SVCREATES

SILICON VALLEY CREATES

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 and 2022

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Silicon Valley Creates
San Jose, California

Opinion

We have audited the financial statements of Silicon Valley Creates (a California non-profit corporation), which comprise the statement of financial position as of June 30, 2023, 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 Silicon Valley Creates as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of 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 Silicon Valley Creates 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.

Other Matter

The financial statements of Silicon Valley Creates for the year ended June 30, 2022 were audited by another auditor who expressed an unmodified opinion on those statements on January 3, 2023.

Change in Accounting Principle

As discussed in Note 3 to the financial statements, during the year ended June 30, 2023, Silicon Valley Creates adopted new accounting guidance Accounting Standards Codification Topic 842, Leases. Our opinion is not modified with respect to this matter.

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 Silicon Valley Creates' ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Abbott, Stringham & Lynch
1901 S Bascom Avenue
Suite 105
Campbell, CA 95008
Main: 408-377-8700
Fax: 408-377-0821
Web: aslcpa.com

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 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 Silicon Valley Creates' 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 Silicon Valley Creates' 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.

Abbott, Stringham & Lynch

October 30, 2023

SILICON VALLEY CREATES

STATEMENTS OF FINANCIAL POSITION

Assets

	June 30, 2023	June 30, 2022
Current assets:		
Cash and cash equivalents	$ 1,315,261	$ 1,161,069
Cash held for grant reserve	50,358	-
Certificate of deposit	600,000	-
Investments designated for operating reserves	554,982	534,483
Accounts receivable	113,601	117,864
Grants receivable	1,193,724	663,547
Prepaid expenses	18,983	10,483
Total current assets	3,846,909	2,487,446
Property and equipment, net of accumulated depreciation	14,233	6,298
Grants receivable, net of current portion	200,000	125,000
Endowment investments	915,492	803,678
Operating lease right-of-use asset	79,198	-
Security deposit	8,871	-
	$ 5,064,703	$ 3,422,422

Liabilities and Net Assets

	2023	2022
Current liabilities:		
Accounts payable	$ 10,729	$ 49,780
Grants payable	425,000	418,500
Accrued liabilities	81,934	103,108
Deferred revenue	12,352	15,268
Operating lease liability	31,314	-
Total current liabilities	561,329	586,656
Operating lease liability, net of current portion	48,444	-
Net assets:		
Without donor restrictions	837,937	828,318
With donor restrictions:		
Restricted for specified purpose	2,046,192	835,638
Restricted to passage of time	655,309	368,132
Accumulated endowment losses	(62,458)	(174,272)
Endowment assets held in perpetuity	977,950	977,950
Total net assets with donor restrictions	3,616,993	2,007,448
Total net assets	4,454,930	2,835,766
	$ 5,064,703	$ 3,422,422

SILICON VALLEY CREATES

STATEMENTS OF ACTIVITIES

	Year Ended June 30, 2023			Year Ended June 30, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:						
Grants and contributions	$ 537,644	$ 3,391,130	$ 3,928,774	$ 713,461	$ 2,732,156	$ 3,445,617
Fees and service contracts	166,532	-	166,532	121,358	-	121,358
Contributions in-kind	120,000	-	120,000	120,000	-	120,000
Forgiveness of Paycheck Protection Program loan	-	-	-	82,500	-	82,500
Net investment income (loss)	29,315	111,814	141,129	(46,555)	(148,459)	(195,014)
Net assets released from restrictions	1,893,399	(1,893,399)	-	2,412,957	(2,412,957)	-
Total support and revenue	2,746,890	1,609,545	4,356,435	3,403,721	170,740	3,574,461
Functional Expenses:						
Program services	2,237,360	-	2,237,360	2,501,510	-	2,501,510
Management and general	382,906	-	382,906	362,228	-	362,228
Fundraising	117,005	-	117,005	109,392	-	109,392
Total functional expenses	2,737,271	-	2,737,271	2,973,130	-	2,973,130
Change in net assets	9,619	1,609,545	1,619,164	430,591	170,740	601,331
Net assets, beginning of year	828,318	2,007,448	2,835,766	397,727	1,836,708	2,234,435
Net assets, end of year	$ 837,937	$ 3,616,993	$ 4,454,930	$ 828,318	$ 2,007,448	$ 2,835,766

