

CALIFORNIA EMERGING TECHNOLOGY FUND
FINANCIAL STATEMENTS
JUNE 30, 2023 and 2022

CALIFORNIA EMERGING TECHNOLOGY FUND

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
California Emerging Technology Fund

Opinion

We have audited the accompanying financial statements of California Emerging Technology Fund (a California not-for-profit benefit corporation) which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of California Emerging Technology Fund as of June 30, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits 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 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, 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.

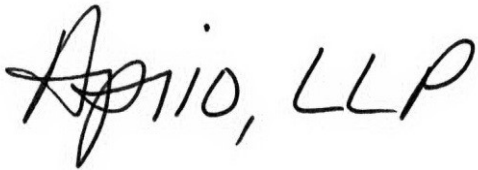
Auditors' Responsibilities for the Audit of the Financial Statements

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 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 auditing 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 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 Emerging Technology Fund'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.

A handwritten signature in black ink that reads "Aprio, LLP". The signature is written in a cursive, flowing style.

Walnut Creek, CA

January 17, 2024

CALIFORNIA EMERGING TECHNOLOGY FUND
STATEMENTS OF FINANCIAL POSITION
JUNE 30,

ASSETS

	<u>2023</u>	<u>2022</u>
<u>Current assets</u>		
Cash	\$ 11,585,289	\$ 21,071,055
Grants and accounts receivable	8,419,361	7,134,406
Prepaid expenses	70,341	64,394
Investments	<u>7,045,105</u>	<u>-</u>
Total current assets	27,120,096	28,269,855
Grants receivable, net of current portion	-	7,000,000
Property and equipment, net	9,252	12,173
Right of use assets	<u>18,143</u>	<u>-</u>
Total assets	<u>\$ 27,147,491</u>	<u>\$ 35,282,028</u>

LIABILITIES AND NET ASSETS

<u>Current liabilities</u>		
Accounts payable and accrued expenses	\$ 116,258	\$ 105,098
Funds held for Digital Equity program	80,750	38,280
Funds held for San Jose grants	247,800	570,687
Funds held for Frontier grants	-	927,409
Grants payable	430,000	1,468,316
Lease liability	<u>18,322</u>	<u>-</u>
Total current liabilities	<u>893,130</u>	<u>3,109,790</u>
<u>Net assets</u>		
Without donor restrictions		
Undesignated	10,529,247	9,674,817
Board designated	15,717,250	20,186,040
With donor restrictions	<u>7,864</u>	<u>2,311,381</u>
Total net assets	<u>26,254,361</u>	<u>32,172,238</u>
Total liabilities and net assets	<u>\$ 27,147,491</u>	<u>\$ 35,282,028</u>

See independent auditors' report and accompanying notes.

**CALIFORNIA EMERGING TECHNOLOGY FUND
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023**

	Without Donor Restrictions	With Donor Restrictions	Total
<u>Revenues and other support</u>			
Non-federal grants	\$ 1,025,000	\$ 215,000	\$ 1,240,000
Federal grants	-	123,002	123,002
Public Partnership program	1,961,379	-	1,961,379
Interest income	241,954	3	241,957
Miscellaneous income	7,673	-	7,673
Net assets released from restrictions	<u>2,641,522</u>	<u>(2,641,522)</u>	<u>-</u>
Total revenues and other support	<u>5,877,528</u>	<u>(2,303,517)</u>	<u>3,574,011</u>
<u>Expenses</u>			
Program	8,880,284	-	8,880,284
Management and general	<u>611,604</u>	<u>-</u>	<u>611,604</u>
Total expenses	<u>9,491,888</u>	<u>-</u>	<u>9,491,888</u>
Change in net assets	(3,614,360)	(2,303,517)	(5,917,877)
Net assets at beginning of year	<u>29,860,857</u>	<u>2,311,381</u>	<u>32,172,238</u>
Net assets at end of year	<u>\$26,246,497</u>	<u>\$ 7,864</u>	<u>\$26,254,361</u>

See independent auditors' report and accompanying notes.

