

EAST BAY COMMUNITY FOUNDATION

JUNE 30, 2023 AND 2022

INDEPENDENT AUDITORS' REPORT AND
CONSOLIDATED FINANCIAL STATEMENTS

East Bay Community Foundation

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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, 2023 and 2022, 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, 2023 and 2022, 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
February 2, 2024

East Bay Community Foundation

Consolidated Statement of Financial Position

<i>June 30,</i>	2023	2022
Assets		
Cash and cash equivalents	\$ 8,057,237	\$ 7,740,637
Pledges, grants, and other receivables	4,608,401	1,777,358
Investments	569,724,538	667,765,879
Program-related investments	5,100,000	5,175,000
Charitable trust assets	3,365,437	3,357,556
Property and equipment, net	2,760,691	2,971,713
Other assets	571,069	288,974
Total assets	\$ 594,187,373	\$ 689,077,117
Liabilities and Net Assets		
Liabilities:		
Accounts payable and other liabilities	\$ 1,152,776	\$ 854,245
Grants payable	26,096,509	49,337,438
Agency funds	25,185,300	22,466,804
Total liabilities	52,434,585	72,658,487
Net Assets:		
Without donor restrictions	456,930,583	537,778,972
With donor restrictions	84,822,205	78,639,658
Total net assets	541,752,788	616,418,630
Total liabilities and net assets	\$ 594,187,373	\$ 689,077,117

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,

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:						
Contributions	\$ 13,011,770	\$ 11,726,558	\$ 24,738,328	\$ 32,274,352	\$ 9,443,474	\$ 41,717,826
Investment income (loss), net	21,564,388	6,889,299	28,453,687	(13,021,829)	(10,032,756)	(23,054,585)
Other income	348,953		348,953	586,371		586,371
Net assets released from restrictions	12,433,310	(12,433,310)	-	12,725,882	(12,725,882)	-
Total support and revenue	47,358,421	6,182,547	53,540,968	32,564,776	(13,315,164)	19,249,612
Expenses:						
Program services:						
Grant expense	117,785,665		117,785,665	177,228,567		177,228,567
Other program services	4,920,155		4,920,155	4,766,648		4,766,648
Fundraising	2,387,252		2,387,252	1,950,188		1,950,188
Management and general	3,113,738		3,113,738	3,371,186		3,371,186
Total expenses	128,206,810	-	128,206,810	187,316,589	-	187,316,589
Change in Net Assets	(80,848,389)	6,182,547	(74,665,842)	(154,751,813)	(13,315,164)	(168,066,977)
Net Assets, beginning of year	537,778,972	78,639,658	616,418,630	692,530,785	91,954,822	784,485,607
Net Assets, end of year	\$ 456,930,583	\$ 84,822,205	\$ 541,752,788	\$ 537,778,972	\$ 78,639,658	\$ 616,418,630

See accompanying notes to the consolidated financial statements.

East Bay Community Foundation

Consolidated Schedule of Functional Expenses

Years Ended June 30,

	2023				2022			
	Program Services	Fundraising	Management and General	Total	Program Services	Fundraising	Management and General	Total
Grants awarded	\$ 117,785,665			\$ 117,785,665	\$ 177,228,567			\$ 177,228,567
Salaries	2,357,815	\$ 1,388,607	\$ 1,731,097	5,477,519	2,381,779	\$ 1,013,249	\$ 1,808,673	5,203,701
Employee benefits and payroll taxes	632,568	393,970	452,233	1,478,771	675,086	242,079	471,792	1,388,957
Professional and consulting fees	1,183,180	271,321	457,521	1,912,022	757,474	362,494	567,250	1,687,218
Occupancy	220,769	100,870	134,892	456,531	247,078	82,514	150,966	480,558
Sponsorship and marketing	80,142	48,879	61,838	190,859	128,946	90,858	24,547	244,351
Information technology	163,895	89,720	108,607	362,222	212,232	75,435	154,913	442,580
Depreciation	126,713	42,317	77,422	246,452	125,399	41,878	76,619	243,896
Dues and memberships	56,901	8,023	11,182	76,106	102,969	3,571	8,051	114,591
Convenings and conferences	19,051	8,619	10,769	38,439	52,349	4,633	10,554	67,536
Office expense	20,393	9,809	13,779	43,981	24,564	10,108	29,448	64,120
Travel	5,251	6,554	5,154	16,959	3,278	2,622	7,005	12,905
Other expenses	53,477	18,563	49,244	121,284	55,494	20,747	61,368	137,609
Total	\$ 122,705,820	\$ 2,387,252	\$ 3,113,738	\$ 128,206,810	\$ 181,995,215	\$ 1,950,188	\$ 3,371,186	\$ 187,316,589

