KPMG

CALIFORNIA COMMUNITY FOUNDATION AND AFFILIATES

Consolidated Financial Statements

June 30, 2022 and 2021

(With Independent Auditors’ Report Thereon)

KPMG LLP
Suite 1500
550 South Hope Street
Los Angeles, CA 90071-2629

Independent Auditors' Report

The Board of Directors
California Community Foundation and Affiliates:

Opinion

We have audited the consolidated financial statements of the California Community Foundation and its subsidiaries (the Foundation), which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statement of activities, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Foundation as of June 30, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation'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.

KPMG LLP

Los Angeles, California
November 29, 2022

CALIFORNIA COMMUNITY FOUNDATION AND AFFILIATES

Consolidated Statements of Financial Position

June 30, 2022 and 2021

(In thousands)

Assets		**2022**	**2021**
Cash and cash equivalents	$	187,041	147,921
Investments (note 4)		1,971,069	2,268,501
Program-related notes receivable, net		23,223	23,479
Contributions receivable, net (note 5)		47,327	65,195
Investment receivable		4,485	57,848
Prepaid expenses and other assets		98	1,611
Beneficial interest in trusts (note 4)		31,105	38,900
Property, plant, and equipment, net (note 6)		30,351	17,219
Programmatic related real estate		6,657	6,657
Total assets	$	2,301,356	2,627,331
Liabilities and Net Assets			
Accounts payable and other liabilities	$	10,030	10,076
Funds held for others		149,168	154,067
Grants payable, net (note 7)		65,843	56,049
Notes payable and line of credit (note 8)		21,787	23,074
Liabilities under split-interest agreements		13,342	13,856
Total liabilities		260,170	257,122
Commitments and contingencies (note 9)			
Net assets (note 11):			
Net assets without donor restrictions		1,892,912	2,180,459
Net assets with donor restrictions		148,274	189,750
Total net assets		2,041,186	2,370,209
Total liabilities and net assets	$	2,301,356	2,627,331

See accompanying notes to consolidated financial statements.

CALIFORNIA COMMUNITY FOUNDATION AND AFFILIATES

Consolidated Statement of Activities

Year ended June 30, 2022

(In thousands)

	Net assets without donor restrictions	Net assets with donor restrictions	Total
Support and revenue:			
Support:			
Amounts raised	$ 382,082	4,533	386,615
Less amounts raised or received on behalf of others	(20,363)	—	(20,363)
Net contributions and bequests raised	361,719	4,533	366,252
Net investment return and other changes:			
Net investment return	(244,979)	(16,346)	(261,325)
Less net investment return allocated to funds held for others	18,160	—	18,160
Change in value of split-interest agreements	—	(1,747)	(1,747)
Net investment return and other changes	(226,819)	(18,093)	(244,912)
Net assets released from restrictions	27,916	(27,916)	—
Total support, net investment return and other changes	162,816	(41,476)	121,340
Expenses:			
Program services:			
Grants and philanthropic distributions	432,199	—	432,199
Less amounts distributed on behalf of others	(6,371)	—	(6,371)
Total grants and philanthropic distributions, net	425,828	—	425,828
Program services expense	15,678	—	15,678
Less program services expenses allocated to funds held for others	(731)	—	(731)
Total grants, philanthropic distributions, and program services, net	440,775	—	440,775
Support services:			
Management and general administrative	7,088	—	7,088
Development and fundraising	2,500	—	2,500
Total support services	9,588	—	9,588
Total expenses	450,363	—	450,363
Change in net assets	(287,547)	(41,476)	(329,023)
Net assets at beginning of year	2,180,459	189,750	2,370,209
Net assets at end of year	$ 1,892,912	148,274	2,041,186

See accompanying notes to consolidated financial statements.

CALIFORNIA COMMUNITY FOUNDATION AND AFFILIATES

Consolidated Statement of Activities

Year ended June 30, 2021

(In thousands)

		Net assets without donor restrictions	Net assets with donor restrictions	Total
Support and revenue:				
Support:				
Amounts raised	$	594,377	26,939	621,316
Less amounts raised or received on behalf of others		(9,157)	—	(9,157)
Net contributions and bequests raised		585,220	26,939	612,159
Net investment return and other changes:				
Net investment return		443,065	26,108	469,173
Less net investment return allocated to funds held for others		(28,854)	—	(28,854)
Change in value of split-interest agreements		—	3,063	3,063
Net investment return and other changes		414,211	29,171	443,382
Net assets released from restrictions		34,852	(34,852)	—
Total support, net investment return and other changes		1,034,283	21,258	1,055,541
Expenses:				
Program services:				
Grants and philanthropic distributions		390,850	—	390,850
Less amounts distributed on behalf of others		(5,803)	—	(5,803)
Total grants and philanthropic distributions, net		385,047	—	385,047
Program services expense		22,708	—	22,708
Less program services expenses allocated to funds held for others		(609)	—	(609)
Total grants, philanthropic distributions, and program services, net		407,146	—	407,146
Support services:				
Management and general administrative		5,977	—	5,977
Development and fundraising		2,574	—	2,574
Total support services		8,551	—	8,551
Total expenses		415,697	—	415,697
Change in net assets		618,586	21,258	639,844
Net assets at beginning of year		1,561,873	168,492	1,730,365
Net assets at end of year	$	2,180,459	189,750	2,370,209

See accompanying notes to consolidated financial statements.

