

Hispanic Foundation of Silicon Valley

(a California not-for-profit
public benefit corporation)

Financial Statements
and
Independent Auditor's Report

For the Years Ended
December 31, 2022 and 2021



**HISPANIC
FOUNDATION**
OF SILICON VALLEY

**Hispanic Foundation of Silicon Valley
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December 31, 2022 and 2021

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Independent Auditors' Report

To the Board of Directors and Management
Hispanic Foundation of Silicon Valley
San Jose, CA

Opinion

We have audited the financial statements of Hispanic Foundation of Silicon Valley, which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Hispanic Foundation of Silicon Valley as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (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 Hispanic Foundation of Silicon Valley and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 Hispanic Foundation of Silicon Valley's ability to continue as a going concern for one year after the date that the financial statements are issued.



Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 GAAS 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 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 GAAS, 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 Hispanic Foundation of Silicon Valley'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 Hispanic Foundation of Silicon Valley's ability to continue as a going concern for a reasonable period of time.

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

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

Watsonville, CA
September 7, 2023

**Hispanic Foundation of Silicon Valley
Statements of Financial Position**

December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 4,205,754	\$ 3,232,659
Accounts receivable	86,250	200,789
Investments	777,788	5,582
Prepays and other current assets	12,154	8,791
Total current assets	5,081,946	3,447,821
Deposits	7,207	7,207
Right-of-use asset	359,608	-
Property and equipment, net	19,415	19,080
Total assets	<u>\$ 5,468,176</u>	<u>\$ 3,474,108</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 11,743	\$ 35,300
Accrued payroll and employee benefits	40,442	52,551
Current portion of lease liabilities	84,712	-
Total current liabilities	136,897	87,851
Lease liabilities, net of current	286,254	-
Total liabilities	423,151	87,851
Net assets		
Without donor restrictions	1,948,639	1,588,625
With donor restrictions	3,096,386	1,797,632
Total net assets	5,045,025	3,386,257
Total liabilities and net assets	<u>\$ 5,468,176</u>	<u>\$ 3,474,108</u>

See independent auditors' report and accompanying notes to the financial statements.

Hispanic Foundation of Silicon Valley
Statement of Activities

For the Year Ended December 31, 2022

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT			
Contributions and grants	\$ 561,637	\$ 1,866,000	\$ 2,427,637
Government grants	168,936	225,000	393,936
Other revenue	31,867	-	31,867
Nonfinancial asset contributions	7,206	-	7,206
Special events income	700,313	-	700,313
Special events, direct expenses	(204,146)	-	(204,146)
Total revenue and support	1,265,813	2,091,000	3,356,813
Restrictions satisfied by payments	792,246	(792,246)	-
Total revenues and support with restrictions satisfied by payments	2,058,059	1,298,754	3,356,813
EXPENSES			
Program services	1,088,858	-	1,088,858
Fundraising expenses	364,639	-	364,639
General and administrative expenses	226,574	-	226,574
Total expenses	1,680,071	-	1,680,071
OTHER INCOME (EXPENSES)			
Interest and dividend income	16,839	-	16,839
Investment gain (loss)	(34,813)	-	(34,813)
Total expenses	(17,974)	-	(17,974)
Total change in net assets	360,014	1,298,754	1,658,768
Net assets, beginning of year	1,588,625	1,797,632	3,386,257
Net assets, end of year	<u>\$ 1,948,639</u>	<u>\$ 3,096,386</u>	<u>\$ 5,045,025</u>

See independent auditors' report and accompanying notes to the financial statements.

