

CALIFORNIA **COMMUNITY** FOUNDATION:
STEWARDSHIP ASSETS FOR THE FUTURE
OF **LOS ANGELES AND BEYOND**



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The California Community Foundation (CCF) inspires and empowers charitable giving in Los Angeles.

Almost a century of expertise, combined with an understanding of your personal giving goals, enables us to help you drive change through your philanthropy. We provide a broad choice of tax-advantaged giving options that can benefit a range of charitable organizations. Backed by a robust suite of support services, we create solutions that maximize the impact of your giving.

Together, we can continue to build the future of Los Angeles and beyond.

Dear Donor,

On behalf of the board and staff of the California Community Foundation (CCF), I am pleased to present our 2009 Financial Report.

In addition to the important financial information presented here, I am pleased to introduce Steve Cobb, vice president and chief financial officer, and Carolyn Steffen, controller, who explain the risk policies and budgeting process that have enabled us to remain a stable and sustainable organization. We are also fortunate to have Preston Johnson, investment and audit committee member and board member, explain the importance of our fiduciary responsibility in the stewardship of donor assets. And I am proud to have Sheldon Stone, chair of the investment committee and board member, share his perspective on the active role played by our investment committee.

As you will see, CCF remains strong and well positioned to build the future of Los Angeles and beyond.

Antonia Hernandez

ANTONIA HERNÁNDEZ
President and Chief
Executive Officer



A FOCUSED LOOK AT OUR FINANCIAL STRENGTH

For more than 90 years, the California Community Foundation (CCF) has been dedicated to fiscal responsibility, transparency and the careful stewardship of donor assets. In keeping with our commitment, we present this overview of our financial picture as a complement to our annual report. Inside, we provide a focused look at our balance sheet, investments and grants.

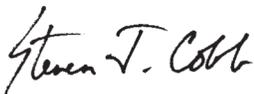
As a fiduciary, we are responsible for ensuring that our investment strategy aligns with the charitable purposes and philanthropic goals of our foundation and our donors.

While the financial markets have experienced significant turmoil over the past year, we continue to manage our investments with a goal of long-term preservation and growth. A decrease of any kind is difficult to report. However, we can report that our pool's performance compares favorably with investment performance benchmarks such as the Cambridge Associates Endowment Median. The combined expertise of our investment committee and Cambridge, our financial advisors, informs our investment philosophy and decisions.

We have strong risk policies pertaining to our operations to provide safeguards for the assets we steward and ensure that all funds go to the causes for which they are intended.

We take great care to manage our operating expenses and budget as efficiently as possible. We have achieved our goal of keeping our administrative costs at 1 percent or less of our total assets — one way of gauging our efficiency.

CCF will continue to maximize the impact of our grants to the community while carefully stewarding our assets. To guide us, we are fortunate to have experienced individuals on the audit, budget and investment committees of our board. Thanks to their leadership, and the generosity of the donors who choose to work with us, we are well positioned to meet our goals — both now and for generations to come.



STEVE COBB
Vice President
and Chief
Financial Officer



CAROLYN STEFFEN
Controller



CCF INVESTMENT POOLS: ONE PART OF OUR OVERALL FINANCIAL MODEL

When donors establish funds, they recommend that contributions be allocated to one of the following pools.

Permanent Pool:

Invested for long-term growth and appreciation across multiple investment managers.

Short-Term Liquidity Pool:

Invested to meet the needs of funds with short-term objectives or goals.

Socially-Responsible Pool:

Invested in mutual funds with multiple social screens and a long-term objective.

OVERVIEW OF ASSETS BY FUND TYPE

The California Community Foundation (CCF) was among the many organizations worldwide that were affected by the unforeseen economic environment of the past year. Yet our board members and staff continued to operate with resolve, maintaining our long-term investment perspective and seeking operational efficiencies without compromising service to our donors or our mission.

DONOR ADVISED FUNDS MADE UP ALMOST A THIRD OF CCF'S TOTAL ASSETS.

