



Financial Statements

December 31, 2021

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Catholic Community Foundation of San Diego
San Diego, California

Opinion

We have audited the accompanying financial statements of Catholic Community Foundation of San Diego (the Foundation), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Catholic Community Foundation of San Diego, as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 financial statements.

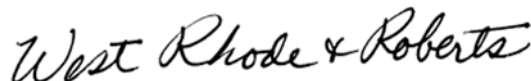
In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 the Foundation's 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's 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

Report on Summarized Comparative Information

We have previously audited Catholic Community Foundation of San Diego's December 31, 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 8, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.



WEST RHODE & ROBERTS

San Diego, California
June 7, 2022

CATHOLIC COMMUNITY FOUNDATION OF SAN DIEGO
STATEMENT OF FINANCIAL POSITION
December 31, 2021
(With Summarized Financial Information for December 31, 2020)

	2021	2020 (Note 9)
ASSETS		
Cash and cash equivalents	\$ 1,181,790	\$ 1,065,084
Deposits and prepaid expenses	19,748	18,727
Long-term investments	87,420,212	78,315,911
Real property - held for sale	638,000	638,000
Total assets	\$ 89,259,750	\$ 80,037,722
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued liabilities	\$ 30,623	\$ 73,527
Deposits held for others	78,052,808	71,494,908
Refundable advance	48,910	48,000
	78,132,341	71,616,435
Net assets:		
Without donor restrictions	6,161,123	4,397,793
With donor restrictions	4,966,286	4,023,494
Total net assets	11,127,409	8,421,287
Total liabilities and net assets	\$ 89,259,750	\$ 80,037,722

CATHOLIC COMMUNITY FOUNDATION OF SAN DIEGO

STATEMENT OF ACTIVITIES

Year Ended December 31, 2021

(With Summarized Financial Information for the Year Ended December 31, 2020)

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 (Note 9)
<u>Operating Activities</u>				
SUPPORT AND REVENUE				
Contributions and bequests	\$ 3,079,978	\$ 453,264	\$ 3,533,242	\$ 2,844,194
Investment income, net	61,941	71,455	133,396	68,390
Net realized and unrealized gains	363,330	465,235	828,565	783,447
Management fee income	494,953	-	494,953	430,093
Other income	2,173	-	2,173	-
In-kind donations	-	-	-	-
Interfund transfers	(10,000)	10,000	-	-
Net assets released from restriction	57,162	(57,162)	-	-
Total operating support and revenue	<u>4,049,537</u>	<u>942,792</u>	<u>4,992,329</u>	<u>4,126,124</u>
EXPENSES				
Program services:				
Social service grants	1,671,282	-	1,671,282	1,221,853
Program services	126,854	-	126,854	97,868
Total program services	<u>1,798,136</u>	<u>-</u>	<u>1,798,136</u>	<u>1,319,721</u>
Support services:				
Operating and administrative	282,152	-	282,152	293,514
Development and fundraising	205,919	-	205,919	171,648
Total supporting services	<u>488,071</u>	<u>-</u>	<u>488,071</u>	<u>465,162</u>
Total operating expenses	<u>2,286,207</u>	<u>-</u>	<u>2,286,207</u>	<u>1,784,883</u>
Change in net assets	1,763,330	942,792	2,706,122	2,341,241
NET ASSETS AT BEGINNING OF YEAR	<u>4,397,793</u>	<u>4,023,494</u>	<u>8,421,287</u>	<u>6,080,046</u>
NET ASSETS AT END OF YEAR	<u>\$ 6,161,123</u>	<u>\$ 4,966,286</u>	<u>\$ 11,127,409</u>	<u>\$ 8,421,287</u>

CATHOLIC COMMUNITY FOUNDATION OF SAN DIEGO
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021
(With Summarized Financial Information for the Year Ended December 31, 2020)

