

EAST BAY COMMUNITY FOUNDATION

JUNE 30, 2021 AND 2020

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the **EAST BAY COMMUNITY FOUNDATION (the Foundation)** which comprise the consolidated statement of financial position as of June 30, 2021 and 2020, 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 (collectively, the financial statements).

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Foundation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2021 and 2020, 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.

Hood + Strong LLP

San Francisco, California
December 20, 2021

East Bay Community Foundation

Consolidated Statement of Financial Position

<i>June 30,</i>	2021	2020
Assets		
Cash and cash equivalents	\$ 7,956,025	\$ 343,347
Investments	831,318,351	761,907,662
Pledges, grants, and other receivables	2,887,231	4,985,872
Notes receivable		11,966
Charitable trust assets	3,595,174	3,292,139
Property and equipment, net	3,108,433	3,360,391
Other assets	309,495	341,530
Total assets	\$ 849,174,709	\$ 774,242,907
Liabilities and Net Assets		
Liabilities:		
Accounts payable and other liabilities	\$ 905,249	\$ 1,020,857
Loans payable		678,096
Grants payable	37,137,153	8,027,145
Agency funds	26,646,700	148,420,484
Total liabilities	64,689,102	158,146,582
Net Assets:		
Without donor restrictions	692,530,785	531,937,376
With donor restrictions	91,954,822	84,158,949
Total net assets	784,485,607	616,096,325
Total liabilities and net assets	\$ 849,174,709	\$ 774,242,907

See accompanying notes to consolidated financial statements.

East Bay Community Foundation

Consolidated Statement of Activities and Changes in Net Assets

Years Ended June 30,

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:						
Contributions	\$ 356,286,860	\$ 13,175,074	\$ 369,461,934	\$ 438,107,969	\$ 13,457,515	\$ 451,565,484
Investment income, net	24,621,409	21,559,446	46,180,855	1,673,792	562,636	2,236,428
Other income	581,553		581,553	1,130,652		1,130,652
Gain on extinguishment of debt - PPP loan	678,096		678,096			-
Net assets released from restrictions	26,938,647	(26,938,647)	-	12,708,693	(12,708,693)	-
Total support and revenue	409,106,565	7,795,873	416,902,438	453,621,106	1,311,458	454,932,564
Expenses:						
Program services:						
Grant expense	238,220,466		238,220,466	76,169,512		76,169,512
Other program services	5,762,611		5,762,611	4,230,561		4,230,561
Fundraising	1,503,736		1,503,736	1,587,148		1,587,148
Management and general	3,026,343		3,026,343	2,691,696		2,691,696
Total expenses	248,513,156	-	248,513,156	84,678,917	-	84,678,917
Change in Net Assets Before Other Changes:	160,593,409	7,795,873	168,389,282	368,942,189	1,311,458	370,253,647
Donor reclassification (Note 12)			-	(4,432,878)	4,432,878	-
Change in Net Assets	160,593,409	7,795,873	168,389,282	364,509,311	5,744,336	370,253,647
Net Assets, beginning of year	531,937,376	84,158,949	616,096,325	167,428,065	78,414,613	245,842,678
Net Assets, end of year	\$ 692,530,785	\$ 91,954,822	\$ 784,485,607	\$ 531,937,376	\$ 84,158,949	\$ 616,096,325

See accompanying notes to consolidated financial statements.

East Bay Community Foundation
Consolidated Schedule of Functional Expenses

Years Ended June 30,

	2021				2020			
	Program Services	Fundraising	Management and General	Total	Program Services	Fundraising	Management and General	Total
Salaries	\$ 1,906,027	\$ 740,586	\$ 1,565,943	\$ 4,212,556	\$ 1,889,567	\$ 779,600	\$ 1,224,037	\$ 3,893,204
Employee benefits and payroll taxes	560,317	169,861	410,556	1,140,734	511,218	176,166	253,193	940,577
	2,466,344	910,447	1,976,499	5,353,290	2,400,785	955,766	1,477,230	4,833,781
Grants awarded	238,220,466			238,220,466	76,169,512			76,169,512
Professional and consulting fees	1,367,619	287,391	589,866	2,244,876	748,174	233,255	782,727	1,764,156
Occupancy	223,420	74,613	136,511	434,544	237,962	79,469	145,396	462,827
Sponsorship and marketing	1,177,702	104,805	60,182	1,342,689	210,891	149,142	39,737	399,770
Information technology	164,805	57,792	124,427	347,024	161,627	63,468	92,215	317,310
Depreciation	129,544	43,262	79,152	251,958	123,606	43,382	62,439	229,427
Dues and memberships	149,019	7,500	7,344	163,863	131,521	5,000	6,422	142,943
Convenings and conferences	32,279	1,544	2,569	36,392	71,637	18,405	25,143	115,185
Other expenses	36,194	9,706	35,781	81,681	67,133	12,877	24,776	104,786
Office expense	15,394	6,299	13,636	35,329	47,348	18,478	24,578	90,404
Travel	291	377	376	1,044	29,877	7,906	11,033	48,816
Total	\$ 243,983,077	\$ 1,503,736	\$ 3,026,343	\$ 248,513,156	\$ 80,400,073	\$ 1,587,148	\$ 2,691,696	\$ 84,678,917

