



**CALIFORNIA COMMUNITY FOUNDATION AND AFFILIATES**

Consolidated Financial Statements

June 30, 2021 and 2020

(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:

### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the California Community Foundation and affiliates, which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

#### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes 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.

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial statements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

#### *Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the California Community Foundation and affiliates as of June 30, 2021 and 2020, and the changes in their net assets and their cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.



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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2021 on our consideration of California Community Foundation'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 California Community Foundation's 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 Community Foundation's internal control over financial reporting and compliance.

KPMG LLP

Los Angeles, California  
November 5, 2021

**CALIFORNIA COMMUNITY FOUNDATION AND AFFILIATES**

Consolidated Statements of Financial Position

June 30, 2021 and 2020

(In thousands)

<b>Assets</b>	<b>2021</b>	<b>2020</b>
Cash and cash equivalents	\$ 147,921	34,874
Investments (note 4)	2,268,501	1,749,807
Program-related notes receivable, net	23,479	24,767
Contributions receivable, net (note 5)	65,195	67,298
Investment receivable	57,848	—
Prepaid expenses and other assets	1,611	148
Beneficial interest in trusts (note 4)	38,900	30,688
Property, plant, and equipment, net (note 6)	17,219	431
Programmatic related real estate	6,657	6,657
Total assets	\$ <u>2,627,331</u>	<u>1,914,670</u>
<b>Liabilities and Net Assets</b>		
Accounts payable and other liabilities	\$ 10,076	8,554
Funds held for others	154,067	122,465
Grants payable, net (note 7)	56,049	37,137
Notes payable and line of credit (note 8)	23,074	2,000
Liabilities under split-interest agreements	13,856	14,149
Total liabilities	<u>257,122</u>	<u>184,305</u>
Commitments and contingencies (note 9)		
Net assets (note 11):		
Net assets without donor restrictions	2,180,459	1,561,873
Net assets with donor restrictions	189,750	168,492
Total net assets	<u>2,370,209</u>	<u>1,730,365</u>
Total liabilities and net assets	\$ <u>2,627,331</u>	<u>1,914,670</u>

See accompanying notes to consolidated financial statements.

**CALIFORNIA COMMUNITY FOUNDATION AND AFFILIATES**

Consolidated Statement of Activities

Year ended June 30, 2021

(In thousands)

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

See accompanying notes to consolidated financial statements.

**CALIFORNIA COMMUNITY FOUNDATION AND AFFILIATES**

Consolidated Statement of Activities

Year ended June 30, 2020

(In thousands)

	<u>Net assets without donor restrictions</u>	<u>Net assets with donor restrictions</u>	<u>Total</u>
Support and revenue:			
Support:			
Amounts raised	\$ 365,027	38,351	403,378
Less amounts raised or received on behalf of others	<u>(6,327)</u>	<u>—</u>	<u>(6,327)</u>
Net contributions and bequests raised	<u>358,700</u>	<u>38,351</u>	<u>397,051</u>
Other revenue:			
Net investment return	17,562	1,316	18,878
Less net investment return allocated to funds held for others	<u>(1,278)</u>	<u>—</u>	<u>(1,278)</u>
Change in value of split-interest agreements	<u>—</u>	<u>128</u>	<u>128</u>
Net investment return and other revenue	<u>16,284</u>	<u>1,444</u>	<u>17,728</u>
Net assets released from restrictions	<u>29,144</u>	<u>(29,144)</u>	<u>—</u>
Total support and revenue and net assets released from restrictions	<u>404,128</u>	<u>10,651</u>	<u>414,779</u>
Expenses:			
Program services:			
Grants and philanthropic distributions	313,370	—	313,370
Less amounts distributed on behalf of others	<u>(9,931)</u>	<u>—</u>	<u>(9,931)</u>
Total grants and philanthropic distributions, net	<u>303,439</u>	<u>—</u>	<u>303,439</u>
Program services expense	15,803	—	15,803
Less program services expenses allocated to funds held for others	<u>(717)</u>	<u>—</u>	<u>(717)</u>
Total grants, philanthropic distributions, and program services, net	<u>318,525</u>	<u>—</u>	<u>318,525</u>
Support services:			
Management and general administrative	5,645	—	5,645
Development and fundraising	<u>2,804</u>	<u>—</u>	<u>2,804</u>
Total support services	<u>8,449</u>	<u>—</u>	<u>8,449</u>
Total expenses	<u>326,974</u>	<u>—</u>	<u>326,974</u>
Change in net assets	77,154	10,651	87,805
Net assets at beginning of year	<u>1,484,719</u>	<u>157,841</u>	<u>1,642,560</u>
Net assets at end of year	\$ <u><u>1,561,873</u></u>	<u><u>168,492</u></u>	<u><u>1,730,365</u></u>

