



CALIFORNIA COMMUNITY FOUNDATION AND AFFILIATES

Consolidated Financial Statements

June 30, 2018 and 2017

(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:

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, 2018 and 2017, 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. 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, 2018 and 2017, 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.

KPMG LLP

Los Angeles, California
October 26, 2018

CALIFORNIA COMMUNITY FOUNDATION AND AFFILIATES

Consolidated Statements of Financial Position

June 30, 2018 and 2017

(In thousands)

Assets	2018	2017
Cash and cash equivalents	\$ 22,682	26,797
Investments (note 3)	1,633,719	1,569,959
Program-related notes receivable	21,923	15,852
Contributions receivable, net (note 4)	28,495	14,362
Prepaid expenses and other assets	338	7,269
Beneficial interest in trusts	31,121	33,852
Leasehold improvements and equipment, net (note 5)	621	837
Real estate	6,657	6,657
Total assets	\$ 1,745,556	1,675,585
 Liabilities and Net Assets		
Accounts payable and other liabilities	\$ 1,890	1,483
Funds held for others	121,589	108,940
Grants payable, net (note 6)	20,832	41,108
Notes payable and line of credit (note 7)	2,090	5,590
Liabilities under split-interest agreements	16,900	16,512
Other liabilities	9,369	19,988
Total liabilities	172,670	193,621
Commitments and contingencies (note 8)		
Net assets (note 10):		
Unrestricted	1,435,048	1,359,423
Temporarily restricted	58,984	46,259
Permanently restricted	78,854	76,282
Total net assets	1,572,886	1,481,964
Total liabilities and net assets	\$ 1,745,556	1,675,585

See accompanying notes to consolidated financial statements.

CALIFORNIA COMMUNITY FOUNDATION AND AFFILIATES

Consolidated Statement of Activities

Year ended June 30, 2018

(In thousands)

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Support and revenue:				
Support:				
Amounts raised	\$ 265,976	24,128	3,636	293,740
Less amounts raised or received on behalf of others	<u>(13,707)</u>	<u>—</u>	<u>—</u>	<u>(13,707)</u>
Net contributions and bequests raised	<u>252,269</u>	<u>24,128</u>	<u>3,636</u>	<u>280,033</u>
Other revenue:				
Interest, dividends, and other revenue	33,210	1,834	—	35,044
Realized and unrealized gains on investments and real estate, net	55,577	4,540	(1,064)	59,053
Change in value of split-interest agreements	<u>—</u>	<u>(2,645)</u>	<u>—</u>	<u>(2,645)</u>
Other revenue before allocation of investment income	<u>88,787</u>	<u>3,729</u>	<u>(1,064)</u>	<u>91,452</u>
Less net investment income allocated to funds held for others	<u>(8,816)</u>	<u>—</u>	<u>—</u>	<u>(8,816)</u>
Net other revenue	<u>79,971</u>	<u>3,729</u>	<u>(1,064)</u>	<u>82,636</u>
Net assets released from restrictions	<u>15,132</u>	<u>(15,132)</u>	<u>—</u>	<u>—</u>
Total support and revenue and net assets released from restrictions	<u>347,372</u>	<u>12,725</u>	<u>2,572</u>	<u>362,669</u>
Expenses:				
Program services:				
Grants and philanthropic distributions	242,295	—	—	242,295
Less amounts distributed on behalf of others	<u>(9,088)</u>	<u>—</u>	<u>—</u>	<u>(9,088)</u>
Total grants and philanthropic distributions	<u>233,207</u>	<u>—</u>	<u>—</u>	<u>233,207</u>
Program services expense	16,988	—	—	16,988
Less program services expenses allocated to funds held for others	<u>(530)</u>	<u>—</u>	<u>—</u>	<u>(530)</u>
Total grants, philanthropic distributions, and program services	<u>249,665</u>	<u>—</u>	<u>—</u>	<u>249,665</u>
Support services:				
Management and general administrative	4,290	—	—	4,290
Development and fundraising	13,929	—	—	13,929
Investment management fees	4,119	—	—	4,119
Less administrative expenses and investment management fees allocated to funds held for others	<u>(256)</u>	<u>—</u>	<u>—</u>	<u>(256)</u>
Total support services	<u>22,082</u>	<u>—</u>	<u>—</u>	<u>22,082</u>
Total expenses	<u>271,747</u>	<u>—</u>	<u>—</u>	<u>271,747</u>
Change in net assets	<u>75,625</u>	<u>12,725</u>	<u>2,572</u>	<u>90,922</u>
Net assets at beginning of year	<u>1,359,423</u>	<u>46,259</u>	<u>76,282</u>	<u>1,481,964</u>
Net assets at end of year	<u>\$ 1,435,048</u>	<u>58,984</u>	<u>78,854</u>	<u>1,572,886</u>

