

# CALIFORNIA ENTERPRISE DEVELOPMENT AUTHORITY

## REGULAR MEETING

\*\*\*TELECONFERENCE MEETING NOTICE and AGENDA\*\*\*

### LOCATIONS LISTED BELOW

**10:30 A.M.**

**Thursday, February 1, 2024**

### Zoom Call Information

<https://us02web.zoom.us/j/83090950409?pwd=0m-8petUUMOnlGjf9Cv-ucfTFWNKIK.1>

Meeting ID: 830 9095 0409

Passcode: 866446

One tap mobile

+16699006833,,83090950409#,,,,\*866446# US (San Jose)

+13462487799,,83090950409#,,,,\*866446# US (Houston)

### **Call to Order and Roll Call**

### **Statement of Disclosure**

### **Action Items**

1. Review and approve 2022/23 CEDA Audit and Audit findings.

### **Public Comment**

### **Chair Report**

### **Other Business**

### **Adjournment**

Members of CEDA and members of the public may access this meeting at the following locations:

California Association for Local  
Economic Development  
(Contact Michelle Stephens)  
2150 River Plaza Dr., Suite 275  
Sacramento, CA 95833

Rural County Representatives of  
California (Contact Robert Burris)  
1215 K Street, Suite 1650  
Sacramento, CA 95814

City of Ontario  
(Contact Jennifer Hiramoto)  
303 E. B Street  
Ontario, CA 91764

City of Vista  
(Contact Larry Vaupel)  
200 Civic Center  
Vista, CA 92084

City of West Sacramento  
(Contact Aaron Laurel or  
Sandra Barcnas)  
1110 West Capitol Avenue, 3<sup>rd</sup> Floor  
West Sacramento, CA 95691

Josh Metz  
(Contact Josh Metz)  
5753 Desoto Dr.  
Santa Rosa, Ca 95409

City of Corona  
(Contact Jessica Gonzales)  
400 S. Vicentia Avenue  
Corona, CA 92882

Opportunity Stanislaus  
(Contact Dave White)  
1625 I Street  
Modesto, CA 95354

This agenda can be obtained at <https://ceda.caled.org>. The California Enterprise Development Authority complies with the Americans with Disabilities Act (ADA) by ensuring that the facilities are accessible to persons with disabilities and by providing this notice and information in alternative formats when requested. If you need further assistance, you may contact us before the meeting at (916) 448-8252, ext. 12.



**CALIFORNIA ENTERPRISE  
DEVELOPMENT AUTHORITY**

**FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITOR'S REPORT**

**FOR THE FISCAL YEARS ENDED  
JUNE 30, 2023 AND 2022**

JAMES MARTA & COMPANY LLP  
701 HOWE AVENUE, E3  
SACRAMENTO, CA

(916) 993-9494  
(916) 993-9489 FAX

**CALIFORNIA ENTERPRISE DEVELOPMENT AUTHORITY**

**JUNE 30, 2023**

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**BOARD OF DIRECTORS**

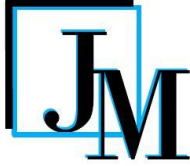
Gurbax Sahota	Chair
Jessica Gonzales	Vice Chair
Larry Vaupel	Secretary
Dave White	Treasurer
Bob Burris	Member
Jennifer McLain Hiramoto	Member
Josh Metz	Member
Aaron Laurel	Member

# CALIFORNIA ENTERPRISE DEVELOPMENT AUTHORITY

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**James Marta & Company LLP**  
*Certified Public Accountants*

*Accounting, Auditing, Consulting, and Tax*

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**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
California Enterprise Development Authority  
Sacramento, California

**Report on the Audit of the Financial Statements**

***Opinions***

We have audited the accompanying Statement of Net Position of California Enterprise Development Authority (CEDA) as of June 30, 2023 and 2022, and the related Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows, and the Statement of Fiduciary Cash Receipts and Disbursements for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the California Enterprise Development Authority, as of June 30, 2023 and 2022, and the respective changes in financial position and, where applicable, cash flows, and cash receipts and disbursements thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Controller's *Minimum Audit Requirements for California Special Districts*. 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 California Enterprise Development Authority 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 opinions.