See accompanying notes to consolidated financial statements.

East Bay Community Foundation

Consolidated Statement of Cash Flows

<i>Years Ended June 30,</i>	2021	2020
Cash Flows from Operating Activities:		
Change in net assets	\$ 168,389,282	\$ 370,253,647
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	251,958	229,427
Net realized and unrealized (gains) losses on investments	(38,463,265)	4,139,829
Gain on extinguishment of debt - PPP loan	(678,096)	
Loss on disposal of property and equipment		41,287
(Increase) decrease in operating assets:		
Pledges, grants, and other receivables	2,098,641	1,738,776
Charitable trust assets	(303,035)	58,836
Other assets	32,035	(56,882)
Increase (decrease) in operating liabilities:		
Accounts payable and other liabilities	(115,608)	378,015
Grants payable	29,110,008	(2,630,114)
Agency funds	(121,773,784)	2,723,439
Net cash provided by operating activities	38,548,136	376,876,260
Cash Flows from Investing Activities:		
Purchase of property and equipment		(153,554)
Purchase of investments	(1,348,042,725)	(495,721,018)
Sale of investments	1,317,095,301	116,584,281
Net cash used by investing activities	(30,947,424)	(379,290,291)
Cash Flows from Financing Activities:		
Proceeds from loans payable		2,043,681
Payments of loans payable		(1,365,585)
Payments of notes receivable	11,966	8,492
Net cash provided by financing activities	11,966	686,588
Change in Cash and Cash Equivalents	7,612,678	(1,727,443)
Cash and Cash Equivalents, beginning of year	343,347	2,070,790
Cash and Cash Equivalents, end of year	\$ 7,956,025	\$ 343,347
Supplemental Cash Flow Information:		
Cash paid for interest during the year	\$ 257	\$ 467
Gain on extinguishment of debt - PPP loan	\$ 678,096	

See accompanying notes to consolidated financial statements.

East Bay Community Foundation

Notes to 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).

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 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 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 - Quoted market prices (unadjusted) 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 (1.2% for 2021 and 0.6% for 2020).

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. 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.

East Bay Community Foundation

Notes to Consolidated Financial Statements

i. 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.

j. 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.

k. 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 Consolidated Financial Statements

1. 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, 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. At June 30, 2020, the Foundation had twenty-one (21) funds with deficiencies with a fair value of \$26,104,259 and an original endowment gift amount of \$27,088,303. 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 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 year ended June 30, 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.

m. 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, 2021 and 2020, 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.

n. 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.

o. Reclassifications

Certain reclassifications have been made to the 2020 financial statements in order to conform to the 2021 presentation. These reclassifications had no impact on net assets or the change in net assets.

East Bay Community Foundation

Notes to Consolidated Financial Statements

p. Recent Accounting Pronouncements

Adopted:

In August 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-13, *Disclosure Framework- Changes to the Disclosure Requirements for Fair Value Measurement (Topic 820)*. The purpose of the ASU is to improve the disclosures related to fair value measurements in the financial statements. The improvements include the removal, modification and addition of certain disclosure requirements primarily related to Level 3 fair value measurements. The ASU is effective for fiscal years beginning after December 15, 2019. The Foundation adopted this standard for the fiscal year beginning July 1, 2020. The adoption of this standard did not have a significant impact on the Foundation's consolidated financial statements.