Our total assets, as of June 30, 2009, were \$1.06 billion, compared with total assets of \$1.25 billion for the previous fiscal year, which represents a decline of roughly 15 percent. Total contributions during this same period grew 16 percent from \$151.86 million to \$175.8 million.

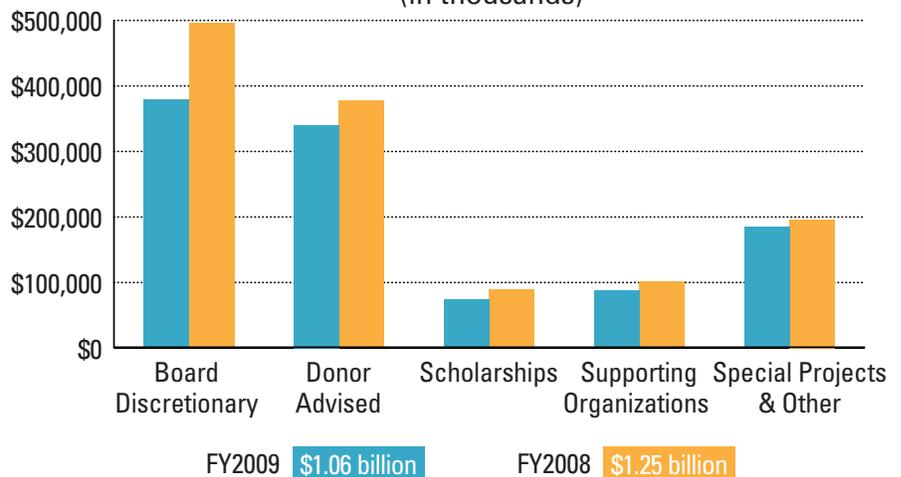
Donor Advised Funds made up almost a third of CCF's total assets. Established and advised by individuals, families and corporations, Donor Advised Funds are a powerful, cost-effective solution that offers flexibility in the giving process.

Private Foundation Alternative Funds (also known as supporting organizations) constitute 8 percent of the foundation's total assets, representing \$87.94 million. As a smart alternative to a private foundation, a Private Foundation Alternative Fund operates as an affiliate of CCF, allowing it to have public charity tax status, while maintaining a separate identity, its own mission and an independent role in the nonprofit community.

As of June 30, 2009, scholarships accounted for 7 percent of total assets at CCF, representing \$73.9 million.

Amid the economic challenges, we are proud to have remained steadfast in our mission — meeting crucial needs in both the local and global community.

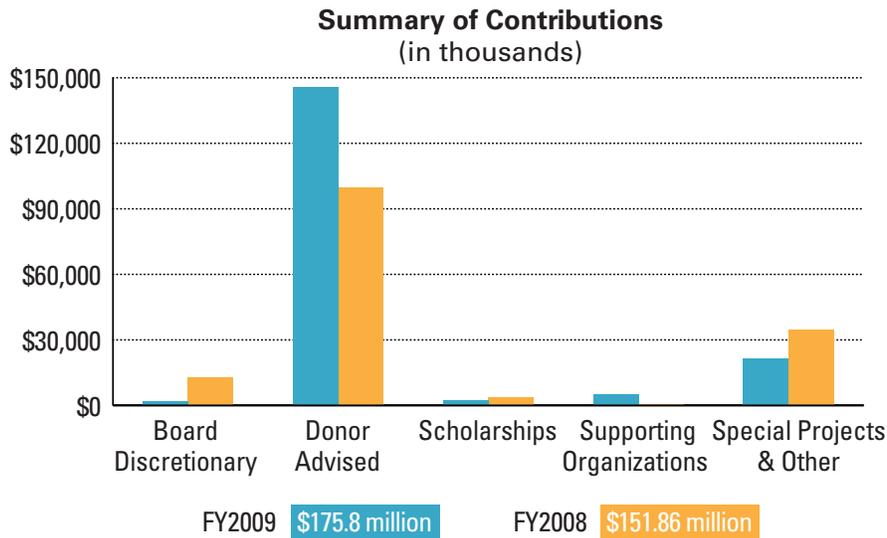
Summary of Assets
(in thousands)



OVERVIEW OF CONTRIBUTIONS RECEIVED BY FUND TYPE

CCF received \$175.8 million in new gifts in FY2009, compared with \$151.86 million for the prior year, an increase of 16 percent. The vast majority of these contributions, \$121.56 million, were gifts of cash. Additionally, \$42.66 million was given in the form of appreciated securities, and contributions of \$11.58 million were donated as real estate.