SILICON VALLEY CREATES

STATEMENTS OF FUNCTIONAL EXPENSES

	Year Ended June 30, 2023				Year Ended June 30, 2022			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Personnel expenses								
Salaries	$ 489,333	$ 191,712	$ 81,040	$ 762,085	$ 514,905	$ 179,949	$ 77,695	$ 772,549
Employee benefits	61,936	35,153	11,271	108,360	44,508	22,119	8,880	75,507
Payroll taxes	36,583	14,524	5,165	56,272	39,470	13,793	5,745	59,008
Total personnel expenses	587,852	241,389	97,476	926,717	598,883	215,861	92,320	907,064
Grant and contract expense	1,174,124	-	-	1,174,124	1,314,115	-	-	1,314,115
Professional services	226,679	81,114	1,287	309,080	347,124	109,357	1,157	457,638
Donated rent	96,624	12,288	11,088	120,000	101,304	8,112	10,584	120,000
Printing and publications	58,546	-	-	58,546	48,930	-	-	48,930
Occupancy	27,017	10,772	2,881	40,670	14,148	4,932	1,290	20,370
Conferences and meetings	23,291	10,487	-	33,778	31,079	7,489	-	38,568
Miscellaneous	6,076	9,079	590	15,745	16,923	787	185	17,895
Membership dues	12,073	1,906	-	13,979	4,051	1,903	-	5,954
Insurance	4,947	6,398	538	11,883	3,613	4,423	329	8,365
Telephone	2,409	2,932	2,289	7,630	3,307	1,893	2,228	7,428
Supplies	5,126	1,705	345	7,176	3,983	748	198	4,929
Bank fees	801	3,308	251	4,360	895	2,793	513	4,201
Postage and shipping	3,764	179	-	3,943	2,153	206	-	2,359
Depreciation	2,411	1,182	257	3,850	1,014	374	89	1,477
Advertising	2,535	153	-	2,688	4,377	252	-	4,629
Training	1,836	-	-	1,836	-	-	-	-
Equipment maintenance and rent	1,249	14	3	1,266	5,555	3,098	499	9,152
Travel	-	-	-	-	56	-	-	56
Total expenses	$ 2,237,360	$ 382,906	$ 117,005	$ 2,737,271	$ 2,501,510	$ 362,228	$ 109,392	$ 2,973,130
Percentage of total	82%	14%	4%	100%	84%	12%	4%	100%

SILICON VALLEY CREATES

STATEMENTS OF CASH FLOWS

	Year Ended June 30, 2023	Year Ended June 30, 2022
Cash flows from operating activities:		
Change in net assets	$ 1,619,164	$ 601,331
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	3,850	1,477
Non-cash operating lease expense	17,213	-
Net realized and unrealized (gains) losses on investments	(110,737)	224,760
Forgiveness of Paycheck Protection Program loan	-	(82,500)
Changes in operating assets and liabilities:		
Accounts receivable	4,263	(23,104)
Grants receivable	(605,177)	(171,086)
Prepaid expenses	(8,500)	670
Security deposit	(8,871)	-
Accounts payable	(39,051)	40,064
Grants payable	6,500	30,200
Accrued liabilities	(21,174)	(9,558)
Deferred revenue	(2,916)	(4,336)
Operating lease liability	(16,653)	-
Net cash provided by operating activities	837,911	607,918
Cash flows from investing activities:		
Proceeds from sale of investments	620,806	157,521
Purchases of investments	(642,382)	(226,586)
Purchase of certificate of deposit	(600,000)	-
Purchase of property and equipment	(11,785)	(5,591)
Net cash used in investing activities	(633,361)	(74,656)
Net increase in cash and cash equivalents	204,550	533,262
Cash and cash equivalents, beginning of year	1,161,069	627,807
Cash and cash equivalents, end of year	$ 1,365,619	$ 1,161,069
Reconciliation of cash and cash equivalents at end of year:		
Cash and cash equivalents	$ 1,315,261	$ 1,161,069
Cash held for grant reserve	50,358	-
Cash and cash equivalents at end of year	$ 1,365,619	$ 1,161,069
Non-cash financing activities:		
Non-cash forgiveness of Paycheck Protection Program loan	$ -	$ (82,500)
Non-cash lease liability arising from operating lease right-of-use asset	$ 91,844	$ -

See accompanying independent auditor’s report and notes to financial statements.

