



*Report of Independent Auditors and
Consolidated Financial Statements with
Supplementary Information*

**Community Foundation Santa Cruz County
and Subsidiaries**

*December 31, 2020
(with comparative totals for the year ended December 31, 2019)*

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Report of Independent Auditors

To the Board of Directors
Community Foundation Santa Cruz County and Subsidiaries

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Community Foundation Santa Cruz County and Subsidiaries (the "Foundation"), which comprise the consolidated statements of financial position as of December 31, 2020, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 auditor's 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 Foundation'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 Foundation'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 Community Foundation Santa Cruz County and Subsidiaries as of December 31, 2020, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Report on Summarized Comparative Information

We have previously audited Community Foundation Santa Cruz County and Subsidiaries 2019 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated June 3, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating statement of financial position, and consolidating statement of activities and changes in net assets as of and for the year ended December 31, 2020, are presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Moss Adams LLP

San Francisco, California
April 11, 2021

Consolidated Financial Statements

Community Foundation Santa Cruz County and Subsidiaries
Consolidated Statements of Financial Position
December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents	\$ 4,149,305	\$ 2,105,209
Investments	150,094,663	135,092,225
Charitable trust assets	2,571,705	2,304,479
Grants and other accounts receivable	1,177,780	589,986
Loans receivable - CIRF	2,750,000	1,459,600
Loan interest receivable	16,042	25,637
Deposits and prepaid expenses	33,818	34,138
Fixed assets, net	<u>7,081,575</u>	<u>7,274,745</u>
Total assets	<u>\$ 167,874,888</u>	<u>\$ 148,886,019</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and other liabilities	\$ 933,097	\$ 246,976
Grants payable	1,961,746	2,295,332
Agency funds	17,151,922	15,918,440
Charitable trust liabilities	1,189,667	1,065,079
Charitable gift annuity liability	595,387	618,712
Notes payable, net of unamortized debt issuance costs	<u>1,258,038</u>	<u>915,728</u>
Total liabilities	<u>23,089,857</u>	<u>21,060,267</u>
Net assets		
Without donor restrictions	8,214,869	7,813,782
With donor restrictions	<u>136,570,162</u>	<u>120,011,970</u>
Total net assets	<u>144,785,031</u>	<u>127,825,752</u>
Total liabilities and net assets	<u>\$ 167,874,888</u>	<u>\$ 148,886,019</u>

Community Foundation Santa Cruz County and Subsidiaries
Consolidated Statement of Activities and Changes in Net Assets
Year Ended December 31, 2020 (With Comparative Totals for 2019)

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
PUBLIC SUPPORT AND REVENUE				
Contributions and grants	\$ 1,702,863	\$ 33,692,188	\$ 35,395,051	\$ 19,822,804
Investment income, net	74,357	6,536,517	6,610,874	15,840,949
Change in split-interest agreements	-	82,213	82,213	176,616
Foundation services fees	225,444	-	225,444	220,717
Other income	30,308	209,684	239,992	76,034
Extinguishment of loan payable	-	-	-	50,000
Satisfaction of time and/or purpose restrictions	22,455,863	(22,455,863)	-	-
	1,506,547	(1,506,547)	-	-
TOTAL PUBLIC SUPPORT AND REVENUE	\$ 25,995,382	\$ 16,558,192	\$ 42,553,574	\$ 36,187,120
EXPENSES				
Grants and disbursements:				
Arts, history, and culture	\$ 1,500,410	\$ -	\$ 1,500,410	\$ 1,124,174
Community development	1,859,297	-	1,859,297	1,059,457
Education/youth development	3,749,431	-	3,749,431	3,069,685
Environment	2,724,287	-	2,724,287	2,482,417
Health	2,429,069	-	2,429,069	2,558,000
Human services	8,800,453	-	8,800,453	1,577,741
Other	-	-	-	182,443
Regional water management	962,957	-	962,957	602,841
Total grants and disbursements	22,025,904	-	22,025,904	12,656,758
Supporting services, programs	2,561,484	-	2,561,484	1,369,879
Total grants, disbursements, and supporting services, programs	24,587,388	-	24,587,388	14,026,637
Supporting services, operations				
Marketing and development	251,727	-	251,727	748,364
Management and general	755,180	-	755,180	854,719
Total supporting services, operations	1,006,907	-	1,006,907	1,603,083
TOTAL EXPENSES	25,594,295	-	25,594,295	15,629,720
CHANGE IN NET ASSETS	401,087	16,558,192	16,959,279	20,557,400
NET ASSETS AT BEGINNING OF YEAR	7,813,782	120,011,970	127,825,752	107,268,352
NET ASSETS AT END OF YEAR	\$ 8,214,869	\$ 136,570,162	\$ 144,785,031	\$ 127,825,752

Community Foundation Santa Cruz County and Subsidiaries
Consolidated Statements of Functional Expenses
Years Ended December 31, 2020 and 2019

	2020			
	Program Services	Marketing/ Development	Management and General	Total
GRANTS AND DISBURSEMENTS	\$ 22,025,904	\$ -	\$ -	\$ 22,025,904
SUPPORTING SERVICES				
PERSONNEL EXPENSES				
Salaries	1,148,295	111,640	334,919	1,594,854
Payroll taxes and employee benefits	354,184	34,434	103,304	491,922
Total personnel expenses	1,502,479	146,074	438,223	2,086,776
OTHER EXPENSES				
General office	166,056	16,145	48,434	230,635
Conferences and meetings	12,350	1,201	3,602	17,153
Outreach and education	16,721	1,626	4,877	23,224
Professional services	414,787	43,020	129,060	586,867
Repairs and maintenance	144,288	14,028	42,084	200,400
Insurance	26,391	2,566	7,697	36,654
Depreciation	225,283	21,902	65,707	312,892
Interest expense	53,129	5,165	15,496	73,790
Total other expenses	1,059,005	105,653	316,957	1,481,615
Total supporting services	2,561,484	251,727	755,180	3,568,391
Total expenses	<u>\$ 24,587,388</u>	<u>\$ 251,727</u>	<u>\$ 755,180</u>	<u>\$ 25,594,295</u>
	2019			
	Program Services	Marketing/ Development	Management and General	Total
GRANTS AND DISBURSEMENTS	\$ 12,656,758	\$ -	\$ -	\$ 12,656,758
SUPPORTING SERVICES				
PERSONNEL EXPENSES				
Salaries	722,186	396,357	446,391	1,564,934
Payroll taxes and employee benefits	200,644	109,046	126,493	436,183
Total personnel expenses	922,830	505,403	572,884	2,001,117
OTHER EXPENSES				
General office	77,540	42,143	48,884	168,567
Conferences and meetings	14,360	7,804	9,053	31,217
Outreach and education	17,683	9,610	11,148	38,441
Professional services	78,104	42,448	49,240	169,792
Repairs and maintenance	72,103	39,186	45,456	156,745
Insurance	18,612	10,115	11,734	40,461
Depreciation	144,896	78,747	91,346	314,989
Interest expense	23,751	12,908	14,974	51,633
Total other expenses	447,049	242,961	281,835	971,845
Total supporting services	1,369,879	748,364	854,719	2,972,962
Total expenses	<u>\$ 14,026,637</u>	<u>\$ 748,364</u>	<u>\$ 854,719</u>	<u>\$ 15,629,720</u>

Community Foundation Santa Cruz County and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 16,959,279	\$ 20,557,400
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Extinguishment of loan payable	-	(50,000)
Depreciation	312,892	314,989
Amortization of bond financing costs included in interest expense	14,272	13,175
Noncash contributions	-	(6,097,034)
Contributions received for endowment	(962,690)	(326,998)
Realized and unrealized (gains)/loss	(4,240,928)	(12,867,374)
Change in split-interest agreements	(82,213)	(176,616)
Decrease (increase) in operating assets:		
Charitable trust assets	-	(251,983)
Grants and other accounts receivable	(587,794)	172,683
Loan interest receivable	9,595	(18,363)
Deposits and prepaid expenses	320	41,091
Increase (decrease) in operating liabilities		
Accounts payable and other liabilities	686,121	82,603
Grants payable	(333,586)	(1,790,384)
Agency funds	1,233,482	2,254,297
Charitable gift annuity liability	(83,750)	(83,591)
Net cash provided by operating activities	12,925,000	1,773,895
CASH FLOWS FROM INVESTING ACTIVITIES		
Funding of loans receivable - CIRF	(2,000,000)	-
Repayment of loans receivable - CIRF	709,600	-
Proceeds from sales of investments	33,354,011	6,590,725
Purchase of securities	(44,115,521)	(9,200,651)
Purchase of fixed assets	(119,722)	(105,201)
Net cash used in investing activities	(12,171,632)	(2,715,127)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payment of notes payable	(926,654)	(128,136)
Proceeds from originated notes payable	1,254,692	-
Contributions received for endowment	962,690	326,998
Net cash provided financing activities	1,290,728	198,862
NET CHANGES IN CASH AND CASH EQUIVALENTS	2,044,096	(742,370)
CASH AND CASH EQUIVALENTS, beginning of year	2,105,209	2,847,579
CASH AND CASH EQUIVALENTS, end of year	\$ 4,149,305	\$ 2,105,209
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest expense	\$ 59,518	\$ 38,459
Noncash contributions	\$ 9,933,537	\$ 6,097,034

See accompanying notes.

