



CALIFORNIA COMMUNITY FOUNDATION AND AFFILIATES

Consolidated Financial Statements

June 30, 2020 and 2019

(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, 2020 and 2019, 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, 2020 and 2019, 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 20, 2020

CALIFORNIA COMMUNITY FOUNDATION AND AFFILIATES

Consolidated Statements of Financial Position

June 30, 2020 and 2019

(In thousands)

Assets	2020	2019
Cash and cash equivalents	\$ 34,874	27,709
Investments (note 4)	1,749,807	1,675,252
Program-related notes receivable, net (note 2)	24,767	23,312
Contributions receivable, net (note 5)	67,298	51,021
Prepaid expenses and other assets	148	138
Beneficial interest in trusts (notes 2 and 4)	30,688	30,647
Leasehold improvements and equipment, net (note 6)	431	527
Real estate (note 2)	<u>6,657</u>	<u>6,657</u>
Total assets	<u>\$ 1,914,670</u>	<u>1,815,263</u>
 Liabilities and Net Assets		
Accounts payable and other liabilities (note 2)	\$ 8,554	12,335
Funds held for others (note 2)	122,465	125,507
Grants payable, net (note 7)	37,137	17,315
Notes payable and line of credit (note 8)	2,000	2,050
Liabilities under split-interest agreements	<u>14,149</u>	<u>15,496</u>
Total liabilities	<u>184,305</u>	<u>172,703</u>
Commitments and contingencies (notes 2 and 9)		
Net assets (notes 2 and 11):		
Net assets without donor restrictions	1,561,873	1,484,719
Net assets with donor restrictions	<u>168,492</u>	<u>157,841</u>
Total net assets	<u>1,730,365</u>	<u>1,642,560</u>
Total liabilities and net assets	<u>\$ 1,914,670</u>	<u>1,815,263</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 Statement of Activities

Year ended June 30, 2019

(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	\$ 201,603	54,165	255,768
Less amounts raised or received on behalf of others	<u>(8,377)</u>	<u>—</u>	<u>(8,377)</u>
Net contributions and bequests raised	<u>193,226</u>	<u>54,165</u>	<u>247,391</u>
Other revenue:			
Net investment return	77,239	2,156	79,395
Less net investment return allocated to funds held for others	<u>(6,488)</u>	<u>—</u>	<u>(6,488)</u>
Change in value of split-interest agreements	<u>—</u>	<u>1,041</u>	<u>1,041</u>
Net investment return and other revenue	<u>70,751</u>	<u>3,197</u>	<u>73,948</u>
Net assets released from restrictions	<u>36,525</u>	<u>(36,525)</u>	<u>—</u>
Total support and revenue and net assets released from restrictions	<u>300,502</u>	<u>20,837</u>	<u>321,339</u>
Expenses:			
Program services:			
Grants and philanthropic distributions	232,936	—	232,936
Less amounts distributed on behalf of others	<u>(10,388)</u>	<u>—</u>	<u>(10,388)</u>
Total grants and philanthropic distributions, net	<u>222,548</u>	<u>—</u>	<u>222,548</u>
Program services expense	21,205	—	21,205
Less program services expenses allocated to funds held for others	<u>(559)</u>	<u>—</u>	<u>(559)</u>
Total grants, philanthropic distributions, and program services, net	<u>243,194</u>	<u>—</u>	<u>243,194</u>
Support services:			
Management and general administrative	5,369	—	5,369
Development and fundraising	<u>3,102</u>	<u>—</u>	<u>3,102</u>
Total support services	<u>8,471</u>	<u>—</u>	<u>8,471</u>
Total expenses	<u>251,665</u>	<u>—</u>	<u>251,665</u>
Change in net assets	48,837	20,837	69,674
Net assets at beginning of year	<u>1,435,882</u>	<u>137,004</u>	<u>1,572,886</u>
Net assets at end of year	\$ <u><u>1,484,719</u></u>	<u><u>157,841</u></u>	<u><u>1,642,560</u></u>

See accompanying notes to consolidated financial statements.

