

Community Foundation Santa Cruz County and Subsidiaries

**Consolidated Financial Statements with Report of Independent Auditors
With Supplementary Information
December 31, 2022 (with comparative totals for the year ended December 31, 2021)**



Report of Independent Auditors

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

Opinion

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, 2022 and 2021, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Community Foundation Santa Cruz County and Subsidiaries as of December 31, 2022 and 2021, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Community Foundation Santa Cruz County and Subsidiaries and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated 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.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Community Foundation Santa Cruz County and Subsidiaries' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Community Foundation Santa Cruz County and Subsidiaries' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Foundation's 2021 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated September 13, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, 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, 2022, 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.

Novogradac & Company LLP

Walnut Creek, California
September 13, 2023

COMMUNITY FOUNDATION SANTA CRUZ COUNTY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

| | 2022 | 2021 |
|---|-----------------------|-----------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 5,125,356 | \$ 4,299,259 |
| Investments | 166,206,434 | 185,323,912 |
| Charitable trust assets | 2,260,947 | 1,019,029 |
| Grants and other accounts receivable | 2,268,317 | 2,153,981 |
| Loans receivable | 3,419,542 | 2,650,000 |
| Loan interest receivable | 36,395 | 14,468 |
| Deposits and prepaid expenses | 64,075 | 34,402 |
| Fixed assets, net | 6,619,949 | 6,814,638 |
| TOTAL ASSETS | \$ 186,001,015 | \$ 202,309,689 |
| LIABILITIES AND NET ASSETS | | |
| Liabilities | | |
| Accounts payable and other liabilities | \$ 1,023,550 | \$ 1,079,518 |
| Grants payable | 1,607,443 | 1,433,712 |
| Agency funds | 17,740,498 | 19,931,914 |
| Charitable trust liabilities | 2,262,586 | 1,019,029 |
| Charitable gift annuity liability | 648,690 | 697,279 |
| Notes payable | 883,638 | 907,259 |
| Total liabilities | 24,166,405 | 25,068,711 |
| Net assets | | |
| Without donor restrictions | 10,715,565 | 9,095,312 |
| With donor restrictions | 151,119,045 | 168,145,666 |
| Total net assets | 161,834,610 | 177,240,978 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 186,001,015 | \$ 202,309,689 |

see accompanying notes

COMMUNITY FOUNDATION SANTA CRUZ COUNTY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2022 (WITH COMPARATIVE TOTALS FOR 2021)

| | 2022 | | | 2021 |
|---|-------------------------------|----------------------------|-----------------------|-----------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Total |
| PUBLIC SUPPORT AND REVENUE | | | | |
| Contributions and grants | \$ 1,698,200 | \$ 36,601,735 | \$ 38,299,935 | \$ 44,301,854 |
| Investment loss, net | (39,978) | (17,252,339) | (17,292,317) | 15,708,851 |
| Change in split-interest agreements | - | (155,449) | (155,449) | 16,381 |
| Foundation services fees | 232,017 | - | 232,017 | 237,694 |
| Other income | 113,407 | 12,516 | 125,923 | 431,241 |
| Interfund foundation services fees | 1,733,026 | (1,733,026) | - | - |
| Satisfaction of time and/or purpose restrictions | 34,500,058 | (34,500,058) | - | - |
| TOTAL PUBLIC SUPPORT AND REVENUE | 38,236,730 | (17,026,621) | 21,210,109 | 60,696,021 |
| EXPENSES | | | | |
| Grants and disbursements: | | | | |
| Arts, history, and culture | 1,602,873 | - | 1,602,873 | 731,302 |
| Community development | 5,193,858 | - | 5,193,858 | 6,773,233 |
| Education/youth development | 5,995,352 | - | 5,995,352 | 3,213,600 |
| Environment | 4,558,842 | - | 4,558,842 | 4,988,470 |
| Health | 10,014,392 | - | 10,014,392 | 1,268,921 |
| Human services | 4,901,777 | - | 4,901,777 | 6,513,413 |
| Regional water management | 815,071 | - | 815,071 | 864,050 |
| Total grants and disbursements | 33,082,165 | - | 33,082,165 | 24,352,989 |
| Supporting services, programs | 2,638,273 | - | 2,638,273 | 2,826,884 |
| Total grants, disbursements, and supporting services, programs | 35,720,438 | - | 35,720,438 | 27,179,873 |
| Supporting services, operations | | | | |
| Marketing and development | 329,783 | - | 329,783 | 432,581 |
| Management and general | 566,256 | - | 566,256 | 627,620 |
| Total supporting services, operations | 896,039 | - | 896,039 | 1,060,201 |
| TOTAL EXPENSES | 36,616,477 | - | 36,616,477 | 28,240,074 |
| CHANGE IN NET ASSETS | 1,620,253 | (17,026,621) | (15,406,368) | 32,455,947 |
| NET ASSETS AT BEGINNING OF YEAR | 9,095,312 | 168,145,666 | 177,240,978 | 144,785,031 |
| NET ASSETS AT END OF YEAR | \$ 10,715,565 | \$ 151,119,045 | \$ 161,834,610 | \$ 177,240,978 |

see accompanying notes

COMMUNITY FOUNDATION SANTA CRUZ COUNTY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