Community Foundation Santa Cruz County and Subsidiaries

Notes to Consolidated Financial Statements

NOTE 1 – DESCRIPTION OF FOUNDATION

Community Foundation Santa Cruz County ("CFSCC" or the "Foundation") is a California nonprofit public benefit corporation classified by the Internal Revenue Service as tax-exempt under Section 501(c)(3) and as a nonprivate foundation under Section 509(a)(1) of the Internal Revenue Code of 1986. CFSCC was organized in 1982 to enhance the quality of life by seeking, accepting, managing and disbursing funds to address a variety of community needs throughout Santa Cruz County. Grants and technical assistance services provided are in accordance with the terms of CFSCC's guidelines and are subject to approval of the Board of Directors of CFSCC.

The Regional Water Management Foundation ("RWMF"), a subsidiary of CFSCC and a California nonprofit public benefit corporation, was organized on August 21, 2007 to implement and administer Integrated Regional Water Management Grants awarded by the State of California and such other grants from state, federal or other sources as may be awarded to RWMF from time to time. Since 2007, in addition to implementing and administering the grants, RWMF has expanded its scope of activities to include those aimed at addressing water issues in Santa Cruz County. RWMF is a Type I supporting organization under Section 509(a)(3) of the Internal Revenue Code.

NLMJ Borina Land, LLC ("NLMJ"), a California limited liability company, was organized on September 26, 2013 to be operated for the exclusive purpose of holding title to agricultural land held for investment, collecting income therefrom and turning over the entire amount thereof, less expenses to CFSCC. NLMJ is wholly owned by CFSCC. NLMJ, collectively with RWMF and certain charitable trusts in which the Foundation serves as the trustee, are herein referred to as the Subsidiaries.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation – The accompanying consolidated financial statements include the assets, liabilities, net assets, and financial activities of the Foundation and Subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation.

Basis of accounting – The Foundation and Subsidiaries prepare their consolidated financial statements on the accrual basis of accounting consistent with accounting principles generally accepted in the United States of America. References to fiscal year 2020 refer to the year ended December 31, 2020; fiscal year 2019 refer to the year ended December 31, 2019.

Basis of presentation – The Foundation and Subsidiaries are required to report information regarding their financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed stipulations. Net assets without donor restrictions consist primarily of operating reserves, capital assets, general operating support, and the RWMF supporting organization.

Community Foundation Santa Cruz County and Subsidiaries

Notes to Consolidated Financial Statements

Net assets with donor restrictions: Net assets that are subject to donor-imposed stipulations. Net assets with donor restrictions consist primarily of nonendowed and endowed donor funds (including donor-advised funds), charitable gift annuities, cash surrender value of life insurance, and investments in charitable trusts. Donor funds include resources that are restricted by a donor for use for a particular purpose or in a particular future period and are subject to the variance power of the Board of Directors. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities and change in net assets as net assets released from restrictions. Endowed funds represent the fair value of the original gift as of the gift date and the original value of subsequent gifts to donor-restricted endowment funds. The historic gift amount of endowed funds is to be preserved in perpetuity. The Foundation's position is to consider all donor advised funds as with donor restricted net assets.

Endowment funds – interpretation of relevant law – The Board of the Foundation, with the advice of legal counsel, has determined it holds assets which meet the definition of endowment funds under the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). The Foundation is required to provide information about net assets which are defined as endowment in accordance with California enacted UPMIFA. As a result of this interpretation, the corpus of funds subject to UPMIFA are classified as with donor restrictions. The corpus represents the fair value of the original gifts as of the gift date, and all subsequent gifts where the donor has indicated the gift be retained in perpetuity. The value of assets in excess of original gifts in donor-restricted endowment funds are classified as net assets with donor restrictions until appropriated for expenditure by the Foundation.

From time to time, the fair value of the assets associated with individual donor-restricted endowment funds may fall below historical gift value. When reviewing its donor restricted endowment funds, the Foundation considers a fund to be underwater if the fair value of the fund is less than the original value of initial and subsequent gift amounts donated to the fund. Any deficit of a donor-restricted endowment fund is presented as a reduction in net assets with donor restrictions. In prior years, if a fund did not have any accumulated earnings, the fund would not participate in grant-making. As of December 31, 2020 and 2019, there were no underwater funds.

Investment and spending policies – The Foundation has adopted investment policies that preserve capital, regularly evaluate and control risk to ensure it is commensurate with the given investment style and objective of the portfolio and is invested with the care, skill, prudence, and diligence with the goal of producing returns equal to or exceeding prevailing standards among community foundations of similar asset size. The investment strategy for endowed funds utilizes a "total return," that is, the aggregate return from capital appreciation and dividend and interest income. Donors (the person or organization that established the fund) or the fund representative authorized by the fund agreement may choose the investment option for their fund when their fund is established. The donor or fund representative may also request to change their fund's investment option once per calendar year.

Community Foundation Santa Cruz County and Subsidiaries

Notes to Consolidated Financial Statements

Prior to 2019, the Board of Directors, after conferring with counsel with respect to the provisions of both the Uniform Management of Institutional Funds Act ("UMIFA") and UPMIFA, adopted a spending plan that continues to followed UMIFA by enforcing no spending of the restricted in perpetuity historic gift, or corpus, of the fund. The objective of endowed funds at that time was that the principal gift(s) of the fund would be held forever. Charitable distributions would be spent from a fund's net earnings according to the Foundation's spending policy. In 2019 the Foundation began a modification of its spending policy. Phase 1 was effective for calendar year 2019. This new policy allowed for funds where net earnings may reduce the fund below historic gift; and the average balance of the twelve trailing quarters exceeds the historic gift; the fund may spend at the following levels: If 98% or above historic gift, then spend 4% of the 12 trailing quarter average balance; if between 96-97.99%, then spend 3%; if between 94-95.99%, then spend 2%. There is no spending if the fund dips below 94% of the historic gift. The spending policy was further modified in calendar year 2020 to reduce 4% portion of the calculation to 3.75%. This reduction continues to ensure the availability of grantmaking dollars to the community in perpetuity. Pursuant to the policy, the total target return is 7%. The funds available for grant-making determined each year (4% for 2019 and 3.75% for 2020) are calculated based on a 12-quarter moving average as of December 31st. Both the Finance Committee and the Board of Directors of the Foundation must approve any changes to the spending policy.

Under the Foundation's endowment spending policy, 3.75% of the average of the fair value at the end of the previous 12 quarters is appropriated based on the above tiered method. For calendar year 2020 and 2019, the calculation for new grant making dollars was \$2,613,992 and \$2,497,740, respectively. Of these amounts \$181,605 and \$169,383 was related to endowed agency funds for the years ended December 31, 2020 and 2019.

Prior year information – The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America ("GAAP"). Accordingly, such information should be read in conjunction with the Foundation's consolidated financial statements for the year ended December 31, 2019, from which the summarized information was derived.

Reclassification – Certain reclassifications have been made to the 2019 consolidated financial statements presentation for comparative purposes to conform with the presentation in the current year consolidated financial statements. Such reclassifications did not change total assets, liabilities, revenues, expenses, or changes in net assets, as reflected in the 2019 consolidated financial statements.

Use of estimates – The preparation of consolidated financial statements in accordance with GAAP includes the use of 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 the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Fair value of financial instruments – The financial instruments of the Foundation and Subsidiaries include cash and cash equivalents, investments, grants and other accounts receivable, accounts payable and other liabilities, grants payable and notes payable. The recorded values of these financial instruments approximate their fair values. The carrying amount of cash and cash equivalents, grants and other accounts receivable, accounts payable and other liabilities and grants payable approximates fair value because of the short maturities of those financial instruments. The carrying amount of notes payable approximate fair value since stated rate is similar to rates currently available to the Foundation for debt with similar terms and remaining maturities.

Community Foundation Santa Cruz County and Subsidiaries

Notes to Consolidated Financial Statements

Cash and cash equivalents – For purposes of the consolidated statements of cash flows, the Foundation and Subsidiaries consider all highly liquid investments with an initial maturity of three months or less at the date of acquisition to be cash equivalents. The carrying amounts of cash and cash equivalents approximate their fair values.

