

INLAND EMPIRE COMMUNITY FOUNDATION

FINANCIAL STATEMENTS

DECEMBER 31, 2021

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Inland Empire Community Foundation

Opinion

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, 2021, and the related Statements of Activities, Functional Expenses, and Cash Flows for the year then ended, and the related notes to the financial statements.

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

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Inland Empire Community 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 Inland Empire Community Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

INDEPENDENT AUDITORS' REPORT

continued

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Inland Empire Community 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 Inland Empire Community 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 Inland Empire Community Foundation's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 10, 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.

Harrington Group

Pasadena, California

April 11, 2022

INLAND EMPIRE COMMUNITY FOUNDATION

STATEMENT OF FINANCIAL POSITION

December 31, 2021

With comparative totals at December 31, 2020

	2021	2020
ASSETS		
Cash and cash equivalents	\$ 26,521,558	\$ 24,594,260
Grants and contributions receivable (Note 4)	3,094,857	2,716,587
Other receivables	25,167	396,979
Prepaid expenses and deposits	87,026	42,491
Investments (Note 5)	96,764,051	86,666,580
Assets held in remainder trusts (Note 6)	4,022,069	4,065,576
Furniture and equipment (Note 7)	46,099	65,344
TOTAL ASSETS	\$ 130,560,827	\$ 118,547,817
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 541,231	\$ 599,288
Grants payable	3,512,452	2,698,866
Capital lease obligation (Note 8)	30,087	37,129
Obligation under charitable gift annuities	1,194,491	1,339,546
Custodial funds	91,405	99,256
Paycheck protection program loan (Note 14)		242,000
Agency funds (Note 9)	26,742,928	24,400,212
TOTAL LIABILITIES	32,112,594	29,416,297
NET ASSETS		
Without donor restrictions (Note 11)	11,902,960	10,778,033
With donor restrictions (Note 11)	86,545,273	78,353,487
TOTAL NET ASSETS	98,448,233	89,131,520
TOTAL LIABILITIES AND NET ASSETS	\$ 130,560,827	\$ 118,547,817

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

INLAND EMPIRE COMMUNITY FOUNDATION

STATEMENT OF ACTIVITIES

For the year ended December 31, 2021

With comparative totals for the year ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	2021	2020
REVENUE AND SUPPORT				
REVENUE				
Unrealized gain on investments	\$ 522,419	\$ 5,024,209	\$ 5,546,628	\$ 6,046,208
Realized gain on investments	355,879	3,628,037	3,983,916	357,566
Realized and unrealized gain on investments	878,298	8,652,246	9,530,544	6,403,774
Interest and dividend income, net of fees of 109,658	239,103	2,115,091	2,354,194	1,880,041
Investment gain income, net (Note 5)	1,117,401	10,767,337	11,884,738	8,283,815
Less: investment (gain) income from agency funds (Note 9)		(3,191,601)	(3,191,601)	(1,983,802)
Investment gain income, net of fees and agency funds income	1,117,401	7,575,736	8,693,137	6,300,013
Management fees - agency funds	248,294		248,294	246,219
Prior years' grants returned		133,770	133,770	1,064,914
Special events - net of expenses of \$1,588		13,275	13,275	9,918
Debt forgiveness (Note 14)	284,504		284,504	38,223
Change in value of split-interest agreements		134,156	134,156	(30,419)
Total revenue	1,650,199	7,856,937	9,507,136	7,628,868
Net assets released from restrictions	20,123,736	(20,123,736)	-	-
 SUPPORT				
Contributions, bequests, and grants	397,476	21,780,909	22,178,385	25,128,349
Less: support from agency funds (Note 9)		(1,322,324)	(1,322,324)	(1,344,210)
Total support, net	397,476	20,458,585	20,856,061	23,784,139
TOTAL REVENUE AND SUPPORT	22,171,411	8,191,786	30,363,197	31,413,007
 EXPENSES				
Program services:				
Grants awarded	19,632,398		19,632,398	25,673,753
Less: agency fund expenses and grants awarded	(1,922,917)		(1,922,917)	(3,276,528)
Grants awarded, net	17,709,481		17,709,481	22,397,225
Grants and program related expenses	1,769,369		1,769,369	1,216,089
Community leadership	251,538		251,538	479,043
Supporting services:				
Administrative	532,327		532,327	496,572
Development	783,769		783,769	751,475
TOTAL EXPENSES	21,046,484	-	21,046,484	25,340,404
CHANGE IN NET ASSETS	1,124,927	8,191,786	9,316,713	6,072,603
NET ASSETS, BEGINNING OF YEAR	10,778,033	78,353,487	89,131,520	83,058,917
NET ASSETS, END OF YEAR	\$ 11,902,960	\$ 86,545,273	\$ 98,448,233	\$ 89,131,520