See accompanying notes to consolidated financial statements.

**CALIFORNIA COMMUNITY FOUNDATION AND AFFILIATES**

Consolidated Statements of Cash Flows

Years ended June 30, 2021 and 2020

(In thousands)

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ 639,844	87,805
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Realized and unrealized (gains) losses on investments, net	(452,438)	15,653
Depreciation and amortization	185	194
Change in value of split-interest agreements	(3,063)	(128)
Change in allowance for credit losses	—	500
Contributed noncash assets	(14,559)	(6,010)
Contributions restricted for endowment	15	—
Changes in operating assets and liabilities:		
Contributions receivable	2,103	(16,277)
Investment receivable	(57,848)	—
Prepaid expenses and other assets	(1,463)	(10)
Accounts payable and other liabilities	1,522	(3,781)
Funds held for others	31,602	(3,042)
Grants payable	18,912	19,822
Liabilities under split-interest agreements	(293)	(1,347)
Net cash provided by operating activities	<u>164,519</u>	<u>93,379</u>
Cash flows from investing activities:		
Proceeds from repayments of notes receivable	3,860	4,361
Issuance of notes receivable	(2,572)	(6,316)
Purchase of investments	(1,133,923)	(1,200,777)
Proceeds from sale and maturity of investments	1,077,062	1,116,666
Purchases of property, plant and equipment	(16,973)	(98)
Net cash used in investing activities	<u>(72,546)</u>	<u>(86,164)</u>
Cash flows from financing activity:		
Payments on notes payable	(926)	(50)
Proceeds from borrowing	22,000	—
Net cash provided by (used in) financing activity	<u>21,074</u>	<u>(50)</u>
Increase in cash and cash equivalents	113,047	7,165
Cash and cash equivalents at beginning of year	<u>34,874</u>	<u>27,709</u>
Cash and cash equivalents at end of year	\$ <u><u>147,921</u></u>	\$ <u><u>34,874</u></u>
Supplemental information:		
Cash paid for interest	\$ 169	20
Noncash investing activities:		
Donated investments	\$ 14,559	6,010

See accompanying notes to consolidated financial statements.

## CALIFORNIA COMMUNITY FOUNDATION AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

### (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 Fairbrook Foundation
Community Foundation Plaza, LLC	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

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.

## CALIFORNIA COMMUNITY FOUNDATION AND AFFILIATES

### Notes to Consolidated Financial Statements

June 30, 2021 and 2020

*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 trustee 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, 2021, where proceeds were received after June 30, 2021. There were no Investment receivables at June 30, 2020.

#### **(e) Programmic 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, 2021 and 2020 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,

## CALIFORNIA COMMUNITY FOUNDATION AND AFFILIATES

### Notes to Consolidated Financial Statements

June 30, 2021 and 2020

2021 and 2020, future distributions were recorded at present value using discount rates ranging from 0.3% to 4% and 2% to 4%, 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, 2021 and 2020, 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 a present value discount rate of 4% 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, 2021 and 2020, these loans totaled \$22,954,000 and \$23,498,000, 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% to 5%. Management reviewed the collectability of these loans and established an allowance of \$750,000 as of June 30, 2021 and 2020. At June 30, 2021, the Foundation had outstanding commitments totaling \$1,275,000 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 0% to 1%. The balance of these loans totaled \$1,275,000 and \$2,019,000 as of June 30, 2021 and 2020, 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 \$34,240,000 and \$26,988,000 as of June 30, 2021 and 2020, 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 \$4,660,000 and \$3,700,000 as of June 30, 2021 and 2020, respectively.

