

COMMUNITY FOUNDATION SONOMA COUNTY

DECEMBER 31, 2021

INDEPENDENT AUDITORS' REPORT,
CONSOLIDATED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

Community Foundation Sonoma County

Independent Auditors' Report, Consolidated Financial Statements and Supplementary Information

Independent Auditors' Report	1 - 3
 Consolidated Financial Statements	
Consolidated Statement of Financial Position	4
Consolidated Statement of Activities and Changes in Net Assets	5
Consolidated Statement of Functional Expenses	6
Consolidated Statement of Cash Flows	7
Notes to Consolidated Financial Statements	8 - 26
 Supplementary Information	
Consolidating Statement of Financial Position	27
Consolidating Statement of Activities and Changes in Net Assets	28



A Century Strong

Independent Auditors' Report

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

Opinion

We have audited the consolidated financial statements of **COMMUNITY FOUNDATION SONOMA COUNTY (the Foundation)**, which comprise the consolidated statement of financial position as of December 31, 2021, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of December 31, 2021, and the results of its changes in 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 (GAAS). Our responsibilities under those standards are further described in the Auditors' 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 the 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 for one year from the date of this report.

Auditors' 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 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 GAAS 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 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 GAAS, 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 that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Foundation's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 25, 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.

Hood & Strong LLP

San Francisco, California
May 26, 2022

Community Foundation Sonoma County

Consolidated Statement of Financial Position

<i>December 31, 2021 (with comparative totals for 2020)</i>	2021	2020
Assets		
Cash and cash equivalents	\$ 883,112	\$ 3,439,496
Contributions receivable, net	14,173,668	12,932,152
Note receivable	975,141	975,141
Investments	213,479,336	192,395,110
Charitable trust assets	3,096,649	2,749,865
Property and equipment, net	6,384,266	4,798,809
Other assets	182,024	85,314
Total assets	\$ 239,174,196	\$ 217,375,887
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expense	\$ 183,476	\$ 160,644
Note payable - Paycheck Protection Program		314,154
Grants payable	2,527,891	3,590,391
Agency funds	24,259,627	19,837,190
Total liabilities	26,970,994	23,902,379
Net Assets:		
Without donor restrictions:		
Designated for donor advised funds	42,868,709	37,859,557
Designated for specific fields of interest	11,098,645	9,628,922
Board-designated funds	3,002,126	2,719,544
Undesignated	3,202,915	2,302,904
Total without donor restrictions	60,172,395	52,510,927
With donor restrictions:		
Time and purpose	56,852,414	49,437,308
Perpetual restrictions	95,178,393	91,525,273
Total with donor restrictions	152,030,807	140,962,581
Total net assets	212,203,202	193,473,508
Total liabilities and net assets	\$ 239,174,196	\$ 217,375,887

See accompanying notes to consolidated financial statements.

Community Foundation Sonoma County

Consolidated Statement of Activities and Changes in Net Assets

Year Ended December 31, 2021 (with comparative totals for 2020)

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Support and Revenue:				
Contributions and grants	\$ 10,942,961	\$ 4,253,982	\$ 15,196,943	\$ 18,533,507
Bequests and trusts	1,305,031	150,000	1,455,031	5,128,783
Government grant - Paycheck Protection Program	314,154		314,154	
Change in value of split-interest agreements		371,784	371,784	(140,923)
Investment income, net	6,240,490	13,317,427	19,557,917	21,292,081
Management fees earned, net	243,487		243,487	213,372
Other income	103,496		103,496	163,079
Net assets released from restrictions	7,024,967	(7,024,967)	-	-
Total support and revenue	26,174,586	11,068,226	37,242,812	45,189,899
Expenses:				
Program services	16,668,739		16,668,739	21,306,097
Supporting services	1,844,379		1,844,379	1,919,717
Total expenses	18,513,118	-	18,513,118	23,225,814
Change in Net Assets Before Other Changes	7,661,468	11,068,226	18,729,694	21,964,085
Other Changes in Net Assets				
Transfer of supporting organization (Note 1)			-	(4,007,583)
Change in Net Assets	7,661,468	11,068,226	18,729,694	17,956,502
Net Assets, beginning of year	52,510,927	140,962,581	193,473,508	175,517,006
Net Assets, end of year	\$ 60,172,395	\$ 152,030,807	\$ 212,203,202	\$ 193,473,508

See accompanying notes to consolidated financial statements.

