



CALIFORNIA EMERGING TECHNOLOGY FUND

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

FINANCIAL STATEMENTS

JUNE 30, 2021 AND JUNE 30, 2020



CALIFORNIA EMERGING TECHNOLOGY FUND

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Independent Auditors' Report

The Board of Directors
California Emerging Technology Fund

We have audited the accompanying financial statements of California Emerging Technology Fund (a California not-for-profit public benefit corporation) which comprise the statements of financial position as of June 30, 2021 and June 30, 2020 and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of California Emerging Technology Fund as of June 30, 2021 and June 30, 2020, 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Statement of Financial Position by Revenue Source on page 20 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

RINA Accountancy LLP

Certified Public Accountants

San Francisco, California

October 15, 2021

CALIFORNIA EMERGING TECHNOLOGY FUND

STATEMENTS OF FINANCIAL POSITION

<u>ASSETS</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>
CURRENT:		
Cash and cash equivalents	\$ 23,040,956	\$ 15,855,871
Grants and accounts receivable, current	7,054,476	13,550,726
Prepaid expenses	52,252	64,295
	<hr/>	<hr/>
TOTAL CURRENT ASSETS	30,147,684	29,470,892
GRANTS RECEIVABLE, net of current	14,000,000	21,000,000
PROPERTY AND EQUIPMENT, net	2,827	6,634
	<hr/>	<hr/>
	\$ 44,150,511	\$ 50,477,526
	<hr/> <hr/>	<hr/> <hr/>
 <u>LIABILITIES AND NET ASSETS</u>		
CURRENT:		
Accounts payable and accrued expenses	\$ 110,861	\$ 98,199
Cash held for Digital Equity program	726	-
Cash held for San Jose grants	313,831	264,609
Cash held for Frontier grants	1,681,436	65,871
Grants payable	1,535,421	1,900,070
	<hr/>	<hr/>
TOTAL LIABILITIES (All Current)	3,642,275	2,328,749
NET ASSETS:		
Without donor restrictions	33,592,056	33,809,090
With donor restrictions	6,916,180	14,339,687
	<hr/>	<hr/>
TOTAL NET ASSETS	40,508,236	48,148,777
	<hr/>	<hr/>
	\$ 44,150,511	\$ 50,477,526
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See notes to financial statements.

CALIFORNIA EMERGING TECHNOLOGY FUND

STATEMENT OF ACTIVITIES

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

See notes to financial statements.

CALIFORNIA EMERGING TECHNOLOGY FUND

STATEMENT OF ACTIVITIES

	For the Year Ended June 30, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:			
Non federal grants	\$ 35,000,000	\$ 200,000	\$ 35,200,000
Investment income (loss), net	(78)	8,110	8,032
Other income	1,266	-	1,266
Net assets released from restrictions	7,138,168	(7,138,168)	-
	42,139,356	(6,930,058)	35,209,298
TOTAL SUPPORT AND REVENUE			
EXPENSES:			
Program services	7,768,208	-	7,768,208
Management and general	464,355	-	464,355
	8,232,563	-	8,232,563
TOTAL EXPENSES	8,232,563	-	8,232,563
INCREASE (DECREASE) IN NET ASSETS	33,906,793	(6,930,058)	26,976,735
NET ASSETS, beginning of year	(97,703)	21,269,745	21,172,042
NET ASSETS, end of year	\$ 33,809,090	\$ 14,339,687	\$ 48,148,777

See notes to financial statements.

CALIFORNIA EMERGING TECHNOLOGY FUND

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2021

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

See notes to financial statements.