## CALIFORNIA COMMUNITY FOUNDATION AND AFFILIATES

### Notes to Consolidated Financial Statements

June 30, 2021 and 2020

#### **(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 (not to exceed lease term)

#### **(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 0.2% to 2.5% and 0.2% to 1.8% at June 30, 2021 and 2020, 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

## CALIFORNIA COMMUNITY FOUNDATION AND AFFILIATES

### Notes to Consolidated Financial Statements

June 30, 2021 and 2020

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, 2021 and 2020 ranged from 2% to 6.2%. The trusts' assets totaled \$17,924,000 and \$15,624,000 at June 30, 2021 and June 30, 2020, respectively. The trusts' liabilities totaled \$8,402,000 and \$8,298,000 as of June 30, 2021 and June 30, 2020, 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, 2021 and 2020 ranged from 1.2% to 7.4% and 1.2% to 7.2%, respectively. The annuities' assets totaled \$5,457,000 and \$4,951,000 at June 30, 2021 and June 30, 2020, respectively. The annuities' liabilities totaled \$5,454,000 and \$5,851,000 as of June 30, 2021 and June 30, 2020, respectively.

*Life Estates* – Donors have contributed ownership interests in real estate with the donors retaining the right to use the real estate for a specified time period or until the donor's death. Real property values are initially based on independent appraisals. Foundation management analyzes comparable sales and rent data sourced from independent third parties to estimate changes in real property fair values and use obligations and when necessary performs independent appraisals. The estates' assets totaled \$427,000 and \$3,365,000 at June 30, 2021 and June 30, 2020, respectively. No liabilities were outstanding as of June 30, 2021 or June 30, 2020.

Investments held under these split-interest agreements totaled \$23,808,000 and \$23,940,000 at June 30, 2021 and 2020, 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. 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. There were no refundable advances outstanding at June 30, 2020.

#### **(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.

## CALIFORNIA COMMUNITY FOUNDATION AND AFFILIATES

### Notes to Consolidated Financial Statements

June 30, 2021 and 2020

#### **(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 January 2018, the FASB issued ASU No. 2018-08, *Contributions Received and Made*, to clarify and improve the scope and accounting guidance for contributions received and made. The update provides guidance on what is an exchange transaction and what is a contribution. If a transaction is determined to be a contribution, it has to be determined if it is conditional or unconditional. A conditional transaction is an agreement, which includes both a 'barrier' that must be overcome and either a 'right of asset return' or 'release of promise to give.' Ambiguous donor stipulations are presumed to be conditional if not clearly unconditional. Barrier indicators are measurable performance requirements before entitlement to assets or stipulations related to the purpose of the agreement or limiting recipient discretion in conducting an activity. This statement is effective for the year ending June 30, 2020 for contributions received and the year ended June 30, 2021 for grants made. The Foundation adopted the guidance for contributions received for the year ended June 30, 2020 and for grants made for the year ended June 30, 2021, neither of which resulted in a material change to the consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-13, *Changes to the Disclosure Requirements for Fair Value Measurement*, which modifies the disclosure requirements for fair value measurements by eliminating certain components previously required to be disclosed for investments valued with unobservable inputs. Under the new guidance, for investments in certain entities that calculate net asset value, the requirement to disclose the estimate period of time over which the underlying assets might be liquidated is replaced by the disclosure of that time period if the investee has announced the timing publicly. The statement is effective for the year ending June 30, 2021, with early adoption permitted. The adoption of this accounting guidance did not have a material effect on the consolidated financial statements.

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

## CALIFORNIA COMMUNITY FOUNDATION AND AFFILIATES

### Notes to Consolidated Financial Statements

June 30, 2021 and 2020

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.