See accompanying notes to the consolidated financial statements.

East Bay Community Foundation

Consolidated Statement of Cash Flows

<i>Years Ended June 30,</i>	2023	2022
Cash Flows from Operating Activities:		
Change in net assets	\$ (74,665,842)	\$ (168,066,977)
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation	246,452	243,896
Net realized and unrealized (gain) loss on investments	(17,739,169)	33,989,863
Conversion of program-related investments to grants	75,000	
Changes in operating assets and liabilities:		
Pledges, grants, and other receivables	(2,831,043)	1,109,873
Charitable trust assets	(7,881)	237,618
Other assets	(282,095)	20,521
Accounts payable and other liabilities	298,531	(51,004)
Grants payable	(23,240,929)	12,200,285
Agency funds	2,718,496	(4,179,896)
Net cash used by operating activities	(115,428,480)	(124,495,821)
Cash Flows from Investing Activities:		
Purchase of property and equipment	(35,430)	(107,176)
Purchase of investments	(1,420,898,917)	(1,851,084,192)
Sale of investments	1,536,679,427	1,980,646,801
Investments in notes receivable - program related investments		(5,175,000)
Net cash provided by investing activities	115,745,080	124,280,433
Change in Cash and Cash Equivalents	316,600	(215,388)
Cash and Cash Equivalents, beginning of year	7,740,637	7,956,025
Cash and Cash Equivalents, end of year	\$ 8,057,237	\$ 7,740,637

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 ended 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 transactions 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 consolidated 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 (4.2% for 2023 and 3.6% for 2022).

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. Leases

The Foundation determines whether an arrangement is or includes a lease and categorizes leases as either operating or finance leases at their commencement. The Foundation does not have any finance leases. Qualifying operating lease right-of-use assets (ROU) and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. The lease ROU asset also includes any lease payments made minus any lease incentives received and initial direct costs incurred. Additionally, the lease term may include options to extend or terminate the lease when it is reasonably certain the Foundation will exercise that option.

The Foundation did not record any ROU assets or operating lease liabilities as of June 30, 2023 since there were no material amounts requiring reporting in the consolidated statement of activities and changes in net assets. Additionally, the Foundation made an available accounting policy election to not recognize ROU assets and lease liabilities for short-term leases with a term of 12 months or less. The lease payments for those leases are reported as lease expense is incurred.

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 for certain leases commencing March 1, 2001 consists of base rent of \$2,455, adjusted as of the end of each three-year period according to the Consumer Price Index (CPI) with no more than 5% increase at each adjustment, and common-area-maintenance expense (CAM) which is calculated at a rate of \$0.15 per square foot, adjusted as of the end of each three-year period according to the CPI with an increase of no less than 4% and no more than 8% at each adjustment. Rental payments are due monthly through 2056. Rental expense totaled \$148,338 and \$128,041 for the years ended June 30, 2023 and 2022, respectively.

East Bay Community Foundation

Notes to the Consolidated Financial Statements

k. 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.

l. 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.

m. 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

n. 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, 2023, the Foundation had ten (10) funds with deficiencies totaling \$150,177 with fair market value of \$4,022,054 and an original endowment gift amount of \$4,172,231. At June 30, 2022, the Foundation had seventeen (17) funds with deficiencies totaling \$470,268 with fair market value of \$21,613,091 and an original endowment gift amount of \$22,083,359. 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.