CALIFORNIA COMMUNITY FOUNDATION AND AFFILIATES

Consolidated Statements of Cash Flows

Years ended June 30, 2022 and 2021

(In thousands)

		2022	2021
Cash flows from operating activities:			
Change in net assets	$	(329,023)	639,844
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:			
Realized and unrealized (gains) losses on investments, net		284,390	(452,438)
Depreciation and amortization		102	185
Change in value of split-interest agreements		1,747	(3,063)
Change in allowance for credit losses		235	—
Gain/loss on disposal		24	—
Contributed noncash assets		(45,081)	(14,559)
Contributions restricted for endowment		25	15
Changes in operating assets and liabilities:			
Contributions receivable		17,868	2,103
Investment receivable		53,363	(57,848)
Prepaid expenses and other assets		1,513	(1,463)
Accounts payable and other liabilities		(46)	1,522
Funds held for others		(4,899)	31,602
Grants payable		9,795	18,912
Liabilities under split-interest agreements		(514)	(293)
Net cash (used in) provided by operating activities		(10,501)	164,519
Cash flows from investing activities:			
Proceeds from repayments of notes receivable		1,923	3,860
Issuance of notes receivable		(1,667)	(2,572)
Purchase of investments		(2,337,013)	(1,133,923)
Proceeds from sale and maturity of investments		2,400,898	1,077,062
Purchases of property, plant and equipment		(13,233)	(16,973)
Net cash provided by (used in) investing activities		50,908	(72,546)
Cash flows from financing activity:			
Payments on notes payable		(1,287)	(926)
Proceeds from borrowing		—	22,000
Net cash (used in) provided by financing activity		(1,287)	21,074
Increase in cash and cash equivalents		39,120	113,047
Cash and cash equivalents at beginning of year		147,921	34,874
Cash and cash equivalents at end of year	$	187,041	147,921
Supplemental information:			
Cash paid for interest	$	415	169
Noncash investing activities:			
Donated investments	$	45,081	14,559

See accompanying notes to consolidated financial statements.

(1) General Purpose and Activities

The California Community Foundation's (the Foundation) mission is to strengthen Los Angeles communities through effective philanthropy and civic engagement. The Foundation administers more than 1,800 individual funds, each established with an instrument of gift describing either the general or the specific purposes for which grants are to be made.

The consolidated financial statements of the Foundation include its following affiliates:

CCF Community Initiatives Fund	The Rose and David Dortort Foundation
CCF Real Estate Holdings #2	The Ernest Lieblich Foundation
CCF General Real Estate Holding	The FEDCO Charitable Foundation
Community Foundation Land Corporation	The Pipkin Charitable Foundation
Community Foundation Land Trust	The SahanDaywi Foundation
Los Angeles Community Foundation	Thelma Pearl Howard Foundation
Remington Court Foundation	

These affiliated organizations are separately incorporated charitable organizations that are administered by the Foundation. All significant intercompany balances and transactions have been eliminated within the consolidated financial statements. The Foundation and its affiliates are collectively referred to herein as the Foundation.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The accompanying consolidated financial statements are prepared using the accrual basis of accounting.

(b) Classification of Net Assets

The Foundation reports information regarding its financial position and activities in two classes of net assets – without donor restrictions and with donor restrictions – based upon the existence or absence of donor-imposed restrictions.

Net Assets Without Donor Restrictions – All contributions other than endowments, including those with donor-imposed restrictions, are subject to the variance power established by the Foundation's governing documents. The variance provision gives the board of directors of the Foundation (the Board) the power to modify any restriction placed on gifts to the Foundation that is incapable of fulfillment or is no longer consistent with the charitable needs of the community. Accordingly, unless time restrictions have been imposed on contributions, net assets are generally classified as net assets without donor restrictions. The Foundation's governing documents provide that absent contrary directions given in the transferring instrument regarding expenditure of principal, all or part of the principal of any fund may be expended subject to certain conditions, including approval of the board and trustee holding each fund. Contributions with donor-imposed restrictions that are met during the same fiscal year as the contribution is made are included as support without restrictions that increases net assets without donor restrictions.

Net Assets With Donor Restrictions – Net assets with donor restrictions include net assets that are subject to donor-imposed restrictions that will be met by the passage of time or those maintained in perpetuity. The Foundation's net assets with donor restrictions due to the passage of time are contributions receivable, split-interest agreements, beneficial interests in trust, and donor restricted endowment fund balances.

The investment income generated from assets held in perpetuity is restricted by law until appropriated by the Board in support of the Foundation's programs and operations. The Foundation's net assets with donor restrictions include contributions from and related activity of perpetual trusts trusteed by third parties and those endowment funds held by the Foundation, as defined under the Uniform Prudent Management of Institutional Funds Act (UPMIFA).

