

COMMUNITY FOUNDATION SONOMA
COUNTY

DECEMBER 31, 2020

INDEPENDENT AUDITORS' REPORT,

CONSOLIDATED FINANCIAL STATEMENTS

AND

SUPPLEMENTARY INFORMATION

Community Foundation Sonoma County

Independent Auditors' Report, Consolidated Financial Statements and Supplementary Information

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A Century Strong

Independent Auditors' Report

THE BOARD OF DIRECTORS
COMMUNITY FOUNDATION SONOMA COUNTY
Santa Rosa, California

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of **COMMUNITY FOUNDATION SONOMA COUNTY (the Foundation)**, which comprise the consolidated statement of financial position as of December 31, 2020, the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Foundation's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Community Foundation Sonoma County as of December 31, 2020, and the changes in its consolidated net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

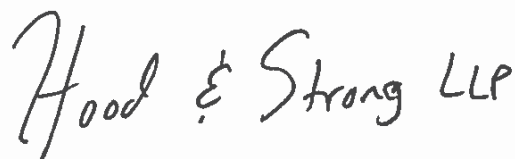
Other Matters

Report on Summarized Comparative Information

We have previously audited the Foundation's 2019 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated July 23, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information (pages 25 and 26) is 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, 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.

A handwritten signature in black ink that reads "Hood & Strong LLP". The signature is written in a cursive, flowing style.

San Francisco, California
May 25, 2021

Community Foundation Sonoma County

Consolidated Statement of Financial Position

<i>December 31, 2020 (with comparative totals for 2019)</i>	2020	2019
Assets		
Cash and cash equivalents	\$ 3,439,496	\$ 3,782,747
Contributions receivable, net	12,932,152	12,308,339
Note receivable	975,141	975,141
Investments	192,395,110	170,045,586
Charitable trust assets	2,749,865	3,686,587
Property and equipment, net	4,798,809	8,320,409
Other assets	85,314	104,656
Total assets	\$ 217,375,887	\$ 199,223,465
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expense	\$ 160,644	\$ 136,129
Note payable - Paycheck Protection Program	314,154	
Grants payable	3,590,391	4,736,891
Agency funds	19,837,190	18,833,439
Total liabilities	23,902,379	23,706,459
Net Assets:		
Without donor restrictions:		
Designated for donor advised funds	37,859,557	32,856,976
Designated for specific fields of interest	9,628,922	4,908,894
Board designated reserves	2,719,544	2,103,208
Undesignated	2,302,904	5,972,548
Total without donor restrictions	52,510,927	45,841,626
With donor restrictions:		
Time and purpose	49,437,308	38,986,852
Perpetual restrictions	91,525,273	90,688,528
Total with donor restrictions	140,962,581	129,675,380
Total net assets	193,473,508	175,517,006
Total liabilities and net assets	\$ 217,375,887	\$ 199,223,465

See accompanying notes to consolidated financial statements.

Community Foundation Sonoma County

Consolidated Statement of Activities and Changes in Net Assets

Year Ended December 31, 2020 (with comparative totals for 2019)

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Support and Revenue:				
Contributions and grants	\$ 11,557,076	\$ 6,976,431	\$ 18,533,507	\$ 11,798,223
Bequests and trusts	5,128,783		5,128,783	2,962,605
Change in value of split-interest agreements		(140,923)	(140,923)	904,506
Investment income, net	4,786,379	16,505,702	21,292,081	22,800,817
Management fees earned, net	213,372		213,372	216,210
Other income	163,079		163,079	242,903
Net assets released from restrictions	11,927,188	(11,927,188)	-	-
Total support and revenue	33,775,877	11,414,022	45,189,899	38,925,264
Expenses:				
Program services	21,306,097		21,306,097	16,941,398
Supporting services	1,919,717		1,919,717	2,276,682
Total expenses	23,225,814	-	23,225,814	19,218,080
Change in Net Assets Before Transfer of Supporting Organization				
	10,550,063	11,414,022	21,964,085	19,707,184
Transfer of Supporting Organization (Note 1)				
	(3,880,762)	(126,821)	(4,007,583)	-
Change in Net Assets	6,669,301	11,287,201	17,956,502	19,707,184
Net Assets, beginning of year	45,841,626	129,675,380	175,517,006	155,809,822
Net Assets, end of year	\$ 52,510,927	\$ 140,962,581	\$ 193,473,508	\$ 175,517,006

See accompanying notes to consolidated financial statements.

Community Foundation Sonoma County

Consolidated Statement of Functional Expenses

Year Ended December 31, 2020 (with comparative totals for 2019)

	Program Services	Supporting Services			2020 Total	2019 Total
		Fundraising	Management and General	Total		
Grants and awards	\$ 19,681,888				\$ 19,681,888	\$ 15,027,971
Salaries and wages	771,209	\$ 163,124	\$ 874,692	\$ 1,037,816	1,809,025	1,960,435
Employee benefits	93,799	23,181	112,603	135,784	229,583	265,966
Payroll taxes	59,057	12,386	66,023	78,409	137,466	154,488
Professional and consulting fees	209,751	54,284	257,046	311,330	521,081	588,899
Advertising, marketing, and outreach	8,014	3,523	9,884	13,407	21,421	103,466
Office expense	73,416	13,743	66,774	80,517	153,933	204,457
Computer network	53,788	14,782	63,269	78,051	131,839	163,423
Occupancy	94,108	18,173	86,068	104,241	198,349	208,732
Staff development and meetings	25,404	5,998	28,409	34,407	59,811	95,968
Depreciation	77,898	4,792	22,695	27,487	105,385	198,827
Insurance	157,765	1,905	16,363	18,268	176,033	178,912
Other expenses				-	-	66,536
	\$ 21,306,097	\$ 315,891	\$ 1,603,826	\$ 1,919,717	\$ 23,225,814	\$ 19,218,080

See accompanying notes to consolidated financial statements.