CALIFORNIA COMMUNITY FOUNDATION AND AFFILIATES

Consolidated Statements of Cash Flows

Years ended June 30, 2020 and 2019

(In thousands)

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 87,805	69,674
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Realized and unrealized gains on investments, net	15,653	(47,800)
Loss on sales of real estate	—	3,891
Depreciation and amortization	194	223
Change in value of split-interest agreements	(128)	(1,041)
Change in allowance for credit losses	500	250
Contributed noncash assets	(6,010)	(1,515)
Grants of noncash assets	—	16,414
Changes in operating assets and liabilities:		
Contributions receivable	(16,277)	(22,526)
Prepaid expenses and other assets	(10)	200
Accounts payable and other liabilities	(3,781)	1,076
Funds held for others	(3,042)	3,918
Grants payable	19,822	(3,517)
Liabilities under split-interest agreements	(1,347)	(1,404)
Net cash provided by operating activities	<u>93,379</u>	<u>17,843</u>
Cash flows from investing activities:		
Proceeds from repayments of notes receivable	4,361	5,052
Issuance of notes receivable	(6,316)	(6,691)
Purchase of investments	(1,200,777)	(1,085,667)
Proceeds from sale and maturity of investments	1,116,666	1,074,659
Purchases of furniture and equipment	(98)	(129)
Net cash used in investing activities	<u>(86,164)</u>	<u>(12,776)</u>
Cash flows from financing activity:		
Payments on notes payable	(50)	(40)
Net cash used in financing activity	<u>(50)</u>	<u>(40)</u>
Increase in cash and cash equivalents	7,165	5,027
Cash and cash equivalents at beginning of year	<u>27,709</u>	<u>22,682</u>
Cash and cash equivalents at end of year	<u>\$ 34,874</u>	<u>27,709</u>
Supplemental information:		
Cash paid for interest	\$ 20	15
Noncash investing activities:		
Donated investments	\$ 6,010	1,515
Grants of noncash assets	—	(16,414)

See accompanying notes to consolidated financial statements.

CALIFORNIA COMMUNITY FOUNDATION AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

(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 1,700 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 #2	The Fairbrook Foundation
CCF General Real Estate Holding	The FEDCO Charitable Foundation
Community Foundation Land Corporation	The Pipkin Charitable Foundation
Community Foundation Land Trust	The SahanDaywi Foundation
Los Angeles Community Foundation	Thelma Pearl Howard Foundation
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 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, 2020 and 2019

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 earnings on endowment funds that have not yet been appropriated.

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 trusteeed 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 invested 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.

(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 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, 2020 and 2019 that would indicate impairment of the Foundation's long-lived assets.

CALIFORNIA COMMUNITY FOUNDATION AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

(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, 2020 and 2019, future distributions were recorded at present value using discount rates ranging from 2% to 4% and 2.5% 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, 2020 and 2019, 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, 2020 and 2019, these loans totaled \$23,498,000 and \$20,405,000, 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 2.0% to 5.0%. Management reviewed the collectability of these loans and established an allowance of \$750,000 and \$250,000 as of June 30, 2020 and 2019, respectively. At June 30, 2020, the Foundation had outstanding commitments totaling \$6,885,000 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 2.0% to 4.0%. The balance of these loans totaled \$2,019,000 and \$3,157,000 as of June 30, 2020 and 2019, 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 realized and unrealized gains and losses on investments. Beneficial interest in perpetual trusts totaled \$26,988,000 and \$26,770,000 as of June 30, 2020 and 2019, respectively.

