

INLAND EMPIRE COMMUNITY FOUNDATION

FINANCIAL STATEMENTS

DECEMBER 31, 2020

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Inland Empire Community Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of Inland Empire Community Foundation (a nonprofit organization), which comprise the Statement of Financial Position as of December 31, 2020, and the related Statements of Activities, Functional Expenses, and Cash Flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 entity'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 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 financial statements referred to above present fairly, in all material respects, the financial position of Inland Empire Community Foundation as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITORS' REPORT

continued

Other Matter

Report on Summarized Comparative Information

We have previously audited Inland Empire Community Foundation's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 8, 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 financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 10, 2021, on our consideration of Inland Empire Community Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Inland Empire Community Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Inland Empire Community Foundation's internal control over financial reporting and compliance.

Harrington Group

Pasadena, California
May 10, 2021

INLAND EMPIRE COMMUNITY FOUNDATION

STATEMENT OF FINANCIAL POSITION

December 31, 2020

With comparative totals at December 31, 2019

	2020	2019
ASSETS		
Cash and cash equivalents	\$ 24,594,260	\$ 21,444,909
Grants and contributions receivable (Note 4)	2,716,587	1,608,305
Other receivables	396,979	42,608
Prepaid expenses and deposits	42,491	35,451
Investments (Note 5)	86,666,580	84,078,267
Assets held in remainder trusts (Note 6)	4,065,576	4,030,557
Furniture and equipment (Note 7)	65,344	71,041
	\$ 118,547,817	\$ 111,311,138
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 599,288	\$ 166,293
Grants payable	2,698,866	2,047,112
Capital lease obligation (Note 8)	37,129	43,796
Obligation under charitable gift annuities	1,339,546	1,293,850
Custodial funds	99,256	106,223
Paycheck protection program (Note 14)	242,000	-
Agency funds (Note 9)	24,400,212	24,594,947
	29,416,297	28,252,221
 NET ASSETS		
Without donor restrictions (Note 11)	10,778,033	9,767,291
With donor restrictions (Note 11)	78,353,487	73,291,626
	89,131,520	83,058,917
	\$ 118,547,817	\$ 111,311,138

The accompanying notes are an integral part of these financial statements.

