

League of California Community Foundations

Financial Statements

December 31, 2022 and 2021

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Independent Accountants' Review Report on the Financial Statements

To the Board of Directors
of League of California Community Foundations
Sonora, California

We have reviewed the accompanying financial statements of League of California Community Foundations (a California nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; 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.

Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of League of California Community Foundations and to meet our other ethical responsibilities in accordance with the relevant ethical requirements related to our reviews.

Accountants' Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Caliber Audit & Attest, LLP

San Luis Obispo, California
February 16, 2023

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Statements of Financial Position

December 31, 2022 and 2021

<i>ASSETS</i>	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 1,530,276	\$ 1,640,590
Beneficial interest held by others	<u>172,469</u>	<u>216,414</u>
Total assets	<u>\$ 1,702,745</u>	<u>\$ 1,857,004</u>
 <i>LIABILITIES AND NET ASSETS</i>		
Accounts payable	\$ 10,000	\$ -
Accrued compensation	26,983	17,032
Deferred revenue	<u>-</u>	<u>24,269</u>
Total liabilities	<u>36,983</u>	<u>41,301</u>
 <i>Commitments and Contingencies</i>		
<i>Net Assets</i>		
Without donor restrictions		
Undesignated	363,062	414,225
With donor restrictions		
Purpose and time restrictions	<u>1,302,700</u>	<u>1,401,478</u>
Total net assets	<u>1,665,762</u>	<u>1,815,703</u>
Total liabilities and net assets	<u>\$ 1,702,745</u>	<u>\$ 1,857,004</u>

See Notes to Financial Statements.

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*Statement of Activities and Changes in Net Assets
Year Ended December 31, 2022*

	<i><u>Without Donor Restrictions</u></i>	<i><u>With Donor Restrictions</u></i>	<i><u>Total</u></i>
<i>Revenues, Gains and Support</i>			
Grants and contracts	\$ 85,500	\$ 472,722	\$ 558,222
In-kind services	2,300	-	2,300
Membership dues	350,175	-	350,175
Interest income	1,552	-	1,552
Net realized and unrealized loss on beneficial interest held by others	(43,945)	-	(43,945)
Training program fees	41,400	-	41,400
Other income	6,500	-	6,500
Subtotal	<u>443,482</u>	<u>472,722</u>	<u>916,204</u>
Net assets released from restrictions	571,500	(571,500)	-
Total revenues, gains and support	<u>1,014,982</u>	<u>(98,778)</u>	<u>916,204</u>
<i>Grants and Functional Expenses:</i>			
Grants and philanthropic distributions	550,000	-	550,000
Program services	358,446	-	358,446
Management and general	148,439	-	148,439
Fundraising	9,260	-	9,260
Total functional expenses	<u>1,066,145</u>	<u>-</u>	<u>1,066,145</u>
Change in net assets	<u>(51,163)</u>	<u>(98,778)</u>	<u>(149,941)</u>
Net assets - beginning of year	<u>414,225</u>	<u>1,401,478</u>	<u>1,815,703</u>
Net assets - end of year	<u>\$ 363,062</u>	<u>\$ 1,302,700</u>	<u>\$ 1,665,762</u>

See Notes to Financial Statements.

League of California Community Foundations

*Statement of Activities and Changes in Net Assets
Year Ended December 31, 2021*

	<i><u>Without Donor Restrictions</u></i>	<i><u>With Donor Restrictions</u></i>	<i><u>Total</u></i>
<i>Revenues, Gains and Support</i>			
Grants and contracts	\$ 109,000	\$ 229,076	\$ 338,076
In-kind services	15,060	-	15,060
Membership dues	313,672	-	313,672
Interest income	2,036	-	2,036
Net realized and unrealized gain on beneficial interest held by others	9,329	-	9,329
Training program fees	9,300	-	9,300
Other income	1,000	-	1,000
Subtotal	<u>459,397</u>	<u>229,076</u>	<u>688,473</u>
Net assets released from restrictions	805,000	(805,000)	-
Total revenues, gains and support	<u>1,264,397</u>	<u>(575,924)</u>	<u>688,473</u>
<i>Grants and Functional Expenses:</i>			
Grants and philanthropic distributions	805,000	-	805,000
Program services	281,074	-	281,074
Management and general	146,594	-	146,594
Fundraising	6,249	-	6,249
Total functional expenses	<u>1,238,917</u>	<u>-</u>	<u>1,238,917</u>
Change in net assets	<u>25,480</u>	<u>(575,924)</u>	<u>(550,444)</u>
Net assets - beginning of year	<u>388,745</u>	<u>1,977,402</u>	<u>2,366,147</u>
Net assets - end of year	<u>\$ 414,225</u>	<u>\$ 1,401,478</u>	<u>\$ 1,815,703</u>

See Notes to Financial Statements.

