



INLAND EMPIRE COMMUNITY FOUNDATION

FINANCIAL STATEMENTS

DECEMBER 31, 2022

PASADENA
2698 Mataro Street
Pasadena, CA 91107
p: 626.403.6801

A Trusted Nonprofit Partner

www.npocpas.com

OAKLAND
1901 Harrison Street #1150
Oakland, CA 94612
p: 510.379.1182

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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, 2022, 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, 2022, 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 Auditors' 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.

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 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.

Other Matter

Report on Summarized Comparative Information

We have previously audited Inland Empire Community Foundation's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 11, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Harrington Group

Pasadena, California

May 8, 2023

INLAND EMPIRE COMMUNITY FOUNDATION

STATEMENT OF FINANCIAL POSITION

December 31, 2022

With comparative totals at December 31, 2021

	2022	2021
ASSETS		
Cash and cash equivalents	\$ 38,605,650	\$ 26,521,558
Grants and contributions receivable (Note 4)	3,091,724	3,094,857
Other receivables	30,479	25,167
Prepaid expenses and deposits	51,227	87,026
Investments (Note 5)	79,347,889	96,764,051
Assets held in remainder trusts (Note 6)	3,546,946	4,022,069
Furniture and equipment (Note 7)	18,909	46,099
Right of use - operating assets (Note 10)	292,568	-
	\$ 124,985,392	\$ 130,560,827
TOTAL ASSETS		
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 419,622	\$ 541,231
Grants payable	115,110	3,512,452
Finance lease obligation (Note 8)	16,069	30,087
Lease liability - operating leases (Note 10)	278,002	-
Obligation under charitable gift annuities	948,359	1,194,491
Custodial funds	63,514	91,405
Unearned revenue (Note 12)	4,750,000	-
Agency funds (Note 9)	16,788,483	26,742,928
Line of credit (Note 16)	-	-
	23,379,159	32,112,594
TOTAL LIABILITIES		
NET ASSETS		
Without donor restrictions (Note 13)	12,458,848	11,902,960
With donor restrictions (Note 13)	89,147,385	86,545,273
	101,606,233	98,448,233
TOTAL NET ASSETS		
TOTAL LIABILITIES AND NET ASSETS		
	\$ 124,985,392	\$ 130,560,827