CALIFORNIA EMERGING TECHNOLOGY FUND

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2020

	Program Services	Management and General	Total
Personnel costs:			
Salaries, other compensation and expense reimbursement	\$ 1,261,442	\$ 222,607	\$ 1,484,049
Employee benefits	129,691	22,887	152,578
Employee retirement	151,562	26,746	178,308
Payroll taxes	78,916	13,926	92,842
Vacation liability expense	18,595	3,282	21,877
	1,640,206	289,448	1,929,654
Other expenses:			
School2Home	2,212,779	-	2,212,779
Programs - Charter Territory	1,575,873	-	1,575,873
Grant awards	1,381,960	-	1,381,960
Consultants and outside services	259,097	-	259,097
Programs - San Jose digital inclusion	190,121	-	190,121
Media relations and communications	184,624	-	184,624
Professional services	-	119,079	119,079
Broadband adoption	111,750	-	111,750
Occupancy	65,802	11,612	77,414
Information technology	44,783	-	44,783
Regional roundtables and outreach	32,712	-	32,712
Board leadership and meetings	-	32,128	32,128
Telephone	22,057	3,892	25,949
Insurance	21,511	3,796	25,307
Equipment lease and maintenance	8,531	1,506	10,037
Miscellaneous	7,619	1,344	8,963
Printing and reproduction	3,970	701	4,671
Depreciation	3,140	554	3,694
Postage and delivery services	1,673	295	1,968
	\$ 7,768,208	\$ 464,355	\$ 8,232,563

See notes to financial statements.

CALIFORNIA EMERGING TECHNOLOGY FUND

STATEMENTS OF CASH FLOWS

	<u>Year Ended June 30, 2021</u>	<u>Year Ended June 30, 2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (7,640,541)	\$ 26,976,735
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	\$ 3,807	\$ 3,694
Changes in operating assets and liabilities:		
Grants and accounts receivable	13,496,250	(21,510,726)
Prepaid expenses	12,043	(18,473)
Accounts payable and accrued expenses	12,662	21,899
Cash held for Digital Equity programs	726	
Cash held for San Jose grants	49,222	264,609
Cash held for Frontier grants	1,615,565	(193,897)
Grants payable	(364,649)	491,930
	<u>14,825,626</u>	<u>(20,940,964)</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 7,185,085	 6,035,771
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	<u>-</u>	<u>(6,985)</u>
 NET CASH USED BY INVESTING ACTIVITIES	 -	 (6,985)
 CASH FLOWS FROM FINANCING ACTIVITIES		
	<u>-</u>	<u>-</u>
 NET INCREASE IN CASH AND CASH EQUIVALENTS	 7,185,085	 6,028,786
CASH AND CASH EQUIVALENTS, beginning of year	<u>15,855,871</u>	<u>9,827,085</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 23,040,956</u>	<u>\$ 15,855,871</u>

See notes to financial statements.

CALIFORNIA EMERGING TECHNOLOGY FUND

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2021 AND JUNE 30, 2020

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

Nature of business:

The mission of the California Emerging Technology Fund (CETF) is to provide leadership statewide to close the Digital Divide by accelerating the deployment and adoption of broadband and other advanced communication services to unserved and underserved communities, with a focus on low-income households and other digitally disadvantaged residents. CETF was established at the direction of the California Public Utilities Commission (CPUC) as a voluntary public benefit resulting from the SBC/AT&T and Verizon/MCI merger agreements approved by CPUC in November 2005. It became a qualified public benefit entity in May 2006. As a condition of approval of the mergers, CPUC required the surviving companies, AT&T and Verizon, to provide \$45 million and \$15 million respectively for a total of \$60 million in seed capital to CETF in shareholder contributions “for the purpose of achieving ubiquitous access to broadband and advanced services in California, particularly in underserved communities, through the use of emerging technologies by 2010”. Funds dedicated to CETF were used to attract matching funds from other organizations. CETF also earned interest on the seed capital. As a result, CETF total audited expenditures through June 30, 2017 exceeded \$79 million, including all of the original \$60 million in seed capital. Additional match funds of \$126 million generated by grantees were documented and verified by CETF and external audits although those dollars did not flow through CETF.

The CETF Board of Directors set overall goals to be accomplished in the first decade (by June 2017) of 98% deployment (98% of all households having access to high-speed Internet infrastructure) and 80% adoption (80% of all households using the Internet from their homes with high-speed service). CETF developed a Strategic Action Plan to engage partners and government agencies to accomplish those goals which were largely achieved at 97.5% deployment and 87% adoption. The CETF Board of Directors adopted a new 5-Year Strategic Plan in 2017 with overall goals to achieve at least 98% deployment in each region and 90% adoption statewide by 2022.