#### **(r) Current Environment**

In March 2020, the World Health Organization declared the novel coronavirus (COVID-19) a pandemic. The outbreak of the disease has affected travel, commerce and financial markets globally, including in the United States. The continued spread of COVID-19 and its impact on social interaction, travel, economies and financial markets may adversely affect operations and financial condition, including contributions received and financial markets impacting investment valuation and interest rates, among other things.

Since March 23, 2020, the Foundation has initiated a in person – remote hybrid work arrangement with all employees. The arrangements have had no negative impact on the ability of the Foundation to manage operations. The Foundation created several funds specifically designed to provide grants in response to the impact of COVID-19 on the Los Angeles Community. While the investments reported within these financial statements are reported in accordance with the Foundation’s valuation policy as of June 30, 2021, subsequent macroeconomic factors may result in changes to those valuations for future periods and those changes may be material.

While the prospective financial impact on the Foundation cannot be quantified at this time, the pandemic may have a material adverse effect on the future financial position. The Foundation continues to monitor the course of the pandemic and is prepared to take additional measures to address future challenges that may come.

#### **(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, 2021 and 2020 (in thousands):

	<b>June 30</b>	
	<b>2021</b>	<b>2020</b>
Cash and cash equivalents	\$ 147,921	34,874
Investments	2,268,501	1,749,807
Less amounts not available for expenditure:		
Investments at net asset value	(466,969)	(278,722)
Donor-restricted endowments	(75,701)	(60,715)
Split interest agreement investments	(23,808)	(23,940)
Other liabilities	(1,419)	—
Total financial assets available for expenditure	\$ 1,848,525	1,421,304

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

## CALIFORNIA COMMUNITY FOUNDATION AND AFFILIATES

### Notes to Consolidated Financial Statements

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available for general expenditures. The endowment has a spending rate of 5.4% and \$33,953,000 and \$32,546,000 has been designated for general expenditures at June 30, 2021 and 2020, 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 \$667,178,000 and \$525,807,000 as of June 30, 2021 and 2020, 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.

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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, 2021 and 2020.

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.

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 \$466,969,000 and \$278,722,000 of investments that are reported at NAV at June 30, 2021 and 2020, 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, 2021 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.

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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, 2021 (in thousands):

<u>Assets</u>	<u>2021 Total</u>	<u>Investments measured at NAV</u>	<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant other observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>
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	\$ <u>2,268,501</u>	<u>466,969</u>	<u>1,413,437</u>	<u>367,240</u>	<u>20,855</u>

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The following table set forth estimated fair values of assets and liabilities measured and recorded on a recurring basis at June 30, 2020 (in thousands):

<b>Assets</b>	<b>2020 Total</b>	<b>Investments measured at NAV</b>	<b>Quoted prices in active markets for identical assets (Level 1)</b>	<b>Significant other observable inputs (Level 2)</b>	<b>Significant unobservable inputs (Level 3)</b>
Cash and cash equivalents	\$ 34,874	—	34,874	—	—
Investments:					
Cash equivalents	126,323	—	126,323	—	—
Common and preferred stock (directly held, publicly traded mutual fund(s), exchange traded fund(s), and common trust fund(s))	882,038	—	502,030	378,267	1,741
Fixed income (directly held, publicly traded mutual fund(s), and common trust funds(s)):					
U.S. Treasury and agency	229,478	—	218,666	10,812	—
Global bonds (corporate, foreign, and high yield)	146,075	—	142,124	3,951	—
Other (floating rate notes, mortgage-backed securities and bank loans)	71,213	88	39,958	31,167	—
Limited partnerships (other than real estate and private equity; primarily publicly traded securities):					
Distressed/credit	21,888	21,888	—	—	—
Diversified arbitrage and multi-strategy	21,442	21,442	—	—	—
Equity long/short	103,651	103,651	—	—	—
Limited partnerships (real estate, private equity, and other)	147,699	131,653	—	9,026	7,020
<b>Total investments</b>	<b>\$ 1,749,807</b>	<b>278,722</b>	<b>1,029,101</b>	<b>433,223</b>	<b>8,761</b>

The following table presents changes in asset classified in Level 3 of the fair value hierarchy during the year ended June 30, 2021 and June 30, 2020 attributable to the following (in thousands):