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

INLAND EMPIRE COMMUNITY FOUNDATION

STATEMENT OF ACTIVITIES

For the year ended December 31, 2022

With comparative totals for the year ended December 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2022</u>	<u>2021</u>
REVENUE AND SUPPORT				
REVENUE				
Unrealized (loss) gain on investments	\$ (1,927,727)	\$ (15,665,750)	\$ (17,593,477)	\$ 5,546,628
Realized gain on investments	152,138	1,651,846	1,803,984	3,983,916
Realized and unrealized (loss) gain on investments	(1,775,589)	(14,013,904)	(15,789,493)	9,530,544
Interest and dividend income, net of fees of \$91,034	127,248	1,481,092	1,608,340	2,354,194
Investment (loss) gain, net (Note 5)	(1,648,341)	(12,532,812)	(14,181,153)	11,884,738
Less: investment loss (gain) income from agency funds (Note 9)		3,250,022	3,250,022	(3,191,601)
Investment (loss) gain income, net of fees and agency funds income	(1,648,341)	(9,282,790)	(10,931,131)	8,693,137
Prior years' grants returned	222,209		222,209	133,770
Management fees - agency funds	195,938		195,938	248,294
Donated life insurance (Note 2)	3,586		3,586	
Debt forgiveness (Note 15)			-	284,504
Special events - net of expenses of \$60,764		(11,918)	(11,918)	13,275
Change in value of split-interest agreements		(262,401)	(262,401)	134,156
Total revenue	<u>(1,226,608)</u>	<u>(9,557,109)</u>	<u>(10,783,717)</u>	<u>9,507,136</u>
Net assets released from restrictions	<u>19,510,225</u>	<u>(19,510,225)</u>	<u>-</u>	<u>-</u>
SUPPORT				
Contributions, bequests, and grants	2,905,067	32,580,888	35,485,955	22,178,385
Less: support from agency funds (Note 9)		(911,442)	(911,442)	(1,322,324)
Total support, net	<u>2,905,067</u>	<u>31,669,446</u>	<u>34,574,513</u>	<u>20,856,061</u>
TOTAL REVENUE AND SUPPORT	<u>21,188,684</u>	<u>2,602,112</u>	<u>23,790,796</u>	<u>30,363,197</u>
EXPENSES				
Program services:				
Grants awarded	24,715,760		24,715,760	19,632,398
Less: agency fund expenses and grants awarded	<u>(7,419,927)</u>		<u>(7,419,927)</u>	<u>(1,922,917)</u>
Grants awarded, net	17,295,833		17,295,833	17,709,481
Grants and program related expenses	582,976		582,976	1,769,369
Community leadership	1,189,877		1,189,877	251,538
Supporting services:				
Administrative	517,800		517,800	532,327
Development	1,046,310		1,046,310	783,769
TOTAL EXPENSES	<u>20,632,796</u>	<u>-</u>	<u>20,632,796</u>	<u>21,046,484</u>
CHANGE IN NET ASSETS	555,888	2,602,112	3,158,000	9,316,713
NET ASSETS, BEGINNING OF YEAR	<u>11,902,960</u>	<u>86,545,273</u>	<u>98,448,233</u>	<u>89,131,520</u>
NET ASSETS, END OF YEAR	<u>\$ 12,458,848</u>	<u>\$ 89,147,385</u>	<u>\$ 101,606,233</u>	<u>\$ 98,448,233</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, 2022

With comparative totals for the year ended December 31, 2021

	Grants and				Total Expenses	
	Related Program Expenses	Community Leadership	Administrative	Development	2022	2021
GRANTS						
Grants awarded, net	\$ 17,295,833	\$ -	\$ -	\$ -	\$ 17,295,833	\$ 17,709,481
Total grants	<u>17,295,833</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,295,833</u>	<u>17,709,481</u>
OPERATING EXPENSES						
Salaries	363,307	522,100	286,146	614,624	1,786,177	1,353,404
Outside services	46,434	417,315	11,936	25,637	501,322	1,120,843
Employee benefits	45,455	65,323	35,801	76,899	223,478	134,140
Marketing	4,583	13,237		140,898	158,718	106,013
Occupancy	23,924	29,144	37,015	45,157	135,240	127,847
Payroll taxes	26,855	38,590	21,150	45,429	132,024	100,574
Office expenses	22,843	27,031	4,185	21,744	75,803	110,555
Travel and seminars	3,737	29,824	22,801	14,121	70,483	36,985
Dues and subscriptions	10,545	23,341	4,193	25,251	63,330	49,425
Accounting			31,000		31,000	32,000
Legal			22,979	328	28,475	9,464
Depreciation			27,190		27,190	23,808
Awards and recognition	13,253	3,141	1,721	6,137	24,252	10,253
Telephone	4,217	6,061	3,322	7,135	20,735	27,149
Staff meetings	4,018	4,714	2,466	6,681	17,879	11,471
Insurance	4,216	5,143	3,320	2,725	15,404	13,444
Printing	2,725	2,476	1,239	4,600	11,040	16,398
Miscellaneous	1,696	2,437	1,336	2,869	8,338	21,503
Donated life insurance (Note 2)				3,586	3,586	28,494
Website				2,489	2,489	3,233
Total operating expenses	<u>582,976</u>	<u>1,189,877</u>	<u>517,800</u>	<u>1,046,310</u>	<u>3,336,963</u>	<u>3,337,003</u>
TOTAL 2022 FUNCTIONAL EXPENSES	<u>\$ 17,878,809</u>	<u>\$ 1,189,877</u>	<u>\$ 517,800</u>	<u>\$ 1,046,310</u>	<u>\$ 20,632,796</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>

