

Financial Statements

Regional Access Project Foundation

June 30, 2020

Maryanov Madsen Gordon & Campbell
CERTIFIED PUBLIC ACCOUNTANTS - A Professional Corporation

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Regional Access Project Foundation

We have audited the accompanying financial statements of Regional Access Project Foundation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year 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 auditors' 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 auditors consider 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.

To the Board of Directors of
Regional Access Project Foundation

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Regional Access Project Foundation as of June 30, 2020, and the changes in their net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Regional Access Project Foundation's June 30, 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 25, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Maryann Madsen Gordon & Campbell

Palm Springs, California
October 28, 2020

REGIONAL ACCESS PROJECT FOUNDATION

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

ASSETS

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents	\$ 1,377,761	\$ 764,326
Accounts receivable	-	45,456
Grants receivable	161,428	-
Rents receivable	275	2,165
County tax increment funding receivable	1,364,024	756,117
Prepaid expenses	24,357	27,359
Investments	682,743	727,328
Deposits	16,320	16,320
Property and equipment, net	3,112,024	2,958,374
Cash held for others	4,156	4,156
	<u>6,743,088</u>	<u>5,301,601</u>
TOTAL ASSETS	<u>\$ 6,743,088</u>	<u>\$ 5,301,601</u>

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable	\$ 170,894	\$ 14,235
Accrued payroll	47,728	35,513
Grants payable	145,178	78,165
Deferred revenue	4,136	2,168
Tenant deposits	17,200	16,350
Notes payable	69,101	-
Agency funds held for others	4,156	4,156
	<u>458,393</u>	<u>150,587</u>
Total liabilities	<u>458,393</u>	<u>150,587</u>
NET ASSETS		
Without donor restrictions	5,758,100	5,048,701
With donor restrictions	526,595	102,313
	<u>6,284,695</u>	<u>5,151,014</u>
Total net assets	<u>6,284,695</u>	<u>5,151,014</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,743,088</u>	<u>\$ 5,301,601</u>

The accompanying notes are an integral part of these financial statements.

REGIONAL ACCESS PROJECT FOUNDATION

STATEMENTS OF ACTIVITIES
 YEAR ENDED JUNE 30, 2020
 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2020	2019 (Memorandum Only)
REVENUES				
County tax increment revenue	\$ 1,978,397	\$ -	\$ 1,978,397	\$ 1,393,791
Contributions	78,530	45,810	124,340	100,864
Grants	159,623	427,805	587,428	49,268
Sponsorships	16,000	-	16,000	-
Gifts in-kind revenue	-	-	-	800
Membership	5,457	-	5,457	10,682
Interest and dividends	40,742	-	40,742	36,880
Realized gain (loss) on investments	1,416	-	1,416	(4,946)
Unrealized gain (loss) on investments	(9,281)	-	(9,281)	9,673
Other income	1,726	-	1,726	6,338
Rental income	248,314	-	248,314	244,073
Loss on disposal of property and equipment	(2,200)	-	(2,200)	-
Net assets released from restrictions	49,333	(49,333)	-	-
Total revenues	2,568,057	424,282	2,992,339	1,847,423
OPERATING EXPENSES				
Program services				
Grant allocations	821,785	-	821,785	1,091,019
Center for Nonprofit Advancement	730,704	-	730,704	461,644
Nonprofit rentals	91,831	-	91,831	-
Total program services	1,644,320	-	1,644,320	1,552,663
Supporting services				
General administration	128,037	-	128,037	381,304
Non-program rentals	66,088	-	66,088	156,513
Fundraising	20,213	-	20,213	12,860
Total supporting services	214,338	-	214,338	550,677
Total operating expenses	1,858,658	-	1,858,658	2,103,340
CHANGE IN NET ASSETS	709,399	424,282	1,133,681	(255,917)
NET ASSETS, beginning of year	5,048,701	102,313	5,151,014	5,406,931
NET ASSETS, end of year	\$ 5,758,100	\$ 526,595	\$ 6,284,695	\$ 5,151,014

The accompanying notes are an integral part of these financial statements.