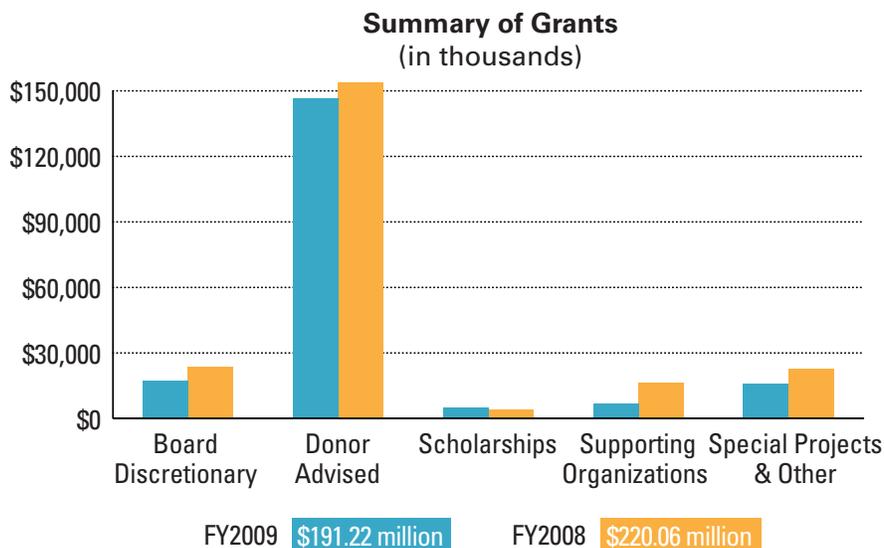
CONTRIBUTIONS INCREASED BY 16 PERCENT THIS FISCAL YEAR.



OVERVIEW OF GRANTS BY FUND TYPE

In FY2009, CCF awarded \$191.22 million in grants, a decline of roughly 13 percent from \$220.06 million the previous year. Of the current year grants, \$146.69 million came from Donor Advised Funds, \$17.05 million were discretionary grants from the CCF board, and other funds and special projects accounted for \$15.58 million. Additionally, supporting organizations granted \$6.89 million, and scholarships provided \$5.02 million in grants.

DONOR ADVISED FUNDS CONTINUED TO BE THE MAIN SOURCE OF GRANTS AWARDED.



BALANCE SHEETS

CCF is pleased to present the following financial information.* Our donors continue to be well served by our rigorous financial controls and our commitment to transparency and accountability.

CALIFORNIA COMMUNITY FOUNDATION AND AFFILIATES		
Consolidated Balance Sheets* – As of June 30 (in thousands \$)		
ASSETS	2009	2008
Cash and cash equivalents	17,268	8,916
Investments	982,866	1,176,394
Investments loaned under securities lending program	2,846	5,295
Investment collateral received under securities lending program	2,931	5,445
Notes receivable	5,213	4,123
Contributions receivable, net	26,309	20,195
Prepaid expenses and other assets	1,764	1,737
Beneficial interest in trusts	26,771	35,471
Leasehold improvements and equipment, net	294	329
TOTAL ASSETS	1,066,262	1,257,905
LIABILITIES AND NET ASSETS		
Accounts payable and other liabilities	3,688	5,120
Funds held for others	55,253	65,979
Grants payable, net	84,124	78,571
Note payable and line of credit	5,237	5,237
Liabilities under split-interest agreements	24,146	24,010
Payable under securities lending program	2,931	5,445
TOTAL LIABILITIES	175,379	184,362
TOTAL NET ASSETS	890,883	1,073,543
TOTAL LIABILITIES AND NET ASSETS	1,066,262	1,257,905

STEWARDSHIP AS AN OPERATING PRINCIPLE

“The California Community Foundation has always had a strong understanding of fiduciary responsibility, which translates into a commitment to stewardship that is applied throughout the organization. The commitment and integrity of the foundation remain central to the decisions made by CCF staff, the board and its various committees. They are among the most important reasons I became a CCF donor myself.”