***Basis of Accounting***

As further described in Note 1 to the financial statements, the fiduciary activities related to the residential PACE program are presented on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### ***Responsibilities of Management for the Financial Statements***

California Enterprise Development Authority's 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 cash basis for the fiduciary activities as described in note 1 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 California Enterprise Development Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***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 opinions. 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 and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements 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 and Government Auditing Standards, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of California Enterprise Development Authority's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about California Enterprise Development Authority's ability to continue as a going concern for a reasonable period of time.

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2024, on our consideration of California Enterprise Development Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering California Enterprise Development Authority's internal control over financial reporting and compliance.

*James Marta & Company LLP*

James Marta & Company LLP  
Certified Public Accountants  
Sacramento, California  
January 16, 2024

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

# CALIFORNIA ENTERPRISE DEVELOPMENT AUTHORITY

## MANAGEMENT DISCUSSION AND ANALYSIS

JUNE 30, 2023 AND 2022

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### **Overview**

This section of the California Enterprise Development Authority (CEDA) annual financial report presents management's discussion and analysis of its financial performance during the fiscal year that ended on June 30, 2023. It is being provided for the purpose of enhancing the information in the financial audit and should be reviewed in concert with that report.

CEDA is a joint powers authority created in 2006. The Authority has a governing Board of eight members who comprise the Executive Committee of the California Association for Local Economic Development (CALED) and the President/CEO of CALED. Public agency members of CEDA join to facilitate the issuance of private activity bonds for the purpose of economic and community development.

### **Guiding Principles for Budget Development**

CEDA prepares a budget using the following principles to align its financial resources with its mission and organizational priorities:

- CEDA's financial and administrative activities are governed by means of a Management Agreement with CALED.
- Programs and services are funded within the limits of fee revenue derived from bond issuance.
- Two reserve funds (operating budget and legal) are budgeted when necessary and shown in the adopted budget. At the end of the year, excess funds may be committed to the reserves.

### **Financial Highlights**

In 2022-23, CEDA issued 31 bonds for a total of \$454,856,000. In comparison, 2021-22 saw a total dollar amount of authorized bonds at \$587,575,533 and 39 deals closed. Fee Revenues were lower this year than the previous year with \$1,037,161 in 2021-22 versus \$901,375 in 2022-23 due to less bonds being issued than in the previous year.

The management fee payable to CALED of \$300,000 that was approved by the CEDA board to commence fiscal year 2017-18 remained the same in fiscal year 2022-2023.

The success of CEDA's conduit-bond issuances is best seen in the contributions made to economic development. CEDA was formed in 2006 with the specific mission of supporting economic development in California. CEDA's contributions help economic developers attend training events and further support economic development. Due to CEDA's strong year in revenues, additional contributions to economic development were approved by the CEDA Board on June 29, 2023 to be directed to CALED and The California Academy for Economic Development (The Academy), in the amounts of \$450,000 and \$75,000, respectively. The CEDA Board of Directors felt support was needed to further CALED's mission and support economic development and practitioners working on the transactional side of economic development. The contribution to The Academy was in support of its mission and to help with cash flow issues caused by the EDA Outsmart Disaster grant. CEDA's total contribution to economic development for the FY 2022-23 was \$525,000.

**CALIFORNIA ENTERPRISE DEVELOPMENT AUTHORITY**

**MANAGEMENT DISCUSSION AND ANALYSIS**

**JUNE 30, 2023 AND 2022**

**Condensed Statement of Net Position**

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Current Assets	\$ 1,489,500	\$ 1,445,855	\$ 1,395,375
Current Liabilities	<u>36,303</u>	<u>3,393</u>	<u>649</u>
Net Position Unrestricted	<u>\$ 1,453,197</u>	<u>\$ 1,442,462</u>	<u>\$ 1,394,726</u>