(c) Cash and Cash Equivalents

Cash and cash equivalents include short term, highly liquid investments with maturities of three months or less at the time of purchase, except for cash equivalents maintained for long term purposes.

(d) Investments

As further discussed in note 4, investments are reported at fair value and made according to the investment objectives and policies adopted by the Foundation's Board. These guidelines provide for investment in equities, fixed income, limited partnership, and other securities with performance measured against appropriate indices. The Foundation contracts with outside investment managers to provide investment management and consulting services.

Investment purchases and sales are accounted for on a trade-date basis. Interest income is recorded when earned and dividends are recorded on the ex-dividend date.

The balance of Investment receivable consists of investments sold prior to June 30, 2022, where proceeds were received after June 30, 2022. Investment receivable totaled $4,485,000 and $57,848,000 as of June 20, 2022 and 2021, respectively.

(e) Programmatic Related Real Estate

A consolidated affiliate of the Foundation acquires land, works with community partners to define the development parameters, obtains entitlements, and enters into long-term ground leases and other property use and sale arrangements with selected developers. Real estate held under operating leases to developers is carried at historical cost. Other real estate is carried at the lower of cost or fair value. Fair value is determined through valuation techniques using Level 2 inputs of the fair value hierarchy, as discussed in note 4.

The Foundation reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the reported amount of an asset may not be recoverable. There were no events or changes in circumstances that occurred during the years ended June 30, 2022 and 2021 that would indicate impairment of the Foundation's long-lived assets.

(f) Contributions Receivable

Unconditional promises to give that are expected to be received in future periods are initially recognized at fair value using present value discount rates. The Foundation is also the charitable beneficiary of lead trusts for which the Foundation receives distributions. For the years ended June 30, 2022 and 2021, future distributions were recorded at present value using discount rates ranging from 0.25% to 4.00% and 0.30% to 4.00%, respectively. These inputs to the fair value estimate are considered Level 3 in the fair value hierarchy. The discount is amortized to contribution revenue using the effective-interest method.

The Foundation is the residual beneficiary of living trusts that have become irrevocable due to the death of the trustors for fiscal years ended June 30, 2022 and 2021, the trusts' assets consist of cash, securities, property, and other miscellaneous assets. Under the terms of the trusts, the Foundation will receive a distribution of all trusts' assets remaining after the satisfaction of all bequests and expenses related to the administration of the trust. The Foundation recognizes the fair value of the trusts using present value discount rates ranging from 1.20% to 10.00% for the years ended June 30, 2022 and 2021 and the donors' anticipated life expectancy.

(g) Program-Related Notes Receivable

The Foundation invests a portion of its funds in projects that advance its philanthropic purposes by providing loans to certain not for profit organizations. At June 30, 2022 and 2021, these loans totaled $21,836,000 and $22,954,000, respectively, and are included in notes receivable in the accompanying consolidated statements of financial position. The loans have various maturity dates and interest rates ranging from 1.00% to 5.00%. Management reviewed the collectability of these loans and established an allowance of $750,000 as of June 30, 2022 and 2021. At June 30, 2022, the Foundation had outstanding commitments totaling $5,630,000 under these programs.

The Foundation has also entered into loans with unrelated nonprofits generally for operating purposes, with remaining terms of the loans ranging from 9 to 36 months and interest rates ranging from zero to 15.00%. The balance of these loans totaled $2,137,000 and $1,275,000 as of June 30, 2022 and 2021, respectively.

(h) Beneficial Interest in Trusts

The Foundation is named income beneficiary on various perpetual trusts, the corpus of which are not controlled by the management of the Foundation. Under these arrangements, the Foundation has the irrevocable right to receive all income earned on the underlying assets held in perpetuity. Accordingly, contribution revenue and the related assets are recognized at fair value in the period in which the Foundation receives notice that the trust agreement conveys an unconditional right to receive specified benefits. Subsequent changes in the value of the underlying assets have been recorded in the accompanying consolidated statements of activities as a component of net assets with donor restrictions net investment return. Beneficial interest in perpetual trusts totaled $27,540,000 and $34,240,000 as of June 30, 2022 and 2021, respectively.

The Foundation is also named beneficiary of the remainder interests in various charitable remainder trusts. Under these arrangements, the Foundation will have rights to the underlying assets, following a qualifying event. Contribution revenue and the related assets are recognized using the present value of the assets expected to be received. Subsequent changes to the fair value of the assets and liabilities are recognized as changes in the value of split-interest agreements in the accompanying consolidated statements of activities. Inputs used to determine the fair value estimates are considered Level 3 in the fair value hierarchy. Beneficial interest in remainder trusts totaled $3,565,000 and $4,660,000 as of June 30, 2022 and 2021, respectively.

(i) Property, Plant and Equipment, Net

Property, plant, and equipment are carried at cost, net of accumulated depreciation and amortization. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the related assets as follows:

Building	39 years
Furniture	7 years
Office equipment and other	5 years
Computer equipment and software	3 years
Leasehold improvements	10 years

(j) Funds Held for Others

The Foundation receives and distributes assets under certain agency and intermediary arrangements. FASB ASC Section 958-605-04, *Transfers of Assets to a Not-for-Profit Entity or Charitable Trust that Raises or Holds Contributions for Others,* establishes standards for transactions in which a recipient organization accepts a contribution from a donor and agrees to transfer those assets, the return on investment of those assets, or both, to another entity that is specified by the donor.

