



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

**Community Foundation Santa Cruz County  
and Subsidiaries**

*December 31, 2019  
(with comparative totals for the year ended December 31, 2018)*

## Table of Contents

---

<b>REPORT OF INDEPENDENT AUDITORS .....</b>	<b>1</b>
---	----------

### **CONSOLIDATED FINANCIAL STATEMENTS**

Consolidated Statements of Financial Position.....	4
Consolidated Statements of Activities and Changes in Net Assets.....	5
Consolidated Statements of Functional Expenses .....	6
Consolidated Statements of Cash Flows .....	7
Notes to Consolidated Financial Statements.....	8

### **SUPPLEMENTARY INFORMATION**

Consolidating Statement of Financial Position.....	34
Consolidating Statement of Activities and Changes in Net Assets.....	35

## **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 (the "Foundation") and Subsidiaries, which comprise the consolidated statement of financial position as of December 31, 2019, 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, 2019, 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*

The summarized consolidated financial statements as of and for the year ended December 31, 2018, were audited by other auditors whose report thereon dated June 27, 2019, expressed an unmodified opinion. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, 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, 2019, 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  
June 3, 2021

**Consolidated Financial Statements**

---

**Community Foundation Santa Cruz County and Subsidiaries**  
**Consolidated Statements of Financial Position**  
**December 31, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and cash equivalents	\$ 2,105,209	\$ 2,847,579
Investments	135,092,225	113,265,908
Charitable trust assets	2,304,479	2,052,496
Grants and other accounts receivable	589,986	762,671
Loans receivable - CIRF	1,459,600	1,459,600
Loan interest receivable	25,637	7,274
Deposits and prepaid expenses	34,138	75,229
Fixed assets, net	<u>7,274,745</u>	<u>7,484,532</u>
Total assets	<u>\$ 148,886,019</u>	<u>\$ 127,955,289</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and other liabilities	\$ 246,976	\$ 164,373
Grants payable	2,295,332	4,085,716
Agency funds	15,918,440	13,664,143
Charitable trust liabilities	1,065,079	993,586
Charitable gift annuity liability	618,712	698,429
Notes payable, net of unamortized debt issuance costs	<u>915,728</u>	<u>1,080,690</u>
Total liabilities	<u>21,060,267</u>	<u>20,686,937</u>
Net assets		
Without donor restrictions	7,813,782	7,435,025
With donor restrictions	<u>120,011,970</u>	<u>99,833,327</u>
Total net assets	<u>127,825,752</u>	<u>107,268,352</u>
Total liabilities and net assets	<u>\$ 148,886,019</u>	<u>\$ 127,955,289</u>

**Community Foundation Santa Cruz County and Subsidiaries**  
**Consolidated Statements of Activities and Changes in Net Assets**  
**Year Ended December 31, 2019 (With Comparative Totals for 2018)**

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>PUBLIC SUPPORT AND REVENUE</b>				
Contributions and grants	\$ 1,376,105	\$ 18,446,699	\$ 19,822,804	\$ 19,377,541
Investment income (loss), net	28,694	15,812,255	15,840,949	(8,291,547)
Change in split-interest agreements	-	176,615	176,615	(144,359)
Foundation services fees	220,718	-	220,718	266,650
Other income	75,034	1,000	76,034	31,829
Debt forgiveness income	50,000	-	50,000	-
Satisfaction of time and/or purpose restrictions	12,702,413	(12,702,413)	-	-
Interfund foundation services fees	1,555,513	(1,555,513)	-	-
<b>TOTAL PUBLIC SUPPORT AND REVENUE</b>	<b>\$ 16,008,477</b>	<b>\$ 20,178,643</b>	<b>\$ 36,187,120</b>	<b>\$ 11,240,114</b>
<b>EXPENSES</b>				
Grants and disbursements:				
Arts, history, and culture	\$ 1,124,174	\$ -	\$ 1,124,174	\$ 609,571
Community development	1,059,457	-	1,059,457	745,781
Education/youth development	3,069,685	-	3,069,685	3,049,663
Environment	2,482,417	-	2,482,417	1,346,563
Health	2,558,000	-	2,558,000	2,423,753
Human services	1,577,741	-	1,577,741	1,406,744
Other	182,443	-	182,443	2,124,743
Regional water management	602,841	-	602,841	1,578,348
Total grants and disbursements	12,656,758	-	12,656,758	13,285,166
Supporting services, programs	1,369,879	-	1,369,879	1,945,948
Total grants, disbursements, and supporting services, programs	14,026,637	-	14,026,637	15,231,114
Supporting services, operations				
Marketing and development	748,364	-	748,364	624,816
Management and general	854,719	-	854,719	500,507
Total supporting services, operations	1,603,083	-	1,603,083	1,125,323
<b>TOTAL EXPENSES</b>	<b>15,629,720</b>	<b>-</b>	<b>15,629,720</b>	<b>16,356,437</b>
<b>CHANGE IN NET ASSETS</b>	<b>378,757</b>	<b>20,178,643</b>	<b>20,557,400</b>	<b>(5,116,323)</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>7,435,025</b>	<b>99,833,327</b>	<b>107,268,352</b>	<b>112,384,675</b>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 7,813,782</b>	<b>\$ 120,011,970</b>	<b>\$ 127,825,752</b>	<b>\$ 107,268,352</b>

See accompanying notes.