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, 2021

With comparative totals for the year ended December 31, 2020

	Grants and				Total Expenses	
	Related Program Expenses	Community Leadership	Administrative	Development	2021	2020
GRANTS						
Grants awarded, net	\$ 17,709,481	\$ -	\$ -	\$ -	\$ 17,709,481	\$ 22,397,225
Total grants	<u>17,709,481</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,709,481</u>	<u>22,397,225</u>
OPERATING EXPENSES						
Salaries	475,856	169,176	283,132	425,240	1,353,404	1,342,121
Outside services	1,043,763	14,860	24,869	37,351	1,120,843	517,710
Employee benefits	47,163	16,768	28,062	42,147	134,140	148,478
Occupancy	24,649	10,023	53,312	39,863	127,847	125,698
Office expenses	34,548	14,653	24,523	36,831	110,555	58,221
Marketing	13,549		4,964	87,500	106,013	296,258
Payroll taxes	35,362	12,572	21,040	31,600	100,574	104,712
Dues and subscriptions	17,378	6,178	10,340	15,529	49,425	42,963
Travel and seminars	26,886		2,287	7,812	36,985	24,679
Accounting			32,000		32,000	28,500
Donor life insurance				28,494	28,494	2,212
Telephone	14,010	2,504	4,191	6,444	27,149	118,763
Depreciation			23,808		23,808	23,298
Miscellaneous	13,980	1,450	2,427	3,646	21,503	18,928
Printing	1,148		7,603	7,647	16,398	44,235
Insurance	2,592	1,054	5,606	4,192	13,444	14,025
Staff meetings	4,033	1,434	2,400	3,604	11,471	4,300
Awards and recognition	5,302	866	1,449	2,636	10,253	18,782
Legal	9,150		314		9,464	5,059
Website				3,233	3,233	4,237
Total operating expenses	<u>1,769,369</u>	<u>251,538</u>	<u>532,327</u>	<u>783,769</u>	<u>3,337,003</u>	<u>2,943,179</u>
TOTAL 2021 FUNCTIONAL EXPENSES	<u>\$ 19,478,850</u>	<u>\$ 251,538</u>	<u>\$ 532,327</u>	<u>\$ 783,769</u>	<u>\$ 21,046,484</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>