Note 1 - Nature of operations

Silicon Valley Creates (the "Organization") envisions a vibrant community fueled by a dynamic and diverse arts and culture ecosystem that: 1) has the power to heal, transform lives and drive social change; 2) connects us to our heritage, humanity and each other; 3) helps shape and define our community; 4) fuels creativity, innovation and self expression; and 5) is vital to our social and economic well-being and integral to the healthy development of our children.

The mission of the Organization is to elevate Silicon Valley's creative culture through programs and initiatives that build the capacity of our arts and culture ecosystem, raise the value, visibility and voice of our creative sector and increase access to arts and creativity.

As venture culturists, the Organization's role is that of resource builder, investor, incubator and steward of Silicon Valley's unique arts ecosystem. The Organization primarily serves Santa Clara County arts organizations and secondarily serves Silicon Valley's larger ecosystem of creative talent, opinion leaders, and consumers of the arts.

Note 2 - Program services

Silicon Valley Creates has a series of mission-aligned programs and initiatives that build the capacity of the creative sector, raise its value and visibility and increase access to arts and creativity.

The Organization builds the creative sector's capacity by: 1) providing local grants, workshops and management tools; 2) nurturing the next generation of leaders through genARTS; 3) conducting research studies of relevance to civic and arts leaders; and 4) leading the development of below market space solutions for the arts like the Creative Center for the Arts ("CCA") in Japantown.

The Organization raises the visibility and voice of the creative sector by: 1) publishing Content Magazine; 2) promoting arts and cultural events through social media; 3) showcasing local artists through the Artist Laureate and Poet Laureate programs; 4) convening Pick Up Parties and 5) playing an active leadership role in advocating for arts public policy and funding.

The Organization increases access to arts and creativity by; 1) developing a hub of art Studios for teens; 2) connecting teachers to arts education offerings through ArtsEdConnect; 3) providing Arts Access Grants to organizations serving high need communities; and 4) infusing arts and creativity into special initiatives like the Women and Children's Center at Valley Medical Center.

Note 3 - Summary of significant accounting policies

Basis of presentation

The financial statements of the Organization are presented using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Note 3 - Summary of significant accounting policies (continued)

Financial statement presentation

Under GAAP, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories and the types of transactions affecting each category are as follows:

> *Without donor restrictions* - net assets that are not subject to donor-imposed restrictions. Includes the Operating Fund (undesignated) and reserves designated by the Board of Directors for specific purposes. These funds record the net assets over which the Board of Directors has discretionary control and which are used to carry out operations of the Organization in accordance with its bylaws.
>
> *With donor restrictions* - net assets subject to donor-imposed restrictions that will be met either by actions of the Organization or the passage of time. Includes resources currently available for use, but expendable only for those operating purposes specified by the donor or funding source. Resources of this fund originate from gifts, grants, and bequests. Also included in this category are the endowment funds, which consist of gifts and bequests accepted with the donor stipulation that the principal be restricted in perpetuity. Investment income from these assets is recorded within this category until appropriated for expenditure by the Organization.

Use of estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates used in preparing these financial statements include the allowance for doubtful grants receivable, useful lives of property and equipment, the value of donated facilities and materials, property and equipment, and professional services, the fair market value of investments held, lease terms and risk-free rates, and functional expense allocations. It is at least reasonably possible that the significant estimates used will change within the next year.

Cash and cash equivalents

Cash and cash equivalents include highly liquid investments and investments with a maturity of three months or less, and exclude amounts designated for long-term purposes. The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. Management believes it is not exposed to any significant risk on cash accounts.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets.

Note 3 - Summary of significant accounting policies (continued)

Fair value measurements

The Organization measures and discloses fair value measurements as required by the Fair Value Measurements and Disclosures Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification.

Fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that is determined based on assumptions that market participants would use in pricing an asset or a liability. As a basis for considering such assumptions, the FASB establishes a three-tier value hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value. The three-tiers are defined as follows:

> Level 1 - inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets. The Organization's valuation methodology for Level 1 is based upon quoted market prices. Inputs are obtained from various sources including market participants, dealers, brokers, and financial institutions.
>
> Level 2 - inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the same term of the financial instrument.
>
> Level 3 - inputs to the valuation methodology are unobservable and significant to the fair value measurements.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

Accounts receivable

Accounts receivable consist primarily of amounts billed for services provided, and are stated at the amounts management expects to collect on outstanding balances. The Organization extends unsecured credit in the ordinary course of operations and provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on management's assessment of the status of individual accounts. Balances that are still outstanding after management has made reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Management determined no allowance for doubtful accounts was necessary at June 30, 2023 and 2022.

Grants receivable

The Organization records grants receivable when there is sufficient evidence in the form of verifiable documentation that an unconditional promise was made and received. Conditional promises to give are not recognized until the conditions on which they depend are substantially met.

Note 3 - Summary of significant accounting policies (continued)

Grants receivable (continued)

Unconditional promises to give that are expected to be collected in future years are recognized at fair value based on discounted cash flows. The discount on these amounts is computed using the rate applicable in the year the promises were received. Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the original contribution. Management believes that discounts on long-term grants receivable at June 30, 2023 are immaterial to the financial statements.

The Organization records an allowance for doubtful contributed support receivables based on specifically identified amounts that it believes are uncertain as to collectability. After all attempts to collect a receivable have failed, the receivable is written off against the allowance. At June 30, 2023 and 2022, the Organization has not recorded a provision for uncollectible grants receivables.

Grants payable

Grants are recognized as an expense when all significant conditions are met by grantees, all due diligence has been completed, and they are approved by staff or board committee. Conditional grants are expensed and considered payable only in the period the conditions are substantially satisfied.

Revenue recognition and deferred revenue

Service and fee contracts - Revenue from service and fee contracts is recognized when promised services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those services by applying the following steps:

- Identify the contract(s) with a customer
- Identify the performance obligation in the contract(s)
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract, and
- Recognize revenue when, or as, the Organization satisfies a performance obligation.

The Organization enters into contracts where it is obligated to deliver multiple products and/or services (multiple performance obligations). In these contracts, the total transaction price for the contract is allocated to each performance obligation based on a relative standalone selling price. The Organization determines the standalone selling price using the adjusted market method. The service and fee revenue is recognized during the period in which services are performed.

All service and fee revenue is derived from services delivered in Silicon Valley. All of these revenue streams are short-term in nature and do not have any significant financing components as payments are generally received shortly after the services are provided.

Note 3 - Summary of significant accounting policies (continued)

Revenue recognition and deferred revenue (continued)

Contract liabilities

Contract liabilities (deferred revenue) represent amounts received in advance for which the services have not yet been performed.

The following represents the Organization's opening and ending balances of accounts receivable and contract liabilities (deferred revenue):

	July 1, 2021	June 30, 2022	June 30, 2023
Accounts receivable	$ 94,760	$ 117,864	$ 113,601
Contract liability (deferred revenue)	$ 19,604	$ 15,268	$ 12,352

Grants and contributions and contributions in-kind

Grants and contributions are recognized when the donor makes a pledge to give that is, in substance, an unconditional promise. Grants and contributions are recorded as with or without donor restrictions depending upon donor restrictions, if any. Restricted grants and contributions are reported as increases in net assets with donor restrictions. When the restriction is met the amount is shown as a reclassification of net assets with donor restrictions to net assets without donor restrictions.

Contributions in-kind are recognized when received. Donated equipment and other goods are recorded at their estimated fair market value as of the date of the donation. Contributed professional services are recognized if the services received a) create or enhance long-lived assets or b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation and are recorded at the estimated fair market value at the time the services are rendered. The amounts reflected in the accompanying financial statements as in-kind support are offset by like amounts included in expenses, or in the case of long-term assets, over the period benefited.

Property and equipment

Property and equipment are recorded at cost or estimated fair value for donated items. Equipment purchases over $1,000 are capitalized. The cost of repairs and maintenance which do not improve or extend the lives of the respective assets are expensed currently. Depreciation is charged to the activity benefiting from the use of the property or equipment. Depreciation is computed using the straight-line method over the estimated useful lives of the underlying assets as follows:

Furniture and equipment	3 - 7 years

Expense allocation

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and support services benefited. Indirect expense allocations are based on salary expense. The allocation methodology is reviewed annually.