**Community Foundation Santa Cruz County and Subsidiaries**  
**Consolidated Statements of Functional Expenses**  
**Years Ended December 31, 2019 and 2018**

	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	78,105	42,448	49,240	169,793
Repairs and maintenance	72,103	39,186	45,456	156,745
Insurance	18,612	10,115	11,734	40,461
Depreciation	144,895	78,747	91,346	314,988
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>
	2018			
	Program Services	Marketing/ Development	Management and General	Total
GRANTS AND DISBURSEMENTS	\$ 13,285,166	\$ -	\$ -	\$ 13,285,166
SUPPORTING SERVICES				
PERSONNEL EXPENSES				
Salaries	998,765	320,689	256,887	1,576,341
Payroll taxes and employee benefits	293,424	94,214	75,471	463,109
Total personnel expenses	1,292,189	414,903	332,358	2,039,450
OTHER EXPENSES				
General office	120,662	38,744	31,034	190,440
Conferences and meetings	19,971	6,412	5,137	31,520
Outreach and education	15,049	4,832	3,871	23,752
Professional services	145,776	46,807	37,494	230,077
Repairs and maintenance	102,157	32,801	26,275	161,233
Insurance	24,110	7,741	6,201	38,052
Depreciation	188,555	60,542	48,497	297,594
Interest expense	37,479	12,034	9,640	59,153
Total other expenses	653,759	209,913	168,149	1,031,821
Total supporting services	1,945,948	624,816	500,507	3,071,271
Total expenses	<u>\$ 15,231,114</u>	<u>\$ 624,816</u>	<u>\$ 500,507</u>	<u>\$ 16,356,437</u>



**Community Foundation Santa Cruz County and Subsidiaries**  
**Consolidated Statements of Cash Flows**  
**Years Ended December 31, 2019 and 2018**

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 20,557,400	\$ (5,116,323)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Debt forgiveness income	(50,000)	-
Depreciation	314,989	297,594
Amortization of bond financing costs included in interest expense	13,175	13,175
Noncash contributions	(6,097,034)	(3,139,102)
Contributions received for endowment	(326,998)	(2,866,395)
Realized and unrealized (gains)/loss	(12,867,374)	11,213,355
Change in split-interest agreements	(176,615)	144,359
Decrease (increase) in operating assets:		
Charitable trust assets	(251,983)	321,998
Grants and other accounts receivable	172,683	(339,479)
Loan interest receivable	(18,363)	(7,274)
Deposits and prepaid expenses	41,091	(37,455)
Increase (decrease) in operating liabilities		
Accounts payable and other liabilities	82,603	37,294
Grants payable	(1,790,384)	3,169,167
Agency funds	2,254,297	(905,825)
Charitable trust liabilities	71,493	(205,835)
Charitable gift annuity liability	(79,717)	(54,817)
Net cash provided by operating activities	1,849,263	2,524,437
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Funding of loans receivable - CIRF	-	(1,459,600)
Proceeds from sales of investments	6,590,725	54,978,917
Purchase of securities	(9,276,019)	(57,003,046)
Purchase of fixed assets	(105,201)	(68,298)
Net cash used in investing activities	(2,790,495)	(3,552,027)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payment of notes payable	(128,136)	(36,863)
Contributions received for endowment	326,998	2,866,395
Net cash used in financing activities	198,862	2,829,532
<b>NET CHANGES IN CASH AND CASH EQUIVALENTS</b>	(742,370)	1,801,942
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	2,847,579	1,045,637
<b>CASH AND CASH EQUIVALENTS, end of year</b>	\$ 2,105,209	\$ 2,847,579
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid for interest expense	\$ 38,459	\$ 45,978
Noncash contributions	\$ 6,097,034	\$ 3,139,102

# 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 2019 refer to the year ended December 31, 2019; fiscal year 2018 refer to the year ended December 31, 2018.

**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 and agency 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. In 2019 the Foundation began modifying its spending policy. As of December 31, 2019, there were no underwater funds. As of December 31, 2018, there were 37 underwater funds and the fair value of underwater funds was \$29,820,965 and the historic gift amount was \$30,431,117.