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, 2021

With comparative totals for the year ended December 31, 2020

	2021	2020
CASH FLOWS (TO) FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 9,316,713	\$ 6,072,603
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Change in cash surrender value of life insurance	2,735	4,074
Depreciation expense	23,808	23,298
Debt forgiveness	(242,000)	(38,223)
Realized (gain) on investments	(355,879)	(5,737,151)
Unrealized (gain) loss on investments	(522,419)	5,071,296
Change in value of split-interest agreements	(134,156)	30,419
(Increase) decrease in operating assets:		
Grants and contributions receivable	(378,270)	(1,108,282)
Other receivables	371,812	(354,371)
Prepaid expenses and deposits	(44,535)	(7,040)
Assets held in remainder trust	43,507	(35,019)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(58,057)	432,995
Grants payable	813,586	651,754
Obligations under charitable gift annuities	(145,055)	45,696
Custodial funds	(7,851)	(6,967)
Agency funds	2,342,716	(194,735)
NET CASH PROVIDED BY OPERATING ACTIVITIES	11,026,655	4,850,347
CASH FLOWS FROM (TO) INVESTING ACTIVITIES:		
Purchase of equipment	(4,563)	(17,602)
Proceeds from sale of investments	304,887	6,069,769
Purchase of investments	(2,855,484)	(3,935,340)
NET CASH (USED) PROVIDED BY INVESTING ACTIVITIES	(2,555,160)	2,116,827
CASH FLOWS (TO) FROM FINANCING ACTIVITIES:		
Restricted realized (gain) on investments	(3,628,037)	(309,057)
Restricted unrealized (gain) on investments	(5,024,209)	(5,428,862)
Interest and dividends, net, restricted for reinvestment	2,115,091	1,684,763
Paycheck protection program loan	-	242,000
Principal payments on capital lease	(7,042)	(6,667)
NET CASH (USED) BY FINANCING ACTIVITIES	(6,544,197)	(3,817,823)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,927,298	3,149,351
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	24,594,260	21,444,909
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 26,521,558	\$ 24,594,260
SUPPLEMENTAL DISCLOSURES:		
Operating activities reflects interest paid:	\$ 1,316	\$ 3,250

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 grants for charitable causes, and 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, 2021 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, 2021, 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.

Functional Allocation of Expenses

Costs of providing the Foundation's programs and other activities have been presented in the Statement of Functional Expenses.

continued

INLAND EMPIRE COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

During the year, such costs are accumulated into separate groupings as either direct of 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

Inland Empire Community 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.

Consequently, at December 31, 2021, all contributions have been recognized in the accompanying consolidated statement of activities because either there were no conditions or the condition(s) on which they depend have been met.

Inland Empire Community Foundation has adopted Accounting Standards Update (ASU) No. 2018-08 Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605) as management believes the standard improves the usefulness and understandability of the Organization's financial reporting.

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, 2020, from which the summarized information was derived.

Reclassification

Certain accounts from the December 31, 2020 financial statements have been reclassified for comparative purposes to conform to December 31, 2021 presentation.

Subsequent Events

Management has evaluated subsequent events through April 11, 2022, the date which the financial statements were available for issue. No events or transactions have occurred during this period that appear to require recognition or disclosure in the financial statements.

continued

INLAND EMPIRE COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

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	\$26,521,558
Other receivable and other assets	112,193
Short term investments	<u>2,554,001</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$29,187,752</u>

The assets above include \$15,895,398 in donor advised funds as of December 31, 2021. 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, 2021, this rate is 4% and \$415,650 of the appropriation from the board-designated endowments will be available during the calendar year ending December 31, 2021. 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.

4. Grants and Contribution Receivable

Grants and contributions receivable at December 31, 2021 and 2020 consist of the following:

	<u>December 31,</u>	
	<u>2021</u>	<u>2020</u>
Falk Estate	\$1,600,000	\$ -
Evans Charitable Remainder Trust (CRT)	738,669	676,798
Obershaw Trust	450,000	450,000
William C. Hunter Charitable Lead Trust (CLT)	214,588	264,335
Stamm Estate	91,500	-
Estate of Robert A. Dailey-Dechomai	100	100
Rookstool Estate	-	700,000
State of California (Listos)	-	366,379
M. Hawkins	-	125,000
County of San Bernardino	-	125,000
Other	-	8,975
	<u>\$3,094,857</u>	<u>\$2,716,587</u>

continued

INLAND EMPIRE COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

5. Investments

Investments at December 31, 2021 and 2020 consist of the following:

	<u>December 31,</u>	
	<u>2021</u>	<u>2020</u>
Mutual funds	\$69,447,150	\$65,839,563
Bonds	24,127,198	19,575,135
Money market funds	3,003,987	1,063,432
Cash value of life insurance	185,715	188,449
Real estate partnership	<u>1</u>	<u>1</u>
	<u>\$96,764,051</u>	<u>\$86,666,580</u>