FASB ASC Section 958-605-04 requires that if a not-for-profit organization establishes a fund at a recipient organization with its own funds and specifies itself or its affiliate as the beneficiary of that fund, the recipient organization must account for the transfer of such assets as a liability. The liability is reflected under funds held for others on the accompanying consolidated statements of financial position. In addition, related amounts received or distributed, investment income or loss, and expenses are presented separately in the accompanying consolidated statements of activities as a reduction of the Foundation’s activities.

(k) Grants

Unconditional grants are recognized as an expense in the period in which they are approved by the Foundation’s Board for discretionary grants. Grants are made from available principal and income in accordance with the designations of donors. Grants that are conditioned on future uncertain events are expensed when those conditions are substantially met. Grants payable beyond one year are initially recognized at fair value using discount rates ranging from 0.20% to 2.90% and 0.20% to 2.50% at June 30, 2022 and 2021, respectively. Inputs used to develop these fair value estimates are considered Level 3 in the fair value hierarchy.

(l) Split-Interest Agreements

The Foundation records assets held in charitable trusts, charitable gift annuities, and life estates as follows:

Charitable Trusts – The Foundation serves as trustee for various charitable remainder trusts. Under the terms of these agreements, the Foundation makes distributions to income beneficiaries for a given term or the life of the beneficiaries. At the end of the term, or upon the death of the income beneficiaries, assets remaining in the trust will be transferred to the Foundation. The Foundation records the assets held in these trusts at their fair value based on current quoted market values, records a liability for the respective agreements at the estimated present value of the amounts due to the income beneficiaries, and records contribution revenue for the difference between the two values. The present value of payments to beneficiaries under these arrangements is calculated using discount rates, as selected at the date of gift. Gains or losses resulting from changes in actuarial assumptions and accretions of the discount are recorded as changes in the value of split-interest agreements in the accompanying consolidated statements of activities. The discount rates used for the years ended June 30, 2022 and 2021 ranged from 2.00% to 6.20%. The trusts' assets totaled $15,839,000 and $17,924,000 at June 30, 2022 and June 30, 2021, respectively. The trusts' liabilities totaled $8,180,000 and $8,402,000 as of June 30, 2022 and June 30, 2021, respectively.

Charitable Gift Annuities – Donors have contributed assets to the Foundation in exchange for a promise by the Foundation to pay a fixed amount for a specified period of time to the donor or to individuals or organizations designated by the donor. Under the terms of such agreements, no trust exists, as the assets received are held by, and the liability is a general obligation of, the Foundation. The Foundation records contribution revenue using the fair value of the assets less the present value of the payments expected to be made to the beneficiaries. The present value of payments to beneficiaries under these arrangements is calculated using discount rates, as selected at the date of gift. The discount rates used for the years ended June 30, 2022 and 2021, ranged from 1.20% to 7.40%. The annuities' assets totaled $4,180,000 and $5,457,000 at June 30, 2022 and June 30, 2021, respectively. The annuities' liabilities totaled $5,162,000 and $5,454,000 as of June 30, 2022 and June 30, 2021, respectively.

Investments held under these split-interest agreements totaled $20,506,000 and $23,808,000 at June 30, 2022 and 2021, respectively.

Inputs used to develop the fair value estimates of these liabilities under split-interest agreements are considered Level 3 in the fair value hierarchy.

(m) Other Liabilities

Other liabilities include refundable advances. When a donor transfers assets to the Foundation subject to a condition, a refundable advance is accounted for until the condition is substantially met. There were no refundable advances as of June 30, 2022. Refundable advances as of June 30, 2021 were $1,419,000 and are included in Accounts payable and other liabilities on the Consolidated Statement of Financial Position.

(n) Fair Value of Financial Instruments

Due to the short-term nature of cash equivalents, contribution and program receivables, prepaid expense, other assets, and accounts payable, fair value approximates reported values.

(o) Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles 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 consolidated financial statements and reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from those estimates.

(p) Income Taxes

The Foundation and its affiliates are California nonprofit corporations, generally exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and California income tax under Section 23701d of the California Revenue and Taxation Code. However, the Foundation is subject to income taxes on any net income that is derived from a trade or business and not in furtherance of the purposes for which it was granted exemption. No income tax provision has been recorded as the net income, if any, from any unrelated trade or business, in the opinion of management, is not material to the consolidated financial statements taken as a whole.

(q) Recent Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, which requires a lessee to recognize a lease asset and a lease liability for most of its operating leases. Prior to the adoption of the update, operating leases are not recognized by a lessee in its statements of financial position. In general, the new leased asset and liability will equal the present value of lease payments. The statement is effective the fiscal year ending June 30, 2023. The Foundation is currently evaluating the effects the adoption of this statement will have on the consolidated financial statements.

