

**CALIFORNIA EMERGING TECHNOLOGY FUND**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2024 AND 2023**

# 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, 2024 and 2023, 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, 2024 and 2023, 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 Auditors' 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 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 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.

*Aprio, LLP*

Walnut Creek, CA  
December 4, 2024

**CALIFORNIA EMERGING TECHNOLOGY FUND**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30,**

**ASSETS**

	<u>2024</u>	<u>2023</u>
<u><b>Current assets</b></u>		
Cash and cash equivalents	\$ 12,998,133	\$ 11,585,289
Accounts receivable	150,252	1,419,361
Grants receivable	250,667	7,000,000
Prepaid expenses	77,484	70,341
Investments	<u>5,222,196</u>	<u>7,045,105</u>
Total current assets	18,698,732	27,120,096
<u><b>Property and equipment, net</b></u>	6,527	9,252
<u><b>Other assets</b></u>		
Right of use assets - operating leases	<u>83,343</u>	<u>18,143</u>
Total assets	<u><u>\$ 18,788,602</u></u>	<u><u>\$ 27,147,491</u></u>

**LIABILITIES AND NET ASSETS**

<u><b>Current liabilities</b></u>		
Accounts payable and accrued expenses	\$ 101,609	\$ 116,258
Funds held for Digital Equity program	-	80,750
Funds held for San Jose grants	-	247,800
Grants payable	222,080	430,000
Operating lease liabilities, current portion	<u>36,002</u>	<u>18,322</u>
Total current liabilities	359,691	893,130
<u><b>Long-term liabilities</b></u>		
Operating lease liabilities, net of current portion	<u>48,128</u>	<u>-</u>
Total liabilities	<u>407,819</u>	<u>893,130</u>
<u><b>Net assets</b></u>		
Without donor restrictions		
Undesignated	15,020,993	10,529,247
Board designated	3,278,264	15,717,250
With donor restrictions	<u>81,526</u>	<u>7,864</u>
Total net assets	<u>18,380,783</u>	<u>26,254,361</u>
Total liabilities and net assets	<u><u>\$ 18,788,602</u></u>	<u><u>\$ 27,147,491</u></u>

See independent auditors' report and accompanying notes.

**CALIFORNIA EMERGING TECHNOLOGY FUND**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2024**

	Without Donor Restrictions	With Donor Restrictions	Total
<u>Revenues and other support</u>			
City of San Jose grant	\$ -	\$ 47,500	\$ 47,500
Federal grants	284,817	-	284,817
CPUC grants	238,571	-	238,571
Public Partnership program	1,365,465	-	1,365,465
School2Home	17,503	-	17,503
Kaiser	50,000	-	50,000
Pew Charitable Trust grant	16,266	-	16,266
Call Center Digital Literacy	12,096	-	12,096
Contributions to Digital Equity programs	-	130,663	130,663
Investment income, net	480,388	-	480,388
Miscellaneous income	74,423	-	74,423
Net assets released from restrictions	<u>104,501</u>	<u>(104,501)</u>	<u>-</u>
Total revenues and other support	<u>2,644,030</u>	<u>73,662</u>	<u>2,717,692</u>
<u>Expenses</u>			
Program	9,944,866	-	9,944,866
Management and general	<u>646,404</u>	<u>-</u>	<u>646,404</u>
Total expenses	<u>10,591,270</u>	<u>-</u>	<u>10,591,270</u>
Change in net assets	(7,947,240)	73,662	(7,873,578)
Net assets at beginning of year	<u>26,246,497</u>	<u>7,864</u>	<u>26,254,361</u>
Net assets at end of year	<u>\$ 18,299,257</u>	<u>\$ 81,526</u>	<u>\$ 18,380,783</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>			
City of San Jose grant	\$ -	\$ 215,000	\$ 215,000
T-Mobile grant	1,000,000	-	1,000,000
Federal grants	-	123,002	123,002
Public Partnership program	1,961,376	-	1,961,376
Kaiser	25,000	-	25,000
Investment income, net	241,957	3	241,960
Miscellaneous	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 FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2024**