East Bay Community Foundation

Notes to the Consolidated Financial Statements

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.

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, 2023 and 2022. 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.

o. 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, 2023 and 2022, 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 consolidated financial statements. Therefore, no provision or liability for income taxes has been included in the consolidated financial statements.

p. 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

East Bay Community Foundation

Notes to the Consolidated Financial Statements

q. Recent Accounting Pronouncements

Pronouncements adopted:

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. Under the new guidance, lessees, with lease terms exceeding twelve months, 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. The ASU became effective for the Foundation beginning July 1, 2022, and the adoption of this standard did not have a significant effect on the consolidated financial statements.

Pronouncements effective in the future:

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 consolidated financial statements. Changes in the allowance for credit losses are recorded in the consolidated 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, 2023, including interim periods within those fiscal years. The Foundation is currently evaluating the impact the new standard has on its consolidated financial statements.

r. Subsequent Events

The Foundation evaluated subsequent events from June 30, 2023 through February 2, 2024, the date these consolidated financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these consolidated financial statements.

East Bay Community Foundation
Notes to the Consolidated Financial Statements

Note 3 - Pledges, Grants, and Other Receivables:

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

	2023	2022
Within one year	\$ 2,173,401	\$ 1,627,358
One to five years	2,435,000	150,000
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Pledges, grants, and other receivables	\$ 4,608,401	\$ 1,777,358

Note 4 - Investments:

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

	2023	2022
Cash and cash equivalents	\$ 42,830,896	\$ 37,735,448
Fixed income:		
Government securities	245,765,635	294,505,116
Corporate bonds	99,565,953	146,135,955
Mortgage-backed securities	242,518	5,234
Equities	80,969,515	77,940,789
Mutual funds and exchange-traded funds:		
Equities	6,998,529	11,529,241
Fixed income	10,906,267	10,058,006
Indexed funds	29,859,777	31,868,465
Alternative investments	27,815,011	25,276,979
<hr/>		
Subtotal	544,954,101	635,055,233
Certificates of deposit	24,714,937	32,710,146
Private equity (held at cost)	55,500	500
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Total	\$ 569,724,538	\$ 667,765,879

East Bay Community Foundation
Notes to the Consolidated Financial Statements

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

	2023	2022
Realized and unrealized gain (loss), net	\$ 17,739,169	\$(33,989,863)
Dividends and interest	11,672,367	12,137,042
Investment management fees	(957,849)	(1,201,764)
Investment income, net	\$ 28,453,687	\$(23,054,585)

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, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>NAV (a)</u>	<u>Total</u>
Cash and cash equivalents	\$ 42,830,896			\$ 42,830,896
Fixed income securities:				
Government securities		\$ 245,765,635		245,765,635
Corporate bonds		99,565,953		99,565,953
Mortgage-backed securities		242,518		242,518
Equities	80,969,515			80,969,515
Mutual funds and exchange-traded funds:				
Equities	6,998,529			6,998,529
Fixed income	10,906,267			10,906,267
Indexed funds	29,859,777			29,859,777
Alternative investments (a)			\$ 27,815,011	27,815,011
Subtotal	171,564,984	345,574,106	27,815,011	544,954,101
Charitable trust assets		3,365,437		3,365,437
Beneficial interest in life insurance policies		110,412		110,412
Total	\$ 171,564,984	\$ 349,040,955	\$ 27,815,011	\$ 548,420,950

East Bay Community Foundation

Notes to the Consolidated Financial Statements

(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.

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>
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
<hr/>				
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
<hr/>				
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

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, 2023:

Strategies	# of Funds	Valuation	Unfunded Commitment	Redemption Frequency	Redemption Notice Periods (days)
Investment Partnerships for					
Long-Term Capital Appreciation:					
Hedge funds (a)	2	\$ 16,327,756		Daily to quarterly	1-30
Private equity (b)	7	5,988,022	\$ 3,587,954	None	N/A
Real estate (c)	4	2,129,453	669,823	None	N/A
Mission-Aligned Investment					
Partnerships:					
Private equity (d)	14	3,369,780	2,525,224	None to monthly	90
Total	27	\$ 27,815,011	\$ 6,783,001		

- (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, 2023, 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, 2023, 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 83% of the value of this class as of June 30, 2023, is invested in funds that allow sale of the partnership interest with approval of the general partners.