| | 2022 | 2021 |
|---|-----------------|---------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ (15,406,368) | \$ 32,455,947 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 275,878 | 271,849 |
| Contributions received for endowment | (1,668,264) | (6,193,315) |
| Noncash contributions | (8,796,987) | (18,886,550) |
| PPP loan debt forgiveness | - | (324,422) |
| Realized and unrealized losses (gains) | 19,682,554 | (13,207,657) |
| Change in split-interest agreements | 155,449 | (16,381) |
| (Increase) decrease in operating assets: | | |
| Charitable trust assets | (1,241,918) | 170,638 |
| Grants and other accounts receivable | (114,336) | 405,837 |
| Loan interest receivable | (21,927) | 1,574 |
| Deposits and prepaid expenses | (29,673) | (584) |
| (Decrease) increase in operating liabilities: | | |
| Accounts payable and other liabilities | (55,968) | 146,421 |
| Grants payable | 173,731 | (528,034) |
| Agency funds | (2,191,416) | 2,779,992 |
| Charitable trust liabilities | 1,243,557 | (170,638) |
| Charitable gift annuity liability | (48,589) | 101,892 |
| Net cash used in operating activities | (8,044,277) | (2,993,431) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Funding of loans receivable | (769,542) | - |
| Repayment of loans receivable | - | 100,000 |
| Proceeds from sales of investments | 12,435,046 | 19,507,735 |
| Purchase of securities | (4,358,584) | (22,626,396) |
| Purchase of fixed assets | (81,189) | (4,912) |
| Net cash provided by (used in) investing activities | 7,225,731 | (3,023,573) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Principal payment of notes payable | (23,621) | (26,357) |
| Contributions received from endowment | 1,668,264 | 6,193,315 |
| Net cash provided by financing activities | 1,644,643 | 6,166,958 |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | 826,097 | 149,954 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | 4,299,259 | 4,149,305 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | \$ 5,125,356 | \$ 4,299,259 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | |
| Cash paid for interest expense | \$ 34,083 | \$ 36,185 |

see accompanying notes

ERROR! NO DOCUMENT VARIABLE SUPPLIED.
NOTES TO THE CONSOLIDATED consolidated financial statements
December 31, 2022 and 2021

1. Organization

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 non-private 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.

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. Reference of fiscal year 2022 refer to the year ended December 31, 2022; fiscal year 2021 refer to the year ended December 31, 2021.

Basis of presentation

The Foundation and Subsidiaries are required to report information regarding its financial position and activities according to the following net asset classifications:

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.

ERROR! NO DOCUMENT VARIABLE SUPPLIED.
NOTES TO THE CONSOLIDATED consolidated financial statements
December 31, 2022 and 2021

2. Summary of significant accounting policies (continued)

Basis of presentation (continued)

Net assets with donor restrictions: Net assets subject to donor-imposed stipulations. Net assets with donor restrictions consist primarily of non-endowed 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 restriction. 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 restriction. In prior years, if a fund did not have any accumulated earnings, the fund would not participate in grant-making. As of December 31, 2022 and 2021, 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 goals 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.

ERROR! NO DOCUMENT VARIABLE SUPPLIED.
NOTES TO THE CONSOLIDATED consolidated financial statements
December 31, 2022 and 2021

2. Summary of significant accounting policies (continued)

Investment and spending policies (continued)

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, has adopted a spending plan that continues to follow UMIFA by enforcing no spending of the permanently restricted portion of donor funds, which consists of the historic gift, or corpus, of the fund. The objective of endowed funds is 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 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 the 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 grantmaking determined each year (3.75% for 2022 and 2021) 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 2022 and 2021, the calculation for new grant making dollars was \$3,588,955 and \$3,017,675, respectively. Of these amounts \$243,182 and \$264,426, was related to endowed agency funds for the years ended December 31, 2022 and 2021, respectively.

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, 2021, from which the summarized information was derived.

Estimates

The preparation of consolidated financial statements in accordance with GAAP includes the use of estimated 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. 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 approximate fair value because of the short maturities of those financial instruments. The varying 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.

ERROR! NO DOCUMENT VARIABLE SUPPLIED.
NOTES TO THE CONSOLIDATED consolidated financial statements
December 31, 2022 and 2021

2. Summary of significant accounting policies (continued)

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 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. Outside advisors 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 non-endowed donor funds. Realized and unrealized gains and losses from securities in the master investment accounts are allocated monthly to the individual endowed and non-endowed 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 immaterial, 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.

ERROR! NO DOCUMENT VARIABLE SUPPLIED.
NOTES TO THE CONSOLIDATED consolidated financial statements
December 31, 2022 and 2021

2. Summary of significant accounting policies (continued)

Charitable trust assets (continued)

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, 2022 and 2021.

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 market 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 current interest rates and actuarial assumptions. 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 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, 2022 and 2021, 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, 2022 and 2021, 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, 2022 and 2021, the balance of the allowance for doubtful accounts was \$0.

ERROR! NO DOCUMENT VARIABLE SUPPLIED.
NOTES TO THE CONSOLIDATED consolidated financial statements
December 31, 2022 and 2021

2. Summary of significant accounting policies (continued)

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 – 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 2022 and 2021.

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.

ERROR! NO DOCUMENT VARIABLE SUPPLIED.
NOTES TO THE CONSOLIDATED consolidated financial statements
December 31, 2022 and 2021

2. Summary of significant accounting policies (continued)

Agency funds (continued)

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 non-endowed 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 \$100,000 are recorded at the date of approval by either CEO or CFO. Donor-advised grants above \$100,000 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.

ERROR! NO DOCUMENT VARIABLE SUPPLIED.
NOTES TO THE CONSOLIDATED consolidated financial statements
December 31, 2022 and 2021

2. Summary of significant accounting policies (continued)

Income taxes (continued)

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.

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 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 Organization's own assumptions.

Level 1, 2, and 3 valuation techniques and inputs

Level 1 – Investments inequity, fixed income and certain liquid alternative securities, including real estate investment trust, commodities, multi strategy funds, energy an infrastructure funds, U.D. 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.

ERROR! NO DOCUMENT VARIABLE SUPPLIED.
NOTES TO THE CONSOLIDATED consolidated financial statements
December 31, 2022 and 2021

3. Investments and fair value measurement (continued)

Level 1, 2, and 3 valuation techniques and input (continued)

Level 2 – 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 or 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 nontrusted 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 statement, 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 nontrusted charitable remainder trusts and to determine the liability associated with split interest agreements. Inputs used for valuation of remainder interests in nontrusted 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 interest 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.

