frontier to achieve new broadband adoptions by low-income households in their service areas. CETF also is receiving \$32.5 million (\$6.5 million per year) from Charter through 2021 to continue core mission organizational operations and support School2Home and other digital inclusion programs in their service areas. In 2019, CETF entered into a MOU with T-Mobile in conjunction with their acquisition of Sprint which became effective in April 2020 when the transaction was approved by the CPUC. CETF is receiving \$35 million from T-Mobile (\$7 million per year) through 2024 for core mission and to implement School2Home and digital inclusion programs in their statewide service area.

In addition, CETF was engaged by the City of San Jose through action by the City Council in February 2019 to manage approximately \$24 million over 10 years for digital inclusion grants to non-profit community-based organizations and public agencies. In February 2022, the City of San Jose revised its projection downward to approximately \$8 million in digital inclusion grants.

CALIFORNIA EMERGING TECHNOLOGY FUND

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2022 AND JUNE 30, 2021

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

Nature of business (continued):

CETF also serves as the fiscal agent for Los Angeles Jewish Home for the Aging in managing a grant from the Federal Communications Commission. The grant provides funding for activities authorized by the COVID-19 Telehealth Program.

Each of these revenue sources are segregated into separate bank accounts and accounted for separately for expenditures, grants, impacts and results.

Financial statement presentation:

CETF prepares its financial statements following professional accounting standards where CETF is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Descriptions of these categories are as follows:

Without donor restrictions:

The portion of net assets available for use in general operations and not subject to donor-imposed restrictions.

With donor restrictions:

The portion of net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, this is, when the stipulated time has elapsed, or when the stipulated purpose for which the resource was restricted has been fulfilled.

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:

CETF recognizes revenue in accordance with ASU No. 2018-08, Not-For-Profit Entities – *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*.

Contribution income is recognized when there is an unconditional promise to give. Revenues are reported as increases in net assets without donor restrictions unless their use of the related assets is limited by donor-imposed restrictions. 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. Expenses are reported as decreases in net assets without donor restrictions. Appreciation or depreciation in market value of investments and gains and losses on other assets or liabilities are reported as increases or decreases in net assets

CALIFORNIA EMERGING TECHNOLOGY FUND

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2022 AND JUNE 30, 2021

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

Revenue recognition (continued):

without donor restriction unless their use is restricted by explicit donor stipulation or by law. Expiration of 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.

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 continues to execute on its 5-Year Strategic Plan. As of year-ended June 30, 2022, CETF has made grant commitments of approximately \$6.3 million. Total grant payments were approximately \$4.8 million and \$3.5 million, with the remaining commitments of \$1.6 million and \$1.5 million accrued as a liability as of June 30, 2022 and 2021, respectively.

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.

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.

Allocation of expenses:

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, payroll taxes, and benefits, which are allocated on the basis of estimates of time and effort.

CALIFORNIA EMERGING TECHNOLOGY FUND

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2022 AND JUNE 30, 2021

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

Recent pronouncements:

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842). ASU 2016-02 was issued to increase transparency and comparability among entities. Lessees will need to recognize nearly all lease transactions (other than leases that meet the definition of a short-term lease) on the statement of financial position as a lease liability and a right-of-use asset (as defined). ASU is effective for fiscal years beginning after December 15, 2021. CETF is evaluating the impact of this pronouncement.

Subsequent events:

Management has evaluated subsequent events through November 29, 2022, 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. 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. 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, 2022 AND JUNE 30, 2021

Note 4. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS:

CETF's short term financial assets as of the balance sheet date, reduced by amounts not available for general use due to donor-imposed restrictions within one year of the balance sheet date is as follows:

	June 30,	
	2022	2021
Financial assets at year-end:		
Cash and cash equivalents	\$ 21,071,055	\$ 23,040,956
Grants and accounts receivable	7,134,406	7,054,476
	28,205,461	30,095,432
Less:		
Cash held for others	(1,536,376)	(1,995,993)
Assets with donor restrictions not available for current operations	(2,311,381)	(6,916,180)
Board designated net assets included in current assets	(13,186,040)	(7,841,660)
Financial assets available to meet cash needs for general expenditures within one year	\$ 11,171,664	\$ 13,341,599

Note 5. GRANTS RECEIVABLE:

During the year ended June 30, 2017, CETF received a five-year grant from Charter Communications pursuant to a Memorandum of Understanding (MOU) as part of their public benefit obligations in conjunction with their acquisition of Time Warner Cable in California which were approved and imposed by the California Public Utilities Commission. The MOU provides for \$6.5 million per year for five years, of which \$32.5 million has been received.

During the year ended June 30, 2020, CETF received a five-year grant from T-Mobile USA, Inc. pursuant to a Memorandum of Understanding (MOU) as part of their public benefit obligations in conjunction with their merger of Sprint Corporation which was approved and imposed by the California Public Utilities Commission. The MOU provides for \$7 million per year for five years, of which \$21 million has been received.