	Program Services	Management and General	Total
<u>Personnel costs</u>			
Salaries, other compensation and expense reimbursement	\$ 1,706,232	\$ 301,100	\$ 2,007,332
Employee retirement	223,538	39,448	262,986
Employee benefits	190,811	33,672	224,483
Payroll taxes	115,261	20,340	135,601
Vacation liability expense	<u>(12,452)</u>	<u>(2,197)</u>	<u>(14,649)</u>
Total personnel costs	<u>2,223,390</u>	<u>392,363</u>	<u>2,615,753</u>
<u>Non personnel costs</u>			
School2Home	2,464,113	-	2,464,113
Riverside County programs	1,254,166	-	1,254,166
Grants awards - T-Mobile	920,000	-	920,000
CPUC Call Center grant	137,800	-	137,800
Other grants	10,000	-	10,000
ACP-ISP Affordable Offers Enrollment	1,121,835	-	1,121,835
Consultants and outside services	753,370	-	753,370
Media relations and communications	421,982	-	421,982
Professional services	-	178,830	178,830
Call Center expense	61,329	-	61,329
CPUC Call Center expenses	3,000	-	3,000
Digital literacy expenses	27,562	-	27,562
FCC ACP Outreach Grant expense	190,264	-	190,264
Insurance	50,639	8,936	59,575
Occupancy	45,855	8,092	53,947
Programs – San Jose Digital Inclusion	53,141	-	53,141
Information technology	44,539	7,860	52,399
Board leadership and meetings	-	43,274	43,274
Travel	23,984	-	23,984
Telephone	19,557	3,451	23,008
Special events	23,000	-	23,000
Programs - Telehealth	16,500	-	16,500
Programs - Digital Equity	49,137	-	49,137
Miscellaneous	9,394	-	9,394
Equipment lease and maintenance	6,899	1,218	8,117
Printing and reproduction	4,668	824	5,492
Depreciation	4,626	816	5,442
Office supplies	5,275	-	5,275
Postage and delivery services	4,194	740	4,934
Public partnership expense	<u>(5,353)</u>	<u>-</u>	<u>(5,353)</u>
Total non-personnel costs	<u>7,721,476</u>	<u>254,041</u>	<u>7,975,517</u>
Total functional expenses	<u>\$ 9,944,866</u>	<u>\$ 646,404</u>	<u>\$ 10,591,270</u>

See independent auditors' report and accompanying notes.



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

	Program Services	Management and General	Total
<u>Personnel costs</u>			
Salaries, other compensation and expense			
reimbursements	\$ 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	<u>2,144,281</u>	<u>378,402</u>	<u>2,522,683</u>
<u>Non-personnel costs</u>			
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
Program – Charter	672,993	-	672,993
Consultants and outside services	708,503	-	708,503
Grant awards – FCC Telehealth	123,852	-	123,852
Media relations and communications	284,823	-	284,823
Programs – Southern California	60,000	-	60,000
Programs – San Jose Digital Inclusion	219,535	-	219,535
Other grants	95,000	-	95,000
Professional services	-	175,459	175,459
Programs - Telehealth	80,366	-	80,366
Insurance	40,571	7,160	47,731
Occupancy	47,215	8,332	55,547
Bad debt expense	50,000	-	50,000
Information technology	37,075	6,543	43,618
Telephone	20,166	3,559	23,725
Travel	44,912	-	44,912
Board leadership and meetings	-	26,979	26,979
Equipment lease and maintenance	9,254	1,633	10,887
Regional roundtables and outreach	60,809	-	60,809
Postage and delivery services	5,630	994	6,624
Miscellaneous	22,805	-	22,805
Depreciation	4,892	863	5,755
Office supplies	12,236	-	12,236
Printing and reproduction	9,519	1,680	11,199
Grant awards – Charter funds	<u>47,900</u>	<u>-</u>	<u>47,900</u>
Total non-personnel costs	<u>6,736,003</u>	<u>233,202</u>	<u>6,969,205</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**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30,**