See accompanying notes to consolidated financial statements.

CALIFORNIA COMMUNITY FOUNDATION AND AFFILIATES

Consolidated Statement of Activities

Year ended June 30, 2017

(In thousands)

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Support and revenue:				
Support:				
Amounts raised	\$ 274,645	8,913	4,331	287,889
Less amounts raised or received on behalf of others	<u>(14,866)</u>	<u>—</u>	<u>—</u>	<u>(14,866)</u>
Net contributions and bequests raised	<u>259,779</u>	<u>8,913</u>	<u>4,331</u>	<u>273,023</u>
Other revenue:				
Interest, dividends, and other revenue	28,768	1,417	—	30,185
Realized and unrealized gains on investments and real estate, net	119,217	8,724	4,716	132,657
Change in value of split-interest agreements	<u>—</u>	<u>1,536</u>	<u>—</u>	<u>1,536</u>
Other revenue before allocation of investment income	<u>147,985</u>	<u>11,677</u>	<u>4,716</u>	<u>164,378</u>
Less net investment income allocated to funds held for others	<u>(11,688)</u>	<u>—</u>	<u>—</u>	<u>(11,688)</u>
Net other revenue	<u>136,297</u>	<u>11,677</u>	<u>4,716</u>	<u>152,690</u>
Net assets released from restrictions	<u>23,890</u>	<u>(23,890)</u>	<u>—</u>	<u>—</u>
Total support and revenue and net assets released from restrictions	<u>419,966</u>	<u>(3,300)</u>	<u>9,047</u>	<u>425,713</u>
Expenses:				
Program services:				
Grants and philanthropic distributions	179,020	—	—	179,020
Less amounts distributed on behalf of others	<u>(8,828)</u>	<u>—</u>	<u>—</u>	<u>(8,828)</u>
Total grants and philanthropic distributions	<u>170,192</u>	<u>—</u>	<u>—</u>	<u>170,192</u>
Program services expense	14,577	—	—	14,577
Less program services expenses allocated to funds held for others	<u>(393)</u>	<u>—</u>	<u>—</u>	<u>(393)</u>
Total grants, philanthropic distributions, and program services	<u>184,376</u>	<u>—</u>	<u>—</u>	<u>184,376</u>
Support services:				
Management and general administrative	3,967	—	—	3,967
Development and fundraising	13,893	—	—	13,893
Investment management fees	4,009	—	—	4,009
Less administrative expenses and investment management fees allocated to funds held for others	<u>(246)</u>	<u>—</u>	<u>—</u>	<u>(246)</u>
Total support services	<u>21,623</u>	<u>—</u>	<u>—</u>	<u>21,623</u>
Total expenses	<u>205,999</u>	<u>—</u>	<u>—</u>	<u>205,999</u>
Change in net assets	<u>213,967</u>	<u>(3,300)</u>	<u>9,047</u>	<u>219,714</u>
Net assets at beginning of year	<u>1,145,456</u>	<u>49,559</u>	<u>67,235</u>	<u>1,262,250</u>
Net assets at end of year	<u>\$ 1,359,423</u>	<u>46,259</u>	<u>76,282</u>	<u>1,481,964</u>

See accompanying notes to consolidated financial statements.