Pronouncements effective in the future:

In February 2016, the FASB issued 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 September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU changes the required presentation for in-kind contributions other than contributed services. The first element will require separate presentation on the statement of activities and changes in net assets and the second element will require additional disclosure about how the in-kind gifts were utilized (in which program or part of management and general or fundraising), donor restrictions associated with the gifts and valuation techniques employed. The ASU is effective for the Foundation for the fiscal year beginning after June 15, 2021 with early application permitted. The Foundation is currently assessing the impact the adoption of this ASU will have on its financial statements.

q. Subsequent Events

The Foundation evaluated subsequent events from June 30, 2021 through December 20, 2021, 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 except as follows:

East Bay Community Foundation

Notes to Consolidated Financial Statements

In early fiscal year ending June 30, 2022, in furtherance of the Foundation's commitment of racial and gender equity, the Foundation launched an impact investing program as an integrated strategy alongside its grant giving programs. The process and protocols developed to facilitate mission aligned impact investments from Donor Advised Funds were reviewed by legal counsel and approved by the Foundation's Investment Committee. These impact investments also known as program related investments (PRIs) are designed to support mission aligned non-profits and businesses with a focus on women and minority founders, through loans, loan guarantees and private equity investments at concessionary rates and terms to allow access to capital, increased ownership as well as to promote scalability and sustainability in ways greater than typical grants provide. These impact investments, including any imputed interest, will be reported in the Foundations financial statements ending June 30, 2022.

Note 3 - Availability of Financial Assets and Liquidity:

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

	2021	2020
Financial assets at year-end:		
Cash and cash equivalents	\$ 7,956,025	\$ 343,347
Investments	831,318,351	761,907,662
Pledges, grants, and other receivables	2,887,231	4,985,872
Notes receivable		11,966
Charitable trust assets	3,595,174	3,292,139
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Total financial assets	845,756,781	770,540,986
Less amounts not available to be used within one year:		
Net assets with donor restrictions	(91,954,822)	(84,158,949)
Long-term notes receivable		(11,966)
Investments not convertible to cash within 12 months	(7,515,750)	(5,840,320)
Beneficial interest in charitable remainder trusts	(3,595,174)	(3,292,139)
Cash and cash equivalents held as collateral	(5,334,771)	(5,241,115)
Agency funds	(26,646,700)	(148,420,484)
Donor advised funds	(659,971,911)	(474,090,596)
Board designated endowment funds	(35,177,482)	(29,007,998)
Add net assets with donor restrictions expected to be used within one year – including endowment spending	6,973,737	7,033,087
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Total amounts not available to be used within one year	(823,222,873)	(743,030,480)
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Financial assets available to meet general expenditures over the next twelve months	\$ 22,553,908	\$ 27,510,506

East Bay Community Foundation

Notes to Consolidated Financial Statements

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 4 - Investments:

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

	2021	2020
Investments at fair value:		
Money market, cash and cash equivalents	\$ 138,721,469	\$ 464,659,190
Certificates of deposit	30,674,410	16,529,918
Fixed income:		
Government securities	286,562,985	27,138,877
Corporate bonds	188,868,848	17,936,109
Mortgage-backed securities	368,927	457,678
Equities:		
Domestic	87,973,784	91,280,290
International		13,126,618
Mutual funds and exchange-traded funds:		
Equities	35,204,568	2,867,430
Domestic fixed income	11,094,179	80,016,285
International fixed income		5,350,452
Multi-strategy		19,356,814
Commodities and natural resource		9,373
Indexed Funds	27,842,944	
Alternative investments	24,005,737	23,178,128
Subtotal	831,317,851	761,907,162
Private equity stock (held at cost)	500	500
Total	\$ 831,318,351	\$ 761,907,662

East Bay Community Foundation

Notes to Consolidated Financial Statements

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

	2021	2020
Realized and unrealized gain (loss)	\$ 38,463,265	\$ (4,139,829)
Dividends and interest	8,437,536	7,008,072
Investment management fees	(719,946)	(631,815)
Investment income, net	\$ 46,180,855	\$ 2,236,428

Note 5 - Fair Value Measurements:

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
Certificates of deposit		\$ 30,674,410		30,674,410
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
Exchange-traded funds	27,842,944			27,842,944
NAV funds (a)			\$ 24,005,737	24,005,737
Subtotal	300,836,944	506,475,170	24,005,737	831,317,851
Charitable trust assets		3,595,174		3,595,174
Beneficial interest in life insurance policies		120,875		120,875
Total	\$ 300,836,944	\$ 510,191,219	\$ 24,005,737	\$ 835,033,900