The Foundation and Subsidiaries maintain their cash in bank deposit accounts which, at times, may exceed federally insured limits. The Foundation and Subsidiaries have not experienced any losses in such accounts. The Foundation and Subsidiaries believe they are not exposed to any significant credit risk on cash and cash equivalents.

Investments – Investments are stated at fair value. Investment purchases and sales are accounted for on a trade-date basis. Realized and unrealized gains and losses are calculated based upon the underlying cost of individual lots. Interest income, net of investment management fees, is recorded when earned, and dividends are recorded on the ex-dividend date.

Investments are made according to the finance policy adopted by the Foundation's Board of Directors. The guidelines provide for investment in equities, fixed income, and alternative investments. Investment consultants are utilized by the Foundation for the purpose of providing investment advice and report to the Finance Committee.

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 Foundation maintains master investment accounts (“funds”) for its endowed and nonendowed donor funds. Realized and unrealized gains and losses from securities in the master investment accounts are allocated monthly to the individual endowed and nonendowed funds based on the relationship of the market value of each donor fund to the total market value of the master investment accounts, as adjusted for additions to or deductions from those accounts.

Investments include land owned by NLMJ. NLMJ leases the land pursuant to the terms of a lease agreement and accounts for its land lease as an operating lease. Lease revenue, net of operating expenses, is included in investment income on the accompanying consolidated statements of activities and changes in net assets. Fair value is determined using valuation techniques utilizing appraisal.

Charitable trust assets

Charitable lead trust: The Foundation serves as trustee for a charitable lead trust. Under the term of the trust agreement, the Foundation is to receive annual distributions and make distributions to income beneficiaries. At the end of the term, or upon the death of the trustor, assets remaining in the trust will be dispersed in accordance with the term of the trust. As the amounts due to be received by the Foundation are insignificant, no receivable has been recorded for this trust. The Foundation records the assets held for income beneficiaries in the trust at their fair values based on current quoted market values. The corresponding liability is recorded as charitable trust liabilities on the accompanying consolidated statements of financial position.

Community Foundation Santa Cruz County and Subsidiaries

Notes to Consolidated Financial Statements

Charitable remainder trusts: The Foundation is a 100% remainderman beneficiary under four charitable remainder trusts, three of which the Foundation also serves as trustee. At the end of the terms, or upon the death of the income beneficiaries, assets remaining in the trusts will be dispersed in accordance with the terms of the trusts. The Foundation records the amounts expected to be received based on the present value of the remainder interests using a discount rate of 2% as of December 31, 2020 and 2019.

In addition, for trusts in which the Foundation serves as trustee, the Foundation makes distributions to income beneficiaries for a given term or the life of the beneficiaries under the terms of these trust agreements and records the amounts held for income beneficiaries equal to the differences between the total assets held in the charitable remainder trusts at their fair values based on quoted market values and the amounts expected to be received by the Foundation. The corresponding liability is recorded as charitable trust liabilities on the accompanying consolidated statements of financial position.

Assets held in charitable gift annuities: The Foundation has established various charitable gift annuities. Under the terms of these agreements, donors contribute assets to the Foundation in exchange for a promise by the Foundation to pay fixed distributions to the donors for the lives of the donors. Upon the death of the donors, assets remaining in the charitable gift annuities will be transferred to a fund held for the benefit of a cause or an organization designated by the donors. The Foundation records the assets held in the charitable gift annuities as investments at their fair values based on current quoted market prices and records a liability under the charitable gift annuities based on the estimated fair value, estimated by calculating the discounted value of the amounts due to the donors based on the Internal Revenue Service annuity and mortality tables. The Foundation recognizes contribution revenue for the difference between the fair value of the assets received and the annuity liability and for contributions made to the Foundation pursuant to the underlying agreements.

Annuity liabilities are recorded for the required life annuity payments at the present value of expected future cash payments discounted using a discount rate that is commensurate with the risks involved. The annuity obligations are adjusted each year for changes in the life expectancy of the donors and are reduced as payments are made to the donors.

Loans receivable – The impact investment loans receivable included in investments are carried at outstanding principal balance, less an allowance for loan losses. Interest income is accrued on the principal loan balance. Management's determination of the level of allowance for loan losses rests upon various judgments and assumptions, including current and projected economic conditions. As of December 31, 2020 and 2019, allowance for loan losses was \$0.

The Community Investment Revolving Fund ("CIRF") loans receivable are carried at outstanding principal balance, less an allowance for loan losses. Interest income is accrued on the principal loan balance. Management's determination of the level of allowance for loan losses rests upon various judgments and assumptions, including current and projected economic conditions. As of December 31, 2020 and 2019, allowance for loan losses was \$0.

Grants and other accounts receivable – Grants and other accounts receivable consist primarily of unconditional promises to give. Receivables are stated at the amount management expects to collect from outstanding balances. Management closely monitors outstanding balances and provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that remain outstanding after management has used reasonable collection efforts are generally written off through a charge to the valuation allowance and a credit to accounts receivable. As of December 31, 2020 and 2019, the balance of the allowance for doubtful accounts was \$0.

Community Foundation Santa Cruz County and Subsidiaries

Notes to Consolidated Financial Statements

Fixed assets and depreciation – Fixed assets are stated at cost. Purchases of property, equipment or improvements costing more than \$1,000 are capitalized and recorded at cost. Major improvements are charged to the fixed assets account, while maintenance and repairs, which do not extend the life of the respective assets, are expensed. When fixed assets are retired or otherwise disposed, the cost of the fixed asset and the related accumulated depreciation are removed from the accounts and any resulting gains or losses are reflected in the consolidated statements of activities and changes in net assets.

Depreciation is computed on the straight-line method over the estimated useful lives of the assets. The useful lives of the assets are estimated as follows:

Building and improvements	40 years
Land improvements	20 years
Office equipment and software	3 to 10 years

Impairment of long-lived assets – The Foundation and Subsidiaries review their long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the asset to the future net undiscounted cash flow expected to be generated and any estimated proceeds from the eventual disposition. If the long-lived asset is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the asset exceeds the fair value as determined from an appraisal, discounted cash flow analysis, or other valuation technique. There were no impairment losses recognized during 2020 and 2019.

Bond financing costs and amortization – Bond financing costs incurred in connection with the issuance of the tax-exempt bonds were recorded at cost as a reduction from the principal balance of the underlying bonds. Amortization of bond financing costs over the term of the underlying bonds is included in interest expense on the accompanying consolidated statements of functional expenses.

Agency funds – The Foundation receives grants from charitable foundations and local agencies for initiatives and special projects for which purpose restrictions apply. Such grants and contributions are recorded as net assets with donor restrictions until the purpose restrictions are met. When a not-for-profit organization establishes a fund at the Foundation with its own funds and specifies itself or its affiliate as the beneficiary of the fund, the Foundation accounts for the transfer of such assets as a liability. The liability is the total fair value of the funds and is reflected as agency funds on the accompanying consolidated statements of financial position. In addition, related amounts received or distributed, investment income or loss, and expenses are not presented on the accompanying consolidated statements of activities and changes in net assets.

Designated agency funds: The Foundation receives and distributes assets for the benefit of various other not-for-profit organizations under certain donor fund agreements. Such assets received are recorded as net assets with donor restrictions until the purpose restrictions are met. The Foundation accepts a contribution from a donor and agrees to transfer a portion of the return on investment of those assets, subject to the Foundation's spending policy, to another entity that is specified by the donor. The Foundation holds such funds as designated funds.

Advised funds: The Foundation offers several types of funds that enable donors to identify funding opportunities aligned with their value and charitable interests. Donor-advised funds with donor restrictions allow donors to recommend grant recipients, subject to CFSCC's due diligence and approval.

Community Foundation Santa Cruz County and Subsidiaries

Notes to Consolidated Financial Statements

Revenue recognition – *contributions and grants*: Contributions and grants are recognized as revenue when received or unconditionally promised and are recorded as support with donor restrictions or without donor restrictions. Unconditional pledges to give are recorded as contributions when pledged at the net present value of the amounts expected to be collected. Unconditional pledges to give that are expected to be received in future periods are discounted annually using the current interest rate the funds would earn. Amortization of the discount is recorded as contribution revenue.

Revenue recognition of donor restrictions – Support that is restricted by the donor is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying consolidated statements of activities and changes in net assets as net assets released from restrictions. When restrictions on contributions are satisfied in the same period as the receipt of the contribution, the Foundation reports both the contribution received and the related expense in net assets without donor restrictions.

Foundation services fees – The Foundation charges a monthly service fee for endowed and nonendowed funds under management. These fees are recorded internally both as revenue and expense. All bequests are subject to a one-time fee. These fees help fund the general operations of the Foundation. Fees earned from funds other than agency funds and charitable gift annuities have been eliminated for financial statement presentation, in that these fees do not come from sources external to the Foundation. Foundation services fees earned from agency funds and bequest fees are included in foundation services fees on the accompanying consolidated statements of activities and changes in net assets.