Hispanic Foundation of Silicon Valley
Statement of Activities

For the Year Ended December 31, 2021

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT			
Contributions and grants	\$ 593,590	\$ 1,051,968	\$ 1,645,558
Government grants	163,398	85,000	248,398
Other revenue	38,414	-	38,414
Nonfinancial asset contributions	9,000	-	9,000
Special events income	445,196	-	445,196
Special events, direct expenses	(42,149)	-	(42,149)
	<u>1,207,449</u>	<u>1,136,968</u>	<u>2,344,417</u>
Restrictions satisfied by payments	<u>2,114,748</u>	<u>(2,114,748)</u>	<u>-</u>
Total revenues and support with restrictions satisfied by payments	3,322,197	(977,780)	2,344,417
EXPENSES			
Program services	2,305,210	-	2,305,210
Fundraising expenses	354,733	-	354,733
General and administrative expenses	149,662	-	149,662
	<u>2,809,605</u>	<u>-</u>	<u>2,809,605</u>
OTHER INCOME (EXPENSES)			
Extinguishment of debt	111,376	-	111,376
Interest and dividend income	518	-	518
Investment gain (loss)	21,422	-	21,422
	<u>133,316</u>	<u>-</u>	<u>133,316</u>
Total change in net assets	645,908	(977,780)	(331,872)
Net assets, beginning of year	<u>942,717</u>	<u>2,775,412</u>	<u>3,718,129</u>
Net assets, end of year	<u>\$ 1,588,625</u>	<u>\$ 1,797,632</u>	<u>\$ 3,386,257</u>

See independent auditors' report and accompanying notes to the financial statements.

**Hispanic Foundation of Silicon Valley
Statement of Functional Expense**

For the Year Ended December 31, 2022

	<u>Program Services</u>	<u>Fundraising</u>	<u>General and Administrative</u>	<u>Total</u>
Wages and stipends	\$ 380,815	\$ 253,781	\$ 95,909	\$ 730,505
Payroll taxes	27,729	18,400	5,947	52,076
Employee benefits	34,637	17,857	6,059	58,553
Grants and scholarships	123,041	4,600	1,000	128,641
Marketing and publicity	-	836	7,231	8,067
Program service fees	414,203	6,500	80	420,783
Professional service fees	1,000	155	46,827	47,982
Website development	4,707	8,619	974	14,300
Food	7,858	2,786	8,751	19,395
Equipment rentals and maintenance	-	-	2,606	2,606
Office supplies, printing, and postage	5,119	7,295	7,820	20,234
Telephone and internet	6,898	3,291	1,088	11,277
Occupancy	49,607	22,148	7,516	79,271
Travel, development, and conferences	1,293	1,181	2,087	4,561
Miscellaneous expenses	2,063	8,693	6,029	16,785
Payroll processing fees	-	-	16,363	16,363
Membership dues and subscriptions	8,365	-	2,982	11,347
Insurance expense	1,638	785	1,043	3,466
Janitorial services	2,211	1,024	1,195	4,430
Utilities	1,864	715	1,694	4,273
Depreciation	3,534	1,632	1,426	6,592
Right-of-use amortization	8,745	1,818	795	11,358
Nonfinancial assets expenses	3,531	2,523	1,152	7,206
Total expenses	<u>\$ 1,088,858</u>	<u>\$ 364,639</u>	<u>\$ 226,574</u>	<u>\$ 1,680,071</u>

See independent auditors' report and accompanying notes to the financial statements.

**Hispanic Foundation of Silicon Valley
Statement of Functional Expense**

For the Year Ended December 31, 2021

	<u>Program Services</u>	<u>Fundraising</u>	<u>General and Administrative</u>	<u>Total</u>
Wages and stipends	\$ 373,273	\$ 237,475	\$ 56,241	\$ 666,989
Payroll taxes	27,495	15,963	2,826	46,284
Employee benefits	33,542	15,578	3,009	52,129
Grants and scholarships	1,511,178	-	161	1,511,339
Program service fees	287,800	14,978	-	302,778
Professional service fees	-	-	60,574	60,574
Website development	18,366	40,626	1,442	60,434
Food	143	168	883	1,194
Equipment rentals	-	-	1,810	1,810
Office supplies, printing, and postage	5,855	73	1,112	7,040
Telephone and internet	4,387	2,924	1,492	8,803
Occupancy	24,245	17,823	2,592	44,660
Travel, development, and conferences	184	20	1,303	1,507
Miscellaneous expenses	4,452	5,314	2,384	12,150
Payroll processing fees	-	-	12,063	12,063
Membership dues and subscriptions	204	-	1,123	1,327
Insurance expense	1,272	973	239	2,484
Depreciation	3,814	2,818	408	7,040
Nonfinancial assets expenses	9,000	-	-	9,000
Total expenses	<u>\$ 2,305,210</u>	<u>\$ 354,733</u>	<u>\$ 149,662</u>	<u>\$ 2,809,605</u>

See independent auditors' report and accompanying notes to the financial statements.