Community Foundation Sonoma County

Consolidated Statement of Functional Expenses

Year Ended December 31, 2021 (with comparative totals for 2020)

	Program Services	Supporting Services			2021 Total	2020 Total
		Fundraising	Management and General	Total		
Grants and awards	\$ 15,003,631				\$ 15,003,631	\$ 19,681,888
Salaries and wages	799,157	\$ 145,291	\$ 776,362	\$ 921,653	1,720,810	1,809,025
Employee benefits	120,590	25,426	129,273	154,699	275,289	229,583
Payroll taxes	59,852	10,881	58,146	69,027	128,879	137,466
Professional and consulting fees	231,438	47,290	270,700	317,990	549,428	514,291
Advertising, marketing, and outreach	63,500	13,325	67,751	81,076	144,576	45,589
Office expense	43,948	9,257	47,067	56,324	100,272	153,933
Computer network	55,823	11,770	59,843	71,613	127,436	131,839
Occupancy	104,849	17,360	88,263	105,623	210,472	200,277
Staff development and meetings	16,618	3,504	17,815	21,319	37,937	40,085
Depreciation	18,582	3,918	19,920	23,838	42,420	105,385
Insurance	150,751	1,988	19,229	21,217	171,968	176,453
	\$ 16,668,739	\$ 290,010	\$ 1,554,369	\$ 1,844,379	\$ 18,513,118	\$ 23,225,814

See accompanying notes to consolidated financial statements.

Community Foundation Sonoma County

Consolidated Statement of Cash Flows

<i>Year Ended December 31, 2021 (with comparative totals for 2020)</i>	2021	2020
Cash Flows from Operating Activities:		
Change in net assets	\$ 18,729,694	\$ 17,956,502
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	(16,092,363)	(18,826,282)
Depreciation	42,420	45,885
Contributions received for long-term purposes	(2,398,867)	(653,349)
Discount on long-term receivables	(1,292,511)	(206,150)
Receipt of donated property	(1,609,000)	
Forgiveness of Note payable - Paycheck Protection Program	(314,154)	
Changes in assets and liabilities:		
Contributions receivable	50,995	(418,423)
Charitable trust assets	(346,784)	936,722
Other assets	(96,710)	8,682
Accounts payable and accrued expense	22,832	79,870
Grants payable	(1,062,500)	(1,146,500)
Agency funds	4,422,437	1,003,751
Net cash provided by operating activities	55,489	2,215,684
Cash Flow from Investing Activities:		
Proceeds from sale of investments	60,742,198	49,185,278
Purchase of investments	(65,734,061)	(52,708,520)
Purchase of property and equipment	(18,877)	(3,196)
Net cash used by investing activities	(5,010,740)	(3,526,438)
Cash Flows from Financing Activities:		
Note payable - Paycheck Protection Program		314,154
Contributions received for long-term purposes	2,398,867	653,349
Net cash provided by financing activities	2,398,867	967,503
Change in Cash and Cash Equivalents	(2,556,384)	(343,251)
Cash and Cash Equivalents, beginning of year	3,439,496	3,782,747
Cash and Cash Equivalents, end of year	\$ 883,112	\$ 3,439,496
Noncash Activities:		
Receipt of property interest held for endowment	\$ 1,609,000	
Forgiveness of Note payable- Paycheck Protection Program	\$ 314,154	

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 38 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, 2021, the Foundation has one supporting organization. The supporting organization is a Section 501(c)(3) organization that is classified as a public charity (rather than private foundations) because it supports a publicly-supported charity, such as the Foundation. The Foundation appoints most of the board of this organization. The supporting organization in which the Foundation has a controlling interest is 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 - Unadjusted quoted market prices in active markets for identical assets or liabilities that the entity has the ability to access at the measurement date.

Level 2 - Observable inputs such as quoted prices for similar securities and quoted prices in inactive markets.

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

Community Foundation Sonoma County

Notes to Consolidated Financial Statements

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.

g. Charitable Trust Assets and Other Split-Interest Agreements

Charitable Lead Trusts

The Foundation is the recipient of distributions from one charitable lead trust and is not the trustee of this trust. 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.

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.

Community Foundation Sonoma County

Notes to Consolidated Financial Statements

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, 2021, 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.

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.

Community Foundation Sonoma County

Notes to Consolidated Financial Statements

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 recorded 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 released from donor restricted net assets and 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. Allocation of Functional Expenses

Salaries and related expenses 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 operational categories. 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, 2020, from which the summarized information is derived.