PRESTON JOHNSON

Investment and Audit
Committee Member and
Board Member



Preston Johnson is
president and founder
of Johnson Martin Advisors, Inc.

INCOME STATEMENTS

CALIFORNIA COMMUNITY FOUNDATION AND AFFILIATES		
Consolidated Income Statements* – FY ended June 30 (in thousands \$)		
	2009	2008
Support and revenue:		
Support:		
Amounts raised	175,795	151,856
Less amounts raised or received on behalf of others	(6,944)	(14,079)
Net contributions and bequests raised	168,851	137,777
Other revenue:		
Interest, dividends and other revenue	27,842	33,433
Realized and unrealized gains and losses on investments, net	(179,991)	(29,297)
Change in value of split-interest agreements	(7,924)	(187)
Other revenue before allocation of investment gain	(160,073)	3,949
Less investment gain allocated to funds held for others	9,008	(319)
Net other revenue	(151,065)	3,630
Net assets released from restrictions	—	0
Total support and revenue and net assets released from restrictions	17,786	141,407
Operating and administrative expenses:		
Administrative and fund management	3,020	3,065
Development	2,230	1,757
Program services	5,210	4,159
Total operating and administrative expenses	10,460	8,981
Endowment expenses:		
Administrative and programmatic	3,952	3,746
Investment management	3,284	4,164
Less endowment expenses allocated to funds held for others	(659)	(1,108)
Endowment expenses, net	6,577	6,802
Grants and philanthropic distributions	191,222	220,063
Less amounts distributed on behalf of others	(7,813)	(7,440)
Grants and philanthropic distributions, net	183,409	212,623
TOTAL EXPENSES	200,446	228,406
Change in net assets	(182,660)	(86,999)
NET ASSETS AT BEGINNING OF YEAR	1,073,543	1,160,542
NET ASSETS AT END OF YEAR	890,883	1,073,543

CCF raised a total of \$175.8 million in FY2009, an increase of 16 percent over last year. This increase underscores the continued generosity of our donors, even in the midst of a challenging economic environment.

The investment losses were the result of a difficult year for the markets. See page 7 for comparable benchmarks.

The foundation's total operating and administrative expenses for the year grew to \$10.46 million, an increase of 16 percent since last year; however, this amount is still less than 1 percent of CCF's total assets. These expenses were due largely to new hires made in order to provide increased services, which we believe will enhance our programs and the donor experience.

CCF's grants and philanthropic distributions were \$191.22 million, down by 13 percent from last year. The decline occurred across all categories, largely due to unusually high grantmaking in the previous year.

*The California Community Foundation works with an independent public accounting firm to perform an audit of its records and financial statements. A full copy of the audited financial statements is available online at myccf.org or by calling (213) 413-4130. The above abbreviated financial reports are unaudited.

**THE INVESTMENT COMMITTEE:
INVOLVED AND INFORMED**

“CCF’s investment committee plays a very active role in overseeing the way donor and foundation assets are invested.

“Committee members include professionals with backgrounds in finance and other industries, allowing us to draw upon deep experience and a range of viewpoints. In fact, many of us are CCF donors, giving us a unique perspective on the investment decisions we make.”

SHELDON M. STONE

Investment Committee Chair and Board Member



Sheldon M. Stone is a founding member of Oaktree Capital Management.