ERROR! NO DOCUMENT VARIABLE SUPPLIED.
NOTES TO THE CONSOLIDATED consolidated financial statements
December 31, 2022 and 2021

3. Investments and fair value measurement (continued)

Level 1, 2, and 3 valuation techniques and input (continued)

The following tables present the Organization'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, 2022 and 2021:

| | December 31, 2022 | | | | |
|---|-----------------------|-----------------------|---------------------|---------------------|---------------------|
| | Total | Level 1 | Level 2 | Level 3 | NAV |
| ASSETS | | | | | |
| Investments | | | | | |
| Cash and cash equivalents | | | | | |
| Money market securities | \$ 16,396,521 | \$ 16,396,521 | \$ - | \$ - | \$ - |
| Fixed income and preferreds | | | | | |
| Fixed income | 37,280,475 | 37,280,475 | - | - | - |
| Global equities | | | | | |
| US equity | 44,998,488 | 44,998,488 | - | - | - |
| International equity | 44,277,919 | 44,277,919 | - | - | - |
| Private credit | 4,088,893 | - | 4,088,893 | - | - |
| Liquid alternative securities | | | | | |
| Liquid alternatives | 1,004,706 | 1,004,706 | - | - | - |
| Structured international | - | - | - | - | - |
| Alternative investments | | | | | |
| Private equity funds | 6,149,711 | - | - | - | 6,149,711 |
| Real estate | 9,137,387 | - | - | 9,137,387 | - |
| Other investments | 2,872,334 | 2,705,590 | - | 166,744 | - |
| Total investments | <u>\$ 166,206,434</u> | <u>\$ 146,663,699</u> | <u>\$ 4,088,893</u> | <u>\$ 9,304,131</u> | <u>\$ 6,149,711</u> |
| Split-interest agreements | | | | | |
| Beneficial interests in charitable remainder trusts | \$ 2,260,947 | \$ - | \$ - | \$ 2,260,947 | \$ - |
| LIABILITIES | | | | | |
| Split-interest agreements | | | | | |
| Charitable gift annuity liability | \$ 648,690 | \$ - | \$ - | \$ 648,690 | \$ - |
| Charitable trust liabilities | \$ 2,262,586 | \$ - | \$ - | \$ 2,262,586 | \$ - |

ERROR! NO DOCUMENT VARIABLE SUPPLIED.
NOTES TO THE CONSOLIDATED consolidated financial statements
December 31, 2022 and 2021

3. Investments and fair value measurement (continued)

Level 1, 2, and 3 valuation techniques and input (continued)

| | December 31, 2021 | | | | |
|---|-----------------------|-----------------------|---------------------|---------------------|---------------------|
| | Total | Level 1 | Level 2 | Level 3 | NAV |
| ASSETS | | | | | |
| Investments | | | | | |
| Cash and cash equivalents | | | | | |
| Money market securities | \$ 28,973,407 | \$ 28,973,407 | \$ - | \$ - | \$ - |
| Fixed income and preferreds | | | | | |
| Fixed income | 32,598,142 | 32,598,142 | - | - | - |
| Global equities | | | | | |
| US equity | 49,954,294 | 49,954,294 | - | - | - |
| International equity | 42,723,313 | 42,723,313 | - | - | - |
| Private credit | 1,816,296 | - | 1,816,296 | - | - |
| Liquid alternative securities | | | | | |
| Liquid alternatives | 6,485,398 | 6,485,398 | - | - | - |
| Structured international | 5,465,203 | 5,465,203 | - | - | - |
| Alternative investments | | | | | |
| Private equity funds | 5,793,883 | - | - | - | 5,793,883 |
| Investments in notes receivable | 1,326,362 | - | 1,326,362 | - | - |
| Real estate | 4,582,855 | - | - | 4,582,855 | - |
| Other investments | 5,604,759 | 2,627,602 | - | 2,977,157 | - |
| Total investments | <u>\$ 185,323,912</u> | <u>\$ 168,827,359</u> | <u>\$ 3,142,658</u> | <u>\$ 7,560,012</u> | <u>\$ 5,793,883</u> |
| Split-interest agreements | | | | | |
| Beneficial interests in charitable remainder trusts | <u>\$ 1,019,029</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,019,029</u> | <u>\$ -</u> |
| LIABILITIES | | | | | |
| Split-interest agreements | | | | | |
| Charitable gift annuity liability | \$ 697,279 | \$ - | \$ - | \$ 697,279 | \$ - |
| Charitable trust liabilities | \$ 1,019,029 | \$ - | \$ - | \$ 1,019,029 | \$ - |

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 portfolio.

Alternative investments

As of December 31, 2022 and 2021, the Foundation invested in ten and seven private equity funds, respectively. 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 \$4,504,498 and \$1,764,359, respectively, as of December 31, 2022 and 2021. These investments are generally not redeemable from the fund manager. Instead, distributions are received through the liquidation of the underlying assets of the fund.

ERROR! NO DOCUMENT VARIABLE SUPPLIED.
NOTES TO THE CONSOLIDATED consolidated financial statements
December 31, 2022 and 2021

3. Investments and fair value measurement (continued)

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. This investment in real estate is included as part of the long term portfolio.

During 2022, the Foundation received a gift of real property located in Santa Cruz, CA. The Foundation recorded the property at the fair value of \$2,500,000 as of the transfer date. This investment in real estate is included as part of the long term portfolio. This investment in real estate was sold on February 21, 2023, for \$2,400,000.

Independent appraisals of significant real estate held for investments are conducted periodically, depending on the nature of the investment.

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. During 2021, the Foundation received a contribution membership interest in Pot Belly Beach Club, LLC ("Beach Club") and estimated the fair value of such interest at \$2,833,333 and recorded investments and corresponding contributions in that amount which represented management's best estimates of the asset's fair value at the date of the donation. During 2022, the Foundation sold its interest in Beach Club for \$3,505,000. As of December 31, 2022 and 2021, the fair values of membership interests were \$6,070 and \$2,856,378, respectively.

Cash surrender value of life insurance - The Foundation is the beneficiary of a \$750,000 life insurance policy of an insured donor. During 2022 and 2021, 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, 2022. Cash surrender value of life insurance is estimated by the life insurance company. As of December 31, 2022 and 2021, the fair value of cash surrender value of life insurance was \$99,626 and \$104,302, respectively. Cash surrender value of life insurance is included as part of the operational cash management portfolio.