INLAND EMPIRE COMMUNITY FOUNDATION

STATEMENT OF ACTIVITIES

For the year ended December 31, 2020

With comparative totals for the year ended December 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2020</u>	<u>2019</u>
REVENUE AND SUPPORT				
REVENUE				
Unrealized gain on investments	\$ 617,346	\$ 5,428,862	\$ 6,046,208	\$ 9,292,657
Realized gain on investments	48,509	309,057	357,566	1,670,462
Realized and unrealized gain on investments	<u>665,855</u>	<u>5,737,919</u>	<u>6,403,774</u>	<u>10,963,119</u>
Interest and dividend income, net of fees	195,278	1,684,763	1,880,041	2,222,129
Investment gain income, net (Note 5)	861,133	7,422,682	8,283,815	13,185,248
Less: investment (gain) income from agency funds (Note 9)		<u>(1,983,802)</u>	<u>(1,983,802)</u>	<u>(3,785,437)</u>
Investment gain income, net of fees and agency funds income	861,133	5,438,880	6,300,013	9,399,811
Management fees - agency funds	246,219		246,219	269,563
Prior years' grants returned		1,064,914	1,064,914	187,912
Special events - net of expenses of \$16,054		9,918	9,918	35,218
Debt forgiveness	38,223		38,223	-
(Loss) on sale of fixed assets			-	(5,201)
Change in value of split-interest agreements		<u>(30,419)</u>	<u>(30,419)</u>	<u>127,455</u>
Total revenue	<u>1,145,575</u>	<u>6,483,293</u>	<u>7,628,868</u>	<u>10,014,758</u>
Net assets released from restrictions	<u>25,134,263</u>	<u>(25,134,263)</u>	<u>-</u>	<u>-</u>
SUPPORT				
Contributions, bequests, and grants	71,308	25,057,041	25,128,349	16,845,752
Less: support from agency funds (Note 9)		<u>(1,344,210)</u>	<u>(1,344,210)</u>	<u>(1,993,861)</u>
Total support, net	<u>71,308</u>	<u>23,712,831</u>	<u>23,784,139</u>	<u>14,851,891</u>
TOTAL REVENUE AND SUPPORT	<u>26,351,146</u>	<u>5,061,861</u>	<u>31,413,007</u>	<u>24,866,649</u>
EXPENSES				
Program services:				
Grants awarded	25,673,753		25,673,753	16,094,743
Less: agency fund expenses and grants awarded	<u>(3,276,528)</u>		<u>(3,276,528)</u>	<u>(3,058,459)</u>
Grants awarded, net	22,397,225		22,397,225	13,036,284
Grants and program related expenses	1,216,089		1,216,089	470,215
Community leadership	479,043		479,043	579,581
Supporting services:				
Administrative	496,572		496,572	561,281
Development	751,475		751,475	716,227
TOTAL EXPENSES	<u>25,340,404</u>	<u>-</u>	<u>25,340,404</u>	<u>15,363,588</u>
CHANGE IN NET ASSETS	1,010,742	5,061,861	6,072,603	9,503,061
NET ASSETS, BEGINNING OF YEAR	<u>9,767,291</u>	<u>73,291,626</u>	<u>83,058,917</u>	<u>73,555,856</u>
NET ASSETS, END OF YEAR	<u>\$ 10,778,033</u>	<u>\$ 78,353,487</u>	<u>\$ 89,131,520</u>	<u>\$ 83,058,917</u>

The accompanying notes are an integral part of these financial statements.

INLAND EMPIRE COMMUNITY FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2020

With comparative totals for the year ended December 31, 2019

	Grants and				Total Expenses	
	Related Program	Community	Administrative	Development	2020	2019
	Expenses	Leadership				
GRANTS						
Grants awarded, net	\$ 22,397,225	\$ -	\$ -	\$ -	\$ 22,397,225	\$ 13,036,284
Total grants	<u>22,397,225</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,397,225</u>	<u>13,036,284</u>
OPERATING EXPENSES						
Salaries	311,641	338,617	278,087	413,776	1,342,121	1,207,444
Outside services	467,783	16,159	13,573	20,195	517,710	253,123
Marketing	187,885			108,373	296,258	161,365
Employee benefits	34,476	37,461	30,765	45,776	148,478	147,128
Occupancy	24,775	18,817	45,226	36,880	125,698	119,750
Payroll taxes	24,314	26,419	21,696	32,283	104,712	92,478
Office expenses	8,596	16,159	13,271	20,195	58,221	82,083
Travel and seminars	5,730	6,227	5,113	7,609	24,679	72,605
Printing	20,860		3,749	19,626	44,235	41,447
Dues and subscriptions	9,976	10,840	8,902	13,245	42,963	29,057
Accounting			28,500		28,500	28,500
Telephone	102,223	5,159	4,237	7,144	118,763	18,836
Depreciation			23,298		23,298	18,500
Staff meetings	998	1,085	891	1,326	4,300	12,925
Legal	688		2,605	1,766	5,059	10,361
Insurance	2,764	2,100	5,046	4,115	14,025	9,733
Miscellaneous			7,102	11,826	18,928	8,537
Awards and recognition	13,380		4,511	891	18,782	7,163
Board development					-	2,250
Website				4,237	4,237	2,157
Donor life insurance				2,212	2,212	1,862
Total operating expenses	<u>1,216,089</u>	<u>479,043</u>	<u>496,572</u>	<u>751,475</u>	<u>2,943,179</u>	<u>2,327,304</u>
TOTAL 2020 FUNCTIONAL EXPENSES	<u>\$ 23,613,314</u>	<u>\$ 479,043</u>	<u>\$ 496,572</u>	<u>\$ 751,475</u>	<u>\$ 25,340,404</u>	
TOTAL 2019 FUNCTIONAL EXPENSES	<u>\$ 13,506,499</u>	<u>\$ 579,581</u>	<u>\$ 561,281</u>	<u>\$ 716,227</u>		<u>\$ 15,363,588</u>

The accompanying notes are an integral part of these financial statements.