CALIFORNIA COMMUNITY FOUNDATION AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

The Foundation is also named beneficiary of the remainder interests in various charitable remainder trusts. Under these arrangements, the Foundation will have rights to the underlying assets, following a qualifying event. Contribution revenue and the related assets are recognized using the present value of the assets expected to be received. Subsequent changes to the fair value of the assets and liabilities are recognized as changes in the value of split-interest agreements in the accompanying consolidated statements of activities. Inputs used to determine the fair value estimates are considered Level 3 in the fair value hierarchy. Beneficial interest in remainder trusts totaled \$3,700,000 and \$3,877,000 as of June 30, 2020 and 2019, 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 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 0.16% to 1.75% and 0.4% to 2.5% at June 30, 2020 and 2019, respectively. Inputs used to develop these fair value estimates are considered Level 3 in the fair value hierarchy.

CALIFORNIA COMMUNITY FOUNDATION AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

(I) *Split-Interest Agreements*

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

Charitable Trusts – The Foundation serves as trustee for various charitable remainder trusts. Under the terms of these agreements, the Foundation makes distributions to income beneficiaries for a given term or the life of the beneficiaries. At the end of the term, or upon the death of the income beneficiaries, assets remaining in the trust will be transferred to the Foundation. The Foundation records the assets held in these trusts at their fair value based on current quoted market values, records a liability for the respective agreements at the estimated present value of the amounts due to the income beneficiaries, and records contribution revenue for the difference between the two values. The present value of payments to beneficiaries under these arrangements is calculated using discount rates, as selected at the date of gift. Gains or losses resulting from changes in actuarial assumptions and accretions of the discount are recorded as changes in the value of split-interest agreements in the accompanying consolidated statements of activities. The discount rates used for the years ended June 30, 2020 and 2019 ranged from 2% to 6.2% and 2% to 6%, respectively. The trusts' assets totaled \$15,624,000 and \$16,783,000 at June 30, 2020 and June 30, 2019, respectively. The trusts' liabilities totaled \$8,298,000 and \$9,038,000 as of June 30, 2020 and June 30, 2019, 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, 2020 and 2019 ranged from 1.2% to 7.2% and 1.2% to 7.4%, respectively. The annuities' assets totaled \$4,951,000 and \$5,568,000 at June 30, 2020 and June 30, 2019, respectively. The annuities' liabilities totaled \$5,851,000 and \$6,458,000 as of June 30, 2020 and June 30, 2019, 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 \$3,365,000 and \$5,624,000 at June 30, 2020 and June 30, 2019, respectively. No liabilities were outstanding as of June 30, 2020 or June 30, 2019.

Investments held under these split-interest agreements totaled \$23,940,000 and \$27,975,000 at June 30, 2020 and 2019, 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, 2020 and 2019

(m) Other Liabilities

Other liabilities include refundable advances. When a donor transfers assets to the Foundation subject to a condition, a refundable advance is accounted for until the condition is substantially met. There were no refundable advances outstanding at June 30, 2020. Refundable advances as of June 30, 2019 were \$3,915,000 and are included in Accounts payable and other liabilities on the Consolidated Statement of Financial Position.

(n) Fair Value of Financial Instruments

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

(o) Use of Estimates

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

(p) Income Taxes

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

(q) Recent Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, which requires a lessee to recognize a lease asset and a lease liability for most of its operating leases. Prior to the adoption of the update, operating leases are not recognized by a lessee in its statements of financial position. In general, the new leased asset and liability will equal the present value of lease payments. The statement is effective for the fiscal year ending June 30, 2022. The Foundation is currently evaluating the effects the adoption of this statement will have on the consolidated financial statements.

In November 2016, the FASB issued ASU No. 2016-18, *Restricted Cash*, which requires restricted cash and restricted cash equivalents to be included in the total cash and cash equivalents within the statement of cash flows and requires disclosure about the nature of restrictions on cash and cash equivalents. Additionally, where cash and cash equivalents are presented in more than one line on the balance sheet, the amounts and corresponding line items are disclosed and reconciled to the total cash and cash equivalents shown in the statement of cash flows. The Foundation adopted ASU 2016-18 on a retrospective basis as of July 1, 2018. The adoption of this accounting guidance did not have a material effect on the consolidated financial statements.