ERROR! NO DOCUMENT VARIABLE SUPPLIED.
NOTES TO THE CONSOLIDATED consolidated financial statements
December 31, 2022 and 2021

3. Investments and fair value measurement (continued)

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 trusted 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, 2022 and 2021:

| | Real Estate | Other | Total |
|---|---------------------|---------------------|---------------------|
| Investments - Level 3 | | | |
| Balance, January 1, 2022 | \$ 4,582,855 | \$ 2,977,157 | \$ 7,560,012 |
| Sale of LLC interest | - | (3,505,000) | (3,505,000) |
| Change in value | 4,554,532 | 694,587 | 5,249,119 |
| Balance, December 31, 2022 | <u>\$ 9,137,387</u> | <u>\$ 166,744</u> | <u>\$ 9,304,131</u> |
| Charitable trust assets | | | |
| Balance, January 1, 2022 | | \$ 1,019,029 | |
| Change in value of split-interest agreement | | 1,241,918 | |
| Balance, December 31, 2022 | | <u>\$ 2,260,947</u> | |
| Charitable gift annuity | | | |
| Balance, January 1, 2022 | | \$ 697,279 | |
| Payments | | - | |
| Change in value of split-interest agreement | | (48,589) | |
| Balance, December 31, 2022 | | <u>\$ 648,690</u> | |
| Charitable trust liabilities | | | |
| Balance, January 1, 2022 | | \$ 1,019,029 | |
| Change in value of split-interest agreement | | 1,243,557 | |
| Balance, December 31, 2022 | | <u>\$ 2,262,586</u> | |

ERROR! NO DOCUMENT VARIABLE SUPPLIED.
NOTES TO THE CONSOLIDATED consolidated financial statements
December 31, 2022 and 2021

3. Investments and fair value measurement (continued)

| | Real Estate | Other | Total |
|---|----------------|--------------|--------------|
| Investments - Level 3 | | | |
| Balance, January 1, 2021 | \$ 4,582,855 | \$ 184,542 | \$ 4,767,397 |
| Contributions | - | 2,833,333 | 2,833,333 |
| Change in value | - | (40,718) | (40,718) |
| Balance, December 31, 2021 | \$ 4,582,855 | \$ 2,977,157 | \$ 7,560,012 |
| Charitable trust assets | | | |
| Balance, January 1, 2021 | | \$ 2,571,705 | |
| Change in value of split-interest agreement | | (1,552,676) | |
| Balance, December 31, 2021 | | \$ 1,019,029 | |
| Charitable gift annuity | | | |
| Balance, January 1, 2021 | | \$ 595,387 | |
| Payments | | (85,000) | |
| Change in value of split-interest agreement | | 186,892 | |
| Balance, December 31, 2021 | | \$ 697,279 | |
| Charitable trust liabilities | | | |
| Balance, January 1, 2021 | | \$ 1,189,667 | |
| Change in value of split-interest agreement | | (170,638) | |
| Balance, December 31, 2021 | | \$ 1,019,029 | |

Investments were comprised of the following as of December 31, 2022 and 2021:

| | 2022 | 2021 |
|---------------------------|----------------|----------------|
| Cash and cash equivalents | \$ 16,396,521 | \$ 28,973,407 |
| Equities | 93,365,300 | 94,493,903 |
| Fixed income | 37,280,475 | 32,598,142 |
| Others | 19,164,138 | 29,258,460 |
| Total investments | \$ 166,206,434 | \$ 185,323,912 |

ERROR! NO DOCUMENT VARIABLE SUPPLIED.
NOTES TO THE CONSOLIDATED consolidated financial statements
December 31, 2022 and 2021

3. Investments and fair value measurement (continued)

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

| | <u>2022</u> | <u>2021</u> |
|-----------------------------------|-----------------------|-----------------------|
| Investment strategies: | | |
| Long term | \$ 95,781,631 | \$ 115,224,900 |
| Socially responsible long-term | 47,487,125 | 37,644,171 |
| Short duration fixed income | 7,718,889 | 7,612,284 |
| Capital-preservation | 1,923,771 | 1,708,952 |
| Outside managed accounts | 904,623 | 1,195,790 |
| Charitable gift annuity portfolio | <u>955,234</u> | <u>1,189,222</u> |
| Total investments | 154,771,273 | 164,575,319 |
| Operational cash management | <u>11,435,161</u> | <u>20,748,593</u> |
| Total investment | <u>\$ 166,206,434</u> | <u>\$ 185,323,912</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"): 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.

ERROR! NO DOCUMENT VARIABLE SUPPLIED.
NOTES TO THE CONSOLIDATED consolidated financial statements
December 31, 2022 and 2021

4. Loans receivable

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. The Board of Directors approved increases to existing impact investment loans from CIRF totaling \$1,500,000. These loans bear interest at rates ranging from 1.5% to 4% and mature on various dates from 2024 through 2030. As of December 31, 2022 and 2021, loans receivable from CIRF equaled \$2,525,000 and \$2,650,000, respectively.

In addition to the CIRF loans receivable, the Foundation has made various impact investment loans to multiple organizations 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 from 2023 through 2028.

Loans receivable were comprised of the following as of December 31, 2022 and 2021:

| | <u>2022</u> | <u>2021</u> |
|--------------------------|---------------------|---------------------|
| Loans receivable | \$ 3,419,542 | \$ 2,650,000 |
| Loan interest receivable | <u>36,395</u> | <u>14,468</u> |
| Total | <u>\$ 3,455,937</u> | <u>\$ 2,664,468</u> |

5. Fixed assets

The Foundation's fixed assets were comprised of the following as of December 31, 2022 and 2021:

| | <u>2022</u> | <u>2021</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 | <u>1,348,154</u> | <u>1,266,965</u> |
| Total fixed assets | 10,092,333 | 10,011,144 |
| Less: accumulated depreciation | <u>(3,472,384)</u> | <u>(3,196,506)</u> |
| Net fixed assets | <u>\$ 6,619,949</u> | <u>\$ 6,814,638</u> |

Depreciation expense during 2022 and 2021 was \$275,877 and \$271,849, respectively.

