Create CA

Financial Statements &
Independent Auditor’s Report
for the Year Ended
December 31, 2022
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Independent Auditor’s Report

To the Board of Directors
Create CA
Pasadena, California

Opinion

We have audited the financial statements of Create CA (“the Organization”), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2022, the changes in its net assets, its functional expenses, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that were communicated with those charged with governance and, in our professional judgment, were of most significance in our audit of the financial statements of the year ended December 31, 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recognition and Classification of Revenue and Support in the Financial Statements

We consider the recognition and classification of revenue and support, which is discussed in Note 2 of the accompanying financial statements, to be a key audit matter. Provisions of this area of accounting require the Organization to record contributions and revenues to the financial statements for the correct year.
They also require categorizing revenue and support to the appropriate category based on its reciprocal or nonreciprocal nature as well as the absence or existence of donor restrictions and/or conditions. In addition, this area requires that the Organization reliably determine when performance obligations to customers are satisfied, when donor conditions are met, and when restricted amounts should be released from restriction.

This matter is considered a key audit matter because the recognition and classification of support and revenue has a pervasive effect on the Organization’s financial statements, including its changes in net assets, total current assets, and composition amongst net assets without donor restrictions and net assets with donor restrictions. This area of accounting also requires the Organization to exercise significant judgment in its application of accounting standards, which have undergone changes in the past few years.

This matter was addressed in the current audit through the examination of documentary evidence that supports the recognition and classification of contributed support and contracts with customers. These procedures were instrumental in forming our opinion on the financial statements as a whole.

*Allocation of Expenses to Functional Groupings in the Financial Statements*

We consider the allocation of natural expense categories amongst functional groupings (i.e., *program services*, *management & general*, and *fundraising*) to be a key audit matter. This is discussed in Note 2 of the financial statements.

This matter is considered a key audit matter because certain charity rating services and some institutional funding sources have been known to evaluate nonprofit organizations according to the overall proportion of expenses allocated to program services. Furthermore, the expense allocations are influenced by the judgment of individual employees when assigning their time to functions on timesheets.

This matter was addressed during the current audit through analysis of the design and execution of the Organization’s cost allocation methodology. We assessed the methodology’s consistency with GAAP, vouched a sample of allocations to underlying employee timesheets, and verified through reperformance certain allocation calculations as part of forming our opinion on the financial statements as a whole.

*Responsibilities of Management for the Financial Statements*

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization’s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

*Auditor’s Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing
standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, 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 the Organization’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 the Organization’s ability to continue as a going concern for a reasonable period of time.

We are required to communicate, and have communicated, with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

A Professional Accountancy Corporation
San Francisco, California
May 15, 2023
Create CA

Statement of Financial Position
December 31, 2022

ASSETS

Current Assets

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$1,647,311</td>
</tr>
<tr>
<td>Investments (Note 3)</td>
<td>1,006,779</td>
</tr>
<tr>
<td>Contributions receivable (Note 4)</td>
<td>638,941</td>
</tr>
<tr>
<td>Prepaids and other current assets</td>
<td>5,493</td>
</tr>
<tr>
<td>Total current assets</td>
<td>3,298,524</td>
</tr>
<tr>
<td>Contributions receivable, non-current (Note 4)</td>
<td>218,000</td>
</tr>
<tr>
<td>Property and equipment, net (Note 5)</td>
<td>15,018</td>
</tr>
<tr>
<td>Total assets</td>
<td>$3,531,542</td>
</tr>
</tbody>
</table>

LIABILITIES & NET ASSETS

Current Liabilities

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable</td>
<td>$33,880</td>
</tr>
<tr>
<td>Payroll liabilities</td>
<td>72,646</td>
</tr>
<tr>
<td>Accrued vacation</td>
<td>52,921</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>159,447</td>
</tr>
</tbody>
</table>

Net Assets

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Without donor restrictions</td>
<td></td>
</tr>
<tr>
<td>Undesignated</td>
<td>1,375,603</td>
</tr>
<tr>
<td>Board-designated operating reserve (Note 6)</td>
<td>425,000</td>
</tr>
<tr>
<td>Total without donor restrictions</td>
<td>1,800,603</td>
</tr>
<tr>
<td>With donor restrictions (Note 7)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1,571,492</td>
</tr>
<tr>
<td>Total net assets</td>
<td>3,372,095</td>
</tr>
<tr>
<td>Total liabilities and net assets</td>
<td>$3,531,542</td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements and independent auditor's report.
Create CA