	Program Services	Supporting Services		2021 Total	2020 (Note 9)
		Management	Fundraising		
Program grants	\$ 1,671,282	\$ -	\$ -	\$ 1,671,282	\$ 1,221,853
Salaries and employee benefits	95,611	156,179	161,071	412,861	378,233
Occupancy	10,439	24,829	17,762	53,030	49,562
Contract services	1,789	32,208	1,789	35,786	44,954
Software license and maintenance	3,058	24,460	3,058	30,576	29,130
Professional fees	-	22,345	-	22,345	20,466
Other	7,500	1,017	9,976	18,493	2,501
Subscriptions & memberships	3,516	6,349	703	10,568	8,329
Printing and postage	3,185	1,252	5,326	9,763	4,851
Outreach	1,051	780	5,408	7,239	11,697
Office expenses	-	5,923	142	6,065	2,172
Website development	705	4,602	684	5,991	5,300
Office supplies	-	2,208	-	2,208	5,835
	<u>\$ 1,798,136</u>	<u>\$ 282,152</u>	<u>\$ 205,919</u>	<u>\$ 2,286,207</u>	<u>\$ 1,784,883</u>

CATHOLIC COMMUNITY FOUNDATION OF SAN DIEGO
STATEMENT OF CASH FLOWS
Year Ended December 31, 2021
(With Summarized Financial Information for the Year Ended December 31, 2020)

	2021	2020 (Note 9)
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,706,122	\$ 2,341,241
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Net realized and unrealized gain on investments	(828,565)	(783,447)
Contributions restricted for endowments	(453,264)	(394,483)
Contributed stock	(1,127,801)	(538,967)
Contributed real property	-	(638,000)
Change in operating assets and liabilities:		
Deposits and prepaid expenses	(1,021)	(479)
Accounts payable and accrued expenses	(42,904)	18,416
Deposits held for others	6,557,900	9,592,523
Refundable advance	910	48,000
Net cash provided by operating activities	6,811,377	9,644,804
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	25,397,222	21,747,803
Net purchase of long-term investments	(31,929,654)	(30,693,463)
Net cash used in investing activities	(6,532,432)	(8,945,660)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for endowments	453,264	394,483
Net cash provided by financing activities	453,264	394,483
Change in cash and cash equivalents	732,209	1,093,627
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,643,068	1,549,441
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 3,375,277	\$ 2,643,068
CASH AND CASH EQUIVALENTS CONSIST OF:		
Cash and cash equivalents	\$ 1,181,790	\$ 1,065,084
Cash and cash equivalents included in investments	2,193,487	1,577,984
	\$ 3,375,277	\$ 2,643,068
SUPPLEMENTAL SCHEDULE OF CASH FLOW INFORMATION		
Net investment income - deposits held for others	\$ 7,487,822	\$ 8,612,911

Note 1. Organization and Significant Accounting Policies

Organization and Activities

Catholic Community Foundation of San Diego's (the Foundation) mission is to receive, manage, safeguard and grow the investments that are provided to them while supporting organizations that are approved by the donors and are carrying out the greater mission of the Catholic faith.

The Foundation is an autonomous pious foundation formed under canon law and is a tax-exempt nonprofit under civil law. The Foundation is independent from the Diocese of San Diego and has its own Board of Trustees.

All of the funds invested with Catholic Community Foundation of San Diego are invested consistent with the Catholic Values Investing (CVI) standards that are set by the United States Conference of Catholic Bishops. This means that the assets donated to the Foundation will be managed and invested responsibly. All grants from the Foundation must be provided to responsible 501(c)(3) organizations whose mission and values are not inconsistent with the Catholic faith.

Significant Accounting Policies

Method of Accounting – The accompanying financial statements have been prepared in accordance with the accrual method of accounting.

Basis of Presentation – The Foundation's records are maintained using fund accounting. This system of accounting classifies resources into funds according to their nature and purpose. The financial statements of the Foundation have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the Foundation to report information regarding its financial position and activities. Net assets are classified on the existence or absence of donor-imposed restrictions as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets are available for various activities including:

- Amounts available for the support of the Foundation's operational functions and to support community activities at the discretion of the Board of Trustees.
- Donor-advised funds represent amounts for which grant recommendations of the respective donors are accepted for consideration, subject to final approval by the Foundation's Board of Trustees. The Foundation's by-laws and donor agreements give variance power, which under certain unanticipated circumstances, allows for redirection of funds.
- Donor-designated funds represent amounts for which grant recommendations are specific to one organization, subject to final approval by the Foundation's Board of Trustees. The Foundation's by-laws and donor agreements give variance power, which under certain unanticipated circumstances, allows for redirection of funds.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. The Foundation treats donor-advised endowments as with donor restrictions. However, the Foundation by-laws and donor agreements gives variance power, which under certain unanticipated circumstances allows for redirection of funds.