INLAND EMPIRE COMMUNITY FOUNDATION

STATEMENT OF CASH FLOWS

For the year ended December 31, 2020

With comparative totals for the year ended December 31, 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS (TO) FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 6,072,603	\$ 9,503,061
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Change in cash surrender value of life insurance	4,074	1,862
Depreciation expense	23,298	18,500
Loss on disposal of fixed assets	-	5,201
Debt forgiveness	(38,223)	-
Realized (gain) on investments	(48,509)	(153,918)
Unrealized (gain) on investments	(617,346)	(946,960)
Change in value of split-interest agreements	30,419	(127,455)
(Increase) decrease in operating assets:		
Grants and contributions receivable	(1,108,282)	(199,556)
Other receivables	(354,371)	54,726
Prepaid expenses and deposits	(7,040)	14,932
Assets held in remainder trust	(35,019)	(63,541)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	432,995	(18,201)
Grants payable	651,754	1,547,251
Obligations under charitable gift annuities	45,696	192,883
Custodial funds	(6,967)	(119,612)
Agency funds	(194,735)	2,451,275
	<u>4,850,347</u>	<u>12,160,448</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		
CASH FLOWS FROM (TO) INVESTING ACTIVITIES:		
Purchase of equipment	(17,602)	(20,072)
Proceeds from sale of investments	6,069,769	3,313,552
Purchase of investments	(3,935,340)	(4,399,018)
	<u>2,116,827</u>	<u>(1,105,538)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES		
CASH FLOWS (TO) FINANCING ACTIVITIES:		
Restricted realized (gain) on investments	(309,057)	(1,516,544)
Restricted unrealized (gain) on investments	(5,428,862)	(8,345,697)
Interest and dividends, net, restricted for reinvestment	1,684,763	1,988,576
Paycheck protection program	242,000	-
Principal payments on capital lease	(6,667)	(464)
	<u>(3,817,823)</u>	<u>(7,874,129)</u>
NET CASH (USED) BY FINANCING ACTIVITIES		
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,149,351	3,180,781
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	21,444,909	18,264,128
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 24,594,260	\$ 21,444,909
SUPPLEMENTAL DISCLOSURES:		
Operating activities reflects interest paid:	\$ 3,250	\$ 1,023
NON-CASH INVESTING AND FINANCING TRANSACTION:		
Acquisition of equipment:		
Cost of equipment	\$ -	\$ 36,469
Equipment loan	\$ -	\$ (36,469)

The accompanying notes are an integral part of these financial statements.

INLAND EMPIRE COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

1. Organization

Inland Empire Community Foundation (“the Foundation”) is a California nonprofit corporation classified by the Internal Revenue Service as tax-exempt under Section 501(c)(3) and a non-private foundation under Section 509(a)(1) of the Internal Revenue Code 1986. The Foundation serves as a leader, catalyst, and resource for philanthropy and seeks to improve the lives of individuals in Riverside and San Bernardino Counties. The Foundation accomplishes this by developing partnerships with philanthropic individuals, community leaders, and the non-profit sector to ensure that together they can build permanent endowments, make prudent grants for charitable causes, be a catalyst to solve community concerns and strengthen non-profit organizations.

Established in 1941 as a community trust, it was known as the Riverside Foundation from (1941-1983); Riverside Community Foundation from (1983-1997); The Community Foundation of Riverside County from (1997-2000); The Community Foundation, with the tag line, *Serving Riverside and San Bernardino Counties* from (2000-2019). The Foundation is an independent, publicly supported philanthropic organization, founded for the purpose of improving the quality of life in the Riverside and San Bernardino Counties through grants to tax-exempt organizations and through educational scholarships.