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958)*: *Presentation and Disclosures by Not-for-Profit Entities for Contributed Assets*, to address stakeholders' concerns regarding the lack of transparency about how certain gifts-in-kind are valued and used in a not-for-profit's programs and other activities. The standard introduces enhanced presentation and disclosure requirements. The statement is effective the fiscal year ending June 30, 2023. The Foundation is currently evaluating the effects the adoption of this statement will have on the consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments – *Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The amendments in this update replace the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The effective dates for ASU 2016-13 have been updated by ASU 2019-10, *Effective Dates*. The statement is effective the fiscal year ending June 30, 2024. The Foundation is currently evaluating the effects the adoption of this statement will have on the consolidated financial statements.

(Continued)

(3) Liquidity and Availability of Financial Assets

Financial assets available within one year for general expenditures including operating expenses and grant disbursements at June 30, 2022 and 2021 (in thousands):

	June 30	
	2022	**2021**
Cash and cash equivalents	$ 187,041	147,921
Investments	1,971,069	2,268,501
Less amounts not available for expenditure:		
Investments at net asset value	(487,816)	(466,969)
Donor-restricted endowments	(62,679)	(75,701)
Split interest agreement investments	(20,506)	(23,808)
Other liabilities	—	(1,419)
Total financial assets available for expenditure	$ 1,587,109	1,848,525

As part of the Foundation's liquidity management, it structures its financial assets as its general expenditures, liabilities and other obligations come due. As described in note 11, the Foundation's endowment funds include both a donor-restricted endowment and funds functioning as endowments. Income from the donor-restricted endowment is restricted for specific purposes and, therefore, if not available for general expenditures. The endowment has a spending rate of 5.40% and $34,295,000 and $33,953,000 has been designated for general expenditures at June 30, 2022 and 2021, respectively. The Foundation does not intend to spend from its funds functioning as endowments other than amounts appropriated for general expenditures as part of its annual budget approval and appropriation process. However, amounts from its funds functioning as endowments could be made available through board action, if necessary. Accordingly, the funds functioning as endowments of $571,998,000 and $667,181,000 as of June 30, 2022 and 2021, respectively, have been reported as a financial asset available for general use. Additionally, as described in note 8, the Foundation has a $25,000,000 line of credit and a $25,000,000 uncommitted demand note, which are available to provide additional liquidity, as needed.

(4) Fair Value Measurements

In accordance with FASB ASC Topic 820, *Fair Value Measurement*, fair value is defined as the price that the Foundation would receive upon selling an asset or transferring a liability in an orderly transaction to an independent buyer in the principal or most advantageous market of the asset. FASB ASC Topic 820 established a three-tier hierarchy to maximize the use of observable market data and minimize the use of unobservable inputs, and to establish classification of fair value measurements for disclosure purposes.

Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available. The three-tier hierarchy of inputs is summarized in the three broad levels listed as follows:

- Level 1 – Quoted prices in active markets for identical assets
- Level 2 – Other significant observable inputs (including quoted prices for similar assets, interest rates, prepayment speeds, and credit risk)
- Level 3 – Significant unobservable inputs (including the Foundation's own assumptions in determining the fair value of assets).

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the determination of which category within the fair value hierarchy is appropriate for any given asset or liability is based on the lowest level of input that is significant to the fair value measurement. The Foundation's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

The fair value of investments in securities traded on national securities exchanges is valued at the closing price on the last business day of the fiscal year; securities traded on the over-the-counter market are valued at the last reported bid price. These securities are categorized as Level 1 securities. Fair value of some fixed-income securities may be estimated by independent pricing services using matrix systems that consider factors, such as security prices, yields, maturities, ratings, and are categorized as Level 2 securities. Other fixed-income securities, fair value is estimated by trades available on similar securities and are categorized as Level 2.

Investments for which observable market prices in active markets do not exist are reported at fair value, as determined in good faith by the Foundation's management. The valuations of limited partnership investments include assumptions and methods that were prepared by the general partners of the limited partnerships and were reviewed by the Foundation's management. Real property values are initially based on independent appraisals. Additionally, on an annual basis, Foundation's management analyzes comparable sales data sourced from independent third parties to estimate changes in real property fair values and, as necessary, the Foundation will obtain updated independent appraisals.

Investments consisting of closely held common and preferred stock are recorded at fair value based on valuation techniques, such as the sales comparison approach. Unobservable inputs include market comparable rates.

Limited partnerships holding publicly traded securities, limited partnerships holding real estate, and private equity holdings are recorded at estimated fair value based on the net asset value (NAV) of the Foundation's ownership interest in the partners' capital, which includes assumptions and methods that were prepared by the general partner of the limited partnerships and were reviewed by the Foundation's management. The Foundation believes that the NAV amounts reported for these investments are a practical expedient to estimate fair value at June 30, 2022 and 2021.

Other limited partnership and limited liability corporation investments are recorded at fair value based on valuation techniques, such as the sales comparison approach and income approach. Unobservable inputs include market comparable rates and capitalization and occupancy rates.