East Bay Community Foundation

Notes to Consolidated Financial Statements

The table below represents the assets and liabilities measured at fair value at June 30, 2020 on a recurring basis:

	<u>Level 1</u>	<u>Level 2</u>	<u>NAV (a)</u>	<u>Total</u>
Money market, cash and cash equivalents	\$ 464,659,190			\$ 464,659,190
Certificates of deposit		\$ 16,529,918		16,529,918
Fixed income securities:				
Government securities		27,138,877		27,138,877
Corporate bonds		17,936,109		17,936,109
Mortgage-backed securities		457,678		457,678
Equities:				
Domestic	91,280,290			91,280,290
International	13,126,618			13,126,618
Mutual funds:				
Equities	2,867,430			2,867,430
Domestic fixed income	80,016,285			80,016,285
International fixed income	5,350,452			5,350,452
Multi-strategy	19,356,814			19,356,814
Commodities and natural resource	9,373			9,373
NAV funds (a)			\$ 23,178,128	23,178,128
Subtotal	676,666,452	62,062,582	23,178,128	761,907,162
Charitable trust assets		3,292,139		3,292,139
Beneficial interest in life insurance policies		120,875		120,875
Total	\$ 676,666,452	\$ 65,475,596	\$ 23,178,128	\$ 765,320,176

(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.

East Bay Community Foundation

Notes to Consolidated Financial Statements

The Foundation uses NAV to determine the fair value of all the underlying investments which do not have a readily determinable fair value. The following table lists investments by major category as of June 30:

Strategies	2021		2020		Redemption	
	# of Funds	Valuation	# of Funds	Valuation	Frequency	Notice Periods (days)
Multi-strategy fund (a)	1	\$ 13,036,986	1	\$ 9,546,351	Daily	1
Long/short/event driven hedge funds (b)			1	5,255,163	(b)	(b)
Partnership interests - real estate (c)	4	2,175,249	4	2,021,469	(c)	(c)
Partnership interests - other (d)	6	8,793,502	5	6,355,145	(d)	(d)
Total	11	\$ 24,005,737	11	\$ 23,178,128		

(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 hedge funds are fund of funds and directly held funds which, in aggregate, represent a number of underlying funds with a wide range of investment strategies. These funds are primarily long public equity securities but also short public equity securities and hold small amounts of fixed income and derivative securities. Redemptions are permitted on a quarterly basis with 65 days' notice.

East Bay Community Foundation

Notes to Consolidated Financial Statements

- (c) 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. Capital commitments to these partnerships, at June 30, 2021 total approximately \$428,000.
- (d) 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% and 40% of the total value of the strategy at June 30, 2021 and 2020, respectively.

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% and 23% of the total value of the strategy at June 30, 2021 and 2020, respectively. Capital commitments to the partnership, at June 30, 2021 total approximately \$955,000.

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% and 7% of the total value of the strategy at June 30, 2021 and 2020, respectively. Capital commitments to the partnership, at June 30, 2021 total approximately \$45,000.

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% and 20% of the total value of the strategy at June 30, 2021 and 2020, respectively. Capital commitments to the partnership, at June 30, 2021 total approximately \$433,000.

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 and 2020. Capital commitments to the partnership at June 30, 2021 total approximately \$1,140,000.

East Bay Community Foundation

Notes to Consolidated Financial Statements

The Foundation invested in another partnership during the year. 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. Capital commitments to the partnership at June 30, 2021 total approximately \$859,000.

Note 6 - Pledges, Grants, and Other Receivables:

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

	2021	2020
Within one year	\$ 1,942,231	\$ 3,015,872
One to five years	945,000	1,970,000
<u>Pledges, grants, and other receivables</u>	<u>\$ 2,887,231</u>	<u>\$ 4,985,872</u>

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 1.2% per annum in 2021 and 0.6% in 2020 and taking into account the current age of the remaining life beneficiary. The present value of these interests was \$2,743,271 and \$2,493,095 as of June 30, 2021 and 2020, 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 \$851,903 and \$799,044 as of June 30, 2021 and 2020, respectively.