CCF’S INVESTMENT STRATEGY

Our mission of strengthening Los Angeles communities through effective philanthropy and civic engagement requires us to steward funds in a manner that allows us to balance both short- and long-term needs.

Under the leadership of the investment committee, we manage the foundation’s assets in the investment pools with great care, further underscoring our fiduciary role as board members. We take a thoughtful approach to diversification as a way to mitigate risk, eschew volatility and identify opportunities that add value. We bring the same degree of rigor to the selection and monitoring of managers, making changes as appropriate.

Our investment approach is steady yet allows for adjustments to maintain an appropriate balance of risk and return. While the greater portion of assets is invested in vehicles offering preservation and growth of principal, we can also deploy a tactical component, which enables us to take advantage of specific market opportunities with a shorter time frame.

Permanent Pool Asset Allocation



As of June 30, 2009.

ABOUT OUR INVESTMENT CONSULTANTS: CAMBRIDGE ASSOCIATES, LLC

We work closely with Cambridge Associates, LLC, an outside advisory firm that serves a diverse group of foundations and endowments, private clients and corporate and government entities. Cambridge Associates, which was formed in 1973, provides us with research-based guidance on investment opportunities and managers for the Permanent Pool. With a team of 130 research professionals on staff, Cambridge Associates is able to evaluate thousands of equity, fixed-income and alternative investment products. This level of analysis, a stringent due diligence and selection process, continuous oversight of managers and real-time discussions with our board of directors have made Cambridge Associates an important resource for the foundation.

INVESTMENT MANAGEMENT: MAINTAINING A LONG-TERM PERSPECTIVE

The Permanent Pool, like other benchmarks presented here, experienced a decline in its one-year performance due to extreme market losses. The Short-Term Liquidity Pool posted gains of just over 2 percent for the year, outperforming its benchmark, Merrill Lynch 91-Day T-Bills. The Socially-Responsible Pool also experienced losses over the same period, tracking closely with its benchmarks.

*Total Fund Benchmark is a combination of 27.5% Russell 3000, which provides a benchmark for our U.S. equity allocation; 27.5% Morgan Stanley Capital International World Index (MSCI), excluding the U.S., which provides a benchmark for our non-U.S. equity allocation; 15% Hedge Fund Research, Inc. (HFRI) Fund of Funds Diversified, which provides a benchmark for our alternative investments allocation; 10% Consumer Price Index (CPI-U), which provides a benchmark for our inflation hedge allocation; and 20% custom blended fixed-income benchmark, which provides a benchmark for our fixed-income allocation.

**The Cambridge Associates Endowment Median is a Cambridge Associates benchmark compiled from client endowment performance.

†The Community Foundation Comparison is based on a Council on Foundations survey of community foundations.

‡In April 2009 CCF moved from the Domini fund to the PAX fund. The 70/30 index is for periods prior to the move to PAX, while the 60/40 index applies to periods after the move.

INVESTMENT PERFORMANCE			
As of June 30, 2009			
	One Year	Three Year	Five Year
Permanent Pool	(17.00%)	(1.10%)	2.90%
The target asset allocation was 50 percent equities, 30 percent alternative investments and 20 percent fixed-income instruments.			
Total Fund Benchmark*	(16.40%)	(0.90%)	2.80%
Cambridge Associates Endowment Median**	(18.7%)	(1.9%)	3.0%
Community Foundation Comparison†	(17.5%)	(2.7%)	(1.8%)
	One Year	Three Year	Five Year
Short-Term Liquidity Pool	2.15%	4.21%	3.89%
Holdings include money market, commercial paper and short-term bonds with a goal of preserving principal and generating income.			
Merrill Lynch 91-Day T-Bills	0.95%	3.25%	3.17%
	One Year	Three Year	Five Year
Socially-Responsible Pool	(14.35%)	(3.28%)	(0.84%)
The target asset allocation was approximately 70 percent equities and 30 percent fixed-income instruments.			
60% S&P 500 + 40% BCAB‡	(13.31%)	(2.36%)	0.66%
70% S&P 500 + 30% LBAB‡	(17.1%)	(3.7%)	0.1%
	One Year	Three Year	Five Year
S&P 500 Index	(26.22%)	(8.22%)	(2.24%)