CALIFORNIA COMMUNITY FOUNDATION AND AFFILIATES

Consolidated Statements of Cash Flows

Years ended June 30, 2018 and 2017

(In thousands)

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ 90,922	219,714
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Realized and unrealized (gains) losses on investments, net	(59,149)	(130,969)
Loss (Gain) on sales of real estate	96	(1,688)
Depreciation and amortization	256	280
Change in value of split-interest agreements	2,646	(1,536)
Contributions restricted for endowments	(3,636)	(4,331)
Contributed noncash assets	(57,475)	(136,200)
Grants of noncash assets	17,751	—
Changes in operating assets and liabilities:		
Contributions receivable	(14,133)	809
Prepaid expenses and other assets	6,931	(4,768)
Accounts payable, other liabilities, and deferred revenue	(10,212)	12,807
Funds held for others	12,649	17,087
Grants payable	(20,276)	(2,257)
Liabilities under split-interest agreements	388	(696)
Net cash used in operating activities	<u>(33,242)</u>	<u>(31,748)</u>
Cash flows from investing activities:		
Proceeds from repayments of notes receivable	7,714	7,429
Issuance of notes receivable	(13,785)	(2,851)
Purchase of investments	(1,129,460)	(712,807)
Proceeds from sale and maturity of investments	1,168,199	729,765
Purchases of furniture and equipment	(41)	(53)
Net cash provided by investing activities	<u>32,627</u>	<u>21,483</u>
Cash flows from financing activities:		
Payments on notes payable	(3,500)	(750)
Proceeds from notes payable	—	5,500
Net cash provided by (used in) financing activities	<u>(3,500)</u>	<u>4,750</u>
Decrease in cash and cash equivalents	(4,115)	(5,515)
Cash and cash equivalents at beginning of year	<u>26,797</u>	<u>32,312</u>
Cash and cash equivalents at end of year	\$ <u>22,682</u>	\$ <u>26,797</u>
Supplemental information:		
Cash paid for interest	\$ 43	8
Noncash investing activities:		
Donated investments	\$ 57,475	136,200
Noncash grants paid	(17,751)	—

See accompanying notes to consolidated financial statements.

CALIFORNIA COMMUNITY FOUNDATION AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2018 and 2017

(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 1,600 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 Ernest Lieblich Foundation
CCF Real Estate Holdings	The Fairbrook Foundation
CCF General Real Estate Holdings	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
The Rose and David Dortort 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 three classes of net assets – unrestricted, temporarily restricted, and permanently restricted – based upon the existence or absence of donor imposed restrictions.

CALIFORNIA COMMUNITY FOUNDATION AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2018 and 2017

Unrestricted Net Assets – 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 (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 unrestricted net assets. The Foundation's governing documents further provide that absent contrary directions given in the transferring instrument regarding the use of the principal, all or part of the principal of any fund may be used 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 unrestricted support that increases unrestricted net assets.

Temporarily Restricted Net Assets – These are subject to donor-imposed restrictions that will be met by the passage of time. The Foundation's temporarily restricted net assets primarily consist of contributions received under split-interest agreements wherein the Foundation or a third party serves as trustee and earnings on endowment funds that have not yet been appropriated.

Permanently Restricted Net Assets – These are subject to donor-imposed restrictions that will be maintained in perpetuity. The investment income generated from these assets is temporarily restricted by law until appropriated by the Board in support of the Foundation's programs and operations. The Foundation's permanently restricted net assets consist of 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 are short term, highly liquid investments with maturities of three months or less at the time of purchase. They are valued using Level 1 inputs in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurement*, as discussed in notes 2(d) and 3.

(d) Investments

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 parties 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.

(e) 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 3.

CALIFORNIA COMMUNITY FOUNDATION AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2018 and 2017

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, 2018 and 2017 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 fair 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, 2018 and 2017, future distributions were recorded at present value using discount rates ranging from 2.5% to 3.0%. 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, 2018 and 2017, 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 applies a discount to the net value reported by the trustee to estimate the net realizable value of such expected distributions.

(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, 2018 and 2017, these loans totaled \$16,235,000 and \$8,607,000, 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 0% to 5.0%. Management has reviewed the collectability of these loans and believes no allowance is necessary as of June 30, 2018 and 2017. At June 30, 2018, the Foundation had outstanding commitments totaling \$6,410,000 under these programs.