Note 3 - Summary of significant accounting policies (continued)

Advertising

The Organization's policy is to expense advertising costs as the costs are incurred. Advertising expenses for the years ended June 30, 2023 and 2022 were $2,688 and $4,629, respectively.

Income taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and state income taxes under Section 23701(d) of the California Revenue Taxation Code. Accordingly, no provision for income taxes has been made in the accompanying statements. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) of the Internal Revenue Code and has been classified as an organization that is not a private foundation under Section 509(a)(i) of the Internal Revenue Code.

The Organization has adopted the accounting standard related to uncertainties in income taxes. The Organization evaluates uncertain tax positions through its review of the source of revenue to identify unrelated business income and certain other matters including those that may affect its tax-exempt status. Management believes their estimates related to income tax uncertainties are appropriate based on current facts and circumstances.

The Organization’s federal Returns of Organization Exempt from Income Tax (Form 990) for years ended June 30, 2020 and after are subject to examination by the IRS, generally for three years after they are filed. The Organization’s state returns (Form 199) for the years ended June 30, 2019 and after could be subject to examination by state (California) taxing authorities, generally for four years after they are filed.

Leases - recently adopted accounting guidance

In February 2016, the Financial Accounting Standards Board (FASB) issued guidance, Accounting Standards Codification (ASC) Topic 842, *Leases,* to increase transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of the financial statements to assess the amount, timing and uncertainty of cash flows arising from leases.

The Organization adopted the standard effecting July 1, 2022 and recognized and measured leases existing at, or entered into after, July 1, 2022 (the beginning of the period of adoption) through a cumulative effect adjustment, with certain practical expedients available. Lease disclosures for the year ended June 30, 2022 are made under prior lease guidance in FASB ASC 840.

As a result of the adoption of the new lease accounting guidance, the Organization determined that it did not have an existing lease that would require the recognition of a right-of-use asset and lease liability on the statement of financial position on July 1, 2022. The effect of adopting the new standard did not require any adjustment to net assets as of July 1, 2022. Lease agreements entered into after July 1, 2022 are disclosed in Note 12 in accordance with the provisions of ASC 842, *Leases*.

Note 3 - Summary of significant accounting policies (continued)

Leases - recently adopted accounting guidance (continued)

The Organization determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use assets and operating lease liabilities on the statements of financial position. Right-of-use assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease.

Operating lease right-of-use assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the Organization's leases do not provide an implicit rate, management uses the risk free interest rate based on the information available at the commencement date in determining the present value of the lease payments. The operating lease right-of-use asset also includes any lease payments made and excludes lease incentives. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

New accounting pronouncements - not yet adopted

In 2016, the FASB issued ASU 2016-13, Financial Instruments-Credit Losses. The standard requires a financial asset (including trade receivables) measured at amortized cost basis to be presented at the net amount expected to be collected. Thus, the income statement will reflect the measurement of credit losses for newly recognized financial assets as well as the expected increases or decreases of expected credit losses that have taken place during the period. This standard will be effective for the year beginning July 1, 2023. The Organization is currently in the process of evaluating the impact of adoption of this ASU on its financial statements.

Other accounting pronouncements that have been enacted but not yet implemented are not expected to have a material impact on the Organization's financial statements.

Subsequent events

In preparing its financial statements, the Organization has evaluated subsequent events through October 30, 2023, which is the date the financial statements were available to be issued.

Note 4 - Liquidity and availability of resources

The following table reflects the Organization's financial assets as of June 30, 2023 and 2022, reduced by amounts not available for general expenditure within one year from these dates. Financial assets are considered to be unavailable when illiquid or not readily convertible to cash within one year.

Financial assets available to meet cash needs for general expenditures within one year as of June 30, 2023 and 2022 are as follows:

	June 30,	
	2023	2022
Financial assets:		
Cash and cash equivalents	$ 1,365,619	$ 1,161,069
Certificate of deposit	600,000	-
Investments designated for operating reserves	554,982	534,483
Accounts receivable	113,601	117,864
Grants receivable	1,393,724	788,547
Endowment investments	915,492	803,678
Financial assets	4,943,418	3,405,641
Less: amounts unavailable for general expenditures within one year due to contractual or donor-imposed restrictions:		
Accounts payable and accrued liabilities	(92,663)	(152,888)
Grants payable	(425,000)	(418,500)
Restricted for a specific purpose	(2,046,192)	(835,638)
Restricted to passage of time longer than one year	(200,000)	(125,000)
Endowment assets held in perpetuity	(977,950)	(977,950)
Accumulated endowment losses	62,458	174,272
	(3,679,347)	(2,335,704)
Total financial assets and liquidity resources available within one year	$ 1,264,071	$ 1,069,937

