Silicon Valley Creates

Financial Statements

June 30, 2020
(With Comparative Totals for 2019)

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Silicon Valley Creates (a California nonprofit corporation) (the "Organization"), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Silicon Valley Creates as of June 30, 2020, 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.

Change in Accounting Principle

As described in Note 4 to the financial statements, the Organization has adopted ASU 2018-08*, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. Our opinion is not modified with respect to that matter.

Emphasis of Matter

As discussed in Note 4 to the financial statements, on March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The ultimate financial impact and duration of these events cannot be reasonably estimated at this time. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited Silicon Valley Creates' 2019 financial statements, and our report dated December 11, 2019 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Armanino LLP

Armanino[LLP]
San Jose, California

November 2, 2020

Silicon Valley Creates
Statement of Financial Position
June 30, 2020
(With Comparative Totals for 2019)

	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents	$ 601,968	$ 113,898
Investments designated for operating reserves	229,812	129,812
Accounts receivable	41,400	51,916
Grants receivable	716,003	711,000
Pledges receivable, current portion	4,000	273,500
Prepaid expenses	9,885	12,947
Deferred costs for Creative Center for the Arts*	-	1,003,213
Total current assets	1,603,068	2,296,286
Property and equipment, net	3,078	7,515
Other assets		
Construction in progress for Creative Center for the Arts*	-	5,976,775
Pledges receivable, net of current portion	14,434	525,394
Endowment investments	932,768	976,804
Total other assets	947,202	7,478,973
Total assets	$ 2,553,348	$ 9,782,774
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	$ 80,868	$ 95,287
Grants payable	323,700	222,660
Accrued liabilities	126,488	74,109
Line of credit	-	100,000
Deferred revenue	6,017	8,129
Due to other organizations	2,280	158,584
Capital contributions for Creative Center for the Arts*	-	1,420,000
Total current liabilities	539,353	2,078,769
Paycheck protection program forgivable loan	150,000	-
Total liabilities	689,353	2,078,769
Commitments and contingencies (Note 13)		
Net assets		
Without donor restrictions	(308,886)	1,831,503
With donor restrictions		
Restricted for a specified purpose	989,072	4,694,552
Restricted to passage of time	205,859	200,000
Held in perpetuity	977,950	977,950
Total net assets with donor restrictions	2,172,881	5,872,502
Total net assets	1,863,995	7,704,005
Total liabilities and net assets	$ 2,553,348	$ 9,782,774

* See Note 3

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

Silicon Valley Creates
Statement of Activities
For the Year Ended June 30, 2020
(With Comparative Totals for 2019)

	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
Support and revenue				
Grants and contributions	$ 229,183	$ 2,468,732	$ 2,697,915	$ 1,469,765
Fees and service contracts	509,229	-	509,229	397,878
Contributions in-kind	100,000	-	100,000	-
Interest and dividends	1,338	20,657	21,995	23,481
Realized and unrealized losses, net	-	(64,693)	(64,693)	(23,298)
Net assets released from restrictions	2,152,572	(2,152,572)	-	-
Total support and revenue	2,992,322	272,124	3,264,446	1,867,826
Functional expenses				
Program services	2,146,530	-	2,146,530	1,661,819
Management and general	413,352	-	413,352	308,053
Fundraising	133,811	-	133,811	122,548
Total functional expenses	2,693,693	-	2,693,693	2,092,420
Change in net assets from operations, before CCA impairment	298,629	272,124	570,753	(224,594)
Impairment of Creative Center for the Arts (see Note 3)	(2,439,018)	(3,971,745)	(6,410,763)	-
Change in net assets	(2,140,389)	(3,699,621)	(5,840,010)	(224,594)
Net assets, beginning of year	1,831,503	5,872,502	7,704,005	7,928,599
Net assets (deficit), end of year	$ (308,886)	$ 2,172,881	$ 1,863,995	$ 7,704,005

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

Silicon Valley Creates
Statement of Functional Expenses
For the Year Ended June 30, 2020
(With Comparative Totals for 2019)

