

**STANISLAUS COMMUNITY FOUNDATION
(A NONPROFIT CORPORATION)**

**INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS**

DECEMBER 31, 2019 AND 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Stanislaus Community Foundation
(A Nonprofit Corporation)
Modesto, California

We have audited the accompanying financial statements of Stanislaus Community Foundation (a Nonprofit Corporation), which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to 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.

Auditor's 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 audit to obtain reasonable assurance about whether the financial statements are free from 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 entity'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 entity'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.

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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 Stanislaus Community Foundation as of December 31, 2019 and 2018, 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.

Johnson & Associates CPAs, Inc.

Johnson & Associates CPAs, Inc.

May 28, 2020
Modesto, California

STANISLAUS COMMUNITY FOUNDATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

ASSETS

	2019	2018
CURRENT ASSETS		
Cash and Cash Equivalents-Operating Accounts	\$ 1,498,552	\$ 5,509,093
Cash and Cash Equivalents-Investment Accounts	<u>1,937,535</u>	<u>1,645,267</u>
Total Cash and Cash Equivalents	3,436,087	7,154,360
Accounts Receivable	252	1,514
Contributions Receivable	825	-
Grants Receivable, Current	<u>367,000</u>	<u>566,370</u>
Total Current Assets	<u>3,804,164</u>	<u>7,722,244</u>
NON CURRENT ASSETS		
Long-Term Investments at Market Value	37,512,463	29,232,245
Notes Receivable	327,403	327,403
Grants Receivable, Non Current	207,000	574,000
Investment in Real Property	300,000	273,000
Deposit	<u>6,000</u>	<u>6,000</u>
Total Non Current Assets	<u>38,352,866</u>	<u>30,412,648</u>
FIXED ASSETS (Net of Accumulated Depreciation of \$18,387 and \$14,941)	<u>6,852</u>	<u>8,244</u>
Total Assets	<u>\$ 42,163,882</u>	<u>\$ 38,143,136</u>

See accompanying notes and accountant's report.

STANISLAUS COMMUNITY FOUNDATION
STATEMENT OF FINANCIAL POSITION (Continued)
DECEMBER 31, 2019 AND 2018

LIABILITIES AND NET ASSETS

	2019	2018
CURRENT LIABILITIES		
Accounts Payable	\$ 1,125	\$ -
Agency Funds Held for Others	3,141,042	2,736,395
Grants Payable, Current	150,000	375,000
Current Portion of Capital Lease	1,501	1,432
Total Current Liabilities	3,293,668	3,112,827
 LONG-TERM DEBT		
Grants Payable, Non Current	150,000	300,000
Capital Lease, Net of Current Portion	1,174	2,674
Total Long-Term Debt	151,174	302,674
 NET ASSETS		
Net Assets Without Donor Restrictions		
Administrative	1,125,397	701,812
Donor Advised Funds	24,565,351	20,842,490
Designated Funds	778,073	722,556
Field of Interest Funds	3,428,753	4,251,909
Fiscal Sponsorship	74,116	54,947
Scholarship Funds	2,819,472	2,282,825
Special Initiative Grants	1,014,163	1,442,926
Total Net Assets Without Donor Restrictions	33,805,325	30,299,465
Net Assets With Donor Restrictions	4,913,715	4,428,170
Total Net Assets	38,719,040	34,727,635
 Total Liabilities and Net Assets	\$ 42,163,882	\$ 38,143,136

See accompanying notes and accountant's report.