**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

---

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 follow UMIFA by enforcing no spending of the portion of donor funds restricted in perpetuity, which consists of the historic gift, or corpus, of the fund. The objective of endowed funds was that the principal gift(s) of the fund will be held forever. Charitable distributions will 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 of this modification was effective for calendar year 2019. This new policy allowed for those funds where net earnings may reduce the fund below historic gift; and the average balance in 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 to be no spending if the fund dips below 94% of the historic gift. The spending policy was further modified for spending in calendar year 2020 to reduce 4% portion of the calculation to 3.75%. See Note 15 – Subsequent Events. This reduction continues to ensure the availability of grant-making dollars to the community in perpetuity. Pursuant to the policy, the total target return is 7%. The funds available for grant-making use determined each year (which was 4% for 2018 and 2019) are calculated based on a 12-quarter moving average as of December 31. 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, 4% 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 2019 and 2018, the calculation for new grant making dollars was \$2,497,740 and \$2,203,004, respectively. Of these amounts, \$169,383 and \$154,613 was related to endowed agency funds for the years ended December 31, 2019 and 2018.

**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, 2018, from which the summarized information was derived.

**Reclassification** – Certain reclassifications have been made to the 2018 consolidated financial statements presentation for comparative purposes to conform with the presentation in the current year consolidated financial statements. Other than those noted above, such reclassifications did not change total assets, liabilities, revenues, expenses, or changes in net assets, as reflected in the 2018 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, 2019 and 2018.

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, 2019 and 2018, allowance for loan losses was \$0.

Community Investment Revolving Fund (CIRF). The 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, 2019 and 2018, allowance for loan losses was \$0.

# Community Foundation Santa Cruz County and Subsidiaries

## Notes to Consolidated Financial Statements

---

**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, 2019 and 2018, the balance of the allowance for doubtful accounts was \$0.

**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 income.

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 2019 and 2018.

**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 statement 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.

## Community Foundation Santa Cruz County and Subsidiaries

### Notes to Consolidated Financial Statements

---

**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.

**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.



# Community Foundation Santa Cruz County and Subsidiaries

## Notes to Consolidated Financial Statements

---

**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.

The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America 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 – INVESTMENT FAIR VALUE**

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 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, corporate bonds, 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

### Notes to Consolidated Financial Statements

---

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, 2019 and 2018:

<b>ASSETS</b>	<b>December 31, 2019</b>				
	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>NAV</b>
<b>Investments</b>					
<b>Cash Equivalents</b>					
Money Market Securities	\$ 12,945,535	\$ 12,945,535	\$ -	\$ -	\$ -
<b>Fixed Income &amp; Preferreds</b>					
Fixed Income	30,688,473	30,688,473	-	-	-
Inflation Linked Secs	2,082,842	2,082,842	-	-	-
Preferred Securities	248,374	248,374	-	-	-
<b>Global Equities</b>					
US Equity	30,166,213	30,166,213	-	-	-
International	30,086,933	30,086,933	-	-	-
Emerging Market	3,973,700	3,973,700	-	-	-
<b>Liquid Alternative Securities</b>					
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	-	-
<b>Alternative Investments</b>					
Private Equity Funds	1,458,623	-	-	-	1,458,623
<b>Investments in Notes Receivable</b>	1,470,519	-	1,470,519	-	-
<b>Real Estate</b>	2,785,000	-	-	2,785,000	-
<b>Other Investments</b>	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>
<b>Split-interest agreements</b>					
Beneficial interests in charitable remainder trusts	<u>\$ 2,304,479</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,304,479</u>	<u>\$ -</u>
<b>LIABILITIES</b>					
<b>Split-interest agreements</b>					
Charitable gift annuity liability	\$ 618,712	\$ -	\$ -	\$ 618,712	\$ -
Charitable trust liabilities	\$ 1,065,079	\$ -	\$ -	\$ 1,065,079	\$ -