Community Foundation Sonoma County

Consolidated Statement of Cash Flows

<i>Year Ended December 31, 2020 (with comparative totals for 2019)</i>	2020	2019
Cash Flows from Operating Activities:		
Change in net assets	\$ 17,956,502	\$ 19,707,184
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Cash flow impact due to net asset transfer of supporting organization (Note 1)	3,434,976	
Realized and unrealized gain on investments, net	(18,826,282)	(19,471,137)
Depreciation	45,885	198,827
Contributions received for long-term purposes	(653,349)	(2,922,029)
Discount on long-term receivables	(206,150)	(265,292)
Changes in assets and liabilities:		
Contributions receivable	(418,423)	438,592
Note receivable		26,148
Charitable trust assets	936,722	295,707
Other assets	8,682	7,519
Accounts payable and accrued expense	79,870	(30,103)
Grants payable	(1,146,500)	(1,288,563)
Agency funds	1,003,751	2,200,503
Net cash provided (used) by operating activities	2,215,684	(1,102,644)
Cash Flow from Investing Activities:		
Proceeds from sale of investments	49,185,278	73,942,873
Purchase of investments	(52,708,520)	(73,592,606)
Purchase of property and equipment	(3,196)	(112,728)
Net cash (used) provided by investing activities	(3,526,438)	237,539
Cash Flows from Financing Activities:		
Note payable - Paycheck Protection Program proceeds	314,154	
Contributions received for long-term purposes	653,349	2,922,029
Net cash provided by financing activities	967,503	2,922,029
Change in Cash and Cash Equivalents	(343,251)	2,056,924
Cash and Cash Equivalents, beginning of year	3,782,747	1,725,823
Cash and Cash Equivalents, end of year	\$ 3,439,496	\$ 3,782,747

See accompanying notes to consolidated financial statements.

Community Foundation Sonoma County

Notes to Consolidated Financial Statements

Note 1 - Description of the Organization:

Community Foundation Sonoma County (the “Foundation”) was incorporated in California in 1983 as a nonprofit public benefit corporation to provide a means for the long-term preservation and enhancement of the quality of life in Sonoma County. The consolidated financial statements include all accounts and results of activities of the Foundation, as well as its supporting organization the Oliver Ranch Foundation. The Foundation also maintains two geographic affiliates in Healdsburg and Sonoma Valley. The two affiliates each have their own volunteer boards of directors which help the Foundation raise and distribute funds in their local communities.

The Foundation receives funds primarily through donations from individuals and foundations. Distribution of funds for philanthropic purposes is made primarily through the direct operation of a grantmaking program. Grants are made in the areas of health and human services, education, arts and culture, education, animal welfare and the environment. Over the past 37 years, the Foundation has granted over \$240 million with over 90% of the grants distributed to Sonoma County nonprofit organizations. The remainder was distributed outside of Sonoma County.

The Foundation’s bylaws include a variance provision giving the Board the power to modify any restriction or condition on the distribution of funds if, in the sole judgment of the Board, the restriction becomes unnecessary, incapable of fulfillment or inconsistent with the charitable needs of the community served.

Supporting Organization

As of December 31, 2020, the Foundation has one supporting organization. Supporting organizations are Section 501(c)(3) organizations that are classified as public charities (rather than private foundations) because they support a publicly-supported charity, such as the Foundation. The Foundation appoints most of the boards of these organizations. Supporting organizations in which the Foundation has a controlling interest are consolidated herein.

The Oliver Ranch Foundation

The Oliver Ranch Foundation was formed in 2009 to promote the arts by providing creative inspiration, opportunities for the growth and development of artists; serving as a venue for exhibiting extraordinary site-specific sculptures; preserving and maintaining the art installations; organizing docent tours; forming educational partnerships; and commissioning site-specific performances. Oliver Ranch houses one of the country’s premiere private reserves for site-specific art installations which celebrate the ingenuity and imagination of great artists of the time.

Community Foundation Sonoma County

Notes to Consolidated Financial Statements

Former Supporting Organization

DeMeo Teen Club, Inc. (Chop's)

Effective June 1, 2020, the DeMeo Teen Club, Inc. (Chop's) became an independent nonprofit organization and ceased being a supporting organization of the Foundation. Net assets of \$4,007,583 related to the supporting organization were transferred to Chop's which represents the ending net asset position as of May 31, 2020. As part of the separation agreement, the Foundation will continue financial support to Chop's through 2028 under a conditional multi-year grant described in Note 9.

Note 2 - Summary of Significant Accounting Policies:

a. Basis of Presentation

The consolidated financial statements are prepared on the accrual basis of accounting and in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) applicable to not-for-profit organizations. Accordingly, the Foundation presents information regarding its net assets and activities according to two classes of net assets:

Net Assets without donor restriction – The portion of net assets are not subject to time or donor-imposed restrictions and may be expended for any purpose in performing the primary objective of the Foundation. Net assets without donor restrictions include donor advised and other client funds held by the Foundation with variance power. The Board of Directors has designated net assets for certain endowments (see Note 10) and a reserve for operations.

