

EAST BAY COMMUNITY FOUNDATION

JUNE 30, 2022 AND 2021

INDEPENDENT AUDITORS' REPORT AND
CONSOLIDATED FINANCIAL STATEMENTS

East Bay Community Foundation

Independent Auditors' Report and Consolidated Financial Statements

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A Century Strong

Independent Auditors' Report

THE BOARD OF DIRECTORS
EAST BAY COMMUNITY FOUNDATION
Oakland, California

Opinion

We have audited the consolidated financial statements of the **EAST BAY COMMUNITY FOUNDATION (the Foundation)** which comprise the consolidated statement of financial position as of June 30, 2022 and 2021, the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Foundation as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for one year from the date of this report.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Hood & Strong LLP

San Francisco, California
January 17, 2023

East Bay Community Foundation

Consolidated Statement of Financial Position

<i>June 30,</i>	2022	2021
Assets		
Cash and cash equivalents	\$ 7,740,637	\$ 7,956,025
Pledges, grants, and other receivables	1,777,358	2,887,231
Investments	667,765,879	831,318,351
Program related investments	5,175,000	
Charitable trust assets	3,357,556	3,595,174
Property and equipment, net	2,971,713	3,108,433
Other assets	288,974	309,495
Total assets	\$ 689,077,117	\$ 849,174,709
Liabilities and Net Assets		
Liabilities:		
Accounts payable and other liabilities	\$ 854,245	\$ 905,249
Grants payable	49,337,438	37,137,153
Agency funds	22,466,804	26,646,700
Total liabilities	72,658,487	64,689,102
Net Assets:		
Without donor restrictions	537,778,972	692,530,785
With donor restrictions	78,639,658	91,954,822
Total net assets	616,418,630	784,485,607
Total liabilities and net assets	\$ 689,077,117	\$ 849,174,709

See accompanying notes to the consolidated financial statements.

East Bay Community Foundation

Consolidated Statement of Activities and Changes in Net Assets

Years Ended June 30,

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:						
Contributions	\$ 32,274,352	\$ 9,443,474	\$ 41,717,826	\$ 356,286,860	\$ 13,175,074	\$ 369,461,934
Investment (loss) income, net	(13,021,829)	(10,032,756)	(23,054,585)	24,621,409	21,559,446	46,180,855
Other income	586,371		586,371	581,553		581,553
Forgiveness of Paycheck Protection Program Loan			-	678,096		678,096
Net assets released from restrictions	12,725,882	(12,725,882)	-	26,938,647	(26,938,647)	-
Total support and revenue	32,564,776	(13,315,164)	19,249,612	409,106,565	7,795,873	416,902,438
Expenses:						
Program services:						
Grant expense	177,228,567		177,228,567	238,220,466		238,220,466
Other program services	4,766,648		4,766,648	5,762,611		5,762,611
Fundraising	1,950,188		1,950,188	1,503,736		1,503,736
Management and general	3,371,186		3,371,186	3,026,343		3,026,343
Total expenses	187,316,589	-	187,316,589	248,513,156	-	248,513,156
Change in Net Assets	(154,751,813)	(13,315,164)	(168,066,977)	160,593,409	7,795,873	168,389,282
Net Assets, beginning of year	692,530,785	91,954,822	784,485,607	531,937,376	84,158,949	616,096,325
Net Assets, end of year	\$ 537,778,972	\$ 78,639,658	\$ 616,418,630	\$ 692,530,785	\$ 91,954,822	\$ 784,485,607

See accompanying notes to the consolidated financial statements.

East Bay Community Foundation
Consolidated Schedule of Functional Expenses

Years Ended June 30,

	2022				2021			
	Program Services	Fundraising	Management and General	Total	Program Services	Fundraising	Management and General	Total
Grants awarded	\$ 177,228,567			\$ 177,228,567	\$ 238,220,466			\$ 238,220,466
Salaries	2,381,779	\$ 1,013,249	\$ 1,808,673	5,203,701	1,906,027	\$ 740,586	\$ 1,565,943	4,212,556
Employee benefits and payroll taxes	675,086	242,079	471,792	1,388,957	560,317	169,861	410,556	1,140,734
Professional and consulting fees	757,474	362,494	567,250	1,687,218	1,367,619	287,391	589,866	2,244,876
Occupancy	247,078	82,514	150,966	480,558	223,420	74,613	136,511	434,544
Sponsorship and marketing	128,946	90,858	24,547	244,351	1,177,702	104,805	60,182	1,342,689
Information technology	212,232	75,435	154,913	442,580	164,805	57,792	124,427	347,024
Depreciation	125,399	41,878	76,619	243,896	129,544	43,262	79,152	251,958
Dues and memberships	102,969	3,571	8,051	114,591	149,019	7,500	7,344	163,863
Convenings and conferences	52,349	4,633	10,554	67,536	32,279	1,544	2,569	36,392
Office expense	24,564	10,108	29,448	64,120	15,394	6,299	13,636	35,329
Travel	3,278	2,622	7,005	12,905	291	377	376	1,044
Other expenses	55,494	20,747	61,368	137,609	36,194	9,706	35,781	81,681
Total	\$ 181,995,215	\$ 1,950,188	\$ 3,371,186	\$ 187,316,589	\$ 243,983,077	\$ 1,503,736	\$ 3,026,343	\$ 248,513,156

See accompanying notes to the consolidated financial statements.