A consolidated affiliate of the Foundation enters into acquisition, predevelopment, and other loans with local nonprofit and for-profit developers to finance the development of affordable housing. The remaining terms of the loan is one month with an interest rate of 5.0%. The balance of the loan was \$950,000 and \$1,270,000 as of June 30, 2018 and 2017, respectively.

The Foundation also entered into loans with unrelated nonprofits generally for operating purposes, with remaining terms of the loans ranging from 9 to 60 months and interest rates ranging from 0.0% to 4.0%. The balance of these loans totaled \$4,738,000 and \$5,975,000 as of June 30, 2018 and 2017, respectively.

CALIFORNIA COMMUNITY FOUNDATION AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2018 and 2017

(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 permanently restricted realized and unrealized gains and losses on investments. Beneficial-interest in perpetual trusts totaled \$27,542,000 and \$28,606,000 as of June 30, 2018 and 2017, respectively.

The Foundation is also named beneficiary of the remainder interests in various charitable remainder trusts. Contribution revenue and the related assets are recognized using the present value of the assets expected to be received. Subsequent changes to the fair value of the assets and liabilities are recognized as changes in the value of split-interest agreements in the accompanying consolidated statements of activities. Inputs used to determine the fair value estimates are considered Level 3 in the fair value hierarchy. Beneficial interest in remainder trusts totaled \$3,579,000 and \$5,246,000 as of June 30, 2018 and 2017, respectively.

(i) Leasehold Improvements and Equipment

Leasehold improvements 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:

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 Foundation activities.

CALIFORNIA COMMUNITY FOUNDATION AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2018 and 2017

(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 0.3% to 2.5% at June 30, 2018 and 2017. Inputs used to develop these fair value estimates are considered Level 3 in the fair value hierarchy.

(l) Split-Interest Agreements

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

Charitable Trusts – The Foundation serves as trustee for various charitable remainder trusts. Under the terms of these agreements, the Foundation makes distributions to income beneficiaries for a given term or the life of the beneficiaries. At the end of the term, or upon the death of the income beneficiaries, assets remaining in the trust will be transferred to the Foundation. The Foundation records the assets held in these trusts at their fair value based on current quoted market values, records a liability for the respective agreements at the estimated discounted 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 fair value rates, which were in existence 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, 2018 and 2017 ranged from 2.0% to 6.2%.

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 fair value rates, which were in existence at the date of gift. The discount rates used for the years ended June 30, 2018 and 2017 ranged from 1.2% to 7.4%.

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, which are occasionally updated. Additionally, on an annual basis, Foundation management analyzes comparable sales and rent data sourced from independent third parties to estimate changes in real property fair values and use obligations.

Investments held under these split-interest agreements totaled \$29,873,000 and \$30,232,000 at June 30, 2018 and 2017, 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.

CALIFORNIA COMMUNITY FOUNDATION AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2018 and 2017

(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, 2018 and 2017 were \$2,313,000 and \$12,851,000, respectively.

(n) Fair Value of Financial Instruments

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

(o) Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from those estimates.

(p) Income Taxes

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

(q) New Accounting Pronouncements

In August 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, which amends the requirements for financial statements and notes in ASC Topic 958, *Not-for-Profit Entities*. Provisions of this update include: the reduction in the number of net asset classes presented from three to two: with donor restrictions and without donor restrictions; the requirement to present expenses by their functional and their natural classifications in one location in the financial statements; the requirement to present quantitative and qualitative information about management of liquid resources and availability of financial assets to meet cash needs within one year of the balance sheet date; and the retention of the option to present operating cash flows in the statement of cash flows using either the direct or indirect method. This update is effective for annual periods in fiscal years beginning after December 15, 2017. The Statement is effective for the fiscal year ending June 30, 2019. The Foundation is currently evaluating the effects the adoption of this statement will have on the consolidated financial statements.

CALIFORNIA COMMUNITY FOUNDATION AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2018 and 2017

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 asset and liability will equal the present value of lease payments. This update is effective for the Foundation for annual periods in fiscal years beginning after December 15, 2019. The Statement is effective for the fiscal year ending June 30, 2021. The Foundation is currently evaluating the effects the adoption of this statement will have on the consolidated financial statements.