Net Assets with donor restrictions – The portion of net assets consisting of irrevocable remainder charitable trusts, contributions which are scheduled to be received in the future, purpose-restricted grants for which variance power was not given to the Foundation, and the portion of donor-restricted endowment funds that are not restricted in perpetuity. Net assets with donor restrictions also include the portion of net assets consisting of contributions to endowment funds where the donor indicated that a portion of the fund be retained in perpetuity and the Foundation's interest in land required to be permanently held.

When donor restrictions expire, that is, when a stipulated time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Consolidated Statement of Activities and Changes in Net Assets as net assets released from restrictions.

Community Foundation Sonoma County

Notes to Consolidated Financial Statements

b. Principles of Consolidation

The accompanying consolidated financial statements include all amounts and operations of Community Foundation Sonoma County and its supporting organizations (collectively, the Foundation). Intercompany transactions and accounts have been eliminated in consolidation.

c. Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include the Foundation's operating, checking and money market accounts not held for investment purposes.

d. Investments

All debt and equity securities with readily determinable market values are carried at estimated fair value based on closing market prices. Investments received through gifts are recorded at estimated fair value at the date of donation. Certain other investments are recorded at cost.

Gains and losses that result from market fluctuations are recognized in the Consolidated Statement of Activities and Changes in Net Assets in the period such fluctuations occur. Dividend and interest income are accrued when earned.

For purposes of reporting cash flows, purchases of investments represent the total purchases of securities during the year.

e. Fair Value Measurements

The Foundation carries certain assets and liabilities at fair value. 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. The Foundation classifies its financial assets and liabilities according to three levels and maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value.

Level 1 - Quoted market prices (unadjusted) in active markets for identical assets or liabilities that the entity has the ability to access at the measurement date.

Level 2 - Observable inputs other than quoted prices included within Level 1 for the asset or liability, either directly or indirectly.

Level 3 - Unobservable inputs for the asset or liability that are not corroborated by market data.

f. Note Receivable

The Foundation records notes receivable at cost. The receivables are evaluated for impairment annually and written down if appropriate. Notes receivable are recorded at the time the note is approved by the Foundation.

Community Foundation Sonoma County

Notes to Consolidated Financial Statements

g. Charitable Trust Assets and Other Split-Interest Agreements

Charitable Lead Trusts

The Foundation is the recipient of distributions from several charitable lead trusts and is not the trustee of these trusts. Charitable lead trusts are established by donors who specify that distributions from the trusts be made to designated nonprofit organizations over a specified period of time. Upon termination, the remainder of the trust's assets is paid to beneficiaries designated by the donor. When the Foundation is notified that it is the irrevocable recipient of distributions from a lead trust, a receivable for the present value of the expected future cash inflows is reported in the consolidated financial statements. The discount rate used to calculate the present value of the future cash inflows is re-evaluated each year based on current market conditions.

Charitable Remainder Trusts

The Foundation is an irrevocable remainder beneficiary of a charitable remainder annuity trust. The Foundation is also the beneficiary of certain trusts that are held by other trustees. For those trusts, the net present value of the Foundation's estimated irrevocable remainder interest is recorded as a beneficial interest in trusts.

Under the preceding arrangement, contribution revenue is recognized at the creation of the trust in amounts equal to the net present value of the estimated remainder trust, based on various factors, including fair value of the trust assets, life expectancy of the donors, payment terms to donors, and discount rates. Subsequent changes in the measurement of trust-related assets are recorded as changes in value of split-interest agreements.

Pooled Income Fund

The Foundation recognizes its remainder interest in its pooled income fund as restricted contribution revenue in the period in which the assets are received from the donor. Donor contributions to the pooled income fund are irrevocable. A donor is assigned a specific number of units based on the proportion of their contribution's fair market value to the total fair market value of the fund. The donor receives the dividends and interest earned on those units. The contributed assets are invested in the fund until the donor's death, at which time the assets revert to the Foundation. The Foundation closed its pooled income fund in July 2020 at the request of the remaining two donors and distributed the value of the remaining income interest to the donors and their respective beneficiaries.

Community Foundation Sonoma County

Notes to Consolidated Financial Statements

h. Property and Equipment

Property and equipment are recorded at cost. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets which range from 3 to 40 years. Amortization of leasehold improvements is computed over the life of the asset or the related lease. The Foundation capitalizes property and equipment with cost or donated fair value over \$2,000.

i. Endowment Funds

The Foundation follows the guidance of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958-205-45 *Reporting Endowment Funds* and the State of California version of the Uniform Prudent Management of Institutional Funds Act known as the State Prudent Management of Institutional Funds Act (“SPMIFA”).

Interpretation of relevant law

The Board of Directors of the Foundation, with the advice of legal counsel, has determined it holds net assets that meet the definition of endowment funds under SPMIFA. The corpus represents the fair value of the original gifts as of the gift date, and all subsequent gifts to the donor restricted endowment funds. The value of assets in excess of original gifts in donor restricted endowed funds is classified as net assets with donor restrictions until appropriated for expenditure by the Foundation. Appropriation for expenditure for endowed funds is made in a manner consistent with the standards of prudence prescribed by SPMIFA, which include: (1) the duration and preservation of the fund, (2) the purposes of the organization and the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the organization, and (7) the investment policies of the Foundation.