# Community Foundation Santa Cruz County and Subsidiaries

## Notes to Consolidated Financial Statements

ASSETS	December 31, 2018				
	Total	Level 1	Level 2	Level 3	NAV
<b>Investments</b>					
<b>Cash Equivalents</b>					
Money Market Securities	\$ 7,713,880.00	\$ 7,713,880	\$ -	\$ -	\$ -
<b>Fixed Income &amp; Preferreds</b>					
Fixed Income	24,945,325	24,945,325	-	-	-
Preferred Securities	310,733	310,733	-	-	-
<b>Global Equities</b>					
US Equity	26,696,629	26,696,629	-	-	-
International	24,250,592	24,250,592	-	-	-
Emerging Market	5,227,445	5,227,445	-	-	-
<b>Liquid Alternative Securities</b>					
Equity Hedge Assets	4,096,444	4,096,444	-	-	-
Absolute Return Assets	1,001,604	1,001,604	-	-	-
Equity Return Assets	1,673,801	1,673,801	-	-	-
Real Assets	6,891,757	6,891,757	-	-	-
Structured Investments	5,792,683	-	5,792,683	-	-
<b>Alternative Investments</b>					
Private Equity Funds	585,619	-	-	-	585,619
<b>Investments in Notes Receivable</b>	1,135,007	-	1,135,007	-	-
<b>Real Estate</b>	2,785,000	-	-	2,785,000	-
<b>Other Investments</b>	159,389	-	-	159,389	-
Total investments	<u>\$ 113,265,908</u>	<u>\$ 102,808,210</u>	<u>\$ 6,927,690</u>	<u>\$ 2,944,389</u>	<u>\$ 585,619</u>
<b>Split-interest agreements</b>					
Beneficial interests in charitable remainder trusts	\$ 2,052,496	\$ -	\$ -	\$ 2,052,496	\$ -
<b>LIABILITIES</b>					
<b>Split-interest agreements</b>					
Charitable gift annuity liability	\$ 698,429	\$ -	\$ -	\$ 698,429	\$ -
Charitable trust liabilities	\$ 993,586	\$ -	\$ -	\$ 993,586	\$ -

**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 \$3,354,077 as of December 31, 2019. 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, 2019 and 2018, the fair values of membership interests were \$103,447 and \$103,447, respectively. Investment in limited liability companies is included as part of the long-term portfolio.

**Cash surrender value of life insurance** – The Foundation is the beneficiary of a \$750,000 life insurance policy of an insured donor. During 2019 and 2018, 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, 2019. Cash surrender value of life insurance is estimated by the life insurance company. As of December 31, 2019 and 2018, the fair value of cash surrender value of life insurance was \$67,613 and \$55,942, respectively. Cash surrender value of life insurance is included as part of the operational cash management portfolio.

*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 trusteed 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, 2019 and 2018:

	Real Estate	Other	Total
<u>Investments - Level 3</u>			
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
<u>Charitable trust assets</u>			
Balance, January 1, 2019		\$ 2,052,496	
Change in value of split-interest agreement		251,983	
Balance, December 31, 2019		\$ 2,304,479	
<u>Charitable gift annuity</u>			
Balance, January 1, 2019		\$ 698,429	
Payments		(83,591)	
Change in value of split-interest agreement		3,874	
Balance, December 31, 2019		\$ 618,712	
<u>Charitable trust liabilities</u>			
Balance, January 1, 2019		\$ 993,586	
Change in value of split-interest agreement		71,493	
Balance, December 31, 2019		\$ 1,065,079	

# Community Foundation Santa Cruz County and Subsidiaries

## Notes to Consolidated Financial Statements

	Real Estate	Other	Total
<u>Investments - Level 3</u>			
Balance, January 1, 2018	\$ 2,785,000	\$ 49,420	\$ 2,834,420
Contributions of LLC interest	-	100,000	100,000
Change in value	-	9,969	9,969
	<u>\$ 2,785,000</u>	<u>\$ 159,389</u>	<u>\$ 2,944,389</u>
<u>Charitable trust assets</u>			
Balance, January 1, 2018		\$ 2,374,494	
Change in value of split-interest agreement		(321,998)	
		<u>\$ 2,052,496</u>	
<u>Charitable gift annuity</u>			
Balance, January 1, 2018		\$ 753,246	
Addition		530	
Payments		(83,544)	
Change in value of split-interest agreement		28,197	
		<u>\$ 698,429</u>	
<u>Charitable trust liabilities</u>			
Balance, January 1, 2018		\$ 1,199,421	
Change in value of split-interest agreement		(205,835)	
		<u>\$ 993,586</u>	

Investments were comprised of the following as of December 31, 2019 and 2018:

	2019	2018
Cash and cash equivalents	\$ 12,945,535	\$ 7,713,880
Equities	64,226,846	56,174,666
Fixed income	33,019,689	25,256,058
Others	24,900,155	24,121,304
	<u>\$ 135,092,225</u>	<u>\$ 113,265,908</u>

## 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:

	2019	2018
Investment strategies:		
Long-term	\$ 100,048,420	\$ 85,467,454
Socially responsible long-term	23,753,069	18,759,809
Short duration fixed-income	2,850,676	1,665,950
Capital-preservation	2,657,872	2,026,764
Outside managed accounts	1,295,430	1,070,597
Charitable gift annuity portfolio	998,359	970,714
Total investments	131,603,826	109,961,288
Operational cash management	3,488,399	3,304,620
	\$ 135,092,225	\$ 113,265,908

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. As of December 31, 2019 and 2018, the CIRF receivable was \$1,459,600. For the years ended as of December 31, 2019 and 2018, interest income on these loans of \$25,637 and \$7,274, respectively, was included in other income on the accompanying consolidated statements of activities and changes in net assets.