CETF entered into Memoranda of Understanding (MOU) with Internet Service Providers (ISPs) Frontier Communications, Inc. (2015) and Charter Communications, Inc. (2016) to implement public benefits as a result of corporate consolidations. In addition to supporting and monitoring fulfillment of the MOU public benefit obligations by these ISPs, CETF is managing \$3 million in charitable funds from Frontier to achieve new broadband adoptions by low-income households in their service areas. CETF also is receiving \$32.5 million (\$6.5 million per year) from Charter through 2021 to continue core mission organizational operations and support School2Home and other digital inclusion programs in their service areas.

In 2019, CETF entered into a MOU with T-Mobile in conjunction with their acquisition of Sprint which became effective in April 2020 when the transaction was approved by the CPUC. CETF is receiving \$35 million from T-Mobile (\$7 million per year) through 2024 for core mission and to implement School2Home and digital inclusion programs in their statewide service area.

In addition, in CETF was engaged by the City of San José 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.

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

CALIFORNIA EMERGING TECHNOLOGY FUND

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2021 AND JUNE 30, 2020

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

Financial statement presentation:

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

Without donor restrictions:

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

With donor restrictions:

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

Basis of presentation:

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

Revenue recognition:

In June 2018, FASB issued ASU No. 2018-08, Not-For-Profit Entities – *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The standard provided a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction based on whether a resource provider is receiving value in return for the resources transferred. Further, the ASU provides additional guidance to help determine whether a contribution is conditional and better distinguish a donor-imposed condition from a donor-imposed restriction. The effective date of this amendment is for fiscal years beginning after December 15, 2018. CETF implemented the standard in the year ended June 30, 2020.

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.

CALIFORNIA EMERGING TECHNOLOGY FUND

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2021 AND JUNE 30, 2020

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

Revenue recognition (continued):

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

The Company adopted Accounting Standards Codification ("ASC") Topic 606, Revenue from Contracts with Customers ("ASC Topic 606") on January 1, 2019 using the modified retrospective method. The Company's operating results for reporting periods beginning after January 1, 2019 are presented under ASC Topic 606, while prior period amounts continue to be reported in accordance with historic accounting under Topic 605. The timing and measurement of revenues under ASC Topic 606 is similar to that recognized under previous guidance, accordingly, the adoption of ASC Topic 606 did not have a material impact on the financial position, results of operations, cash flows, or presentation thereof at adoption or in the current period. There were no changes in the opening retained earnings balance as a result of the adoption of ASC Topic 606.

Revenue is recognized when services are provided.

Cash and cash equivalents:

CETF considers all highly liquid investments without donor restriction with original maturities of three months or less to be cash equivalents.

Property and equipment:

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

Grant commitments and payments:

As of year-ended June 30, 2021, CETF has made grant commitments of approximately \$4.8 million. Total grant payments were approximately \$1.1 million and \$900,000, with the remaining commitments of \$1.5 million and \$1.9 million accrued as a liability as of June 30, 2021 and 2020, respectively.

Contingent liabilities:

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

CALIFORNIA EMERGING TECHNOLOGY FUND

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2021 AND JUNE 30, 2020

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

Income tax status:

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

Allocation of expenses:

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

Recent pronouncements:

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842). ASU 2016-02 was issued to increase transparency and comparability among entities. Lessees will need to recognize nearly all lease transactions (other than leases that meet the definition of a short-term lease) on the statement of financial position as a lease liability and a right-of-use asset (as defined). ASU is effective for fiscal years beginning after December 15, 2020. In April 2020, the FASB has proposed a one-year extension of the effective date. CETF is evaluating the impact of this pronouncement.

Subsequent events:

Management has evaluated subsequent events through October 15, 2021, the date which the financial statements were available for issue. No significant events were identified that require additional disclosure.