**Condensed Statement of Activities**

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Revenues	\$ 901,763	\$ 1,038,230	\$ 936,435
Expenses	<u>891,028</u>	<u>990,494</u>	<u>851,101</u>
Changes in Net Position	10,735	47,736	85,334
Net Position Beginning	<u>1,442,462</u>	<u>1,394,726</u>	<u>1,309,392</u>
Net Position Ending	<u>\$ 1,453,197</u>	<u>\$ 1,442,462</u>	<u>\$ 1,394,726</u>

**Economic Factors Affecting the Future**

Primary sources of revenue are derived from application, issuance, annual fees, and PACE management fees. Primary expenditures are the Management Agreement with CALED, various direct expenses (such as SLIP Insurance), and contributions of excess funds to CALED for economic development purposes.

The Authority had a successful year even though we saw a slowdown in project flow due to high interest rates and uncertainty in the market. CEDA staff is focused on bolstering deal flow in the 2023-24 fiscal year by supporting and marketing to existing key partnerships and targeting new partners and different projects.

Non-Profit 501(c)(3) bonds continued to drive CEDA's growth this past year and likely will continue to make up most issuances in the coming fiscal year. These deals are a combination of new projects and refinances.

One industrial development bond (IDB) was issued in the 2022-23 fiscal year. CEDA was happy to issue the only IDB in California in 2023 but would like to see more projects come to fruition. CEDA continues to promote this financing tool to support growth in the statewide manufacturing industry and to fight for allocation at the State Treasurer's Office.

The PACE program, for commercial PACE (C-PACE) projects only, was relatively dormant in 2022-23. CEDA did not complete any C-PACE projects. Our PACE partner, Dividend Finance, provided us a termination notice sharing that they are closing their PACE department. CEDA has engaged in the termination process with Dividend and will continue that in the 2023-24 FY. Considering this, CEDA is uncertain about the 2023-24 PACE pipeline, but expect that current high interest rates may make this tool more competitive for certain projects.

## **BASIC FINANCIAL STATEMENTS**

**CALIFORNIA ENTERPRISE DEVELOPMENT AUTHORITY**

**STATEMENTS OF NET POSITION**

**JUNE 30, 2023 AND 2022**

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	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 1,488,740	\$ 1,444,353
Accounts receivable	-	500
Prepaid expenses	<u>760</u>	<u>1,002</u>
Total assets	<u>1,489,500</u>	<u>1,445,855</u>
<b>LIABILITIES</b>		
Current Liabilities		
Performance deposits	30,000	-
Due to affiliated entity	3,803	393
Unearned revenue	<u>2,500</u>	<u>3,000</u>
Total liabilities	<u>36,303</u>	<u>3,393</u>
<b>NET POSITION</b>		
Unrestricted	<u>\$ 1,453,197</u>	<u>\$ 1,442,462</u>

**CALIFORNIA ENTERPRISE DEVELOPMENT AUTHORITY**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022**

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	<b>2023</b>	<b>2022</b>
<b>OPERATING REVENUES</b>		
Fee revenues	\$ 901,375	\$ 1,037,161
Total operating revenues	901,375	1,037,161
<b>OPERATING EXPENSES</b>		
Management fees	300,000	300,000
Contribution to economic development	545,000	650,000
Direct program expenses	46,028	40,494
Total operating expenses	891,028	990,494
Operating income	10,347	46,667
<b>NONOPERATING REVENUES</b>		
Investment income	388	1,069
<b>Change in net position</b>	10,735	47,736
Net position, July 1	1,442,462	1,394,726
Net position, June 30	\$ 1,453,197	\$ 1,442,462