CATHOLIC COMMUNITY FOUNDATION OF SAN DIEGO
NOTES TO FINANCIAL STATEMENTS

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Measure of Operations – The statements of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Foundation’s ongoing programs. Nonoperating activities are limited to other activities of a nonrecurring nature. As of December 31, 2021, the Foundation did not have any non-operating activities.

Revenue Recognition – Contributions of cash, unconditional promises to give and other assets are recognized as revenue when they are received or unconditionally pledged.

The Foundation reports contributions as restricted if they are received with donor stipulations as to the use of the donated assets. 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 as net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions. Contributions with donor restrictions requiring the principal gift to be held in perpetuity are reported as endowment funds. The income earned from such assets is generally considered as purpose restricted.

Cash and Cash Equivalents – Cash equivalents are highly liquid debt instruments with original maturities of three months or less.

Long-term Investments – Investments are made in accordance with investment policies adopted by the Foundation’s Board. Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

Refundable Advance – In April 2020, the Foundation received a total of \$96,910 under the Paycheck Protection Program (PPP). The PPP was established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act). The loan is forgivable if it is used for qualifying expenses as described in the CARES Act. The Foundation has elected to account for the PPP loan under FASB ASC 958-605. Under this model, the Foundation has recorded the forgiveness received for \$48,000 as a contribution on the Statement of Activities and a refundable advance for \$48,910 on the Statement of Financial Position and will record revenue when the loan is forgiven, which occurred subsequent to year-end in January 2022.

Grants Payable – Unconditional grants are recognized as an expense when they have been approved by the Board of Trustees.

Deposits Held for Others – The Foundation accepts funds and contributions as an agent of unrelated nonprofit organizations, primarily parishes and schools, which are not reflected in the Foundation’s statement of activities. The amounts are recorded as assets and offsetting liabilities on the statement of financial position. The assets are invested in the investment pools offered by the Foundation.

Management Fees – Custodian, investment and management fees are recognized in the fiscal year in which they occur. Third party investment and custodian fees are netted with investment income on the accompanying statement of activities.

In-Kind Donations – Significant donated investments are recorded at the estimated fair value at the date of receipt. Contributed services and rent are recorded at the fair value at the date the contributed services and rent are received. For the year ended December 31, 2021, there were no contributed services.

Real Property – held for sale – The Foundation received a donation of real property located in Humboldt County, California which is being held for sale.

CATHOLIC COMMUNITY FOUNDATION OF SAN DIEGO
NOTES TO FINANCIAL STATEMENTS

Interfund Transfers – Interfund transfers are the movement of funds between donor-restricted endowment funds and other funds of the Foundation. This is recorded as a donation on the fund which receives the transfer and as a grant on the fund which makes the transfer. Since these are movements between funds and do not have a financial statement effect, the amounts are eliminated on the statement of activities.

Functional Allocation of Expenses – The statement of functional expenses presents expense by function and natural classification. Expenses directly attributable to a specific functional area of the Foundation are reported as expenses of those functional areas. A portion of costs that benefit multiple functional areas (indirect costs) have been allocated across programs and supporting services based on the full-time employee equivalents of a programs or supporting service.

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

Income Taxes – The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701 (d) of the State Revenue and Taxation Code. The Financial Accounting Standards Board (FASB) issued Accounting Standards Codification (ASC) No. 740-10, *Accounting for Uncertainties in Income Tax*, which sets a minimum threshold for financial statement recognition of the benefit of a tax position taken or expected to be taken in a tax return. The Foundation has reviewed its positions for all open tax years and has determined that it has no uncertain tax positions requiring accrual or disclosure.