REGIONAL ACCESS PROJECT FOUNDATION
 STATEMENTS OF FUNCTIONAL EXPENSES
 YEAR ENDED JUNE 30, 2020
 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2019

	Program Services				Supporting Services				Totals	
	Grant Allocations	Center for Nonprofit Advancement	Nonprofit Rentals	Total Program Services	General Administration	Non-Program Rentals	Fundraising	Total Supporting Services	2020	2019 (Memorandum Only)
Advertising and marketing	\$ 36	\$ 4,807	\$ -	\$ 4,843	\$ 64	\$ -	\$ -	\$ 64	\$ 4,907	\$ 3,011
Bank and investment fees	-	216	-	216	7,120	-	-	7,120	7,336	11,809
Building and occupancy	19,517	19,517	42,417	81,451	12,095	37,741	-	49,836	131,287	146,623
Communications	3,799	7,984	-	11,783	1,671	-	461	2,132	13,915	14,403
Computer services	5,054	10,624	-	15,678	2,224	-	613	2,837	18,515	18,415
Depreciation expense	19,010	19,010	41,315	79,335	11,780	22,921	-	34,701	114,036	102,498
Employee benefits	19,225	40,407	-	59,632	8,457	-	2,331	10,788	70,420	74,124
Equipment lease	2,196	4,616	-	6,812	966	-	266	1,232	8,044	8,562
Event expenses	-	5,977	-	5,977	383	-	-	383	6,360	2,185
Grants to exempt organizations	579,554	66,000	-	645,554	-	-	-	-	645,554	868,598
Insurance	3,602	4,558	7,527	15,687	3,008	4,176	17	7,201	22,888	29,454
Office expenses	4,324	26,279	50	30,653	12,433	-	158	12,591	43,244	25,506
Other program expenses	11,100	121,672	-	132,772	469	-	-	469	133,241	173,828
Payroll taxes	9,445	19,851	-	29,296	4,155	-	1,145	5,300	34,596	32,238
Postage and printing	-	129	-	129	296	-	-	296	425	471
Professional services	17,435	22,017	522	39,974	8,991	1,250	1,160	11,401	51,375	51,530
Retirement plan	5,314	11,170	-	16,484	2,339	-	644	2,983	19,467	18,817
Salaries	110,672	232,614	-	343,286	48,688	-	13,418	62,106	405,392	357,940
Technical assistance to other organizations	8,840	79,605	-	88,445	-	-	-	-	88,445	112,533
Training, conferences, and meetings	2,538	32,580	-	35,118	909	-	-	909	36,027	43,939
Travel and mileage	124	1,071	-	1,195	1,989	-	-	1,989	3,184	6,856
Total operating expenses	\$ 821,785	\$ 730,704	\$ 91,831	\$ 1,644,320	\$ 128,037	\$ 66,088	\$ 20,213	\$ 214,338	\$ 1,858,658	\$ 2,103,340

The accompanying notes are an integral part of these financial statements.

REGIONAL ACCESS PROJECT FOUNDATION

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,133,681	\$ (255,917)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	114,036	102,498
Gifts in-kind revenue	-	(800)
Gifts in-kind expense	-	800
Net realized and unrealized (gain) loss on investments	7,865	(4,727)
Loss on disposal of property and equipment	2,200	-
Accrued interest on notes payable	115	-
Changes in operating assets and liabilities:		
Accounts receivable	45,456	(43,956)
Grants receivable	(161,428)	-
Rents receivable	1,890	(315)
County tax increment funding receivable	(607,907)	6,919
Prepaid expenses	3,002	155,992
Accounts payable	156,659	(1,756)
Accrued payroll	12,215	10,285
Grants payable	67,013	(5,275)
Deferred revenue	1,968	(4,039)
Tenant deposits	850	2,500
	<u>(356,066)</u>	<u>218,126</u>
Total adjustments		
Net cash provided (used) by operating activities	<u>777,615</u>	<u>(37,791)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(163,151)	(610,816)
Proceeds from investments	199,871	593,948
Purchases of property and equipment	<u>(269,886)</u>	<u>(9,809)</u>
Net cash used by investing activities	<u>(233,166)</u>	<u>(26,677)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable	<u>68,986</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	613,435	(64,468)
Cash and cash equivalents, beginning of year	<u>768,482</u>	<u>832,950</u>
Cash and cash equivalents, end of year	<u>\$ 1,381,917</u>	<u>\$ 768,482</u>

The accompanying notes are an integral part of these financial statements.

REGIONAL ACCESS PROJECT FOUNDATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the Organization

Regional Access Project Foundation (the Foundation) was incorporated on October 8, 1992, for the purpose of enhancing and facilitating health, mental health, and juvenile services in eastern Riverside County, California. The Foundation's corporate offices are located in Palm Desert, California. The Foundation's primary program services include financial grants and technical assistance to qualified exempt organizations throughout eastern Riverside County. The Foundation is both publicly and privately funded. The Foundation's primary source of annual funding is tax increment funds (sales tax) received under an agency agreement (Note 3) with the County of Riverside (the County).