**CALIFORNIA EMERGING TECHNOLOGY FUND
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total
	<u> </u>	<u> </u>	<u> </u>
<u>Revenues and other support</u>			
Non-federal grants	\$ -	\$ 493,702	\$ 493,702
Federal grants	-	749,644	749,644
Interest 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 revenues and other support	<u>5,851,991</u>	<u>(4,604,799)</u>	<u>1,247,192</u>
<u>Expenses</u>			
Program	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>
Change in net assets	(3,731,199)	(4,604,799)	(8,335,998)
Net assets at beginning of year	<u>33,592,056</u>	<u>6,916,180</u>	<u>40,508,236</u>
Net assets at end of year	<u>\$29,860,857</u>	<u>\$ 2,311,381</u>	<u>\$32,172,238</u>

See independent auditors' report and accompanying notes.

**CALIFORNIA EMERGING TECHNOLOGY FUND
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
<u>Personnel costs</u>			
Salaries, other compensation and expense reimbursement	\$ 1,614,044	\$ 284,831	\$ 1,898,875
Employee retirement	228,362	40,299	268,661
Employee benefits	184,041	32,478	216,519
Payroll taxes	108,348	19,120	127,468
Vacation liability expense	<u>9,486</u>	<u>1,674</u>	<u>11,160</u>
Total personnel costs	2,144,281	378,402	2,522,683
School2Home	1,727,422	-	1,727,422
Riverside County programs	799,114	-	799,114
Grants awards - T-Mobile	794,740	-	794,740
Public partnership expense	756,671	-	756,671
Consultants and outside services	708,503	-	708,503
Program – Charter	672,993	-	672,993
Media relations and communications	284,823	-	284,823
Programs – San Jose Digital Inclusion	219,535	-	219,535
Professional services	-	175,459	175,459
Grant awards – FCC Telehealth	123,852	-	123,852
Other grants	95,000	-	95,000
Programs - Skilled Nursing Facilities Pilot Program	80,366	-	80,366
Regional roundtables and outreach	60,809	-	60,809
Programs – Southern California	60,000	-	60,000
Occupancy	47,215	8,332	55,547
Bad debt expense	50,000	-	50,000
Grant awards – Charter funds	47,900	-	47,900
Insurance	40,571	7,160	47,731
Travel	44,912	-	44,912
Information technology	37,075	6,543	43,618
Board leadership and meetings	-	26,979	26,979
Telephone	20,166	3,559	23,725
Miscellaneous	22,805	-	22,805
Office supplies	12,236	-	12,236
Equipment lease and maintenance	9,254	1,633	10,887
Printing and reproduction	9,519	1,680	11,199
Postage and delivery services	5,630	994	6,624
Depreciation	<u>4,892</u>	<u>863</u>	<u>5,755</u>
Total functional expenses	<u>\$ 8,880,284</u>	<u>\$ 611,604</u>	<u>\$ 9,491,888</u>

See independent auditors' report and accompanying notes.

**CALIFORNIA EMERGING TECHNOLOGY FUND
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
<u>Personnel costs</u>			
Salaries, other compensation and expense reimbursements	\$ 1,463,227	\$ 258,216	\$ 1,721,443
Employee retirement	161,932	28,576	190,508
Employee benefits	146,346	25,826	172,172
Payroll taxes	84,240	14,866	99,106
Vacation liability expense	<u>(4,899)</u>	<u>(864)</u>	<u>(5,763)</u>
Total personnel costs	1,850,846	326,620	2,177,466
School2Home	2,144,849	-	2,144,849
Grants awards – T-Mobile	1,610,000	-	1,610,000
Program – 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 Program	73,723	-	73,723
Insurance	39,714	7,008	46,722
Occupancy	43,954	7,757	51,711
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	<u>(20,940)</u>	<u>-</u>	<u>(20,940)</u>
Total functional expenses	<u>\$ 9,051,752</u>	<u>\$ 531,438</u>	<u>\$ 9,583,190</u>

See independent auditors' report and accompanying notes.