	<u>2024</u>	<u>2023</u>
<u>Cash flows from operating activities</u>		
Change in net assets	\$ <u>(7,873,578)</u>	\$ <u>(5,917,877)</u>
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation expense	5,442	5,755
Unrealized loss (gain) on investments	55,304	(48,269)
Noncash lease expense	32,581	35,436
Changes in operating assets and liabilities:		
Grants and accounts receivable	8,018,442	5,715,045
Prepaid expenses	(7,143)	(5,947)
Accounts payable and accrued expenses	(14,649)	11,160
Funds held for Digital Equity programs	(80,750)	42,470
Funds held for San Jose grants	(247,800)	(322,887)
Funds held for Frontier grants	-	(927,409)
Grants payable	(207,920)	(1,038,316)
Operating lease liabilities	<u>(31,973)</u>	<u>(35,257)</u>
Total adjustments	<u>7,521,534</u>	<u>3,431,781</u>
Cash used in operating activities	<u>(352,044)</u>	<u>(2,486,096)</u>
<u>Cash flows from investing activities</u>		
Purchases of investments	(7,384,012)	(8,998,603)
Proceeds from sale of investments	9,151,617	2,001,767
Purchases of property and equipment	<u>(2,717)</u>	<u>(2,834)</u>
Net cash provided by (used in) investing activities	<u>1,764,888</u>	<u>(6,999,670)</u>
Increase (decrease) in cash and cash equivalents	1,412,844	(9,485,766)
Cash and cash equivalents, beginning of year	<u>11,585,289</u>	<u>21,071,055</u>
Cash and cash equivalents, end of year	<u>\$ 12,998,133</u>	<u>\$ 11,585,289</u>
<b>SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING ACTIVITIES:</b>		
Right-of-use assets exchanged for operating leases	\$ 97,781	\$ 53,579

See independent auditors' report and accompanying notes.

**CALIFORNIA EMERGING TECHNOLOGY FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2024 AND 2023**

**Note A**

**Nature of Organization**

The mission of the California Emerging Technology Fund (CETF) (Organization) 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 with the last one completed in FY23-24. 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 has adopted a new 5-Year Strategic Framework which aligns with the time horizon of the federal government to expend broadband funds in the Infrastructure and Investment Jobs Act and begins FY24-25, overlapping with the last year of the 3-Year 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 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 has received \$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, 2024 AND 2023**

**Note A**

**Nature of Organization (Continued)**

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 agreed to transition management of the program back to the city with a conclusion of the contract on September 30, 2023. CETF transferred 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. This grant with the FCC was closed in FY23-24.

Each of these revenue sources were 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.

**CALIFORNIA EMERGING TECHNOLOGY FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2024 AND 2023**

**Note B**

**Summary of Significant Accounting Policies (Continued)**

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.

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, 2024 and 2023, the Organization's cash balances held at the commercial banks exceeded the FDIC limit by \$13,605,580 and \$11,284,432, respectively. The Organization has not experienced any losses through the date when the financial statements were available to be issued.

Revenue Recognition:

*Contributions:*

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.

*Fees for Services:*

CETF is a party to contracts requiring the organization to manage certain projects and programs in exchange for predetermined payment amounts. The related revenue is recognized over time as the management services are rendered and related activities are performed. A contract may contain more than one performance obligation with each performance obligation allocated a specific value. CETF bills monthly for the previous month's services provided. Payment is anticipated within 30 working days. Fee for service revenue is recorded in the Public Partnership program on the statement of activities.

**CALIFORNIA EMERGING TECHNOLOGY FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2024 AND 2023**

**Note B**

**Summary of Significant Accounting Policies (Continued)**

Accounts Receivable:

Accounts receivable consists of various third-party payment arrangements from exchange transactions related to the Public Partnership program, stated at the amount management expects to collect. CETF provides for losses on accounts receivable using the allowance method. The allowance is based on past experience, third-party contracts, and other circumstances which may affect the ability of third-parties to meet their obligations. Receivables are considered impaired if full payments are not received in accordance with the contractual terms. It is CETF's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. Management has determined that no allowance was necessary at June 30, 2024 and 2023.

Balances of accounts receivable were as follows for the years ended June 30,

	<u>2022</u>	<u>2023</u>	<u>2024</u>
Accounts receivable	\$ <u>70,000</u>	\$ <u>1,419,361</u>	\$ <u>150,252</u>

Two customers comprised 90% and 100% of the accounts receivable balance for the years ended June 30, 2024 and 2023, respectively.