Certain reclassifications have been made to the 2020 consolidated financial statements in order to conform to the 2021 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.

As of December 31, 2021, 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 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 the Foundation for its fiscal year ending December 31, 2022. Early adoption is permitted. The Foundation is currently evaluating the impact of this guidance.

q. Subsequent Events

The Foundation evaluated subsequent events with respect to the consolidated financial statements for the year ended December 31, 2021 through May 26, 2022, 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.

Note 3 - Contributions Receivable:

Contributions receivable consists of the following at December 31, 2021:

Land and art receivable	\$ 5,565,618
Contributions receivable (net of discount of \$2,613,099)	7,118,050
Bequests receivable	1,490,000
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	\$ 14,173,668

The land and art receivable relates to a 60% 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 \$6,490,696 net of a discount of \$2,613,099 at December 31, 2021.

The remaining balance of receivable of \$2,117,354 is expected to be collected in the year ended December 31, 2022.

Community Foundation Sonoma County

Notes to Consolidated Financial Statements

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, 2021.

Note 5 - Investments:

Investments consisted of the following at December 31, 2021:

Cash and cash equivalents	\$ 8,208,354
Fixed income	78,256,323
Domestic and international equities	127,014,659
	<hr/>
	\$ 213,479,336

The Foundation's net investment income consisted of the following for the year ended December 31, 2021:

Net realized and unrealized gain	\$ 16,092,363
Investment management fees	(290,253)
Dividends and interest	3,755,807
	<hr/>
Investment income, net	\$ 19,557,917

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 \$138 million at December 31, 2021.

Community Foundation Sonoma County

Notes to Consolidated Financial Statements

The Environmental, Social, Governance (ESG) (formerly titled Socially Responsible) Long-Term Investment Pool is for endowment and other long-term funds whose donors prefer socially responsible investments. Composed of funds that include environmental, social and governance (“ESG”) factors in addition to conventional financial factors in the security analysis and investment allocation. This pool employs a strategic asset allocation very similar to our Long-Term Investment Pool, represented by mostly passive investments in equity (65%) and fixed income and cash (35%) assets. The pool had a fair market value of approximately \$36 million at December 31, 2021.

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, 2021.

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. The investment objectives of this pool is capital preservation and liquidity, with a secondary objective of income that approaches or exceeds the Foundation’s administrative expense rate. This pool’s investments may include money market funds, treasury bills, municipal obligations, certificates of deposit, and other cash equivalent investments. The pool had a fair market value of approximately \$9 million at December 31, 2021.

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, 2021:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>
Cash and cash equivalents	\$ 8,208,354	\$ 8,208,354	
Fixed income:			
US government agency	4,945,889	4,945,889	
US corporate notes and bonds	8,341,935		\$ 8,341,935
Mutual funds:			
Core fixed income	41,269,737	41,269,737	
Global & International Fixed Income	23,698,762	23,698,762	
Domestic and international equities:			
Equities:			
U.S. equities	20,119,847	20,119,847	
International and global	20,961,601	20,961,601	
Emerging and frontier markets	2,127,907	2,127,907	
Real estate investment trusts (REITs)	700,987	700,987	
Mutual Funds:			
Domestic funds	52,136,610	52,136,610	
International and global funds	25,316,754	25,316,754	
Emerging Markets	5,650,953	5,650,953	
Subtotal	213,479,336	205,137,401	8,341,935
Charitable trust assets:			
Charitable lead trusts	35,952		35,952
Beneficial interest in trusts	3,060,697		3,060,697
Subtotal	3,096,649		3,096,649
Total	\$ 216,575,985	\$ 205,137,401	\$11,438,584

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 consisted of the following at December 31, 2021:

Land	\$ 6,285,750
Furniture and equipment	149,997
Computers and software	190,212
Leasehold improvements	73,132
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Subtotal	6,699,091
Less: accumulated depreciation	(314,825)
<hr/>	
Total property and equipment, net	\$ 6,384,266

Depreciation expense was \$42,420 for the year ended December 31, 2021.

The Oliver Ranch Foundation acquired an undivided 40% interest in real estate located in Geyserville, California which includes art installations substantially affixed to the land. The value of the interest is \$6,285,750 according to an appraisal completed at the gift date. The remaining 60% 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 \$314,154 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), provided for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses. The loans and accrued interest could be forgivable as long as the Foundation used the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintained its payroll and other personnel related levels. On June 28, 2021, the Foundation received notice of full forgiveness of the loan which is reflected on the Consolidated Statement of Activities and Changes in Net Assets.