Hispanic Foundation of Silicon Valley Statements of Cash Flows

For the Years Ended December 31, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,658,768	\$ (331,872)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	6,592	7,040
Nonfinancial asset contributions	(7,206)	(9,000)
Nonfinancial asset distributions	7,206	9,000
(Gain) loss on investments, net	34,813	(22,350)
Stock donation	(6,342)	(5,027)
Extinguishment of debt	-	(111,376)
(Increase) decrease in operating assets:		
Accounts receivable	114,539	(79,874)
Prepays and other current assets	(3,363)	(3,864)
Security deposits	-	(7,207)
Right-of-use asset	(359,608)	-
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(23,557)	(15,143)
Accrued payroll and employee benefits	(12,109)	6,475
Lease liabilities	370,966	-
Net cash provided by (used in) operating activities	1,780,699	(563,198)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(6,927)	(5,413)
Proceeds from investments	10,925	215,337
Acquisition of investments	(811,602)	-
Net cash provided by (used in) investing activities	(807,604)	209,924
Net increase (decrease) in cash and cash equivalents	973,095	(353,274)
Cash and cash equivalents, beginning of year	3,232,659	3,585,933
Cash and cash equivalents, end of year	\$ 4,205,754	\$ 3,232,659

See independent auditors' report and accompanying notes to the financial statements.

Hispanic Foundation of Silicon Valley

Notes to Financial Statements

December 31, 2022 and 2021

NOTE 1 - NATURE OF OPERATIONS

The Hispanic Foundation of Silicon Valley (HFSV or the Organization) is the recognized leader in Hispanic philanthropy in Silicon Valley, inspiring Hispanic families and children to achieve personal greatness.

Initiatives sponsored by the Organization include:

LATINOS IN TECHNOLOGY INITIATIVE

Latinos in Technology Scholarship (LITSI) - This program will provide up to 100 scholarships annually for five (5) years to incoming Latino college juniors and seniors who have chosen a science, technology, engineering, math (STEM) related major. Additionally, the HFSV will work with sponsoring corporate investors to provide summer internships to the scholarship recipients.

Hispanic Foundation College Success Programs (HFCSP) - The HFCSP is a resource hub to increase educational opportunities for Latino students and their families. The HFCSP is the first of its kind in the region, if not the state. It is a "one-start-shop" for college aspiring middle and high school students and their parents to obtain college access information, advice, guidance, workshops and on-line resources.

STEM

Elevate [Math]/Elevate [Math] Plus and Math Acceleration Program - Increasing education opportunities for Latino students in STEM is the primary focus of the HFSV education strategy. The HFSV is a partner with the Silicon Valley Education Foundation's (SVEF) Elevate [Math] and Elevate [Math] Plus programs, and ALearn's Math Acceleration Program which are "out of school" math/Algebra programs designed to elevate the achievement of middle school students.

These programs aim to help 7th and 8th grade students prepare for success in math. Research has shown that successful completion of Algebra 1 by the 8th grade is a key predictor of a student's probability of getting on the college track and achieving college graduation.

PARENT EDUCATION & ENGAGEMENT

Parent Education & Engagement - The HFSV has partnered with the Parent Institute for Quality Education (PIQE) to train Latino parents to support their children to achieve greater educational success. Both the HFSV and PIQE engage parents and family members to be leaders guiding their children towards high school and college graduation. Obtaining both a high school diploma and college degree is the path to a fulfilling and fruitful career in the Silicon Valley job market.

LEADERSHIP DEVELOPMENT

Hispanic philanthropy is driven by a sense of connection to la Comunidad - a network of friends, neighbors, and the broader Hispanic community. A study conducted by the HFSV found that Latinos greatly under-report their volunteer activity. For Hispanics who volunteered, the number of hours spent volunteering each month was highest among all ethnic groups studied. However, Latinos do not yet have a leadership role in the region's nonprofit and philanthropic sectors.

To address the leadership gap and to better understand the level of Latino board leadership needs of Silicon Valley nonprofits, we have been working with professional associations and nonprofit leaders. While 85% of organizations who participated in a survey indicated that their organizations want greater Hispanic representation on their boards, 65% reported difficulty in recruiting from this segment of the population.