Investments:

Investments consist of U.S. Treasury bills and cash held for investment purposes. Investments are recorded at cost, if purchased, or at fair value on the date of donation, if donated. Investments are stated at fair value. Gains and losses, both realized and unrealized, resulting from increases or decreases in the fair value of investments are reflected in the statements of activities and changes in net assets as increases or decreases in net assets without donor restrictions unless the use was restricted by explicit donor stipulations or law.

Fair Value Measurements:

The Organization applies FASB ASC 820, *Fair Value Measurements* (ASC 820), which establishes a framework for measuring fair value and expands disclosure requirements about fair value measurements. ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. ASC 820 also establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels.

**CALIFORNIA EMERGING TECHNOLOGY FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2024 AND 2023**

**Note B**  
**Summary of Significant Accounting Policies (Continued)**

The three general valuation techniques that may be used to measure fair value are described below:

- Level 1      Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.
- Level 2      Inputs to the valuation methodology include:
- Quoted market prices for similar assets or liability 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; and
  - 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 following are descriptions of the valuation methods and assumptions used by the Organization to estimate the fair values of certain financial instruments.

**Cash and cash equivalents:** Fair values of money market funds are estimated to approximate deposit account balances, payable on demand, as no discounts for credit quality or liquidity were determined to be applicable (Level 1 inputs).

**Fixed income securities:** Fixed income securities are invested primarily in high grade fixed income securities, which are one to six years in duration. The fair values of these investments are readily marketable and are determined by obtaining quoted prices on a nationally recognized securities exchanges (Level 1 inputs).

**Property and Equipment:**

Property and equipment are recorded at cost and depreciated on a straight-line basis over their estimated useful life, generally between 3 - 7 years. 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, 2024 AND 2023**

**Note B**

**Summary of Significant Accounting Policies (Continued)**

**Leases:**

Operating lease right-of-use assets (ROU) and lease liabilities are recognized at the lease commencement date based on the present value of the lease payments over the lease term. ROU assets also include adjustments related to lease payments made and lease incentives received at or before the commencement date. The ROU assets resulting from operating leases are disclosed as a right-of-use asset and the related liabilities are included in a lease liability in the statements of financial position. At lease commencement, lease liabilities are recognized based on the present value of the remaining lease payments and discounted using the risk-free rate. Operating lease cost is recognized on a straight-line basis over the lease term as occupancy in the accompanying statements of functional expenses. Lease and non-lease components of office lease agreements are accounted for as a single component. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. The Organization determines if an arrangement is a lease at inception. All leases are recorded in the statements of financial position except for leases with an initial term less than 12 months for which the Organization made the short-term lease election.

**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. CETF adopted a 3 Year Strategic Plan beginning in fiscal year 2022-2023, and a 5 Year Strategic Framework which aligned with the time horizon of the federal government's Infrastructure and Investment Jobs Act beginning in 2024-2025. As of the years ended June 30, 2024 and 2023, CETF has made grant commitments of approximately \$4.4 million and \$5.0 million, respectively. Total grant payments were approximately \$4.2 million and \$4.6 million, with the remaining commitments of \$222,080 and \$430,000 accrued as a liability as of June 30, 2024 and 2023, 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 a 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 positions in FASB ASC 740 Income Taxes. The Organization is no longer subject to income tax examinations for tax years up to and including 2021.

**Reclassifications:**

Certain reclassifications have been made to the prior year financial statements in order to make prior year amounts comparable to those of the current year. Such reclassifications had no effect on previously reported net assets or changes in net assets.



**CALIFORNIA EMERGING TECHNOLOGY FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
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**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.

Recent Pronouncements:

In June 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-13, Financial Instruments - Credit Losses (Topic 326), or CECL, which prescribes an impairment model for most financial instruments based on expected losses rather than incurred losses. Under this model, an estimate of expected credit losses over the contractual life of the instrument is to be recorded as of the end of a reporting period as an allowance to offset the amortized cost basis, resulting in a net presentation of the amount expected to be collected on the financial instrument. For most instruments, entities must apply the standard using a cumulative-effect adjustment to beginning net assets as of the beginning of the fiscal year of adoption. The Organization adopted the CECL standard effective July 1, 2023 using the required modified retrospective approach. The impact of the adoption was not considered material to the financial statements.