CALIFORNIA COMMUNITY FOUNDATION AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

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 has adopted the guidance with respect to contributions received, which did not result 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 Foundation does not expect the new guidance to have a material impact on its 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.

Commencing March 23, 2020, the Foundation responded to local regulations by initiating a full remote 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, 2020, 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.

CALIFORNIA COMMUNITY FOUNDATION AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

(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, 2020 and 2019 (in thousands):

	June 30	
	2020	2019
Cash and cash equivalents	\$ 34,874	27,709
Investments:	1,749,807	1,675,252
Less amounts not available for expenditure:		
Investments at net asset value	(278,722)	(215,654)
Donor-restricted endowments	(60,715)	(63,694)
Split interest agreement investments	(23,940)	(27,975)
	1,386,430	1,367,929
Total financial assets available for expenditure	\$ 1,421,304	1,395,638

As part of the Foundation's liquidity management, it structures its financial assets as its general expenditures, liabilities and other obligations come due. As described in note 11, the Foundation's endowment funds include both a donor-restricted endowment and funds functioning as endowments. Income from the donor-restricted endowment is restricted for specific purposes and, therefore, if not available for general expenditures. The endowment has a spending rate of 5.4% and 5.5% and \$32,546,000 and \$33,411,000 has been designated for general expenditures for the year ended June 30, 2020 and 2019, 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 \$525,807,000 and \$538,299,000 as of June 30, 2020 and 2019, 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

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pricing the asset or liability developed based on the best information available. The three-tier hierarchy of inputs is summarized in the three broad levels listed as follows:

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

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

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

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

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

Limited partnerships holding publicly traded securities, limited partnerships holding real estate, and private equity holdings are recorded at estimated fair value based on the net asset value (NAV) of the Foundation's ownership interest in the partners' capital, which includes assumptions and methods that were prepared by the general partner of the limited partnerships and were reviewed by the Foundation's management. The Foundation believes that the NAV amounts reported for these investments are a practical expedient to estimate fair value at June 30, 2020 and 2019.

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.

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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 \$278,722,000 and \$216,654,000 of investments that are reported at NAV at June 30, 2020 and 2019, 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, 2020 are redeemable with the fund at NAV under the original terms of the partnership agreements and/or subscription agreements and operations of the underlying funds. However, it is possible that these redemption rights may be restricted or eliminated by the funds in the future in accordance with the underlying fund agreements. Due to the nature of the investments held by the funds, changes in market conditions and the economic environment may significantly impact the NAV of the funds and, consequently, the fair value of the Foundation's interests in the funds. Although a secondary market exists for these investments, it is not active and individual transactions are typically not observable. When transactions do occur in this limited secondary market, they may occur at discounts to the reported NAV. It is, therefore, reasonably possible that if the Foundation were to sell these investments in the secondary market, a buyer may require a discount to the reported NAV, and the discount could be significant.

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

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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, 2020 and 2019 (in thousands):

<u>Assets</u>	<u>2020 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	\$ 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
Total investments	\$ <u>1,749,807</u>	<u>278,722</u>	<u>1,029,101</u>	<u>433,223</u>	<u>8,761</u>
Beneficial interests in trusts	\$ 30,688	—	—	—	30,688