Loans receivable were comprised of the following as of December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Loans receivable	\$ 1,459,600	\$ 1,459,600
Loan interest receivable	25,637	7,274
Total	<u>\$ 1,485,237</u>	<u>\$ 1,466,874</u>

#### NOTE 5 – FIXED ASSETS

The Foundation's fixed assets were comprised of the following as of December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Land	\$ 1,083,604	\$ 1,083,604
Land improvements	317,498	317,498
Building	7,343,077	7,343,077
Office equipment and software	1,142,330	1,037,129
Fixed assets	9,886,509	9,781,308
Less: accumulated depreciation	<u>(2,611,764)</u>	<u>(2,296,776)</u>
Fixed assets, net	<u>\$ 7,274,745</u>	<u>\$ 7,484,532</u>

Depreciation expense during 2019 and 2018 was \$314,988 and \$297,594, respectively.



## Community Foundation Santa Cruz County and Subsidiaries

### Notes to Consolidated Financial Statements

#### NOTE 6 – CHARITABLE TRUST ASSETS AND LIABILITIES

As of December 31, 2019 and 2018, the Foundation was a beneficiary of five charitable trusts. The Foundation serves as trustee for four and three of these trusts as of December 31, 2019 and 2018, respectively.

	2019		2018	
	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	\$ -	\$ 89,044
Charitable Remainder Trust B	350,757	-	272,473	-
Charitable Remainder Trust C	193,207	220,823	159,223	193,105
Charitable Remainder Trust E	322,855	429,412	301,258	417,611
Charitable Remainder Trust F	372,581	319,498	325,956	293,826
Total	<u>\$ 1,239,400</u>	<u>\$ 1,065,079</u>	<u>\$ 1,058,910</u>	<u>\$ 993,586</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 \$890 and \$1,521 in 2019 and 2018, 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 on 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, 2019 and 2018, the balance of grants payable was \$2,295,332 and \$4,085,716, respectively, of which \$854,155 and \$1,204,859, respectively, pertained to RWMF. The following is a summary of grants authorized and payable at December 31, 2019:

Due in 2020	\$ 2,048,332
Due in 2021	142,850
Due in 2022	68,650
Due in 2023	25,500
Due in 2024	<u>10,000</u>
Total	<u>\$ 2,295,332</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>2019</u>	<u>2018</u>
Tax-exempt bonds	\$ 930,000	\$ 980,000
Santa Cruz County Bank loan	<u>-</u>	<u>128,137</u>
Total	930,000	1,108,137
Less: unamortized debt issuance costs	<u>(14,272)</u>	<u>(27,447)</u>
Notes payable, net	<u>\$ 915,728</u>	<u>\$ 1,080,690</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, as discussed in Note 15.

During 2019 and 2018, one bond holder forgave \$50,000 and \$0, respectively. This amount was included in debt forgiveness income on the accompanying consolidated statements of activities and changes in net assets. Interest expense during 2019 and 2018 was \$38,459 and \$45,979, respectively.

Debt issuance costs were being amortized to interest expense over the term of the loan. For 2019 and 2018, the effective interest rate was 4.99% and 5.09%, respectively. In connection with the issuance of the tax-exempt bonds, the Foundation incurred bond financing costs totaling \$131,743. During 2019 and 2018, amortization expense for debt issuance costs was \$13,175 in each year.

**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, 2019 and 2018, were as follows:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Endowment net assets, January 1, 2018</b>	\$ -	\$ 65,952,219	\$ 65,952,219
Investment return:			
Investment income	-	2,709,845	2,709,845
Net (depreciation) appreciation (realized and unrealized)	-	(8,076,593)	(8,076,593)
Total investment return	-	(5,366,748)	(5,366,748)
Contributions	-	2,866,395	2,866,395
Appropriation of endowment assets for expenditure	(2,203,004)	-	(2,203,004)
Other changes:			
Transfers to/(from) Board-designated endowment funds	(998,309)	-	(998,309)
Release	3,201,313	(3,201,313)	-
<b>Endowment net assets, December 31, 2018</b>	-	60,250,553	60,250,553
Investment return:			
Investment income (losses)	-	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)	-
<b>Endowment net assets, December 31, 2019</b>	<b>\$ -</b>	<b>\$ 67,408,446</b>	<b>\$ 67,408,446</b>

## Community Foundation Santa Cruz County and Subsidiaries

### Notes to Consolidated Financial Statements

	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
	December 31, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowments			
Original endowment gift amount	\$ -	\$ 56,890,332	\$ 56,890,332
Accumulated earnings	-	3,360,221	3,360,221
Total donor-restricted endowments	-	60,250,553	60,250,553
Board-designated endowments	-	-	-
Total	\$ -	\$ 60,250,553	\$ 60,250,553