(3) Fair Value Measurements

In accordance with FASB ASC Topic 820, 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. Fair value of fixed income securities may be estimated by independent pricing services using matrix systems that consider factors, such as security prices, yields, maturities, ratings, and information regarding other securities with similar characteristics.

CALIFORNIA COMMUNITY FOUNDATION AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2018 and 2017

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, which are occasionally updated. Additionally, on an annual basis, Foundation management analyzes comparable sales data sourced from independent third parties to estimate changes in real property fair values.

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 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 reported amounts for these investments are a practical expedient to estimate fair value at June 30, 2018 and 2017.

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.

The Foundation uses net asset value 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 \$188,663,000 and \$189,043,000 of investments that are reported at net asset value at June 30, 2018 and 2017, respectively. For these investments, the Foundation has concluded that the net asset value reported by the underlying fund is a practical expedient to estimating fair value. The amounts reported at net asset value at June 30, 2018 are redeemable with the fund at net asset value 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 net asset value 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 net asset value. 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 net asset value, and the discount could be significant.

CALIFORNIA COMMUNITY FOUNDATION AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2018 and 2017

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 asset and liability 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, 2018 and 2017 (in thousands):

<u>Assets</u>	<u>2018 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	\$ 22,682	—	22,682	—	—
Investments:					
Cash and cash equivalents	\$ 124,440	—	124,440	—	—
Common and preferred stock (directly held, publicly traded mutual fund(s), exchange-traded fund(s), and common trust fund(s))	939,189	—	516,776	371,367	51,046
Fixed income (directly held, publicly traded mutual fund(s), and common trust fund(s)):					
U.S. Treasury and agency	170,755	—	160,778	9,977	—
Global bonds (corporate, foreign, and high yield)	145,861	—	141,507	4,354	—
Other (floating rate notes, MBS, and bank loans)	41,709	98	8,587	29,431	3,593
Limited partnerships (other than real estate and private equity, primarily publicly traded securities):					
Distressed/credit	5,429	5,429	—	—	—
Diversified arbitrage and multi-strategy	17,231	17,231	—	—	—
Equity long/short	81,076	81,076	—	—	—
Event arbitrage	22,140	22,140	—	—	—
Global macro	29,274	29,274	—	—	—
Opportunistic and other	—	—	—	—	—
Limited partnerships (real estate, private equity, and other)	56,615	33,415	—	17,315	5,885
Total investments	<u>\$ 1,633,719</u>	<u>188,663</u>	<u>952,088</u>	<u>432,444</u>	<u>60,524</u>
Beneficial interests in trusts	\$ 31,121	—	—	—	31,121

CALIFORNIA COMMUNITY FOUNDATION AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2018 and 2017

<u>Assets</u>	<u>2017 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	\$ 26,797	—	26,797	—	—
Investments:					
Cash and cash equivalents	\$ 88,882	—	88,882	—	—
Common and preferred stock (directly held, publicly traded mutual fund(s), exchange-traded fund(s), and common trust fund(s))	958,781	—	658,989	283,785	16,007
Fixed income (directly held, publicly traded mutual fund(s), and common trust fund(s)):					
U.S. Treasury and agency	133,046	—	33,878	99,168	—
Global bonds (corporate, foreign, and high yield)	160,624	—	156,521	4,103	—
Other (floating rate notes, MBS, and bank loans)	24,264	98	6,907	12,666	4,593
Limited partnerships (other than real estate and private equity; primarily publicly traded securities):					
Distressed/credit	6,383	6,383	—	—	—
Diversified arbitrage and multi-strategy	31,746	31,746	—	—	—
Equity long/short	92,211	92,211	—	—	—
Event arbitrage	20,542	20,542	—	—	—
Global macro	23,544	23,544	—	—	—
Opportunistic and other	4	4	—	—	—
Limited partnerships (real estate, private equity, and other)	29,932	14,515	—	8,260	7,157
Total investments	\$ <u>1,569,959</u>	<u>189,043</u>	<u>945,177</u>	<u>407,982</u>	<u>27,757</u>
Beneficial interests in trusts	\$ 33,852	—	—	—	33,852