	Program Services	Support Services: Management and General	Support Services: Fundraising	2020 Total	2019 Total
Personnel expenses					
Salaries	$ 358,100	$ 179,007	$ 99,318	$ 636,425	$ 566,665
Employee benefits	29,351	18,235	9,574	57,160	54,131
Payroll taxes	27,372	12,199	6,471	46,042	43,631
Total personnel expenses	414,823	209,441	115,363	739,627	664,427
Grant and contract expense	1,154,291	-	-	1,154,291	727,338
Professional services	311,035	139,069	2,499	452,603	371,497
Donated rent	67,000	25,000	8,000	100,000	-
Printing and publications	82,033	-	-	82,033	92,892
Occupancy	28,523	18,928	3,535	50,986	83,959
Conferences and meetings	29,405	1,304	-	30,709	54,743
Membership dues	19,830	1,358	-	21,188	24,011
Miscellaneous	12,526	2,336	623	15,485	20,344
Insurance	3,035	4,893	370	8,298	6,550
Equipment maintenance and rent	4,840	2,049	623	7,512	11,619
Telephone	3,168	2,214	1,583	6,965	8,678
Bank fees	1,158	5,113	421	6,692	5,997
Supplies	4,704	422	382	5,508	7,002
Advertising	4,792	-	-	4,792	5,243
Depreciation	2,852	1,218	367	4,437	5,052
Travel	2,515	-	-	2,515	2,731
Postage and shipping	-	7	45	52	337
	$ 2,146,530	$ 413,352	$ 133,811	$ 2,693,693	$ 2,092,420
Percentage of total	80 %	15 %	5 %	100 %	

Silicon Valley Creates
Statement of Cash Flows
For the Year Ended June 30, 2020
(With Comparative Totals for 2019)

	2020	2019
Cash flows from operating activities		
Change in net assets	$ (5,840,010)	$ (224,594)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	4,437	5,052
Impairment of Creative Center for the Arts*	6,410,763	-
Net realized and unrealized losses	64,693	23,298
Proceeds from contributions restricted for Creative Center for the Arts*	-	(208,810)
Changes in operating assets and liabilities		
Accounts receivable	10,516	22,304
Grants receivable	(5,003)	240,000
Pledges receivable	43,715	218,690
Prepaid expenses	3,062	(5,406)
Deferred costs for Creative Center for the Arts*	(124,030)	(151,055)
Accounts payable	(14,419)	(120,612)
Grants payable	101,040	28,860
Accrued liabilities	52,379	(346,127)
Deferred revenue	(2,112)	(1,316)
Due to other organizations	(156,304)	7,801
Net cash provided by (used in) operating activities	548,727	(511,915)
Cash flows from investing activities		
Proceeds from sales of investments	477,920	450,053
Purchase of investments	(498,577)	(472,205)
Funding for operating reserves	(100,000)	-
Purchase of property and equipment	-	(5,783)
Payments for construction in progress for Creative Center for the Arts*	(15,000)	(24,507)
Net cash used in investing activities	(135,657)	(52,442)
Cash flows from financing activities		
Proceeds from paycheck protection program forgivable loan	150,000	-
Net borrowings (repayments) on line of credit	(100,000)	100,000
Capital contributions for Creative Center for the Arts*	25,000	-
Proceeds from contributions restricted for Creative Center for the Arts*	-	208,810
Net cash provided by financing activities	75,000	308,810
Net increase (decrease) in cash and cash equivalents	488,070	(255,547)
Cash and cash equivalents, beginning of year	113,898	369,445
Cash and cash equivalents, end of year	$ 601,968	$ 113,898

Supplemental disclosure of cash flow information

	2020	2019
Cash paid during the year for interest	$ 2,241	$ 2,078

* See Note 3

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 accelerate Silicon Valley's creative culture through programs and initiatives that build the capacity of our arts and culture ecosystem, raise the voice and visibility of our creative sector and increase access to arts for high need communities.

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 with less than two million dollars in revenue and secondarily serves Silicon Valley’s larger ecosystem of creative talent, opinion leaders, and consumers of the arts.

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 for high need communities.

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; and 3) conducting research studies of relevance to civic and arts leaders; and 4) leading or incubating initiatives that address the special needs of our arts ecosystem such as the development of below market space solutions for the arts like the Creative Center for the Arts or prototyping affordable support services through ArtsWeb.

The Organization raises the voice and visibility 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; and 4) convening Pick Up Parties and Meet Ups.