Community Foundation Sonoma County

Notes to Consolidated Financial Statements

Note 9 - Grants Payable:

Unconditional grants payable at December 31, 2021 are scheduled to be disbursed as follows:

Year Ending December 31,

2022	\$ 972,500
2023	525,000
2024	530,391
2025	500,000

Unconditional Grants Payable	\$ 2,527,891
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In 2019, the Foundation approved a conditional grant to Chop's Teen Club granting 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, 2021 the remaining conditional commitment is \$3,225,000. Payments are subject to measurable performance barriers and a right of return. Consequently, at December 31, 2021, 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, 2020	\$ 19,837,190
Contributions	2,719,381
Interest and dividends	485,836
Net realized and unrealized gain	1,942,202
Grants	(481,495)
Other expenses	(243,487)

Balance at December 31, 2021	\$ 24,259,627
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Community Foundation Sonoma County

Notes to Consolidated Financial Statements

Note 11 - Net Assets with Donor Restriction:

Net assets with donor restrictions at December 31, 2021 consisted of the following:

Time and purpose:	
Purpose-restricted funds	\$ 16,296,666
Endowment - unappropriated earnings	37,447,370
Charitable remainder trusts, charitable lead trust, and irrevocable planned gifts	3,060,697
Charitable lead trusts	35,952
Other	11,730
<hr/>	
Subtotal	56,852,414
Perpetual restrictions:	
Endowment investments (corpus)	76,686,329
Endowment and bequest contributions receivable	6,640,696
Land and art receivable	5,565,618
Land required to be held in perpetuity	6,285,750
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Subtotal	95,178,393
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Total	\$ 152,030,807

Net assets were released from donor restriction for the year ended December 31, 2021 as follow:

Endowment - appropriated earnings	\$ 3,591,883
Purpose-restricted funds	3,369,825
Charitable lead trusts	25,000
Other	38,259
<hr/>	
	\$ 7,024,967

Community Foundation Sonoma County

Notes to Consolidated Financial Statements

Note 12 - 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, 2021 were as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions Time or Purpose</u>	<u>Perpetuity</u>	Total
Endowment net assets, December 31, 2020	\$ 1,008,307	\$ 28,488,825	\$ 74,475,720	\$ 103,972,852
Investment return:				
Net realized and unrealized gains	98,954	10,287,725		10,386,679
Interest and dividends	23,911	2,360,048		2,383,959
Investment fees	(14,436)	(197,145)		(211,581)
Total investment return	108,429	12,450,628		12,559,057
Contributions		99,800	2,248,867	2,348,667
Appropriations and donors' releases	(22,600)	(3,591,883)	(38,258)	(3,652,741)
Change in endowment net assets	85,829	8,958,545	2,210,609	11,254,983
Endowment net assets, December 31, 2021	\$ 1,094,136	\$ 37,447,370	\$ 76,686,329	\$ 115,227,835

Not included in the roll-forward above are noninvestment endowment net assets (see Note 11).

In a prior year, the Foundation's Board of Directors adopted a policy for gifts without donor restrictions. The policy designates a portion of such gifts 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

Investment net assets composition by type as of December 31, 2021:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>		Total
		<u>Time or Purpose</u>	<u>Perpetuity</u>	
Donor restricted endowments		\$ 37,447,370	\$ 76,686,329	\$ 114,133,699
Board-designated endowment	\$ 1,094,136			1,094,136
Endowment net assets, December 31, 2021	\$ 1,094,136	\$ 37,447,370	\$ 76,686,329	\$ 115,227,835

Donor restricted invested 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. The board-designated endowment is a fund to support the operation of the Foundation.

Community Foundation Sonoma County

Notes to Consolidated Financial Statements

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 were as follows:

Financial assets at December 31, 2021:	
Cash and cash equivalents	\$ 883,112
Note receivable	975,141
Contributions receivable	14,173,668
Investments	213,479,336
Charitable trust assets	3,096,649
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Total financial assets	232,607,906
Less amounts not available to be used within one year:	
Beneficial interest in charitable remainder trusts	(3,096,649)
Agency funds	(24,259,627)
Endowment investments - corpus	(76,686,329)
Net assets restricted by time or purpose, including long-term receivables	(69,883,728)
Designated net assets:	
Donor advised funds	(42,868,709)
Special fields of interest	(11,098,645)
Board designated operating reserve funds	(1,907,990)
Board designated reserve- endowment	(1,094,136)
Add:	
Appropriated endowment fees	1,509,360
Agency fund fees	363,894
<hr/>	
	(229,022,559)
<hr/>	
Financial assets available to meet general expenditures over the next twelve months	\$ 3,585,347

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 as 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.