Note 5 - Property and equipment

Property and equipment consisted of the following:

	June 30,	
	2023	2022
Furniture and equipment	$ 19,288	$ 42,363
Accumulated depreciation	(5,055)	(36,065)
	$ 14,233	$ 6,298

Depreciation expense for the years ended June 30, 2023 and 2022 was $3,850 and $1,477, respectively.

Note 6 - Investments and fair value measurement

Investments consisted of the following:

	June 30, 2023	June 30, 2022
Investments desginated for operating reserves	$ 554,982	$ 534,483
Endowment investments	915,492	803,678
	$ 1,470,474	$ 1,338,161

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value as of June 30, 2023 and 2022:

	Assets at Fair Value as of June 30, 2023			
	Level 1	Level 2	Level 3	Fair Value
Money market funds	$ 113,068	$ -	$ -	$ 113,068
Equity funds	109,758	-	-	109,758
Bond funds	44,653	-	-	44,653
Exchange traded funds	1,116,440	-	-	1,116,440
Fixed income	86,555	-	-	86,555
Certificates of deposit	-	600,000	-	600,000
	$ 1,470,474	$ 600,000	$ -	$ 2,070,474

	Assets at Fair Value as of June 30, 2022			
	Level 1	Level 2	Level 3	Fair Value
Cash and cash equivalents	$ 95,589	$ -	$ -	$ 95,589
Equity funds	76,828	-	-	76,828
Exchange traded funds	1,034,282	-	-	1,034,282
Fixed income	131,462	-	-	131,462
	$ 1,338,161	$ -	$ -	$ 1,338,161

Note 7 - Accrued liabilities

Accrued liabilities consisted of the following at June 30, 2023 and 2022:

	June 30, 2023	June 30, 2022
Vacation	$ 68,907	$ 68,843
Payroll and related expenses	5,056	5,342
Other	7,971	28,923
	$ 81,934	$ 103,108

Note 8 - Paycheck Protection Program refundable advance

On May 6, 2020, the Organization entered into a loan with a bank pursuant to the Paycheck Protection Program ("PPP") in the aggregate principal amount of $150,000 (the "Original Refundable Advance") under the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act").

On February 19, 2021, the Organization entered into an additional loan with a bank pursuant to the PPP in the aggregate principal amount of $82,500 (the "Additional Refundable Advance") under the CARES Act. Collectively, the Organization referred to the Original Refundable Advance and Additional Refundable Advance as the "Refundable Advances".

On March 19, 2021, the Organization received full forgiveness for the $150,000 principal and accrued interest of the Original Refundable Advance. The forgiveness was recognized during the year ended June 30, 2021.

On August 30, 2021, the Organization received full forgiveness for the $82,500 principal and accrued interest of the Additional Refundable Advance. The forgiveness was recognized during the year ended June 30, 2022 as grants and contributions - Paycheck Protection Program on the statements of activities.

Note 9 - Net assets with donor restrictions

Net assets with donor restrictions consisted of the following:

	June 30,	
	2023	2022
Community grants program	$ 2,038,024	$ 795,778
Endowment investments held in perpetuity	977,950	977,950
General operating support in future periods	655,309	368,132
genARTS Silicon Valley	8,168	19,860
Content Magazine	-	20,000
Accumulated endowment losses	(62,458)	(174,272)
	$ 3,616,993	$ 2,007,448

Net assets released from donor restrictions by incurring expenses satisfying donor restricted purposes or by the passage of time are as follows:

	June 30,	
	2023	2022
Community grants program	$ 1,614,682	$ 1,656,818
General operating support released from time restriction	243,132	310,894
Content Magazine	20,929	31,500
genARTS Silicon Valley	14,656	35,814
ArtsWeb	-	327,931
Appropriations of endowment funds	-	50,000
	$ 1,893,399	$ 2,412,957

Note 10 - Endowment

As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law

The Board of Directors of the Organization has interpreted the California version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by the California version of UPMIFA.