Grants and disbursements – Grants are made from available principal and income in accordance with the designations of donors. Endowed funds are subject to the Foundation's spending policy. Grants are recorded at the date of approval. Donor advised grants below \$50,000 are recorded at the date of approval by either CEO or CFO. Donor-advised grants above \$50,000 are recorded at the date of approval by the Executive Committee. The Board of Directors ratifies all grants. Grant awards are presented on the accompanying consolidated statements of activities and changes in net assets, net of grant refunds.

Functional allocation of expenses – The costs of providing the programs and other activities have been summarized on a functional basis in the accompanying consolidated statements of activities and changes in net assets and consolidated statements of functional expenses. Expenses that can be identified with a specific program or supporting service are charged directly to the related program or supporting service. Expenses that are associated with more than one program or supporting service are allocated based on a prorated allocation of employee time, department headcount, and square footages.

Income taxes – CFSCC and RWMF have been granted tax exempt status by the Internal Revenue Service and the California Franchise Tax Board. In addition, CFSCC has received a ruling from the Internal Revenue Service that it is not a private foundation. CFSCC and RWMF have also registered with the Registry of Charitable Trusts of the Office of the Attorney General of the State of California. NLMJ is disregarded for federal tax purposes and has been granted tax exempt status by the California Franchise Tax Board.

Community Foundation Santa Cruz County and Subsidiaries

Notes to Consolidated Financial Statements

The preparation of consolidated financial statements in accordance with GAAP requires the Foundation and Subsidiaries to report information regarding their exposure to various tax positions taken by the Foundation and Subsidiaries. Management has determined whether any tax positions have met the recognition threshold and has measured the Foundation and Subsidiaries' exposure to those tax positions. Management believes that the Foundation and Subsidiaries have adequately addressed all relevant tax positions and that there are no unrecorded tax liabilities. Federal tax authorities generally have the right to examine and audit the previous three years of tax returns filed. California tax authorities generally have the right to examine and audit the previous four years of tax returns filed. Any interest or penalties assessed to the Foundation and Subsidiaries are recorded in operating expenses. No interest or penalties from federal or state tax authorities were recorded in the accompanying consolidated financial statements.

NOTE 3 – INVESTMENTS AND FAIR VALUE MEASUREMENT

The Foundation applies the accounting provisions related to fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurement standards (FASB Accounting Standards Codification 820) establish a three-level hierarchy that prioritizes the information used in developing fair value estimates, and require disclosure of fair value measurements by level within the fair value hierarchy. The hierarchy gives the highest priority to quoted prices in active markets (Level 1 measurements) and the lowest priority to unobservable data (Level 3 measurements), such as the reporting entity's own data. These provisions also provide valuation techniques, such as the market approach (comparable market prices), the income approach (present value of future income or cash flows) and the cost approach (cost to replace the service capacity of an asset or replacement cost).

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The three levels of valuation hierarchy are defined as follows:

Level 1: Observable inputs such as quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2: Inputs other than quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3: Unobservable inputs that reflect the Foundation's own assumptions.

Level 1, 2, and 3 valuation techniques and inputs:

Level 1 – Investments in equity, fixed income and certain liquid alternative securities, including real estate investment trusts, commodities, multi strategy funds, energy and infrastructure funds, U.S. Treasury securities, asset backed securities, are classified as Level 1 because they are valued using quoted market prices, broker dealer quotations or alternative pricing sources with reasonable levels of price transparency.

Community Foundation Santa Cruz County and Subsidiaries

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Level 2 – Investments in notes receivable and certain liquid alternative securities are valued using maturity and interest rates as observable inputs. These securities are not actively traded, the pricing service use alternative methods to determine fair value for these securities, including: using matrix pricing or market corroborated pricing and inputs such as yield curves and indices; derivatives (i.e., swaps and over-the-counter put and call options) that are valued with pricing models and inputs that utilize contractual terms including period to maturity; and readily observable parameters including interest rates, volatility, correlation levels, and credit quality of the counterparty.

Level 3 – Investments include direct investments in real estate, private companies, cash surrender value of life insurance, and beneficial interests in nontrusteed charitable remainder trusts. Valuation techniques and inputs for each are described below.

Private equity – Closely-held private or restricted stock is reviewed no less than annually using a variety of qualitative factors to subjectively determine the most appropriate valuation methodologies. Valuation inputs may include, but are not limited to, initial investment amount (cost), observed transaction price used in subsequent valuations, liquidation value, qualified opinion or appraisal, company financial statements, press releases and company commentary, and the CFSCC's own assessment of value and applicable discounts.

Real estate – Direct investment in real estate and interests in real estate partnerships (other than real estate funds) are reviewed no less than annually using a variety of qualitative factors to subjectively determine the most appropriate valuation methodologies consistent with the market, income, and cost approaches. Valuation inputs may include, but are not limited to, the initial investment amount (cost), partnership financial statements, market comparables, qualified appraisal, discounted cash flow, and CFSCC's own assessment of value and applicable discounts. Independent appraisals of significant real estate held for investment are conducted periodically, depending on the nature of the investment.

Beneficial interests – CFSCC uses a discounted cash flow methodology to determine fair value of the beneficial interests in nontrusteed charitable remainder trusts and to determine the liability associated with split interest agreements. Inputs used for valuation of remainder interests in nontrusteed charitable trusts include financial statements provided by the trustee, the life expectancy of the income beneficiaries, and an applicable discount rate determined by CFSCC. The fair value of beneficial interests is reviewed and updated annually by adjusting the current life expectancies of the income beneficiaries, applicable discount rate, and market value of each trust. A decrease in the discount rate and a longer life expectancy will decrease the fair value of the trust receivable and liability.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the disclosed level within the hierarchy is based on the lowest level of input that is significant to the fair value measurement. Assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the item being measured.

Community Foundation Santa Cruz County and Subsidiaries

Notes to Consolidated Financial Statements

The following tables present the Foundation's assets and liabilities that are measured and recognized at fair value on a recurring basis classified under the appropriate level of the fair value hierarchy as of December 31, 2020 and 2019:

	December 31, 2020				
	Total	Level 1	Level 2	Level 3	NAV
ASSETS					
Investments					
Cash equivalents					
Money market securities	\$ 17,421,572	\$ 17,421,572	\$ -	\$ -	\$ -
Fixed income and preferreds					
Fixed income	31,165,896	31,165,896	-	-	-
Inflation linked securities	2,182,301	2,182,301	-	-	-
Preferred securities	133,490	133,490	-	-	-
Global equities					
US equity	35,963,081	35,963,081	-	-	-
International	32,315,095	32,315,095	-	-	-
Emerging market	6,805,116	6,805,116	-	-	-
Liquid alternative securities					
Equity hedge assets	1,863,349	1,863,349	-	-	-
Absolute return assets	413,372	413,372	-	-	-
Equity return assets	2,908,870	2,908,870	-	-	-
Real assets	5,403,029	5,403,029	-	-	-
Structured investments	5,155,000	-	5,155,000	-	-
Alternative investments					
Private equity funds	4,218,408	758,336	-	-	3,460,072
Investments in notes receivable	1,176,542	-	1,176,542	-	-
Real estate	2,785,000	-	-	2,785,000	-
Other investments	184,542	-	-	184,542	-
Total investments	\$ 150,094,663	\$ 137,333,507	\$ 6,331,542	\$ 2,969,542	\$ 3,460,072
Split-interest agreements					
Beneficial interests in charitable remainder trusts	\$ 2,571,705	\$ -	\$ -	\$ 2,571,705	\$ -
LIABILITIES					
Split-interest agreements					
Charitable gift annuity liability	\$ 595,387	\$ -	\$ -	\$ 595,387	\$ -
Charitable trust liabilities	\$ 1,189,667	\$ -	\$ -	\$ 1,189,667	\$ -