**CALIFORNIA ENTERPRISE DEVELOPMENT AUTHORITY**

**STATEMENTS OF CASH FLOWS**

**FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Cash receipts from fees charged	\$ 901,375	\$ 1,071,501
Cash paid for management fees and economic development	(841,590)	(950,256)
Cash paid for direct program expenses	<u>(15,786)</u>	<u>(40,608)</u>
Net cash provided (used) by operating activities	<u>43,999</u>	<u>80,637</u>
Cash flows from investing activities:		
Interest income received	<u>388</u>	<u>1,069</u>
Increase (decrease) in cash	44,387	81,706
Beginning cash and cash equivalents	<u>1,444,353</u>	<u>1,362,647</u>
Ending cash and cash equivalents	<u>\$ 1,488,740</u>	<u>\$ 1,444,353</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ 10,347	\$ 46,667
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Decrease (increase) in:		
Accounts receivable	500	31,340
Prepaid expenses	242	(114)
Increase (decrease) in:		
Performance deposits	30,000	-
Due to affiliated entities	3,410	(256)
Unearned revenues	<u>(500)</u>	<u>3,000</u>
Net cash provided by operating activities	<u>\$ 43,999</u>	<u>\$ 80,637</u>

**CALIFORNIA ENTERPRISE DEVELOPMENT AUTHORITY**  
**STATEMENT OF FIDUCIARY CASH RECEIPTS AND DISBURSEMENTS**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022**

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	<b>PACE Program Activity</b>	
	<u>2023</u>	<u>2022</u>
<b>Cash Receipts</b>		
Prepayments Received	\$ 1,207,655	\$ 1,362,869
Total additions	<u>1,207,655</u>	<u>1,362,869</u>
<b>Cash Disbursements</b>		
Prepayments Paid Out	1,168,669	1,718,456
Other Disbursements	<u>-</u>	<u>4,475</u>
Total deductions	<u>1,168,669</u>	<u>1,722,931</u>
<b>Change in Cash Position</b>	38,986	(360,062)
Cash - beginning	<u>537,304</u>	<u>897,366</u>
Cash - ending	<u>\$ 576,290</u>	<u>\$ 537,304</u>

**CALIFORNIA ENTERPRISE DEVELOPMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. REPORTING ENTITY**

California Enterprise Development Authority (the "Authority") is a joint powers agency formed on June 1, 2006 pursuant to the provisions of Title I, Division 7, Chapter 5, Article I of the Government Code of the State of California. The purpose of the Authority is to assist the members, for-profit and non-profit organizations located within the jurisdictions of the members in financing industrial and commercial development projects and other public purpose projects.

The Authority issues conduit debt for the express purpose of providing capital financing for a specific third party that is not part of the Authority's financial reporting entity. Although the conduit debt obligations may bear the name of California Enterprise Development Authority, the Authority has no obligation for such debt beyond the resources provided by a lease or a loan with the third party on whose behalf they are issued.

Property Assessed Clean Energy (PACE) Program

Property assessed clean energy (PACE) is a mechanism for financing energy efficiency and renewable energy improvements on properties. Under Assembly Bill 811, California property owners in special assessment districts may enter into voluntary contractual assessments against their properties, to finance a range of authorized energy and water efficiency products and improvements. In partnership with Dividend Finance, CEDA offers PACE funding to property owners to amortize payments for eligible improvements for up to 20 years with long term, low interest rate loans and no money down, repaid as a line-item on the property owner's annual property tax bill.

CEDA contracted with Dividend Finance/Figtree Financing to provide program administration for the PACE program. The current agreement calls for Dividend Finance/Figtree Financing to pay CEDA an annual fee of \$75,000 to reimburse the Authority for administrative and overhead costs.

During fiscal year 2016-17, CEDA implemented a residential PACE (R-PACE) program in addition to commercial PACE (C-PACE) already in its portfolio. On behalf of Dividend Finance's clients, CEDA issues multijurisdictional bonds that generate private capital for PACE commercial property improvement projects and bonds to take out loans to finance residential property projects.

Legislation passed in January 2018 resulted in Dividend Finance halting new R-PACE project originations as of April 1, 2018 until solutions to meet the necessary underwriting requirements could be resolved. The residential PACE program (R-PACE) ended in June 2019 with no new assessment contracts entered into in the fiscal year ended June 30, 2020. However, CEDA continues to service previously existing R-PACE contracts and perform administrative work for R-PACE related to the closing of the program. CEDA maintains a relationship and agreement with Dividend Finance for the commercial PACE program and currently focuses on entering into new commercial PACE transactions.