Hispanic Foundation of Silicon Valley

Notes to Financial Statements

December 31, 2022 and 2021

Working with program partners, HFSV developed the Latino Board Leadership Academy (LBLA), a comprehensive program designed to recruit and train Latinos to serve as potential nonprofit board members, and match them with boards of non-profit organizations whose missions best match their personal interests. The distinguishing factor of the LBLA, setting it apart from other community leadership programs, lies in its emphasis on Latino professionals and its intentional approach to implementing thorough follow-up. The LBLA collaborates with the organization for Excellence in Nonprofits as one of its partners.

CONVENING & ENGAGING INITIATIVE

Latinx Speaker Series - A vibrant, energetic, and diverse Latinx community of over 350 attended the first ever Latinx Speaker Series event on Friday, August 2, 2019. The HFSV held a fireside chat with Francisco Ramos, Vice President of the Spanish Language Originals of Netflix and discussed topics centered around diversity and inclusion, the importance of storytelling, and the economic purchasing power of the Latinx market.

(1) Gather the various sectors of our Silicon Valley Latinx community such as: high-tech, education, government, and much more.

(2) Pull the curtains back and explore how different parts of our community are managed through the words of exciting expert speakers.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Organization is presented to assist in understanding their financial statements. The financial statements and notes are representations of their management who is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America (GAAP) and have been consistently applied in the preparation of the financial statements.

Basis of accounting

The financial statements have been prepared on the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Under the accrual basis of accounting, revenue and support are recorded when earned and expenses when incurred and accordingly reflect all significant receivables, payables and other liabilities.

Basis of presentation

The Organization presents information regarding its financial position and activities according to two classes of net assets:

Net assets without donor restrictions consist of net assets that are for use in general operations and are not subject to donor (or certain grantor) restrictions. The governing board has not designated any amounts from net assets without donor restrictions.

Net assets with donor restrictions represent contributions whose use has imposed restrictions. The 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. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource has been fulfilled, or both.

Hispanic Foundation of Silicon Valley

Notes to Financial Statements

December 31, 2022 and 2021

Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents consist of cash and money market funds. For purposes of reporting cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of 90 days or less at the date of purchase to be cash equivalents. The carrying amount in the Statements of Financial Position approximates fair value.

Accounts receivables

Account receivables consist of receivables relating to pledges and government agency grants and contracts. The Organization records accounts and contracts receivable at their net realizable value. Management expects to collect all receivables within one year. Management believes all receivables are collectable and therefore no allowance for doubtful accounts has been recorded.

Investments

In 2021, the investments held by the Organization are recorded at fair value and the account is managed by the Finance committee for the purpose of helping keep the "Latinos in Technology Scholarship Funds" program funded. During 2021, the Foundation closed their Silicon Valley Community Foundation investment account and received the final check in 2022. In 2022, Investments are carried on the books at market value. Donated securities are recorded at the fair market value at the date of gift and liquidated immediately. All unrealized gains and losses are recorded as income for the year as required by GAAP.

Property and equipment

Property and equipment exceeding \$2,500 are recorded at cost if purchased or at estimated fair market value at date of gift, if donated. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Computer and printers	5 years
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Prepays and other current assets

Prepaid expenses and other current assets consist of deposits, prepaid rent, prepaid subscriptions, and prepaid insurance that are paid in advance of when due and are expected to be realized within one year.

Accounts payable and accrued expenses

Accounts payable and accrued expenses consist of amounts due for expenses incurred but not paid until the subsequent year.

Accrued payroll and employee benefits

Accrued payroll and employee benefits consist of amounts for wages and compensated absences incurred but not paid until the subsequent year.

Hispanic Foundation of Silicon Valley

Notes to Financial Statements

December 31, 2022 and 2021

Leases

The Organization adopted Leases (Topic 842 - see Changing Standards note) on January 1, 2022 and has elected to use ASU 2016-11 to adopt the standard with a cumulative-effect adjustment to net assets.

The Organization elects to not recognize a lease liability or right-of-use asset for leases with a remaining lease term of 12 months or less.

Right-of-use assets

A contract is or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct cost incurred, and lease payments made at or before the commencement date less any lease incentives received. The right-of-use assets are depreciated on a straight-line basis over its lease term. Right-of-use assets are subject to evaluation of potential impairment.

Lease liabilities

At the commencement date of the lease, the Organization recognizes lease liabilities measured at the present value of lease payments to be made over the lease term.

In calculating the present value of lease payments, the Organization uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term or a change in the in-substance fixed lease payments.