**CALIFORNIA EMERGING TECHNOLOGY FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2024 AND 2023**

**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>2024</u>	<u>2023</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 12,998,133	\$ 11,585,289
Grants and accounts receivable	400,919	8,419,361
Investments	<u>5,222,196</u>	<u>7,045,105</u>
Total financial assets	<u>18,621,248</u>	<u>27,049,755</u>
Less:		
Cash held for others	-	(328,550)
Donor-restricted endowment	(81,526)	(7,864)
Board-designated endowment included in current assets	<u>(3,278,264)</u>	<u>(15,717,250)</u>
	<u>(3,359,790)</u>	<u>(16,053,664)</u>
Total financial assets available for general expenditure within one year	<u>\$ 15,261,458</u>	<u>\$ 10,996,091</u>

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, 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 \$35 million has been received as of June 30, 2024.

**CALIFORNIA EMERGING TECHNOLOGY FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2024 AND 2023**

**Note E**  
**Investments**

Investments, which are valued using Level 1 fair value measurements, consisted of the following as of June 30:

	<u>2024</u>	<u>2023</u>
United States Treasury Bills	\$ 2,227,596	\$ 6,965,679
Cash	<u>2,994,600</u>	<u>79,426</u>
Total investments	<u>\$ 5,222,196</u>	<u>\$ 7,045,105</u>

**Note F**  
**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 CETF to efficiently channel resources for the betterment of digital disadvantaged communities and the facilitation of internet accessibility for low-income households.

Activity for the Digital Equity programs is summarized as follows:

	<u>Funds Held for Digital Equity Programs</u>	<u>Donor Restricted Activity</u>	<u>Total</u>
Balance, July 1, 2022	\$ 38,280	\$ -	\$ 38,280
Funds received	112,016	-	112,016
Grants paid	<u>(69,546)</u>	<u>-</u>	<u>(69,546)</u>
Balance, June 30, 2023	80,750	-	80,750
Funds received	-	130,663	130,663
Grants paid	<u>(80,750)</u>	<u>(49,137)</u>	<u>(129,887)</u>
Balance, June 30, 2024	<u>\$ -</u>	<u>81,526</u>	<u>\$ 81,526</u>

**CALIFORNIA EMERGING TECHNOLOGY FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
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**Note G**

**Funds Held for San Jose Programs**

The San José City Council engaged CETF in February 2019 to help develop and manage the San Jose Digital Inclusion Partnership (SJDIP) supported by a Digital Inclusion Fund capitalized by ISP fees for 5G deployment. The overall goal was to connect 50,000 households to the Internet with sufficient digital literacy proficiency referred to as “adoptions.” 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 5,925 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 that totaled \$272,646 over 4 years. CETF received \$47,500 to support CETF management in FY23-24 through September 30, 2023, at which time program management transitioned back to the City with the San Jose Public Library Foundation as the intermediary. In September 2023 the City assumed full responsibility to complete verification of Round 3 adoptions and make final Grant Payments, declining a CETF offer of a no-cost extension to address any outstanding issues. To ensure transparency and accountability for City-controlled funds, CETF maintained two separate bank accounts for SJDIP management and donation receipt.

Activity for the San Jose programs is summarized as follows:

	<u>Management</u>	<u>Grants</u>	<u>San Jose Donations</u>	<u>Total</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	-	247,800	-	247,800
Funds transferred to San Jose	<u>-</u>	<u>(247,800)</u>	<u>-</u>	<u>(247,800)</u>
Funds held, June 30, 2024	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CALIFORNIA EMERGING TECHNOLOGY FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
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**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, June 30, 2022	\$ 927,409
Grants paid	(926,018)
Miscellaneous expense	<u>(1,391)</u>
Balance, June 30, 2024	<u>\$ -</u>

**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.

**Note J**

**Property and Equipment**

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

	<u>2024</u>	<u>2023</u>
Building and improvements	\$ 32,347	\$ 32,347
Furniture and equipment	<u>100,324</u>	<u>97,609</u>
	132,671	129,956
Less: accumulated depreciation	<u>(126,144)</u>	<u>(120,704)</u>
Property and equipment, net	<u>\$ 6,527</u>	<u>\$ 9,252</u>

Depreciation expense for the years ended June 30, 2024 and 2023, totaled \$5,442 and \$5,755, respectively.