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Statement of Functional Expenses

Year Ended December 31, 2022

	<u>Program Services</u>		<u>Management & General</u>	<u>Fundraising & Development</u>	<u>Total</u>
	<u>Grants</u>	<u>Other</u>			
Grant disbursements	\$ 550,000	\$ -	\$ -	\$ -	\$ 550,000
Employee benefits	-	12,426	8,160	710	21,296
Information technology	-	-	5,819	-	5,819
In-kind services	-	-	2,300	-	2,300
Lobbying	-	60,000	-	-	60,000
Member conferences	-	25,000	-	-	25,000
Membership and subscriptions	-	-	12,662	-	12,662
Miscellaneous	-	-	2,866	-	2,866
Office expenses	-	-	811	-	811
Payroll taxes	-	10,354	6,799	592	17,745
Professional fees	-	103,691	11,125	-	114,816
Retirement plan contributions	-	3,540	2,325	203	6,068
Salaries and wages	-	135,695	89,111	7,755	232,561
Training	-	-	6,461	-	6,461
Travel	-	7,740	-	-	7,740
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total functional expenses	<u>\$ 550,000</u>	<u>\$ 358,446</u>	<u>\$ 148,439</u>	<u>\$ 9,260</u>	<u>\$ 1,066,145</u>

See Notes to Financial Statements.

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Statement of Functional Expenses

Year Ended December 31, 2021

	<i>Program Services</i>		<i>Management & General</i>	<i>Fundraising & Development</i>	<i>Total</i>
	<i>Grants</i>	<i>Other</i>			
Grant disbursements	\$ 805,000	\$ -	\$ -	\$ -	\$ 805,000
Employee benefits	-	10,171	7,749	555	18,475
Information technology	-	-	8,171	-	8,171
In-kind services	-	-	15,060	-	15,060
Lobbying	-	60,000	-	-	60,000
Member conferences	-	7,878	-	-	7,878
Membership and subscriptions	-	-	8,646	-	8,646
Miscellaneous	-	-	4,034	-	4,034
Office expenses	-	-	1,184	-	1,184
Payroll taxes	-	7,465	5,686	407	13,558
Professional fees	-	98,704	14,230	-	112,934
Retirement plan contributions	-	2,810	2,141	153	5,104
Salaries and wages	-	94,046	71,649	5,134	170,829
Training	-	-	8,044	-	8,044
Travel	-	-	-	-	-
Total functional expenses	\$ 805,000	\$ 281,074	\$ 146,594	\$ 6,249	\$ 1,238,917

See Notes to Financial Statements.

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*Statements of Cash Flows
Years Ended December 31, 2022 and 2021*

	<u>2022</u>	<u>2021</u>
<i>Cash flows from operating activities:</i>		
Change in net assets	\$ (149,941)	\$ (550,444)
<i>Adjustments to reconcile change in net assets to net cash used in operating activities:</i>		
Net realized and unrealized loss (gain) on beneficial interest held by others	43,945	(9,329)
<i>Changes in operating assets and liabilities:</i>		
Accounts payable	10,000	-
Accrued compensation	9,951	444
Deferred revenue	<u>(24,269)</u>	<u>24,269</u>
Net cash used in operating activities	<u>(110,314)</u>	<u>(535,060)</u>
<i>Cash flows from investing activities:</i>		
Purchase of investments	<u>-</u>	<u>(23,499)</u>
<i>Net decrease in cash and cash equivalents</i>	(110,314)	(558,559)
<i>Cash and cash equivalents, beginning of year</i>	<u>1,640,590</u>	<u>2,199,149</u>
<i>Cash and cash equivalents, end of year</i>	<u>\$ 1,530,276</u>	<u>\$ 1,640,590</u>

See Notes to Financial Statements.

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Notes to Financial Statements

Note 1. Operations and Summary of Significant Accounting Policies

Nature of operations:

The League of California Community Foundations (“the Organization”) is a California non-profit corporation with a mission of building and strengthening California’s communities by fostering collaboration and learning among the state’s community foundations.