Statement of Activities & Changes in Net Assets
for the Year Ended December 31, 2022

<table>
<thead>
<tr>
<th></th>
<th>Without Donor Restrictions</th>
<th>With Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Support and Revenue</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grants</td>
<td>$ 134,180</td>
<td>$ 1,044,916</td>
<td>$ 1,179,096</td>
</tr>
<tr>
<td>Other contributions</td>
<td>31,607</td>
<td>-</td>
<td>31,607</td>
</tr>
<tr>
<td>In-kind support</td>
<td>18,716</td>
<td>-</td>
<td>18,716</td>
</tr>
<tr>
<td>Interest &amp; dividends</td>
<td>7,670</td>
<td>7,670</td>
<td></td>
</tr>
<tr>
<td>Other income</td>
<td>6,166</td>
<td>-</td>
<td>6,166</td>
</tr>
<tr>
<td>Net assets released from restrictions</td>
<td>1,087,738</td>
<td>(1,087,738)</td>
<td>-</td>
</tr>
<tr>
<td>Total revenue and support</td>
<td>1,286,077</td>
<td>(42,822)</td>
<td>1,243,255</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program services</td>
<td>1,255,787</td>
<td>-</td>
<td>1,255,787</td>
</tr>
<tr>
<td>Management and general</td>
<td>267,000</td>
<td>-</td>
<td>267,000</td>
</tr>
<tr>
<td>Fundraising / development</td>
<td>278,766</td>
<td>-</td>
<td>278,766</td>
</tr>
<tr>
<td>Total expenses</td>
<td>1,801,553</td>
<td>-</td>
<td>1,801,553</td>
</tr>
<tr>
<td><strong>Change in Net Assets</strong></td>
<td>(515,476)</td>
<td>(42,822)</td>
<td>(558,298)</td>
</tr>
<tr>
<td>Net Assets, Beginning of Year</td>
<td>2,316,079</td>
<td>1,614,314</td>
<td>3,930,393</td>
</tr>
<tr>
<td>Net Assets, End of Year</td>
<td>$ 1,800,603</td>
<td>$ 1,571,492</td>
<td>$ 3,372,095</td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements and independent auditor's report.
Create CA