Note 2. NATURE OF ESTIMATES:

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

Note 3. CONCENTRATIONS OF CREDIT RISK:

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

CALIFORNIA EMERGING TECHNOLOGY FUND

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2021 AND JUNE 30, 2020

Note 4. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS:

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

	June 30,	
	2021	2020
Financial assets at year-end:		
Cash and cash equivalents	\$ 23,040,956	\$ 15,855,871
Grants and accounts receivable	7,054,476	13,550,726
	30,095,432	29,406,597
Less:		
Cash held for others	(1,995,993)	(330,480)
Assets with donor restrictions not available for current operations	(6,916,180)	(8,339,687)
Board designated net assets included in current assets	(8,641,660)	(4,400,000)
Financial assets available to meet cash needs for general expenditures within one year	\$ 12,541,599	\$ 16,336,430

Note 5. GRANTS RECEIVABLE:

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

During the year ended June 30, 2020, CETF received a five-year grant from T-Mobile USA, Inc. pursuant to a Memorandum of Understanding (MOU) as part of their public benefit obligations in conjunction with their merger of Sprint Corporation which was approved and imposed by the California Public Utilities Commission. The MOU provides for \$7 million per year for five years, of which \$14 million has been received.

Future grant receivable payments are as follows at June 30:

Year Ending June 30,	
2022	\$ 7,000,000
2023	7,000,000
2024	7,000,000
	\$ 21,000,000

CALIFORNIA EMERGING TECHNOLOGY FUND

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2021 AND JUNE 30, 2020

Note 6. PROPERTY AND EQUIPMENT:

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

	June 30,	
	2021	2020
Furniture and fixtures	\$ 32,347	\$ 32,347
Computers	81,625	81,625
Totals	113,972	113,972
Less accumulated depreciation	(111,145)	(107,338)
	\$ 2,827	\$ 6,634

Depreciation expense for the years ended June 30, 2021 and 2020 was \$3,807 and \$3,694, respectively.

Note 7: CASH HELD FOR DIGITAL EQUITY PROGRAMS:

CETF has established 2 new accounts to facilitate collaboration and partnerships with public and private partners: CETF Digital Equity Donations Account and CETF Digital Equity Partnership Account. These new accounts ensure transparency for partners as well as a mechanism for public agencies and private organizations to pursue innovative approaches to serving digitally disadvantaged communities and helping low-income households get connected to the Internet. Donations, including through PayPal for individual contributors, are received in the Donations Account for designated projects and expenditures are dedicated purposes are made from the Partnership Account. At June 30, 2021, the accounts had a balance of \$726.

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

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

The City contract with CETF is to manage up to \$24 million over 10 years, including donations to support the Digital Inclusion Partnership, for an annual payment of \$190,000 per year. The City also paid CETF a one-time fee of \$20,000 in June 2019 to organize the Partnership. In addition, CETF is the City-designated recipient of donations for the Digital Inclusion Partnership, including online donations through PayPal, and all donated funds are expended only at the direction and with the approval of the City. CETF has established two separate banking accounts to receive City funds to manage the Partnership and to receive donations to ensure transparency and accountability for City-controlled and directed monies.

CALIFORNIA EMERGING TECHNOLOGY FUND

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2021 AND JUNE 30, 2020

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

Cash activity for the San Jose Grant Program is summarized as follows:

	San Jose Partnership	San Jose Donations	Total
Cash held, June 30, 2020	\$ 250,373	\$ 14,136	\$ 264,509
Funds received	1,400,645	1,045,315	2,445,960
Grants paid	(1,367,395)	(831,280)	(2,198,675)
Program expenses	(198,063)	-	(198,063)
Cash held, June 30, 2021	\$ 85,560	\$ 228,171	\$ 313,731

CETF has future commitments to conditional grants totaling \$664,647 and \$1,264,136 at June 30, 2021 and 2020, respectively.

Note 9. CASH 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 provides that CETF and Frontier will outreach to community-based organizations (CBOs) to achieve 50,000 broadband adoptions by low-income households. The MOU requires Frontier to provide \$3 million and 50,000 Internet-enabled devices to be available for grants to CBOs to be administered by CETF. CETF has encumbered through grant agreements with CBOs all \$3 million and 50,000 devices. The grant agreements are subject to funding and devices being made available by Frontier.