Community Foundation Sonoma County

Notes to Consolidated Financial Statements

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, 2021, employer contributions to the plan were \$76,814.

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	
2022	\$ 181,700
2023	175,300
2024	180,500
2025	169,900
	<hr/>
	\$ 707,400

Total rent expense was \$185,963 for the year ended December 31, 2021.

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.

Community Foundation Sonoma County

Notes to Consolidated Financial Statements

Contributions are received primarily from organizations and major individual contributors. The Foundation received contributions from two contributors that approximated 20% of the Foundation's total contributions for 2021.

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. Since 2020 the Foundation has continued grantmaking to support organization throughout the pandemic.

In 2022, financial market volatility has continued in major market equity indices. 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 2022.

Community Foundation Sonoma County

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

December 31, 2021

	Community Foundation Sonoma County	Oliver Ranch Foundation	Eliminating Entries	Consolidated Balance
Assets				
Cash and cash equivalents	\$ 877,544	\$ 5,568		\$ 883,112
Contributions receivable, net	8,604,957	5,568,711		14,173,668
Note receivable	975,141			975,141
Investments	213,479,336			213,479,336
Charitable trust assets	3,096,649			3,096,649
Property and equipment, net	98,516	6,285,750		6,384,266
Other assets	182,024			182,024
Total assets	\$ 227,314,167	\$ 11,860,029	\$ -	\$ 239,174,196
Liabilities and Net Assets				
Liabilities:				
Accounts payable and accrued expense	\$ 178,321	\$ 5,155		\$ 183,476
Grants payable	2,527,891			2,527,891
Agency funds	24,259,627			24,259,627
Total liabilities	26,965,839	5,155	\$ -	26,970,994
Net Assets:				
Without donor restrictions:				
Designated for donor advised funds	42,868,709			42,868,709
Designated for specific fields of interest	11,098,645			11,098,645
Board designated reserves	3,002,126			3,002,126
Undesignated	3,199,409	3,506		3,202,915
Total without donor restrictions	60,168,889	3,506	-	60,172,395
With donor restriction:				
Time and purpose	56,852,414			56,852,414
Perpetual restrictions	83,327,025	11,851,368		95,178,393
Total with donor restrictions	140,179,439	11,851,368	-	152,030,807
Total net assets	200,348,328	11,854,874	-	212,203,202
Total liabilities and net assets	\$ 227,314,167	\$ 11,860,029	\$ -	\$ 239,174,196

Community Foundation Sonoma County

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

Year ended December 31, 2021

	Community Foundation Sonoma County	Oliver Ranch Foundation	Eliminating Entries	Consolidated Balance
Change in Net Assets Without Donor Restrictions:				
Support and revenue:				
Contributions and grants	\$ 9,863,388	\$ 1,079,573		\$ 10,942,961
Bequests and trusts	1,305,031			1,305,031
Government grant - Paycheck Protection Program	314,154			314,154
Investment income, net	6,240,490			6,240,490
Management fees earned, net	263,487		\$ (20,000)	243,487
Other income	101,977	1,519		103,496
Net assets released from restrictions	7,024,967			7,024,967
Total support and revenue	25,113,494	1,081,092	(20,000)	26,174,586
Expenses:				
Program services	16,638,729	30,010		16,668,739
Supporting services	1,804,999	59,380	(20,000)	1,844,379
Total expenses	18,443,728	89,390	(20,000)	18,513,118
Change in net assets without donor restrictions	6,669,766	991,702	-	7,661,468
Change in Net Assets With Donor Restrictions:				
Support and revenue:				
Contributions and grants	4,253,982			4,253,982
Bequests and trusts	150,000			150,000
Change in value of split-interest agreements	371,784			371,784
Investment income, net	13,317,427			13,317,427
Net assets released from restrictions	(7,024,967)			(7,024,967)
Total restricted support and revenue	11,068,226	-	-	11,068,226
Change in Net Assets	17,737,992	991,702		18,729,694
Net Assets, beginning of year	182,610,336	10,863,172	-	193,473,508
Net Assets, end of year	\$ 200,348,328	\$ 11,854,874	\$ -	\$ 212,203,202