Statement of Functional Expenses
for the Year Ended December 31, 2022

<table>
<thead>
<tr>
<th></th>
<th>Program Services</th>
<th>Management and General</th>
<th>Fundraising / Development</th>
<th>Shared Costs</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries</td>
<td>$ 378,215</td>
<td>$ 32,168</td>
<td>$ 94,340</td>
<td>$ 305,634</td>
<td>$ 810,357</td>
</tr>
<tr>
<td>Payroll taxes</td>
<td>26,086</td>
<td>12,418</td>
<td>6,225</td>
<td>21,637</td>
<td>66,366</td>
</tr>
<tr>
<td>Employee benefits</td>
<td>42,448</td>
<td>7,066</td>
<td>10,328</td>
<td>17,986</td>
<td>77,828</td>
</tr>
<tr>
<td>Accounting fees</td>
<td>-</td>
<td>16,096</td>
<td>-</td>
<td>-</td>
<td>16,096</td>
</tr>
<tr>
<td>Legal fees</td>
<td>1,200</td>
<td>2,479</td>
<td>-</td>
<td>-</td>
<td>3,679</td>
</tr>
<tr>
<td>Contracted services</td>
<td>472,881</td>
<td>-</td>
<td>37,500</td>
<td>55,013</td>
<td>565,394</td>
</tr>
<tr>
<td>Other fees for services</td>
<td>1,382</td>
<td>559</td>
<td>372</td>
<td>17,627</td>
<td>19,940</td>
</tr>
<tr>
<td>Office supplies</td>
<td>13,639</td>
<td>859</td>
<td>69</td>
<td>8,403</td>
<td>22,970</td>
</tr>
<tr>
<td>Telephone &amp; internet</td>
<td>1,075</td>
<td>133</td>
<td>42</td>
<td>11,328</td>
<td>12,578</td>
</tr>
<tr>
<td>Postage &amp; mailing</td>
<td>785</td>
<td>38</td>
<td>250</td>
<td>1,661</td>
<td>2,734</td>
</tr>
<tr>
<td>Printing &amp; copying</td>
<td>3,826</td>
<td>-</td>
<td>-</td>
<td>71</td>
<td>3,897</td>
</tr>
<tr>
<td>Rent</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>27,486</td>
<td>27,486</td>
</tr>
<tr>
<td>Insurance</td>
<td>-</td>
<td>3,464</td>
<td>105</td>
<td>-</td>
<td>3,569</td>
</tr>
<tr>
<td>Travel</td>
<td>7,753</td>
<td>1</td>
<td>1,622</td>
<td>19,174</td>
<td>28,550</td>
</tr>
<tr>
<td>Meeting expenses</td>
<td>4,657</td>
<td>-</td>
<td>20,210</td>
<td>5,651</td>
<td>30,518</td>
</tr>
<tr>
<td>Grant awards</td>
<td>28,500</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>28,500</td>
</tr>
<tr>
<td>Professional development</td>
<td>599</td>
<td>680</td>
<td>461</td>
<td>31,270</td>
<td>33,010</td>
</tr>
<tr>
<td>Dues &amp; subscriptions</td>
<td>2,351</td>
<td>4,461</td>
<td>-</td>
<td>19,417</td>
<td>26,229</td>
</tr>
<tr>
<td>Bank charges</td>
<td>-</td>
<td>1,441</td>
<td>791</td>
<td>-</td>
<td>2,232</td>
</tr>
<tr>
<td>Board costs</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>7,674</td>
<td>7,674</td>
</tr>
<tr>
<td>Marketing expenses</td>
<td>3,788</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3,788</td>
</tr>
<tr>
<td>Depreciation</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>7,816</td>
<td>7,816</td>
</tr>
<tr>
<td>Other expenses</td>
<td>-</td>
<td>342</td>
<td>-</td>
<td>-</td>
<td>342</td>
</tr>
<tr>
<td>Allocation of shared costs</td>
<td>266,602</td>
<td>184,795</td>
<td>106,451</td>
<td>(557,848)</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>$ 1,255,787</td>
<td>$ 267,000</td>
<td>$ 278,766</td>
<td>$ -</td>
<td>$ 1,801,553</td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements and independent auditor's report.
Create CA

Statement of Cash Flows
for the Year Ended December 31, 2022

Cash flows from operating activities:
  Cash received from grantors/contributors $ 1,346,108
  Dividends and interest received 7,670
  Cash received from other activities 6,041
    Cash generated from operating activities 1,359,819
    Cash paid to, or for the benefit of, employees (935,147)
    Cash paid to contractors and suppliers (823,142)
  Cash disbursed for operating activities (1,758,289)
Net cash flows generated from operating activities (398,470)

Cash flows from investing activities:
  Purchase of certificate of deposit (1,006,779)
  Purchases of fixed assets (11,811)
Net cash flows from investing activities (1,018,590)

NET CHANGE IN CASH (1,417,060)
CASH & CASH EQUIVALENTS, beginning of year 3,064,371
CASH & CASH EQUIVALENTS, end of year $ 1,647,311

Supplemental information:
Reconciliation of change in net assets to cash flows generated from operating activities:
  Change in net assets $ (558,298)
  Adjustments to reconcile change in net assets to net cash from (used for) operating activities
    Depreciation expense 7,816
    Other non-cash item (125)
  Changes in assets and liabilities:
    Contributions receivable 135,405
    Other current assets (1,949)
    Accounts payable (723)
    Payroll liabilities 10,990
    Accrued vacation 8,414
  Net cash flows generated from operating activities $ (398,470)

See accompanying notes to financial statements and independent auditor's report.
Create CA

Notes to Financial Statements
December 31, 2022

1. The Organization

Nature of Activities
Create CA, formerly known as the California Alliance for Arts Education, (the Organization) is a nonprofit organization that advocates for high-quality arts education for all students by providing policy expertise and mobilizing a statewide network of advocates and allied partners.

Create CA is in its fifth decade of working to build a brighter future for California by making the arts a core part of every child’s quality education. A statewide leader and convener, Create CA galvanizes California’s abundance of arts and culture experts to advocate for quality arts education for all students. By collaborating effectively with the state’s leading education and parent engagement agencies, and providing an anchor for policy expertise at the state and local levels, Create CA is the leader in promoting the arts in schools and enriching the lives of children, families and communities.