**CALIFORNIA EMERGING TECHNOLOGY FUND**  
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**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, 2024:

	<u>Beginning Balance June 30, 2023</u>	<u>Released From Board Designated</u>	<u>Ending Balance June 30, 2024</u>
School2Home	\$ 8,843,580	\$ (8,050,183)	\$ 793,397
Digital Literacy Training	4,515,330	(4,515,330)	-
Digital Equity	-	126,527	126,527
Regional government grants	<u>2,358,340</u>	<u>-</u>	<u>2,358,340</u>
Totals	<u>\$ 15,717,250</u>	<u>\$ (12,438,986)</u>	<u>\$ 3,278,264</u>

**Note L**

**Net Assets With Donor Restrictions**

Net assets with donor restrictions consist of the following as of June 30, 2024:

	<u>Balance July 1, 2023</u>	<u>Contributions and Income</u>	<u>Released from Restrictions</u>	<u>Balance June 30, 2024</u>
City of San Jose	\$ -	\$ 47,500	\$ (47,500)	\$ -
Southern California Association of Governments	7,864	-	(7,864)	-
Digital Equity Programs	<u>-</u>	<u>130,663</u>	<u>(49,137)</u>	<u>81,526</u>
	<u>\$ 7,864</u>	<u>\$ 178,163</u>	<u>\$ (104,501)</u>	<u>\$ 81,526</u>

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

	<u>Balance July 1, 2022</u>	<u>Contributions and Income</u>	<u>Released from Restrictions</u>	<u>Balance 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	<u>-</u>	<u>123,002</u>	<u>(123,002)</u>	<u>-</u>
	<u>\$ 2,311,381</u>	<u>\$ 338,005</u>	<u>\$ (2,641,522)</u>	<u>\$ 7,864</u>

**CALIFORNIA EMERGING TECHNOLOGY FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
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**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 2024 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.

**Note N**

**Fiscal Agent for Federal Communications Commission Grant**

CETF served 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>

**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. CETF contributes 15% of active participants' compensation to the Plan. For the years ended June 30, 2024 and 2023, contributions to the Plan amounted to \$262,986 and \$268,661 respectively. It is the Organization's policy to offset contributions with amounts forfeited. During the year ended June 30, 2024 there was a forfeiture of \$21,444 used to reduce employer contributions and there were no forfeitures during the year ended June 30, 2023.

**CALIFORNIA EMERGING TECHNOLOGY FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
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**Note P**  
**Leases**

The Organization has obligations as a lessee for office space, which is classified as an operating lease. During fiscal year ending June 30, 2024, the lease was extended for 2.5 years. 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 years ending June 30, 2024 and 2023, are as follows:

	<u>2024</u>	<u>2023</u>
Operating lease cost	\$ 34,665	\$ 36,527
Cash paid for amounts included in the measurement of lease liabilities - operating lease	\$ 34,057	\$ 36,348
Lease liabilities arising from obtaining right of use assets	\$ 97,781	\$ 53,579
Weighted-average remaining lease term - operating lease	2.25	0.50
Weighted-average discount rate - operating lease	3.15 %	3.15 %

Maturities of the lease liability under the noncancelable operating leases as of June 30, 2024 are as follows:

<u>Year Ending June 30</u>	<u>Total Lease Payment</u>
2025	\$ 38,040
2026	39,084
2027	<u>9,939</u>
Total undiscounted lease payments	87,063
Less: imputed interest	<u>(2,933)</u>
Total lease liability	\$ <u><u>84,130</u></u>

**Note Q**  
**Subsequent Events**

Management considered all events through December 4, 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, 2024, but prior to the issuance of this report, that would have a material impact on the financial statements.