ERROR! NO DOCUMENT VARIABLE SUPPLIED.
NOTES TO THE CONSOLIDATED consolidated financial statements
December 31, 2022 and 2021

6. Charitable trust assets and liabilities

As of December 31, 2022 and 2021, 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, 2022 and 2021.

| | <u>2022</u> | | <u>2021</u> | |
|------------------------------|--|--|--|--|
| | 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 | \$ - | \$ - | \$ - | \$ 102,147 |
| Charitable Remainder Trust B | 350,938 | - | 488,513 | - |
| Charitable Remainder Trust C | 212,502 | 197,235 | 218,654 | 217,573 |
| Charitable Remainder Trust E | 223,430 | 358,935 | 350,405 | 381,402 |
| Charitable Remainder Trust F | 360,289 | 255,154 | 420,875 | 317,907 |
| Charitable Remainder Trust G | <u>570,152</u> | <u>1,449,623</u> | <u>-</u> | <u>-</u> |
| Total | <u>\$ 1,717,311</u> | <u>\$ 2,260,947</u> | <u>\$ 1,478,447</u> | <u>\$ 1,019,029</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 is received by the Foundation annually. 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.

Charitable Remainder Trust G

The trust was established during 2022. 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.

ERROR! NO DOCUMENT VARIABLE SUPPLIED.
 NOTES TO THE CONSOLIDATED consolidated financial statements
 December 31, 2022 and 2021

7. Grants payable

CFSCC and RWMF make grants to various organizations. As of December 31, 2022 and 2021, the balance of grants payable was \$1,607,443 and \$1,433,712, respectively, of which \$0 pertained to RWMF. The following is a summary of grants authorized and payable at December 31, 2022:

| | |
|-------------|---------------------|
| Due in 2023 | \$ 1,332,443 |
| Due in 2024 | 185,000 |
| Due in 2025 | 50,000 |
| Due in 2026 | <u>40,000</u> |
| Total | <u>\$ 1,607,443</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.

8. Notes payable

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

| | <u>2022</u> | <u>2021</u> |
|---------------------------------------|-------------------|-------------------|
| Santa Cruz County Bank loan | \$ 883,638 | \$ 907,259 |
| Less: unamortized debt issuance costs | <u>-</u> | <u>-</u> |
| Notes payable | <u>\$ 883,638</u> | <u>\$ 907,259</u> |

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. As such, the proceeds from the PPP loan were recorded as other income in the statements of activities and changes in net assets.

Commercial loan

On December 14, 2020, the Foundation obtained a \$930,000 commercial loan from Santa Cruz County Bank (the "Commercial Loan") and paid off the tax-exempt bond. The Commercial Loan requires an interest payment on January 5, 2021 with interest calculated on the unpaid principal balance using an interest rate of 3.750%; 119 monthly payments on principal and interest payments of \$4,808.61 each, beginning February 5, 2021 with interest calculated on the unpaid principal balance using an interest rate of 3.750%; and one principal and interest payment of \$663,616.71 on January 5, 2031 with interest calculated on the unpaid principal balance using an interest rate of 3.750%. The Commercial Loan matures on January 5, 2031. Interest expense during 2022 and 2021 was \$34,083 and \$36,044, respectively.

ERROR! NO DOCUMENT VARIABLE SUPPLIED.
NOTES TO THE CONSOLIDATED consolidated financial statements
December 31, 2022 and 2021

8. Notes payable (continued)

The required principal payments subsequent to December 31, 2022, are as follows:

Year ending December 31,

| | |
|------------|-------------------|
| 2023 | \$ 24,953 |
| 2024 | 25,905 |
| 2025 | 26,896 |
| 2026 | 27,919 |
| 2027 | 28,984 |
| Thereafter | <u>748,981</u> |
| Total | <u>\$ 883,638</u> |

9. Endowment disclosure

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, 2022 and 2021, were as follows:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|-------------------------------|----------------------------|----------------------|
| Endowment net assets, January 1, 2021 | \$ - | \$ 69,330,381 | \$ 69,330,381 |
| Investment return: | | | |
| Investment income | - | 1,533,847 | 1,533,847 |
| Net appreciation (realized and unrealized) | - | 7,674,232 | 7,674,232 |
| Total investment return | - | 9,208,079 | 9,208,079 |
| Contributions | - | 6,889,337 | 6,889,337 |
| Appropriation of endowment assets for expenditure | (3,666,883) | - | (3,666,883) |
| Other changes: | | | |
| Transfers to/(from) Board-designated endowment funds | (1,289,592) | - | (1,289,592) |
| Release | 4,956,475 | (4,956,475) | - |
| Endowment net assets, December 31, 2021 | - | 80,471,322 | 80,471,322 |
| Investment return: | | | |
| Investment income | - | 1,305,257 | 1,305,257 |
| Net appreciation (realized and unrealized) | - | (10,271,671) | (10,271,671) |
| Total investment return | - | (8,966,414) | (8,966,414) |
| Contributions | - | 1,668,264 | 1,668,264 |
| Appropriation of endowment assets for expenditure | (2,890,558) | - | (2,890,558) |
| Other changes: | | | |
| Transfers to/(from) Board-designated endowment funds | (1,100,774) | - | (1,100,774) |
| Release | 3,991,332 | (3,991,332) | - |
| Endowment net assets, December 31, 2022 | <u>\$ -</u> | <u>\$ 69,181,840</u> | <u>\$ 69,181,840</u> |

ERROR! NO DOCUMENT VARIABLE SUPPLIED.
NOTES TO THE CONSOLIDATED consolidated financial statements
December 31, 2022 and 2021