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<u>Assets</u>	<u>2019 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	\$ 27,709	—	27,709	—	—
Investments:					
Cash equivalents	\$ 121,288	—	121,288	—	—
Common and preferred stock (directly held, publicly traded mutual fund(s), exchange- traded fund(s), and common trust fund(s))	909,241	—	468,305	435,763	5,173
Fixed income (directly held, publicly traded mutual fund(s), and common trust fund(s)):					
U.S. Treasury and agency Global bonds (corporate, foreign, and high yield)	234,059	—	226,755	7,304	—
Other (floating rate notes, mortgage-backed securities and bank loans)	127,446	—	123,184	4,262	—
Limited partnerships (other than real estate and private equity; primarily publicly traded securities):					
Distressed/credit	50,379	97	18,651	31,631	—
Diversified arbitrage and multi-strategy	22,817	22,817	—	—	—
Equity long/short	17,443	17,443	—	—	—
Limited partnerships (real estate, private equity, and other)	91,380	91,380	—	—	—
	<u>101,199</u>	<u>84,917</u>	<u>—</u>	<u>7,241</u>	<u>9,041</u>
Total investments	\$ <u>1,675,252</u>	<u>216,654</u>	<u>958,183</u>	<u>486,201</u>	<u>14,214</u>
Beneficial interests in trusts	\$ 30,647	—	—	—	30,647

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For the years ended June 30, 2020 and 2019, 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	Limited partnerships	Beneficial interests in trust	Total
Balance, July 1, 2018	\$ 51,046	9,478	31,121	91,645
Total gains (losses) (realized and unrealized)	4,150	552	(414)	4,288
Purchases and issuances	—	2,380	—	2,380
Sales and settlements	(50,023)	(3,369)	(60)	(53,452)
Balance, June 30, 2019	5,173	9,041	30,647	44,861
Total gains (losses) (realized and unrealized)	483	524	99	1,106
Purchases and issuances	—	37	—	37
Sales and settlements	(3,915)	(2,582)	(58)	(6,555)
Balance, June 30, 2020	\$ 1,741	7,020	30,688	39,449

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, 2020:

- Investments in limited partnerships, other than real estate and private equity, totaling \$138,521,000, are subject to redemption policies ranging from monthly to biannually with redemption notice periods ranging from 30 to 95 days. Approximately 30% 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 \$128,053,000 are not redeemable. The outstanding capital commitments for various private equity funds totaled \$227,742,000 at June 30, 2020.

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, 2019:

- Investments in limited partnerships, other than real estate and private equity, totaling \$131,640,000, are subject to redemption policies ranging from monthly to biannually with redemption notice periods ranging from 45 to 95 days. Approximately 30% 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 \$84,917,000 are not redeemable. The outstanding capital commitments for various private equity funds totaled \$181,192,000 at June 30, 2019.

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(5) Contributions Receivable

Contributions receivable are expected to be received as follows at June 30, 2020 and 2019 (in thousands):

	<u>2020</u>	<u>2019</u>
Due within one year	\$ 24,553	14,516
Due within two to five years	9,277	2,674
Due after five years	<u>50,725</u>	<u>51,090</u>
	84,555	68,280
Less unamortized discount to reflect at present value	<u>(17,257)</u>	<u>(17,259)</u>
Total present value	\$ <u><u>67,298</u></u>	\$ <u><u>51,021</u></u>

(6) Leasehold Improvements and Equipment

Leasehold improvements and equipment are summarized as follows as of June 30, 2020 and 2019 (in thousands):

	<u>2020</u>	<u>2019</u>
Furniture	\$ 347	345
Office equipment and other	534	518
Computer equipment and software	573	498
Leasehold improvements	<u>1,221</u>	<u>1,214</u>
	2,675	2,575
Less accumulated depreciation and amortization	<u>(2,244)</u>	<u>(2,048)</u>
Leasehold improvements and equipment, net	\$ <u><u>431</u></u>	\$ <u><u>527</u></u>

(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, 2020 and 2019 (in thousands):

	<u>2020</u>	<u>2019</u>
Due within one year	\$ 27,836	11,875
Due within two to five years	<u>9,492</u>	<u>5,650</u>
	37,328	17,525
Less unamortized discount to reflect grants payable at present value	<u>(191)</u>	<u>(210)</u>
Total	\$ <u><u>37,137</u></u>	\$ <u><u>17,315</u></u>

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(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, 2021. This line was not drawn on during the year ended June 30, 2020 and 2019. No amounts were outstanding on this line of credit as of June 30, 2020 and 2019.