	<b>2021</b>	<b>2020</b>
Purchases	\$ 7	37
Contributions	14,559	—

**CALIFORNIA COMMUNITY FOUNDATION AND AFFILIATES**

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

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, 2021 and 2020 (in thousands):

	<u>2021</u>	<u>2020</u>
Due within one year	\$ 24,217	24,553
Due within two to five years	7,200	9,277
Due after five years	<u>50,293</u>	<u>50,725</u>
	81,710	84,555
Less unamortized discount to reflect at present value	<u>(16,515)</u>	<u>(17,257)</u>
Total present value	\$ <u>65,195</u>	<u>67,298</u>

**(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. Completion of renovations is anticipated to be in December 2021.

Property, plant, and equipment are summarized as follows as of June 30, 2021 and 2020 (in thousands):

	<u>2021</u>	<u>2020</u>
Land	\$ 4,258	—
Building	11,142	—
Furniture	347	347
Office equipment and other	534	534
Computer equipment and software	616	573
Leasehold improvements	1,230	1,221
Construction in progress	<u>1,521</u>	<u>—</u>
Property, plant, equipment and leasehold improvements, gross	19,648	2,675
Less accumulated depreciation and amortization	<u>(2,429)</u>	<u>(2,244)</u>
Property, plant, equipment and leasehold improvements, net	\$ <u>17,219</u>	<u>431</u>

**CALIFORNIA COMMUNITY FOUNDATION AND AFFILIATES**

Notes to Consolidated Financial Statements

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**(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, 2021 and 2020 (in thousands):

	<u>2021</u>	<u>2020</u>
Due within one year	\$ 36,745	27,836
Due within two to five years	<u>19,435</u>	<u>9,492</u>
	56,180	37,328
Less unamortized discount to reflect grants payable at present value	<u>(131)</u>	<u>(191)</u>
Total	\$ <u>56,049</u>	<u>37,137</u>

**(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, 2022. This line was not drawn on during the year ended June 30, 2021 and 2020. No amounts were outstanding on this line of credit as of June 30, 2021 and 2020.

Additionally, the Foundation has an uncommitted demand note with a financial institution to borrow up to \$25,000,000 with interest equal to the LIBOR-based rate plus 0.45%. This line was not drawn on during the years ended June 30, 2021 and 2020 and has no expiration. No amounts were outstanding on this demand note as of June 30, 2021 and 2020.

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 1.0% 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, 2021 and \$20,000 for the year ended June 30, 2020.

Repayment of the principal amount and any unpaid interest is due June 30, 2027. The loan balance at June 30, 2021 and 2020 was \$1,500,000 and \$2,000,000, respectively.

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% 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, 2021, the loan payable was \$21,574,000. Payments for both the loan and interest are due monthly.

## CALIFORNIA COMMUNITY FOUNDATION AND AFFILIATES

### Notes to Consolidated Financial Statements

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Future loan payments are summarized as follows at June 30, 2021 (in thousands):

2022	\$	1,302
2023		1,327
2024		1,351
2025		1,378
2026		1,404
2027 and thereafter		<u>16,312</u>
Total	\$	<u>23,074</u>

#### (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 and expiring June 30, 2021. Rental expense totaled \$997,000 and \$1,052,000 for the fiscal years ended June 30, 2021 and 2020, respectively. The Foundation is currently paying rent on a month-to-month basis until the building is ready for occupation.

##### (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, 2021 and 2020.

##### (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 \$728,000 and \$633,000 for the years ended June 30, 2021 and 2020, respectively.