CALIFORNIA COMMUNITY FOUNDATION AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2018 and 2017

The following tables set forth estimated fair values of assets and liabilities measured and recorded on a nonrecurring basis, or for which fair value is required to be disclosed, at June 30, 2018 and 2017 (in thousands):

	2018 Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets:				
Contributions receivable	\$ 28,495	—	—	28,495
Liabilities:				
Grants payable	\$ 20,832	—	—	20,832
Liabilities under split-interest agreements	16,900	—	—	16,900

	2017 Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets:				
Contributions receivable	\$ 14,362	—	—	14,362
Liabilities:				
Grants payable	\$ 41,108	—	—	41,108
Liabilities under split-interest agreements	16,512	—	—	16,512

CALIFORNIA COMMUNITY FOUNDATION AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2018 and 2017

For the years ended June 30, 2018 and 2017, the change in Level 3 assets and liabilities measured at fair value on a recurring basis is as follows (in thousands):

	Common stock and preferred stock	Real estate held by limited partnerships or directly	Other limited partnership and limited liability corporation holdings and other holdings	Beneficial interests in trust	Total
Beginning balance, July 1, 2017	\$ 16,007	—	11,750	33,852	61,609
Total gains (losses) (realized and unrealized)	(11,039)	—	27	(2,671)	(13,683)
Purchases and issuances	47,475	—	—	—	47,475
Sales and settlements	(1,397)	—	(2,299)	(60)	(3,756)
Ending balance, June 30, 2018	\$ <u>51,046</u>	<u>—</u>	<u>9,478</u>	<u>31,121</u>	<u>91,645</u>

Total gains for the year ended June 30, 2018, included in changes in net assets that is attributable to the change in unrealized gains or losses relating to those Level 3 assets measured at fair value on a recurring basis that are still held at June 30, 2018, is \$13,182,000. These are reported in realized and unrealized gains and losses on investments and real estate, net.

	Common stock and preferred stock	Real estate held by limited partnerships or directly	Other limited partnership and limited liability corporation holdings and other holdings	Beneficial interests in trust	Total
Beginning balance, July 1, 2016	\$ 1,258	15	26,436	29,139	56,848
Total gains (losses) (realized and unrealized)	—	—	(17)	5,293	5,276
Purchases and issuances	21,100	—	2,650	—	23,750
Sales and settlements	(6,351)	(15)	(17,319)	(580)	(24,265)
Ending balance, June 30, 2017	\$ <u>16,007</u>	<u>—</u>	<u>11,750</u>	<u>33,852</u>	<u>61,609</u>

Total gains for the year ended June 30, 2017, included in changes in net assets that is attributable to the change in unrealized gains or losses relating to those Level 3 assets measured at fair value on a recurring basis that are still held at June 30, 2017, is \$5,276,000. These are reported in realized and unrealized gains and losses on investments and real estate, net.

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.

CALIFORNIA COMMUNITY FOUNDATION AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2018 and 2017

The following lists the unfunded commitments, redemption frequency, and notice period for common and collective trust funds and for investments for which management uses NAV per share or its equivalent as a practical expedient to determining fair value as of June 30, 2018:

- Investments in limited partnerships, other than real estate and private equity, totaling \$155,150,000 are subject to redemption policies ranging from monthly to biannually with redemption notice periods ranging from 45 to 95 days. Approximately 44% of these limited partnerships are subject to gates that range from 10% to 25% of the NAV at the time of the redemption request.
- Private equity funds and limited partnerships invested in real estate totaling \$33,415,000 are not redeemable. The outstanding capital commitments for various private equity funds totaled \$89,005,000 at June 30, 2018.

The following lists the unfunded commitments, redemption frequency, and notice period for common and collective trust funds and for investments for which management uses NAV per share or its equivalent as a practical expedient to determining fair value as of June 30, 2017:

- Investments in limited partnerships, other than real estate and private equity, totaling \$174,430,000 are subject to redemption policies ranging from monthly to biannually with redemption notice periods ranging from 45 to 95 days. Approximately 45% of these limited partnerships are subject to gates that range from 10% to 25% of the NAV at the time of the redemption request.
- Private equity funds and limited partnerships invested in real estate totaling \$14,515,000 are not redeemable. The outstanding capital commitments for various private equity funds totaled \$16,543,000 at June 30, 2017.