(Continued)

Beneficial interests in charitable trusts held by others are reported at the net present value of the estimated future amount to be received on such assets. The present value is based on the IAR 2012 Mortality Table published by the Society of Actuaries and approximates fair value.

Liabilities under split-interest agreements are reported at the present value of estimated amounts due to income beneficiaries of the agreements based on the IAR 2012 Mortality Table published by the Society of Actuaries. Present value approximates fair value.

The Foundation uses net asset value (NAV) to determine fair value of those underlying investments that (a) do not have a readily determinable fair value and (b) either have attributes of an investment company or prepare its financial statements consistent with the measurement principles of an investment company. The Foundation has $487,816,000 and $466,969,000 of investments that are reported at NAV at June 30, 2022 and 2021, respectively. For these investments, the Foundation has concluded that the NAV reported by the underlying fund is a practical expedient to estimating fair value. The amounts reported at NAV at June 30, 2022 are redeemable with the fund at NAV under the original terms of the partnership agreements and/or subscription agreements and operations of the underlying funds. However, it is possible that these redemption rights may be restricted or eliminated by the funds in the future in accordance with the underlying fund agreements. Due to the nature of the investments held by the funds, changes in market conditions and the economic environment may significantly impact the NAV of the funds and, consequently, the fair value of the Foundation’s interests in the funds. Although a secondary market exists for these investments, it is not active and individual transactions are typically not observable. When transactions do occur in this limited secondary market, they may occur at discounts to the reported NAV. It is, therefore, reasonably possible that if the Foundation were to sell these investments in the secondary market, a buyer may require a discount to the reported NAV, and the discount could be significant.

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain long-term investments, it is reasonably possible that changes in the values of these investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statements of financial position.

The fair value of each investment in the tables below was measured using FASB ASC 820 input guidance and valuation techniques.

The following tables set forth estimated fair values of assets and liabilities measured and recorded on a recurring basis at June 30, 2022 (in thousands):

Assets		2022 Total	Investments measured at NAV	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Cash and cash equivalents	$	187,041	—	187,041	—	—
Investments:						
Cash equivalents		28,929	—	28,929	—	—
Common and preferred stock (directly held, publicly traded mutual fund(s), exchange traded fund(s), and common trust fund(s))		862,719	—	765,734	88,708	8,277
Fixed income (directly held, publicly traded mutual fund(s), and common trust funds(s)):						
U.S. Treasury and agency		138,437	—	131,461	6,976	—
Global bonds (corporate, foreign, and high yield)		268,514	—	264,520	3,994	—
Other (floating rate notes, mortgage-backed securities and bank loans)		160,375	—	160,062	313	—
Limited partnerships (other than real estate and private equity; primarily publicly traded securities):						
Event Driven		26,835	26,835	—	—	—
Diversified arbitrage and multi-strategy		79,122	79,122	—	—	—
Equity long/short		41,732	41,732	—	—	—
Limited partnerships (real estate, private equity, and other)		364,406	340,127	—	—	24,279
Total investments	$	1,971,069	487,816	1,350,706	99,991	32,556

The following table set forth estimated fair values of assets and liabilities measured and recorded on a recurring basis at June 30, 2021 (in thousands):

Assets		2021 Total	Investments measured at NAV	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Cash and cash equivalents	$	147,921	—	147,921	—	—
Investments:						
Cash equivalents		162,468	—	162,468	—	—
Common and preferred stock (directly held, publicly traded mutual fund(s), exchange traded fund(s), and common trust fund(s))		1,061,656	—	743,798	316,320	1,538
Fixed income (directly held, publicly traded mutual fund(s), and common trust funds(s)):						
U.S. Treasury and agency		277,418	—	265,141	12,277	—
Global bonds (corporate, foreign, and high yield)		228,755	—	190,112	38,643	—
Other (floating rate notes, mortgage-backed securities and bank loans)		51,954	36	51,918	—	—
Limited partnerships (other than real estate and private equity; primarily publicly traded securities):						
Event Driven		13,431	13,431	—	—	—
Diversified arbitrage and multi-strategy		13,893	13,893	—	—	—
Equity long/short		114,860	114,860	—	—	—
Limited partnerships (real estate, private equity, and other)		344,066	324,749	—	—	19,317
Total investments	$	2,268,501	466,969	1,413,437	367,240	20,855

The following table presents changes in asset classified in Level 3 of the fair value hierarchy during the year ended June 30, 2022 and June 30,2021 attributable to the following (in thousands):

		2022	2021
Purchases	$	12,434	7
Contributions		45,081	14,559

No transfers into or out of Level 3 occurred during the year.

(5) Contributions Receivable

Contributions receivable are expected to be received as follows at June 30, 2022 and 2021 (in thousands):

		2022	2021
Due within one year	$	8,340	24,217
Due within two to five years		4,690	7,200
Due after five years		50,137	50,293
		63,167	81,710
Less unamortized discount to reflect at present value		(15,840)	(16,515)
Total present value	$	47,327	65,195

(6) Property, Plant, and Equipment, Net

In January 2021, the Foundation purchased a building and land located at 717 Temple Street, Los Angeles, California for $15,400,000. The Foundation continues to make extensive renovations to ready the building for use. Renovation costs totaled $14,318,000 at June 30, 2022.