From time to time, the fair value of the assets associated with individual donor restricted endowment funds may fall below the historical gift value “corpus”. At December 31, 2020, the Foundation did not have funds with material deficiencies.

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 while seeking to maintain the purchasing power of the endowment assets. The Foundation’s spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. The current objective is to achieve a rate of return in excess of the annual rate of inflation, net of investment fees. Actual returns in any given year may vary from this amount.

Community Foundation Sonoma County

Notes to Consolidated Financial Statements

To satisfy its long-term return objective, the Foundation relies on a total return strategy, in which investment returns are achieved through both capital appreciation of equity securities (realized and unrealized) and current yield (dividends and interest). The Foundation uses a diversified asset allocation to support the long-term return objective within prudent risk parameters.

The spending policy calculates the amount of money annually distributed from the Foundation's endowed funds for grantmaking and administration. The current grantmaking spending policy is to distribute an amount equal to 3.75% of a trailing 12 quarter rolling average for funds with balances of at least 80% of the historic gift value. The administrative expense policy is 2% of the fund balance for endowed scholarship funds and no greater than 1.5% of the endowed fund balance for other funds. This is consistent with the Foundation's objective of maintaining the purchasing power of endowed assets as well as to provide additional real growth through new gifts and investment return.

j. Revenue Recognition

Contributions and grants are recognized as revenue when received or unconditionally promised. Contributions of assets other than cash are recorded at their estimated fair value at the date of donation.

Contributions expected to be collected in future years, including future interests in charitable lead trusts, are recorded at the present value of estimated future cash flows. Discounts on the future interests are calculated using a rate equal to the approximate investment return applicable to the year in which the unconditional promise is received. Conditional promises to give are not included as support until such time as the conditions are substantially met. The Foundation has determined that all receivables are fully collectable, and no allowance for uncollectable accounts has been recorded.

The Foundation is the beneficiary under various wills and trust agreements, the total realizable amount of which is not presently determinable. Such amounts are recognized in the Foundation's financial statements as bequests receivable when clear title is established and the proceeds are measurable.

As discussed above, the Foundation receives contributions subject to time or purpose restrictions. When the restriction is met in the same period as the contribution is received, contributions are reported as increases in net assets without donor restrictions.

k. Grant Expenses

Grant expenses are recognized upon approval of an unconditional promise to give to various nonprofit organizations. Grant refunds are recorded as a reduction of grant expense at the time the grant is refunded to the Foundation. Grants payable represent the value of unconditional grants to be paid in the future.

Community Foundation Sonoma County

Notes to Consolidated Financial Statements

l. Functional Allocation of Expenses

Expenses which apply to more than one functional category have been allocated between program, management and general, and fundraising based on the time each employee spends on these functions. Indirect expenses, such as occupancy, office expenses and computer network, are allocated based on the overall number of staff in the various functional categories. Direct program expenses are charged to program. All other costs are charged directly to the appropriate functional category.

m. Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain amounts and disclosures. Accordingly, actual results could differ from those estimates.

n. Comparative Information and Reclassifications

The consolidated financial statements include certain comparative information for which the prior year information is summarized in total but not by net asset class. Accordingly, such information should be read in conjunction with the Foundation's consolidated financial statements for the year ended December 31, 2019, from which the summarized information is derived.

Certain reclassifications have been made to the 2019 consolidated financial statements in order to conform to the 2020 presentation. These reclassifications had no impact on net assets or changes in net assets.

o. Income Taxes

The Foundation is exempt from federal income tax on related income under Section 501(c)(3) of the Internal Revenue Code (the "Code") and has been classified as an organization which is not a private foundation as defined in Sections 509(a)(1) and 170(b)(i)(A)(vi) of the Code. However, the Foundation may be subject to tax on unrelated business income, if any, generated by its investments.

The Foundation follows the guidance of FASB ASC Topic 740 - *Accounting for Uncertainty in Income Taxes*. As of December 31, 2020, management evaluated the Foundation's tax positions and concluded that the Foundation had maintained its tax-exempt status and had taken no uncertain tax positions that require adjustment to the consolidated financial statements.

Community Foundation Sonoma County

Notes to Consolidated Financial Statements

p. Recent Accounting Pronouncements

Pronouncements Adopted

In June 2018, the FASB issued Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. The ASU clarifies and improves current guidance about whether a transfer of assets, or the reduction, settlement, or cancellation of liabilities, is a contribution or an exchange transaction. It provides criteria for determining whether the resource provider is receiving commensurate value in return for the resources transferred which, depending on the outcome, determines whether the organization follows contribution guidance or exchange transaction guidance in the revenue recognition and other applicable standards. The Foundation adopted the changes from this ASU for contributions made to other organizations in 2020; the adoption related to contributions made did not have a material effect on the Foundation's consolidated financial statements.

Pronouncements Effective in the Future

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. Among other things, lessees will be required to recognize the following at the commencement date of all leases not classified as short term: 1) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and 2) a right-of-use asset, which represents the lessee's right to use, or control the use of, a specified asset for the lease term. This guidance is effective for nonpublic entities for fiscal years beginning after December 15, 2021 (i.e., January 1, 2022 for a calendar year entity) and for interim periods within fiscal years beginning after December 15, 2022. Early adoption is permitted. The Foundation is currently evaluating the impact of this guidance.