2. Summary of Significant Accounting Policies

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements is as follows:

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Without Donor Restrictions. Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

With Donor Restrictions. Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

INLAND EMPIRE COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Grants and Contributions Receivable

All grants and contributions receivable at December 31, 2020 are expected to be collected in less than one year with the exception of the following: Evans Charitable Remainder Trust, for which the Foundation is the beneficiary following the lifetimes of one income beneficiary plus two years of distribution to a successor income beneficiary; and The William C. Hunter Charitable Lead Trust, for which the Foundation will receive annual distributions through 2026. No discount has been recorded on the receivable greater than one year, as the amount is not deemed material to the financial statements. See grants and contributions receivable details in Note 4.

Concentration of Credit Risks

The Foundation places its cash and cash equivalents in bank deposit accounts at high-credit, quality financial institutions. At times, such accounts may be in excess of the Federal Deposit Insurance Corporation insurance limit. The Foundation has not incurred losses related to these accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Investment securities, in general are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain long-term investments, it is reasonably possible that changes in the values of these investments will occur in the near term and that such changes could materially affect the amounts reported in the Statement of Financial Position. The Board routinely reviews the performance of its investments.

Investments

Investments in money market funds and marketable securities are reported at their fair market values based upon published quotations. Investments for which the fair market values are not readily determinable are recorded at cost or, if received as a contribution, at their fair market values as determined at the time of the gift. Securities are generally held in custodial investment accounts administered by financial institutions. Cash and cash equivalents held at securities institutions and not used for operations are treated as investments.

Investment purchases and sales are accounted for on a trade-date basis. Realized gains and losses are calculated based upon the underlying cost of the securities traded. Interest and dividend income is recorded when earned. Gains or losses and interest and dividend income are reflected in the Statement of Activities as investment (loss) gain income, net (see Note 5).

Fair Value Measurements

Generally accepted accounting principles provide guidance on how fair value should be determined when financial statement elements are required to be measured at fair value. Valuation techniques are ranked in three levels depending on the degree of objectivity of the inputs used with each level:

INLAND EMPIRE COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Level 1 inputs - quoted prices in active markets for identical assets

Level 2 inputs - quoted prices in active or inactive markets for the same or similar assets

Level 3 inputs - estimates using the best information available when there is little or no market

The Foundation is required to measure contribution receivable, certain investments, and charitable gift annuities at fair value. The specific techniques used to measure fair value for these financial statement elements are described in the notes below that relate to each element.

Property and Equipment

Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets. Maintenance and repair costs are charged to expense as incurred. Property and equipment are capitalized if the cost of an asset is greater than or equal to five hundred dollars and the useful life is greater than one year.

Since its inception, the Foundation has received donated equipment and furniture the value of which did not meet its criteria for capitalization. As such, these items were expensed when donated.

Donated Materials and Services

Contributions of donated non-cash assets are measured on a non-recurring basis and recorded at fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received. For the year ended December 31, 2020, the Foundation did not receive donated materials and/or services which met the criteria for recognition.

Income Taxes

The Foundation is exempt from taxation under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d.

Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by the Foundation in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. The Foundation returns are subject to examination by federal and state taxing authorities, generally for three and four years, respectively, after they are filed.

INLAND EMPIRE COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Functional Allocation of Expenses

Costs of providing the Foundation's programs and other activities have been presented in the Statement of Functional Expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit. The Foundation uses payroll hours to allocate indirect costs.

Revenue and Revenue Recognition

The Foundation recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met.

A portion of the Foundation's revenue is derived from cost-reimbursable state contracts and grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Foundation has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position.

State grant and contract revenue recognized at December 31, 2020 includes only those for which the performance requirements and/or the allowable qualifying expenses have been met. Therefore, no advance payment is recognized in the statement of financial position as a refundable advance.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues, and expenses as of the date and for the period presented. Actual results could vary from those estimates.