East Bay Community Foundation

Consolidated Statement of Cash Flows

<i>Years Ended June 30,</i>	2022	2021
Cash Flows from Operating Activities:		
Change in net assets	\$ (168,066,977)	\$ 168,389,282
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation	243,896	251,958
Net realized and unrealized loss (gain) on investments	33,989,863	(38,463,265)
Forgiveness of Paycheck Protection Program Loan		(678,096)
Changes in operating assets and liabilities:		
Pledges, grants, and other receivables	1,109,873	2,098,641
Charitable trust assets	237,618	(303,035)
Other assets	20,521	32,035
Accounts payable and other liabilities	(51,004)	(115,608)
Grants payable	12,200,285	29,110,008
Agency funds	(4,179,896)	(121,773,784)
Net cash (used) provided by operating activities	(124,495,821)	38,548,136
Cash Flows from Investing Activities:		
Purchase of property and equipment	(107,176)	
Purchase of investments	(1,851,084,192)	(1,348,042,725)
Sale of investments	1,980,646,801	1,317,095,301
Investments in notes receivable - program related investments	(5,175,000)	
Net cash provided (used) by investing activities	124,280,433	(30,947,424)
Cash Flows from Financing Activities:		
Payments of notes receivable		11,966
Net cash (used) provided by financing activities	-	11,966
Change in Cash and Cash Equivalents	(215,388)	7,612,678
Cash and Cash Equivalents, beginning of year	7,956,025	343,347
Cash and Cash Equivalents, end of year	\$ 7,740,637	\$ 7,956,025

See accompanying notes to the consolidated financial statements.

East Bay Community Foundation

Notes to the Consolidated Financial Statements

Note 1 - General:

The East Bay Community Foundation (the Foundation) is a non-profit public benefit corporation organized in 1982 to incorporate the East Bay Community Foundation, an unincorporated association formed in 1928. It is a leading resource for mobilizing financial resources and community leadership to transform the lives of people in the East Bay of the San Francisco, California Bay Area with pressing needs. The Foundation does this through research on those needs and through joining its own financial and leadership resources with those of the private, public, and non-profit sectors.

The bylaws of the Foundation include a variance provision giving the Board of Directors the power to modify any restriction or condition placed on gifts to the Foundation if, in its sole judgment, the Board of Directors determine that the restriction becomes, in effect, unnecessary, incapable of fulfillment or inconsistent with the charitable needs of the community served.

Supporting Organizations

A supporting organization is a Section 501(c)(3) charity that is classified as a public charity rather than a private foundation because it supports a publicly supported charity, such as a community foundation. Supporting organizations of the Foundation are consolidated herein and include, EBCF Properties, Model Transitions Foundation, Helzel Family Foundation and The East Bay Foundation on Aging. All of the supporting organizations are Type 1 supporting organizations as defined by the Internal Revenue Service (IRS). The Helzel Family Foundation board of directors voted to dissolve the corporation and transfer its assets to a donor advised fund with the Foundation in the fiscal year ending June 30, 2022.

Note 2 - Summary of Significant Accounting Policies:

a. Basis of Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), which recognizes revenue and support when earned and expenses when incurred and accordingly, reflect all significant receivables, payables, and other liabilities. The Foundation presents information regarding its net assets and activities according to two classes of net assets.

Net assets without donor restriction - the portion of net assets that are not subject to time or donor-imposed restrictions and may be expended for any purpose in performing the primary objective of the Foundation. Net assets without donor restrictions include donor advised and other funds held by the Foundation with variance power and net assets the Board of Directors has designated for certain endowments (see Note 12).

East Bay Community Foundation

Notes to the Consolidated Financial Statements

Net assets with donor restriction - the portion of net assets that are subject to time or donor-imposed restrictions. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Net assets with donor restrictions consist of irrevocable charitable remainder trusts, contributions unconditionally promised which are scheduled to be received in the future, purpose-restricted grants for which variance power was explicitly not given to the Foundation, and donor-restricted endowment funds.

b. Principles of Consolidation

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

c. Cash and Cash Equivalents

For purposes of reporting cash flows, the Foundation considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents include the Foundation's operating and checking accounts, but exclude investment account money funds.

d. Investments

The Foundation reports certain investments at fair value. Investments received through gifts are recorded at estimated fair value at the date of donation. Gains and losses that result from market fluctuations are recognized in the statement of activities and changes in net assets in the period such fluctuations occur. Dividend and interest income are accrued when earned. Investments in closely held companies are reported at cost.

Due to the inherent uncertainty of valuation of non-marketable and restricted investments, those estimated values may differ significantly from the values that would have been used had a ready market for the securities existed, and the differences could be material.

In addition, the Foundation reports certain investments using the Net Asset Value (NAV) per share as determined by investment managers. NAV represents fair value for reporting purposes when the criteria for using this method are met. On an annual basis, management reviews the audited financial statements for each investment and compares the value reported by the fund manager to the value contained in the audited financial statements to assess the reasonableness of the valuation.

East Bay Community Foundation

Notes to the Consolidated Financial Statements

e. Fair Value Measurements

The Foundation carries certain assets and liabilities at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurement standards also require the Foundation to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique. The Foundation maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value.