9. Endowment disclosure (continued)

| | December 31, 2022 | | |
|-----------------------------------|-------------------------------|----------------------------|---------------|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Donor restricted endowments | | | |
| Original endowment gift amount | \$ - | \$ 66,191,555 | \$ 66,191,555 |
| Accumulated earnings | - | 2,990,285 | 2,990,285 |
| Total donor restricted endowments | - | 69,181,840 | 69,181,840 |
| Board designated endowments | - | - | - |
| Total | \$ - | \$ 69,181,840 | \$ 69,181,840 |
| | | | |
| | December 31, 2021 | | |
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Donor restricted endowments | | | |
| Original endowment gift amount | \$ - | \$ 64,627,806 | \$ 64,627,806 |
| Accumulated earnings | - | 15,843,516 | 15,843,516 |
| Total donor restricted endowments | - | 80,471,322 | 80,471,322 |
| Board designated endowments | - | - | - |
| Total | \$ - | \$ 80,471,322 | \$ 80,471,322 |

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 \$100,987, respectively, to the plan in 2022 and 2021. These amounts are included in payroll taxes and employee benefits on the accompanying consolidated statements of functional expenses.

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 unrestricted 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.

ERROR! NO DOCUMENT VARIABLE SUPPLIED.
NOTES TO THE CONSOLIDATED consolidated financial statements
December 31, 2022 and 2021

11. Net assets (continued)

Net assets without donor restrictions (continued)

At December 31, 2022 and 2021, net assets without donor restrictions consisted of the following:

| | <u>2022</u> | <u>2021</u> |
|---|----------------------|---------------------|
| Board designated | \$ 675,960 | \$ 600,709 |
| Undesignated | 9,932,336 | 8,388,772 |
| RWMF | <u>107,270</u> | <u>105,831</u> |
| Total net assets without donor restrictions | <u>\$ 10,715,566</u> | <u>\$ 9,095,312</u> |

Net assets with donor restrictions

Net assets with donor restrictions consist of non-endowed 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, 2022 and 2021, net assets with donor restrictions consisted of the following:

| | <u>2022</u> | <u>2021</u> |
|--|-----------------------|-----------------------|
| Non-endowed | \$ 66,281,975 | \$ 71,576,275 |
| Charitable gift annuities | 235,930 | 421,260 |
| Grants, special projects, and pass-through | 13,701,990 | 14,197,100 |
| Charitable remainder trust assets | 1,717,311 | 1,479,708 |
| Endowed | <u>69,181,839</u> | <u>80,471,323</u> |
| Total net assets with donor restrictions | <u>\$ 151,119,045</u> | <u>\$ 168,145,666</u> |

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.

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:

ERROR! NO DOCUMENT VARIABLE SUPPLIED.
NOTES TO THE CONSOLIDATED consolidated financial statements
December 31, 2022 and 2021

12. Agency funds (continued)

Agency flex funds

Agency flex funds 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 balances at December 31, 2022 and 2021 are as follows:

| | <u>2022</u> | <u>2021</u> |
|--|----------------------|----------------------|
| Peixoto Organic & Sustainable Farming Education Fund | \$ 2,650,505 | \$ 2,980,364 |
| Hospice of Santa Cruz County Reserve Fund | 2,630,994 | 2,937,469 |
| Wharf to Wharf Scholarship Fund | 304,713 | 370,470 |
| Hospice of Santa Cruz County Fund | 582,128 | 653,228 |
| CASA Operating Fund II | 503,282 | 611,890 |
| The Arts Council Fund | 465,040 | 666,914 |
| Ceiba Scholarship Fund | 229,998 | 230,970 |
| Monarch Services Agency Flex Fund | 342,151 | 383,941 |
| CASA Operating Fund | 260,725 | 292,569 |
| Pacific School Foundation Fund | 278,593 | 312,620 |
| Vajrapani Institute Fund | 219,986 | 267,459 |
| CASA Capital Campaign Fund | 191,582 | 214,982 |
| Happy Valley School Legacy Flex Fund | 230,594 | 278,935 |
| Stein Memorial Fund for Watsonville Public Libraries | 161,356 | 196,177 |
| Boys & Girls Club of Santa Cruz Fund | 140,413 | 157,563 |
| California Grey Bears Legacy Fund | 134,233 | 163,200 |
| Pajaro Valley Prevention and Student Assistance Capital Campaign Fund | 24,835 | 25,016 |
| Felton Library Friends Fund | 91,446 | 111,180 |
| Jacob's Heart Stewardship Fund | 271,846 | 305,048 |
| Santa Cruz Community Ventures Agency Flex Fund | 205,870 | 151,301 |
| Pajaro Valley Quilt Association Flex Fund | 52,889 | 64,303 |
| Live Oak Education Foundation Agency Flex Fund | 75,396 | 91,667 |
| Vajrapani Institute Wisdom Culture Legacy Fund | 50,217 | 61,054 |
| Monterey Bay Salmon & Trout Project Fund | 92,776 | 112,797 |
| Main Beach Volleyball Club Scholarship Fund | 41,395 | 46,451 |
| Aptos Sports Foundation Fund | 29,896 | 33,548 |
| COPA Reserve Fund | 191,713 | 173,760 |
| MBOSC Trail Fund | 23,793 | 25,214 |
| BirchBark Foundation Reserve Fund | - | 24,300 |
| PV United Field Fund | 27,694 | 33,680 |
| Friends of Santa Cruz Public Libraries Agency Flex Fund | 16,776 | 19,042 |
| Agri-Culture FWH Agricultural Education Fund | 302,075 | 340,529 |
| Valley Women's Club Fund | 130,976 | 159,241 |
| The Four-Eighteen Project | 89,252 | 108,512 |
| Watsonville High School Foundation Fund | 83,270 | 101,240 |
| Watsonville High School Scholarship and Grants Fund | 49,238 | 59,864 |
| Valley Women's Club Scholarship and Grants Fund | 12,364 | 25,306 |
| County Park Friends Fund | 23,301 | 24,702 |
| Imagine Supported Living Services Endowment Fund | 34,548 | 28,190 |
| Georgette Dufresne Memorial Fund for Monarch Services | 7,779 | 35,871 |
| Total agency flex funds | <u>\$ 11,255,637</u> | <u>\$ 12,880,567</u> |