The Organization increases access to arts and creativity by: 1) developing a hub of digital media 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 the Women and Children's Center at Valley Medical Center.

3. CREATIVE CENTER FOR THE ARTS (CCA)

Silicon Valley Creates entered into a long-term land lease with the City of San Jose for the purpose of developing a Creative Center on City-owned land in Japantown.

3. CREATIVE CENTER FOR THE ARTS (CCA) (continued)

During the year ended June 30, 2020, Silicon Valley Creates left the project due to numerous delays, a 50% increase in construction costs, a lost opportunity for new market tax credits and the changing of priorities of major donors. Silicon Valley Creates and other equity partners deemed the vision of the (CCA) infeasible. The CCA project was then taken over by the current developer, with the Organization leading the development of the first floor on behalf of the other equity partners.

The Organization assessed whether the carrying amount of these long-lived assets and liabilities related to the CCA may not be recoverable and evaluated them for impairment. As the plans for building the CCA for use as a facility by the Organization and the formation of the LLC is no longer planned, the Organization determined the previously recorded assets and liabilities were impaired as of June 30, 2020. The Organization recognized an impairment of $6,410,763 in the accompanying financial statements.

The following table summarizes the assets and liabilities impaired for the CCA:

Assets impaired	
Deferred costs for Creative Center for the Arts	$ (1,127,243)
Pledges receivable, net of discount to present value	(736,745)
Donated ground lease with City of San Jose	(3,100,000)
Construction in progress for Creative Center for the Arts	(2,891,775)
	(7,855,763)
Liabilities forgiven	
Capital contributions for Creative Center for the Arts	1,445,000
	$ (6,410,763)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and financial statement presentation

The financial statements of Silicon Valley Creates have been prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America. The Organization reports its financial position and operating activities in two classes: net assets without donor restrictions and net assets with donor restrictions.

- *Net assets without donor restrictions* - include those assets over which the Board of Directors has discretionary control in carrying out the operations of the Organization. Under this category, the Organization maintains an operating fund, property and equipment fund plus any net assets designated by the Board for specific purposes.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of accounting and financial statement presentation (continued)

- *Net assets with donor restrictions* - include those assets which are subject to donor restriction and for which the applicable restriction was not met as of the year end of the current reporting period. Net assets held in perpetuity include those assets which are subject to non-expiring restriction, such as endowments.

Revenues are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Investment income and gains or losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor restriction or by law.

Comparative financial information

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

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of support, revenue and expenses during the period. Accordingly, actual results could differ from those estimates.

Risk and Uncertainties

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) began in China and has since spread globally, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, numerous states in the U.S., including California, where the Organization is headquartered, have declared a state of emergency. On March 16, 2020, the County of Santa Clara enacted a 'shelter-in-place' which required closing all non-essential businesses, including where the Organization's events occur. The Organization’s business and operations have been significantly impacted by the effects of the COVID-19 outbreak and resulting economic conditions. The significance of the impact of the COVID-19 pandemic on the Organization is being actively monitored and is highly uncertain; however, it is possible the pandemic, and resulting economic reaction, could have a material adverse effect on the business, financial condition, results of operations and cash flows.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 statement of financial position. Unrealized gains and losses are included in the change in net assets.

Fair value measurements

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."

A hierarchy has been established to prioritize the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). Observable inputs are those that market participants would use in pricing the asset based on market data obtained from sources independent of the Organization. Unobservable inputs reflect the Organization's assumption about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The fair value hierarchy is categorized into three levels based on the inputs as follows:

- *Level 1* - Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.
- *Level 2* - Inputs include 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. Such inputs include market interest rates and volatilities, spreads and yield curves.
- *Level 3* - Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Organization's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts receivable

The Organization utilizes the reserve method of accounting for doubtful accounts based on historical experience and management's evaluation of outstanding accounts receivable at the end of each year. As of June 30, 2020 and 2019, the Organization has an allowance for doubtful accounts of $0 and $0, respectively.

Grants receivable

The Organization considers all grants receivable to be fully collectible; accordingly, no allowance for doubtful accounts is considered necessary.