Investment income, net

<u>December 31, 2021</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Net realized and unrealized gain	\$ 878,298	\$ 8,652,246	\$ 9,530,544
Interest and dividends	246,711	2,217,141	2,463,852
Less: investment fees and charges	<u>(7,608)</u>	<u>(102,050)</u>	<u>(109,658)</u>
Net investment income	<u>\$1,117,401</u>	<u>\$10,767,337</u>	<u>\$11,884,738</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	<u>(8,246)</u>	<u>(93,154)</u>	<u>(101,440)</u>
Net investment income	<u>\$861,133</u>	<u>\$7,422,682</u>	<u>\$8,283,815</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 \$109,658 and \$101,400 for the years ended December 31, 2021 and 2020, respectively.

6. Split-interest Agreements

Split-interest agreements of \$4,022,069 and \$4,065,576 at December 31, 2021 and 2020, 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.

INLAND EMPIRE COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

6. Split-interest Agreements, continued

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, 2021 and 2020 consist of the following:

	<u>December 31,</u>	
	<u>2021</u>	<u>2020</u>
Furniture, equipment, and software	\$ 264,461	\$ 259,899
Accumulated depreciation	<u>(218,362)</u>	<u>(194,555)</u>
	<u>\$ 46,099</u>	<u>\$ 65,344</u>

Depreciation expense for the years ended December 31, 2021 and 2020 was \$23,808 and \$23,298, respectively.

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 2021 and \$7,294 for 2020 and is included in depreciation expense.

Future minimum payments under the lease are as follows:

<u>Year ending December 31,</u>	
2022	\$ 8,359
2023	8,359
2024	8,359
2025	5,492
Less: portion representing interest	<u>(482)</u>
Present value of net minimum lease payments	<u>\$30,087</u>

continued

INLAND EMPIRE COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

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, 2021 and 2020 was as follows:

	<u>December 31,</u>	
	<u>2021</u>	<u>2020</u>
Beginning balances	\$24,400,212	\$24,594,947
New agency funds	1,322,324	1,344,210
Realized gain	1,094,918	53,596
Unrealized gain	1,467,753	1,424,603
Interest and dividends, net of bank fees	<u>628,930</u>	<u>505,603</u>
Sub-total, investment gain	3,191,601	1,983,802
Grants awarded and expenses	(1,922,915)	(3,276,528)
Management fees	<u>(248,294)</u>	<u>(246,219)</u>
Ending balances	<u>\$26,742,928</u>	<u>\$24,400,212</u>

10. Fair Value Measurements

The table below presents the balances of assets measured at fair value at December 31, 2021 on a recurring basis:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Blend	\$32,659,273	\$ -	\$ -	\$32,659,273
Bonds	24,127,198			24,127,198
Growth	15,017,544			15,017,544
Value	6,387,412			6,387,412
Allocation	5,577,785			5,577,785
Hedge Fund		4,215,304		4,215,304
Real estate	3,687,155			3,687,155
Emerging markets	3,667,140			3,667,140
Core	85,321			85,321
Stocks	28,350			28,350
Commodities	<u>11,191</u>			<u>11,191</u>
	91,248,369	4,215,304	-	95,463,673

continued

INLAND EMPIRE COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

10. Fair Value Measurements, continued

Money market funds	1,114,663			1,114,663
Other:				
Real estate partnership	1			1
Cash value				
of life insurance			185,714	185,714
	<u>92,363,032</u>	<u>4,215,304</u>	<u>185,714</u>	<u>96,764,051</u>
Assets held in				
remainder trusts	4,022,069			4,022,069
Contribution receivable,				
remainder trust			738,669	738,669
Contribution receivable,				
Estate of Robert				
A. Dailey-Dechomai			100	100
	<u>\$96,385,101</u>	<u>\$4,215,304</u>	<u>\$862,612</u>	<u>\$101,524,889</u>