Basis of accounting:

The financial statements are presented on an accrual basis, which recognizes income when performance obligations are met, and expenses when incurred, and in accordance with accounting principles generally accepted in the United States of America.

Financial statement presentation and net assets:

To ensure the observance of limitations and restrictions placed on the use of resources, the accounts of the Organization are maintained in accordance with the principles of fund accounting. The Organization has presented its financial statements in accordance with generally accepted accounting principles for not-for profit organizations. Under this guidance, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions or with donor restrictions.

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions: Net assets available for use in general operations and not subject to donor (or grantor) restrictions.

Net Assets With Donor Restrictions: Net assets subject to donor - (or grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions can be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets, if any, are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated

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time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Public support:

All public support revenue is considered to be available for unrestricted use unless specifically restricted by the donor or the terms of a grant. Revenue from public support is recognized at the time an unconditional promise to give or transfer of assets is made.

Contributions: The Organization receives contributions to support operating activities. These contributions can be from individuals, foundations, corporations, or trusts. The Organization records contributions receivable, if any, net of allowances for estimated uncollectible amounts, when there is sufficient evidence in the form of verifiable documentation that an unconditional promise was received. There were no contributions receivable as of December 31, 2022 and 2021. Conditional gifts, with a measurable performance or other barrier and right of return, are not recognized until the conditions on which they depend are substantially met or explicitly waived by the donor.

In-kind contributions: The Organization recognizes contributions of services received if such services: (a) create or enhance nonfinancial assets (b) require specialized skills (c) are provided by individuals possessing those skills, and (d) would typically need to be purchased if not contributed. There were \$2,300 and \$15,060 of in-kind services for the years ended December 31, 2022 and 2021, respectively.

The Organization receives services from volunteers who give their time to the programs of the Organization. No amounts have been reflected for these types of donated services, as there is no objective basis available to measure the value of such services.

Contributions of assets other than cash are recorded at estimated fair value.

Revenue recognition:

The Organization has certain revenue streams that are accounted for as reciprocal exchange transactions including membership and program fees.

Because the Organization's performance obligations relate to contracts with a duration of less than one year, the Organization has elected to apply the optional exemption provided in the revenue recognition guidance, and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. There are no incremental costs of obtaining a contract and no significant financing components.

Membership dues and program fees: Membership dues and program fees consist of amounts that community foundations in California pay to participate in the Organization's activities and programs. Membership dues are based on the size of assets held by the community foundations. Membership dues are paid at the beginning of the calendar year and cover the full calendar year. Program fees for short duration programs, such as classes, are typically paid in advance at the time of registration. Cancellation provisions vary by program, but most transactions are cancellable with written notice. Refunds may be available for services not provided.

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Membership dues and program fees are recognized ratably over the period the membership or program service is provided on a straight-line basis in an amount that reflects the consideration the Organization expects to be entitled to in exchange for those services. All the Organization's revenue from contracts with customers are from performance obligations satisfied over time. Prices are specific to a distinct performance obligation and do not consist of multiple transactions.

Membership dues and program fees paid to the Organization in advance represent contract liabilities and are recorded as other deferred revenue, if any. Amounts billed but unpaid are contract assets and recorded as receivables.

Use of estimates:

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates, and those differences could be material.

Fair value measurements:

The Fair Value Measurements topic of the FASB *ASC 820*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or by other means.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following are descriptions of the recurring valuation methods and assumptions used by the Organization to estimate the fair values of certain financial instruments:

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Cash and cash equivalents: Fair values of money market funds are estimated to approximate deposit account balances, payable on demand, as no discounts for credit quality or liquidity were determined to be applicable (considered Level 1).

Beneficial interest held by others: A nonprofit beneficiary of an agency fund has an interest in a portion of one or more of the community foundation's investment portfolios, but does not have a direct claim to a portion of each individual stock, bond or other investment within the underlying investment portfolio, that the unit of account determines what is being measured at fair value. The unit of account of an agency fund is at the aggregate level of the asset, which is the beneficial interest held by The San Diego Foundation, not at the level of underlying investments held within the community foundation's investment portfolios. A nonprofit's fund balance is determined by applying an appropriate percentage to the overall investment portfolio. As the community foundation's investment portfolio is comprised of many different investments with varying levels of observable inputs, valuation of the entire portfolio itself cannot directly be corroborated with observable market data by the nonprofit beneficiary. Therefore, this beneficial interest for an agency fund will be reported based on Level 3 inputs.