Community Foundation Santa Cruz County and Subsidiaries

Notes to Consolidated Financial Statements

	December 31, 2019				
	Total	Level 1	Level 2	Level 3	NAV
ASSETS					
Investments					
Cash equivalents					
Money market securities	\$ 12,945,535	\$ 12,945,535	\$ -	\$ -	\$ -
Fixed income and preferreds					
Fixed income	30,688,473	30,688,473	-	-	-
Inflation linked securities	2,082,842	2,082,842	-	-	-
Preferred securities	248,374	248,374	-	-	-
Global equities					
US equity	30,166,213	30,166,213	-	-	-
International	30,086,933	30,086,933	-	-	-
Emerging market	3,973,700	3,973,700	-	-	-
Liquid alternative securities					
Equity hedge assets	1,569,533	1,569,533	-	-	-
Absolute return assets	389,319	389,319	-	-	-
Equity return assets	2,330,515	2,330,515	-	-	-
Real assets	7,182,240	7,182,240	-	-	-
Structured investments	7,543,346	-	7,543,346	-	-
Alternative investments					
Private equity funds	1,458,623	-	-	-	1,458,623
Investments in notes receivable	1,470,519	-	1,470,519	-	-
Real estate	2,785,000	-	-	2,785,000	-
Other investments	171,060	-	-	171,060	-
Total investments	<u>\$ 135,092,225</u>	<u>\$ 121,663,677</u>	<u>\$ 9,013,865</u>	<u>\$ 2,956,060</u>	<u>\$ 1,458,623</u>
Split-interest agreements					
Beneficial interests in charitable remainder trusts	<u>\$ 2,304,479</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,304,479</u>	<u>\$ -</u>
LIABILITIES					
Split-interest agreements					
Charitable gift annuity liability	\$ 618,712	\$ -	\$ -	\$ 618,712	\$ -
Charitable trust liabilities	\$ 1,065,079	\$ -	\$ -	\$ 1,065,079	\$ -

Liquid alternative securities – Liquid alternative securities objectives are similar to mutual funds or exchange traded funds that aim to provide investors with diversification. The objective seeks nontraditional investment strategies that offset exposure beyond traditional stocks, bonds, and cash. Liquid alternative securities can be traded daily. There are no unfunded commitments. Liquid alternative securities are part of the long term, socially responsible long term, and charitable gift annuity portfolios.

Alternative investments – The Foundation invested in three private equity funds. Private equity funds are actively managed funds and fund-of-funds that invest in private and public companies through a variety of strategies, but not limited to, early and late stage venture capital, leveraged buy-outs, distressed assets, special situations, and credit strategies. These investments are valued at net asset value (“NAV”) when the investment is valued at NAV based on capital statements provided by entities that qualify to calculate fair value using NAV per share or its equivalent. Alternative investments are included as part of the long term, socially responsible long term, and charitable gift annuity portfolios. The unfunded commitments is \$5,660,480 as of December 31, 2020. These investments are generally not redeemable from the fund manager. Instead, distributions are received through the liquidation of the underlying assets of the fund.

Real estate – During 2013, NLMJ received a gift of agricultural land. Pursuant to an operating lease agreement, NLMJ receives rent revenue as the lessor of the underlying land. The rent revenue, net of incidental expenses, is included in investment income on the accompanying consolidated statements of activities and changes in net assets. NLMJ recorded the property at the fair value of \$2,785,000 as of the transfer date. Alternative investment in real estate is included as part of the long-term portfolio. Independent appraisals of significant real estate held for investments are conducted periodically, depending on the nature of the investment.

Community Foundation Santa Cruz County and Subsidiaries

Notes to Consolidated Financial Statements

Other investments

Investment in limited liability companies: The Foundation occasionally receives donations of noncontrolling interests in limited liability companies. The Foundation accepts such donations with a condition that the investments would be liquidated as soon as practical. During 2018, the Foundation received a contribution membership interest and estimated the fair value of such interest at \$100,000 and recorded investments and corresponding contributions in that amount which represented management's best estimates of the assets' fair values at the date of the donation. As of December 31, 2020 and 2019, the fair values of membership interests were \$103,418 and \$103,447, respectively.

Cash surrender value of life insurance: The Foundation is the beneficiary of a \$750,000 life insurance policy of an insured donor. During 2020 and 2019, the Foundation made premium payments of \$19,000 in each year from the restricted contributions made by the insured donor. The asset is reported at the amount that could be realized at December 31, 2020. Cash surrender value of life insurance is estimated by the life insurance company. As of December 31, 2020 and 2019, the fair value of cash surrender value of life insurance was \$81,123 and \$67,613, respectively. Cash surrender value of life insurance is included as part of the operational cash management portfolio.

Community Foundation Santa Cruz County and Subsidiaries

Notes to Consolidated Financial Statements

Split interest agreements – The following tables present a roll-forward for level 3 investment and the fair value of beneficial interests in split interest agreements (including the change in fair value) for nontrusteed charitable remainder trusts and life estates, and the fair value of liabilities to income beneficiaries of split interest agreements (including the change in fair value) for split interest agreements trustee by CFSCC (i.e., charitable remainder and annuity trusts, gift annuities, and pooled income fund), as shown on the consolidated statements of financial position for the years ended December 31, 2020 and 2019:

	Real Estate	Other	Total
	<u> </u>	<u> </u>	<u> </u>
Investments - Level 3			
Balance, January 1, 2020	\$ 2,785,000	\$ 171,060	\$ 2,956,060
Change in value	-	13,482	13,482
	<u> </u>	<u> </u>	<u> </u>
Balance, December 31, 2020	<u>\$ 2,785,000</u>	<u>\$ 184,542</u>	<u>\$ 2,969,542</u>
Charitable trust assets			
Balance, January 1, 2020		\$ 2,304,479	
Change in value of split-interest agreement		267,226	
		<u> </u>	
Balance, December 31, 2020		<u>\$ 2,571,705</u>	
Charitable gift annuity			
Balance, January 1, 2020		\$ 618,712	
Payments		(83,750)	
Change in value of split-interest agreement		60,425	
		<u> </u>	
Balance, December 31, 2020		<u>\$ 595,387</u>	
Charitable trust liabilities			
Balance, January 1, 2020		\$ 1,065,079	
Change in value of split-interest agreement		124,588	
		<u> </u>	
Balance, December 31, 2020		<u>\$ 1,189,667</u>	

Community Foundation Santa Cruz County and Subsidiaries
Notes to Consolidated Financial Statements

	Real Estate	Other	Total
Investments - Level 3			
Balance, January 1, 2019	\$ 2,785,000	\$ 159,389	\$ 2,944,389
Change in value	-	11,671	11,671
Balance, December 31, 2019	\$ 2,785,000	\$ 171,060	\$ 2,956,060
Charitable trust assets			
Balance, January 1, 2019		\$ 2,052,496	
Change in value of split-interest agreement		251,983	
Balance, December 31, 2019		\$ 2,304,479	
Charitable gift annuity			
Balance, January 1, 2019		\$ 698,429	
Payments		(83,591)	
Change in value of split-interest agreement		3,874	
Balance, December 31, 2019		\$ 618,712	
Charitable trust liabilities			
Balance, January 1, 2019		\$ 993,586	
Change in value of split-interest agreement		71,493	
Balance, December 31, 2019		\$ 1,065,079	

Investments were comprised of the following as of December 31, 2020 and 2019:

	2020	2019
Cash and cash equivalents	\$ 17,421,572	\$ 12,945,535
Equities	75,083,292	64,226,846
Fixed income	33,481,687	33,019,689
Others	24,108,112	24,900,155
	\$ 150,094,663	\$ 135,092,225

Community Foundation Santa Cruz County and Subsidiaries Notes to Consolidated Financial Statements

The investment balance, as summarized above, is allocated among these portfolios as follows:

	<u>2020</u>	<u>2019</u>
Investment strategies:		
Long-term	\$ 97,480,888	\$ 100,048,420
Socially responsible long-term	28,822,034	23,753,069
Short duration fixed-income	6,988,718	2,850,676
Capital-preservation	2,123,989	2,657,872
Outside managed accounts	1,320,378	1,295,430
Charitable gift annuity portfolio	988,189	998,359
	<u>137,724,196</u>	<u>131,603,826</u>
Operational cash management	<u>12,370,467</u>	<u>3,488,399</u>
	<u>\$ 150,094,663</u>	<u>\$ 135,092,225</u>

Investments are allocated among the following portfolios as elected by donors:

Long term portfolio: The portfolio has an investment objective of earning 7% for the aggregate assets invested.

Socially responsible long-term portfolio: The portfolio shares the long-term portfolio's goal of exceeding an absolute rate of return of 7%. The construction of the portfolio is centered on three core components: socially responsible investing; environmental, social, and governance; and, impact investing.

Short duration fixed income portfolio: The portfolio has an investment objective of preservation of purchasing power with a target cash allocation of 20%.

Capital preservation portfolio: The portfolio has an investment objective of preservation of capital.

Outside managed accounts: Assets in this portfolio are managed by the donors' recommended managers and are approved by the Finance Committee.

Charitable Gift Annuity ("CGA") portfolio: Per the State of California, Department of Insurance, the calculated "required" amount of CGA reserve must be invested as specified in the applicable guidelines and the California Insurance Code, Sections 1170 through 1182, as amended by Section 11521.2. The Foundation meets this requirement. Between the reserve and surplus accounts, the objective of the portfolio is preservation of capital.

Operational cash management: The portfolio includes local cash management for receipts and disbursements; and gift receipt, grants payable and general cash preservation accounts to manage the liquidity needs of CFSCC.