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			188,449	188,449
	<u>86,478,131</u>	<u>-</u>	<u>188,449</u>	<u>86,666,580</u>

continued

INLAND EMPIRE COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

10. Fair Value Measurements, continued

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			100	100
	<u>\$90,543,707</u>	<u>\$ -</u>	<u>\$865,347</u>	<u>\$91,409,054</u>

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, 2021 and 2020:

	<u>Cash Value of Life Insurance</u>	<u>Contribution Receivable</u>	<u>Total</u>
<u>December 31, 2021</u>			
Fair value at January 1, 2021	\$188,449	\$676,798	\$865,247
Addition			-
Change in value in remainder trust		61,871	61,871
Cash received			-
Total loss	<u>(2,735)</u>		<u>(2,735)</u>
Fair value at December 31, 2021	<u>\$185,174</u>	<u>\$738,669</u>	<u>\$924,383</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>(2,212)</u>
Fair value at December 31, 2020	<u>\$188,449</u>	<u>\$676,798</u>	<u>\$865,247</u>

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

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INLAND EMPIRE COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Net assets without donor restrictions	\$ 2,960,901	\$ 2,673,412
Without donor restrictions - Board designated funds:		
Community impact funds	3,603,620	3,059,954
Operating reserve	1,319,008	1,012,479
Current operations	345,549	381,535
Peggy Fouke Wortz funds	<u>3,673,882</u>	<u>3,650,653</u>
Total net assets without donor restrictions	<u>11,902,960</u>	<u>10,778,033</u>
Net assets with donor restrictions		
Donor designated to meet community needs	82,025,800	74,441,884
Gift annuities and trusts	1,980,012	1,822,199
Specific grant programs	<u>2,539,461</u>	<u>2,089,404</u>
Total net assets with donor restrictions	<u>86,545,273</u>	<u>78,353,487</u>
	<u>\$98,448,233</u>	<u>\$89,131,520</u>

Net assets released from purpose restrictions by incurring expenses satisfying the purpose as specified by donors for the years ended December 31, 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Grants made to meet community needs	\$18,614,785	\$16,568,131
Coronavirus Relief Fund	-	4,954,500
College Futures Foundation	32,749	289,356
James Irvine Foundation Grants	1,441,930	2,406,668
Youth Grantmakers Committee	34,272	54,810
County of San Bernardino contracts	-	860,798
Total net assets released	<u>\$20,123,736</u>	<u>\$25,134,263</u>

12. Retirement Plan

The Foundation has a 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, 2021 and 2020, the Foundation's expense for contributions to the plan totaled \$38,896 and \$52,101, respectively.

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INLAND EMPIRE COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

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:

<u>Year ending December 31,</u>	
2022	\$ 99,128
2023	<u>67,831</u>
	<u>\$166,959</u>

Rent expense under the operating lease for the years ended December 31, 2021 and 2020 was \$127,847 and \$125,698, respectively.

Impact of COVID-19 Virus

In 2021 The Foundation continued to follow local, state, and federal guidelines for essential workers during the Coronavirus pandemic. Staff maintained a hybrid in-office/work-from-home schedule as needed to complete foundation business.

14. Paycheck Protection Program

In May 2020, The Foundation received a forgivable loan 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 advances to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The refundable government loans are forgivable after twenty-four weeks as long as the borrower uses the proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its full-time equivalency levels. The amount of forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight-week period.

In January 2021, the Foundation's PPP loan forgiveness application was approved by the Small Business Administration ("SBA"). The total forgiven amount was \$243,558, which included \$242,000 of principal and \$1,558 of interest expense. The forgiven amount is included in Debt Forgiveness of \$284,504 in the statement of activities for the year ended December 31, 2021.

The SBA reserves the right to review any loan in their discretion and the SBA will review any loan over \$2 million. Areas of review include eligibility, necessity, calculation of the loan amount, use of loan proceeds, and the calculation of the loan forgiveness amount. PPP loan documentation should be retained for six years after the date the loan is forgiven or repaid in full.