

STANISLAUS COMMUNITY FOUNDATION  
(A NONPROFIT CORPORATION)

INDEPENDENT AUDITOR'S REPORT  
AND FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

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## INDEPENDENT AUDITOR'S REPORT

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

### Opinion

We have audited the accompanying financial statements of Stanislaus Community Foundation (a California Nonprofit Corporation), which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, 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.

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, 2022 and 2021, and the changes in its net position 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Stanislaus Community 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 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Stanislaus Community Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 generally accepted auditing standards 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 financial statements. In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 Stanislaus Community 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Stanislaus Community 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.

  
Johnson & Matos CPAs, Inc.

July 20, 2023  
Modesto, California

STANISLAUS COMMUNITY FOUNDATION  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2022 AND 2021

ASSETS

	2022	2021
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents-Operating Accounts	\$ 2,467,799	\$ 2,873,839
Cash and Cash Equivalents-Investment Accounts	649,956	470,811
Total Cash and Cash Equivalents	3,117,755	3,344,650
Contributions Receivable	-	10,000
Grants Receivable, Current	98,420	93,210
Total Current Assets	3,216,175	3,447,860
<b>NON CURRENT ASSETS</b>		
Long-Term Investments at Market Value	37,008,557	42,940,511
Notes Receivable	250,000	327,403
Investment in Real Property	460,126	300,000
Deposit	6,000	6,000
Total Non Current Assets	37,724,683	43,573,914
<b>FIXED ASSETS (Net of Accumulated Depreciation of \$18,184 and \$14,748)</b>	10,738	14,174
<b>NET ASSETS</b>		
Total Assets	\$ 40,951,596	\$ 47,035,948
<b>LIABILITIES AND NET ASSETS</b>		
	2022	2021
<b>CURRENT LIABILITIES</b>		
Agency Funds Held for Others	\$ 2,856,613	\$ 3,021,870
Grants Payable, Current	-	125,000
Current Portion of Capital Lease	1,370	1,307
Total Current Liabilities	2,857,983	3,148,177
<b>LONG-TERM DEBT</b>		
Capital Lease, Net of Current Portion	3,990	5,360
<b>NET ASSETS</b>		
Net Assets Without Donor Restrictions		
Administrative	1,767,707	1,102,203
Donor Advised Funds	25,198,064	29,219,816
Designated Funds	979,862	1,125,642
Total Net Assets Without Donor Restrictions	27,945,633	31,447,661
Net Assets With Donor Restrictions	10,143,990	12,434,750
Total Net Assets	38,089,623	43,882,411
Total Liabilities and Net Assets	\$ 40,951,596	\$ 47,035,948

See accompanying notes and accountant's report.

STANISLAUS COMMUNITY FOUNDATION  
CONSOLIDATED STATEMENTS OF ACTIVITIES  
YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
<b>CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>		
Revenues and Support:		
Contributions	\$ 6,005,970	\$ 6,739,288
Grants	-	130,197
Interest and Dividend Income	814,163	900,580
Net Realized and Unrealized Gain (Loss) on Investments	(4,563,173)	3,355,681
Net Realized Gain (Loss) on Asset Disposition	-	(71)
Fees For Services	50,000	80,000
Administrative Service Fees	53,249	68,369
Miscellaneous	29,257	11,601
Debt Forgiveness	-	116,490
Net Assets Released From Restrictions	2,911,030	607,952
Total Revenues and Support	5,300,496	12,010,087
Expenses:		
Program Grants and Expenses	7,699,996	6,777,401
Operating Expenses	894,215	832,129
Fundraising	208,313	186,976
Total Expenses	8,802,524	7,796,506
<b>INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	<b>(3,502,028)</b>	<b>4,213,581</b>
<b>CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS</b>		
Revenues and Support:		
Contributions	1,078,166	15,000
Grants	357,225	-
Other Income	726	-
Interest and Dividend Income	200,615	130,118
Net Realized and Unrealized Gain (Loss) on Investments	(1,016,462)	509,925
Total Revenues and Support	620,270	655,043
Less: Net Assets Released From Restrictions	(2,911,030)	(607,952)
<b>INCREASE (DECREASE) IN NET ASSETS WITH DONOR RESTRICTIONS</b>	<b>(2,290,760)</b>	<b>47,091</b>
<b>OTHER ITEMS CONSIDERED TO BE NON-OPERATING</b>		
Cyber Security Breach	-	(115,000)
<b>TOTAL CHANGE IN NET ASSETS</b>	<b>(5,792,788)</b>	<b>4,145,672</b>
Net Assets at Beginning of Year	43,882,411	39,736,739
Net Assets at End of Year	<b>\$ 38,089,623</b>	<b>\$ 43,882,411</b>

See accompanying notes and accountant's report.