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, 2020 and 2019 and has no expiration. No amounts were outstanding on this demand note as of June 30, 2020 and 2019.

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 \$20,000 for the year ended June 30, 2020 and \$15,000 for the year ended June 30, 2019. Repayment of the principal amount and any unpaid interest is due June 30, 2027. The loan balance at June 30, 2020 and 2019 was \$2,000,000 and \$2,050,000, respectively.

(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. Future minimum lease payments under the operating lease at June 30, 2020 is comprised of \$881,000 to be incurred through June 30, 2021. Rental expense totaled \$1,052,000 and \$1,077,000 for the fiscal years ended June 30, 2020 and 2019, respectively.

(b) Loan Guarantees

The Foundation has agreed to guarantee certain debts of other not-for-profit organizations. Amounts guaranteed were \$446,000 and \$446,000 at June 30, 2020 and 2019, 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.

(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 \$633,000 and \$666,395 for the years ended June 30, 2020 and 2019, respectively.

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(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. For the years ended June 30, 2020 and 2019, 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, 2020 and 2019 was to distribute an amount equal to 5.4% and 5.5%, respectively, of a rolling three-year average of the fair value of the assets for each calendar quarter end of the three previous years.

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Endowment net asset composition as of June 30, 2020 and 2019 is as follows (in thousands):

	2020		
	Total	Without restrictions	With restrictions
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.

	2019		
	Total	Without restrictions	With restrictions
Donor-restricted endowments	\$ 63,694	—	63,694
Funds functioning as endowments	538,299	538,299	—
Total	<u>\$ 601,993</u>	<u>538,299</u>	<u>63,694</u>

As of June 30, 2019, there were 90 donor-restricted endowment funds and 429 funds functioning as endowments.

Changes in endowment net assets for the fiscal years ended June 30, 2020 and 2019 are as follows (in thousands):

	Endowment assets		
	Total	Without restrictions	With restrictions
Endowment assets, July 1, 2018	\$ 587,773	523,360	64,413
Investment return:			
Interest, dividends, and other income	14,533	12,785	1,748
Net unrealized and realized gains	21,125	18,599	2,526
Total investment return	35,658	31,384	4,274
Contributions	11,816	11,816	—
Appropriation of endowment assets for expenditure	(33,254)	(28,261)	(4,993)
Endowment assets, June 30, 2019	<u>601,993</u>	<u>538,299</u>	<u>63,694</u>

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	Endowment assets		
	Total	Without restrictions	With restrictions
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	\$ 586,522	525,807	60,715

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

	2020	2019
The portion of endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA	\$ 50,813	50,801
The portion of endowment funds subject to a time restriction under UPMIFA, without purpose restrictions for spending	9,902	12,893
Beneficial interests in trusts	30,688	30,647
Contributions receivable	67,298	51,021
Split-interest agreements	9,791	12,479
Total net assets with restrictions	\$ 168,492	157,841

(c) Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level required by the donor or law, or the historical value of the endowment gift. The aggregated deficiencies of this nature for all donor-restricted endowment funds totaled \$1,103,000 and \$831,000 as of June 30, 2020 and 2019, 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.

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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>

For the year-end June 30, 2019, 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	\$ 222,548	—	—	222,548
Salaries	3,219	2,628	1,916	7,763
Employee benefits	907	740	540	2,187
Occupancy	575	466	297	1,338
Office expenses	158	121	77	356
Marketing and communications	4,571	114	158	4,843
Consulting and professional services	9,559	696	72	10,327
Conference, meetings, and travel	291	168	34	493
Other administrative expenses	1,366	436	8	1,810
Total	\$ <u>243,194</u>	<u>5,369</u>	<u>3,102</u>	<u>251,665</u>

(13) Subsequent Events

The Foundation evaluated events or transactions that occurred subsequent to the consolidated balance sheet date through October 20, 2020, the date the accompanying consolidated financial statements were available to be issued.