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, 2022

With comparative totals for the year ended December 31, 2021

	2022	2021
CASH FLOWS (TO) FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 3,158,000	\$ 9,316,713
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Change in cash surrender value of life insurance	3,585	2,735
Depreciation expense	27,190	23,808
Debt forgiveness		(242,000)
Realized (gain) on investments	(152,138)	(355,879)
Unrealized loss (gain) on investments	1,927,727	(522,419)
Change in value of split-interest agreements	262,401	(134,156)
(Increase) decrease in operating assets:		
Grants and contributions receivable	3,133	(378,270)
Other receivables	(5,312)	371,812
Prepaid expenses and deposits	35,799	(44,535)
Assets held in remainder trust	475,123	43,507
Right of use assets	(292,568)	-
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(121,609)	(58,057)
Grants payable	(3,397,342)	813,586
Obligations under charitable gift annuities	(246,132)	(145,055)
Lease liability - operating leases	278,002	
Custodial funds	(27,891)	(7,851)
Unearned Revenue	4,750,000	-
Agency funds	(9,954,445)	2,342,716
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	(3,276,477)	11,026,655
CASH FLOWS FROM (TO) INVESTING ACTIVITIES:		
Purchase of equipment	-	(4,563)
Proceeds from sale of investments	2,655,894	304,887
Purchase of investments	(2,776,303)	(2,855,484)
NET CASH (USED) BY INVESTING ACTIVITIES	(120,409)	(2,555,160)
CASH FLOWS (TO) FROM FINANCING ACTIVITIES:		
Restricted realized (gain) on investments	(1,651,846)	(3,628,037)
Restricted unrealized loss (gain) on investments	15,665,750	(5,024,209)
Interest and dividends, net, restricted for reinvestment	1,481,092	2,115,091
Principal payments on capital lease	(14,018)	(7,042)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	15,480,978	(6,544,197)
NET INCREASE IN CASH AND CASH EQUIVALENTS	12,084,092	1,927,298
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	26,521,558	24,594,260
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 38,605,650	\$ 26,521,558
SUPPLEMENTAL DISCLOSURES:		
Operating activities reflects interest paid:	\$ 919	\$ 1,316
Right-of-use assets upon adoption of ASC 842:	\$ 310,061	\$ -

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, 2022 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 contributions 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 Life Insurance

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, 2022, the Foundation received \$3,586 of donated life insurance, which was valued at the estimated fair market value of the policy. The donated life insurance policy was used in development, and is shown on the statement of functional expenses.

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 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.

Consequently, at December 31, 2022, all contributions have been recognized in the accompanying statement of activities because either there were no conditions or the condition(s) on which they depend have been met.

The 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.

Recent Accounting Pronouncement

The Foundation adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, as amended. This guidance is intended to improve financial reporting of lease transactions by requiring organizations that lease assets to recognize assets and liabilities for the rights and obligations created by leases that extend more than 12 months. Key provisions in this guidance include additional disclosures surrounding the amount, timing, and uncertainty of cash flows arising from leases. The Foundation elected the effective date transition method and the package of practical expedients that permits no reassessment of whether any expired or existing contracts are or contain a lease, the lease classification for any expired or existing leases, and any initial direct costs for any existing leases as of the effective date. As a result of implementing ASU No. 2016-02, The Foundation recognized right-of-use assets of \$310,061 and lease liabilities totaling \$310,061 in its Statement of Financial Position as of January 1, 2022. The adoption did not result in a significant effect on amounts reported in the Statement of Activities for the year ended December 31, 2022.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU clarifies the presentation and disclosure of contributed nonfinancial assets, including land, buildings, and other items, to increase transparency and comparability surrounding contributed nonfinancial assets through enhancements to presentation and disclosure. The ASU requires to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets, include in disclosures a disaggregation of the amount of contributed nonfinancial assets by category, for each category, additional qualitative disclosures. The update does not change existing recognition and measurement requirements for contributed nonfinancial assets. The ASU is effective for fiscal years beginning after June 15, 2021. The Foundation's financial statements for the year ended December 31, 2022 are presented in accordance with ASU 2020-07.