The donated services, if any, recorded by the Organization have been recorded at fair values, based on management's estimate of fair value on a non-recurring basis from comparisons of similar assets or services or from the value as provided by the donor. This is considered Level 2 of the fair value hierarchy.

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain donated services, assets and use of facilities could result in a different fair value measurement at the reporting date.

Cash and cash equivalents:

The Organization considers cash equivalents to be all short-term securities purchased with a maturity of three months or less.

The Organization maintains cash balances with financial institutions located in California. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of December 31, 2022 and 2021, the Organization held cash in financial institutions in excess of federally insured limits.

Investments:

Investments, if any, are reported at fair value and are based primarily on quoted market prices or estimated fair value. Investments represent assets that have original maturities over 3 months and thus are not cash equivalents.

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Income tax status:

The Organization's activities are generally exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Franchise Tax Code. Since the Organization is exempt from federal and state income tax liability, no provision is made for current or deferred income tax expense. The Organization is not a private foundation. Management has determined that the Organization is not subject to unrelated business income tax. Management is not aware of any transactions that would impact the Organization's tax-exempt status.

For the years ended December 31, 2022 and 2021, management of the Organization is not aware of any material uncertain tax positions to be accounted for in the financial statements under the principles of the *Income Taxes* topic of the FASB (*ASC*). The Organization recognizes interest and penalties, if any, related to unrecognized tax benefits in interest expense.

All tax exempt entities are subject to review and audit by federal, state and other applicable agencies. Such agencies may review the taxability of unrelated business income, or the qualification of the tax-exempt entity under the Internal Revenue Code and applicable state statutes.

Functional expense allocations:

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses that can be identified with a specific program or supporting service are charged directly to the program or supporting service. Expenses which apply to more than one functional category have been allocated based on estimates made by management.

Advertising:

The Organization expenses advertising costs as incurred, if any.

Note 2. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	\$ 227,576
Beneficial interest held by others	172,469
	<u>\$ 400,045</u>

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Notes to Financial Statements

Note 3. Net Assets With Donor Restrictions

As of December 31, 2022 and 2021, net assets with donor restrictions are restricted for the following purposes:

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specified purpose:		
Disaster relief fund	\$ 1,080,700	\$1,379,978
Racial equity work	200,000	-
Online searchable database	22,000	-
Subject to the passage of time:		
Operations for 2022	-	21,500
Total net assets with donor restrictions	<u>\$ 1,302,700</u>	<u>\$1,401,478</u>

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

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specified purpose:		
Disaster relief fund	\$ 550,000	\$ 805,000
Subject to the passage of time:		
Operations for 2022	21,500	-
Total net assets released from restrictions	<u>\$ 571,500</u>	<u>\$ 805,000</u>

Note 4. Functionalized Expenses – Methods used for Allocations

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include professional fees, salaries and wages, employee benefits, retirement plan contributions, and payroll taxes, which are allocated on the basis of estimates of time and effort. Most expenses are directly tracked by program or function.

Note 5. Retirement Plan

The Organization has a Simple IRA – Savings Plan (the Plan) that covers all employees. The employees may elect to participate in the Plan under the salary deferral guidelines. Matching contributions to the Plan are determined in accordance with the terms of the Plan and the limits set by law. Employee deferrals are not to exceed the annual contribution limitation established under the Internal Revenue Service regulations. Employer contributions totaled \$6,068 and \$5,104 for the years ended December 31, 2022 and 2021.

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Note 6. Related Party Transactions

The Organization has provided pass-through grants to various community foundations and also receives member dues from the various community foundations in California. Certain executive employees from the community foundations that received grants and paid member dues serve as board members for the Organization and are considered related parties.

Note 7. Concentrations

The Organization has concentrations as a result of grants received from significant donors. Revenues from these donors as a percentage of total revenues for the years ended December 31, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Major Grantor 1	26%	0%
Major Grantor 2	21%	0%
Major Grantor 3	0%	15%
Major Grantor 4	0%	12%

Note 8. Lobbying Services

The Organization has an annual agreement for lobbying services for a presence in Sacramento to represent community foundations. The agreement expired December 31, 2022 with monthly payments of \$5,000. The monthly cost is expensed as paid.

Note 9. Subsequent Events

The date to which events occurring after December 31, 2022 have been evaluated for possible adjustment to the financial statements or disclosure is February 16, 2023, which is the date on which the financial statements were available to be issued.