STANISLAUS COMMUNITY FOUNDATION  
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES  
YEARS ENDED DECEMBER 31, 2022 AND 2021

EXPENSES	YEAR ENDED DECEMBER 31, 2022			
	SUPPORT SERVICES			TOTAL
	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING AND DEVELOPMENT	
Grants and Scholarships	\$ 6,959,311	\$ -	\$ -	\$ 6,959,311
Salaries and Wages	-	486,063	208,313	694,376
Occupancy				
Rent	-	76,240	-	76,240
Insurance	-	9,597	-	9,597
Utilities	-	9,447	-	9,447
Marketing	-	10,743	-	10,743
General and Administrative				
Asset Management Fees	-	145,226	-	145,226
Database System	-	69,869	-	69,869
Depreciation	-	3,436	-	3,436
Dues and Subscriptions	-	15,936	-	15,936
Office Supplies	-	4,506	-	4,506
Operating Expenses	-	33,092	-	33,092
Professional Development	-	6,400	-	6,400
Professional Fees - General	-	13,416	-	13,416
Professional Fees - Leadership Programs	740,685	-	-	740,685
Service Contracts	-	10,244	-	10,244
<b>Total Functional Expenses</b>	<b>\$ 7,699,996</b>	<b>\$ 894,215</b>	<b>\$ 208,313</b>	<b>\$ 8,802,524</b>

EXPENSES	YEAR ENDED DECEMBER 31, 2021			
	SUPPORT SERVICES			TOTAL
	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING AND DEVELOPMENT	
Grants and Scholarships	\$ 6,587,088	\$ -	\$ -	\$ 6,587,088
Salaries and Wages	-	436,277	186,976	623,253
Occupancy				
Rent	-	72,534	-	72,534
Insurance	-	8,961	-	8,961
Utilities	-	9,537	-	9,537
Marketing	-	8,514	-	8,514
General and Administrative				
Asset Management Fees	-	149,092	-	149,092
Database System	-	68,820	-	68,820
Depreciation	-	2,897	-	2,897
Dues and Subscriptions	-	24,166	-	24,166
Office Supplies	-	3,109	-	3,109
Operating Expenses	-	18,214	-	18,214
Professional Development	-	8,841	-	8,841
Professional Fees - General	-	10,732	-	10,732
Professional Fees - Leadership Programs	190,313	-	-	190,313
Service Contracts	-	10,435	-	10,435
<b>Total Functional Expenses</b>	<b>\$ 6,777,401</b>	<b>\$ 832,129</b>	<b>\$ 186,976</b>	<b>\$ 7,796,506</b>

See accompanying notes and accountant's report.

STANISLAUS COMMUNITY FOUNDATION  
CONSOLIDATED STATEMENTS OF CASH FLOW  
YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
CASH FLOW FROM (USED BY) OPERATING ACTIVITIES		
Change in Net Assets	\$ (5,792,788)	\$ 4,145,672
Adjustment to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	3,436	2,897
Net Realized and Unrealized Losses (Gains) on Long-Term Investments	5,579,635	(3,865,606)
Securities Contributions Received	(378,140)	(1,587,121)
Net Realized Gain (Loss) on Asset Disposition	-	71
Debt Forgiveness	-	(116,490)
Changes in Operating Assets and Liabilities:		
Decrease (Increase) in Contributions Receivable	10,000	(10,000)
Decrease (Increase) in Grants Receivable	(5,210)	124,910
Increase (Decrease) in Grants Payable	(125,000)	(25,000)
Increase (Decrease) in Funds Payable to Others	(165,256)	(115,380)
Total Adjustments	4,919,465	(5,591,719)
Net Cash Flow From (Used By) Operating Activities	(873,323)	(1,446,047)
CASH FLOW FROM (USED BY) INVESTING ACTIVITIES		
Purchases of Investments	(13,147,439)	(6,694,387)
Purchase of Capital Assets	-	(4,914)
Principal Received on Note Receivable	77,402	-
Proceeds from Sale of Investments	13,717,772	8,207,934
Net Cash Flow From (Used By) Investing Activities	647,735	1,508,633
CASH FLOW FROM (USED BY) FINANCING ACTIVITIES		
Payment on Capital Lease	(1,307)	(1,596)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(226,895)	60,990
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	3,344,650	3,283,660
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 3,117,755	\$ 3,344,650

See accompanying notes and accountant's report.



STANISLAUS COMMUNITY FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021

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, 2022 and 2021 were \$10,143,990 and \$12,434,750, 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, 2022 AND 2021

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), which covers conventional financial institutions, and the National Association of Credit Unions (NACU), which covers credit union institutions, provide insurance coverage per depositor per financial institution. The maximum coverage provided by each type of coverage as of December 31, 2022 and 2021 was \$250,000. 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 NACU. At December 31, 2022 and 2021, the Foundation's uninsured cash balance was \$2,227,181 and \$2,513,420, respectively.