**CALIFORNIA ENTERPRISE DEVELOPMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**A. REPORTING ENTITY (CONTINUED)**

Since these funds are controlled by a third party and not by CEDA, the Authority has elected to use the cash basis of accounting as described in Note 1.B.

**B. BASIS OF ACCOUNTING**

The Authority is accounted for as an enterprise fund and its financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when liabilities are incurred, regardless of the timing of related cash flows.

Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations. The principal operating revenues of the Authority include application, issuance and annual fees. Operating expenses of the Authority include the cost of providing the services, administrative expenses and management fees. All revenues and expenses not meeting this definition are reported as non-operating revenue and expense.

Fiduciary Funds – Cash Basis

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The Authority uses a fiduciary fund to account for the proceeds and expense associated with its Property Assessed Clean Energy (PACE) program. The fund activities are reported in a separate statement of fiduciary net position and statement of changes in fiduciary net position. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Authority's general operations. The fiduciary fund financial statement has been prepared on the cash receipts and disbursements basis of accounting, which is a basis of accounting other than generally accepted accounting principles. Under that basis, the only asset recognized is cash, and no liabilities are recognized. The cash basis differs from generally accepted accounting principles primarily because the effects of outstanding dues and obligations for assessments unpaid at the date of the financial statement are not included in the financial statement.

**C. CASH AND CASH EQUIVALENTS**

The Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash and cash equivalents.

**D. INCOME TAXES**

The Authority is a tax-exempt corporation under Section 115(1) of the Internal Revenue Code and Section 23701d of the California and Taxation Code. Accordingly, no provision for federal or state income taxes has been made in the accompanying financial statements.

**CALIFORNIA ENTERPRISE DEVELOPMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. 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 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. Actual results could differ from these estimates.

**2. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents as of June 30, 2023 and 2022 consisted of the following:

	<u>Governmental Activities</u>		<u>Fiduciary Activities</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Cash in banks	<u>\$ 1,488,740</u>	<u>\$ 1,444,353</u>	<u>\$ 576,290</u>	<u>\$ 537,304</u>

Custodial Credit Risk

Section 53652 of the California Governmental Code requires financial institutions to secure deposits made by governmental units in excess of insured amounts, by the pledging of governmental securities as collateral. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by governmental units.

**3. PERFORMANCE DEPOSIT**

Any organization applying for Industrial Development Bonds is required to submit a performance deposit to the Authority equal to 0.5% of the amount of the Qualified Private Activity Bond Allocation being requested, not to exceed \$100,000. Upon issuance of the Bonds, the state notifies the Authority who returns the performance deposit to the applicant. The Authority was holding \$30,000 JBR performance deposit as of June 30, 2023, and no performance deposit as of June 30, 2022.

**CALIFORNIA ENTERPRISE DEVELOPMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022**

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**4. SUBSEQUENT EVENTS**

Management has reviewed its financial statements and evaluated subsequent events for the period of time from its year ended June 30, 2023 through January 16, 2024, the date the financial statements were issued. Management is not aware of any subsequent events that would require recognition or disclosure in the accompanying financial statements.

**5. RELATED PARTY TRANSACTIONS**

The Joint Powers Agreement has designated California Association for Local Economic Development (CALED), a California nonprofit corporation, as the administrator and executor of the agreement. The agreement also designates the Executive Committee of the Board of Directors of CALED and the President of CALED as the Board of Directors of the Authority.

For the years ended June 30, 2023 and 2022, the Authority entered into a management agreement with CALED, an affiliated entity, for an annual fee of \$300,000 for both fiscal years. CALED provides administrative oversight, office space and other related expenses and services under the management agreement.

As of June 30, 2023, there was an additional payment to CALED which represents expenses paid by CALED on behalf of the Authority amounting to \$7,666 and a balance due to CALED in the amount of \$3,803.