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

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

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

The valuation levels are not necessarily an indication of the risk or liquidity associated with the investments.

f. Charitable Trust Assets

Trusts for which the Foundation is not the trustee are recorded as contributions receivable from charitable trusts and are recorded at the fair value of the assets in the trusts, less the present value of the expected payments to beneficiaries, using life expectancies of income beneficiaries and the IRS Section 7520 rate in effect as of the end of the fiscal year (3.6% for 2022 and 1.2% for 2021).

g. Property and Equipment

Purchased property and equipment are recorded at cost or, if donated, at fair value on the date of donation. Acquisitions or donations in excess of \$5,000 are capitalized. Expenditures for maintenance and repairs that do not improve or extend the lives of the respective assets are expensed as incurred. Depreciation on property and equipment is provided over the estimated useful lives of the respective assets, ranging from three to thirty-nine years, on a straight-line basis.

h. Program Related Investments

Program related investments consist of loans which are measured at cost. These investments are evaluated for impairment annually and the loan loss allowance adjusted periodically based on risk and other factors. Interest rates charged on loan receivables are generally below market rates. The Foundation's loan receivables are recorded at the time the loan is funded and agreed to by both parties.

East Bay Community Foundation

Notes to the Consolidated Financial Statements

i. Agency Funds

The Foundation records a liability that represents the readily determinable estimated fair values of assets that the Foundation has received from and invests on behalf of other nonprofit organizations. However, in most cases, the Foundation maintains legal ownership of the assets and has variance power.

j. Contributions

Contributions, which may include unconditional promises to give, are recognized in the period pledged or received. Interests in irrevocable charitable trusts are recorded as contributions receivable when notification of interest is received, and the fair value is determinable. Contributions and grants are derived primarily from donors in Northern California. Contributions and grants expected to be received beyond one year, are discounted at an applicable rate at the time of contribution. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

Contributed goods and services, if any, are recorded when received at their estimated fair value. Contributed services are accounted for as contribution revenue if the services meet certain criteria.

When donor restrictions expire, that is, when a stipulated time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities and changes in net assets as net assets released from restrictions.

k. Grant Expenses

Grant expenses are recognized when an unconditional promise to give is approved by the Board of Directors. Grant refunds are recorded as a reduction of grant expense at the time the grant is refunded to the Foundation. Grants payable represents the present value of grants to be paid in the future discounted at the applicable rate at the time the grant is recorded.

l. Functional Expense Allocation

The costs of providing the various programs and activities have been summarized on a functional basis in the consolidated statement of activities and changes in net assets and consolidated statement of functional expenses. Certain expenses, such as occupancy and depreciation costs are allocated using the square footage directly occupied by each department. Salaries and benefits are allocated to programs and supporting services based on headcount and percentage of time spent in each functional category as estimated by management. Other functional expenses are charged according to the percentage of time spent in each functional category as estimated by management.

East Bay Community Foundation

Notes to the Consolidated Financial Statements

m. Endowments

Interpretation of Relevant Law

The Foundation classifies as net assets with donor restrictions in perpetuity both the original value of the gifts donated plus all subsequent gifts. The remaining value of the donor restricted endowed funds is classified as net assets with donor restrictions until appropriated for expenditure by the Foundation.

Appropriation for expenditure for endowed funds is made in a manner consistent with the standards of prudence prescribed by the California enacted version of the Uniform Prudent Management Investment Funds Act (UPMIFA), which include: (1) The duration and preservation of the fund consistent with donor intent; (2) the purposes of the Foundation and the donor-restricted endowment fund; (3) general economic conditions; (4) the possible effect of inflation and deflation; (5) the expected total return from income and appreciation of invested funds; (6) other resources of the Foundation; (7) the investment policies of the Foundation.

From time to time, the fair value of the assets associated with individual donor restricted endowment funds may fall below the level classified as net assets with perpetual donor restrictions. At June 30, 2022, the Foundation had seventeen (17) funds with deficiencies with a fair value of \$21,613,091 and an original endowment gift amount of \$22,083,359. At June 30, 2021, the Foundation had two (2) funds with deficiencies with a fair value of \$123,825 and an original endowment gift amount of \$162,510. These deficiencies are reflected in net assets with donor restrictions.

These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new contributions for donor-restricted endowment funds and continued appropriation for certain programs that was deemed prudent by the Board of Directors.

Investment and Spending Policies

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. The Foundation's spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. The current long-term return objective is to return a percentage in excess of the annual rate of inflation, net of investment fees. Actual returns in any given year may vary from this amount.

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

East Bay Community Foundation

Notes to the Consolidated Financial Statements

The spending policy calculates the amount of money annually distributed from the Foundations' various endowed funds, for grant-making and administration. The current spending policy is to distribute an amount equal to 5% of a moving twelve quarter rolling average for funds with balances of at least 75% of the historic gift value. The extraordinary circumstances of the COVID-19 pandemic combined with the Foundation's ongoing commitment to facilitate more grants into its community, led the Foundation's Board of Directors to approve a decrease to the threshold (amount of current value below the original gift amount) from 90% to 75% for the fiscal years ended June 30, 2022 and 2021. The Foundation staff and Board of Directors realize that many of the non-profits in its community continue to be in a dire need of services given the challenges surfaced by the on-going pandemic. This is consistent with the Foundation's objective to maintain the purchasing power of endowment assets as well as to provide additional real growth through new gifts and investment return.

n. Tax Exempt Status

The Foundation and its consolidated supporting organizations are exempt from federal income tax on related income under Section 501(c)(3) of the Internal Revenue Code, and California Revenue and Taxation Code Section 23701(d). In addition, they have each received a determination from the IRS that they are not private foundations.