The Foundation's investment income and expenses, net of investment gains and expenses allocated to funds held for others, consist of the following for the years ended June 30, 2018 and 2017 (in thousands):

	2018	2017
Dividends and interest income	\$ 32,588	27,907
Net realized and unrealized gain on investments	52,693	123,247
Change in value of split-interest agreements	(2,645)	1,536
Investment expenses	(3,863)	(3,763)
	\$ 78,773	148,927

CALIFORNIA COMMUNITY FOUNDATION AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2018 and 2017

(4) Contributions Receivable

Contributions receivable are expected to be received as follows at June 30, 2018 and 2017 (in thousands):

	<u>2018</u>	<u>2017</u>
Due within one year	\$ 26,089	10,333
Due within two to five years	1,916	866
Due after five years	<u>753</u>	<u>3,391</u>
	28,758	14,590
Less unamortized discount to reflect at present value	<u>(263)</u>	<u>(228)</u>
Total present value	<u>\$ 28,495</u>	<u>14,362</u>

(5) Leasehold Improvements and Equipment

Leasehold improvements and equipment are summarized as follows as of June 30, 2018 and 2017 (in thousands):

	<u>2018</u>	<u>2017</u>
Furniture	\$ 321	321
Office equipment and other	504	539
Computer equipment and software	447	600
Leasehold improvements	<u>1,192</u>	<u>1,188</u>
	2,464	2,648
Less accumulated depreciation and amortization	<u>(1,843)</u>	<u>(1,811)</u>
Leasehold improvements and equipment, net	<u>\$ 621</u>	<u>837</u>

CALIFORNIA COMMUNITY FOUNDATION AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2018 and 2017

(6) 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, 2018 and 2017 (in thousands):

	<u>2018</u>	<u>2017</u>
Due within one year	\$ 15,824	27,444
Due within two to five years	<u>5,351</u>	<u>14,169</u>
	21,175	41,613
Less unamortized discount to reflect grants payable at present value	<u>(343)</u>	<u>(505)</u>
Total	<u>\$ 20,832</u>	<u>41,108</u>

(7) 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 April 15, 2019. This line was not drawn on during the year ended June 30, 2018 and 2017. No amounts were outstanding on this line of credit as of June 30, 2018 and 2017.

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, 2018 and 2017 and has no expiration. No amounts were outstanding on this demand note as of June 30, 2018 and 2017.

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 is scheduled to begin interest repayments on March 31, 2020. The loan balance at June 30, 2018 and 2017 was \$2,000,000 and \$5,500,000, respectively. Additionally, the Foundation has a \$90,000 loan due to another not-for-profit organization.

CALIFORNIA COMMUNITY FOUNDATION AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2018 and 2017

(8) 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. The following is a schedule of future minimum lease payments under the operating lease at June 30, 2018 (in thousands):

Fiscal year ending June 30:	
2019	\$ 831
2020	856
2021	<u>881</u>
	<u>\$ 2,568</u>

Rental expense totaled \$962,000 and \$888,000 for the fiscal years ended June 30, 2018 and 2017, respectively.

(b) Loan Guarantees

The Foundation has agreed to guarantee certain debts of other not-for-profit organizations. Amounts guaranteed were \$841,000 and \$1,400,000 at June 30, 2018 and 2017, respectively.

(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.

(9) 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 \$673,000 and \$579,000 for the years ended June 30, 2018 and 2017, respectively.

CALIFORNIA COMMUNITY FOUNDATION AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2018 and 2017

(10) 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 permanently restricted net assets 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.