**STANISLAUS COMMUNITY FOUNDATION
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019	2018
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenues and Support:		
Contributions	\$ 3,017,811	\$ 11,226,754
Grants	-	1,231,370
Interest and Dividend Income	811,748	719,086
Net Realized and Unrealized Gain (Loss) on Investments	3,405,842	(1,937,443)
Fees For Services	48,402	60,253
Miscellaneous	350	10,941
Net Assets Released From Restrictions	231,641	303,997
Total Revenues and Support	7,515,794	11,614,958
Expenses:		
Program Grants and Expenses	3,102,404	3,517,020
Operating Expenses	741,579	822,841
Fundraising	165,951	152,515
Total Expenses	4,009,934	4,492,376
INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	3,505,860	7,122,582
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Revenues and Support:		
Contributions	300	132,144
Interest and Dividend Income	132,565	151,398
Net Realized and Unrealized Gain (Loss) on Investments	599,733	(400,073)
Total Revenues and Support	732,598	(116,531)
Expenses:		
Operating Expenses	15,412	20,056
Less: Net Assets Released From Restrictions	(231,641)	(303,997)
INCREASE (DECREASE) IN NET ASSETS WITH DONOR RESTRICTIONS	485,545	(440,584)
TOTAL CHANGE IN NET ASSETS	3,991,405	6,681,998
Net Assets at Beginning of Year	34,727,635	28,045,637
Net Assets at End of Year	\$ 38,719,040	\$ 34,727,635

See accompanying notes and accountant's report.

**STANISLAUS COMMUNITY FOUNDATION
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	YEAR ENDED DECEMBER 31, 2019			
	SUPPORT SERVICES			TOTAL
	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING AND DEVELOPMENT	
EXPENSES				
Grants and Scholarships	\$ 3,032,190	\$ -	\$ -	\$ 3,032,190
Salaries and Wages	-	387,220	165,951	553,171
Occupancy				
Rent	-	72,083	-	72,083
Insurance	-	9,562	-	9,562
Utilities	-	8,149	-	8,149
Marketing	5,274	11,017	-	16,291
General and Administrative				
Asset Management Fees	-	117,913	-	117,913
Contract Labor	-	2,755	-	2,755
Database System	-	66,351	-	66,351
Depreciation	-	3,446	-	3,446
Dues and Subscriptions	-	19,979	-	19,979
Office Supplies	-	3,745	-	3,745
Operating Expenses	-	23,262	-	23,262
Professional Development	-	8,581	-	8,581
Professional Fees - General	-	8,475	-	8,475
Professional Fees - Program	59,440	5,951	-	65,391
Program	5,500	-	-	5,500
Service Contracts	-	8,502	-	8,502
Total Functional Expenses	\$ 3,102,404	\$ 756,991	\$ 165,951	\$ 4,025,346

	YEAR ENDED DECEMBER 31, 2018			
	SUPPORT SERVICES			TOTAL
	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING AND DEVELOPMENT	
EXPENSES				
Grants and Scholarships	\$ 3,508,345	\$ -	\$ -	\$ 3,508,345
Salaries and Wages	-	355,868	152,515	508,383
Occupancy				
Rent	-	73,732	-	73,732
Insurance	-	8,941	-	8,941
Utilities	-	11,215	-	11,215
Marketing	-	32,702	-	32,702
General and Administrative				
Asset Management Fees	-	110,409	-	110,409
Contract Labor	-	38,795	-	38,795
Database System	-	51,758	-	51,758
Depreciation	-	4,000	-	4,000
Dues and Subscriptions	-	21,913	-	21,913
Office Supplies	-	6,586	-	6,586
Operating Expenses	-	76,285	-	76,285
Professional Development	-	3,387	-	3,387
Professional Fees - General	-	8,950	-	8,950
Professional Fees - Program	-	26,599	-	26,599
Program	8,675	-	-	8,675
Service Contracts	-	11,757	-	11,757
Total Functional Expenses	\$ 3,517,020	\$ 842,897	\$ 152,515	\$ 4,512,432

See accompanying notes and accountant's report.