Arts Now

The Organization’s Arts Now program brings together a statewide network of regional, district, and county advocacy groups who receive strategic coaching, training, communications support, and grants from Create CA. These advocates then work with their local school boards to influence budgeting and planning processes to ensure that funds are set aside for arts education. Using a rigorous selection process that aligns with our commitment to racial equity, we identified 19 priority counties where we focus our recruitment efforts.

Through its Strategic Arts Education Planning Initiative, Create CA disseminates resources to support strategic arts planning and connect school districts to qualified consultants who can complete high quality plans.

Student Voices Campaign

Create CA views students and youth as critical partners in advocacy. Student Voices is a youth-driven student advocacy program that teaches young people how to organize for change and identifies strategic priorities from those directly impacted by the public education system. This program has four branches: Student Voices Challenge, Student Voices Ambassadors, Student Voices Leaders, and the annual Student Arts Advocacy Day. Each year, Create CA hosts the Student Voices Challenge, where students submit artwork to raise awareness around the importance of arts education in schools. When students sign up to be Student Voices Ambassadors, they receive virtual calls to action to raise their voices in the fight for greater access to arts classes. The annual Student Arts Advocacy Day is a series of in-person arts advocacy workshops for students attending the California State Summer School for the Arts at the California Institute of the Arts. Lastly, the Student Voices Leaders program offers students leadership and advocacy training, collaborative learning and networking opportunities, and additional support as they advocate to their school board members for increased arts offerings in their district. Each Student Voices Leader receives a stipend for their participation.

Other Programmatic Work

Create CA is in its fifth year of implementing a statewide public will campaign to influence decision-makers and increase access and participation in the arts. The outreach mechanisms for
the campaign include three areas: a ground game (posters, branded collateral), in-person and virtual events (conferences and webinars), and a digital media strategy (newsletter, social media).

**Funding**
Major funding is received in the form of charitable grants from foundations and government, as well as contributions from individuals.

## 2. Summary of Significant Accounting Policies

**Basis of Accounting**
The accompanying financial statements are prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America. Under the accrual basis of accounting, support is recognized when it is awarded, revenue is recognized when it is earned, and expenses are recognized when they are incurred.

**Cash & Cash Equivalents**
Cash and cash equivalents include deposits held in bank checking and savings accounts, as well as money market funds held with an investment brokerage.

**Investments**
The Organization values its investments at fair value as discussed in Note 3. Investments consist of a certificate of deposit with a maturity date of October 2023.

**Contributions Receivable**
Contributions receivable are recognized when formal, written promises to give are received from donors. All amounts are deemed fully collectible. Amounts due within one year of the balance sheet date are stated at face value, while amounts due beyond one year are discounted to present value only in cases where such discounts would be material to the financial statements as a whole. Currently, there are no discounts reflected in the accompanying financial statements.

**Fair Value of Financial Instruments**
The carrying amounts of cash and cash equivalents, receivables, and payables approximate fair value because of the short maturity of these instruments.

**Property & Equipment**
Office furnishings and equipment with an initial cost of at least $2,500 are capitalized and stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, which is 5 years for fixed assets currently on the books.

**Net Assets**
Net assets, revenues, expenses, gains, and losses are classified based upon the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

**Net assets without donor restrictions**, which includes resources not subject to, or no longer subject to, donor-imposed stipulations.

**Net assets with donor restrictions**, which includes resources whose use is limited by donor-imposed time and/or purpose restrictions.
Recognition of Support and Revenue
Support and revenue are recognized in accordance with the provisions of ASC 958 and ASC 606, respectively. Amounts received are generally considered contributions recognizable under ASC 958 when the funding sources do not receive direct commensurate value in exchange for their payments. Conversely, amounts received from a funding source to provide services directly to the resource provider are considered contracts with customers recognizable under ASC 606.

Contributions
The Organization recognizes contributions when it receives cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest.

Contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is limited by donor-imposed stipulations. Gains and losses on assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless they are encumbered by explicit donor stipulation or by law. Expirations of donor-restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time-period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

In-kind Support
Non-cash contributions, currently consisting of donated software license subscriptions, are valued at their estimated fair value as of the date of receipt.

Functional Expenses
The Organization presents its expenses by function and natural category.

Program services include the direct conduct and direct supervision of specific program activities.

Fundraising includes efforts to solicit monetary and nonmonetary contributions.