ERROR! NO DOCUMENT VARIABLE SUPPLIED.
NOTES TO THE CONSOLIDATED consolidated financial statements
December 31, 2022 and 2021

12. Agency funds (continued)

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, 2022 and 2021 are as follows:

| | <u>2022</u> | <u>2021</u> |
|--|--------------|--------------|
| Temple Beth El Next Generation Fund | \$ 1,012,062 | \$ 1,264,890 |
| O'Neill Sea Odyssey Fund | 744,100 | 860,286 |
| Happy Valley School Foundation Fund | 686,292 | 859,182 |
| Stein Memorial Endowment Fund | 346,455 | 436,030 |
| Bonny Doon Education Fund | 343,819 | 342,707 |
| Agriculture History Project Endowment Fund | 715,637 | 767,446 |
| Fund for Elkhorn Slough Foundation Fund | 188,346 | 217,770 |
| Jimmie Cox Memorial Scholarship Fund | 211,503 | 237,567 |
| SPCA/Dr. Jean's Senior Friends Fund | 90,330 | 113,684 |
| Santa Cruz Shakespeare Endowment Fund | 81,073 | 102,033 |
| T.H.A.N.K.S. Agriculture Education Fund | 67,819 | 78,748 |
| Court Appointed Special Advocates Fund | 62,152 | 71,855 |
| Laura Brown Memorial Scholarship Fund | 62,533 | 67,288 |
| Pajaro Valley Historic Association Borina Archive Fund | 54,710 | 63,517 |
| Congregational Church of Soquel Endowment Fund | 50,851 | 59,052 |
| Museum of Art and History Endowment Fund | 49,829 | 57,614 |
| Watsonville Wetlands Watch Laura Hofmeister Scholarship Fund | 65,297 | 81,356 |
| Agri-Culture Fountain Oaks & Greenstand Easements Endowment | 56,974 | 63,969 |
| Agri-Culture Jeannie Witmer Memorial Scholarship Fund | 51,156 | 58,022 |
| Elkhorn Slough Foundation Fund | 41,629 | 48,132 |
| Santa Cruz Sailing Foundation Fund | 35,527 | 41,252 |
| For Kids Foundation Monterey Bay Endowment Fund | 60,578 | 70,705 |
| Agri-Culture J.J. Crosetti, Jr. Memorial Fund | 39,526 | 44,607 |
| Kuumbwa Jazz Endowment Fund | 33,003 | 38,322 |
| Watsonville Wetlands Watch Endowment Fund | 31,867 | 40,106 |
| Monarch Services Fund | 31,183 | - |
| John Mello Historical Preservation Endowment Fund | 32,362 | 37,569 |
| Agricultural Education in Santa Clara County Fund | 45,967 | 51,653 |
| Mountain Community Resources Endowment Fund | 28,894 | 36,364 |
| Second Harvest Food Forever Fund | 27,481 | 34,586 |
| Pajaro Valley Quilt Association Agency Endowment | 28,344 | 32,771 |
| Ron and Dottie Tyler Fund for Restored | | |
| Agrarian Equipment Maintenance | 29,755 | 33,409 |
| Snug & Dub Brown Children's Fund | 26,466 | 33,308 |
| Ernest and Beverley Bontadelli Memorial Fund | 39,120 | 32,598 |
| Save Our Shores Forever Fund | 25,037 | 31,512 |
| Dottie Tyler Fund for Agrarian Oral History | 27,536 | 31,220 |
| San Lorenzo Valley Museum Fund | 29,607 | 35,768 |
| San Lorenzo Valley Water District Olympia | | |
| Wellfield Habitat Set-Aside | 289,786 | 356,621 |
| Land Trust of Santa Cruz County Endowment Fund | 24,452 | 30,774 |
| Santa Cruz County Fairgrounds Foundation Endowment | 24,627 | 28,595 |
| United Way of Santa Cruz County Endowment Fund | 21,095 | 26,389 |
| Loma Prieta Future Fund | 13,999 | 6,656 |

ERROR! NO DOCUMENT VARIABLE SUPPLIED.
NOTES TO THE CONSOLIDATED consolidated financial statements
December 31, 2022 and 2021

| | | |
|---|---------------------|---------------------|
| Pajaro Valley Arts: Harold and Persis Hyde Endowment | 24,805 | 26,713 |
| Agri-Culture Sandhill Bluff Conservation Easement Monitoring Fund | 22,025 | 59,461 |
| Camp Unalayee Fund | 23,923 | - |
| Capitola Library Friends Fund | 177,986 | - |
| Family Service Agency Endowment Fund | 73,199 | - |
| Family Service Agency Womens Cancer Support Endowment | 46,620 | - |
| Farm Discovery Long-Term Reserve Fund | 49,404 | - |
| Frank Prevedelli Memorial Scholarship Fund | 26,871 | - |
| HIPSCC Reserve Fund | 44,576 | - |
| Indexical Fund | 9,565 | - |
| NAMI Santa Cruz County Sustainability Fund | 23,083 | - |
| VWC Fred and Roberta McPherson Environmental Grants Fund | 8,938 | - |
| WJA Flex Fund | 24,997 | - |
| Additional agency endowment funds | <u>90</u> | <u>41,837</u> |
| Total agency endowment funds | <u>\$ 6,484,861</u> | <u>\$ 7,051,347</u> |

13. Major contributions

For the years ended December 31, 2022 and 2021, 66.31% and 63.82% of CFSCC's annual contribution and grant revenue was provided by eight and ten donors, respectively.