**CALIFORNIA EMERGING TECHNOLOGY FUND
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30,**

	2023	2022
<u>Cash flows from operating activities</u>		
Change in net assets	\$ <u>(5,917,877)</u>	\$ <u>(8,335,998)</u>
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation expense	5,755	3,804
Interest income on bond amortization	(48,269)	-
Amortization of right of use asset	179	-
Changes in operating assets and liabilities:		
Grants and accounts receivable	5,715,045	6,920,070
Prepaid expenses	(5,947)	(12,142)
Right of use assets	(18,322)	-
Accounts payable and accrued expenses	11,160	(5,763)
Funds held for Digital Equity programs	42,470	37,554
Funds held for San Jose grants	(322,887)	256,856
Funds held for Frontier grants	(927,409)	(754,027)
Grants payable	(1,038,316)	(67,105)
Lease liabilities	<u>18,322</u>	<u>-</u>
Total adjustments	<u>3,431,781</u>	<u>6,379,247</u>
Cash used in operating activities	<u>(2,486,096)</u>	<u>(1,956,751)</u>
<u>Cash flows from investing activities</u>		
Purchases of investments	(8,998,603)	-
Proceeds from sale of investments	2,001,767	-
Purchases of property and equipment	<u>(2,834)</u>	<u>(13,150)</u>
Net cash used in investing activities	<u>(6,999,670)</u>	<u>(13,150)</u>
Decrease in cash	(9,485,766)	(1,969,901)
Cash, beginning of year	<u>21,071,055</u>	<u>23,040,956</u>
Cash, end of year	<u>\$ 11,585,289</u>	<u>\$ 21,071,055</u>

See independent auditors' report and accompanying notes.

CALIFORNIA EMERGING TECHNOLOGY FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

Note A

Nature of Organization

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 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. Grant payments presented in the financial statements generally align with the 5-Year Strategic Plan with the completion of all grants except one for the 5 Year Strategic Plan, which will be concluded in the next fiscal year. CETF adopted a new 3 Year Strategic Plan to achieve ubiquitous deployment (with the goal of 99% deployment) and universal adoption (goal of 90% of all low-income households) beginning in fiscal year 2022-23 which is covered in these financial statements.

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 managed \$3 million in charitable funds from Frontier to achieve new broadband adoptions by low-income households in their service areas. CETF also received \$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.

**CALIFORNIA EMERGING TECHNOLOGY FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

Note A

Nature of Organization (Continued)

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. The CETF Board of Directors required a review of the contract with the City of San Jose after three years. The City of San Jose and CETF have agreed to transition management of the program back to the city with a conclusion of the contract on September 30, 2023. CETF will transfer remaining managed funds to the San Jose Public Library Foundation.

CETF also served as the fiscal agent for Los Angeles Jewish Home for the Aging in managing a grant from the Federal Communications Commission (FCC). The FCC grant provided 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.

Note B

Summary of Significant Accounting Policies

Basis of Accounting:

The financial statements of the Organization are prepared using the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America.

Financial Statement Presentation:

Financial statement presentation is in accordance with accounting standards regarding the reporting of net assets. The Organization is required to report information regarding its financial position and activities according to two classes of net assets:

- Net Assets Without Donor Restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the Board of Directors.
- Net Assets With Donor Restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor-imposed restrictions may be 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 may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Use of Estimates:

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

CALIFORNIA EMERGING TECHNOLOGY FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

Note B
Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents:

For the purpose of the statements of cash flows, the Organization considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents.

Concentration of Credit Risk Arising from Cash Deposits in Excess of Insured Limits:

The Organization maintains cash balances at two commercial banks. These balances can exceed the FDIC insured deposit limit of \$250,000 per financial institution. At June 30, 2023 and 2022, the Organization's cash balances held at the commercial banks exceeded the FDIC limit by approximately \$11,284,432 and \$16,080,570, respectively. The Organization has not experienced any losses through the date when the financial statements were available to be issued.

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 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.

Investments:

Investments consist of U.S. Treasury bills. The Organization has elected to classify these as investments using the held-to-maturity method. Premiums and discounts on the initial purchase are amortized through the maturity date.

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.