#### 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 to the 3% contribution, the Board of Directors approved discretionary contributions of \$91,089 and \$123,703, respectively, to the plan in 2019 and 2018. The increase in 2018 is due to a change in the timing of discretionary contributions paid into employee accounts. The Board of Directors approved a 3% contribution in 2019 and 2018. 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, 2019 and 2018, net assets without donor restrictions consisted of the following:

	<u>2019</u>	<u>2018</u>
Board-designated	\$ 478,249	\$ 454,314
Undesignated	7,258,229	6,949,551
RWMF	<u>77,304</u>	<u>31,160</u>
Total net assets without donor restrictions	<u>\$ 7,813,782</u>	<u>\$ 7,435,025</u>

**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, 2019 and 2018, net assets with donor restrictions consisted of the following:

	<u>2019</u>	<u>2018</u>
Nonendowed	\$ 47,377,800	\$ 33,895,251
Charitable gift annuities	337,343	249,086
Grants, special projects, and pass-through	3,648,981	4,379,525
Charitable remainder trust assets	1,239,400	1,058,911
Endowed	<u>67,408,446</u>	<u>60,250,554</u>
Total net assets with donor restrictions	<u>\$ 120,011,970</u>	<u>\$ 99,833,327</u>

### 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, 2019 and 2018 are as follows:

	2019	2018
Peixoto Organic & Sustainable Farming Education Fund	\$ 2,566,434	\$ 2,243,562
Hospice of Santa Cruz County Reserve Fund	2,489,720	2,152,442
Wharf to Wharf Scholarship Fund	593,088	507,252
Hospice of Santa Cruz County Fund	559,562	487,384
CASA Operating Fund II	566,326	484,066
The Arts Council Fund	550,136	471,399
Ceiba Scholarship Fund	383,097	414,559
Monarch Services Agency Flex Fund	328,888	286,464
CASA Operating Fund	250,616	261,770
Agri-Culture Farmworker Housing Fund	291,701	254,074
Pacific School Foundation Fund	267,794	237,139
Vajrapani Institute Fund	220,627	189,050
CASA Capital Campaign Fund	184,155	160,002
Happy Valley School Legacy Flex Fund	203,289	147,287
Stein Memorial Fund for Watsonville Public Libraries	136,085	143,377
Boys & Girls Club of Santa Cruz Fund	134,970	117,560
California Grey Bears Legacy Fund	134,624	116,963
Pajaro Valley Prevention and Student Assistance Capital Campaign Fund	25,920	115,825
Jacob's Heart Stewardship Fund	189,260	73,896
Santa Cruz Community Ventures Agency Flex Fund	61,673	72,272
Pajaro Valley Quilt Association Flex Fund	53,043	45,452
Live Oak Education Foundation Agency Flex Fund	52,821	-
Vajrapani Institute Wisdom Culture Legacy Fund	50,363	43,155
Main Beach Volleyball Club Scholarship Fund	39,790	34,658
Aptos Sports Foundation Fund	28,783	25,071
COPA Reserve Fund	26,967	-
MBOSC Trail Fund	25,526	25,045
PV United Field Fund	27,824	23,618
Friends of Santa Cruz Public Libraries Agency Flex Fund	16,674	14,660
Georgette Dufresne Memorial Fund for Monarch Services	8,688	7,686
	<u>\$ 10,468,444</u>	<u>\$ 9,155,688</u>
Total agency flex funds	<u>\$ 10,468,444</u>	<u>\$ 9,155,688</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, 2019 and 2018 are as follows:

	2019	2018
Temple Beth El Next Generation Fund	\$ 1,105,449	\$ 974,205
O'Neill Sea Odyssey Fund	783,475	697,715
Happy Valley School Foundation Fund	753,833	666,198
Stein Memorial Endowment Fund	386,397	343,690
Bonny Doon Education Fund	277,202	214,231
Agriculture History Project Endowment Fund	250,265	200,025
Fund for Elkhorn Slough Foundation Fund	199,436	179,538
Jimmie Cox Memorial Scholarship Fund	169,497	112,400
SPCA/Blackie's Senior Friends Fund	100,744	89,612
Santa Cruz Shakespeare Endowment Fund	90,383	80,311
T.H.A.N.K.S. Agriculture Education Fund	72,736	65,823
Court Appointed Special Advocates Fund	65,618	59,038
Laura Brown Memorial Scholarship Fund	61,919	52,049
Pajaro Valley Historic Association Borina Archive Fund	58,526	50,879
Congregational Church of Soquel Endowment Fund	54,505	48,469
Museum of Art and History Endowment Fund	52,763	47,499
Watsonville Wetlands Watch Laura Hofmeister Scholarship Fund	49,863	44,352
Agri-Culture Fountain Oaks & Greenstand Easements Endowment Fund	55,000	-
Agri-Culture Jeannie Witmer Memorial Scholarship Fund	51,197	41,948
Elkhorn Slough Foundation Fund	44,085	39,775
Santa Cruz Sailing Foundation Fund	38,104	34,483
Agri-Culture J.J. Crosetti, Jr. Memorial Fund	40,874	32,547
Kuumbwa Jazz Endowment Fund	35,393	31,996
Watsonville Wetlands Watch Endowment Fund	35,541	31,613
Monarch Services Fund	34,776	30,929
John Mello Historical Preservation Endowment Fund	34,583	29,616
Agricultural Education in Santa Clara County Fund	33,040	28,739
Mountain Community Resources Endowment Fund	32,219	28,659
Second Harvest Food Forever Fund	30,649	27,263
Pajaro Valley Quilt Association Agency Endowment	30,011	27,017
Ron and Dottie Tyler Fund for Restored Agrarian Equipment Maintenance	30,772	26,799
Snug & Dub Brown Children's Fund	29,517	26,256
Ernest and Beverley Bontadelli Memorial Fund	30,030	25,961
Save Our Shores Forever Fund	27,943	25,211
Dottie Tyler Fund for Agrarian Oral History	28,764	24,964
San Lorenzo Valley Water District Olympia	25,815	-
Wellfield Habitat Set-Aside	198,234	24,127
Land Trust of Santa Cruz County Endowment Fund	27,232	23,277
Agri-Culture Sandhill Bluff Conservation Easement Monitoring Fund	23,606	21,241
	<u>23,606</u>	<u>21,241</u>
Total agency endowment funds	<u>\$ 5,449,996</u>	<u>\$ 4,508,455</u>



## Community Foundation Santa Cruz County and Subsidiaries

### Notes to Consolidated Financial Statements

---

#### NOTE 13 – MAJOR CONTRIBUTIONS

For the years ended December 31, 2019 and 2018, 53% and 50% 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.

	2019	2018
Financial assets		
Cash and cash equivalents	\$ 2,105,209	\$ 2,847,579
Investments	135,092,225	113,265,908
Charitable trust assets	2,304,479	2,052,496
Grants and other accounts receivable	589,986	762,671
Loans receivable - CIRF	1,459,600	1,459,600
Loan interest receivable	25,637	7,274
Financial assets, at year end	141,577,136	120,395,528
Add those available for general expenditure within one year, due to:		
Time restricted funds available within one year	463,134	229,700
Less those unavailable for general expenditure within one year, due to:		
Total net assets with donor restrictions	(120,011,970)	(99,833,327)
Agency funds	(15,918,440)	(13,664,143)
Charitable trust assets	(2,304,479)	(2,052,496)
Loans receivable - CIRF	(1,459,600)	(1,459,600)
Charitable gift annuities liabilities	(618,712)	(698,429)
Financial assets available to meet cash needs for general expenditure within one year	\$ 1,727,069	\$ 2,917,233

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.

CFSCC and its subsidiary have evaluated subsequent events through June 3, 2021, which is the date the consolidated financial statements were available to be issued. The following is a summary of significant transactions through June 3, 2021:

**Spending Policy:** Beginning in 2019, the Foundation changed its spending policy in 2 phases. Phase 1 was implemented for spending in 2019 – which incorporated a tiered reduction beginning with the then current rate of 4%. For funds whose net earnings may reduce the fund below historic gift and the average balance in 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 to be no spending if the fund dips below 94% of the historic gift. Special consideration to spend may be made during active fund development or other circumstance which would make the 12 trailing quarters an inappropriate view of a specific fund's balance and spending calculation. Effective with spending in 2020, the beginning rate of 4% was changed to 3.75%. All other terms remained as revised in 2019.

**Tax exempt bond** – On December 21, 2020 the Foundation secured a \$930,000 commercial loan with Santa Cruz County Bank and paid off the tax-exempt bond.

Subsequent to December 31, 2019, the World Health Organization declared the novel coronavirus outbreak a public health emergency. The Foundation and its affiliate responded to the coronavirus outbreak by enabling almost all of their employees to work remotely, banning all nonessential travel and placing a temporary hold on most in-person meetings. Additionally, the Foundation actively engaged in both fundraising and grantmaking for coronavirus relief allocating staff and discretionary funding to support relief and recovery efforts. Given market fluctuation and the dynamic nature of these circumstances, it is too early to tell what effect these changes will have on the business in the short term. The Foundation and its affiliate will continue to monitor the situation closely, but given the uncertainty about the situation, we cannot estimate the impact to our consolidated financial statements.