STANISLAUS COMMUNITY FOUNDATION
CONSOLIDATED STATEMENTS OF CASH FLOW
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
CASH FLOW FROM (USED BY) OPERATING ACTIVITIES		
Change in Net Assets	\$ 3,991,405	\$ 6,681,998
Adjustment to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	3,446	4,000
Net Realized and Unrealized Losses (Gains) on Long-Term Investments	(4,005,575)	2,336,239
Loss on Disposal of Fixed Assets	-	1,278
Securities Contributions Received	(1,782,863)	(3,445,283)
Changes in Operating Assets and Liabilities:		
Decrease (Increase) in Contributions Receivable	(825)	3,100
Decrease (Increase) in Accounts Receivable	1,262	(1,514)
Decrease (Increase) in Grants Receivable	566,370	(550,370)
Decrease (Increase) in Deposits	-	(6,000)
Increase (Decrease) in Accounts Payable	1,125	(1,649)
Increase (Decrease) in Grants Payable	(375,000)	674,000
Increase (Decrease) in Funds Payable to Others	404,647	401,308
Total Adjustments	(5,187,413)	(584,891)
Net Cash Flow From (Used By) Operating Activities	(1,196,008)	6,097,107
CASH FLOW FROM (USED BY) INVESTING ACTIVITIES		
Purchases of Investments	(12,718,046)	(8,359,391)
Purchase of Capital Assets	(2,054)	-
Proceeds from Sale of Investments	10,199,267	2,903,520
Net Cash Flow From (Used By) Investing Activities	(2,520,833)	(5,455,871)
CASH FLOW FROM (USED BY) FINANCING ACTIVITIES		
Payment on Capital Lease	(1,432)	(1,365)
Net Cash Flow From (Used By) Financing Activities	(1,432)	(1,365)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,718,273)	639,871
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	7,154,360	6,514,489
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 3,436,087	\$ 7,154,360

See accompanying notes and accountant's report.

STANISLAUS COMMUNITY FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Stanislaus Community Foundation (the Foundation), a California Nonprofit Corporation, is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code (the Code).

The vision of Stanislaus Community Foundation is that Stanislaus County is a community of choice where people live, work and thrive. To achieve this vision, Stanislaus Community Foundation's mission is to steward charitable resources and nurture partnerships to advance the common good. In addition to facilitating grant making through its charitable funds under management, Stanislaus Community Foundation leads systemic change initiatives in education, economic opportunity and civic engagement.

Classification of Net Assets

Generally accepted accounting principles requires the Foundation to report information regarding its financial position and activities in two classes of net assets – with donor restrictions and without donor restrictions - based upon the existence or absence of donor-imposed restrictions.

Net assets subject to donor-imposed restrictions that will be met either by actions of the Foundation or the passage of time, or are subject to donor-imposed restrictions that will be maintained in perpetuity are classified as net assets with donor restrictions. The investment income generated from these assets is available for general support of the Foundation's programs and operations or held within a specific fund. The Foundation's total net assets with donor restrictions as of December 31, 2019 and 2018 were \$4,913,715 and \$4,428,170, respectively.

The Board of Directors of the Foundation has the unilateral power to redirect the use of a donor's contribution to another beneficiary; however, they would exercise this authority only if the stated purpose of a contribution becomes no longer applicable and incapable of fulfillment. Accordingly, the Foundation's financial statements classify all net assets that are not permanently or temporarily restricted as unrestricted, but segregate the net assets into one of several different categories depending on intended purpose.

Agency Funds

Funds contributed by a not-for-profit entity in expectation that all distributions will benefit the donor not-for-profit entity are required to be recorded by the Foundation as an asset and a liability at fair value. These amounts net to zero, therefore, having no effect on the Foundation's net assets. The income and expenses of these funds are not recognized by the Foundation.

STANISLAUS COMMUNITY FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

Cash and cash equivalents are short-term, highly liquid investments with maturities of three months or less at the time of purchase.

The Foundation maintains cash deposits at several financial institutions. The Federal Deposit Insurance Corporation (FDIC) provides insurance coverage per depositor per financial institution. The maximum coverage as of December 31, 2019 and 2018 was \$250,000. Funds held at credit unions are also eligible for an additional \$250,000 of insurance coverage under the National Association of Credit Unions (NCAU) as of December 31, 2019 and 2018. As an additional strategy for ensuring insurance coverage, the Foundation maintains a cash sweep account which is housed at one institution but leverages FDIC coverage at multiple institutions to ensure more of the Foundation's funds are insured. The Foundation also maintained funds on deposit in brokerage accounts, which are not insured by the FDIC or the NCAU. At December 31, 2019 and 2018, the Foundation's uninsured cash balance was \$2,444,384 and \$7,119,014, respectively.