**6. CONDUIT DEBT OBLIGATIONS**

The Authority has issued Conduit Bonds to provide financial assistance to organizations for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the organization served by the bond issuance. The Authority is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

**CALIFORNIA ENTERPRISE DEVELOPMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022**

**6. CONDUIT DEBT OBLIGATIONS (Continued)**

As of June 30, 2023, the Authority had the following number of Conduit Bonds authorized, related authorized bond issue amount, related aggregate principal balance due as of June 30 and related fees charged:

Fiscal Year Ended June 30:	Number of Bonds Authorized	Dollar Amount of Bonds Authorized	Outstanding Principal Balance	Issuance Fees
2023	31	\$ 454,856,000	\$ 398,669,035	\$ 563,432
2022	39	587,575,533	515,447,889	698,757
2021	32	590,475,020	468,979,862	636,889
2020	26	553,771,000	459,801,303	639,329
2019	24	368,113,249	230,771,015	471,535
2018	32	349,425,910	188,336,745	525,569
2017	33	625,952,139	309,231,939	817,942
2016	14	113,606,718	84,377,895	199,665
2015	17	111,530,080	56,643,472	162,861
2014	17	209,824,479	37,786,903	208,162
2013	10	203,300,000	76,254,711	196,625
2012	4	55,250,000	-	65,625
2011	28	522,247,271	157,866,132	760,670
2010	8	82,184,455	-	147,886
2009	5	37,000,000	8,140,000	70,000
2008	10	188,192,839	16,735,000	292,715
2007	3	40,065,000	-	65,525
<b>Totals</b>	<b>333</b>	<b>\$ 5,093,369,693</b>	<b>\$ 3,009,041,901</b>	<b>\$ 6,523,185</b>



**James Marta & Company LLP**

*Certified Public Accountants*

*Accounting, Auditing, Consulting, and Tax*

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors  
California Enterprise Development Authority  
Sacramento, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of California Enterprise Development Authority (the “Authority”), as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements, and have issued our report thereon dated January 16, 2024.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financials statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

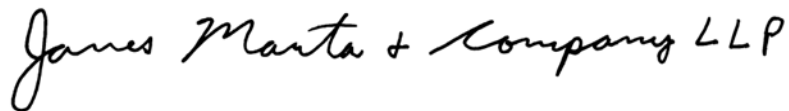
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiency may exist that were not identified.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether California Enterprise Development Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "James Marta & Company LLP". The signature is written in a cursive, flowing style.

James Marta & Company LLP  
Certified Public Accountants  
Sacramento, California  
January 16, 2024



**James Marta & Company LLP**

*Certified Public Accountants*

*Accounting, Auditing, Consulting, and Tax*

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**COMMUNICATION WITH THOSE CHARGED  
WITH GOVERNANCE**

Board of Directors  
California Enterprise Development Authority  
Sacramento, California

We have audited the financial statements of the California Enterprise Development Authority (CEDA) for the years ended June 30, 2023 and 2022 and have issued our report thereon dated January 16, 2024. Professional standards require that we advise you of the following matters relating to our audit.

**Our Responsibility under Generally Accepted Auditing Standards**

As communicated in our engagement letter dated November 3, 2023, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of CEDA solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

**Planned Scope and Timing of the Audit**

We conducted the majority of our audit consistent with the planned scope and timing we previously communicated to you.

## **Compliance with All Ethics Requirements Regarding Independence**

The engagement team, others in our firm, as appropriate, and our firm has complied with all relevant ethical requirements regarding independence.

## **Qualitative Aspects of the Organization's Significant Accounting Practices**

### Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by CEDA is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during the fiscal year ended June 30, 2023. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus. However, there are new Governmental Accounting Standards that may affect the District in upcoming years. See Attachment A.

### Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

We are not aware of any significant estimates in the financial statements.

### Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the California Enterprise Development Authority's financial statements relate to the conduit debt obligations in Note 6 to the financial statements.

## **Significant Difficulties Encountered during the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

## **Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. We are not aware of any uncorrected misstatements as a result of our audit procedures.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. We are not aware of any material misstatements as a result of our audit procedures. However, we did make audit adjustments identified by management as noted in attachment B.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to California Enterprise Development Authority's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

### **Representations Requested from Management**

We have requested certain written representations from management, which are included in the attached letter dated January 16, 2024 (Attachment C).