As of June 30, 2022 and 2021, management evaluated the Foundation's and its consolidated supporting organization's tax positions and concluded that they each had maintained their tax exempt status and had taken no uncertain tax positions that required adjustment to the financial statements. Therefore, no provision or liability for income taxes has been included in the financial statements.

o. Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

p. Reclassification

Certain reclassifications have been made to the 2021 financial statements in order to conform to the 2022 presentation. These reclassifications had no impact on net assets or the change in net assets.

East Bay Community Foundation

Notes to the Consolidated Financial Statements

q. Recent Accounting Pronouncements

Pronouncements effective in the future:

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. Under the new guidance, lessees will be required to recognize, at commencement date, a lease liability representing the lessee's obligation to make payments arising from the lease and a right-of-use asset representing the lessee's right to use, or control the use of, a specified asset for the lease term. This guidance is effective for fiscal years beginning after December 15, 2021. The Foundation is currently evaluating the impact the new standard will have on its financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which creates a new credit impairment standard for financial assets. The ASU requires loans and trade receivables measured at amortized cost to be presented at the net amount expected to ultimately be collected. The allowance for credit losses includes all losses that are expected to occur over the remaining life of the asset, rather than incurred losses through the date of the financial statements. Changes in the allowance for credit losses are recorded in the statement of activities and changes in net assets as the amounts expected to be collected change. Contribution pledges recorded as receivable are excluded from the new standard. The ASU is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The Foundation is currently evaluating the impact the new standard has on its financial statements.

r. Subsequent Events

The Foundation evaluated subsequent events from June 30, 2022 through January 17, 2023, the date these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

Note 3 - **Pledges, Grants, and Other Receivables:**

Pledges, grants, and other receivables are expected to be collected as follows at June 30:

	2022	2021
Within one year	\$ 1,627,358	\$ 1,942,231
One to five years	150,000	945,000
Pledges, grants, and other receivables	\$ 1,777,358	\$ 2,887,231

East Bay Community Foundation

Notes to the Consolidated Financial Statements

Note 4 - Investments:

The Foundation's investments consisted of the following at June 30:

	2022	2021
Money market, cash and cash equivalents	\$ 37,735,448	\$ 138,721,469
Fixed income:		
Government securities	294,505,116	286,562,985
Corporate bonds	146,135,955	188,868,848
Mortgage-backed securities	5,234	368,927
Equities	77,940,789	87,973,784
Mutual funds and exchange-traded funds:		
Equities	11,529,241	35,204,568
Domestic fixed income	10,058,006	11,094,179
Indexed funds	31,868,465	27,842,944
Alternative investments	25,276,979	24,005,737
Subtotal	635,055,233	800,643,441
Certificates of deposit	32,710,146	30,674,410
Private equity stock (held at cost)	500	500
Total	\$ 667,765,879	\$ 831,318,351

The Foundation's net investment income consisted of the following for the year ended June 30:

	2022	2021
Realized and unrealized (loss) gain, net	\$ (33,989,863)	\$ 38,463,265
Dividends and interest	12,137,042	8,437,536
Investment management fees	(1,201,764)	(719,946)
Investment income, net	\$ (23,054,585)	\$ 46,180,855

East Bay Community Foundation

Notes to the Consolidated Financial Statements

Note 5 - Fair Value Measurements and Net Asset Value:

The table below represents the assets and liabilities measured at fair value on a recurring basis at June 30, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>NAV (a)</u>	<u>Total</u>
Money market, cash and cash equivalents	\$ 37,735,448			\$ 37,735,448
Fixed income securities:				
Government securities		\$ 294,505,116		294,505,116
Corporate bonds		146,135,955		146,135,955
Mortgage-backed securities		5,233		5,233
Equities	77,940,789			77,940,789
Mutual funds:				
Equities	11,529,241			11,529,241
Fixed income	10,058,006			10,058,006
Indexed funds	31,868,466			31,868,466
Alternative investments (a)			\$ 25,276,979	25,276,979
Subtotal	169,131,950	440,646,304	25,276,979	635,055,233
Charitable trust assets		3,357,556		3,357,556
Beneficial interest in life insurance policies		120,875		120,875
Total	\$ 169,131,950	\$ 444,124,735	\$ 25,276,979	\$ 638,533,664

(a) In accordance with FASB Accounting Standards Codification Subtopic 820-10, certain investments that are measured at fair value using NAV per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statement of financial position.

Certificates of deposit are not subject to fair value measurements as they do not meet the definition for disclosure.