Community Foundation Santa Cruz County and Subsidiaries

Notes to Consolidated Financial Statements

NOTE 4 – LOANS RECEIVABLE – COMMUNITY INVESTMENT REVOLVING FUND (CIRF)

In 2018, the Foundation received a \$1,500,000 contribution to create a Community Investment Revolving Fund (CIRF). The purpose of CIRF is to increase working capital in the social sector and create positive social returns in the community. Repayment of funds will revolve back into the community as new loans and interest payments will cover administration costs. These loans bear interest at rates ranging from 2.5% to 5% and mature on various dates in 2028.

Loans receivable were comprised of the following as of December 31, 2020 and 2019:

	2020	2019
Loans receivable	\$ 2,750,000	\$ 1,459,600
Loan interest receivable	16,042	25,637
Total	\$ 2,766,042	\$ 1,485,237

NOTE 5 – FIXED ASSETS

The Foundation's fixed assets were comprised of the following as of December 31, 2020 and 2019:

	2020	2019
Land	\$ 1,083,604	\$ 1,083,604
Land improvements	317,498	317,498
Building	7,343,077	7,343,077
Office equipment and software	1,262,052	1,142,330
Fixed assets	10,006,231	9,886,509
Less: accumulated depreciation	(2,924,656)	(2,611,764)
Fixed assets, net	\$ 7,081,575	\$ 7,274,745

Depreciation expense during 2020 and 2019 was \$312,892 and \$314,989, respectively.

Community Foundation Santa Cruz County and Subsidiaries

Notes to Consolidated Financial Statements

NOTE 6 – CHARITABLE TRUST ASSETS AND LIABILITIES

As of December 31, 2020 and 2019, the Foundation was a beneficiary of five charitable trusts. The Foundation serves as trustee for four of these trusts as of December 31, 2020 and 2019.

	2020		2019	
	Amounts expected to be received from trusts	Amounts held for income beneficiaries	Amounts expected to be received from trusts	Amounts held for income beneficiaries
Charitable Lead Trust A	\$ -	\$ 95,346	\$ -	\$ 95,346
Charitable Remainder Trust B	414,668	-	350,757	-
Charitable Remainder Trust C	177,294	189,096	193,207	220,823
Charitable Remainder Trust E	404,896	595,104	322,855	429,412
Charitable Remainder Trust F	385,180	310,121	372,581	319,498
Total	<u>\$ 1,382,038</u>	<u>\$ 1,189,667</u>	<u>\$ 1,239,400</u>	<u>\$ 1,065,079</u>

Charitable Lead Trust A – The Foundation is a beneficiary for the lifetime of the donor and also acts as trustee without compensation. The 1% annual unitrust distribution received by the Foundation totaled \$715 and \$890 in 2020 and 2019, respectively. As the amounts due to be received by the Foundation are immaterial, no receivable has been recorded for this Trust.

Charitable Remainder Trust B – The Foundation is a 100% remainderman beneficiary under the terms of the trust. The assets of the trust are in no way subject to the control of the Foundation at this time.

Charitable Remainder Trust C – The Foundation is a 100% remainderman beneficiary under the terms of the trust and also acts as trustee without compensation.

Charitable Remainder Trust E – The Foundation is a 100% remainderman beneficiary under the terms of the trust and also acts as trustee without compensation until July 31, 2016, the second anniversary from the creation date of the trust. Commencing on August 1, 2016, the Foundation became entitled to compensation for administrating the trust.

Charitable Remainder Trust F – The trust was established during 2016. The Foundation is a 100% remainderman beneficiary under the terms of the trust. Prior to June 29, 2017, the assets of the trust were in no way subject to the control of the Foundation. Effective June 29, 2017, the Foundation shall act as a trustee without compensation.

Community Foundation Santa Cruz County and Subsidiaries

Notes to Consolidated Financial Statements

NOTE 7 – GRANTS PAYABLE

CFSCC and RWMF make grants to various organizations. As of December 31, 2020 and 2019, the balance of grants payable was \$1,961,746 and \$2,295,332, respectively, of which \$1,107,321 and \$854,155, respectively, pertained to RWMF. The following is a summary of grants authorized and payable at December 31, 2020:

Due in 2021	\$ 1,747,196
Due in 2022	143,400
Due in 2023	61,150
Due in 2024	<u>10,000</u>
Total	<u><u>\$ 1,961,746</u></u>

Grants payable represent all unconditional grants that have been authorized prior to year-end but remain unpaid as of year-end. Grants to be paid in more than one year are not discounted as the Foundation determined the discount to be significant to the consolidated financial statements as a whole.

NOTE 8 – NOTES PAYABLE

The Foundation's notes payable consisted of the following as of December 31:

	<u>2020</u>	<u>2019</u>
Tax-exempt bonds	\$ -	\$ 930,000
Santa Cruz County PPP Loan	324,422	-
Santa Cruz County Bank loan	<u>933,616</u>	<u>-</u>
Total	1,258,038	930,000
Less: unamortized debt issuance costs	<u>-</u>	<u>(14,272)</u>
Notes payable, net	<u><u>\$ 1,258,038</u></u>	<u><u>\$ 915,728</u></u>

Tax-exempt bonds – In January 2011, the Foundation closed a "Friends & Family" tax-exempt bond transaction and used the proceeds to repay the line of credit that was used to finance the construction of CFSCC's center for philanthropy. Twelve investors (including four board members) took advantage of this opportunity and saved the Foundation significant interest payments on other commercial real estate loan options. The Foundation continued to raise funds to pay off the bond holders. The Foundation entered into an Indenture Agreement with the California Statewide Communities Development Authority (the "Authority") and Wells Fargo Bank, National Association (the "Trustee") to obtain loan proceeds funded by the issuance of tax-exempt revenue bonds (Community Foundation Santa Cruz County) Series 2011 in the amount of \$2,500,000 to finance the construction of the Foundation's center for philanthropy. Proceeds from the sale of the bonds in the amount of \$2,500,000 were loaned by the Authority to the Foundation under conditions stipulated in certain loan and regulatory agreements. Repayment of the loan is secured by a first deed of trust in favor of the trustee acting on behalf of the Authority. The loan bears interest at an annual rate of 3.75% and requires payments of interest only, payable semi-annually on January 1 and July 1, beginning July 1, 2011. All principal and unpaid interest shall be payable at maturity on January 1, 2021.

Community Foundation Santa Cruz County and Subsidiaries

Notes to Consolidated Financial Statements

On December 21, 2020, the Foundation secured a commercial loan and paid off the tax-exempt bond.

During 2020 and 2019, one bond holder forgave \$0 and \$50,000, respectively. This amount was included in debt forgiveness income on the accompanying consolidated statements of activities and changes in net assets. Interest expense during 2020 and 2019 was \$59,519 and \$38,459, respectively.

Santa Cruz County PPP Loan - In April 2020, The Foundation applied for a Paycheck Protection Program (“PPP”) loan through the Small Business Administration (SBA) under the 2020 CARES Act. This loan is designed to help organizations keep their workforce in relation to the coronavirus pandemic and UWBA received \$324,422 in loan proceeds at 1% interest and the loan is subject to partial or full forgiveness.

The proceeds from the PPP loan were used in full to cover eligible expenses. On April 13, 2021, the Foundation received a Notice of Paycheck Protection Program Forgiveness Payment for the forgiveness amount of \$324,422 – Note 15 subsequent events. As such, the proceeds from the PPP loan were recorded as gain on extinguishment of debt for the year ended June 30, 2022, in the statements of activities and changes in net assets.

Debt issuance costs were being amortized to interest expense over the term of the loan. For 2020 and 2019, the effective interest rate was 5.28% and 4.99%, respectively. In connection with the issuance of the tax-exempt bonds, the Foundation incurred bond financing costs totaling \$131,743. During 2020 and 2019, amortization expense for debt issuance costs was \$14,272 and \$13,175, respectively.

Santa Cruz County Bank – On December 21, 2017, the Foundation obtained financing from Santa Cruz County Bank for an amount up to \$250,000. The note bears interest at an annual rate of 5.00% and requires 3 monthly consecutive interest only payments beginning January 21, 2018. Beginning April 21, 2018, the loan requires monthly principal and interest payments of \$4,719. While all principal and unpaid interest was to be payable at maturity on March 21, 2023, the Foundation paid off the loan on February 28, 2019.