Program Services

The Foundation provides the following program services:

Grant Allocations to Other Exempt Entities – The Foundation provides cash grants to tax exempt entities that provide health, mental health, and juvenile intervention services to residents of eastern Riverside County. Cash grants are funded annually from the tax increment funding received under the agreement with the County.

Center for Nonprofit Advancement (CNA) – While cash grants are a major part of the Foundation's activities, grants of technical assistance became a priority when it was found that a variety of exempt organizations did not have the tools necessary to manage their organization or grants. The Technical Assistance Program (TAP) was established and funded by monies received annually from the tax increment funding received under the agreement with the County. In 2016, the program was expanded to provide training and capacity building for a variety of exempt organizations. The program was renamed to the Center for Nonprofit Advancement.

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Continued

REGIONAL ACCESS PROJECT FOUNDATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tax Exempt Status

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and from state income tax under Section 23701(d) of the California Revenue and Taxation Code. As such, no provision has been made in the financial statements for income taxes.

Nature of Prior Period Information

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2019, from which the summarized information was derived.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and highly liquid investments that are readily convertible into cash and have original maturities of three months or less when purchased.

Agency Funds Held for Others

From time to time, the Foundation enters into agency service agreements with other exempt organizations. Funds held on behalf of other agencies are maintained in separate accounts and are disbursed in accordance with directives from those entities. Such funds are reported as an offsetting asset and liability on the statement of financial position.

Continued

REGIONAL ACCESS PROJECT FOUNDATION

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentration of Credit Risk

The Foundation maintains accounts at various financial institutions, which at June 30, 2020 and 2019, and periodically throughout each year, were in excess of federally insured limits of \$250,000.

The Foundation also maintains investment accounts with Wells Fargo and The Community Foundation. The accounts contain cash and securities and sometimes exceed the amount guaranteed by the Securities Investor Protection Corporation (SIPC), which is \$500,000 for securities and cash (including a limit of \$250,000 for cash only). Accounts held in the same capacity are combined for purposes of the SIPC protection limits. The investment companies maintain insurance to guarantee the Foundation's balances in excess of the amounts on deposit or invested.

Approximately 66% and 75% of the Foundation's revenue was earned under the sales tax agency agreement with the County for the years ended June 30, 2020 and 2019, respectively. The Foundation also receives grants from other exempt organizations, governmental agencies, and foundations, as well as private contributions from individuals.

Receivables

The county tax increment funding receivable and other receivables are reported net of an allowance for doubtful accounts. The Foundation provides for losses on receivable using the allowance method. The allowance is based on experience, third-party contracts, and other circumstances, which may affect the ability of contributors to meet their obligations. Management believes that all current receivables are collectible.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values based on quoted prices in active markets in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Property and Equipment

The Foundation capitalizes assets with an expected useful life in excess of one year and value in excess of \$1,000 including additions, improvements, and other capital outlays that significantly extend the useful life of an asset. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, ranging from five to 39 years.

Continued

REGIONAL ACCESS PROJECT FOUNDATION

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Asset Classification

The Foundation reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Foundation, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity.

The Foundation's unspent contributions are reported in net assets with donor restrictions if the donor limited their use, as are promised contributions that are not yet due.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

Donor-Imposed Restrictions

Contributions are generally available without donor restrictions in the year received unless specifically restricted by the donor. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions are satisfied in the same reporting period in which they are received. Donor-imposed restrictions are considered to be satisfied when a stipulated time restriction ends, or a purpose restriction is accomplished.

Contributions with donor-imposed restrictions that are not satisfied within the reporting period received are reported as increases in net assets with donor restrictions. When a restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Continued

REGIONAL ACCESS PROJECT FOUNDATION

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue and Revenue Recognition

Revenue is recognized when earned. Contributions are recognized when cash, or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met or the donor has explicitly released the restriction.

Functional Allocation of Expense

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification of expenses by function. Accordingly, certain costs have been allocated among the program and supporting services benefited. The expenses that are allocated include building maintenance and depreciation, which are allocated on a square footage basis, as well as personnel costs, professional services, office expenses, information technology, insurance, and others, which are allocated on the basis of estimates of time and effort.

Reclassifications

Certain reclassifications have been made to the prior year financial statements in order to conform to the presentation of the current year financial statements.

Date of Management's Evaluation

Management has evaluated subsequent events through October 28, 2020, the date on which the financial statements were issued, see Note 11.

REGIONAL ACCESS PROJECT FOUNDATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1: CHANGE IN ACCOUNTING PRINCIPLE

Revenue from Contracts with Customers

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This guidance requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The guidance uses a principles-based approach for determining revenue recognition and eliminates the transaction and industry-specific guidance. The new guidance establishes a five-step approach for the recognition of revenue.