CALIFORNIA EMERGING TECHNOLOGY FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

Note B
Summary of Significant Accounting Policies (Continued)

Leases:

The Organization adopted ASC 842 – Leases effective July 1, 2022, with all the available practical expedients, retrospectively at the beginning of the period of adoption. There was no net asset impact on the adoption of ASC 842. The Organization recognizes and measures its leases in accordance with ASC 842 - Leases. The Organization determines if an arrangement is a lease, or contains a lease, at inception of a contract and when the terms of an existing contract are changed. The Organization recognizes a lease liability and a right of use (ROU) asset at the commencement date of each lease. The lease liability is initially and subsequently recognized based on the present value of the contract's future lease payments.

Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. The discount rate is the risk-free rate.

The Organization has elected to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset that the Organization is reasonably certain to exercise. The Organization recognizes lease costs associated with its short-term leases on a straight-line basis over the lease term. When contracts contain lease and non-lease components, the Organization accounts for both components as a single lease component.

Grant Expenses:

CETF concluded its 5-Year Strategic Plan in June 2022 with completion of remaining grant obligations in fiscal year 2022-2023 except for one grant. As of year-ended June 30, 2023, CETF has made grant commitments of approximately \$- million. Total grant payments were approximately \$- million and \$4.8 million, with the remaining commitments of \$430,000 and \$1.6 million accrued as a liability as of June 30, 2023 and 2022, respectively.

Grant expenses are recognized when a payment is made to a grantee, or in the period the grantee is notified of the award, provided the grant is not subject to significant future conditions. Conditional grants are recognized as grant expense and as grant payable in the period in which the grantee meets the terms of the conditions. Grants payable that are expected to be paid in future years are recorded at the present value of expected future payments.

Tax Exempt Status:

The Organization is a nonprofit organization exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). Accordingly, no provision for federal income taxes is required. The Organization applies the guidance on accounting for uncertain tax provisions in FASB ASC 740 Income Taxes. The Organization is no longer subject to income tax examinations for tax years up to and including 2020.

**CALIFORNIA EMERGING TECHNOLOGY FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

Note B
Summary of Significant Accounting Policies (Continued)

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.

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.

Note C
Liquidity and Availability of Financial Assets

The Organization's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date, comprise the following as of June 30:

	<u>2023</u>	<u>2022</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 11,585,289	\$ 21,071,055
Grants and accounts receivable	8,419,361	7,134,406
Investments	<u>7,045,105</u>	<u>-</u>
Total financial assets	27,049,755	28,205,461
Less:		
Cash held for others	(328,550)	(1,536,376)
Donor-restricted endowment	(7,864)	(2,311,381)
Board-designated endowment included in current assets	<u>(15,717,250)</u>	<u>(20,186,040)</u>
Total financial assets available for general expenditure within one year	<u>\$ 11,653,191</u>	<u>\$ 7,244,416</u>

**CALIFORNIA EMERGING TECHNOLOGY FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

Note C

Liquidity and Availability of Resources (Continued)

The Organization monitors its liquidity so that it is able to meet its operating needs and other contractual commitments. In addition to financial assets available for general expenditure within one year, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures. Because the donor restrictions require resources to be used in a particular manner or in future periods, the Organization maintains sufficient resources to meet the responsibility to its donors. Thus, financial assets as they relate to donor restrictions may not be available for general expenditure within one year.

Note D

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 \$28 million has been received.

Future grant receivable payments are due as follows:

<u>Year Ending June 30,</u>	
2024	<u>\$7,000,000</u>

Note E

Investments

Investments, which are valued using the held to maturity method, consisted of the following as of June 30, 2023:

	<u>Amortized Cost</u>	<u>Unrealized Loss</u>	<u>Fair Value</u>
U.S. Treasury Bills	\$ 6,965,679	\$ <u>(3,221)</u>	\$ <u>6,962,458</u>
Cash held in investment account	<u>79,426</u>		
Total investments	<u>\$ 7,045,105</u>		\$

**CALIFORNIA EMERGING TECHNOLOGY FUND
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Note F
Funds Held for Digital Equity Programs

CETF maintains two distinct depository accounts aimed at fostering collaboration and partnerships with both public and private entities: the CETF Digital Equity Donations Account and the CETF Digital Equity Partnership Account. The CETF Digital Equity Donations Account is specifically designated to receive contributions, including those processed through PayPal from individual contributors. These donations are allocated to specific projects with well-defined goals. On the other hand, the CETF Digital Equity Partnership Account is responsible for managing expenditures related to collaborative endeavors. This separation of accounts ensures a clear financial trail, enabling us to efficiently channel resources for the betterment of digital disadvantaged communities and the facilitation of internet accessibility for low-income households.