Note 10 - Endowment (continued)

Interpretation of relevant law (continued)

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policies of the Organization

Funds with deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the permanent value of the endowed funds. In accordance with U.S. GAAP, deficiencies of this nature are reported in net assets with donor restrictions. Deficiencies of this nature exist in a donor-restricted endowment fund, which has an original gift value of $977,950, a current fair value of $915,492 and $803,678, and a deficiency of $62,458 and $174,272 as of June 30, 2023 and 2022, respectively. These deficiencies resulted from unfavorable market fluctuations for donor-restricted endowment funds. As a result of the deficiency, the Organization did not appropriate any accumulated earnings for spending during the year ended June 30, 2023.

Return objectives and risk parameters

The Organization has adopted investment policies for endowment assets to be invested with the objective of preserving the long-term, real purchasing power of assets while providing a relatively predictable and growing stream of annual distributions in support of the Organization.

Strategies employed for achieving objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending policy

For the purpose of making distributions, the fund shall make use of a total-return-based spending policy, meaning that it will fund distributions from net investment income, net realized capital gains, and proceeds from the sale of investments.

Note 10 - Endowment (continued)

Spending policy (continued)

The Board may, at its discretion, authorize disbursement each year up to 7% of the fair market value (determined on the average fair market value of the prior 12 quarters through the fiscal year preceding the fiscal year in which the distribution is planned) from donor-restricted endowment funds. In the event that income from a donor-restricted endowment fund exceeds 5% in any given year, the Board shall have the discretion whether to appropriate for expenditure such excess up to an amount not to exceed seven percent (7%) of the donor-restricted endowment fund's average fair market value of the prior 12 quarters as described above. For the purposes of this paragraph the term "income" shall include, but not be limited to interest, dividends and appreciation of assets within the donor-restricted endowment fund. The Board may also at its discretion authorize appropriations above the 7% if special circumstances arise. However, no appropriation should impair the fair value of the original gift. The provisions herein shall at all times be subject to the donor's restrictions, unless modified as provided in UPMIFA, and shall at all times be subject to the prudence standards of UPMIFA. The Organization’s investment committee will review its spending assumptions annually for the purpose of deciding whether any changes require amending the fund's spending policy, its target asset allocation, or both.

Endowment composition

Endowment net asset composition by type of fund as of June 30, 2023 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Original donor-restricted amount required to be held in perpetuity	$ -	$ 977,950	$ 977,950
Accumulated endowment losses	-	(62,458)	(62,458)
	$ -	$ 915,492	$ 915,492

Endowment net asset composition by type of fund as of June 30, 2022 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Original donor-restricted amount required to be held in perpetuity	$ -	$ 977,950	$ 977,950
Accumulated endowment losses	-	(174,272)	(174,272)
	$ -	$ 803,678	$ 803,678

Note 10 - Endowment (continued)

Endowment composition (continued)

Changes in endowment net assets for the fiscal year ended June 30, 2023 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance, June 30, 2022	$ -	$ 803,678	$ 803,678
Investment return			
Interest and dividends	-	15,615	15,615
Net realized and unrealized gain	-	102,552	102,552
Investment fees	-	(6,353)	(6,353)
Appropriations	-	-	-
Balance, June 30, 2023	$ -	$ 915,492	$ 915,492

Changes in endowment net assets for the fiscal year ended June 30, 2022 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance, June 30, 2021	$ -	$ 1,002,137	$ 1,002,137
Investment return			
Interest and dividends	-	16,919	16,919
Net realized and unrealized losses	-	(160,877)	(160,877)
Investment fees	-	(4,501)	(4,501)
Appropriations	-	(50,000)	(50,000)
Balance, June 30, 2022	$ -	$ 803,678	$ 803,678

Note 11 - Contributions in-kind

Donated rent was valued based on communications from donors regarding values they would normally charge and/or research of fair value prices the Organization would pay for comparable rent. Total in-kind rent received for the years ended June 30, 2023 and 2022 was $120,000. The facility which received the donated rent is utilized by all programs and activities of the Organization.

Note 12 - Leases

On July 24, 2019, the Organization entered into a lease agreement for its office space in San Jose, California, commencing on August 27, 2019, and ending on August 31, 2020, after which the lease becomes monthly. The base rent is recognized as in-kind revenue and expense, which amounted to a total of $120,000 for both years ended June 30, 2023 and 2022.