Pledges receivable

Unconditional promises to give (pledges), less an allowance for uncollectible amounts, are recognized as contribution support in the period received and as assets, decreases in liabilities, or expenses depending on the form of the benefits received. Promises are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. Present value is measured using a risk-adjusted discount rate of return at initial recognition and is not revised later. Conditional promises to give, if any, are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Deferred costs

Deferred costs consist of startup costs and costs related to drafting the ground lease agreement for the Creative Center for the Arts and are capitalized. These capitalized costs were expected to be realized upon the formation of an LLC of which the Organization would obtain an ownership stake. During the year ended June 30, 2020, the Organization recognized an impairment on these assets (see Note 3).

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 computed on the straight-line method based on the estimated useful lives of the assets, which range from 3 to 7 years. Depreciation is charged to the activity benefiting from the use of the property or equipment.

Accrued vacation

Accrued vacation represents vacation earned, but not taken as of June 30, 2020 and 2019, and is included in "accrued liabilities" in the statement of financial position. The accrued vacation balance as of June 30, 2020 and 2019 was $59,566 and $44,243, respectively.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition and deferred revenue

The Organization recognizes support and revenue on the accrual basis of accounting.

Grants - Revenue from grants which have been classified as "exchange transactions" are recognized as revenue in the period in which the service is provided. Deferred revenue represents advances of resources or revenue received in advance of the earnings process being completed.

Service contracts - Revenue from service contracts is recognized when all of the following conditions are met:

- Persuasive evidence of an arrangement exits
- Delivery has occurred
- The fee is fixed or determinable
- Collection is reasonably assured

Silicon Valley Creates enters into arrangements where it is obligated to deliver multiple products and/or services (multiple elements). In these arrangements, total revenue for the contract is allocated among the elements based on the sales price of each element when sold separately (vendor-specific objective evidence).

Contributions

Contributions are recognized when the donor makes a pledge to give that is, in substance, an unconditional promise. Contributions are recorded as with or without donor restrictions depending upon donor restrictions, if any. Restricted 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.

Unconditional promises to give for the use of long-lived assets for a specific number of periods in which the donor retains legal title may be received in connection with leases or similar leases but have no payments. Amounts reported as contributions are recorded at the lower of the fair value of the long-lived asset or the lease.

Contributions in-kind

Donated equipment and other donated goods are recorded at their estimated fair value as of the date of the donation. Contributed services, which require a specialized skill and which the Organization would have paid for if not donated, are recorded at the estimated fair value at the time the services are rendered.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Advertising

The Organization's policy is to expense advertising costs as the costs are incurred. Advertising expenses for the years ended June 30, 2020 and 2019 were $4,792 and $5,243, respectively.

Income tax status

Silicon Valley Creates 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)(1) of the Internal Revenue Code.

Accounting principles generally accepted in the United States of America provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by the Organization in its federal and state exempt organization tax returns are more-likely-than-not to be sustained upon examination.

The Organization files information returns in the U.S. federal jurisdiction and state of California. The Organization's federal returns for the years ended June 30, 2017 and beyond remain subject to possible examination by the Internal Revenue Service. The Organization's California returns of the years ended June 30, 2016 and beyond remain subject to possible examination by the Franchise Tax Board.

Change in accounting principle

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*, which clarifies the criteria for evaluating whether a transaction is a contribution or an exchange transaction and whether a contribution is conditional or unconditional. The Organization adopted ASU 2018-08 with a date of the initial application of July 1, 2019, using the modified prospective method.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Change in accounting principle (continued)

The adoption of ASU 2018-08 did not have a significant impact on the Organization's financial position, result of operations, or cash flows. The Organization has evaluated contributions received and contributions made and has determined that there is no change as a result of the adoption of the standard.

5. PLEDGES RECEIVABLE

Pledges receivable consisted of the following:

	2020	2019
Receivable in one year or less	$ 4,000	$ 273,500
Receivable in one to five years	15,000	540,000
	19,000	813,500
Less discount to present value	(566)	(14,606)
	$ 18,434	$ 798,894

As of June 30, 2020, $4,000 of contributions receivable is expected to be collected in less than one year and $15,000 is expected to be collected in one to five years. The Organization periodically evaluates the collectability of its contribution's receivables based on historical experience. Uncollectible contributions are expected to be insignificant; therefore, an allowance for doubtful accounts has not been recorded as of June 30, 2020 and 2019.