## CALIFORNIA COMMUNITY FOUNDATION AND AFFILIATES

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June 30, 2021 and 2020

### (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 policies 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 7.5%, 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% and no more than 7% 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, 2021 and 2020 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, 2021 is as follows (in thousands):

	2021		
	Total	Without restrictions	With restrictions
Donor-restricted endowments	\$ 75,701	—	75,701
Funds functioning as endowments	667,178	667,178	—
Total	\$ 742,879	667,178	75,701

**CALIFORNIA COMMUNITY FOUNDATION AND AFFILIATES**

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

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

Endowment net asset composition as of June 30, 2020 is as follows (in thousands):

	<b>2020</b>		
	<b>Total</b>	<b>Without restrictions</b>	<b>With restrictions</b>
Donor-restricted endowments	\$ 60,715	—	60,715
Funds functioning as endowments	525,807	525,807	—
Total	<u>\$ 586,522</u>	<u>525,807</u>	<u>60,715</u>

As of June 30, 2020, there were 90 donor-restricted endowment funds and 464 funds functioning as endowments.

Changes in endowment net assets for the fiscal years ended June 30, 2021 and 2020 are as follows (in thousands):

	<b>Endowment assets</b>		
	<b>Total</b>	<b>Without restrictions</b>	<b>With restrictions</b>
Endowment assets, June 30, 2019	\$ 601,993	538,299	63,694
Investment return:			
Interest, dividends, and other income	13,386	11,799	1,587
Net unrealized and realized losses	(5,676)	(5,235)	(441)
Total investment return	7,710	6,564	1,146
Contributions	6,194	6,194	—
Appropriation of endowment assets for expenditure	(29,375)	(25,250)	(4,125)
Endowment assets, June 30, 2020	<u>586,522</u>	<u>525,807</u>	<u>60,715</u>
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	<u>\$ 742,882</u>	<u>667,181</u>	<u>75,701</u>

## CALIFORNIA COMMUNITY FOUNDATION AND AFFILIATES

### Notes to Consolidated Financial Statements

June 30, 2021 and 2020

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

	<u>2021</u>	<u>2020</u>
The portion of endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA	\$ 50,783	50,813
The portion of endowment funds subject to a time restriction under UPMIFA, without purpose restrictions for spending	24,918	9,902
Beneficial interests in trusts	38,900	30,688
Contributions receivable	65,195	67,298
Split-interest agreements	<u>9,954</u>	<u>9,791</u>
Total net assets with restrictions	<u>\$ 189,750</u>	<u>168,492</u>

#### **(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 \$89,000 and \$1,103,000 as of June 30, 2021 and 2020, 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.

**CALIFORNIA COMMUNITY FOUNDATION AND AFFILIATES**

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

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

	<u>Program services</u>	<u>Management and general</u>	<u>Development and fundraising</u>	<u>Total</u>
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	\$ <u>407,146</u>	<u>5,977</u>	<u>2,574</u>	<u>415,697</u>

For the year-end June 30, 2020, total expenses were classified by function as follows (in thousands):

	<u>Program services</u>	<u>Management and general</u>	<u>Development and fundraising</u>	<u>Total</u>
Grants and philanthropic distributions, net	\$ 303,439	—	—	303,439
Salaries	3,342	2,731	1,824	7,897
Employee benefits	911	744	497	2,152
Occupancy	594	448	283	1,325
Office expenses	116	82	51	249
Marketing and communications	2,631	257	83	2,971
Consulting and professional services	6,072	885	27	6,984
Conference, meetings, and travel	270	102	27	399
Other administrative expenses	1,150	396	12	1,558
Total	\$ <u>318,525</u>	<u>5,645</u>	<u>2,804</u>	<u>326,974</u>

**CALIFORNIA COMMUNITY FOUNDATION AND AFFILIATES**

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

**(13) Subsequent Events**

The Foundation evaluated events or transactions that occurred subsequent to the consolidated balance sheet date through November 5, 2021, the date the accompanying consolidated financial statements were available to be issued.