In April 2020, the Foundation was granted a loan under the Paycheck Protection Program (“PPP”) offered by the Small Business Administration (“SBA”) under the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”), for \$324,422 with a maturity date of May 8, 2022. The loan bears interest at 1% with no payments for the first 6 months. The loan is subject to partial or full forgiveness if the Foundation uses all proceeds for eligible purposes; maintains certain employment levels; and maintains certain compensation levels in accordance with and subject to the CARES Act and the rules, regulations and guidance.

In April 2021, the PPP loan discussed above was forgiven in full and will be recognized as a gain on extinguishment of debt in 2021.

## **Supplementary Information**

---

**Community Foundation Santa Cruz County and Subsidiaries**  
**Consolidating Statement of Financial Position**  
**December 31, 2019**

	CFSCC & NLMJ	RWMF	Eliminations	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,248,563	\$ 856,646	\$ -	\$ 2,105,209
Investments	135,092,225	-	-	135,092,225
Charitable trust assets	2,304,479	-	-	2,304,479
Grants and other accounts receivable	513,934	417,418	(341,366)	589,986
Loans receivable - CIRF	1,459,600	-	-	1,459,600
Loan interest receivable	25,637	-	-	25,637
Deposits and prepaid expenses	34,138	-	-	34,138
Fixed assets, net	7,274,745	-	-	7,274,745
<b>Total assets</b>	<b>\$ 147,953,321</b>	<b>\$ 1,274,064</b>	<b>\$ (341,366)</b>	<b>\$ 148,886,019</b>
<b>LIABILITIES AND NET ASSETS</b>				
Accounts payable and other liabilities	\$ 245,739	\$ 342,603	\$ (341,366)	\$ 246,976
Grants payable	1,441,177	854,155	-	2,295,332
Agency funds	15,918,440	-	-	15,918,440
Charitable trust liabilities	1,065,079	-	-	1,065,079
Charitable gift annuity liability	618,712	-	-	618,712
Notes payable	915,728	-	-	915,728
<b>Total liabilities</b>	<b>20,204,875</b>	<b>1,196,758</b>	<b>(341,366)</b>	<b>21,060,267</b>
<b>NET ASSETS</b>				
Without donor restrictions	7,736,478	77,304	-	7,813,782
With donor restrictions	120,011,970	-	-	120,011,970
<b>Total net assets</b>	<b>127,748,448</b>	<b>77,304</b>	<b>-</b>	<b>127,825,752</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 147,953,323</b>	<b>\$ 1,274,062</b>	<b>\$ (341,366)</b>	<b>\$ 148,886,019</b>

**Community Foundation Santa Cruz County and Subsidiaries**  
**Consolidating Statement of Activities and Changes in Net Assets**  
**Year Ended December 31, 2019**

	CFSCC & NLMJ	RWMF	Eliminations	Total
<b>PUBLIC SUPPORT AND REVENUE</b>				
Contributions and grants	\$ 19,151,613	\$ 1,169,092	\$ (497,901)	\$ 19,822,804
Investment income	15,840,949	-	-	15,840,949
Change in split-interest agreements	176,615	-	-	176,615
Foundation service fees	220,718	-	-	220,718
Other income	16,205	-	-	16,205
Interest income - note receivable	59,829	-	-	59,829
Debt forgiveness income	50,000	-	-	50,000
<b>TOTAL PUBLIC SUPPORT AND REVENUE</b>	<b>\$ 35,515,929</b>	<b>\$ 1,169,092</b>	<b>\$ (497,901)</b>	<b>\$ 36,187,120</b>
<b>EXPENSES</b>				
Grants and disbursements	\$ 12,053,776	\$ 1,103,383	\$ (500,401)	\$ 12,656,758
Salaries	1,565,072	-	-	1,565,072
Payroll taxes and employee benefits	434,568	1,595	-	436,163
General and administrative	168,567	-	-	168,567
Conferences and meetings	29,701	1,515	-	31,216
Advertising and marketing	38,441	-	-	38,441
Professional services	153,344	16,449	-	169,793
Repairs and maintenance	156,745	-	-	156,745
Insurance	40,461	-	-	40,461
Depreciation	314,989	-	-	314,989
Interest expense	51,515	-	-	51,515
<b>TOTAL EXPENSES</b>	<b>15,007,179</b>	<b>1,122,942</b>	<b>(500,401)</b>	<b>15,629,720</b>
<b>CHANGE IN NET ASSETS</b>	<b>20,508,750</b>	<b>46,150</b>	<b>2,500</b>	<b>20,557,400</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>107,239,692</b>	<b>31,160</b>	<b>(2,500)</b>	<b>107,268,352</b>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 127,748,442</b>	<b>\$ 77,310</b>	<b>\$ -</b>	<b>\$ 127,825,752</b>