14. Liquidity and availability of financial assets

The following reflects the Foundation's financial assets as of the balance sheet date, reduced by the amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet 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>2022</u> | <u>2021</u> |
|---|---------------------|---------------------|
| Financial assets | | |
| Cash and cash equivalents | \$ 5,125,356 | \$ 4,299,259 |
| Investments | 166,206,434 | 185,323,912 |
| Charitable trust assets | 2,260,947 | 1,019,029 |
| Grants and other accounts receivable | 2,268,317 | 2,153,981 |
| Loans receivable | 3,419,542 | 2,650,000 |
| Loan interest receivable | 36,395 | 14,468 |
| Financial assets, at year end | <u>179,316,991</u> | <u>195,460,649</u> |
| Less those unavailable for general expenditure within one year, due to: | | |
| Total net assets with donor restrictions | (149,658,101) | (168,145,666) |
| Agency funds | (17,740,498) | (19,931,914) |
| Charitable trust assets | (2,260,947) | (1,019,029) |
| Loans receivable | (3,419,542) | (2,650,000) |
| Charitable gift annuities liabilities | (648,690) | (697,279) |
| Financial assets available to meet cash needs for general expenditure within one year | <u>\$ 5,589,213</u> | <u>\$ 3,016,761</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.

ERROR! NO DOCUMENT VARIABLE SUPPLIED.
NOTES TO THE CONSOLIDATED consolidated financial statements
December 31, 2022 and 2021

15. Subsequent events

Subsequent events have been evaluated through September 13, 2023, which is the date the consolidated financial statements were available to be issued, and there are no subsequent events requiring disclosures.

Supplementary Information

COMMUNITY FOUNDATION OF SANTA CRUZ COUNTY AND SUBSIDIARIES
SUPPLEMENTARY INFORMATION
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
DECEMBER 31, 2022

| | <u>CFSCC & NLMJ</u> | <u>RWMF</u> | <u>Eliminations</u> | <u>Total</u> |
|---|------------------------------|----------------------------|----------------------------|------------------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 4,622,165 | \$ 503,191 | \$ - | \$ 5,125,356 |
| Investments | 166,206,434 | - | - | 166,206,434 |
| Charitable trust assets | 2,260,947 | - | - | 2,260,947 |
| Grants and other accounts receivable | 2,318,670 | 549,571 | (599,924) | 2,268,317 |
| Loans receivable - CIRF | 3,419,542 | - | - | 3,419,542 |
| Loan interest receivable | 36,395 | - | - | 36,395 |
| Deposits and prepaid expenses | 64,075 | - | - | 64,075 |
| Fixed assets, net | 6,619,949 | - | - | 6,619,949 |
| TOTAL ASSETS | <u>\$ 185,548,177</u> | <u>\$ 1,052,762</u> | <u>\$ (599,924)</u> | <u>\$ 186,001,015</u> |
| LIABILITIES AND NET ASSETS | | | | |
| Liabilities | | | | |
| Accounts payable and other liabilities | \$ 1,277,906 | \$ 345,568 | \$ (599,924) | \$ 1,023,550 |
| Grants payable | 1,607,443 | - | - | 1,607,443 |
| Agency funds | 17,740,498 | - | - | 17,740,498 |
| Charitable trust liabilities | 2,262,586 | - | - | 2,262,586 |
| Charitable gift annuity liability | 648,690 | - | - | 648,690 |
| Notes payable | 883,638 | - | - | 883,638 |
| Total liabilities | <u>24,420,761</u> | <u>345,568</u> | <u>(599,924)</u> | <u>24,166,405</u> |
| NET ASSETS | | | | |
| Without donor restrictions | 10,008,371 | 707,194 | - | 10,715,565 |
| With donor restrictions | 151,119,045 | - | - | 151,119,045 |
| Total net assets | <u>161,127,416</u> | <u>707,194</u> | <u>-</u> | <u>161,834,610</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 185,548,177</u> | <u>\$ 1,052,762</u> | <u>\$ (599,924)</u> | <u>\$ 186,001,015</u> |

COMMUNITY FOUNDATION OF SANTA CRUZ COUNTY AND SUBSIDIARIES
SUPPLEMENTARY INFORMATION
CONSOLIDATING SCHEDULE OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2022

| | <u>CFSCC</u> | <u>RWMF</u> | <u>Eliminations</u> | <u>Total</u> |
|---|-----------------------|-------------------|---------------------|-----------------------|
| PUBLIC SUPPORT AND REVENUE | | | | |
| Contributions and grants | \$ 37,923,474 | \$ 832,649 | \$ (456,188) | \$ 38,299,935 |
| Investment loss | (17,292,317) | - | - | (17,292,317) |
| Change in split-interest agreements | (155,449) | - | - | (155,449) |
| Foundation services fees | 232,017 | - | - | 232,017 |
| Other income | 125,923 | - | - | 125,923 |
| TOTAL PUBLIC SUPPORT AND REVENUE | <u>\$ 20,833,649</u> | <u>\$ 832,649</u> | <u>\$ (456,188)</u> | <u>\$ 21,210,110</u> |
| EXPENSES | | | | |
| Grants and disbursements | 32,979,469 | 558,885 | (456,188) | 33,082,166 |
| Salaries | 2,005,859 | - | - | 2,005,859 |
| Payroll taxes and employee benefits | 566,368 | (11,858) | - | 554,510 |
| General and administrative | 264,050 | - | - | 264,050 |
| Conferences and meetings | 40,529 | - | - | 40,529 |
| Advertising and marketing | 20,052 | - | - | 20,052 |
| Professional services | 106,850 | 27,545 | - | 134,395 |
| Repairs and maintenance | 161,607 | 450 | - | 162,057 |
| Insurance | 42,899 | - | - | 42,899 |
| Depreciation | 275,878 | - | - | 275,878 |
| Interest expense | 34,083 | - | - | 34,083 |
| TOTAL EXPENSES | <u>36,497,644</u> | <u>575,022</u> | <u>(456,188)</u> | <u>36,616,478</u> |
| CHANGE IN NET ASSETS | <u>(15,663,995)</u> | <u>257,627</u> | <u>-</u> | <u>(15,406,368)</u> |
| NET ASSETS AT BEGINNING OF YEAR | <u>176,791,411</u> | <u>449,567</u> | <u>-</u> | <u>177,240,978</u> |
| NET ASSETS AT END OF YEAR | <u>\$ 161,127,416</u> | <u>\$ 707,194</u> | <u>\$ -</u> | <u>\$ 161,834,610</u> |