The Foundation adopted ASU 2014-09 effective July 1, 2018. The Foundation assessed the various contractual arrangements and performance obligations for major revenue streams, the impacts to internal processes, the control environment, disclosures, and determined that the adoption of ASU 2014-09 did not result in a material change to the timing of when revenue is recognized.

While Topic 606 is generally applied to an individual contract with a customer, as a practical expedient, the Foundation may apply this guidance to a category of performance obligations with similar characteristics, such as rental contracts. The Foundation reasonably expects that the effects of applying this guidance to the category would not differ materially from applying the guidance to the individual performance obligations within the category.

Presentation of Financial Statements of Not-for-Profit Entities

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958)—Presentation of Financial Statements of Not-for-Profit Entities*. The Foundation has adjusted the presentation of its financial statements accordingly. The new standards changed the following aspects of the Foundation's financial statements beginning July 1, 2018:

- The temporarily restricted and permanently restricted net asset classes were combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class was been renamed net assets without donor restrictions.
- The format of the statement of cash flows changed to the direct method of reporting cash flows from operations, which we believe to be more understandable for the users of our financial statements.
- The financial statements include a new disclosure about liquidity and availability of resources (Note 2).

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REGIONAL ACCESS PROJECT FOUNDATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1: CHANGE IN ACCOUNTING PRINCIPLE (Continued)

Clarifying the Scope and Accounting Guidance for Contributions Received and Made

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958) - Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU provides a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction. The guidance also helps determine whether a contribution is conditional and better distinguishes a donor-imposed condition from a donor-imposed restriction. The Foundation adopted ASU 2018-08 effective July 1, 2018 and determined that the adoption resulted in a material change to how it accounts for grants paid as a resource provider.

The guidance allows for both modified prospective and retrospective methods of adoptions. The Foundation applied the new guidance using the modified prospective method applied to grants with remaining obligations as of July 1, 2018.

NOTE 2: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Foundation's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of June 30:

	<u>2020</u>	<u>2019</u>
Financial assets:		
Cash and cash equivalents	\$ 1,381,917	\$ 768,482
Receivables	1,525,727	803,738
Investments	<u>682,743</u>	<u>727,328</u>
Total financial assets	3,590,387	2,299,548
Less those unavailable for general expenditures within one year:		
Cash held for others	4,156	4,156
Donor restricted for specific programs	526,595	103,813
Board designated – building reserve fund	<u>50,000</u>	<u>50,000</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 3,009,636</u>	<u>\$ 2,141,579</u>

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

REGIONAL ACCESS PROJECT FOUNDATION

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

NOTE 3: FUNDING FROM RIVERSIDE COUNTY

The Foundation is party to an agreement with the County of Riverside entitled "County of Riverside Service Agreement" dated March 29, 2016 (which superseded the August 16, 1994 agreement) (County Agreement), pursuant to which the County agreed to distribute to the Foundation certain sales tax funds received by the County. The County's Governmental Revenue Sharing Agreements with the City of Palm Desert (the City) contains a provision that the City shall pay to the County the amount of redevelopment "tax increment that is equal to the amount of sales taxes paid to the City from the redevelopment site" (Alternative Funding Provisions).

The term of the County Agreement ended June 30, 2020. Non-financial terms and conditions of the new contract, which will retroactively begin July 1, 2020, were still being negotiated as of the date the financial statements were available to be issued. Based upon the fact that no termination notice has been received by the Foundation, and the fact that the County Agreement can be terminated prospectively upon written notice, management is of the opinion that the Foundation accrues the right to receive sums due under this agreement as of and when the County accrued the right to receive the applicable tax increment upon which payments to the Foundation are based. Accordingly, as previously described in the summary of significant accounting policies, the Foundation has recorded a receivable of \$1,364,024 and \$756,117 from the County as of June 30, 2020 and 2019, respectively.

NOTE 4: FAIR VALUE MEASUREMENTS

The Foundation determines the fair value of investments and other assets using a framework for measuring fair value, established by GAAP. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy inputs are described below:

- Level 1 inputs are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.
- Level 2 inputs are other than quoted prices included in Level 1 that are observable, either directly or indirectly. Such inputs may include quoted prices for similar assets, observable inputs other than quoted prices (interest rates, yield curves, etc.), or inputs derived principally from or corroborated by observable market data.