Revenue recognition

Grant and contribution revenue - The Organization records contributions, including unconditional promises to give as revenue at their fair value in the period the contribution or pledge is received. All contributed support is recognized as revenue without donor restrictions when received or un-conditionally promised. The Organization reports gifts of cash and other assets as restricted support if such gifts are received with donor stipulations that limit the use of the donated assets. When such restrictions expire, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from restrictions.

Hispanic Foundation of Silicon Valley

Notes to Financial Statements

December 31, 2022 and 2021

Fair value measurements

The Organization's financial instruments include cash, cash equivalents and investments. The carrying amount of these financial instruments has been estimated by management to approximate fair value. Fair value is defined as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date." When determining the inputs used to measure fair value, the highest priority is given to observable inputs and lowest priority is given to unobservable inputs. GAAP establishes a fair value hierarchy to prioritize the inputs used in measuring fair value. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 - Quoted prices for identical assets and liabilities in active markets.

Level 2 - Observable inputs other than Level 1, which quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair values of the assets and liabilities.

The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. In certain cases where Level 1 or Level 2 are inputs are not available, securities are classified within Level 3 of the hierarchy and include certain real estate investments, hedge funds and other less liquid securities (Refer to Note 4).

Fund income allocations – with and without donor restrictions

All gains and losses arising from the sale, collection or other disposition of investments and fixed assets are accounted for in the fund that owned such assets according to restrictions placed on the original gift. Ordinary income derived from temporarily restricted investments is accounted for in the net assets without donor restrictions fund.

Functional expense allocations

The costs of providing the various program and supporting services have been summarized on a functional basis in the Statement of Activities and Changes in Net Assets and the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses applicable to more than one program are allocated based on usage and management's estimates.

Tax exemption status

The Organization is exempt from federal and state income taxes under Sections 501(c)(3) of the Internal Revenue Code (IRC) and 23701d of the California Revenue and Taxation Code, respectively. Furthermore, the Organization is not classified as a private foundation. The Organization has no unrelated business income for the years ended January 01, 2022. Accordingly, no provision is made for income taxes in these financial statements.

In accordance with GAAP, an Organization must recognize the tax benefit associated with any tax positions taken for tax return purposes when it is more likely than not the position will be sustained. The Organization does not believe there are any material uncertain tax positions and accordingly, will not recognize any liability or benefit for unrecognized tax positions. For the years ended December 31, 2022 and 2021, there was no tax related interest or penalties recorded or included in the financial statements.

Hispanic Foundation of Silicon Valley

Notes to Financial Statements

December 31, 2022 and 2021

Nonfinancial contributions

The Organization records nonfinancial support including contributed assets and professional services. Contributed professional services are recognized if the services received (a) create or enhance a non-financial asset or (b) require specialized skills, provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Contributions of fixed assets are recognized as nonfinancial asset donations at their fair market value. Contribution of foods are recognized at price per pound provided by Feeding America. The amounts reflected in the accompanying financial statements as nonfinancial contributions are offset by like amounts included in expense.

Recent accounting standards

Leases - In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02, Leases (Topic 842) ("ASU 2016-02"). ASU 2016-02 requires entities to recognize right-of-use assets and lease liabilities on the statement of financial position for the rights and obligations created by all leases, including operating leases, with terms of more than 12 months. The new standard also requires additional disclosures on the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative information. The effective date was January 1, 2021, however, in June 2020, FASB issued ASU 2020-05 which pushed out the effective date out by one year. The new standard was effective for the Organization on January 1, 2022. The Organization has adopted this standard as of the effective date.

Contributed nonfinancial assets - In September 2020, FASB issued ASU No. 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. ASU 2020-07 requires entities to present contributed nonfinancial assets as a separate line item in the statement of activities. The standard also requires additional disclosure over these contributed nonfinancial assets including a disaggregation of the amount recognized, qualitative information on utilization, entity policy, description over donor imposed restrictions, and valuation techniques. The effective date was July 1, 2021. The Organization has implemented this standard and has reflected this on its financial statements and related disclosures using a retrospective approach. The net assets and changes in net assets are unchanged due to implementation.

Hispanic Foundation of Silicon Valley

Notes to Financial Statements

December 31, 2022 and 2021

NOTE 3 - LIQUIDITY AND AVAILABILITY

The Organization strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures.