In August 2018, the FASB issued ASU 2018-13, *Disclosure Framework- Changes to the Disclosure Requirements for Fair Value Measurement (Topic 820)*. The ASU removes the disclosure requirements for transfers between Levels 1 and 2 as well as the valuation processes for Level 3 fair value measurements. It clarifies that the measurement uncertainty disclosure is to communicate information about the uncertainty in measurement as of the reporting date. The amendments in the update are effective for the Foundation for its fiscal year ending December 31, 2021. The Foundation is currently evaluating the impact of this pronouncement on its financial statements.

q. Subsequent Events

The Foundation evaluated subsequent events with respect to the consolidated financial statements for the year ended December 31, 2020 through May 25, 2021, the date the consolidated financial statements were available to be issued and has determined that no adjustments are necessary to the amounts reported in the accompanying consolidated financial statements nor have any subsequent events occurred, the nature of which would require disclosure.

Community Foundation Sonoma County

Notes to Consolidated Financial Statements

Note 3 - Contributions Receivable:

Contributions receivable consists of the following at December 31, 2020:

Land and art receivable	\$ 6,185,811
Contributions receivable (net of discount of \$2,667,991)	6,186,992
Bequest receivable	360,000
Contribution receivables	199,349
	<hr/>
	\$ 12,932,152

The land and art receivable relates to a 70% interest in land and art installations, which will be given to the Oliver Ranch Foundation at a date no later than that of the death of the last trustee of the Oliver Family Living Trust (see Note 7).

In addition, the trustees of the Oliver Family Living Trust established an endowment at the Foundation to support the operations of Oliver Ranch Foundation. The amount of the endowment will vary over time with changes in the Consumer Price Index. The present value of the endowment pledge is \$6,186,992 net of a discount of \$2,667,991 at December 31, 2020.

The remaining balance of receivable of \$559,349 is expected to be collected in the year ended December 31, 2021.

Note 4 - Note Receivable:

During 2016, the Foundation accepted an unsecured loan of \$975,000 bearing annual interest at 2.55% payable quarterly. The loan is due and payable in full in a balloon payment, including all principal and unpaid interest, on or before December 31, 2032. The loan is subject to a subordination agreement. Principal prepayments may be made at any time but require approval of the borrower's bank. The balance of principal and accrued interest totaled \$975,141 at December 31, 2020.

Note 5 - Investments:

Investments consist of the following at December 31, 2020:

Cash and cash equivalents	\$ 10,675,292
Fixed income	69,648,517
Domestic and international equities	111,702,801
	<hr/>
	192,026,610
Privately held stock (at cost)	368,500
	<hr/>
	\$ 192,395,110

Community Foundation Sonoma County

Notes to Consolidated Financial Statements

The Foundation's investment income consists of the following for the year ended December 31, 2020:

Net realized and unrealized gain	\$ 18,826,282
Investment management fees	(240,572)
Dividends and interest	2,706,371
<hr/>	
Investment income, net	\$ 21,292,081

The Foundation has four investment pools made available to donors for investment of gifted assets. Separate asset allocations are maintained for each investment pool as follows:

The Long-Term Pool investment pool focuses on a long-term strategy designed to protect assets against inflation over time, while providing for a steady stream of grants. The target asset allocation, which is designed to provide diversification and reduce volatility is 85% in a core portfolio which includes five categories of stocks (55%) and three categories of bonds (30%), and (15%) in satellite portfolio. The core of the portfolio consists of investments that track major market indices with minimal tracking error (defined as the deviation of excess return). Additional positions, known as satellites, are added to the portfolio and allow for greater flexibility regarding tracking error. Overall, the pool is allocated 67% to stocks and 33% to bonds. The pool had a fair market value of approximately \$123 million at December 31, 2020.

The Socially Responsible Long-Term Investment Pool is for endowment and other long-term funds whose donors prefer socially responsible investments. This pool was revised in 2016 to mirror the strategies employed by the Long-Term Pool. It is now comprised of two separately managed accounts, one for equities and one for bonds, that meet a variety of social screens, both positive and exclusionary. Unlike the Long-Term Pool, there is no international bond component and no satellites are employed in the current implementation. This pool employs a strategic asset allocation of 65% in stocks and 35% in fixed income and cash. The pool had a fair market value of approximately \$30 million at December 31, 2020.

The Intermediate Term Investment Pool is intended for funds with an expected duration of 2 to 5 years and is available only for expendable (non-endowment) funds. The pool is constructed to have less volatility than the long-term pool, but with higher returns than the short-term pool. The target asset allocation is 85% in a core portfolio which includes stocks (22%), bonds and cash (63%), and 15% in satellite portfolio. Overall, the pool was allocated 25% to stocks and 75% to bonds and cash. The pool had a fair market value of approximately \$25 million at December 31, 2020.

The Short-Term Investment Pool is best suited for an expendable fund that will be granting out a significant portion of its money in the short term. This pool invests in money market funds and certificates of deposit. The pool had a fair market value of approximately \$9 million at December 31, 2020.