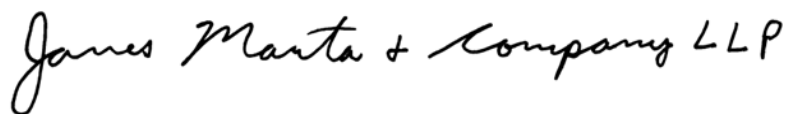
### **Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

### **Other Significant Findings or Issues**

In the normal course of our professional association with California Enterprise Development Authority, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the Organization, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Authority's auditors.

This report is intended solely for the use of the Board of Directors and management of California Enterprise Development Authority and is not intended to be and should not be used by anyone other than these specified parties.



James Marta & Company LLP  
Certified Public Accountants  
Sacramento, California  
January 16, 2024

The following pronouncements of the Governmental Accounting Standards Board (GASB) have been released recently and may be applicable to the District in the near future. We encourage management to review the following information and determine which standard(s) may be applicable to the District. For the complete text of these and other GASB standards, visit [www.gasb.org](http://www.gasb.org) and click on the “Standards & Guidance” tab. If you have questions regarding the applicability, timing, or implementation approach for any of these standards, please contact your audit team.

**GASB Statement No. 99, Omnibus 2022**

*Effective dates vary*

The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The practice issues addressed by this Statement are as follows:

- Classification and reporting of derivative instruments within the scope of Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument – *Effective for the fiscal year ending June 30, 2024*
- Clarification of provisions in Statement No. 87, Leases, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives – *Effective for the fiscal year ending June 30, 2023*
- Clarification of provisions in Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset – *Effective for the fiscal year ending June 30, 2023*
- Clarification of provisions in Statement No. 96, Subscription-Based Information Technology Arrangements, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability – *Effective for the fiscal year ending June 30, 2023*
- Extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt – *Effective immediately*
- Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP) – *Effective immediately*
- Disclosures related to nonmonetary transactions – *Effective immediately*
- Pledges of future revenues when resources are not received by the pledging government – *Effective immediately*
- Clarification of provisions in Statement No. 34, Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments, as amended, related to the focus of the government-wide financial statements – *Effective immediately*
- Terminology updates related to certain provisions of Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position – *Effective immediately*
- Terminology used in Statement 53 to refer to resource flows statements. – *Effective immediately*

We do not expect GASB 99 to have any significant impact on the CEDA at this time.

**GASB Statement No. 100, Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62**

*Effective for the fiscal year ending June 30, 2024*

The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements.

This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this Statement for changes in accounting principles apply to the implementation of a new pronouncement in absence of specific transition provisions in the new pronouncement. This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements.

We do not expect GASB 100 to have any significant impact on the CEDA at this time.

**GASB Statement No. 101, Compensated Absences**

*Effective for the fiscal year ending June 30, 2025*

The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

We do not expect GASB 101 to have any significant impact on the CEDA at this time.

**Adjusting Journal Entries**

Account	Description	W/P Ref	Debit	Credit
<b>Adjusting Journal Entries JE # 1</b>				
To Tie out equity to the PY audited financial statements.				
7000	Operating Expenses:Direct Expenses:Office Expense		501	
3000	Retained Earnings			501
<b>Total</b>			<b>501</b>	<b>501</b>
<b>Adjusting Journal Entries JE # 2</b>				
To correct the deferred revenue.				
4000	Non Operating Revenue:Operating Revenue:Fee Revenues:Annual Fee		2,500	
2250	Deferred Revenue			2,500
2250	Deferred Revenue			
<b>Total</b>			<b>2,500</b>	<b>2,500</b>

**Reclassifying Journal Entries**

None.

**Proposed Journal Entries**

None.