Cash activity for the Frontier Grant Program is summarized as follows:

Cash held, July 1, 2019	\$ 73,556		
Funds provided by Frontier	50,000		
Grants paid	(57,685)		
Cash held, June 30, 2020	65,871		
Funds provided by Frontier	2,000,000		
Grants paid	(384,435)		
Cash held, June 30, 2021	\$ 1,681,436		

CETF has future commitments to conditional grants totaling \$1,681,136 and \$2,065,570 at June 30, 2021 and 2020, respectively, which are subject to MOU compliance by Frontier. CETF filed a petition in May 2019 with the California Public Utilities Commission (CPUC) seeking assistance in securing Frontier's compliance with the public benefits in the MOU. The CPUC accepted the petition and the matter has been resolved in amended agreements dated December 2018 and December 2020 to ensure payment of all grant commitments to community-based organizations. CETF and Frontier are working collaboratively to implement the MOU.

CALIFORNIA EMERGING TECHNOLOGY FUND

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2021 AND JUNE 30, 2020

Note 10. T-MOBILE PUBLIC BENEFIT OBLIGATION:

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

Note 11. BOARD DESIGNATED NET ASSETS:

In conjunction with the T-Mobile public benefit obligation the board designated the following funds as of June 30, 2021:

	Beginning Balance June 30, 2020	Contributions and Income	Released From Board Designated	Ending Balance June 30, 2021
School2Home	\$ 12,500,000	\$ -	\$ -	\$ 12,500,000
Digital literacy training	4,500,000	-	125,000	4,375,000
Local government grants	5,000,000	-	33,340	4,966,660
Totals	\$ 22,000,000	\$ -	\$ 158,340	\$ 21,841,660

Note 12. NET ASSETS WITH DONOR RESTRICTIONS:

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

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

The grant of \$50,000 from the Youth Policy Institute (YPI) for the Oscar Romero School was to be received and expended during the year ended June 30, 2020. However, YPI declared bankruptcy in late 2019. CETF has filed a demand in the bankruptcy proceeding for the outstanding grant.

CALIFORNIA EMERGING TECHNOLOGY FUND

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2021 AND JUNE 30, 2020

Note 12. NET ASSETS WITH DONOR RESTRICTIONS (continued):

Net assets with donor restrictions consisted of the following at June 30, 2020:

	Beginning Balance June 30, 2019	Contributions and Income	Released From Restrictions	Ending Balance June 30, 2020
Charter territory	\$ 21,229,745	\$ 8,110	\$ 6,948,168	\$ 14,289,687
City of San Jose	-	190,000	190,000	-
Oscar Romero school	40,000	10,000	-	50,000
Totals	\$ 21,269,745	\$ 208,110	\$ 7,138,168	\$ 14,339,687

Note 13. RETIREMENT PLAN:

CETF has established a 401(k)-retirement plan to provide eligible employees with retirement benefits. Eligible employees include all employees, except for leased and hourly paid employees. The CETF contributes 13% of active participants' compensation to the Plan. For the years ended June 30, 2021 and 2020, contributions to the Plan amounted to \$182,632 and \$178,308, respectively. It is the organization's policy to offset contributions with amounts forfeited. During the years ended June 30, 2021 and 2020, there were no forfeitures.

Note 14. LEASE COMMITMENTS:

CETF is a party to a thirty-nine month operating lease ending in December 2023 for a facility located in a commercial building in Concord, CA. The monthly rent ranges from \$2,984 to \$3,074. CETF is required to pay shared costs associated with the operation of the facility and other occupancy related common costs based on a prorated allocation formula.

Effective December 1, 2020, CETF entered into a one year lease at the office in Southern California. CETF is required to pay shared costs associated with the operation of the facility and other occupancy related common costs based on a prorated allocation formula.

CETF also leases certain equipment under monthly operating leases.