The Organization considers investment income without donor restrictions, appropriated earnings from donor-restricted funds, and contributions without donor restrictions to be available to meet cash needs for general expenditures. General expenditures include administrative and general expenses, program expenses, and fundraising expenses to be paid in the subsequent year.

The Organization manages its cash available to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets, and
- Maintaining sufficient reserves to provide reasonable assurance that mission fulfillment will continue to be met, ensuring the sustainability of the Organization.

The following table reflects the Organization's financial assets as of December 31, 2022 and 2021, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions or internal board designations. Amounts not available to meet general expenditures within one year also include net assets with donor restrictions greater than one year and special project outside of the Organization's core programs.

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 4,205,754	\$ 3,232,659
Accounts receivable	86,250	200,789
Investments	<u>777,788</u>	<u>5,582</u>
	<u>\$ 5,069,792</u>	<u>\$ 3,439,030</u>

**Hispanic Foundation of Silicon Valley
Notes to Financial Statements**

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NOTE 4 - INVESTMENTS

During 2021, the Organization closed their Silicon Valley Community Foundation investment account. The Organization's investments consisted of the following as of December 31, 2022 and 2021:

	2022	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant other observable inputs (Level 3)
Equities	\$ 107,056	\$ 107,056	\$ -	\$ -
Mutual Funds/EFTs	163,768	163,768	-	-
Held-Away Assets	506,964	-	-	506,964
Total	\$ 777,788	\$ 270,824	\$ -	\$ 506,964

	2021	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant other observable inputs (Level 3)
Equities	\$ 5,582	\$ 5,582	\$ -	\$ -

The Organization holds level 3 investments with the Symetra Life Insurance Company, which is a fixed annuity; valued and transferred to the brokerage account periodically. The balance should be reported at fair value.

The table below summarizes changes in investments measured at fair value for which the Organization has used Level 3 inputs to determine fair value. The table reflects gains and losses for the full year for all financial assets classified as Level 3 as of December 31:

	2022
Beginning balance	\$ 500,000
Interest income	6,964
Ending balance	\$ 506,964

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NOTE 5 - PROPERTY AND EQUIPMENT

At December 31, 2022 and 2021, the value of the property and equipment and related accumulated depreciation is as follows:

	2022	2021
Computers and printers	\$ 32,897	\$ 63,443
Less: accumulated depreciation and amortization	(13,482)	(44,363)
	\$ 19,415	\$ 19,080

Depreciation expense for the years ended December 31, 2022 and 2021 was \$6,592 and \$7,040, respectively.

NOTE 6 - PAYCHECK PROTECTION PROGRAM LOAN

The COVID-19 outbreak in the United States has resulted in economic uncertainties. The Organization's income is made up of contributions and grants, as such, other financial impact could occur, though such potential impact is unknown at this time. In May 2020, the Organization received a \$111,376 loan through the Paycheck Protection Program (PPP), provided by the Small Business Administration.

The PPP loan and accrued interest are forgivable after the covered period has ended as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the full time equivalent or salary was reduced without restoring by specified period. The unforgiven portion of the PPP loan has an interest rate of 1% with a maturity of two years. On April 5, 2021, the Organization received full forgiveness from the SBA and has reported the forgiveness as an extinguishment of debt in the Statement of Activities and Changes in Net Assets. The SBA determined that the Organization used proceeds for purposes consistent with the PPP requirements.

NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restriction are restricted by donors for specific programs and operations. Net assets with donor restrictions consisted of the following purposes during the years ended December 31:

Purpose	2021	Increases	Decreases	2022
Latinx Speaker Series	\$ -	\$ 40,000	\$ 9,752	\$ 30,248
LBLA	20,000	370,000	73,396	316,604
Family College Success Center	565,170	689,000	429,442	824,728
LITSI	1,210,211	992,000	277,405	1,924,806
Elevate Math	2,250	-	2,250	-
	\$ 1,797,631	\$ 2,091,000	\$ 792,245	\$ 3,096,386

Purpose	2020	Increases	Decreases	2021
Parent Education Grant	\$ 8,603	\$ -	\$ 8,603	\$ -
Latinx Speaker Series	-	7,500	7,500	-
LBLA	30,000	118,841	128,841	20,000
Family College Success Center	427,839	480,000	342,669	565,170
LITSI	2,306,720	530,627	1,627,136	1,210,211
Elevate Math	2,250	-	-	2,250
	\$ 2,775,412	\$ 1,136,968	\$ 2,114,749	\$ 1,797,631

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NOTE 8 - FUNCTIONAL EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The Organization allocates all expenses based on a time allocation of the employees per month and this is done for all expense other than grant expense. Grant expense is directly allocated to grant making.