continued

INLAND EMPIRE COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Leases

The Foundation applies Accounting Standards Codification (“ASC”) 842, Leases, in determining whether an arrangement is or contains a lease at the lease inception. An arrangement is considered to include a lease if it conveys the right to control the use of identified property, plant or equipment for a period of time in excess of twelve months in exchange for consideration. The Foundation defines control of the asset as the right to obtain substantially all of the economic benefits from use of the identified asset as well as the right to direct the use of the identified asset. The Foundation further determines all the existing leases are operating leases, which are included in right-of-use (ROU) assets and lease liabilities in the Statement of Financial Position.

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, 2022, from which the summarized information was derived.

Reclassification

Certain accounts from the December 31, 2021 financial statements have been reclassified for comparative purposes to conform to December 31, 2022 presentation.

Subsequent Events

Management has evaluated subsequent events through May 8, 2023, 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.

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	\$38,605,650
Other receivable and other assets	81,706
Short term investments	1,829,194
Line of credit for use over next 12 months	<u>5,000,000</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$45,516,550</u>

The assets above include \$16,298,877 in donor advised funds as of December 31, 2022. 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, 2022, 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, 2022. 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 Contributions Receivable

Grants and contributions receivable at December 31, 2022 and 2021 consist of the following:

	<u>December 31,</u>	
	<u>2022</u>	<u>2021</u>
Chris and Molly Carpenter Estate	\$1,500,000	\$ -
Evans Charitable Remainder Trust (CRT)	677,289	738,669
Obershaw Trust	450,000	450,000
Bill and Melinda Gates Foundation	250,000	-
William C. Hunter Charitable Lead Trust (CLT)	214,335	214,588
Estate of Robert A. Dailey-Dechomai	100	100
Falk Estate	-	1,600,000
Stamm Estate	-	<u>91,500</u>
	<u>\$3,091,724</u>	<u>\$3,094,857</u>

continued

INLAND EMPIRE COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

5. Investments

Investments at December 31, 2022 and 2021 consist of the following:

	<u>December 31,</u>	
	<u>2022</u>	<u>2021</u>
Mutual funds	\$55,340,217	\$69,447,150
Bonds	19,350,720	24,127,198
Money market funds	4,474,822	3,003,987
Cash value of life insurance	182,129	185,715
Real estate partnership	<u>1</u>	<u>1</u>
	<u>\$79,347,889</u>	<u>\$96,764,051</u>

Investment income, net

	<u>Without Donor</u>	<u>With Donor</u>	<u>Total</u>
<u>December 31, 2022</u>	<u>Restrictions</u>	<u>Restrictions</u>	
Net realized and unrealized gain	(\$1,775,589)	(\$14,013,904)	(\$15,789,493)
Interest and dividends	137,001	1,562,478	1,699,479
Less: investment fees and charges	<u>(9,753)</u>	<u>(81,386)</u>	<u>(91,139)</u>
Net investment income	<u>(\$1,648,341)</u>	<u>(\$12,532,812)</u>	<u>(\$14,181,153)</u>
 <u>December 31, 2021</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>

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 \$91,139 and \$109,658 for the years ended December 31, 2022 and 2021, respectively.

6. Split-interest Agreements

Split-interest agreements of \$3,546,946 and \$4,022,069 at December 31, 2022 and 2021, 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.

continued

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, 2022 and 2021 consist of the following:

	<u>December 31,</u>	
	<u>2022</u>	<u>2021</u>
Furniture, equipment, and software	\$ 193,416	\$ 264,461
Accumulated depreciation	<u>(174,507)</u>	<u>(218,362)</u>
	<u>\$ 18,909</u>	<u>\$ 46,099</u>

Depreciation expense for the years ended December 31, 2022 and 2021 was \$27,190 and \$23,808, respectively.