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 are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

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REGIONAL ACCESS PROJECT FOUNDATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 4: FAIR VALUE MEASUREMENTS (Continued)

The following tables set forth by level within the fair value hierarchy the assets held at fair value as of June 30:

	2020			
	Level 1	Level 2	Level 3	Total
<u>Assets</u>				
Mutual funds	\$ 360,888	\$ -	\$ -	\$ 360,888
Fixed income securities	17,456	-	-	17,456
Assets held by The Community Foundation	-	304,399	-	304,399
	<u>\$ 378,344</u>	<u>\$ 304,399</u>	<u>\$ -</u>	<u>\$ 682,743</u>

	2019			
	Level 1	Level 2	Level 3	Total
<u>Assets</u>				
Mutual funds	\$ 340,934	\$ -	\$ -	\$ 340,934
Fixed income securities	74,424	-	-	74,424
Assets held by The Community Foundation	-	311,970	-	311,970
	<u>\$ 415,358</u>	<u>\$ 311,970</u>	<u>\$ -</u>	<u>\$ 727,328</u>

NOTE 5: PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30:

	2020	2019
Building	\$ 2,559,525	\$ 2,559,525
Improvements	628,095	537,766
Office equipment	53,947	83,942
Computer equipment	47,169	101,035
	3,288,736	3,282,268
Less accumulated depreciation	<u>337,262</u>	<u>323,894</u>
	2,951,474	2,958,374
Construction in progress	<u>160,550</u>	<u>-</u>
Total property and equipment, net	<u>\$ 3,112,024</u>	<u>\$ 2,958,374</u>

REGIONAL ACCESS PROJECT FOUNDATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 6: NOTES PAYABLE

The Foundation has a two-year Paycheck Protection Program (PPP) loan dated May 2020, with an original balance of \$68,986. The loan has a fixed interest rate of 1.0%. The outstanding balance at June 30, 2020 was \$69,101.

PPP loans were offered to qualifying small businesses in order to provide financial assistance during the COVID-19 pandemic and were designed to be used to cover payroll and other qualifying expenses. PPP loans may be partially or fully forgiven by the Small Business Administration (SBA), provided funds are used to pay for qualifying expenses and in accordance with the program's terms.

Management has elected to recognize this loan in accordance with ASC 470. Under this guidance, funds are to be reflected as debt and will accrue interest until such time as they may be legally released as an obligation to pay by the SBA. If forgiven, income would be recognized as gain on extinguishment of debt for any principal and accrued interest discharged. Based on guidance available as of the date of the financial statements, the Foundation believes their loan will be forgiven in full.

Future maturities of notes payable at June 30, 2020 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ -
2022	<u>69,101</u>
	<u>\$ 69,101</u>

NOTE 7: BOARD-DESIGNATED NET ASSETS

The governing board of the Foundation has designated net assets without donor restrictions for a building reserve fund as described in the summary of significant accounting policies. The building reserve fund was \$50,000 as of June 30, 2020 and 2019.

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NOTE 8: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following as of June 30:

	<u>2020</u>	<u>2019</u>
Desert Legal Foundation	\$ 50,882	\$ 39,882
James Irvine Foundation	397,088	6,675
Prevent Child Abuse Riverside County	6,675	6,675
Special event	37,925	41,746
Other programs	<u>34,025</u>	<u>14,010</u>
Total net assets with donor restrictions	<u>\$ 526,595</u>	<u>\$ 102,313</u>

NOTE 9: GRANTS TO EXEMPT ORGANIZATIONS

As described in the summary of significant accounting policies, the Foundation provides cash grants to tax exempt entities that provide health, mental health, education or juvenile intervention services to residents of eastern Riverside County. Grants were provided for the following purposes for the years ended June 30:

	<u>2020</u>	<u>2019</u>
General health grants	\$ 313,224	\$ 267,532
Mental health grants	230,830	392,326
Juvenile intervention grants	500	2,750
Other grants	<u>101,000</u>	<u>205,990</u>
Total grants to exempt organizations	<u>\$ 645,554</u>	<u>\$ 868,598</u>

NOTE 10: RETIREMENT PLAN

The Foundation contributes on behalf of its employees to a 401(k) retirement plan. All full-time employees who are at least 18 years of age are eligible to participate in the plan. Under this plan, the Foundation contributes a dollar for dollar match of the participating employees' deferral amounts each year, up to 5% of the employees' compensation for the plan year. The Foundation made \$19,467 and \$18,817 of matching contributions to employee retirement plans for the years ended June 30, 2020 and 2019, respectively.

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NOTE 11: UNCERTAINTIES

The ongoing COVID-19 pandemic in the United States has caused business disruption and a reduction in economic activity across the nation. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration and the impact it will have on the Foundation's operations and financial position. The financial impact to the Foundation cannot be reasonably estimated at this time.