Community Foundation Sonoma County

Notes to Consolidated Financial Statements

Note 6 - Fair Value Measurement:

The table below presents the balances of assets measured at fair value on a recurring basis at December 31, 2020:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>
Cash and cash equivalents	\$ 10,675,292	\$ 10,675,292	
Fixed income:			
US government agency	4,416,892	4,416,892	
US corporate notes and bonds	3,924,523		\$ 3,924,523
Mutual funds:			
Core fixed income	39,200,686	39,200,686	
Global & International Fixed Income	22,106,416	22,106,416	
Domestic and international equities:			
Equities:			
U.S. equities	10,823,469	10,823,469	
International and global	6,597,957	6,597,957	
Emerging and frontier markets	1,570,909	1,570,909	
Real estate investment trusts (REITs)	539,685	539,685	
Mutual Funds:			
Domestic funds	50,042,569	50,042,569	
International and global funds	36,190,277	36,190,277	
Emerging Markets	5,937,935	5,937,935	
Subtotal	192,026,610	188,102,087	3,924,523
Charitable trust assets:			
Charitable lead trusts	61,057		61,057
Beneficial interest in trusts	2,688,808		2,688,808
Subtotal	2,749,865		2,749,865
Total	\$ 194,776,475	\$ 188,102,087	\$ 6,674,388

Assets associated with charitable trust assets and assets held in trust consist primarily of cash equivalents, equities, fixed income, various mutual funds, and exchange traded funds.

Community Foundation Sonoma County

Notes to Consolidated Financial Statements

Note 7 - Property and Equipment:

Property and equipment consist of the following at December 31, 2020:

Land	\$ 4,676,750
Furniture and equipment	149,997
Computers and software	190,212
Leasehold improvements	54,255
	<hr/>
	5,071,214
Less: accumulated depreciation	272,405
	<hr/>
Total property and equipment, net	\$ 4,798,809

Depreciation expense was \$45,885 for the year ended December 31, 2020.

The Oliver Ranch Foundation acquired an undivided 30% interest in real estate located in Geyserville, California which includes art installations substantially affixed to the land. The value of the interest is \$4,676,750 according to an appraisal completed at the gift date. The remaining 70% interest is owned by the Oliver Family Living Trust and will be gifted to the Foundation over time (see Note 3).

Note 8 - Note Payable – Paycheck Protection Program:

The Foundation received loan proceeds in the amount of \$314,451 with a maturity date of April 20, 2022 under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest may be forgivable as long as the Foundation uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll and other personnel related levels. The amount of loan forgiveness will be reduced if certain requirements are not met. If the Foundation submits its loan forgiveness application within ten months of the completion of its loan forgiveness covered period, no payments will be required until the forgiveness amount has been communicated by the lender. If any or all of the loan is not forgiven, the unforgiven balance, including interest at 1% per annum, must be repaid by the maturity date of the loan. The Foundation believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan.

Community Foundation Sonoma County

Notes to Consolidated Financial Statements

Note 9 - Grants Payable:

Grants payable at December 31, 2020 are scheduled to be disbursed as follows:

Year Ending December 31,

2021	\$ 1,082,500
2022	952,500
2023	525,000
2024	530,391
2025	500,000

Grants Payable	\$ 3,590,391
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In 2019, the Foundation approved a conditional grant to Chop's Teen Club to grant financial support for 10 years on the following schedule: Years 1 and 2: \$495,000, year 3: \$475,000, year 4: \$450,000, year 5: \$425,000, years 6-10: \$375,000; for a maximum of \$4,215,000. As of December 31, 2020 the remaining conditional commitment is \$3,225,000. Payments are subject to measurable performance barriers and right of return. Consequently, at December 31, 2020, future grant payments have not been recognized in the accompanying Consolidated Statement of Activities and Changes in Net Assets because the conditions on which they depend have not yet been met.

Note 10 - Agency Grants:

Agency funds represent funds transferred to the Foundation by other not-for-profit organizations that have specified themselves as the beneficiary. These funds are accounted for as assets and liabilities in the Consolidated Statement of Financial Position and their activities are excluded from the Consolidated Statement of Activities and Changes in Net Assets. However, the Foundation maintains legal ownership of the assets and has variance power.

The following is a roll-forward of the agency funds:

Balance at December 31, 2019	\$ 18,833,439
Contributions	515,124
Interest and dividends	325,063
Net realized and unrealized gain	2,311,102
Grants	(1,934,165)
Other expenses	(213,373)
Balance at December 31, 2020	\$ 19,837,190

Community Foundation Sonoma County

Notes to Consolidated Financial Statements

Note 11 - Endowments:

Endowments include contributions which are restricted in perpetuity by donors (with donor restricted net assets) and endowments which have been board designated (without donor restrictions). The changes in invested endowment net assets for the year ended December 31, 2020 is as follows:

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor Restrictions</u> <u>Time or Purpose</u>	<u>Perpetuity</u>	Total
Endowment net assets, December 31, 2019	\$ 877,908	\$ 18,217,460	\$ 73,845,125	\$ 92,940,493
Investment return:				
Net realized and unrealized gains	134,701	12,860,221		12,994,922
Interest and dividends	15,955	1,693,823		1,709,778
Investment and support fees	(12,257)	(1,312,560)		(1,324,817)
Total investment return	138,399	13,241,484		13,379,883
Contributions			653,349	653,349
Appropriated and expended	(8,000)	(2,970,119)	(22,754)	(3,000,873)
Change in endowment net assets	130,399	10,271,365	630,595	11,032,359
Endowment net assets, December 31, 2020	\$ 1,008,307	\$ 28,488,825	\$ 74,475,720	\$ 103,972,852

Not included in the roll-forward above are noninvestment endowment net assets of \$6,186,992, which increased by \$206,150 from \$5,980,842. (See Note 12).