Unconditional promises to give, which are not expected to be collected until after the year contributed, are reflected in the accompanying financial statements as pledges receivable in the appropriate net asset category. For promises expected to be collected in more than one year a present value discount is estimated based on the risk-free rate (appropriate U.S. Treasury Bond Rate) at the time of the promise as adjusted for credit and other donor specific risks. The risk-adjusted discount rate on contributions receivable as of June 30, 2020 ranged between 1.81% and 2.34%.

6. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consisted of the following:

	2020	2019
Furniture and equipment	$ 26,015	$ 79,890
Computer equipment and software	8,845	180,747
	34,860	260,637
Accumulated depreciation	(31,782)	(253,122)
	$ 3,078	$ 7,515

Depreciation expense for the years ended June 30, 2020 and 2019 was $4,437 and $5,052, respectively.

7. ENDOWMENT INVESTMENTS

Endowment investments consisted of the following:

	2020	2019
Equities	$ 597,749	$ 653,045
Fixed government securities	213,247	204,149
Fixed income corporate bonds and notes	81,002	83,218
Fixed income asset backed securities	21,813	9,185
Cash and cash equivalents	17,605	21,255
Accrued interest	1,352	2,074
Fixed income preferred securities	-	3,878
	$ 932,768	$ 976,804

Investment returns during the year consisted of the following:

	2020	2019
Interest and dividends	$ 20,657	$ 22,143
Realized and unrealized losses	(51,097)	(9,133)
	(30,440)	13,010
Investment fees	(13,596)	(14,156)
	$ (44,036)	$ (1,146)

7. ENDOWMENT INVESTMENTS (continued)

The following table sets forth by level, within the fair value hierarchy, the Organization's endowment investments at fair value as of June 30, 2020:

	Level 1	Level 2	Level 3	Fair Value
Equities	$ 597,749	$ -	$ -	$ 597,749
Fixed government securities	-	213,247	-	213,247
Fixed income corporate bonds and notes	-	81,002	-	81,002
Fixed income asset backed securities	-	21,813	-	21,813
Cash and cash equivalents	17,605	-	-	17,605
Accrued interest	1,352	-	-	1,352
	$ 616,706	$ 316,062	$ -	$ 932,768

The following table sets forth by level, within the fair value hierarchy, the Organization's endowment investments at fair value as of June 30, 2019:

	Level 1	Level 2	Level 3	Fair Value
Equities	$ 653,045	$ -	$ -	$ 653,045
Fixed government securities	-	204,149	-	204,149
Fixed income corporate bonds and notes	-	83,218	-	83,218
Fixed income asset backed securities	-	9,185	-	9,185
Cash and cash equivalents	21,255	-	-	21,255
Accrued interest	2,074	-	-	2,074
Fixed income preferred securities	3,878	-	-	3,878
	$ 680,252	$ 296,552	$ -	$ 976,804

8. DEBT

The Organization had a revolving line of credit with the bank for a maximum borrowing of $100,000, and a maturity date of June 25, 2020. Payments were due on demand with interest payable monthly on the outstanding balance at the daily adjusted LIBOR rate plus three percent. The rate was 8.5% as of June 30, 2019. On March 29, 2019 the Organization drew the entire $100,000 balance. As of June 30, 2019 $100,000 was outstanding on the line of credit. The line of credit was paid back in full on September 30, 2019. The line of credit was not renewed. For the years ended June 30, 2020 and 2019, the Organization incurred $2,241 and $2,166 of interest expense, respectively.

8. DEBT (continued)

The Organization was required to comply with certain financial and non-financial reporting covenants. The Organization was in compliance with all covenants as of and for the years ended June 30, 2020 and 2019.