Future grant receivable payments are as follows at June 30:

Year Ending June 30,	
2023	\$ 7,000,000
2024	7,000,000
	\$ 14,000,000

CALIFORNIA EMERGING TECHNOLOGY FUND

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2022 AND JUNE 30, 2021

Note 6. PROPERTY AND EQUIPMENT:

Property and equipment and accumulated depreciation consist of the following at June 30:

	June 30,	
	2021	2020
Furniture and fixtures	\$ 32,347	\$ 32,347
Computers	94,775	81,625
Totals	127,122	113,972
Less accumulated depreciation	(114,949)	(111,145)
	\$ 12,173	\$ 2,827

Depreciation expense for the years ended June 30, 2022 and 2021 was \$3,804 and \$3,807, respectively.

Note 7: FUNDS HELD FOR DIGITAL EQUITY PROGRAMS:

CETF has established 2 new accounts to facilitate collaboration and partnerships with public and private partners: CETF Digital Equity Donations Account and CETF Digital Equity Partnership Account. These new accounts ensure transparency for partners as well as a mechanism for public agencies and private organizations to pursue innovative approaches to serving digitally disadvantaged communities and helping low-income households get connected to the Internet. Donations, including through PayPal for individual contributors, are received in the Donations Account for designated projects and expenditures are dedicated purposes are made from the Partnership Account.

Activity for the Digital Equity Program is summarized as follows:

Funds held, July 1, 2020	\$ -
Funds received	20,000
Grants paid	(19,274)
Funds held, June 30, 2021	726
Funds received	87,502
Grants paid	(49,948)
Funds held, June 30, 2022	\$ 38,280

Note 8. FUNDS HELD FOR SAN JOSE DIGITAL INCLUSION PARTNERSHIP GRANTS:

The City of San Jose has a long-established track record as a “smart city” in embracing technology, including the establishing of a Digital Inclusion Fund from fees paid by ISPs for 5G deployment. The City Council engaged CETF in February 2019 to help manage grants to non-profit community-based organizations and public agencies to get 50,000 households connected to the Internet and digitally proficient, referred to as “adoptions”.

CALIFORNIA EMERGING TECHNOLOGY FUND

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2022 AND JUNE 30, 2021

Note 8. FUNDS HELD FOR SAN JOSE DIGITAL INCLUSION PARTNERSHIP GRANTS (Continued):

The City's contract with CETF is to manage up to \$24 million over 10 years, including donations to support the Digital Inclusion Partnership, for an annual payment of \$210,000 per year. The City also paid CETF a one-time fee of \$20,000 in June 2019 to organize the Partnership. In February 2022, the City of San Jose revised its projection downward to approximately \$8 million in digital inclusion grants. In addition, CETF is the City-designated recipient of donations for the Digital Inclusion Partnership, including online donations through PayPal, and all donated funds are expended only at the direction and with the approval of the City. CETF has established two separate banking accounts to receive City funds to manage the Partnership and to receive donations to ensure transparency and accountability for City-controlled and directed monies.

	San Jose Partnership		San Jose	Total
	Management	Grants	Donations	
Funds held, June 30, 2020	\$ (100)	\$ 250,573	\$ 14,136	\$ 264,609
Funds received	200,000	157,500	1,045,315	1,402,815
Transfers between accounts	-	831,250	(831,250)	-
Grants paid	-	(1,155,500)	-	(1,155,500)
Program expenses	(198,063)	-	(30)	(198,093)
Funds held, June 30, 2021	1,837	83,823	228,171	313,831
Funds received	190,000	535,750	231,486	957,236
Transfers between accounts	-	(573)	573	-
Grants paid	-	(492,700)	-	(492,700)
Program expenses	(207,680)	-	-	(207,680)
Funds held, June 30, 2022	\$ (15,843)	\$ 126,300	\$ 460,230	\$ 570,687

CETF has future commitments to conditional grants totaling \$568,957 and \$664,647 at June 30, 2022 and 2021, respectively.

Note 9. FUNDS HELD FOR FRONTIER GRANTS:

CETF and Frontier Communications entered in a Memorandum of Understanding (MOU) in October 2015 to work to ensure tangible public benefits are derived from the Frontier acquisition of the Verizon wireline network in California. The MOU provided that CETF and Frontier would outreach to community-based organizations (CBOs) to achieve 50,000 broadband adoptions by low-income households. The MOU required Frontier to provide \$3 million and 50,000 Internet-enabled devices to be available for grants to CBOs to be administered by CETF. CETF initially encumbered through grant agreements with CBOs all \$3 million and 50,000 devices. The grant agreements were subject to funding and devices being made available by Frontier. In 2020, Frontier and CETF amended the MOU to accelerate deployment of 25,000 devices using \$1.5 million of the grant funds. Grant agreements with CBOs were amended to support a total of \$1.5 million in grants.