CETF's future minimum rental commitments and operating lease shared costs under all such non-cancellable operating leases are as follows:

Year Ending June 30,	Real Property	Equipment	Total
2022	\$ 38,851	\$ 3,996	\$ 42,847
2023	36,348	1,680	38,028
2024	18,444	-	18,444
Totals	\$ 93,643	\$ 5,676	\$ 99,319

Total operating lease and facilities related expenses for the years ended June 30, 2021 and 2020 were \$71,294 and \$77,414, respectively.

CALIFORNIA EMERGING TECHNOLOGY FUND

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2021 AND JUNE 30, 2020

Note 15. COVID-19 IMPACT:

At the time of issuing the financial statements, CETF is not anticipating a negative impact from effects of COVID-19 on operating results. However, the related financial impact and duration cannot be reasonably determined at this time.

CALIFORNIA EMERGING TECHNOLOGY FUND

SUPPLEMENTAL INFORMATION

CALIFORNIA EMERGING TECHNOLOGY FUND

STATEMENT OF FINANCIAL POSITION BY REVENUE SOURCE – JUNE 30, 2021

<u>ASSETS</u>	<u>CETF</u>	<u>Charter Grant</u>	<u>T-Mobile Grant</u>	<u>Consolidated</u>	<u>Frontier</u>	<u>San Jose Partnership</u>	<u>San Jose Donations</u>	<u>Digital Equity</u>	<u>Total</u>
CURRENT:									
Cash and cash equivalents	\$ 3,506,898	\$4,159,017	\$ 13,329,048	\$ 20,994,963	\$1,681,436	\$ 105,660	\$ 238,171	\$ 20,726	\$ 23,040,956
Advances from Charter to CETF	(2,700,000)	2,700,000	-	-	-	-	-	-	-
Advances from T-Mobile to CETF	(500,000)	-	500,000	-	-	-	-	-	-
Advances from CETF to SJDIP	30,000	-	-	30,000	-	(20,000)	(10,000)	-	-
Advances from CETF to DE	20,000	-	-	20,000	-	-	-	(20,000)	-
Grants receivable, current	54,476	-	7,000,000	7,054,476	-	352,500	-	-	7,406,976
Prepaid expenses	52,252	-	-	52,252	-	(573)	-	-	51,679
TOTAL CURRENT ASSETS	463,626	6,859,017	20,829,048	28,151,691	1,681,436	437,587	228,171	726	30,499,611
GRANTS RECEIVABLE	-	-	14,000,000	14,000,000	-	-	-	-	14,000,000
PROPERTY AND EQUIPMENT	2,827	-	-	2,827	-	-	-	-	2,827
	<u>\$ 466,453</u>	<u>\$6,859,017</u>	<u>\$ 34,829,048</u>	<u>\$ 42,154,518</u>	<u>\$1,681,436</u>	<u>\$ 437,587</u>	<u>\$ 228,171</u>	<u>\$ 726</u>	<u>\$ 44,502,438</u>
<u>LIABILITIES AND NET ASSETS</u>									
CURRENT LIABILITIES:									
A/P and accrued expenses	\$ 110,861	\$ -	\$ -	\$ 110,861	\$ -	\$ -	\$ -	\$ -	\$ 110,861
Grants payable	1,472,171	-	63,250	1,535,421	1,681,136	435,750	228,171	726	3,881,204
TOTAL LIABILITIES	1,583,032	-	63,250	1,646,282	1,681,136	435,750	228,171	726	3,992,065
NET ASSETS:									
Without donor restriction	(1,173,742)	-	34,765,798	33,592,056	300	1,837	-	-	33,594,193
With donor restriction	57,163	6,859,017	-	6,916,180	-	-	-	-	6,916,180
TOTAL NET ASSETS	(1,116,579)	6,859,017	34,765,798	40,508,236	300	1,837	-	-	40,510,373
	<u>\$ 466,453</u>	<u>\$6,859,017</u>	<u>\$ 34,829,048</u>	<u>\$ 42,154,518</u>	<u>\$1,681,436</u>	<u>\$ 437,587</u>	<u>\$ 228,171</u>	<u>\$ 726</u>	<u>\$ 44,502,438</u>

See notes to financial statements.