East Bay Community Foundation

Notes to the Consolidated Financial Statements

The table below represents the assets and liabilities measured at fair value on a recurring basis at June 30, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>NAV (a)</u>	<u>Total</u>
Money market, cash and cash equivalents	\$ 138,721,469			\$ 138,721,469
Fixed income securities:				
Government securities		\$ 286,562,985		286,562,985
Corporate bonds		188,868,848		188,868,848
Mortgage-backed securities		368,927		368,927
Equities	87,973,784			87,973,784
Mutual funds:				
Equities	35,204,568			35,204,568
Domestic fixed income	11,094,179			11,094,179
Indexed funds	27,842,944			27,842,944
Alternative investments (a)			\$ 24,005,737	24,005,737
Subtotal	300,836,944	475,800,760	24,005,737	800,643,441
Charitable trust assets		3,595,174		3,595,174
Beneficial interest in life insurance policies		120,875		120,875
Total	\$ 300,836,944	\$ 479,516,809	\$ 24,005,737	\$ 804,359,490

(a) In accordance with FASB Accounting Standards Codification Subtopic 820-10, certain investments that are measured at fair value using NAV per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statement of financial position.

Certificates of deposit are not subject to fair value measurements as they do not meet the definition for disclosure.

Net Asset Value

The Foundation uses NAV as a practical expedient to determine the fair value of all the underlying investments which do not have a readily determinable fair value and prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. The following table lists investments valued at NAV by major category as of June 30, 2022 and 2021:

East Bay Community Foundation

Notes to the Consolidated Financial Statements

Strategies	# of Funds	Valuation	Unfunded Commitment	Redemption Frequency	Redemption Notice Periods (days)
Investment Partnerships for Long-Term Capital Appreciation:					
Hedge funds (a)	2	\$ 14,443,582		Daily to quarterly	1-30
Private equity (b)	6	6,919,475	\$ 3,245,182	None	N/A
Real estate (c)	4	2,206,497	792,448	None	N/A
Mission Aligned Investment Partnerships:					
Private equity (d)	11	1,707,425	2,642,851	None	N/A
Total	23	\$ 25,276,979	\$ 6,680,481		

- (a) Hedge funds are actively managed funds and fund-of-funds employing a variety of strategies, including, but not limited to, multi-strategy, long/short, distressed debt, and credit. Hedge funds can invest long and short, apply leverage, invest in derivatives, and in the debt or equity of public and private companies in domestic or foreign markets. Approximately 77% of the value of this class as of June 30, 2022, is invested in a fund that reserves the right at periods of high stress to delay or suspend redemptions in accordance with security regulations. The remaining 23% of this class as of June 30, 2022, have no restrictions beyond redemption frequency and notification period.
- (b) Private equity funds are actively managed funds and fund-of-funds that invest in private and public companies through a variety of strategies including, but not limited to, early and late-stage venture capital, leveraged buyouts, distressed assets, special situations, and credit strategies. These investments are generally not redeemable from the fund manager. Instead, distributions are received through the liquidations of the underlying assets of the fund typically over 10 years or more. Approximately 89% of the value of this class as of June 30, 2022, is invested in funds that allow sale of the partnership interest with approval of the general partners.
- (c) Real estate funds are actively managed funds that invest in commercial properties in the U.S. and abroad including, but not limited to, residential, multi-family, office, retail, hotel, industrial and other specialties. These investments are generally not redeemable from the fund manager. Instead, distributions are received through liquidation of the underlying assets of the fund, typically over 10 years or more.

East Bay Community Foundation

Notes to the Consolidated Financial Statements

- (d) Mission aligned private equity funds are actively managed funds and fund-of-funds that invest in private companies through a variety of strategies including, but not limited to, venture capital, special situations, and credit strategies. These funds have been specifically selected for their diverse managers and investment strategies with a strong emphasis on racial equity. These investments are generally not redeemable from the fund manager. Instead, distributions are received through the liquidations of the underlying assets of the fund typically over 10 years or more.

The following table lists investments by major category as of June 30, 2021:

Strategies	# of Funds	Valuation	Unfunded Commitment	Redemption Frequency	Redemption Notice Periods (days)
Multi-strategy fund (a)	1	\$ 13,036,986		Daily	1
Partnership interests – real estate (b)	4	2,175,249	\$ 428,091	(b)	(b)
Partnership interests – other (c)	6	8,793,502	3,432,417	(c)	(c)
Total	11	\$ 24,005,737	\$ 3,860,508		

- (a) An affiliated organization of the Foundation invests in The Investment Fund for Foundations’ Multi-Asset Fund that is open primarily to foundations, endowments, 501(c)(3) corporations, and other non-profit organizations. Its objective is to return its members a 5% return after inflation, over multiple market cycles. The fund invests in stocks (60-65%), private investment funds (10-15%), repurchase agreements (10-15%), exchange-traded funds (0-10%), bonds (5-10%), treasury bills (0-5%), and other securities (0-5%). The fund may also hold derivatives and sell some securities short and some of the investments are considered illiquid. The fund offers daily redemptions with disbursements distributed one day after the trade date. The fund reserves the right at periods of high stress to delay or suspend redemptions in accordance with security regulations.
- (b) These partnerships invest in real estate for the purpose of achieving long-term capital appreciation. Redemptions are not permitted. Investments are held for the life of the fund (typically 7-10 years) with principal and capital gains distributions given periodically as assets are sold.
- (c) These partnerships include a partnership that invests in and trades in securities for the purpose of achieving capital preservation and long-term appreciation. Redemptions are permitted on a quarterly basis with 30 days’ notice. The partnership represents 39% of the total value of the strategy at June 30, 2021.