East Bay Community Foundation

Notes to Consolidated Financial Statements

Note 8 - Property and Equipment:

Property and equipment consist of the following at June 30:

	2021	2020
Land and buildings	\$ 5,529,140	\$ 5,529,140
Furniture, equipment and leasehold improvements	1,129,766	1,129,766
	<hr/>	<hr/>
	6,658,906	6,658,906
Less: accumulated depreciation	(3,550,473)	(3,298,515)
	<hr/>	<hr/>
Property and equipment, net	\$ 3,108,433	\$ 3,360,391

Depreciation expense was approximately \$252,000 and \$229,000 for the years ended June 30, 2021 and 2020, respectively.

Note 9 - Grants Payable:

Grants payable at June 30, 2021 are expected to be paid in the following fiscal years ending:

2022	\$ 32,773,999
2023	4,363,154
	<hr/>
Total	\$ 37,137,153

The Foundation had conditional grants of \$10,400,000 to two grantees as of June 30, 2021 and had no conditional grants as of June 30, 2020. 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, 2021, 45% of grants payable were due to three grantees, and at June 30, 2020, 55% of grants payable were due to two grantees.

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

	2021	2020
Arts and culture	\$ 12,065,163	\$ 4,630,836
Education and youth development	40,661,501	18,551,076
Livable communities	78,347,265	28,021,840
Strengthening families	107,146,537	24,965,760
	<hr/>	<hr/>
Total	\$ 238,220,466	\$ 76,169,512

East Bay Community Foundation

Notes to Consolidated Financial Statements

Note 10 - Loans Payable:

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 and June 30, 2020) 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. At June 30, 2021 and 2020, the investment account value exceeded the necessary minimum amount and there was no balance outstanding on the line of credit. The collateral was released September 24, 2021.

During the year, the Foundation obtained 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 note is equal to 1.5% less than Union Bank's reference rate (2% as of June 30, 2021) 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.

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 forgiveness is reflected as gain on extinguishment of debt in the accompanying statement of activities and change in net assets.

East Bay Community Foundation

Notes to Consolidated Financial Statements

Note 11 - Net Assets With Donor Restrictions:

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

	2021	2020
Restricted by donor for program purpose:		
Arts and culture	\$ 4,116,553	\$ 3,069,796
Community improvement and capacity building	2,781,782	2,423,905
Civil rights, social action & advocacy	418,222	401,784
Education	772,608	710,295
Human services	1,095,767	2,086,090
Public safety, disaster preparedness & relief	651,210	2,419,355
Philanthropy, volunteer and grant making	25,123	40,814
Youth & development	1,460,459	1,322,442
Accumulated donor endowed income (Note 12)	26,087,401	10,650,638
Restricted by donor as to time	4,005,033	3,608,341
Donor endowed funds - perpetual restrictions (Note 12)	50,540,664	57,425,489
Total	\$ 91,954,822	\$ 84,158,949

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:

	2021	2020
Restricted by donor for program purpose	\$ 15,507,172	\$ 8,918,404
Restricted by donor as to time	7,029	6,316
Endowed funds (Note 12)	11,424,446	3,783,973
Total	\$ 26,938,647	\$ 12,708,693

East Bay Community Foundation

Notes to Consolidated Financial Statements

Note 12 - Endowment Funds:

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions Time or Purpose</u>	<u>Perpetuity</u>	Total
Endowment net assets, beginning of year	\$ 29,007,998	\$ 10,650,638	\$ 57,425,489	\$ 97,084,125
Net asset reclassification		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

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.

East Bay Community Foundation

Notes to Consolidated Financial Statements

Changes in endowment net assets are as follows for the year ended June 30, 2020:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions Time or Purpose</u>	<u>Perpetuity</u>	Total
Endowment net assets, beginning of year	\$ 32,634,895	\$ 14,006,034	\$ 57,425,489	\$104,066,418
Interest and dividends	863,416	1,707,063		2,570,479
Net gain (realized and unrealized)	(957,869)	(1,283,986)		(2,241,855)
Contributions	74,129	5,500		79,629
Appropriated for expenditure	(3,606,573)	(3,783,973)		(7,390,546)
Change in endowment net assets	(3,626,897)	(3,355,396)		(6,982,293)
Endowment net assets, end of year	\$ 29,007,998	\$ 10,650,638	\$ 57,425,489	\$ 97,084,125