In January 2023, the Organization entered into an agreement to assume the remaining lease of another entity. The remaining term of the lease is for 35 months and expires in November 2025. Monthly lease payments are $2,775 and increase annually beginning in December 2023.

Rental expense, other than in-kind rent, for the years ended June 30, 2023 and 2022 was $40,670 and $20,370, respectively, which includes the Organization portion of utilities, janitorial services and other operating expenses of the property.

Other information related to the operating lease for the year ended June 30, 2023 is as follows:

Operating cash flows from operating leases	$	13,877
ROU assets obtained in exchange for operating lease liabilities	$	91,844
Weighted-average remaining lease term in years for operating leases		2.42
Weighted-average discount rate for operating leases		4.18%

Future minimum lease payments required under the Organization's lease is as follows:

For the Years Ending June 30,		Amount
2024	$	33,940
2025		35,028
2026		14,784
Total undiscounted cash flows		83,752
Less: present value discount		(3,994)
Total operating lease liability		79,758
Less: current portion of operating lease liability		(48,444)
	$	31,314

Note 13 - Retirement plan

The Organization has a defined contribution plan for all full-time employees who have completed one year of service and all part-time employees who have completed 1,000 hours of service. Benefit payments are calculated based on the employees' compensation. The funding policy of the Organization is to make monthly contributions. Employer contributions totaling $34,551 and $18,339 were made for the year ended June 30, 2023 and 2022, respectively.

Note 14 - Contingencies

Grants and contracts awarded to the Organization are subject to the funding agencies' criteria, contract terms and regulations under which expenditures may be charged and are subject to audit under such terms, regulations and criteria. Occasionally, such audits may determine that certain costs incurred in connection with the grants do not comply with the established criteria that govern them. In such cases, the Organization could be held responsible for repayments to the funding agency for the costs or be subject to a reduction of future funding in the amount of the costs.

Management does not anticipate any material questioned costs for the contracts and grants administered during the period. The Organization would be responsible for the absorption of any over-expenditure of its restricted grants which cannot be covered by additional grant funds or contributions from other sources.

Note 15 - Concentrations

Silicon Valley Creates relies on funding received from the County of Santa Clara Transient Occupancy Tax (“TOT”). The voters in Santa Clara County by Measure A, ratified in 1988, directed TOT funds to promote art and culture in the county. Guests generate this tax when staying in hotels in the unincorporated areas of the county. Nationally and in California, these funds support local art and culture. For the years ended June 30, 2023 and 2022, funding received as a result of TOT revenue consisted of 20% and 25% of total support and revenue, respectively.

The Organization had grants and contributions revenue from four donors representing 83% of the total grants and contributions revenue for the year ended June 30, 2023. The Organization had grants receivable from two donors representing 91% at June 30, 2023.

The Organization had grants and contributions revenue from two donors representing 60% of the total grants and contributions revenue for the year ended June 30, 2022. The Organization had grants receivable from one donor representing 87% of the total grants and pledges receivable at June 30, 2022.

Note 16 - Arts partners endowment fund trust

Silicon Valley Creates (formerly Arts Council Silicon Valley) is the recipient of investment earnings on approximately $500,000 of endowment funds held in trust by the Arts Partners Endowment Fund as of June 30, 2023 and 2022. These funds are not reflected in the accompanying statements of financial position, as the Organization does not exercise control over these monies. The trust was established with funds from the National Endowment for the Arts, the Community Foundation, the David and Lucile Packard Foundation, the William and Flora Hewlett Foundation and other contributors. During the years ended June 30, 2023 and 2022, distributions received of these funds totaled $33,056 and $30,308, respectively, and were reported as grants and contributions in the statements of activities.

Note 17 - Related party transactions

The Organization received $33,120 and $32,483 in contributions from members of the Board of Directors for the years ended June 30, 2023 and 2022, respectively. As of June 30, 2023 and 2022, there were no outstanding contributions receivable from members of the Board of Directors.

Note 18 - Reclassification

Certain reclassifications have been made to the June 30, 2022 financial statements to conform to the June 30, 2023 financial statement presentation, having no effect on previously reported net assets or change in net assets.