East Bay Community Foundation

Notes to the Consolidated Financial Statements

Another partnership invests in private equity positions obtained on the secondary market for the purpose of achieving long-term capital appreciation. Redemptions are not permitted, and the partnership is expected to close on the tenth anniversary of its initial closing date. Limited Partners may sell their interests on the secondary market subject to the approval of the General Partners. The partnership represents 17% of the total value of the strategy at June 30, 2021.

Another partnership makes co-investments and follow-on investments in venture capital equities obtained from six related senior venture capital funds for the purpose of achieving long-term appreciation. Redemptions are not permitted and the partnership is expected to close on the tenth anniversary of its initial closing date with up to three, one year optional extensions. Limited Partners may sell their interests on the secondary market subject to the approval of the General Partners. The partnership represents 8% of the total value of the strategy at June 30, 2021.

Another partnership invests in private equity, hedge funds, strategic opportunities and real estate positions for the purpose of achieving capital preservation and long-term appreciation. Redemptions are not permitted, and the partnership is expected to close on the tenth anniversary of its initial closing date. Limited Partners may sell their interests on the secondary market subject to the approval of the General Partners. The partnership represents 23% of the total value of the strategy at June 30, 2021.

Another partnership invests in private equity, infrastructure and real estate secondary markets and fund investing for the purpose of achieving capital preservation and long-term appreciation. Redemptions are not permitted, and the partnership is expected to close on the tenth anniversary of its initial closing date. Limited Partners may sell their interests on the secondary market subject to the approval of the General Partners. The partnership represents 10% of the total value of the strategy at June 30, 2021.

The Foundation invested in another partnership during 2021. This partnership invests in hedge fund strategies, private equity, real estate, infrastructure, and multi-asset class investments for the purpose of achieving capital preservation and long-term appreciation. Redemptions are not permitted, and the partnership is expected to close on the tenth anniversary of its initial closing date. Limited Partners may sell their interests on the secondary market subject to the approval of the General Partners. The partnership represents 3% of the total value of the strategy at June 30, 2021.

Note 6 - Program Related Investments

Program related investments consisted of the following as of June 30, 2022:

Notes receivable	\$ 5,100,000
Convertible promissory notes	75,000
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Program related investments	<u>\$ 5,175,000</u>

East Bay Community Foundation

Notes to the Consolidated Financial Statements

Principal payments on these notes are due in 5 to 10 years.

Note 7 - Charitable Trusts:

Future Interest in Charitable Remainder Trusts

The Foundation is named as the remainder beneficiary in charitable remainder trusts for which it is not the trustee. The present value of these interests was computed by discounting the current market value of the Foundation's interest at 3.6% per annum in 2022 and 1.2% in 2021 and taking into account the current age of the remaining life beneficiary. The present value of these interests was \$2,684,704 and \$2,743,271 as of June 30, 2022 and 2021, respectively.

Interest in Charitable Lead Trust

The Foundation is named as the income beneficiary of a charitable lead trust. As income beneficiary, the Foundation is entitled to \$58,837 per year through 2038. The present value of the lead interest was \$672,852 and \$851,903 as of June 30, 2022 and 2021, respectively.

Note 8 - Property and Equipment:

Property and equipment consisted of the following at June 30:

	2022	2021
Land and buildings	\$ 5,529,140	\$ 5,529,140
Furniture, equipment and leasehold improvements	1,230,164	1,122,988
	6,759,304	6,652,128
Accumulated depreciation	(3,787,591)	(3,543,695)
Property and equipment, net	\$ 2,971,713	\$ 3,108,433

Depreciation expense was \$243,986 and \$251,958 for the years ended June 30, 2022 and 2021, respectively.

East Bay Community Foundation

Notes to the Consolidated Financial Statements

Note 9 - Grants Payable:

Grants payable at June 30, 2022 are expected to be paid in the following fiscal years ending:

Year Ending June 30,	
2023	\$ 38,661,463
2024	7,475,641
2025	3,200,334
<hr/>	
Total	\$ 49,337,438

The Foundation had conditional grants of \$11,080,553 to two grantees as of June 30, 2022 and \$10,400,000 to two grantees as of June 30, 2021. These grants are conditional upon the grantees attaining certain programmatic achievements and other criteria and have not been recorded as of year end.

At June 30, 2022, 52% of grants payable were due to three grantees, and at June 30, 2021, 45% of grants payable were due to three grantees.

Grants were made for the year ended June 30, for the following purposes:

	2022	2021
Arts and culture	\$ 13,724,364	\$ 12,065,163
Education and youth development	51,828,550	40,661,501
Livable communities	52,051,531	78,347,265
Strengthening families	59,624,122	107,146,537
<hr/>		
Total	\$ 177,228,567	\$ 238,220,466

Note 10 - Loans Payable:

During 2022, the Foundation entered into a revolving line of credit with Union Bank in the amount of \$5,000,000, which matures on March 31, 2023. The interest rate on the line is equal to 1.5% less than Union Bank's reference rate (2% as of June 30, 2022) but never lower than 2%. The note requires monthly payments of interest only with the entire principal due at maturity. The note is unsecured and there was a \$10,000 upfront commitment fee and an annual fee of .25% on the unused commitment. There was no outstanding balance as of June 30, 2022.