East Bay Community Foundation

Notes to the Consolidated Financial Statements

- (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.
- (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. Approximately 21% of the value of this class as of June 30, 2023, is invested in a fund that allows redemption on a monthly basis with 90 days notice.

The following table lists investments by major category as of June 30, 2022:

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.

East Bay Community Foundation

Notes to the Consolidated Financial Statements

- (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.
- (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.

Note 6 - Program-Related Investments:

Program-related investments consisted of the following as of June 30:

	2023	2022
Notes receivable	\$ 5,100,000	\$ 5,100,000
Convertible promissory notes		75,000
Program-related investments	\$ 5,100,000	\$ 5,175,000

Program-related investments are investments that align with and advance the Foundation's mission. They are a tool to foster inclusive economies and build economic power in the community. Principal payments on these notes are due in 5 to 10 years.

East Bay Community Foundation
Notes to the Consolidated Financial Statements

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 fair value of the Foundation's interest at 4.2% per annum in 2023 and 3.6% in 2022 and taking into account the current age of the remaining life beneficiary. The present value of these interests was \$2,693,227 and \$2,684,704 as of June 30, 2023 and 2022, 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 \$672,210 and \$672,852 as of June 30, 2023 and 2022, respectively.

Note 8 - Property and Equipment:

Property and equipment consisted of the following at June 30:

	2023	2022
Land and buildings	\$ 5,529,140	\$ 5,529,140
Furniture, equipment and leasehold improvements	1,032,234	1,230,164
	<hr/>	<hr/>
Accumulated depreciation	6,561,374 (3,800,683)	6,759,304 (3,787,591)
	<hr/>	<hr/>
<u>Property and equipment, net</u>	<u>\$ 2,760,691</u>	<u>\$ 2,971,713</u>

Depreciation expense was \$246,452 and \$243,986 for the years ended June 30, 2023 and 2022, respectively.

East Bay Community Foundation
Notes to the Consolidated Financial Statements

Note 9 - Grants Payable:

Grants payable at June 30, 2023 are expected to be paid in the following fiscal years ending:

Year Ending June 30,	
2024	\$ 15,997,560
2025	9,858,949
2026	240,000
<hr/>	
Total	\$ 26,096,509
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The Foundation had conditional grants of \$2,062,420 to one grantee as of June 30, 2023 and \$11,080,553 to two grantees as of June 30, 2022. These grants are conditional upon the grantees attaining certain programmatic achievements and other criteria and have not been recorded as of year end.

Note 10 - Line of Credit:

The Foundation maintains a revolving line of credit with US Bank (formerly Union Bank) in the amount of \$5,000,000, which matures on March 31, 2025. The interest rate on the line is equal to 1.5% less than US Bank's reference rate (8.25% as of June 30, 2023) 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 is an annual fee of .25% on the unused commitment. There was no outstanding balance as of June 30, 2023 and June 30, 2022.

The Foundation is subject to various financial and non-financial covenants under the note agreement, and the Foundation was in compliance with all of these financial and non-financial covenants as of June 30, 2023.