Property, plant, and equipment are summarized as follows as of June 30, 2022 and 2021 (in thousands):

		2022	2021
Land	$	4,258	4,258
Building		11,142	11,142
Furniture		442	347
Office equipment and other		339	534
Computer equipment and software		867	616
Leasehold improvements		593	1,230
Construction in progress		14,318	1,521
Property, plant, equipment and leasehold improvements, gross		31,959	19,648
Less accumulated depreciation and amortization		(1,608)	(2,429)
Property, plant, equipment and leasehold improvements, net	$	30,351	17,219

(7) Grants Payable

Future anticipated cash flows for grants payable, for which all of the conditions have been met, are summarized as follows at June 30, 2022 and 2021 (in thousands):

		2022	2021
Due within one year	$	50,548	36,745
Due within two to five years		17,864	19,435
		68,412	56,180
Less unamortized discount to reflect grants payable at present value		(2,569)	(131)
Total	$	65,843	56,049

(8) Notes Payable and Line of Credit

The Foundation has a line of credit with a financial institution allowing borrowing up to $25,000,000 with interest equal to the greater of 2.50% or the prime rate minus 0.25%. This line matures on June 15, 2023. This line was not drawn on during the year ended June 30, 2022 and 2021. No amounts were outstanding on this line of credit as of June 30, 2022 and 2021.

On June 30, 2017, the Foundation entered into a loan agreement with another not-for-profit organization. Funds from this loan will support the Foundation's program-related loan portfolio. The loan accrues interest of 1.00% and has a maturity date of June 30, 2027. The Foundation has made interest-only payments totaling $15,000 for the year ended June 30, 2022 and 2021. Repayment of the principal amount and any unpaid interest is due June 30, 2027. The loan balance at June 30, 2022 and 2021 was $1,500,000.

On January 13, 2021 the Foundation secured a loan of $22,000,000 to purchase a building and land. The loan matures on February 1, 2036. The loan is secured by certificates of deposits equal to the outstanding principal value of the loan. The variable interest rate is the greater of 1.00% or Prime Rate minus 1.85%. The Foundation simultaneously entered into an interest swap agreement with its bank that synthetically created a fixed rate on the above loan. The effective interest rate of the variable loan combined with the interest swap agreement is 1.88%. At June 30, 2022, the loan payable was $20,287,000. Payments for both the loan and interest are due monthly.

Future loan payments are summarized as follows at June 30, 2022 (in thousands):

2023	$	1,312
2024		1,336
2025		1,363
2026		1,389
2027		1,416
2028 and thereafter		13,471
Total	$	20,287

(Continued)

(9) Commitments and Contingencies

(a) Lease Commitments

In April 2011, the Foundation entered a 10-year operating lease for real property commencing July 1, 2011. The lease expired on June 30, 2022 and was not renewed. Rental expense totaled $468,000 and $997,000 for the fiscal years ended June 30, 2022 and 2021, respectively.

(b) Loan Guarantees

The Foundation has agreed to guarantee certain debts of other not-for-profit organizations. Amounts guaranteed were $446,000 at June 30, 2022 and 2021.

(c) Legal Matters

The Foundation and its affiliates are subject to various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of such matters will not have a material adverse effect on the Foundation's consolidated financial position or changes in net assets of the Foundation.

(10) Retirement Plan

The Foundation has a defined-contribution plan covering substantially all employees. Employees are eligible beginning with the first day of employment. The Foundation's annual contribution is calculated at a specified percentage of salary for all employees, up to statutory limits. The vesting on the Foundation contributions occurs after four years at 25% per year. Vesting is immediate on all contributions by employees. Retirement expense totaled $718,000 and $728,000 for the years ended June 30, 2022 and 2021, respectively.

(11) Endowment Funds

The Foundation follows the standards codified in FASB ASC Section 958-205-45, *Other Presentation Matters – Reporting Endowment Funds*, which provides guidance on the net asset classification of donor-restricted endowments and unrestricted funds functioning as endowments.

(a) Interpretation of Relevant Law

The Board, in concurrence with the advice of legal counsel, has determined a portion of the Foundation's net assets meet the definition of endowment under UPMIFA. As a result of this interpretation, for accounting and financial statement purposes, the Foundation classifies as net assets with restrictions the fair value of the original gift as of the gift date, the original value of subsequent gifts, and any accumulations to the donor-restricted endowments made in accordance with the direction of the applicable gift instruments. Donor-restricted endowments remain net assets with donor restriction until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence defined by UPMIFA.