The remaining portion of the donor-restricted endowment that is not classified as permanently restricted net assets is classified as temporarily restricted net assets 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 grantmaking and administration. For the years ended June 30, 2018 and 2017, amounts to be distributed were subject to limits of no less than 4.0% and no more than 7.0% of the fair value of the assets as of the last of the applicable 12 quarters. The spending policy is approved on an annual basis by the Board for that subsequent fiscal year. The spending policy in effect for the years ended June 30, 2018 and 2017 was to distribute an amount equal to 5.7% and 5.8%, respectively, of a rolling three-year average of the fair value of the assets for each calendar quarter end of the three previous years.

CALIFORNIA COMMUNITY FOUNDATION AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2018 and 2017

Endowment net asset composition as of June 30, 2018 and 2017 is as follows (in thousands):

		2018			
		<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>
Donor-restricted endowments	\$	64,413	(834)	13,946	51,301
Funds functioning as endowments		<u>523,360</u>	<u>523,360</u>	<u>—</u>	<u>—</u>
Total	\$	<u><u>587,773</u></u>	<u><u>522,526</u></u>	<u><u>13,946</u></u>	<u><u>51,301</u></u>

As of June 30, 2018, there were 89 donor-restricted endowment funds and 433 funds functioning as endowments.

		2017			
		<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>
Donor-restricted endowments	\$	58,308	(1,070)	12,079	47,299
Funds functioning as endowments		<u>504,432</u>	<u>504,432</u>	<u>—</u>	<u>—</u>
Total	\$	<u><u>562,740</u></u>	<u><u>503,362</u></u>	<u><u>12,079</u></u>	<u><u>47,299</u></u>

As of June 30, 2017, there were 87 donor-restricted endowment funds and 412 funds functioning as endowments.

CALIFORNIA COMMUNITY FOUNDATION AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2018 and 2017

Changes in endowment net assets for the fiscal years ended June 30, 2018 and 2017 are as follows (in thousands):

	2018			
	Total	Unrestricted	Temporarily restricted	Permanently restricted
Endowment assets, beginning of year	\$ 562,740	503,362	12,079	47,299
Investment return:				
Interest, dividends, and other income	14,406	12,708	1,698	—
Net unrealized and realized gains	38,326	34,227	4,099	—
Total investment return	52,732	46,935	5,797	—
Contributions	4,564	928	—	3,636
Other	366	—	—	366
Appropriation of endowment assets for expenditure	(32,629)	(28,699)	(3,930)	—
Endowment assets, end of year	<u>\$ 587,773</u>	<u>522,526</u>	<u>13,946</u>	<u>51,301</u>

	2017			
	Total	Unrestricted	Temporarily restricted	Permanently restricted
Endowment assets, beginning of year	\$ 514,559	463,647	7,944	42,968
Investment return:				
Interest, dividends, and other income	11,887	10,609	1,278	—
Net unrealized and realized gains	59,333	52,739	6,594	—
Total investment return	71,220	63,348	7,872	—
Contributions	8,802	4,471	—	4,331
Appropriation of endowment assets for expenditure	(31,841)	(28,104)	(3,737)	—
Endowment assets, end of year	<u>\$ 562,740</u>	<u>503,362</u>	<u>12,079</u>	<u>47,299</u>

CALIFORNIA COMMUNITY FOUNDATION AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2018 and 2017

Description of amounts classified as permanently restricted net assets and temporarily restricted net assets is as follows (in thousands):

	<u>2018</u>	<u>2017</u>
Permanently restricted net assets:		
The portion of endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA	\$ 51,301	47,299
Contributions receivable	11	377
Beneficial interests in perpetual trusts	<u>27,542</u>	<u>28,606</u>
Total permanently restricted net assets	\$ <u>78,854</u>	<u>76,282</u>
Temporarily restricted net assets:		
The portion of endowment funds subject to a time restriction under UPMIFA:		
Without purpose restrictions for spending	\$ 13,946	12,079
Split-interest agreements and contributions receivable	<u>45,038</u>	<u>34,180</u>
Total temporarily restricted net assets	\$ <u>58,984</u>	<u>46,259</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 \$834,000 and \$1,070,000 as of June 30, 2018 and 2017, respectively.

(11) Subsequent Events

The Foundation evaluated events or transactions that occurred subsequent to the consolidated balance sheet date through October 26, 2018, the date the accompanying consolidated financial statements were available to be issued.