The Foundation maintained a revolving line of credit with Northern Trust in the amount of \$5,000,000, which matured June 4, 2021. The interest rate on the note was equal to the greater of 2% or the prime rate (3.25% as of June 30, 2021) minus 1%. The note required monthly payments of interest only with the entire principal due at maturity. The note was collateralized by an investment account maintained with Northern Trust subject to a minimum balance based on certain percentages by asset class.

East Bay Community Foundation

Notes to the Consolidated Financial Statements

In April 2020, the Foundation received a Paycheck Protection Program (PPP) loan through California Bank of Commerce in the amount of \$678,096. 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 Foundation met all requirements for loan forgiveness under the PPP and received full forgiveness of the loan in February 2021. The loan forgiveness was recognized as revenue in the consolidated statement of activities and changes in net assets for the year ended June 30, 2021.

Note 11 - Net Assets With Donor Restrictions:

The Foundation's net assets with donor restrictions consisted of the following at June 30:

	2022	2021
Restricted by donor for program purpose:		
Arts and culture	\$ 3,076,143	\$ 4,116,553
Community improvement and capacity building	5,147,650	2,781,782
Civil rights, social action & advocacy	738,787	418,222
Education	608,817	772,608
Human services	716,729	1,095,767
Public safety, disaster preparedness & relief	267,978	651,210
Philanthropy, volunteer and grant making	25,116	25,123
Youth & development	1,346,562	1,460,459
Accumulated donor endowed income (Note 12)	11,902,884	26,087,401
Restricted by donor as to time	3,634,604	4,005,033
Donor endowed funds - perpetual restrictions (Note 12)	51,174,388	50,540,664
Total	\$ 78,639,658	\$ 91,954,822

Net assets were released from donor restrictions by expiration of time or purpose restrictions as specified by donors as follows for the year ended June 30:

	2022	2021
Restricted by donor for program purpose	\$ 7,487,063	\$ 15,507,172
Restricted by donor as to time	168,522	7,029
Endowed funds (Note 12)	5,070,297	11,424,446
Total	\$ 12,725,882	\$ 26,938,647

East Bay Community Foundation

Notes to the Consolidated Financial Statements

Note 12 - Endowment Funds:

Changes in endowment net assets were as follows for the year ended June 30, 2022:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions Time or Purpose</u>	<u>Perpetuity</u>	Total
Endowment net assets, beginning of year	\$ 35,177,482	\$ 26,087,401	\$ 50,540,664	\$ 111,805,547
Net asset reclassification (a)		51,923	(51,923)	
<hr/>				
Endowment net assets, after reclassification	35,177,482	26,139,324	50,488,741	111,805,547
<hr/>				
Interest and dividends	774,183	1,525,690		2,299,873
Net gain (realized and unrealized)	(5,016,047)	(10,691,833)		(15,707,880)
Contributions	80,007		685,647	765,654
Appropriated for expenditure	(2,114,426)	(5,070,297)		(7,184,723)
<hr/>				
Change in endowment net assets	(6,276,283)	(14,184,517)	633,724	(19,827,076)
<hr/>				
Endowment net assets, end of year	\$ 28,901,199	\$ 11,902,884	\$ 51,174,388	\$ 91,978,471

(a) During the year, approximately \$52,000 in net assets were reclassified from net assets restricted in perpetuity to net assets restricted for purpose and subsequently transferred to a charitable organization for further administration of the fund.

East Bay Community Foundation

Notes to the Consolidated Financial Statements

Changes in endowment net assets were as follows for the year ended June 30, 2021:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>		Total
		<u>Time or Purpose</u>	<u>Perpetuity</u>	
Endowment net assets, beginning of year	\$ 29,007,998	\$ 10,650,638	\$ 57,425,489	\$ 97,084,125
Net asset reclassification (b)		6,892,530	(6,892,530)	
<hr/>				
Endowment net assets, after reclassification	29,007,998	17,543,168	50,532,959	97,084,125
<hr/>				
Interest and dividends	760,176	1,485,059		2,245,235
Net gain (realized and unrealized)	8,374,299	18,483,620		26,857,919
Contributions	76,977		7,705	84,682
Appropriated for expenditure	(3,041,968)	(11,424,446)		(14,466,414)
<hr/>				
Change in endowment net assets	6,169,484	8,544,233	7,705	14,721,422
<hr/>				
Endowment net assets, end of year	\$ 35,177,482	\$ 26,087,401	\$ 50,540,664	\$ 111,805,547

(b) During the year, approximately \$7,000,000 in net assets were reclassified from net assets restricted in perpetuity to net assets restricted for purpose and subsequently approved for release at the request of the donor.

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Notes to the Consolidated Financial Statements

Endowment net asset composition by type of fund at June 30, 2022 was:

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor Restrictions</u>		Total
		<u>Time or Purpose</u>	<u>Perpetuity</u>	
Board designated endowment funds	\$ 28,901,199			\$ 28,901,199
<hr/>				
Donor restricted endowment funds – income restricted for:				
Arts and culture	\$ 1,058,068	\$ 7,898,196		8,956,264
Education	1,091,052	6,453,931		7,544,983
Environment and animals	3,645,290	5,960,289		9,605,579
Health	2,309,946	10,565,725		12,875,671
Human services	3,321,799	14,171,679		17,493,478
International foreign affairs and national security	44,275	709,308		753,583
Public, societal benefit	791,026	5,090,830		5,881,856
Religion-related	111,696	324,430		436,126
Underwater endowment funds		(470,268)		(470,268)
<hr/>				
Total restricted endowment funds		11,902,884	51,174,388	63,077,272
<hr/>				
Total funds	\$ 28,901,199	\$ 11,902,884	\$ 51,174,388	\$ 91,978,471