(b) Endowment Investment and Spending Policies

The Foundation has adopted investment and spending polices for endowment assets that are designed and intended to provide a predictable stream of funding to programs while seeking to maintain the purchasing power of the Foundation's endowment assets. The Foundation's spending and investment policies work together to achieve this objective. The current long-term return objective is approximately

7.50%, net of investment fees. Actual returns will vary year to year. The Foundation relies on a total return strategy. The investment strategy targets a diversified asset allocation that includes domestic equities, non-U.S. equities, fixed income, real estate, and private partnerships. The majority of assets are invested in equity or equity-like securities. Fixed income, real estate, and private partnerships are used to lower short-term volatility. Diversification by asset class, investment style, investment manager, etc., is employed to avoid undue risk concentration and enhance total return. Investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The spending policy determines the amount of money annually distributed from the Foundation's various endowed funds, for grant making and administration. The amounts to be distributed were subject to limits of no less than 4.0% and no more than 7.0% of the fair value of the assets as of the last of the applicable 12 quarters. The spending policy is approved on an annual basis by the Board for that subsequent fiscal year. The spending policy in effect for the years ended June 30, 2022 and 2021 was to distribute an amount equal to 5.4% each year, of a rolling three-year average of the fair value of the assets for each calendar quarter end of the three previous years.

Endowment net asset composition as of June 30, 2022 is as follows (in thousands):

		2022		
		Total	**Without restrictions**	**With restrictions**
Donor-restricted endowments	$	62,679	—	62,679
Funds functioning as endowments		571,998	571,998	—
Total	$	634,677	571,998	62,679

As of June 30, 2022, there were 92 donor-restricted endowment funds and 519 funds functioning as endowments.

Endowment net asset composition as of June 30, 2021 is as follows (in thousands):

		2021		
		Total	**Without restrictions**	**With restrictions**
Donor-restricted endowments	$	75,701	—	75,701
Funds functioning as endowments		667,181	667,181	—
Total	$	742,882	667,181	75,701

As of June 30, 2021, there were 90 donor-restricted endowment funds and 487 funds functioning as endowments.

Changes in endowment net assets for the fiscal years ended June 30, 2022 and 2021 are as follows (in thousands):

		Endowment assets		
		Total	**Without restrictions**	**With restrictions**
Endowment assets, June 30, 2020	$	586,522	525,807	60,715
Investment return:				
Interest, dividends, and other income		10,904	9,661	1,243
Net unrealized and realized losses		141,642	123,903	17,739
Total investment return		152,546	133,564	18,982
Contributions		41,650	41,638	12
Appropriation of endowment assets for expenditure		(37,836)	(33,828)	(4,008)
Endowment assets, June 30, 2021		742,882	667,181	75,701
Investment return:				
Interest, dividends, and other income		9,582	8,520	1,062
Net unrealized and realized losses		(77,778)	(66,489)	(11,289)
Total investment return		(68,196)	(57,969)	(10,227)
Contributions		1,933	1,908	25
Appropriation of endowment assets for expenditure		(41,942)	(39,122)	(2,820)
Endowment assets, June 30, 2022	$	634,677	571,998	62,679

Description of amounts classified as net assets with restrictions is as follows (in thousands):

		2022	**2021**
The portion of endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA	$	51,311	50,783
The portion of endowment funds subject to a time restriction under UPMIFA, without purpose restrictions for spending		11,368	24,918
Beneficial interests in trusts		31,105	38,900
Contributions receivable		47,327	65,195
Split-interest agreements		7,163	9,954
Total net assets with restrictions	$	148,274	189,750

(c) Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level required by the donor or law, or the historical value of the endowment gift. The aggregated deficiencies of this nature for all donor-restricted endowment funds totaled $1,391,000 and $89,000 as of June 30, 2022 and 2021, respectively.

(12) Functional Expenses

The financial statements report certain categories of expenses that are attributable to one or more functions. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Salaries, employee benefits, and occupancy are allocated based on estimates of time and effort. Other natural expense categories are charged to a functional expense category on an invoice by invoice basis based on the nature of the expense.

For the year-end June 30, 2022, total expenses were classified by function as follows (in thousands):

		Program services	Management and general	Development and fundraising	Total
Grants and philanthropic distributions, net	$	425,828	—	—	425,828
Salaries		3,574	3,540	1,716	8,830
Employee benefits		1,025	1,015	492	2,532
Occupancy		308	295	132	735
Office expenses		268	145	65	478
Marketing and communications		1,973	56	61	2,090
Consulting and professional services		6,993	1,380	20	8,393
Conference, meetings, and travel		172	53	13	238
Other administrative expenses		634	604	1	1,239
Total	$	440,775	7,088	2,500	450,363

For the year-end June 30, 2021, total expenses were classified by function as follows (in thousands):

		Program services	Management and general	Development and fundraising	Total
Grants and philanthropic distributions, net	$	385,047	—	—	385,047
Salaries		3,406	3,241	1,699	8,346
Employee benefits		992	944	495	2,431
Occupancy		538	478	246	1,262
Office expenses		1,139	86	44	1,269
Marketing and communications		6,855	82	40	6,977
Consulting and professional services		8,643	665	28	9,336
Conference, meetings, and travel		22	35	14	71
Other administrative expenses		504	446	8	958
Total	$	407,146	5,977	2,574	415,697

(13) Subsequent Events

The Foundation evaluated events or transactions that occurred subsequent to the consolidated balance sheet date through November 29, 2022, the date the accompanying consolidated financial statements were available to be issued.