In a prior year, the Foundation's board of directors adopted a policy for gifts without donor restrictions. The policy designates a portion for current operations and the remainder to certain designated endowments whose income will be used for community grants and Foundation operations.

Community Foundation Sonoma County

Notes to Consolidated Financial Statements

Endowment net assets composition by type as of December 31, 2020:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	
	Time or Purpose	Perpetuity	Total
Donor restricted endowments	\$ 28,488,825	\$ 74,475,720	\$ 102,964,545
Board-designated endowments	\$ 1,008,307		1,008,307
<hr/>			
Endowment net assets, December 31, 2020	\$ 1,008,307	\$28,488,825	\$ 74,475,720
			\$ 103,972,852

Donor restricted endowments are comprised of over 160 individual funds. The Foundation honors the intent expressed by the donor at the time of the gift. Approximately half of the net assets are from donors who entrusted the Foundation to determine the best use of endowment income to benefit the community, typically in broad areas of interest such as health and human services, education, environment, arts, and scholarships. Most of the balance is from donors who named specific nonprofit organizations as beneficiaries. Board-designated endowments are comprised primarily of an operating reserve fund.

Note 12 - Net Assets with Donor Restriction:

Net assets with donor restrictions at December 31, 2020 consist of the following:

Time and purpose:

Purpose-restricted funds	\$ 13,234,185
Endowment - unappropriated earnings	28,488,825
Charitable remainder trusts, charitable lead trust, and irrevocable planned gifts	7,702,570
Other	11,728
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Subtotal	49,437,308
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Perpetual restrictions:	
Endowment investments (corpus)	74,475,720
Endowment contributions receivable	6,186,992
Land receivable	6,185,811
Land required to be held in perpetuity	4,676,750
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Subtotal	91,525,273
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Total	\$ 140,962,581

Community Foundation Sonoma County

Notes to Consolidated Financial Statements

Net assets released from donor restriction for the year ended December 31, 2020 as follow:

Endowment - appropriated earnings	\$ 4,282,679
Purpose-restricted funds	6,768,592
Charitable remainder trusts	75,295
Charitable lead trusts	746,164
Other	54,458
	<hr/>
	\$ 11,927,188

Note 13 - Availability of Financial Assets and Liquidity:

The Foundation's financial assets available within one year of the Consolidated Statement of Financial Position date for general expenditures are as follows:

Financial assets at December 31, 2020:

Cash and cash equivalents	\$ 3,439,496
Note receivable	975,141
Contributions receivable	12,932,153
Investments	192,395,110
Charitable trust assets	2,749,865
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Total financial assets	212,491,765

Less amounts not available to be used within one year:

Investments not convertible to cash within 12 months	(368,500)
Beneficial interest in charitable remainder trusts	(2,749,865)
Agency funds	(19,837,190)
Perpetual endowments - corpus	(74,498,474)
Net assets restricted by time or purpose, including long-term receivables	(60,035,246)
Designated net assets:	
Donor advised funds	(37,859,556)
Special fields of interest	(9,628,921)
Board designated operating reserve fund	(1,711,240)
Board designated reserves- endowment	(1,008,304)
Add:	
Appropriated endowment fees	1,367,440
Agency fund fees	297,558
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	(206,032,298)

Financial assets available to meet general expenditures over the next twelve months	\$ 6,459,467
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Community Foundation Sonoma County

Notes to Consolidated Financial Statements

The Foundation has certain board-designated and donor-restricted assets which are available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the quantitative information above for financial assets to meet general expenditures within one year. Additionally, certain other board-designated assets are designated for future capital expenditures and an operating reserve. However, the board-designated amounts could be made available, if necessary. As part of the Foundation's liquidity management plan, cash in excess of daily requirements are invested in short-term investments and money market funds.

Note 14 - Employee Benefit Plan:

The Foundation maintains a 403(b) retirement plan covering all employees working 24 hours or more per week who have completed at least one year of service. The Foundation funds the plan at a flat, discretionary percentage determined each year, and employees can provide additional contributions to the plan. Plan benefits are provided through annuity contracts and/or custodial accounts. For the year ended December 31, 2020, employer contributions to the plan were \$69,317.

Note 15 - Commitments:

The Foundation entered into a lease agreement for its administrative office; in addition, the Foundation also maintains a lease agreement for its copier. Future aggregate minimum lease payments are as follows:

Year Ending December 31	
2021	\$ 178,300
2022	173,000
2023	175,300
2024	180,500
2025	170,400
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	\$ 877,500

Total rent expense was \$174,016 for the year ended December 31, 2020.

Community Foundation Sonoma County

Notes to Consolidated Financial Statements

Note 16 - Concentrations of Credit Risk:

Financial instruments potentially subjecting the Foundation to concentrations of credit risk consist primarily of bank demand deposits in excess of Federal Deposit Insurance Corporation insurance thresholds, cash held in money market accounts in excess of the amounts insured by the U.S. Treasury insurance for money market funds, and various debt and equity investments in excess of Securities Investor Protection Corporation insurance. Demand deposits are placed with a local financial institution, and the Foundation has not experienced any loss related to these demand deposits in the past. Investment securities are exposed to various risks, such as interest rate, market fluctuations and credit risk. It is at least reasonably possible, given the level of risk associated with investment securities, that changes in the near term could materially affect the amount reported in the consolidated financial statements. The risk associated with the investments is reduced through diversification.