Funds held, July 1, 2021	\$ 726
Funds received	87,502
Grants paid	<u>(49,948)</u>
Funds held, June 30, 2022	38,280
Funds received	112,016
Grants paid	<u>(69,546)</u>
Funds held, June 30, 2023	<u>\$ 80,750</u>

Note G
Funds Held for San Jose Programs

The City of San José has a longstanding record as a "smart city," embracing technology and establishing a Digital Inclusion Fund capitalized by ISP fees for 5G deployment. The overall aim is to connect 50,000 households to the Internet with sufficient digital literacy proficiency referred to as "adoptions." Engaged by the City Council in February 2019 to manage the San José Digital Inclusion Partnership (SJDIP), CETF oversaw and administered three rounds of Digital Inclusion Grants to non-profit organizations, community-based groups, and public agencies for a total of 41 Grants that resulted in 5,936 adoptions recognized by CETF. Under the City-CETF contract and amendments, the City provided an annual payment to support one position for the Program Director and CETF contributed significant in-kind executive management support and additional cash contributions. CETF received \$215,000 from the City for SJDIP management in the fiscal year ending June 30, 2023. CETF will receive \$47,500 to support CETF management through September 30, 2023, at which time program management is being transitioned back to the City. Additionally, San Jose paid CETF a one-time \$20,000 fee in June 2019 to stand up the SJDIP. CETF also was the designated recipient for donations, including those made through PayPal, and these funds are solely expended under City direction and approval. To ensure transparency and accountability for City-controlled funds, CETF maintained two separate bank accounts for SJDIP management and donation receipt.

CALIFORNIA EMERGING TECHNOLOGY FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

Note G
Funds Held for San Jose Programs (Continued)

	San Jose Programs			
	Management	Grants	San Jose Donations	Total
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	<u>(207,680)</u>	<u>-</u>	<u>-</u>	<u>(207,680)</u>
Funds held, June 30, 2022	(15,843)	126,300	460,230	570,687
Funds received	235,378	95,250	147,395	478,023
Transfers between accounts	-	607,625	(607,625)	-
Grants paid	-	(581,375)	-	(581,375)
Program expenses	<u>(219,535)</u>	<u>-</u>	<u>-</u>	<u>(219,535)</u>
Funds held, June 30, 2023	<u>\$ -</u>	<u>\$ 247,800</u>	<u>\$ -</u>	<u>\$ 247,800</u>

Note H
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.

Funds held, July 1, 2021	\$ 1,681,436
Grants paid	<u>(754,027)</u>
Funds held, June 30, 2022	927,409
Grants paid	(926,018)
Miscellaneous expense	<u>(1,391)</u>
Funds held, June 30, 2023	<u>\$ -</u>

**CALIFORNIA EMERGING TECHNOLOGY FUND
NOTES TO FINANCIAL STATEMENTS
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Note I
Public Agency Partnerships

The CETF Board of Directors has adopted a 3-Year Strategic Plan for FY22-23 through FY24-25 which emphasizes 3 Overall Goals: Ubiquitous Deployment; Universal Adoption; and Deep Institutionalization. The incorporation of Digital Inclusion practices into all public agencies and major organizations serving low-income households and other disadvantaged populations is referred to as "Institutionalization" so that Digital Equity is "rooted" into organizational culture. To fulfill this Goal, CETF is pursuing partnerships with Public Agencies as a preferred high-performing vendor. In FY22-23, CETF was engaged by the County of Riverside, County of Los Angeles, and California Department of Technology.

Note J
Property and Equipment

The following is a summary of property and equipment at cost at June 30:

	2023	2022
Building and improvements	\$ 32,347	\$ 32,347
Furniture and equipment	97,609	94,775
	129,956	127,122
Less: accumulated depreciation	(120,704)	(114,949)
Property and equipment, net	\$ 9,252	\$ 12,173

Depreciation expense for the years ended June 30, 2023 and 2022, totaled \$5,755 and \$3,806, respectively.