Management & general includes the solicitation and management of contracts with customers, general oversight, recordkeeping, regulatory compliance, governance, financial management, and all other activities that do not constitute the direct conduct or direct supervision of specific program services or fundraising activities.

When expenses pertain to a single function, they are charged directly and entirely to that function based on the underlying nature of the transaction. Employee compensation expense is allocated to various functions according to time and effort reported by employees on their timesheets. Shared costs are posted to a shared cost pool on the statement of functional expenses and allocated proportionately according to staff hours logged to each function.

All advertising costs are expensed as incurred.

Income Taxes
As a public charity, the Organization is exempt from income taxes except on activities unrelated to its mission. As management believes that all of the Organization’s activities are directly related to its mission, no provision has been made for income tax expense. The Organization’s
Create CA

Notes to Financial Statements
December 31, 2022

federal Return of Organization Exempt from Income Tax (Form 990) filings for the tax years ending in 2019 through 2022 are subject to examination by the Internal Revenue Service, generally for three years after they were filed. The Organization’s California Exempt Organization Annual Information Return (Form 199) filings for the tax years ending in 2020 through 2022 are subject to examination by the Franchise Tax Board, generally for four years after they were filed.

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

New Accounting Pronouncement
The financial statements for the year ended December 31, 2022, reflect the adoption of Accounting Standards Update No. 2016-02—Leases (Topic 842) (ASU 2016-02), which the Financial Accounting Standards Board issued in February 2016. The standard was originally set to be effective for nonpublic entities (including nonprofit organizations) for years ending December 31, 2019, and later, with early adoption permitted. The effective date for nonpublic entities was subsequently postponed to years ending December 31, 2022, and later, with early adoption permitted. ASU 2016-02 requires that organizations present operating leases and finance leases as assets and liabilities on the statement of financial position. Previously, organizations were required to present capital leases, but not operating leases, on their statement of financial position. The standard also requires certain quantitative and qualitative disclosures regarding an organization’s leases.

In implementing this standard, the Organization has elected the practical expedient available under ASC 842 to exclude leases with a term of 12 months or less from the statement of financial position. Because the Organization’s only lease has a term of 12 months or less, the statement of financial position does not include any lease assets or liabilities.

Recent Accounting Pronouncement
Accounting Standards Update No. 2014-09—Revenue from Contracts with Customers (Topic 606) (ASU 2014-09) was issued by the Financial Accounting Standards Board (FASB) in May 2014 and is effective for nonpublic entities in calendar years ending in 2020 and beyond. This update supersedes or replaces nearly all GAAP revenue recognition guidance for reciprocal transactions. These standards establish a new five-step contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue. The enactment of this pronouncement is reflected in these financial statements. Analysis of various provisions of the standard resulted in no significant changes to the timing of revenue recognition.

3. Fair Value Measurements – Investments in Certificates of Deposit
The Organization values its investments on a recurring basis in accordance with FASB ASC #820, which establishes a fair value framework in accordance with generally accepted accounting principles. ASC #820 clarifies the definition of fair value, taking the position that fair value is the exchange price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the valuation date.
Create CA

Notes to Financial Statements
December 31, 2022

There are three defined levels in the fair value hierarchy:

Level 1 – Unadjusted quoted prices for identical assets or liabilities in active markets that are accessible at the measurement date.

Level 2 – Prices or valuations based on observable inputs other than quoted prices in active markets for identical assets and liabilities.

Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and are unobservable (i.e., supported by little or no market activity).

Fair value of assets measured on a recurring basis at December 31, 2022, consists of a certificate of deposit held with a bank.

<table>
<thead>
<tr>
<th></th>
<th>Quoted Prices in Active Markets for Identical Assets (Level 1)</th>
<th>Significant Other Observable Inputs (Level 2)</th>
<th>Significant Unobservable Inputs (Level 3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fair Value</td>
<td>$1,006,779</td>
<td>$1,006,779</td>
<td></td>
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</tbody>
</table>

Certificate of Deposit – maturing October 2023

4. Contributions Receivable

   Due within one year – current
   Due within three years – non-current

Total

$856,941

5. Property & Equipment

   Office equipment, at cost
   Less: accumulated depreciation

Net book value

$15,018

6. Board-Designated Operating Reserve

The Operating Reserve, consisting of net assets without donor restrictions that the board has voluntarily elected to set aside, is intended to provide an internal source of funds for situations such as a sudden increase in expenses, one-time unbudgeted expenses, unanticipated loss in funding, and cash flow needs resulting from grant funding cycles. It can also be used for one-time, nonrecurring expense that will build long term capacity.
Create CA