**CALIFORNIA COMMUNITY FOUNDATION**

Single Audit Report

June 30, 2021

(With Independent Auditors' Report Thereon)

# CALIFORNIA COMMUNITY FOUNDATION

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Los Angeles, CA 90071-2629

**Independent Auditors' 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***

The Board of Directors  
California Community Foundation and Affiliates:

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 consolidated financial statements of the California Community Foundation, which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated November 5, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered the California Community Foundation's (the Foundation) 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 opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation'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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Foundation's consolidated financial statements are free from 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 Foundation'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 Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Los Angeles, California  
November 5, 2021



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

**Independent Auditors' Report on Compliance for The Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

The Board of Directors  
California Community Foundation and Affiliates:

**Report on Compliance for The Major Federal Program**

We have audited the California Community Foundation's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the California Community Foundation's (the Foundation's) major federal program for the year ended June 30, 2021. The Foundation's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

*Management's Responsibility*

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

*Auditors' Responsibility*

Our responsibility is to express an opinion on compliance for the Foundation's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program occurred. An audit includes examining, on a test basis, evidence about the Foundation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Foundation's compliance.

*Opinion on The Major Federal Program*

In our opinion, the California Community Foundation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2021.

**Report on Internal Control Over Compliance**

Management of the Foundation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Foundation's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major



federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over compliance.

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

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

#### **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the consolidated financial statements of the California Community Foundation as of and for the year ended June 30, 2021, and have issued our report thereon dated November 5, 2021, which contained an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*KPMG LLP*

Los Angeles, California  
November 5, 2021

**CALIFORNIA COMMUNITY FOUNDATION**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2021

<u>Federal grantor/program title</u>	<u>Federal CFDA number</u>	<u>Program or grant number</u>	<u>Federal awards</u>	<u>Amounts passed to subrecipients</u>
Department of Treasury:				
Passed through Los Angeles County – Department of Public Health:				
COVID-19 Coronavirus Relief Fund – CHW Program	21.019	N/A	\$ 15,206,426	14,879,720
Passed through Los Angeles County – CEO Office Community Grants Program:				
COVID-19 Coronavirus Relief Fund – Food Security Program	21.019	N/A	<u>19,017,425</u>	<u>18,678,141</u>
Total COVID-19 Coronavirus Relief Fund			<u>34,223,851</u>	<u>33,557,861</u>
Total Department of Treasury			<u>34,223,851</u>	<u>33,557,861</u>
Total federal awards			\$ <u><u>34,223,851</u></u>	<u><u>33,557,861</u></u>

See accompanying notes to schedule of expenditures of federal awards.

## **CALIFORNIA COMMUNITY FOUNDATION**

### Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2021

#### **(1) General**

The accompanying schedule of expenditures of federal awards (the Schedule) presents the activity of all federal award programs of the California Community Foundation (the Foundation). The Schedule includes federal awards received directly from federal agencies as well as federal awards passed through the State of California and other agencies. The Foundation's reporting entity is defined in note 1 to the Foundation's consolidated financial statements. Because the Schedule presents only a selected portion of the operations of the Foundation's, it is not intended to, and does not, present the financial position, changes in net position, or cash flows of the Foundation.

#### **(2) Basis of Accounting**

The Schedule is presented using the accrual basis of accounting, which is described in the notes to the Foundations consolidated financial statements.

#### **(3) Indirect Cost Rate**

The Foundation did not elect to use the 10% de minimis indirect cost rate as discussed in the Uniform Guidance Section 200.414.

**CALIFORNIA COMMUNITY FOUNDATION**  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2021

**(1) Summary of Auditors' Results**

- a. Type of report issued on whether the financial statements were prepared in accordance with generally accepted accounting principles: **Unmodified**
- b. Internal control deficiencies over financial reporting disclosed by the audit of the financial statements:
  - Material weaknesses: **No**
  - Significant deficiencies: **None reported**
- c. Noncompliance material to the financial statements: **No**
- d. Internal control deficiencies over major programs disclosed by the audit:
  - Material weaknesses: **No**
  - Significant deficiencies: **None reported**
- e. Type of report issued on compliance for major program: **Unmodified**
- f. Audit findings that are required to be reported in accordance with 2 CFR 200.516(a): **No**
- g. Major program:
  - COVID-19 Coronavirus Relief Fund – CFDA 20.019
- h. Dollar threshold used to distinguish between Type A and Type B programs: **\$1,026,716**
- i. Auditee qualified as a low-risk auditee: **No**

**(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards***

None

**(3) Findings and Questioned Costs Relating to Federal Awards**

None