The balances of money on deposit by institution per the institution's statements are as follows:

	<u>12/31/19</u>	<u>12/31/18</u>
Financial Institutions:		
Bank of Stockton	\$ -	\$ 5,723,747
Oak Valley Community Bank	1,106,976	-
Self-Help Credit Union	<u>459,463</u>	<u>-</u>
Total Financial Institutions	<u>\$ 1,566,439</u>	<u>\$ 5,723,747</u>
Brokerage Accounts:		
Charles Schwab	\$ 350,606	\$ 1,645,267
Merrill Lynch	<u>1,586,929</u>	<u>-</u>
Total Brokerage Accounts	<u>\$ 1,937,535</u>	<u>\$ 1,645,267</u>

Contributions Receivable

Unconditional promises to give are recorded as contributions when received at the net present value of the amounts expected to be collected. At December 31, 2019 and 2018, the Foundation had \$825 and \$0 of uncollateralized contributions receivable, all of which will be received within one year. In the unlikely event all contributions were not paid, the maximum recognized loss would be \$825 and \$0.

STANISLAUS COMMUNITY FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grant Awards

The Foundation receives grants from private grantors for various purposes. Grant income is reported in total in the year the grant was awarded with any amount not received accrued as a receivable. Typically, grant funds are disbursed over several years, pursuant to each individual grant terms.

Allowance for Doubtful Accounts

The Foundation uses the direct write-off method for uncollectible accounts receivable. Generally accepted accounting principles require the use of the allowance for doubtful accounts method for accounts receivable. Management believes that all accounts receivable are collectible. Therefore, the direct write-off method is equivalent to the allowance for doubtful accounts method. Bad debt expense for 2019 and 2018 was zero.

Investments

Investments in debt securities and equity securities with readily determinable market values are recorded at fair market value. Investment assets are invested under the supervision of the Finance Committee. Investments are made according to the Investment Statement of Objectives and Policies adopted by the Foundation's Board. These guidelines provide for investment in equities and fixed income securities with performance measured against appropriate indices. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain long-term investments, it is reasonably possible that changes in the values of these investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

Fixed Assets

Fixed assets, consisting of the assets noted below, are carried at cost, net of accumulated depreciation. Asset acquisitions in excess of \$500 with a life in excess of one year are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets as follows:

Furniture	7 years
Office Equipment	5 years
Computer Equipment and Software	3 years
Leasehold Improvements	10 years (not to exceed lease term)

STANISLAUS COMMUNITY FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants

Grants are made from available principal and income by or under the authority of the Board of Directors. Donor-advised funds permit donors to recommend possible recipients. Grants are recorded at the date of approval by the Board of Directors or when awarded under the authority of the Board of Directors, when the grant award is communicated to the grantee.

Management Fee

The Foundation charges an annualized fee, allocated monthly to the funds, to cover the cost it incurs by administering each fund. This fee is applied to the general operating costs of the Foundation.

Income Taxes

The Foundation is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from Federal and California income tax, except on net income derived from unrelated business activities. The Foundation does not currently hold an interest in any investment which would pass through unrelated business income, however, the investment policy does allow for such investments. The Foundation believes it has appropriate support for any tax position taken and, as such, does not have any uncertain tax positions that are material to the financial statements. The Foundation is classified as a public charity under IRC section 170(b)(1)(A)(vi). Management believes that the Foundation will continue to be exempt from taxes. The Foundation's federal returns are subject to examination by the IRS, generally for three years after they were filed.