Note 11 - Net Assets With Donor Restrictions:

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

	2023	2022
Endowment funds	\$ 64,794,699	\$ 63,077,272
Program and field of interest funds	15,391,438	11,927,782
Charitable trusts	4,636,068	3,634,604
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Total	\$ 84,822,205	\$ 78,639,658
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East Bay Community Foundation

Notes to the Consolidated Financial Statements

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

	2023	2022
Program and field of interest funds	\$ 7,652,612	\$ 7,487,063
Endowment funds	4,778,988	5,070,297
Charitable trusts	1,710	168,522
Total	\$ 12,433,310	\$ 12,725,882

Note 12 - Endowment Funds:

Changes in endowment net assets were as follows for the year ended June 30, 2023:

	<u>Without</u> <u>Donor Restrictions</u>	<u>With</u> <u>Donor Restrictions</u>	Total
Endowment net assets, beginning of year	\$ 28,901,199	\$ 63,077,272	\$ 91,978,471
Interest and dividends	549,940	1,209,419	1,759,359
Net gain (realized and unrealized)	1,989,903	5,128,545	7,118,448
Contributions	92,438	158,451	250,889
Appropriated for expenditure	(2,293,840)	(4,778,988)	(7,072,828)
Change in endowment net assets	338,441	1,717,427	2,055,868
Endowment net assets, end of year	\$ 29,239,640	\$ 64,794,699	\$ 94,034,339

East Bay Community Foundation
Notes to the Consolidated Financial Statements

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

	<u>Without</u> <u>Donor Restrictions</u>	<u>With</u> <u>Donor Restrictions</u>	Total
Endowment net assets, beginning of year (a)	\$ 35,177,482	\$ 76,628,065	\$ 111,805,548
Interest and dividends	774,183	1,525,690	2,299,873
Net loss (realized and unrealized)	(5,016,047)	(10,691,833)	(15,707,880)
Contributions			
Appropriated for expenditure	2,114,426	5,070,296	7,184,722
Change in endowment net assets	(6,276,283)	(13,550,792)	(19,827,075)
Endowment net assets, end of year	\$ 28,901,199	\$ 63,077,273	\$ 91,978,473

- (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

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:

	2023	2022
Financial assets at year-end:		
Cash and cash equivalents	\$ 8,057,237	\$ 7,740,637
Pledges, grants, and other receivables	4,608,401	1,777,358
Investments	569,724,538	667,765,879
Program-related investments	5,100,000	5,175,000
Charitable trust assets	3,365,437	3,357,556
Total financial assets	590,855,613	685,816,430
Less amounts not available to be used within one year:		
Net assets with donor restrictions	(84,822,205)	(78,639,658)
Agency funds	(25,185,300)	(22,466,804)
Donor-advised funds (including program-related investments)	(429,385,552)	(510,213,030)
Board-designated endowment funds	(29,239,640)	(28,901,199)
Add net assets with donor restrictions expected to be used within one year – including endowment spending	6,229,704	8,507,725
Total amounts not available to be used within one year	(562,402,993)	(631,712,966)
Financial assets available to meet general expenditures over the next twelve months	\$ 28,452,620	\$ 54,103,464

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.

East Bay Community Foundation

Notes to the Consolidated Financial Statements

Note 14 - Retirement Plans:

The Foundation has a 401(k) retirement plan available to all eligible participants. The Foundation matches 100% of employee salary contributions, up to 5% for the year ended June 30, 2023 and 4% for the year ended June 30, 2022. The Foundation's contributions were \$195,233 and \$132,836 for the years ended June 30, 2023 and 2022, respectively.

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, 2023, the Foundation received 36% of its contributions from five donors representing \$8,802,556. For the year ended June 30, 2022, the Foundation received 33% of its contributions from five donors representing \$13,719,302. There were no amounts receivable from these donors for the year ended June 30, 2023 and 2022.

For the year ended June 30, 2023, 62% of receivables were due from two donors and for the year ended June 30, 2022, 68% of receivables were due from five donors.

For the year ended June 30, 2023, 44% of grants payable were due to three grantees, and for the year ended June 30, 2022, 52% of grants payable were due to three grantees.

Note 16 - Related Party Transactions:

For the year ended June 30, 2023 and 2022, the Foundation received approximately \$389,000 and \$295,000, respectively, in contributions from Board of Directors and Committee members. There was \$150,000 receivable at June 30, 2023 and \$200,000 receivable at June 30, 2022 from a member of the Board of Directors. There were no amounts payable to related parties for the years ended June 30, 2023 and 2022.