**California Enterprise Development Authority**  
Targeting Capital Resources to Grow Local Economies

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**MANAGEMENT REPRESENTATION LETTER**

January 16, 2024

James Marta & Company LLP  
Certified Public Accountants  
Sacramento, California

This representation letter is provided in connection with your audit of the Statement of Financial Position, Statement of Activities, Statement of Cash Flows and statement of fiduciary cash receipts and disbursements of California Enterprise Development Authority (CEDA) as of June 30, 2023 and 2022 and for the years then ended, and the related notes to the financial statements, for the purpose of expressing opinions on whether the basic financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows, where applicable, of the various opinion units of California Enterprise Development Authority in conformity with accounting principles generally accepted for governments in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of January 16, 2024:

**Financial Statements**

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated November 3, 2023, for the preparation and fair presentation of the financial statements of the various opinion units referred to above in accordance with U.S. GAAP.
- We acknowledge our responsibility 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.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- We acknowledge our responsibility for compliance with the laws, regulations, and provisions of contracts and grant agreements.
- We have reviewed, approved, and taken responsibility for the financial statements and related notes.
- We have a process to track the status of audit findings and recommendations.

- We have identified and communicated to you all previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
- All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
- The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
- All component units, as well as joint ventures with an equity interest, are included and other joint ventures and related organizations are properly disclosed.
- All funds and activities are properly classified.
- We have reviewed and approved the adjusting journal entries reflected in the audit statements and Attachment A.
- All funds that meet the quantitative criteria in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus* as amended, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for presentation as major are identified and presented as such and all other funds that are presented as major are considered important to financial statement users.
- All components of net position, nonspendable fund balance, and restricted, committed, assigned, and unassigned fund balance are properly classified and, if applicable, approved.
- Our policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position/fund balance are available is appropriately disclosed and net position/fund balance is properly recognized under the policy.
- All revenues within the statement of activities have been properly classified as program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- All expenses have been properly classified in or allocated to functions and programs in the statement of activities, and allocations, if any, have been made on a reasonable basis.
- All interfund and intra-entity transactions and balances have been properly classified and reported.
- Special items and extraordinary items have been properly classified and reported.
- All cash activity has been properly reflected in the fiduciary fund.
- Deposit and investment risks have been properly and fully disclosed.
- Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.
- All required supplementary information is measured and presented within the prescribed guidelines.
- With regard to investments and other instruments reported at fair value:
  - The underlying assumptions are reasonable and they appropriately reflect management's intent and ability to carry out its stated courses of action.

- The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
- The disclosures related to fair values are complete, adequate, and in conformity with U.S. GAAP.
- There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.

**Information Provided**

- We have provided you with:
  - Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes, and other matters;
  - Additional information that you have requested from us for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- All transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
  - Management;
  - Employees who have significant roles in internal control; or
  - Others where the fraud could have a material effect on the financial statements.
- We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, vendors, regulators, or others.
- We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements and we have not consulted legal counsel concerning litigation or claims.
- We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
- There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
- California Enterprise Development Authority has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
- We have disclosed to you all guarantees, whether written or oral, under which California Enterprise Development Authority is contingently liable.
- We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB Statement No. 62 (GASB-62), *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available

sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.

- We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
- There are no:
  - Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.
  - Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB-62.
  - Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB-62
- California Enterprise Development Authority has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.
- We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

*Gurbax Sahota*

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Gurbax Sahota, Chair

**Attachment A**  
**Journal Entries Report**

**Adjusting Journal Entries**

Account	Description	W/P Ref	Debit	Credit
<b>Adjusting Journal Entries JE # 1</b>				
To Tie out equity to the PY audited financial statements.				
7000	Operating Expenses:Direct Expenses:Office Expense		501	
3000	Retained Earnings			501
<b>Total</b>			<u>501</u>	<u>501</u>
<b>Adjusting Journal Entries JE # 2</b>				
To correct the deferred revenue.				
4000	Non Operating Revenue:Operating Revenue:Fee Revenues:Annual Fee		2,500	
2250	Deferred Revenue			2,500
2250	Deferred Revenue			2,500
<b>Total</b>			<u>2,500</u>	<u>2,500</u>

**Reclassifying Journal Entries**

None.

**Proposed Journal Entries**

None.