Estimates and Assumptions

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 FAIR VALUE MEASUREMENTS

Generally accepted accounting principles provide the 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 as follows:

STANISLAUS COMMUNITY FOUNDATION
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 DECEMBER 31, 2019 AND 2018

NOTE 2 FAIR VALUE MEASUREMENTS (Continued)

Level 1	Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.
Level 2	<p>Inputs to the valuation methodology include:</p> <ul style="list-style-type: none"> ◦ 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 other means. <p>If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.</p>
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 is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of December 31, 2019 and 2018.

Common stocks, corporate bonds and U.S. government securities: Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual funds: Valued at the net asset value (NAV) of shares held by the plan at the year end.

The preceding methods 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 Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or

STANISLAUS COMMUNITY FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 2 FAIR VALUE MEASUREMENTS (Continued)

assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of December 31, 2019 and 2018:

	<u>12/31/19</u>	<u>12/31/18</u>
Level 1		
Common and Preferred Stocks		
Schwab – Equity Funds	\$ 16,764,036	\$ 14,776,965
Schwab – Fixed Income	2,722	2,710
Schwab – ETF	4,307,507	5,054,411
Merrill Lynch – Equity Funds	1,199,532	-
Merrill Lynch – Fixed Income	295,572	-
Mutual Funds		
Schwab – Bond Funds	10,368,486	9,082,229
Merrill Lynch – Mutual Funds	4,560,166	-
Total Level 1	<u>37,498,021</u>	<u>28,916,315</u>
Level 2		
Other Investments		
Common Stock – Non-Publicly Traded	-	301,488
Stock Purchase Warrants	14,442	14,442
Notes Receivable	327,403	327,403
Real Property – Land	300,000	273,000
Total Level 2	<u>641,845</u>	<u>916,333</u>
Total Investments	<u>\$ 38,139,866</u>	<u>\$ 29,832,648</u>

The following schedule summarizes the investment return in the statement of activities:

	<u>12/31/19</u>	<u>12/31/18</u>
Interest and Dividends	\$ 944,314	\$ 870,483
Net Realized and Unrealized Gains (Losses)	<u>4,005,575</u>	<u>(2,336,239)</u>
Net Investment Return	<u>\$ 4,949,889</u>	<u>\$ (1,465,756)</u>

The significant increase in investment value for the current year is consistent with the overall performance of comparable markets.

STANISLAUS COMMUNITY FOUNDATION
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 DECEMBER 31, 2019 AND 2018

NOTE 3 NOTES RECEIVABLE

In 2016, the Foundation was the recipient of a donor advised contribution consisting pre-existing notes receivable. As of December 31, 2019 and 2018, the balances of these notes receivable were as follows:

	12/31/19	12/31/18
Note Receivable – RF2 Funding LLC; payable in quarterly interest only payments at interest of 12%. Note matures March 2021.	\$ 250,000	\$ 250,000
Note Receivable – Marrone Bio; payable in monthly interest only payments at interest rate of 8%. Note matures December 2022.	77,403	77,403
Total Notes Receivable	\$ 327,403	\$ 327,403

The notes have been recorded at their face value which approximates their fair value.

NOTE 4 AGENCY FUNDS HELD FOR AND PAYABLE TO OTHERS

The Foundation receives and distributes assets under certain agency and intermediary arrangements. Generally accepted accounting standards have established standards for transactions in which a community foundation accepts a contribution from a donor and agrees to transfer those assets, the return on investment of those assets, or both, to another entity that is specified by the donor. The liability is reflected under “Agency Funds Held for Others” on the accompanying consolidated statements of financial position.

The Foundation has determined that all agency funds are most appropriately considered liabilities. Pursuant to the agency fund agreement, the Foundation will hold and administer the funds of the fund holders. It is the understanding that the fund holders would be entitled to and would exercise the right to receive the funds back at a later time. Therefore, these funds, comprised of total principal and related income and expenses held for the fund holders, have been included in the amount held for others.