CALIFORNIA EMERGING TECHNOLOGY FUND

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2022 AND JUNE 30, 2021

Note 9. FUNDS HELD FOR FRONTIER GRANTS (Continued):

Activity for the Frontier Grant Program is summarized as follows:

Funds held, July 1, 2020	\$ 65,871
Funds provided by Frontier	2,000,000
Grants paid	<u>(384,435)</u>
Funds held, June 30, 2021	1,681,436
Grants paid	<u>(754,027)</u>
Funds held, June 30, 2022	<u>\$ 927,409</u>

CETF has future commitments to conditional grants totaling \$927,407 and \$1,681,136 at June 30, 2022 and 2021, respectively, which are subject to MOU compliance by Frontier. CETF filed a petition in May 2019 with the California Public Utilities Commission (CPUC) seeking assistance in securing Frontier's compliance with the public benefits in the MOU. The CPUC accepted the petition and the matter has been resolved in amended agreements dated December 2018 and December 2020 to ensure payment of all grant commitments to community-based organizations. CETF and Frontier are working collaboratively to implement the MOU.

Note 10. T-MOBILE PUBLIC BENEFIT OBLIGATION:

CETF and T-Mobile entered into a MOU in 2019 to agree upon public benefits to be provided by T-Mobile as a condition of acquisition of Sprint. The MOU became effective when the CPUC approved the transaction in April 2020. The vast majority of the public benefit obligations are related to investments by T-Mobile for deployment of high-speed Internet infrastructure (migrating to 5G) of 99% of all households in California and enrolling more than 332,500 new low-income households in LifeLine service with free access to the Internet. T-Mobile also committed to provide \$35 million to CETF over 5 years (\$7 million per year) from 2020 through 2025 to be used as follows: (a) \$22 million for digital inclusion programs, including: School2Home for 25,000 students (\$12.5 million); digital literacy training for 75,000 new low-income LifeLine customers (\$4.5 million); and grants to local governments in collaboration with Regional Consortia to adopt and implement digital inclusion policies (\$5 million), these amounts are held a board restricted net assets; and (b) \$13 million for core mission operations including management of the digital inclusion programs.

Note 11. FISCAL AGENT FOR FEDERAL COMMUNICATIONS COMMISSION GRANT:

CETF serves as the fiscal agent for Los Angeles Jewish Home for the Aging in managing a \$862,906 grant from the Federal Communications Commission. The grant provides funding for activities authorized by the COVID-19 Telehealth Program. Activity for the grant is summarized as follows:

FCC COVID-19 Telehealth Funding	\$ 749,644
Grants awarded - 2021	(65,475)
Grants awarded - 2022	<u>(684,169)</u>
Remaining funds	<u>\$ -</u>

CALIFORNIA EMERGING TECHNOLOGY FUND

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2022 AND JUNE 30, 2021

Note 12. BOARD DESIGNATED NET ASSETS:

In conjunction with the T-Mobile public benefit obligation the board designated the following funds as of June 30, 2022:

	Beginning Balance July 1, 2021	Released From Board Designated	Ending Balance June 30, 2022
School2Home	\$ 12,500,000	\$ 500,000	\$ 12,000,000
Digital literacy training	4,466,660	10,620	4,456,040
Regional government grants	4,875,000	1,145,000	3,730,000
Totals	\$ 21,841,660	\$ 1,655,620	\$ 20,186,040

Note 13. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions consisted of the following at June 30, 2022:

	Beginning Balance June 30, 2021	Contributions and Income	Released from Restrictions	Ending Balance June 30, 2022
Charter	\$ 6,859,017	\$ 285	\$ 4,665,785	\$ 2,193,517
City of San Jose	-	210,000	210,000	-
Southern California Association of Governments	7,163	283,702	223,001	67,864
Oscar Romero School	50,000	-	-	50,000
FCC Telehealth	-	749,644	749,644	-
Totals	\$ 6,916,180	\$ 1,243,631	\$ 5,848,430	\$ 2,311,381

Net assets with donor restrictions consisted of the following at June 30, 2021:

	Beginning Balance June 30, 2020	Contributions and Income	Released From Restrictions	Ending Balance June 30, 2021
Charter	\$ 14,289,687	\$ 797	\$ 7,431,467	\$ 6,859,017
City of San Jose	-	190,000	190,000	-
Southern California Association of Governments	-	60,346	53,183	7,163
Oscar Romero school	50,000	-	-	50,000
Totals	\$ 14,339,687	\$ 251,143	\$ 7,674,650	\$ 6,916,180

CALIFORNIA EMERGING TECHNOLOGY FUND

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2022 AND JUNE 30, 2021

Note 14. 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 13% of active participants' compensation to the Plan. For the years ended June 30, 2021 and 2020, contributions to the Plan amounted to \$190,508 and \$182,632, respectively. It is the organization's policy to offset contributions with amounts forfeited. During the years ended June 30, 2022 and 2021, there were no forfeitures.