East Bay Community Foundation

Notes to the Consolidated Financial Statements

Endowment net asset composition by type of fund at June 30, 2021 was:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>		Total
		<u>Time or Purpose</u>	<u>Perpetuity</u>	
Board designated endowment funds	\$ 35,177,482			\$ 35,177,482
<hr/>				
Donor restricted endowment funds – income restricted for:				
Arts and culture	\$ 3,053,989	\$ 7,898,196		10,952,185
Education	2,639,359	6,351,339		8,990,698
Environment and animals	5,695,464	5,960,288		11,655,752
Health	5,037,039	10,565,725		15,602,764
Human services	6,994,735	13,640,697		20,635,432
International foreign affairs and national security	213,540	709,308		922,848
Public, societal benefit	2,287,152	5,090,681		7,377,833
Religion-related	204,808	324,430		529,238
Underwater endowment funds	(38,685)			(38,685)
<hr/>				
Total restricted endowment funds		26,087,401	50,540,664	76,628,065
<hr/>				
Total funds	\$ 35,177,482	\$ 26,087,401	\$ 50,540,664	\$ 111,805,547

East Bay Community Foundation

Notes to the Consolidated Financial Statements

Note 13 - Availability of Financial Assets and Liquidity:

The Foundation's financial assets available within one year of June 30 for general expenditures were as follows:

	2022	2021
Financial assets at year-end:		
Cash and cash equivalents	\$ 7,740,637	\$ 7,956,025
Pledges, grants, and other receivables	1,777,358	2,887,231
Investments	667,765,879	831,318,351
Program related investments	5,175,000	
Charitable trust assets	3,357,556	3,595,174
Total financial assets	685,816,430	845,756,781
Less amounts not available to be used within one year:		
Net assets with donor restrictions	(78,639,658)	(91,954,822)
Agency funds	(22,466,804)	(26,646,700)
Donor advised funds (including program related investments)	(510,213,030)	(659,971,911)
Board-designated endowment funds	(28,901,199)	(35,177,482)
Add net assets with donor restrictions expected to be used within one year – including endowment spending	8,507,725	6,973,737
Total amounts not available to be used within one year	(631,712,966)	(806,777,178)
Financial assets available to meet general expenditures over the next twelve months	\$ 54,103,464	\$ 38,979,603

The Foundation considers only operating expenses and Foundation projects to be general expenditures in this context and therefore has reduced the amount available for donor advised funds. As part of the Foundation's liquidity management plan, cash in excess of daily requirements are invested in short term investments and money market funds. Additionally, board-designated endowment assets (See Note 12) could be undesignated by the Board of Directors and made available for general operations as needed. The Foundation also maintains a \$5,000,000 line of credit (See Note 10) which may be drawn upon for operational liquidity needs.

Note 14 - Retirement Plans:

The Foundation has a 401(k) retirement plan available to all eligible participants. The Foundation matches 100% of employee's contributions up to 4% of their salaries. The Foundation's contributions were \$132,836 and \$115,449 for the years ended June 30, 2022 and 2021, respectively.

East Bay Community Foundation

Notes to the Consolidated Financial Statements

Note 15 - Operating Lease Commitments:

The Foundation leases equipment and its conference center space adjacent to its offices in downtown Oakland, California, under various non-cancelable operating leases expiring through 2056. Rental expense, under these leases, totaled \$128,041 and \$125,056 for the years ended June 30, 2022 and 2021, respectively.

The following is a schedule of estimated future minimum lease payments for the fiscal years ending June 30:

2023	\$	122,000
2024		59,000
2025		54,000
2026		54,000
2027		54,000
Thereafter		1,566,000
<hr/>		
Total	\$	1,909,000

Note 16 - Concentrations:

Risk

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash and investments. The Foundation places its cash investments with high credit quality financial institutions. At times, the account balances may exceed the institution's federally insured limits. The Foundation has not experienced any losses in such accounts. Investments, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. To address the market risk of investments, the Foundation maintains a formal investment policy that sets out performance criteria, investment guidelines, and asset allocation guidelines, and requires review of the investment managers' performance. This entire process is actively overseen by the Chief Financial Officer and the Investment Committee of the Board of Directors.

Other

For the year ended June 30, 2022, the Foundation received 33% of its contributions from five donors representing \$13,719,302. For the year ended June 30, 2021, the Foundation received 94% of its contributions from five donors representing \$346,067,200. There were no amounts receivable from these donors for the year ended June 30, 2022 and 2021.

For the year ended June 30, 2022, 68% of receivables were due from 5 donors and for the year ended June 30, 2021, 61% of receivables were due from 5 donors.

East Bay Community Foundation

Notes to the Consolidated Financial Statements

Note 17 - Related Party Transactions:

For the year ended June 30, 2022 and 2021, the Foundation received approximately \$295,000 and \$127,000, respectively in contributions from Board of Directors and Committee members. There was \$200,000 receivable at June 30, 2022 and \$400,000 receivable at June 30, 2021 from a member of the Board of Directors. There were no amounts payable to related parties for the years ended June 30, 2022 and 2021.