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

The Foundation has evaluated subsequent events through June 7, 2022, which is the date the financial statements are available for issuance, and concluded that the below events needs disclosed.

In January 2022, the Foundation's application for its second paycheck protection program loan forgiveness in the amount of \$48,910 was approved by the Small Business Administration.

In March 2022, the Foundation is in escrow to sell its property held for sale for \$638,000.

Apart from the above events there were no other events or transactions that needed to be disclosed as of December 31, 2021.

CATHOLIC COMMUNITY FOUNDATION OF SAN DIEGO
NOTES TO FINANCIAL STATEMENTS

Note 2. Liquidity and Availability of Resources

The Foundation's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

Financial Assets	
Cash and cash equivalents	\$ 1,181,790
Long-term investments	87,420,212
Real property - held for sale	<u>638,000</u>
Total financial assets available within one year	<u>89,240,002</u>
Amounts unavailable for general expenditures within one year due to:	
Restricted by donors in perpetuity	(4,966,286)
Deposits held for others	<u>(78,052,808)</u>
Total amounts unavailable for general expenditures within one year	<u>(83,019,094)</u>
Total financial assets available to management for general expenditure within one year	<u>\$ 6,220,908</u>

Included in the financial assets available to meet cash needs for general expenditure within one year are approximately 25 non-endowment donor-advised funds totaling 6,037,541.

The Foundation maintains a policy of structuring its financial assets to be available as its general expenditures, distributions from donor advised funds, liabilities, and other obligations come due.

Note 3. Risks and Uncertainties

Concentration of credit risk - The Foundation maintains cash in a bank that is in excess of the insurance limit provided by the Federal Deposit Insurance Corporation. The Foundation has not experienced any losses in this account. Management believes it is not exposed to any significant credit risk with respect to cash and cash equivalents.

The Foundation invests in various investment securities, including U.S. government securities, corporate debt instruments and mutual funds. Investment securities, in general, are subject to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect amounts reported on the financial statements.

Covid-19 risk - In 2020, the COVID-19 virus was declared a global pandemic. Business continuity, including supply chains and consumer demand across a broad range of industries and countries could be severely impacted for months or beyond as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. The ultimate disruption which may be caused by the pandemic is uncertain; however, while as of June 7, 2022, it has not resulted in a material adverse impact on the Foundation's financial position, operations, and cash flows, such disruptions or restrictions may occur in the future. Possible effects may include but are not limited to disruptions or restrictions on our employee's ability to work, decline in value of assets held, including property and equipment and marketable securities and changes to the current regulatory environment. Management is actively working to mitigate the impact of these and other unforeseen potential disruptions to our operations.

Note 4. Fair Value Measurements

Due to the short-term nature of cash equivalents, deposits and prepaid expenses, accounts payable and grants payable, fair value approximates carrying value. In accordance with Financial Accounting Standards Board Codification No. 820 (FASB ASC 820), fair value is defined as the price that the Foundation would receive upon selling an asset or transferring a liability in an orderly transaction to an independent buyer in the principal or most advantageous market of the asset.

FASB ASC 820 establishes a three-tier hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs and to establish the classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available:

Level 1: Quoted prices of identical assets or liabilities in active markets that the Foundation has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect the Foundation's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The Foundation's statement of financial position includes investments which have been considered Level 1 assets and are reported at fair value based on quoted prices in active markets for identical assets at the measurement date.

Partnerships/Joint ventures are classified within Level 2 as the Foundation used quoted prices in principal active markets for certain underlying fund positions and significant other observable inputs.

The fair value of a financial instrument is 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 is best determined based upon quoted market prices. All of the Foundation's investments are based upon the quoted market prices at December 31, 2021.

The management of the Foundation is responsible for making the fair value measurements and disclosures in the financial statements. As part of fulfilling this responsibility, the management of the Foundation has established an accounting and financial reporting process for determining the fair value measurements and disclosures, which identifies and adequately supports the valuation methods and assumptions used and ensures that the presentation of the fair value measurement is in accordance with GAAP.