Note 15. LEASE COMMITMENTS:

CETF is a party to a thirty-nine month operating lease ending in December 2023 for a facility located in a commercial building in Concord, CA. The monthly rent ranges from \$2,984 to \$3,074.

Effective December 1, 2021, CETF entered into a one year lease at the 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 under all such non-cancellable operating leases are as follows:

Year Ending June 30,	Real Property	Equipment	Total
2023	\$ 36,348	\$ 1,680	\$ 38,028
2024	18,444	-	18,444
Totals	<u>\$ 54,792</u>	<u>\$ 1,680</u>	<u>\$ 56,472</u>

Total operating lease and facilities related expenses for the years ended June 30, 2022 and 2021 were \$51,711 and \$71,294, respectively.

CALIFORNIA EMERGING TECHNOLOGY FUND

SUPPLEMENTAL INFORMATION

CALIFORNIA EMERGING TECHNOLOGY FUND

STATEMENT OF FINANCIAL POSITION BY REVENUE SOURCE - JUNE 30, 2022

<u>ASSETS</u>	<u>CETF</u>	<u>Charter Grant</u>	<u>T-Mobile Grant</u>	<u>FCC Telehealth</u>	<u>CETF Total</u>	<u>Frontier</u>	<u>San Jose Partnership</u>	<u>San Jose Donations</u>	<u>Digital Equity</u>	<u>Total</u>
CURRENT:										
Cash and cash equivalents	\$ 3,134,645	\$ 19,464	\$ 16,330,570	\$ -	\$ 19,484,679	\$ 927,409	\$ 131,030	\$ 469,657	\$ 58,280	\$ 21,071,055
Advances from Charter to CETF	(2,136,103)	2,136,103	-	-	-	-	-	-	-	-
Advances from T-Mobile to CETF	(500,000)	-	500,000	-	-	-	-	-	-	-
Advances from CETF to SJDIP	30,000	-	-	-	30,000	-	(20,000)	(10,000)	-	-
Advances from CETF to DE	20,000	-	-	-	20,000	-	-	-	(20,000)	-
Due from SJ Partnership to SJ Donations	-	-	-	-	-	-	(573)	573	-	-
Grants and accounts receivable, current	70,000	37,950	7,000,000	26,456	7,134,406	-	20,000	-	-	7,154,406
Prepaid expenses	64,394	-	-	-	64,394	-	-	-	-	64,394
TOTAL CURRENT ASSETS	682,936	2,193,517	23,830,570	26,456	26,733,479	927,409	130,457	460,230	38,280	28,289,855
GRANTS RECEIVABLE	-	-	7,000,000	-	7,000,000	-	-	-	-	7,000,000
PROPERTY AND EQUIPMENT	12,173	-	-	-	12,173	-	-	-	-	12,173
	<u>\$ 695,109</u>	<u>\$ 2,193,517</u>	<u>\$ 30,830,570</u>	<u>\$ 26,456</u>	<u>\$ 33,745,652</u>	<u>\$ 927,409</u>	<u>\$ 130,457</u>	<u>\$ 460,230</u>	<u>\$ 38,280</u>	<u>\$ 35,302,028</u>
<u>LIABILITIES AND NET ASSETS</u>										
CURRENT LIABILITIES:										
Accounts payable and accrued expenses	\$ 105,098	\$ -	\$ -	\$ -	\$ 105,098	\$ -	\$ 20,000	\$ -	\$ -	\$ 125,098
Grants payable	1,014,230	-	427,630	26,456	1,468,316	927,109	109,300	460,230	38,280	3,003,235
TOTAL LIABILITIES (ALL CURRENT)	1,119,328	-	427,630	26,456	1,573,414	927,109	129,300	460,230	38,280	3,128,333
NET ASSETS:										
Without donor restriction	(542,083)	-	30,402,940	-	29,860,857	300	1,157	-	-	29,862,314
With donor restriction	117,864	2,193,517	-	-	2,311,381	-	-	-	-	2,311,381
TOTAL NET ASSETS	(424,219)	2,193,517	30,402,940	-	32,172,238	300	1,157	-	-	32,173,695
	<u>\$ 695,109</u>	<u>\$ 2,193,517</u>	<u>\$ 30,830,570</u>	<u>\$ 26,456</u>	<u>\$ 33,745,652</u>	<u>\$ 927,409</u>	<u>\$ 130,457</u>	<u>\$ 460,230</u>	<u>\$ 38,280</u>	<u>\$ 35,302,028</u>

See notes to financial statements.