HOW CCF'S BOARD WORKS WITH CAMBRIDGE ASSOCIATES

- 1 Cambridge Associates, CCF's outside advisory firm, provides investment advice to the board of directors and finance staff. CCF and Cambridge confer about the status of investments in the Permanent Pool and discuss all investment decisions.
- 2 Cambridge Associates monitors all the investments in CCF's Permanent Pool, performing due diligence on investment managers and looking for tactical opportunities in the market.
- 3 CCF's board of directors makes investment decisions based on advice and guidance from Cambridge Associates; the finance team executes these decisions to keep the Permanent Pool of stewarded assets aligned with CCF's investment strategy.



OVERVIEW OF GRANTS

Despite challenging economic conditions, CCF continued to help underserved communities in Los Angeles County through its competitive grantmaking. In FY2009, CCF gave out 145 grants totaling \$16.07 million for our six program areas, as well as for the Community Building Initiative and Centinela Medical Funds pictured in the chart below.

GEOGRAPHIC DISTRIBUTION OF BOARD-LEVEL GRANTS		
Geographic Area (with percent of population living in poverty)*		
PROGRAMS**	Number of Grants	Amount Awarded
General Population L.A. County (16%)	49	\$5,809,115
Antelope Valley (21%)	1	\$75,000
East L.A. County (15%)	4	\$455,000
Metro L.A. (25%)	26	\$2,505,000
San Fernando Valley (12%)	13	\$1,320,000
San Gabriel Valley (12%)	14	\$1,725,000
South L.A. County (29%)	8	\$1,505,000
West L.A. County (10%)	4	\$342,000
South Bay/Harbor (11%)	5	\$830,000
ALL GRANTS	124	\$14,566,615
CIVIC ENGAGEMENT***		
General Population L.A. County (16%)		\$315,000
East L.A. County (15%)		\$255,000
Metro L.A. (25%)		\$292,191
San Fernando Valley (12%)		\$75,000
San Gabriel Valley (12%)		\$120,000
South L.A. County (29%)		\$167,192
West L.A. County (10%)		\$12,500
South Bay/Harbor (11%)		\$267,500
ALL GRANTS	21	\$1,504,383
TOTAL	145	\$16,070,998

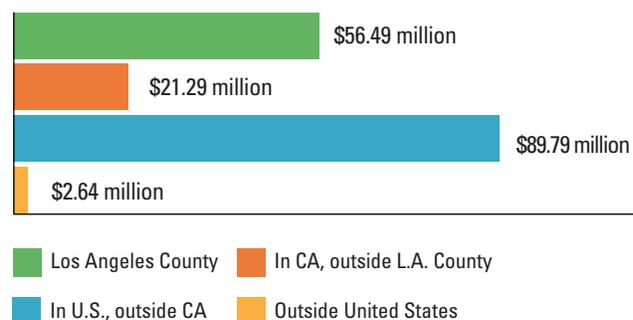
*2005 American Community Survey.

**Does not include grants of less than \$25,000.

***Does not include grants of less than \$25,000. Because grants covered more than one geographic area, we have listed only a total grant number here.

GRANTS BY REGION

In combination with our competitive grantmaking, our generous donors contribute locally, nationally and worldwide, as demonstrated in the chart pictured here. Note that of the dollars granted in the U.S. outside of California, \$72 million came from our Iraq Afghanistan Deployment Impact Fund.†



†These numbers are unconsolidated, meaning that they do not include CCF's Private Foundation Alternative Funds (supporting organizations), Fiscal Sponsorships or Agency Funds.