NOTE 9 - CONCENTRATION OF RISK

Financial instruments that potentially subject the Organization to credit risk consist primarily of cash, and receivables. The Organization maintains cash with commercial banks and other major financial institutions. Cash equivalents include overnight investments, and money market funds. These accounts are insured up to \$250,000 per depositor by an agency of the federal government. At times, cash balances may be in excess of the Federal Deposit Insurance ("FDIC") limits.

The Organization operates in Santa Clara County.

The credit risk associated with receivables is mitigated by the fact that the receivables are due from Organization members, local donors and governments.

Two grants comprised 22% and 12% of the Organization's income during the years ended December 31, 2022 and 2021, respectively.

NOTE 10 - LEASES

During 2016 the Organization entered into a lease agreement for an office in San Jose for 3 years. The lease became active on December 1, 2016 and ran through November 30, 2022. In December 2020, there was a transfer in landlord ownership and management of the leased premises. The current lease and payment terms remained in full force and effect, and the security deposit was transferred to the new owner. In December 2021, the new owner agreed to terminate the lease early without assessing any penalty.

In September 2021, the Organization signed a new lease agreement for an office in San Jose for 5 years, which effective date is January 2022 and ends in January 2027. The operating lease had a monthly base rent of \$7,206.50 with a 3% annual increase. The discount rate was calculated at 1.37%.

In 2022, the Organization adopted the new lease standard that was issued by FASB: Accounting Standards Update ("ASU") No. 2016-02, Leases (Topic 842) ("ASU 2016-02").

Below are the carrying amounts of right-of-use assets recognized and the movements during the period:

	<u>Office</u>
January 1, 2022	\$ 444,653
Payments	<u>(85,045)</u>
December 31, 2022	<u>\$ 359,608</u>

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Below are the carrying amounts of lease liabilities and the movements during the period:

	Office
January 1, 2022	\$ 444,653
Payments	(73,687)
December 31, 2022	370,966
Less: current portion	(84,712)
Ending balance	\$ 286,254

Rent expense for the years ended December 31, 2022 and 2021 was \$90,628 and \$44,660, respectively.

The table below reconciles the fixed components of the undiscounted cash flows for each of the first five years and the total remaining years to the lease liabilities recorded on the balance as of December 31, 2022. Amounts due for the 12 months ended December 31 are as follows:

2023	\$	89,162
2024		91,846
2025		94,529
2026		97,511
2027		8,374
Total	\$	381,422

NOTE 11 - COMMITMENTS AND CONTINGENCIES

The spread of COVID-19, a novel strain of coronavirus, is altering the behavior of society across the world. The continued spread of COVID-19 may adversely impact the local, regional, national and world economies. The extent to which Covid-19 may impact the Organization's activities may depend on future developments which are highly uncertain and cannot be predicted. Although to date, Covid-19 has not had a material impact on the Organization's activities, management cannot presently estimate the overall long-term operational and financial impact to the Organization.

NOTE 12 - NONFINANCIAL ASSET CONTRIBUTIONS

Contributions of nonfinancial assets consist of contributed rent and professional services. For the years ended December 31, 2022 and 2021, contributed nonfinancial assets recognized within the statement of activities include:

	2022	2021
Rent	\$ 7,206	\$ -
Professional services	-	9,000
	\$ 7,206	\$ 9,000

Rent

Contributed rent is recognized at fair market value.

Professional fees

Professional fees are valued based on current billing rates provided by the professionals.

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NOTE 12 - SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date but before the date the financial statements were available to be issued. The Organization recognizes in the financial statements, the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the financial statements. The financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after the balance sheet date and before financial statements are available to be issued.

Management evaluates events occurring subsequent to December 31, 2022 in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through the date of the independent auditors' report, which is the date the financial statements were approved by the Organization and available to be issued.

Subsequent to December 31, 2022 , the Organization elected to change its year end to June 30. No other subsequent events require disclosure or recognition.