STANISLAUS COMMUNITY FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 4 AGENCY FUNDS HELD FOR AND PAYABLE TO OTHERS (Continued)

Funds Held For and Payable to Others at December 31, 2019 and 2018 consisted of the following:

	<u>12/31/19</u>	<u>12/31/18</u>
Funds Payable to Others		
Book of Dreams	\$ 83,957	\$ 44,826
City of Modesto – Parks, Recs & Neighborhoods	747,422	784,268
Center for Human Services	549,826	487,807
Modesto Rotary Club Foundation	375,706	330,597
American Leadership Forum	243,841	233,726
Patterson Historical Research Foundation	192,111	178,256
Friends of Modesto Salvation Army	191,932	-
Modesto Gateway Rotary	173,763	167,414
All Other Agency Funds	582,484	509,501
Total	<u>\$ 3,141,042</u>	<u>\$ 2,736,395</u>

NOTE 5 FUNCTIONAL CLASSIFICATION OF EXPENSES

Functional expenses of the Foundation are generally allocated by management based on time and effort expended in each category.

NOTE 6 LIQUIDITY AND AVAILABILITY OF RESOURCES

The Foundation monitors its liquidity so that it is able to meet its operating needs. The below table reflects the Foundation's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date. Financial assets are considered to be unavailable for general expenditure when they are illiquid or not convertible to cash within one year, assets held for others, perpetual endowments and accumulated earnings net of appropriations within one year, or because the board of directors has designated funds for specific reserves or long-term investments such as board designated quasi-endowments. The board restricted amounts could be used within one year if approved by the Board of Directors.

STANISLAUS COMMUNITY FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 6 LIQUIDITY AND AVAILABILITY OF RESOURCES (Continued)

	12/31/19	12/31/18
Financial Assets:		
Cash and Cash Equivalents	\$ 3,436,087	\$ 7,154,360
Contributions and Other Receivables	1,077	1,514
Grants Receivable	574,000	1,140,370
Investments	37,512,463	29,232,245
Notes Receivable	327,403	327,403
Total Financial Assets	41,851,030	37,855,892
Less Those Unavailable for General Expenditure Within One Year Due to:		
Endowments and Accumulated Earnings Subject to Appropriation Beyond One Year	(4,913,715)	(4,428,170)
Agency Funds Invested for Others	(3,141,042)	(2,736,395)
Noncurrent Portion of Notes Receivable	(327,403)	(327,403)
Noncurrent Portion of Grants Receivable	(207,000)	(574,000)
Designations:		
Special Initiative Fund	(1,014,163)	(1,442,926)
Financial Assets Available to Meet Cash Needs for Expenditures Within One Year	\$ 32,247,707	\$ 28,346,998

NOTE 7 ENDOWMENT FUNDS

The Foundation's endowment funds consist of several individual funds established for a variety of purposes. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees of the Foundation has interpreted the Uniform Prudent Management of Institutional Fund Act (UPMIFA) as requiring the preservation of the historic dollar value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standing of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and

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NOTE 7 ENDOWMENT FUNDS (Continued)

preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

In accordance with Foundation policy and UPMIFA guidance, up to 7% of a fund's permanently restricted balance can be reclassified as unrestricted to pay administration and grant costs.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration.

Deficiencies of this nature existed in several donor-restricted endowment funds, which together had an original gift value of \$730,468, a fair value of \$703,038, and a deficiency of \$27,430 as of December 31, 2018. These deficiencies resulted from unfavorable market fluctuations during the year. This situation reversed in the current year and no such deficiencies existed as of December 31, 2019.

Change in Endowment Net Assets for the Fiscal Year ending December 31, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, Beginning of Year	\$ -	\$ 4,428,170	\$ 4,428,170
Investment Return:			
Investment Income			
Dividends	-	132,565	132,565
Net Appreciation	-	599,733	599,733
	-	732,298	732,298
Total Investment Return	-	732,298	732,298
Contributions to Endowments	-	300	300
Operating Expenses	-	(15,412)	(15,412)
Amounts Appropriated for Expenditures	231,641	(231,641)	-
Expenditures	(231,641)	-	(231,641)
Endowment Net Assets, End of Year	\$ -	\$ 4,913,715	\$ 4,913,715

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NOTE 7 ENDOWMENT FUNDS (Continued)