On May 6, 2020, the Organization entered into a loan with a bank (the "Loan") pursuant to the Paycheck Protection Program ("PPP") in the aggregate principal amount of $150,000 (the "PPP Loan") under the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act"). The PPP Loan is evidenced by a promissory note and matures 2 years from the disbursement date. The PPP Loan bears interest at 1.00% per annum, with the first six months of interest deferred. Principal and interest are payable monthly commencing 6 months after the disbursement date and may be prepaid by the Organization at any time prior to maturity with no prepayment penalties. The PPP Loan contains customary events of default relating to, among other things, payment defaults or breaches of the terms of the PPP Loan. Upon the occurrence of an event of default, the Lender may require immediate repayment of all amounts outstanding under the Note. Under the terms of the CARES Act, PPP loan recipients can apply for and be granted forgiveness for all or a portion of loans granted under the PPP. The Loan is subject to forgiveness to the extent proceeds are used for payroll costs, including payments required to continue group healthcare benefits, and certain rent, utility, and mortgage interest expense (collectively, "Qualifying Expenses"), pursuant to the terms and limitations of the PPP.

On June 5, 2020, the Paycheck Protection Program Flexibility Act ("PPPFA") was signed into law, and was followed by revised forgiveness applications on June 16, 2020 and revised interim final rules ("IFRS") on June 22, 2020. The enactment of the PPPFA and subsequent releases of the related IFRS and forgiveness applications provided several structural changes to the program aimed to provide businesses with added flexibility to utilize the funds and to be able to obtain forgiveness. The Primary modifications include: reducing from 75% to 60% the percent of a borrower's loan proceeds which must be used for payroll costs; increase from 8 weeks to 24 weeks the covered period, which is the period eligible costs can qualify for forgiveness; extended the deferral period for principal and interest of the loan to the date SBA remits the loan forgiveness amount to the lender or ten months after the loan forgiveness covered period if the borrower has not applied for forgiveness.

The Organization intends to use the Loan amount on Qualifying Expenses and intends to apply for forgiveness. However, no assurance is provided that the Organization will obtain forgiveness of the Loan in whole or in part. Loan forgiveness is subject to the approval of the Small Business Administration. The Organization is eligible for loan forgiveness in an amount equal to the Qualifying Expenses made during the 24-week period beginning on the Loan date, with the exception that no more than 40% of the amount of loan forgiveness may be for expenses other than payroll costs.

The Organization has elected to account for the Loan as Debt under ASC 470 and the Loan is included in the accompanying statement of financial position. For the year ended June 30, 2020, interest expense was not significant under the Loan.

9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

	2020	2019
Creative Center for the Arts	$ -	$ 4,010,394
Endowment investments held in perpetuity	977,950	977,950
Community grants program	736,422	615,470
ArtsWeb	278,000	-
General operating support in future periods	205,859	200,000
genARTS Silicon Valley	19,832	26,710
Accumulated investment loss	(45,182)	(1,146)
Youth voices / Teen Studio program	-	35,624
Content Magazine	-	7,500
	$ 2,172,881	$ 5,872,502

Net assets with donor restrictions released from restriction during the year were as follows:

	2020	2019
Community grants program	$ 1,575,271	$ 756,471
General operating support released from time restriction	300,000	375,000
ArtsWeb	122,000	-
Content Magazine	77,500	50,775
genARTS Silicon Valley	42,177	23,416
Youth voices / Teen Studio program	35,624	58,139
Creative Center for the Arts	-	315,000
Communications planning	-	50,000
Hammer Initiative	-	49,000
Network of services	-	25,000
	$ 2,152,572	$ 1,702,801

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.

10. ENDOWMENT (continued)

Interpretation of relevant law

The Board of Directors of Silicon Valley Creates 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, Silicon Valley Creates 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.

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

(1) The duration and preservation of the fund

(2) The purposes of the Organization and the donor-restricted endowment fund

(3) General economic conditions

(4) The possible effect of inflation and deflation

(5) The expected total return from income and the appreciation of investments

(6) Other resources of the Organization

(7) 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 net assets held in perpetuity balance. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature are required to be reported in net assets with donor restrictions. Due to unrealized losses on equity securities within the endowment funds during the years ended June 30, 2020 and 2019 the fair value of donor-restricted endowment assets was $45,182 and $1,146 less than the net assets held in perpetuity balance as of June 30, 2020 and 2019, respectively.

Return objectives and risk parameters

Silicon Valley Creates 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.

10. ENDOWMENT (continued)

Strategies employed for achieving objectives

To satisfy its long-term rate-of-return objectives, Silicon Valley Creates 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.