Contributions are received primarily from organizations and major individual contributors. The Foundation received contributions from two contributors that approximated 29% of the Foundation's total contributions for 2020.

Note 17 - Related Party Transaction:

The Foundation has and may continue to have Board of Directors and Committee members who are employed by corporations that provide services to the Foundation. The Foundation has a conflict-of-interest policy which covers relationships with Directors, Committee members and staff.

Note 18 - Global Pandemic and Market Volatility:

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate its spread have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Foundation operates.

During 2020 the Foundation increased its grant making to support organization through the pandemic. In addition, financial markets volatility has significantly increased with general decrease in the value of major market equity indices through late March 2020 and general decrease in value from late March 2020 into late June 2020. This volatility has not affected the Foundation's operations, and the Foundation has been able to disburse grants and continue operations as planned. The Foundation's Investment Committee is closely monitoring the performance of the Foundation's portfolio, to ensure the Foundation's ability to meet its operating needs for 2021.

Community Foundation Sonoma County

Consolidating Statement of Financial Position (See Independent Auditors' Report)

December 31, 2020

	Community Foundation Sonoma County	Oliver Ranch Foundation	DeMeo Teen Club, Inc.	Eliminating Entries	Consolidated Balance
Assets					
Cash and cash equivalents	\$ 3,439,320	\$ 176			\$ 3,439,496
Contributions receivable, net	6,743,953	6,188,199			12,932,152
Note receivable	975,141				975,141
Investments	192,395,110				192,395,110
Charitable trust assets	2,749,865				2,749,865
Property and equipment, net	122,059	4,676,750			4,798,809
Other assets	85,314				85,314
Total assets	\$ 206,510,762	\$ 10,865,125	\$ -	\$ -	\$ 217,375,887
Liabilities and Net Assets					
Liabilities:					
Accounts payable and accrued expense	\$ 158,691	\$ 1,953			\$ 160,644
Notes payable - paycheck protection program	314,154				314,154
Grants payable	3,590,391				3,590,391
Agency funds	19,837,190				19,837,190
Total liabilities	23,900,426	1,953	\$ -	\$ -	23,902,379
Net Assets:					
Without donor restrictions:					
Designated for donor advised funds	37,859,557				37,859,557
Designated for specific fields of interest	9,628,922				9,628,922
Board designated reserves	2,719,544				2,719,544
Undesignated	2,302,293	611			2,302,904
Total without donor restrictions	52,510,316	611	-	-	52,510,927
With donor restriction:					
Time and purpose	49,437,308				49,437,308
Perpetual restrictions	80,662,712	10,862,561			91,525,273
Total with donor restrictions	130,100,020	10,862,561	-	-	140,962,581
Total net assets	182,610,336	10,863,172	-	-	193,473,508
Total liabilities and net assets	\$ 206,510,762	\$ 10,865,125	\$ -	\$ -	\$ 217,375,887

Community Foundation Sonoma County
Consolidating Statement of Activities and Changes in Net Assets
(See Independent Auditors' Report)

Year ended December 31, 2020

	Community Foundation Sonoma County	Oliver Ranch Foundation	DeMeo Teen Club, Inc.	Eliminating Entries	Consolidated Balance
Change in Net Assets Without Donor Restrictions:					
Support and revenue:					
Contributions and grants	\$ 11,447,950	\$ 34,466	\$ 569,660	\$ (495,000)	\$ 11,557,076
Bequests and trusts	5,128,783				5,128,783
Investment income, net	4,786,379				4,786,379
Management fees earned, net	233,372			(20,000)	213,372
Other income	153,100		9,979		163,079
Net assets released from restrictions	11,927,188				11,927,188
Total support and revenue	33,676,772	34,466	579,639	(515,000)	33,775,877
Expenses:					
Program services	21,562,251	13,690	225,156	(495,000)	21,306,097
Supporting services	1,789,014	33,319	117,384	(20,000)	1,919,717
Total expenses	23,351,265	47,009	342,540	(515,000)	23,225,814
Change in net assets without donor restrictions	10,325,507	(12,543)	237,099	-	10,550,063
Change in Net Assets With Donor Restrictions:					
Support and revenue:					
Contributions and grants	6,976,431				6,976,431
Change in value of split-interest agreements	(140,923)				(140,923)
Investment income, net	16,505,702				16,505,702
Net assets released from restrictions	(11,927,188)				(11,927,188)
Total restricted support and revenue	11,414,022	-	-	-	11,414,022
Change in Net Assets Before Transfer of Supporting Organization	21,739,529	(12,543)	237,099	-	21,964,085
Transfer of Supporting Organization (Note 1)			(4,007,583)		(4,007,583)
Change in Net Assets	21,739,529	(12,543)	(3,770,484)	-	17,956,502
Net Assets, beginning of year	160,870,807	10,875,715	3,770,484		175,517,006
Net Assets, end of year	\$ 182,610,336	\$ 10,863,172	\$ -	\$ -	\$ 193,473,508