Community Foundation Santa Cruz County and Subsidiaries
Notes to Consolidated Financial Statements

NOTE 9 – ENDOWMENT DISCLOSURES

CFSCC is required to provide information about net assets which are defined as endowment in accordance with California enacted UPMIFA. Classifications include endowment which is restricted in perpetuity by donors (net assets with donor restrictions) and endowment which has been Board designated. The changes in endowment net assets for the years ended December 31, 2020 and 2019, were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, January 1, 2019	\$ -	\$ 60,250,553	\$ 60,250,553
Investment return:			
Investment income	-	745,692	745,692
Net appreciation (realized and unrealized)	-	9,576,078	9,576,078
Total investment return	-	10,321,770	10,321,770
Contributions	-	326,998	326,998
Appropriation of endowment assets for expenditure	(2,497,740)	-	(2,497,740)
Other changes:			
Transfers to/(from) Board-designated endowment funds	(993,135)	-	(993,135)
Release	3,490,875	(3,490,875)	-
Endowment net assets, December 31, 2019	-	67,408,446	67,408,446
Investment return:			
Investment income	-	1,336,419	1,336,419
Net appreciation (realized and unrealized)	-	2,598,180	2,598,180
Total investment return	-	3,934,599	3,934,599
Contributions	-	962,690	962,690
Appropriation of endowment assets for expenditure	(2,028,773)	-	(2,028,773)
Other changes:			
Transfers to/(from) Board-designated endowment funds	(946,581)	-	(946,581)
Release	2,975,354	(2,975,354)	-
Endowment net assets, December 31, 2020	<u>\$ -</u>	<u>\$ 69,330,381</u>	<u>\$ 69,330,381</u>

Community Foundation Santa Cruz County and Subsidiaries

Notes to Consolidated Financial Statements

	December 31, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowments			
Original endowment gift amount	\$ -	\$ 58,509,815	\$ 58,509,815
Accumulated earnings	-	10,820,566	10,820,566
Total donor-restricted endowments	-	69,330,381	69,330,381
Board-designated endowments	-	-	-
Total	\$ -	\$ 69,330,381	\$ 69,330,381

	December 31, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowments			
Original endowment gift amount	\$ -	\$ 57,642,096	\$ 57,642,096
Accumulated earnings	-	9,766,350	9,766,350
Total donor-restricted endowments	-	67,408,446	67,408,446
Board-designated endowments	-	-	-
Total	\$ -	\$ 67,408,446	\$ 67,408,446

NOTE 10 – EMPLOYEE RETIREMENT PLAN

In January 1997, the Foundation established a 401(k) plan. Currently, the plan is a safe harbor plan that requires the Foundation to contribute 3% of eligible employee compensation. Employees are eligible to participate in the plan starting on the first of the month following 60 days of employment. In addition the Board of Directors approved a 3% discretionary contribution for a total of \$94,107 and \$91,089, respectively, to the plan in 2020 and 2019. These amounts are included in payroll taxes and employee benefits on the accompanying consolidated statements of functional expenses.

NOTE 11 – NET ASSETS

Net assets without donor restrictions – Net assets without donor restrictions consist of operating reserves (board designated funds), capital assets, general operating support, and the RWMF supporting organization. Board designated funds are funded with surplus without donor restricted operating funds and are intended to provide an internal source of funds for situations such as sudden increase in expense, one-time unbudgeted expenses or unanticipated loss in funding.

Community Foundation Santa Cruz County and Subsidiaries

Notes to Consolidated Financial Statements

At December 31, 2020 and 2019, net assets without donor restrictions consisted of the following:

	2020	2019
Board-designated	\$ 529,908	\$ 478,249
Undesignated	7,636,598	7,258,229
RWMF	48,363	77,304
Total net assets without donor restrictions	\$ 8,214,869	\$ 7,813,782

Net assets with donor restrictions – Net assets with donor restrictions consist of nonendowed and endowed funds, foundation contributions for special projects, charitable gift annuities, cash surrender value of life insurance, and investment in charitable trusts. Endowed funds represent the fair value of the original gift as of the gift date and the original value of subsequent gifts to donor-restricted endowment funds. The Foundation also received grants from charitable foundations and local agencies for initiatives and special projects for which purpose restrictions apply. Such grants and contributions are recorded as net assets with donor restrictions until the purpose restrictions are met at which time the assets are reclassified to net assets without donor restrictions and reported as net assets released from restrictions.

At December 31, 2020 and 2019, net assets with donor restrictions consisted of the following:

	2020	2019
Nonendowed	\$ 51,152,993	\$ 47,377,800
Charitable gift annuities	337,395	337,343
Grants, special projects, and pass-through	14,367,355	3,648,981
Charitable remainder trust assets	1,382,038	1,239,400
Endowed	69,330,381	67,408,446
Total net assets with donor restrictions	\$ 136,570,162	\$ 120,011,970

NOTE 12 – AGENCY FUNDS

When a not-for-profit organization establishes a fund at the Foundation with its own funds and specifies itself or its affiliate as the beneficiary of the fund, the Foundation accounts for the transfer of such assets as a liability. The liability is the total fair value of the funds held by the Foundation and is reflected as agency funds on the accompanying consolidated statements of financial position. The Foundation retains a variance provision in its bylaws that allows the Board to modify a donor's restrictions. That provision has rarely been used by the Board during the Foundation's history and in all such cases, the Board's actions attempted to follow the donor's original intent as closely as is practicable. As a result, the Foundation has classified Agency Funds as with donor restrictions.

Community Foundation Santa Cruz County and Subsidiaries

Notes to Consolidated Financial Statements

In addition, related amounts received or distributed, investment income or loss, and expenses are not presented on the accompanying consolidated statements of activities and changes in net assets. The Foundation complies with generally accepted accounting principles as they relate to agency funds by booking their value as a liability. There are two types of agency funds as described below:

Agency flex funds – Agency flex funds are not endowed and continue as long as the need for them exists. Payments may be paid out of both principal and income, at the request of the agency and approved by the Foundation's Board of Directors. Agency flex funds may be invested in either long term or short-term pools. Agency flex funds balance at December 31, 2020 and 2019, are as follows:

	<u>2020</u>	<u>2019</u>
Peixoto Organic & Sustainable Farming Education Fund	\$ 2,679,078	\$ 2,566,434
Hospice of Santa Cruz County Reserve Fund	2,607,824	2,489,720
Wharf to Wharf Scholarship Fund	647,835	593,088
Hospice of Santa Cruz County Fund	582,802	559,562
CASA Operating Fund II	320,250	566,326
The Arts Council Fund	600,916	550,136
Ceiba Scholarship Fund	310,184	383,097
Monarch Services Agency Flex Fund	342,547	328,888
CASA Operating Fund	261,026	250,616
Agri-Culture Farmworker Housing Fund	303,816	291,701
Pacific School Foundation Fund	278,916	267,794
CASA Operating Fund III	249,621	-
Vajrapani Institute Fund	240,991	220,627
CASA Capital Campaign Fund	191,804	184,155
Happy Valley School Legacy Flex Fund	223,130	203,289
Stein Memorial Fund for Watsonville Public Libraries	148,646	136,085
Boys & Girls Club of Santa Cruz Fund	140,576	134,970
California Grey Bears Legacy Fund	147,050	134,624
Pajaro Valley Prevention and Student Assistance Capital Campaign Fund	25,468	25,920
Felton Library Friends Fund	99,996	-
Jacob's Heart Stewardship Fund	272,118	189,260
Santa Cruz Community Ventures Agency Flex Fund	64,234	61,673
Pajaro Valley Quilt Association Flex Fund	57,939	53,043
Live Oak Education Foundation Agency Flex Fund	82,596	52,821
Vajrapani Institute Wisdom Culture Legacy Fund	55,012	50,363
Monterey Bay Salmon & Trout Project Fund	54,904	-
Main Beach Volleyball Club Scholarship Fund	41,443	39,790
Aptos Sports Foundation Fund	29,930	28,783
COPA Reserve Fund	86,908	26,967
MBOSC Trail Fund	25,838	25,526
BirchBark Foundation Reserve Fund	24,917	-
PV United Field Fund	30,346	27,824
Friends of Santa Cruz Public Libraries Agency Flex Fund	17,144	16,674
Georgette Dufresne Memorial Fund for Monarch Services	9,160	8,688
	<u>9,160</u>	<u>8,688</u>
Total agency flex funds	<u>\$ 11,254,965</u>	<u>\$ 10,468,444</u>

Community Foundation Santa Cruz County and Subsidiaries
Notes to Consolidated Financial Statements

Agency endowment funds – Agency endowment funds will continue to payout, subject to the spending plan for endowed funds, in perpetuity. All agency endowment funds are invested in a long-term pool. Agency endowment funds balances at December 31, 2020 and 2019 are as follows:

	2020	2019
Temple Beth El Next Generation Fund	\$ 1,169,379	\$ 1,105,449
O'Neill Sea Odyssey Fund	790,393	783,475
Happy Valley School Foundation Fund	795,888	753,833
Stein Memorial Endowment Fund	405,871	386,397
Bonny Doon School Future Fund	304,009	277,202
Agriculture History Project Endowment Fund	302,217	250,265
Fund for Elkhorn Slough Foundation Fund	200,172	199,436
Jimmie Cox Memorial Scholarship Fund	172,137	169,497
SPCA/Blackie's Senior Friends Fund	105,821	100,744
Santa Cruz Shakespeare Endowment Fund	94,974	90,383
T.H.A.N.K.S. Agriculture Education Fund	72,690	72,736
Court Appointed Special Advocates Fund	65,863	65,618
Laura Brown Memorial Scholarship Fund	62,037	61,919
Pajaro Valley Historic Association Borina Archive Fund	58,593	58,526
Congregational Church of Soquel Endowment Fund	54,497	54,505
Museum of Art and History Endowment Fund	52,958	52,763
Watsonville Wetlands Watch Laura Hofmeister Scholarship Fund	52,376	49,863
Agri-Culture Fountain Oaks & Greenstand Easements Endowment Fund	58,954	55,000
Agri-Culture Jeannie Witmer Memorial Scholarship Fund	52,469	51,197
Elkhorn Slough Foundation Fund	44,244	44,085
Santa Cruz Sailing Foundation Fund	38,078	38,104
For Kids Foundation Monterey Bay Endowment Fund	41,639	-
Agri-Culture J.J. Crosetti, Jr. Memorial Fund	41,067	40,874
Kuumbwa Jazz Endowment Fund	35,373	35,393
Watsonville Wetlands Watch Endowment Fund	37,331	35,541
Monarch Services Fund	36,530	34,776
John Mello Historical Preservation Endowment Fund	34,648	34,583
Agricultural Education in Santa Clara County Fund	34,250	33,040
Mountain Community Resources Endowment Fund	33,848	32,219
Second Harvest Food Forever Fund	32,194	30,649
Pajaro Valley Quilt Association Agency Endowment	30,122	30,011
Ron and Dottie Tyler Fund for Restored Agrarian Equipment Maintenance	30,812	30,772
Snug & Dub Brown Children's Fund	31,004	29,517
Ernest and Beverley Bontadelli Memorial Fund	30,064	30,030
Save Our Shores Forever Fund	29,338	27,943
Dottie Tyler Fund for Agrarian Oral History	28,791	28,764
San Lorenzo Valley Museum Fund	29,947	25,815
San Lorenzo Valley Water District Olympia Wellfield Habitat Set-Aside	327,800	198,234
Land Trust of Santa Cruz County Endowment Fund	28,632	27,232
Santa Cruz County Fairgrounds Foundation Endowment	26,345	-
Agri-Culture Sandhill Bluff Conservation Easement Monitoring Fund	23,602	23,606
Total agency endowment funds	\$ 5,896,957	\$ 5,449,996

Community Foundation Santa Cruz County and Subsidiaries

Notes to Consolidated Financial Statements

NOTE 13 – MAJOR CONTRIBUTIONS

For the years ended December 31, 2020 and 2019, 48% and 53% of CFSCC's annual contribution and grant revenue was provided by nine donors and by seven donors, respectively.

NOTE 14 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Foundation's financial assets as of the statement of financial position date, reduced by the amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, trust assets, assets held for others, endowments and accumulated earnings net of appropriations within one year and board designated endowments.

	<u>2020</u>	<u>2019</u>
Financial assets		
Cash and cash equivalents	\$ 4,149,305	\$ 2,105,209
Investments	150,094,663	135,092,225
Charitable trust assets	2,571,705	2,304,479
Grants and other accounts receivable	1,177,780	589,986
Loans receivable	2,750,000	1,459,600
Loan interest receivable	<u>16,042</u>	<u>25,637</u>
Financial assets, at year end	160,759,495	141,577,136
Less those unavailable for general expenditure within one year, due to:		
Total net assets with donor restrictions	(136,570,162)	(120,011,970)
Agency funds	(17,151,922)	(15,918,440)
Charitable trust assets	(2,571,705)	(2,304,479)
Loans receivable	(2,750,000)	(1,459,600)
Charitable gift annuities liabilities	<u>(595,387)</u>	<u>(618,712)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 1,120,319</u>	<u>\$ 1,263,935</u>

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Community Foundation Santa Cruz County and Subsidiaries

Notes to Consolidated Financial Statements

NOTE 15 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the consolidated statement of financial position date, but before consolidated financial statements are available to be issued. CFSCC and its subsidiary recognize in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the consolidated statement of financial position, including the estimates inherent in the process of preparing the consolidated financial statements. The consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the consolidated statement of financial position but arose after the consolidated statement of financial position date and before the consolidated financial statements were available to be issued.

On April 13, 2021, the Foundation received a Notice of Paycheck Protection Program Forgiveness Payment for the forgiveness amount of \$324,422. As such, the proceeds from the PPP loan were recorded as gain on extinguishment of debt for the year ended June 30, 2022, in the statements of activities and changes in net assets.

CFSCC and its subsidiary have evaluated subsequent events through April 11, 2021, which is the date the consolidated financial statements were available to be issued.

Supplementary Information

Community Foundation Santa Cruz County and Subsidiaries
Consolidating Statement of Financial Position
December 31, 2020

	CFSCC & NLMJ	RWMF	Eliminations	Total
ASSETS				
Cash and cash equivalents	\$ 3,617,983	\$ 531,322	\$ -	\$ 4,149,305
Investments	150,094,663	-	-	150,094,663
Charitable trust assets	2,571,705	-	-	2,571,705
Grants and other accounts receivable	492,035	918,209	(232,464)	1,177,780
Loans receivable - CIRF	2,750,000	-	-	2,750,000
Loan interest receivable	16,042	-	-	16,042
Deposits and prepaid expenses	33,818	-	-	33,818
Fixed assets, net	7,081,575	-	-	7,081,575
Total assets	\$ 166,657,821	\$ 1,449,531	\$ (232,464)	\$ 167,874,888
LIABILITIES AND NET ASSETS				
Accounts payable and other liabilities	\$ 871,710	\$ 293,851	\$ (232,464)	\$ 933,097
Grants payable	854,425	1,107,321	-	1,961,746
Agency funds	17,151,922	-	-	17,151,922
Charitable trust liabilities	1,189,667	-	-	1,189,667
Charitable gift annuity liability	595,387	-	-	595,387
Notes payable	1,258,038	-	-	1,258,038
Total liabilities	21,921,149	1,401,172	(232,464)	23,089,857
NET ASSETS				
Without donor restrictions	8,166,510	48,359	-	8,214,869
With donor restrictions	136,570,162	-	-	136,570,162
Total net assets	144,736,672	48,359	-	144,785,031
TOTAL LIABILITIES AND NET ASSETS	\$ 166,657,821	\$ 1,449,531	\$ (232,464)	\$ 167,874,888

Community Foundation Santa Cruz County and Subsidiaries
Consolidating Statement of Activities and Changes in Net Assets
Year Ended December 31, 2020

	CFSCC & NLMJ	RWMF	Eliminations	Total
PUBLIC SUPPORT AND REVENUE				
Contributions and grants	\$ 34,395,220	\$ 1,376,310	\$ (376,479)	\$ 35,395,051
Investment income	6,610,874	-	-	6,610,874
Change in split-interest agreements	82,213	-	-	82,213
Foundation service fees	225,444	-	-	225,444
Other income	239,992	-	-	239,992
Interest income - note receivable	-	-	-	-
Debt forgiveness income	-	-	-	-
TOTAL PUBLIC SUPPORT AND REVENUE	<u>\$ 41,553,743</u>	<u>\$ 1,376,310</u>	<u>\$ (376,479)</u>	<u>\$ 42,553,574</u>
EXPENSES				
Grants and disbursements	\$ 21,062,947	\$ 1,339,436	\$ (376,479)	\$ 22,025,904
Salaries	1,594,855	-	-	1,594,855
Payroll taxes and employee benefits	491,922	-	-	491,922
General and administrative	230,635	-	-	230,635
Conferences and meetings	11,995	5,157	-	17,152
Advertising and marketing	23,224	-	-	23,224
Professional services	526,202	60,664	-	586,866
Repairs and maintenance	200,400	-	-	200,400
Insurance	36,654	-	-	36,654
Depreciation	312,893	-	-	312,893
Interest expense	73,790	-	-	73,790
TOTAL EXPENSES	<u>24,565,517</u>	<u>1,405,257</u>	<u>(376,479)</u>	<u>25,594,295</u>
CHANGE IN NET ASSETS	<u>16,988,226</u>	<u>(28,947)</u>	<u>-</u>	<u>16,959,279</u>
NET ASSETS AT BEGINNING OF YEAR	<u>127,748,442</u>	<u>77,310</u>	<u>-</u>	<u>127,825,752</u>
NET ASSETS AT END OF YEAR	<u>\$ 144,736,668</u>	<u>\$ 48,363</u>	<u>\$ -</u>	<u>\$ 144,785,031</u>