CATHOLIC COMMUNITY FOUNDATION OF SAN DIEGO
 NOTES TO FINANCIAL STATEMENTS

The following table summarizes the Foundation's investments, including placement in the fair value hierarchy of assets and liabilities that are measured at fair value on a recurring basis:

	Fair Value Measurements at December 31, 2021, Using:			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Long-term investments	\$ 73,701,632	\$ 13,718,580	\$ -	\$ 87,420,212

Note 5. Long-term Investments

Long-term investments at December 31, 2021, consist of:

	Market	Cost
Mutual funds - equity	\$ 23,616,630	\$ 17,040,952
Partnerships/joint ventures	13,718,580	7,806,121
Mutual funds - fixed income	11,984,098	11,476,711
Domestic common stocks	9,512,991	7,195,234
Collective investment funds	8,404,800	6,857,736
Corporate issues	6,258,256	6,233,103
US Government issues	6,081,270	6,130,247
Mutual funds - balanced	4,284,121	4,237,587
Cash and cash equivalents	2,193,487	2,193,487
Foreign issues	856,875	840,293
Foreign stocks	485,334	287,662
Mutual funds - general	23,770	23,098
	<u>\$ 87,420,212</u>	<u>\$ 70,322,231</u>

Summary of investment returns – the following schedule summarizes the return on total investments and the amounts allocated to funds held for others and the amounts reported on the statement of activities:

	Total investment return	Less allocated to funds held for others	Reported on statement of activities
Net realized/unrealized gain on investments	\$ 6,878,354	\$ 6,049,789	\$ 828,565
Interest, dividends and other income	1,874,205	1,706,370	167,835
Less investment fees	(302,776)	(268,337)	(34,439)
	<u>\$ 8,449,783</u>	<u>\$ 7,487,822</u>	<u>\$ 961,961</u>

Note 6. Net Assets with Donor Restrictions

Net assets with donor restrictions consists of endowments of \$4,966,286 for the benefit of the Foundation's philanthropic purposes.

Note 7. Endowments

The Foundation's endowment portfolio consists of 80 individual funds. The other funds are set up as donor advised, agency, and discretionary endowments. The endowment includes only donor-restricted endowment funds. As required by GAAP, net assets associated with endowment funds are classified based on the existence or absence of donor imposed restrictions. Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

Interpretation of Relevant Law – The Board of Trustees of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Endowment Investment and Spending Policies – The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately 6.5% annually. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Foundation's spending policy is approved by the board each year. For the year ended December 31, 2021, the amount available to be distributed was equal to 4.0% of the total market value based upon a three year (12 quarters) rolling average of the fund balance, this amount is internally transferred to the available to spend balance in the fund. Should the fund not yet have 12 quarters of data, the percentage is calculated based on the available data. The distributable balance shall be calculated on an annual basis. Distributions can be requested by the fund advisor.

Donor-restricted endowment net asset composition as of December 31, 2021, is as follows:

Endowment net assets, beginning of year	<u>\$ 4,023,494</u>
Investment return:	
Investment income, net	71,455
Net appreciation (realized and unrealized)	<u>465,235</u>
Total investment return	<u>536,690</u>
Distribution	(57,162)
Contributions	453,264
Contributions from donor advised fund	10,000
Endowment net assets, end of year	<u><u>\$ 4,966,286</u></u>

Note 8. Commitments and Contingencies

The Foundation leases its office space under an operating lease agreement which expires on January 31, 2025. Rent expense for the year ended December 31, 2021 was approximately \$40,000.

At December 31, 2021, total minimum lease commitments under this lease are as follows:

Years ending December 31	
2022	43,705
2023	45,016
2024	46,367
Thereafter	3,950
	<u>\$ 139,038</u>

Note 9. December 31, 2020 Financial Information

The prior year summarized financial information is for comparative purposes only. The prior year information is presented in the financial statements in total, but not by asset class as required by GAAP. The summarized financial information was derived from the Foundation’s December 31, 2020 financial statements. Accordingly, the summarized information should be read in conjunction with the Foundation’s complete financial statements for the year ended December 31, 2020.