Comparative Totals

The financial statements included certain prior-year summarized comparative information in total but not by net assets class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2019, from which the summarized information was derived.

INLAND EMPIRE COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Reclassification

Certain accounts from the December 31, 2019 financial statements have been reclassified for comparative purposes to conform to December 31, 2020 presentation.

3. Liquidity and Availability of Resources

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash and cash equivalents	\$24,594,260
Other receivable and other assets	439,470
Short term investments	<u>2,383,201</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$27,416,931</u>

The assets above include \$19,020,216 in donor advised funds as of December 31, 2020. The Foundation generally uses these assets for grantmaking based on donor recommendations.

Endowment funds consist of donor-restricted endowments and board-designated endowments. Income from donor-restricted endowments that is restricted for specific purposes is not available for general expenditure. The Foundation's board-designated endowments are subject to an annual spending rate. For the year ended December 31, 2020, this rate is 4% and \$386,782 of the appropriation from the board-designated endowments will be available during the calendar year ending December 31, 2020. Although the Foundation does not intend to spend from the board-designated endowments (other than amounts appropriated per the board's annual spending rate approval), these amounts could be made available if necessary.

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. The Foundation invests cash in excess of daily requirements in short-term investments and money market funds.

INLAND EMPIRE COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

4. Grants and Contributions Receivable

Grants and contributions receivable at December 31, 2020 and 2019 consist of the following:

	<u>December 31,</u>	
	<u>2020</u>	<u>2019</u>
Rookstool Estate	\$ 700,000	\$ -
Evans Charitable Remainder Trust (CRT)	676,798	685,603
Obershaw Trust	450,000	-
State of California (Listos)	366,379	266,759
William C. Hunter Charitable Lead Trust (CLT)	264,335	314,335
M. Hawkins	125,000	-
County of San Bernardino	125,000	-
State of California (Census)	-	218,323
Other	8,975	123,185
Estate of Robert A. Dailey-Dechomai	100	100
	<u>\$2,716,587</u>	<u>\$1,608,305</u>

5. Investments

Investments at December 31, 2020 and 2019 consist of the following:

	<u>December 31,</u>	
	<u>2020</u>	<u>2019</u>
Mutual funds	\$65,839,563	\$61,025,352
Bonds	19,575,135	21,023,248
Money market funds	1,063,432	1,839,005
Cash value of life insurance	188,449	190,661
Real estate partnership	1	1
	<u>\$86,666,580</u>	<u>\$84,078,267</u>

Investment income, net

	<u>Without Donor</u>	<u>With Donor</u>	<u>Total</u>
	<u>Restrictions</u>	<u>Restrictions</u>	
<u>December 31, 2020</u>			
Net realized and unrealized gain	\$665,855	\$5,737,919	\$6,403,774
Interest and dividends	203,524	1,777,917	1,981,441
Less: investment fees and charges	(8,246)	(93,154)	(101,400)
Net investment income	<u>\$861,133</u>	<u>\$7,422,682</u>	<u>\$8,283,815</u>
<u>December 31, 2019</u>			
Net realized and unrealized gain	\$1,100,878	\$ 9,862,241	\$10,963,119
Interest and dividends	246,557	2,126,470	2,373,027
Less: investment fees and charges	(13,004)	(137,894)	(150,898)
Net investment income	<u>\$1,334,431</u>	<u>\$11,850,817</u>	<u>\$13,185,248</u>

Interest and dividend income is accrued as the income is earned. Interest and dividend income is shown on the Statement of Activities net of related investment fees of \$101,400 and \$150,898 for the years ended December 31, 2020 and 2019, respectively.