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 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, 2020 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$ 932,768	$ 932,768

10. ENDOWMENT (continued)

Endowment composition (continued)

Endowment net asset composition by type of fund as of June 30, 2019 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$ 976,804	$ 976,804

Changes in endowment net assets for the fiscal year ended June 30, 2020 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance, June 30, 2019	$ -	$ 976,804	$ 976,804
Investment return			
Interest and dividends	-	20,657	20,657
Net realized and unrealized losses	-	(51,097)	(51,097)
Investment fees	-	(13,596)	(13,596)
Balance, June 30, 2020	$ -	$ 932,768	$ 932,768

Changes in endowment net assets for the fiscal year ended June 30, 2019 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance, June 30, 2018	$ -	$ 977,950	$ 977,950
Investment return			
Interest and dividends	-	22,143	22,143
Net realized and unrealized losses	-	(9,133)	(9,133)
Investment fees	-	(14,156)	(14,156)
Balance, June 30, 2019	$ -	$ 976,804	$ 976,804

11. CONTRIBUTIONS IN-KIND

Contributions in-kind received consisted of the following:

	2020	2019
Donated rent	$ 100,000	$ -

12. RETIREMENT PLAN

Silicon Valley Creates 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 Silicon Valley Creates is to make monthly contributions. Silicon Valley Creates' retirement plan, placed on hold for ten months of 2010 fiscal year due to budget constraints, has remained in a frozen state for the June 30, 2020 and 2019 fiscal years by vote of the Board. No employer contributions were made for the years ended June 30, 2020 and 2019.

13. COMMITMENTS AND CONTINGENCIES

Contingencies

Grants and contracts awarded to Silicon Valley Creates 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.

Operating lease commitments

On July 24, 2019, the Organization entered into a new 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 being recognized as in-kind revenue and expense, which amounted to a total of $100,000 for the year ended June 30, 2020.

Rental expense other than in-kind rent for the years ended June 30, 2020 and 2019 was $50,986 and $83,959, respectively.

14. 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, 2020 and 2019, funding received as a result of TOT revenue consisted of 30% and 42% of total support and revenue, respectively.

The Organization had contribution and grant revenue from three donors representing 30%, 24%, and 15% of the total grant revenue for the year ended June 30, 2020. The Organization had grants and pledges receivable from two grantors representing 85% and 10% of total receivables at June 30, 2020.

The Organization had contribution and grant revenue from three donors representing 42%, 13%, and 10% of the total grant revenue for the year ended June 30, 2019. The Organization had grants and pledges receivable from three grantors representing 51%, 25%, and 20% at June 30, 2019.

15. 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, 2020 and 2019 . These funds are not reflected in the accompanying statement of financial position, as Silicon Valley Creates 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, 2020 and 2019, distributions received of these funds totaled $29,769 and $29,471, respectively, and were reported as grants and contributions in the statement of activities.

16. RELATED PARTY TRANSACTIONS

The Organization received $24,286 and $30,410 in contributions from members of the Board of Directors for the years ended June 30, 2020 and 2019, respectively. As of June 30, 2020 and 2019, outstanding contributions receivable from members of the Board of Directors amounted to $1,000 and $798,894, respectively.

17. LIQUIDITY

Silicon Valley Creates is substantially supported by restricted contributions. As part of Silicon Valley Creates' liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. In addition, Silicon Valley Creates invests cash in excess of daily requirements in short-term investments.

17. LIQUIDITY (continued)

The following reflects Silicon Valley Creates financial assets as of the financial statement date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

A summary of liquidity as of June 30, 2020 is as follows:

Financial Assets		
Cash and cash equivalents	$	601,968
Investments designated for operating reserves		184,630
Accounts receivable		41,400
Grants receivable		716,003
Pledges receivable, current portion		4,000
Pledges receivable, net of current portion		14,434
Endowment investments		932,768
		2,495,203
Less: amounts unavailable for general expenditures within one year due to:		
Contractual or donor-imposed restrictions:		
Restricted for a specific purpose		(963,310)
Endowment assets held in perpetuity		(977,950)
		(1,941,260)
	$	553,943

18. SUBSEQUENT EVENTS

Management of the Organization has evaluated subsequent events through November 2, 2020, the date which the financial statements were available to be issued. No events have occurred requiring further disclosure.