KEY STAFF AND BOARD MEMBERS

STEVE COBB

Vice President and Chief Financial Officer

Steve Cobb oversees the foundation's investment management, financial reporting and cash management activities. Before joining CCF in 1998, Cobb was the chief financial officer for the Milken Family Foundation, a leading Southern California private foundation, and the Weingart Center, a health and human services facility in Los Angeles' Skid Row. Cobb was also an auditor with Ernst & Young and an assistant controller for the Ticor Title Insurance Company of California. A certified public accountant, he holds a master's in business administration from the UCLA Anderson School of Management and is a graduate of California Polytechnic State University, San Luis Obispo and Ventura College.

CAROLYN STEFFEN

Controller

Carolyn Steffen oversees the operational and financial reporting aspects of the foundation. Prior to joining CCF, she was vice president of finance for the United Way of Greater Los Angeles and was the controller for Manatt, Phelps & Phillips, a national law firm. She has also worked for KPMG in Los Angeles, Australia and the United Kingdom, providing financial audit and accounting services to for-profit and nonprofit organizations. She is a certified public accountant and holds a master's degree in commerce from the University of New South Wales and a bachelor's degree from California State University, Long Beach.

PRESTON JOHNSON

Audit Committee Member and Board Member

Preston Johnson is president and founder of Johnson Martin Advisors, Inc., a Beverly Hills investment management firm serving high-net-worth clients with about \$600 million under management. Before starting the firm in 1992, Johnson was vice president of finance of KB Home (NYSE) in Los Angeles from 1990 to 1991. From 1987 to 1990, he was managing director and chief financial officer of The O'Connor Group in New York, a prominent commercial real estate firm. From 1980 to 1987, he held various positions, including senior vice president and CFO at Santa Fe International Corporation, a privately held diversified energy company headquartered in Los Angeles. He received a bachelor's from Princeton University and master's in business administration from the University of Chicago, where he was honored with *The Wall Street Journal* Award for Excellence in Finance.

SHELDON M. STONE

Chair of the Investment Committee and Board Member

Sheldon M. Stone is a founding member of Oaktree Capital Management, a Los Angeles-based institutional money manager specializing in alternative investment strategies. He manages Oaktree's \$10 billion domestic high-yield bond portfolios and supervises its European high-yield bond activities and Mezzanine Fund. Before forming Oaktree, he helped establish The TCW Group's high-yield bond department in 1985 and ran it for 10 years. He is on the advisory boards for the USC Marshall School Center for Investment Studies and Johns Hopkins University's Center for Talented Youth. He holds a bachelor's from Bowdoin College, where he is a trustee, and a master's in business administration in accounting and finance from Columbia University.

BOARD OF DIRECTORS

Chair

Reveta Bowers

Chair Emeritus

Jane B. Eisner

Members

David Bohnett

David W. Fleming

Dennis Gertmenian

Preston Johnson

Joanne Corday Kozberg

Quan Phung

James Rosser, Ph.D.

Paul Schulz

Jean Bixby Smith

Melanie Staggs

Sheldon M. Stone

Cynthia Ann Telles, Ph.D.

Catherine L. Unger

Tom Unterman

Sonia Marie De León de Vega

Ronald T. Vera

President & CEO

Antonia Hernández

General Counsel

Rodriguez, Horii, Choi & Cafferata LLP

California Community Foundation

445 South Figueroa St.
Suite 3400
Los Angeles, CA 90071-1638

Phone: (213) 413-4130

Fax: (213) 383-2046

myccf.org



IMPORTANT LEGAL DISCLOSURES

The California Community Foundation works with an independent public accounting firm to perform an audit of its financial statements. A full copy of the audited financial statements is available online at myccf.org or by calling (213) 413-4130. The abbreviated financial reports provided here are unaudited.

The information provided is general and educational in nature. It is not intended to be, and should not be construed as, legal or tax advice. The California Community Foundation does not provide legal or tax advice. Your particular circumstances may alter the general information provided above, resulting in a different outcome for you. **Consequently, you should consult your tax advisor to properly determine the tax consequences of making a charitable gift to the California Community Foundation.**

Contributions to the California Community Foundation represent irrevocable gifts subject to the legal and fiduciary control of the foundation's board of directors.

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