continued

INLAND EMPIRE COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

6. Split-interest Agreements

Split-interest agreements of \$4,065,576 and \$4,030,557 at December 31, 2020 and 2019, respectively, consist of charitable gift annuity agreements (“CGAs”). Under the terms of CGAs, the Foundation receives assets from the grantors and in return agrees to pay annual distributions to the grantors during their life or joint lives, if applicable, and then to the survivor for the remainder of his/her life. The Foundation records the assets received at fair value on the date of receipt and records a liability equal to the estimated present value of the future required distributions to the grantors. For CGAs with donor-directed beneficiaries, the difference between the fair value of the assets and the liabilities is included in the Statement of Activities as a donor restricted contribution during the year of receipt. The Foundation is to distribute the residual under these agreements to donor designated charitable causes. Adjustments to the liability to reflect the revaluation of the present value of the estimated future payments to the grantors, amortization of the discount, and revaluation of the assets are recognized as a change in the value of the CGAs in donor restricted net assets class.

The Foundation also has a beneficial interest in one charitable remainder trusts of which the Foundation is the trustee. The beneficial interest is based on underlying investments. Those investments in marketable securities with readily determinable fair values and all debt instruments are valued at their current fair values. Liabilities to the beneficiaries with lead interests are based on the present value of the estimated future payments to be made less estimated return on trust assets. Income and gains and losses on trust assets and distributions to the other beneficiaries are reflected in the statement of financial position. Adjustments to the liability to reflect the revaluation of the present value of the estimated future payments to the other beneficiaries, amortization of the discount, and revaluation of the investments held by the trust are recognized as a change in the value of the charitable remainder trust agreement in the with donor restrictions net assets class.

7. Furniture and Equipment

Furniture and equipment at December 31, 2020 and 2019 consist of the following:

	<u>December 31,</u>	
	<u>2020</u>	<u>2019</u>
Furniture, equipment, and software	\$ 259,899	\$ 242,297
Accumulated depreciation	<u>(194,555)</u>	<u>(171,256)</u>
	<u>\$ 65,344</u>	<u>\$ 71,041</u>

Depreciation expense for the years ended December 31, 2020 and 2019 was \$23,298 and \$18,500, respectively.

INLAND EMPIRE COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

8. Capital Lease Obligation

In August, 2019, the Foundation leased a copier under a non-cancellable agreement expiring in June 2025 for a total cost of \$36,469. Depreciation for the copier amounted to \$7,294 for 2020 and \$5,660 for 2019 and is included in depreciation expense.

Future minimum payments under the lease are as follows:

<u>Year ending December 31,</u>	
2021	\$12,503
2022	8,359
2023	8,359
2024	8,359
2025	4,876
Less: portion representing interest	<u>(5,327)</u>
Present value of net minimum lease payments	<u>\$37,129</u>

9. Agency Funds

The Foundation receives and distributes assets under certain agency and intermediary arrangements. The Foundation accepts these contributions from donors and agrees to transfer those assets, the return on investment of those assets, or both, to an entity that is specified by the donors. When a not-for-profit organization establishes a fund at the Foundation with its own funds and specifies itself or its affiliate as the beneficiary of that fund, the Foundation accounts for the transfer of such assets as a liability. The liability for such funds has been established at the fair value of the funds, which is generally equivalent to the present value of future payments expected to be made to the not-for-profit organizations. The agency funds activity at December 31, 2020 and 2019 was as follows:

	<u>December 31,</u>	
	<u>2020</u>	<u>2019</u>
Beginning balances	\$24,594,947	\$22,143,671
New agency funds	1,344,210	1,993,861
Realized gain	53,596	485,045
Unrealized gain	1,424,603	2,689,740
Interest and dividends, net of bank fees	<u>505,603</u>	<u>610,652</u>
Sub-total, investment gain	1,983,802	3,785,437
Grants awarded and expenses	<u>(3,276,528)</u>	<u>(3,058,459)</u>
Management fees	<u>(246,219)</u>	<u>(269,563)</u>
Ending balances	<u>\$24,400,212</u>	<u>\$24,594,947</u>