Note K
Board Designated Net Assets

In conjunction with the T-Mobile public benefit obligation the Board designated the following funds as of June 30, 2023:

	Beginning Balance June 30, 2022	Released From Board Designated	Ending Balance June 30, 2023
School2Home	\$12,000,000	\$ (3,156,420)	\$ 8,843,580
Digital Literacy Training	4,456,040	59,290	4,515,330
Regional government grants	3,730,000	(1,371,660)	2,358,340
Totals	\$20,186,040	\$(4,468,790)	\$15,717,250

CALIFORNIA EMERGING TECHNOLOGY FUND
NOTES TO FINANCIAL STATEMENTS
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Note L

Net Assets With Donor Restrictions

Net assets with donor restrictions consist of the following as of June 30, 2023:

	<u>Balance</u> <u>July 1, 2022</u>	<u>Contributions</u> <u>and Income</u>	<u>Released</u> <u>from</u> <u>Restrictions</u>	<u>Balance</u> <u>June 30, 2023</u>
Charter	\$ 2,193,517	\$ 3	\$ (2,193,520)	\$ -
City of San Jose	-	215,000	(215,000)	-
Southern California Association of Governments	67,864	-	(60,000)	7,864
Oscar Romero School	50,000	-	(50,000)	-
FCC Telehealth	-	123,002	(123,002)	-
	<u>\$ 2,311,381</u>	<u>\$ 338,005</u>	<u>\$ (2,641,522)</u>	<u>\$ 7,864</u>

Net assets with donor restrictions consist of the following as of June 30, 2022:

	<u>Balance</u> <u>July 1, 2021</u>	<u>Contributions</u> <u>and Income</u>	<u>Released</u> <u>from</u> <u>Restrictions</u>	<u>Balance</u> <u>June 30, 2022</u>
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)	-
	<u>\$ 6,916,180</u>	<u>\$ 1,243,631</u>	<u>\$ (5,848,430)</u>	<u>\$ 2,311,381</u>

Note M

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 regional and statewide organizations working with local governments to adopt and implement digital inclusion policies (\$5 million), which are held as board restricted net assets; and (b) \$13 million for core mission operations including management of the digital inclusion programs.

**CALIFORNIA EMERGING TECHNOLOGY FUND
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Note N

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 - FY 2021-22	\$	749,644
Grants awarded - 2021-22		(749,644)
FCC COVID-19 Telehealth Funding - FY 2022-23		123,002
CETF contribution to program		850
Grants awarded - 2022-23		<u>(123,852)</u>
Remaining Funds	\$	<u><u>-</u></u>

Note O

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 15% of active participants' compensation to the Plan. For the years ended June 30, 2023 and 2022, contributions to the Plan amounted to \$268,661 and \$190,508 respectively. It is the Organization's policy to offset contributions with amounts forfeited. During the years ended June 30, 2023 and 2022, there were no forfeitures.

Note P

Leases

The Organization has obligations as a lessee for office space, which is classified as an operating lease. Payments due under the lease contracts include mainly fixed payments. ASC 842 does not require a lessee to recognize assets and liabilities for short-term leases (i.e. leases of 12 months or less).

The components of the leases for the year ending June 30, 2023, are as follows:

		<u>Amount</u>
Operating lease cost	\$	36,527
Weighted-average remaining lease term - operating lease		1.50
Weighted-average discount rate - operating lease		3.15 %

CALIFORNIA EMERGING TECHNOLOGY FUND
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Note P
Leases (Continued)

Maturities of the lease liability under the noncancelable operating leases as of June 30, 2023 are as follows:

<u>Year Ending June 30</u>	<u>Total Lease Payment</u>
2024	\$ <u>18,442</u>
Total undiscounted lease payments	18,442
Less: imputed interest	<u>(120)</u>
Total lease liability	\$ <u><u>18,322</u></u>

Note Q
Subsequent Events

Management considered all events through January 17, 2024, the date the financial statements were available for release, in preparing the financial statements and the related disclosures. The Organization is not aware of any other significant events that occurred subsequent to June 30, 2023, but prior to the issuance of this report, that would have a material impact on the financial statements.