8. Finance 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 \$8,359 for 2022 and \$7,294 for 2021 and is included in depreciation expense.

Future minimum payments under the lease are as follows:

<u>Year ending December 31,</u>	
2023	\$ 8,359
2024	7,032
2025	1,160
Less: portion representing interest	<u>(482)</u>
Present value of net minimum lease payments	<u>\$16,069</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, 2022 and 2021 was as follows:

	<u>December 31,</u>	
	<u>2022</u>	<u>2021</u>
Beginning balances	\$26,742,928	\$24,400,212
New agency funds	911,443	1,322,324
Realized gain	383,840	1,094,918
Unrealized (loss) gain	(3,972,962)	1,467,753
Interest and dividends, net of bank fees	<u>339,100</u>	<u>628,930</u>
Sub-total, investment gain	(3,250,022)	3,191,601
Grants awarded and expenses	(7,419,927)	(1,922,915)
Management fees	<u>(195,939)</u>	<u>(248,294)</u>
Ending balances	<u>\$16,788,483</u>	<u>\$26,742,928</u>

10. Operating Leases

The Foundation evaluated current office and equipment contracts to determine which met the criteria of a lease. The right-of-use (“ROU”) assets represents The Foundation’s right to use underlying assets for the lease term, and lease liabilities represent The Foundation’s obligation to make lease payments arising from these leases. The ROU assets and lease liabilities, all of which arise from operating leases, were calculated based on the present value of future lease payments over the lease terms. The Foundation has made an election to use a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments. The discount rate applied to calculate lease liabilities as of December 31, 2022, was 3.00%. The lease payments will be recognized as lease expense on a straight-line basis over the lease term.

Future maturities of the lease liabilities as of December 31, 2022, is as follows:

<u>Year ending December 31,</u>	
2023	\$105,808
2024	108,982
2025	<u>74,093</u>
Total lease payments	288,883
Less: present value discount	<u>(10,881)</u>
	<u>\$278,002</u>

Rent expense under the operating lease for the years ended December 31, 2022 and 2021 was \$135,240 and \$127,847, respectively.

continued

INLAND EMPIRE COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

11. Fair Value Measurements

The table below presents the balances of assets measured at fair value at December 31, 2022 on a recurring basis:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Blend	\$25,354,825	\$ -	\$ -	\$25,354,825
Bonds	18,590,134			18,590,134
Growth	11,827,753			11,827,753
Value	5,377,459			5,377,459
Hedge fund		4,461,376		4,461,376
Allocation	3,855,718			3,855,718
Emerging markets	2,836,314			2,836,314
Real estate	<u>2,460,213</u>			<u>2,460,213</u>
	70,302,416	4,461,376	-	74,763,792
Money market funds	4,401,967			4,401,967
Other:				
Real estate partnership	1			1
Cash value				
of life insurance			<u>182,129</u>	<u>182,129</u>
	<u>74,704,384</u>	<u>4,461,376</u>	<u>182,129</u>	<u>79,347,889</u>
Assets held in				
remainder trusts	3,546,946			3,546,946
Contribution receivable,				
remainder trust			677,289	677,289
Contribution receivable,				
Estate of Robert				
A. Dailey-Dechomai			<u>100</u>	<u>100</u>
	<u>\$78,251,330</u>	<u>\$4,461,376</u>	<u>\$859,518</u>	<u>\$83,572,224</u>

continued

INLAND EMPIRE COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

11. Fair Value Measurements, continued

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
Money market funds	1,114,663			1,114,663
Other:				
Real estate partnership	1			1
Cash value				
of life insurance			<u>185,714</u>	<u>185,714</u>
	<u>92,363,033</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			<u>100</u>	<u>100</u>
	<u>\$96,385,102</u>	<u>\$4,215,304</u>	<u>\$924,483</u>	<u>\$101,524,889</u>

continued

INLAND EMPIRE COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

11. 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 bonds have been measured on a recurring basis using quoted prices for similar assets in inactive market (Level 2 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, 2022 and 2021:

	<u>Cash Value of Life Insurance</u>	<u>Contribution Receivable</u>	<u>Total</u>
<u>December 31, 2022</u>			
Fair value at January 1, 2022	\$185,714	\$738,669	\$924,383
Addition			-
Change in value in remainder trust		(61,380)	(61,380)
Cash received			-
Total loss	<u>(3,585)</u>		<u>(3,585)</u>
Fair value at December 31, 2022	<u>\$182,129</u>	<u>\$677,289</u>	<u>\$859,418</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>

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

12. Unearned Revenue

Unearned revenue from government agencies/contracts and grants for the years ended December 31, 2022 and 2021 consist of the following:

	<u>2022</u>	<u>2021</u>
California Arts Council	<u>\$4,750,000</u>	<u>\$ -</u>

continued

INLAND EMPIRE COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

12. Unearned Revenue, continued

On August 19, 2022, the Foundation received a conditional program grant from the California Arts Council, in the amount of \$4,750,000. With support from the California Arts Council, the Foundation will administer a regranting program to IE-based artists and organizations in partnership with two county and one regional arts council for public art, media and messaging projects addressing health inequities in highest-priority communities.

The deadline to use the funds is September 30, 2024. As of December 31, 2022, The Foundation did not use any of the funding. The Foundation anticipates to spend down the full amount by the end of fiscal year December 31, 2024. Unearned revenue related for the year ended December 31, 2022, was \$4,750,000.

13. 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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Net assets without donor restrictions	\$ 5,311,664	\$ 2,960,901
Without donor restrictions - Board designated funds:		
Community impact funds	2,615,117	3,603,620
Operating reserve	1,205,707	1,319,008
Current operations	183,959	345,549
Peggy Fouke Wortz funds	<u>3,142,401</u>	<u>3,673,882</u>
Total net assets without donor restrictions	<u>12,458,848</u>	<u>11,902,960</u>
Net assets with donor restrictions		
Donor designated to meet community needs	76,901,254	82,025,800
Gift annuities and trusts	1,717,755	1,980,012
Specific grant programs	<u>10,528,376</u>	<u>2,539,461</u>
Total net assets with donor restrictions	<u>89,147,385</u>	<u>86,545,273</u>
	<u>\$101,606,233</u>	<u>\$98,448,233</u>

Net assets released from purpose restrictions by incurring expenses satisfying the purpose as specified by donors for the years ended December 31, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Grants made to meet community needs	\$ 7,857,849	\$18,614,785
S.L. Gimbel Foundation Advised Fund	4,973,140	-
James Irvine Foundation Grants	2,991,610	1,441,930
SD Foundation	1,858,418	32,749
San Manuel Employee Dependent Scholarship Fund	1,796,361	-
Youth Grantmakers Committee	<u>32,847</u>	<u>34,272</u>
Total net assets released	<u>\$19,510,225</u>	<u>\$20,123,736</u>

continued

INLAND EMPIRE COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

14. 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, 2022 and 2021, the Foundation's expense for contributions to the plan totaled \$66,608 and \$38,896, respectively.

15. Commitments and Contingencies

Contracts

The Foundation's grants and contracts are subject to inspection and audit by the appropriate governmental funding agency. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously funded program costs. The ultimate liability, if any, which may result from these governmental audits cannot be reasonably estimated and, accordingly, the Foundation has no provisions for the possible disallowance of program costs on its financial statements.

Paycheck Protection Program Loan

The Small Business Administration ("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. Paycheck Protection Program loan documentation should be retained for six years after the date the loan is forgiven or repaid in full.

16. Line of Credit

The Foundation has a revolving line of credit with a bank, in the amount of \$5,000,000, at a variable interest rate based of no less than 4%, due September 2023. At December 31, 2022, the outstanding balance of the line of credit was \$0.