continued

INLAND EMPIRE COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

10. Fair Value Measurements

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Mutual funds:				
Blend	\$29,657,945	\$ -	\$ -	\$29,657,945
Bonds	19,575,135			19,575,135
Growth	14,527,383			14,527,383
Allocation	8,384,472			8,384,472
Value	5,988,630			5,988,630
Emerging markets	3,803,521			3,803,521
Real estate	3,374,875			3,374,875
Core	77,628			77,628
Stocks	<u>25,109</u>			<u>25,109</u>
	85,414,698	-	-	85,414,698
Money market funds	1,063,432			1,063,432
Other:				
Real estate partnership	1			1
Cash value				
of life insurance			<u>188,449</u>	<u>188,449</u>
	<u>86,478,131</u>	<u>-</u>	<u>188,449</u>	<u>86,666,580</u>
Assets held in				
remainder trusts	4,065,576			4,065,576
Contribution receivable,				
remainder trust			676,798	676,798
Contribution receivable,				
Estate of Robert				
A. Dailey-Dechomai			<u>100</u>	<u>100</u>
	<u>\$90,543,707</u>	<u>\$ -</u>	<u>\$865,347</u>	<u>\$91,409,054</u>

continued

INLAND EMPIRE COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

10. Fair Value Measurements, continued

The table below presents the balances of assets measured at fair value at December 31, 2019 on a recurring basis:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Mutual funds:				
Blend	\$23,148,571	\$ -	\$ -	\$23,148,571
Bonds	21,023,248			21,023,248
Growth	13,896,194			13,896,194
Allocation	9,303,488			9,303,488
Value	4,386,118			4,386,118
Emerging markets	3,729,877			3,729,877
Real estate	3,567,999			3,567,999
MLP	2,909,446			2,909,446
Core	43,694			43,694
Stocks	23,306			23,306
Loan	<u>16,659</u>			<u>16,659</u>
	82,048,600	-	-	82,048,600
Money market funds	1,839,005			1,839,005
Other:				
Cash value				
of life insurance			190,661	190,661
Real estate partnership	<u>1</u>			<u>1</u>
	<u>83,887,606</u>	<u>-</u>	<u>190,661</u>	<u>84,078,267</u>
Assets held in				
remainder trusts	4,030,557			4,030,557
Contribution receivable,				
remainder trust			685,603	685,603
Contribution receivable,				
Estate of Robert				
A. Dailey-Dechomai			<u>100</u>	<u>100</u>
	<u>\$87,918,163</u>	<u>\$ -</u>	<u>\$876,364</u>	<u>\$88,794,527</u>

continued

INLAND EMPIRE COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

10. Fair Value Measurements, continued

The fair value of investments has been measured on a recurring basis using quoted prices for identical assets in active markets (Level 1 inputs).

The fair value of assets held in remainder trusts is measured on a recurring basis by calculating the change in value of the client's beneficial interest in the trust, which has underlying assets invested in the market (Level 1 inputs).

The fair value of the cash value of life insurance and contribution receivables were measured based on information received from the trusts' attorneys and the Foundation's estimate (Level 3 inputs).

The following table provides further details of the Level 3 fair value measurements as of December 31, 2020 and 2019:

	<u>Cash Value of Life Insurance</u>	<u>Contribution Receivable</u>	<u>Total</u>
<u>December 31, 2020</u>			
Fair value at January 1, 2020	\$190,661	\$685,603	\$876,264
Addition			-
Change in value in remainder trust		(8,805)	(8,805)
Cash received			-
Total loss	<u>(2,212)</u>	<u></u>	<u>(2,212)</u>
Fair value at December 31, 2020	<u>\$188,449</u>	<u>\$676,798</u>	<u>\$865,247</u>
<u>December 31, 2019</u>			
Fair value at January 1, 2019	\$192,523	\$603,746	\$796,269
Addition			-
Change in value in remainder trust		81,857	81,857
Cash received			-
Total loss	<u>(1,862)</u>	<u></u>	<u>(1,862)</u>
Fair value at December 31, 2019	<u>\$190,661</u>	<u>\$685,603</u>	<u>\$876,264</u>

The (loss) and gain are reported in contributions in the Statement of Activities.