Notes to Financial Statements
December 31, 2022

7. Net Assets with Donor Restrictions

Net assets with donor restrictions represent funds designated by contributors for the following:

- General support through March 2024: $591,750
- Student Voices and Arts Now programs: 505,000
- Organizational adaptation: 327,571
- Communications rollout of arts education research (SRI report): 47,342
- Statewide and regional networks (general programs): 45,000
- Student Voice Designing Advocacy: 36,000
- Other activities: 18,829

Total: $1,571,492

8. Leases

In 2022, the Organization rented its Pasadena office facility under an operating lease that expired on June 30, 2022. In June 2022, the Organization entered into an agreement to extend the lease for an additional year. The total operating lease cost for the year was approximately $27,486. As of December 31, 2022, future minimum lease payments for 2023 were approximately $12,978 and the weighted average remaining lease term was 6 months.

9. Retirement Plan

Create CA maintains a defined contribution 401(k) retirement savings plan for its employees. Regular eligible employees who have worked at least 250 hours of service in a 3-month period are able to enroll in the plan during the next quarterly enrollment period and may elect to make regular contributions to the 401(k) plan up to the maximum amount allowed by federal law. Eligible employees will be qualified to begin receiving matching contributions after completion of one year of service. Create CA provides a 401(k) match of up to 5% to all eligible employees annually. Total employer contributions to employee accounts for the year were $30,091.

10. Contingencies, Risks and Uncertainties

Satisfaction of Donor Requirements
The Organization receives contributions and grants that are restricted for a specific program or purpose. If such restrictions are not met in accordance with the funding source agreement, there is the possibility that funds would have to be returned to the donor. It is management's opinion that all donor conditions have been met for grants and contributions that have been released from net assets with donor restrictions or recorded to net assets without donor restrictions.

Concentration of Support
During 2022, approximately 54% of the Organization’s expenses were funded through one private foundation.
Cash Deposit Federal Insurance Limits
As of December 31, 2022, the Organization held approximately $2.157 million (consisting of cash, cash equivalents, and a certificate of deposit) in excess of FDIC insurance limits.

11. Liquidity & Availability

Create CA believes that it has sufficient liquidity to meet ongoing cash needs for general expenditures within one year of the balance sheet date.

Accounts with readily accessible cash available at the close of any business day include various checking, savings, and money market accounts whose year-end balances totaled $1,451,733, which is greater than six months of operating spending based on the FY 2023 approved budget.

In addition, at year-end, $1,202,358 was held in investment accounts. Of that, $195,579 was held in cash and $1,006,779 was held in a 13-month CD that would reach maturity in October of 2023.

There was an additional $638,642 in pledges receivable that will be paid within one year of the date of the balance sheet.

Without the cash in the CD, these sources represent sufficient cash to continue the Organization’s operations for approximately 11 months. A portion of the funds have donor restrictions which all pertain to the ongoing operation of the Organization’s programs and the restricted cash can be used to meet cash needs throughout the year.

Create CA also actively fundraises throughout the year and is in the midst of a three-year plan to expand and diversify our funding. We anticipate approximately $1,176,000 in new foundation and government grants and contract awards in FY 2023. We will be holding two fundraising events in order to expand our individual donor base. And we anticipate $10,000 in earned revenue.

To ensure liquidity, Create CA monitors the Organization’s ability to meet short term debt obligations (Quick Ratio) and compares liquid unrestricted net assets (LUNA) with the average monthly operating expenses quarterly. At the balance sheet date, the Quick Ratio was 20.65 (well above the benchmark of 2.0). And, based on FY 2022 expenses, Create CA had over 9 months of operating expense in LUNA.

12. Subsequent Events

Early Redemption of Certificate of Deposit
In March 2023, the Organization’s board of directors elected to redeem the certificate of deposit identified in Note 3. This decision was made in light of recent bank failures and the Organization’s exposure from holding a significant amount of uninsured deposits. In connection with the early redemption, the Organization incurred a penalty of approximately $33,000.

Financial Statement Preparation
In preparing these financial statements, management has evaluated events for potential recognition or disclosure through May 15, 2023, the date the financial statements were available to be issued.