East Bay Community Foundation

Notes to Consolidated Financial Statements

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

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor Restrictions</u> <u>Time or Purpose</u>	<u>Perpetuity</u>	Total
Board designated endowment funds	\$ 35,177,482			\$ 35,177,482
<hr/>				
Donor restricted endowment funds - income restricted for:				
Animal related	\$ 720,336	\$ 597,027		1,317,363
Arts and culture	3,053,989	7,898,196		10,952,185
Civil rights, social, activities & advocacy	121,778	458,885		580,663
Community improvement & capital building	278,875	417,240		696,115
Economic aid	1,548,734	3,276,957		4,825,691
Education	2,639,359	6,351,339		8,990,698
Environment	4,975,128	5,363,261		10,338,389
Food, agriculture & nutrition	504,740	1,949,992		2,454,732
Healthcare	5,037,039	10,565,725		15,602,764
Human services	3,059,037	7,208,106		10,267,143
International foreign affairs & national security	213,540	709,308		922,848
Philanthropy, volunteer & grant making foundations	337,765	937,599		1,275,364
Religion-related	204,808	324,430		529,238
Youth development	3,430,958	4,482,599		7,913,557
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 Consolidated Financial Statements

Endowment net asset composition by type of fund at June 30, 2020 is:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>		Total
		<u>Time or Purpose</u>	<u>Perpetuity</u>	
Board designated endowment funds	\$ 29,007,998			\$ 29,007,998
Donor restricted endowment funds - income restricted for:				
Animal related		\$ 501,682	\$ 597,027	1,098,709
Arts and culture		938,522	7,898,196	8,836,718
Civil rights, social, activities & advocacy		14,173	458,885	473,058
Community improvement & capital building		205,922	417,240	623,162
Economic aid		716,857	3,276,957	3,993,814
Education		909,062	6,351,315	7,260,377
Environment		2,922,200	12,248,326	15,170,526
Food, agriculture & nutrition		47,709	1,949,992	1,997,701
Healthcare		2,122,207	10,565,725	12,687,932
Human services		1,211,376	7,208,010	8,419,386
International foreign affairs & national security		30,118	709,308	739,426
Philanthropy, volunteer & grant making foundations		87,737	937,479	1,025,216
Religion-related		94,485	324,430	418,915
Youth development		1,832,632	4,482,599	6,315,231
Underwater endowment funds		(984,044)		(984,044)
Total restricted endowment funds		10,650,638	57,425,489	68,076,127
Total funds	\$ 29,007,998	\$ 10,650,638	\$ 57,425,489	\$ 97,084,125

East Bay Community Foundation

Notes to Consolidated Financial Statements

Note 13 - 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 \$115,449 and \$94,754 for the years ended June 30, 2021 and 2020, respectively.

Note 14 - 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 \$125,056 and \$126,167 for the years ended June 30, 2021 and 2020, respectively.

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

2022	\$ 128,000
2023	121,000
2024	59,000
2025	54,000
2026	54,000
Thereafter	1,620,000
<hr/>	
Total	\$ 2,037,000

Note 15 - 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, 2021, the Foundation received 94% of its contributions from five donors representing \$346,067,200. For the year ended June 30, 2020, the Foundation received 96% of its contributions from five donors representing \$432,386,470. There were no amounts receivable from these donors for the year ended June 30, 2021 and 2020.

East Bay Community Foundation

Notes to Consolidated Financial Statements

For the year ended June 30, 2021, 61% of receivables were due from 4 donors and for the year ended June 30, 2020, 70% of receivables were due from 5 donors.

Note 16 - Related Party Transactions:

For the year ended June 30, 2021 and 2020, the Foundation received approximately \$127,000 and \$753,000, respectively in contributions from Board of Directors and Committee members. There were no amounts receivable from or payable to related parties for the year ended June 30, 2021 and 2020.

Note 17 - Pandemic:

The continued effects of the COVID-19 pandemic during the year ended June 30, 2021 has had little impact on the Foundations' operations and annual budget. Revenue for the year ended June 30, 2021 shows an increase from the prior fiscal year, primarily due to increased donations to donor advised funds. As donors recognized the need for continued community support due to lingering effects from the pandemic, it is presumed giving was increased in 2021. The slight decrease in conference rental fees was again offset by the decrease in staff travel which has been minimized until further notice. Throughout the period ending June 30, 2021, all staff worked remotely with a few employees going into the office on an as needed and extremely limited basis and the Foundation expects staff to continue working remotely through sometime in mid-2022 with a possible staggered staff return to work in the physical building as conditions and regulations permit. As a result, the Foundation will require upgrades to its IT infrastructure and IT assessments anticipated to occur during the years ending June 30, 2022 and June 30, 2023.