11. Net Assets Without Donor Restrictions and With Donor Restrictions

Net assets without donor restrictions and with donor restrictions consist of the following at December 31, 2020 and 2019:

continued

INLAND EMPIRE COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

11. Net Assets Without Donor Restrictions and With Donor Restrictions, continued

	<u>2020</u>	<u>2019</u>
Net assets without donor restrictions	\$ 2,674,970	\$ 1,928,462
Without donor restrictions - Board designated funds:		
Community impact funds	3,059,954	2,994,318
Operating reserve	1,012,479	1,058,230
Current operations	381,535	148,293
Peggy Fouke Wortz funds	<u>3,650,653</u>	<u>3,637,988</u>
Total net assets without donor restrictions	<u>10,779,591</u>	<u>9,767,291</u>
Net assets with donor restrictions		
Donor designated to meet community needs	74,441,884	69,429,853
Gift annuities and trusts	1,822,199	1,821,927
Specific grant programs	<u>2,089,404</u>	<u>2,039,846</u>
Total net assets with donor restrictions	<u>78,353,487</u>	<u>73,291,626</u>
	<u>\$89,133,078</u>	<u>\$83,058,917</u>

Net assets released from purpose restrictions by incurring expenses satisfying the purpose as specified by donors for the years ended December 31, 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Grants made to meet community needs	\$16,568,131	\$13,255,031
Coronavirus Relief Fund	4,954,500	-
College Futures Foundation	289,356	865,745
James Irvine Foundation Grants	2,406,668	520,501
Youth Grantmakers Committee	54,810	61,345
County of San Bernardino contracts	<u>860,798</u>	<u>855</u>
Total net assets released	<u>\$25,134,263</u>	<u>\$14,703,477</u>

12. Retirement Plan

The Foundation has defined contribution 401(k) profit-sharing plan covering substantially all employees with at least one-quarter year of service who have attained age 18. The plan includes non-elective safe harbor 3% contribution and a 1% of profit sharing for all participants. The contribution is made each pay period. At December 31, 2020 and 2019, the Foundation's expense for contributions to the plan totaled \$52,101 and \$42,019, respectively.

13. Commitments and Contingencies

Obligation Under an Operating Lease

The Foundation leases its administrative office space under a non-cancelable operating lease expiring in September, 2022. Future minimum payments, by year and in the aggregate under this lease, consist of the following:

continued

INLAND EMPIRE COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

13. Commitments and Contingencies, continued

<u>Year ending December 31,</u>	
2021	\$106,177
2022	74,131
2023	<u>3,150</u>
	<u>\$183,458</u>

Rent expense under the operating lease for the years ended December 31, 2020 and 2019 was \$125,698 and \$119,750, respectively.

Impact of COVID-19 Virus

Following the State “Safer at Home” order to close all non-essential activities, the Foundation has been conducting business activities under Safer at Home isolation protocols. The overall long-term financial impact of COVID-19 virus on the Foundation cannot be foreseen at this time and is not reflected in these financial statements.

14. Paycheck Protection Program

In May 2020, the Foundation received loan proceeds in the amount of \$242,000 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 are forgivable after twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its full-time equivalency levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the twenty-four-week period.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The Foundation intends to use the proceeds for purposes consistent with the PPP. The Foundation currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan.

15. Subsequent Events

In January 2021, the Foundation received notification from its Small Business Association (“SBA”) PPP loan servicer informing them that their PPP loan forgiveness application was approved.

Management has evaluated subsequent events through May 10, 2021, the date which the financial statements were available for issue. Except for the event noted above, no other events or transactions have occurred during this period that appear to require recognition or disclosure in the financial statements.