Change in Endowment Net Assets for the Fiscal Year ending December 31, 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, Beginning of Year	\$ -	\$ 4,868,754	\$ 4,868,754
Investment Return:			
Investment Income			
Dividends	-	151,398	151,398
Net Appreciation	-	(400,073)	(400,073)
Total Investment Return	-	(248,675)	(248,675)
Contributions to Endowments	174,329	132,144	306,473
Operating Expenses Designated as Restricted Amounts Appropriated for Expenditures	-	(20,056)	(20,056)
	(174,329)	174,329	-
	478,326	(478,326)	-
Expenditures	(478,326)	-	(478,326)
Endowment Net Assets, End of Year	\$ -	\$ 4,428,170	\$ 4,428,170

NOTE 8 RETIREMENT PLAN

During the year ended December 31, 2018, the Foundation determined that the defined contribution 401K retirement plan that had been in place since 2015 was not considered to be the most suitable retirement plan option and decided to terminate the plan. In its place, the Foundation implemented a SIMPLE IRA retirement plan option for employees. The SIMPLE IRA plan is available to any employee who earned at least \$5,000 in compensation in any two prior calendar years and is expected to earn at least \$5,000 in the current year. For the year ended December 31, 2019, the Foundation contributed \$9,952 to the SIMPLE IRA plan. The Foundation did not make a contribution to the prior 401K retirement plan for the year ended December 31, 2018.

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NOTE 9 OPERATING LEASES

Effective May 1, 2018, the Foundation entered into a non-cancelable operating lease agreement for office space located at 100 Sycamore Avenue in Modesto expiring April 30, 2023. The lease includes one 5 year renewal option. The monthly lease payments are \$6,007 and increase annually pursuant to a pre-determined rate schedule. Total lease payments made during the years ended December 31, 2019 and December 31, 2018 were \$72,083 and \$54,063, respectively.

Minimum future lease payments to be paid each year and in the aggregate for the remainder of the lease are as follows:

<u>Period Ended December 31,</u>	<u>12/31/19</u>	<u>12/31/18</u>
2019	\$ -	\$ 72,083
2020	73,285	73,285
2021	75,117	75,117
2022	76,995	76,995
2023	<u>25,875</u>	<u>25,875</u>
Total	<u>\$ 251,272</u>	<u>\$ 323,355</u>

NOTE 10 CAPITAL LEASES

The Foundation is the lessee of a copier with a recorded cost of \$7,089 and related accumulated depreciation of \$4,727 and \$3,309 as of December 31, 2019 and December 31, 2018, respectively. The assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The asset is depreciated following the same policies for fixed assets owned by the Foundation. The amount charged to depreciation related to capital lease assets for the years ended December 31, 2019 and December 31, 2018 were \$1,418 and \$1,418, respectively.

Capital lease obligations consist of the following at December 31:

	<u>2019</u>	<u>2018</u>
US Bank- Savin Copier	\$ 2,793	\$ 4,389
Less: Amount Representing Interest	<u>(118)</u>	<u>(282)</u>
Total Principal	2,675	4,107
Less: Current Portion	<u>(1,501)</u>	<u>(1,432)</u>
Long-Term Portion	<u>\$ 1,174</u>	<u>\$ 2,675</u>

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NOTE 10 CAPITAL LEASES (Continued)

The following is a summary of payments on capital leases to maturity:

<u>Year Ending December 31,</u>	<u>2019</u>	<u>2018</u>
2019	\$ -	\$ 1,432
2020	1,501	1,501
2021	<u>1,174</u>	<u>1,174</u>
Total Minimum Lease Payments	<u>\$ 2,675</u>	<u>\$ 4,107</u>

NOTE 11 SUBSEQUENT EVENTS

Subsequent to year end, a global pandemic occurred which resulted in a substantial decline in the stock market. This created a material decline in fair market value of the Foundation's invested assets. It is impractical to determine what the actual financial effect is to the Organization.

Management has evaluated subsequent events through May 28, 2020, which is the date the financial statements were available to be issued.