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

	<u>12/31/22</u>	<u>12/31/21</u>
Financial Institutions:		
Oak Valley Community Bank	\$ 1,724,771	\$ 2,671,348
Valley First Credit Union	664,585	59,915
Self-Help Credit Union	602,174	533,065
Total Financial Institutions	<u>\$ 2,991,530</u>	<u>\$ 3,264,328</u>
Brokerage Accounts:		
Charles Schwab	\$ 276,005	\$ 285,962
Merrill Lynch	373,952	184,849
Total Brokerage Accounts	<u>\$ 649,957</u>	<u>\$ 470,811</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, 2022 and 2021, the Foundation had \$0 and \$10,000 of uncollateralized contributions receivable, all of which will be or were received within one year of reporting date. In the unlikely event all contributions were not paid, the maximum recognized loss would be \$0 and \$10,000.

STANISLAUS COMMUNITY FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021

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 2022 and 2021 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, 2022 AND 2021

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 (IRC) 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.

Accrued Compensated Absences

Employees of the Company are entitled to paid vacation, paid sick days, and personal days off, depending on job classification, length of service, and other factors. It is impracticable to estimate the amount of compensation for future absences, thus no liability has been recorded in the accompanying financial statements. The Company's policy is to recognize the cost of compensated absences when actually paid to employees.

STANISLAUS COMMUNITY FOUNDATION  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 DECEMBER 31, 2022 AND 2021

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:

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"> <li>• Quoted prices for similar assets or liabilities in active markets;</li> <li>• Quoted prices for identical or similar assets or liabilities in inactive markets;</li> <li>• Inputs other than quoted prices that are observable for the asset or liability;</li> <li>• Inputs that are derived principally from or corroborated by observable market data by correlation or other means.</li> </ul> <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, 2022 and 2021.

STANISLAUS COMMUNITY FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021

NOTE 2 FAIR VALUE MEASUREMENTS (Continued)

*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 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, 2022 and 2021:

	12/31/22	12/31/21
<b>Level 1</b>		
Common and Preferred Stocks		
Schwab – Equity Funds	\$ 14,422,364	\$ 16,951,785
Schwab – Fixed Income	15,805,920	17,767,704
Schwab – Other	345,868	-
Merrill Lynch – Equity Funds	3,805,919	5,125,138
Merrill Lynch – Fixed Income	1,964,345	2,184,825
Merrill Lynch – Alternative	664,141	911,059
Total Level 1	37,008,557	42,940,511
<b>Level 2</b>		
Other Investments		
Notes Receivable	250,000	327,403
Real Property – Land	460,126	300,000
Total Level 2	710,126	627,403
Total Investments	\$ 37,718,683	\$ 43,567,914

STANISLAUS COMMUNITY FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021

NOTE 2 FAIR VALUE MEASUREMENTS (Continued)

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

	12/31/22	12/31/21
Interest and Dividends	\$ 1,014,778	\$ 1,030,698
Net Realized and Unrealized Gains (Losses)	(5,579,635)	3,865,606
Net Investment Return	\$ (4,564,857)	\$ 4,896,305

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

NOTE 3 REVENUE RECOGNITION

The Foundation recognizes revenue from several different sources within the scope of ASC 606 *Revenue from Contracts with Customers* throughout the year. A primary source of revenue is contributions which are recognized in the Statement of Activities when cash or ownership of donated assets is transferred to the Foundation. This type of revenue does not typically have any performance obligations that must be met in order to be recognized as revenue.

Another primary source of revenue for the Foundation is grant revenue. The Foundation receives both unrestricted and restricted as to use grant revenue. Typically, there are no performance obligations that must be met in order for the Foundation to receive the grant funding and therefore, the revenue is recognized when the funding is awarded. Sometimes the Foundation will be awarded grant funding that is subject to various performance obligations. The most typical performance obligation related to grants would be providing reporting on program services and impact to a grantor during the life of a grant in order to show that the funding is effective. If the Foundation receives these types of grants, the amount of funding subject to performance obligations is recognized as deferred revenue until such time as the performance obligation has been satisfied. The Foundation did not have any such performance obligation restricted grants as of December 31, 2022 and 2021, respectively.

The final primary source of revenue for the Foundation is revenue derived from interest income and securities related activity. These types of revenue fall outside of the scope of ASU 606 *Revenue from Contracts with Customers*.

STANISLAUS COMMUNITY FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021

NOTE 4 NOTES RECEIVABLE

In 2016, the Foundation was the recipient of a donor advised contribution consisting pre-existing notes receivable. As of December 31, 2022 and 2021, the balances of these notes receivable were as follows:

	12/31/22	12/31/21
Note Receivable – RF2 Funding LLC; payable in quarterly interest only payments at interest of 12%. Note matures March 2025.	\$ 250,000	\$ 250,000
Note Receivable – Marrone Bio; payable in monthly interest only payments at interest rate of 8%. Note matured December 2022.	-	77,403
Total Notes Receivable	\$ 250,000	\$ 327,403

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

NOTE 5 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 or directly back to the contributing donor, as 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, 2022 AND 2021

NOTE 5 AGENCY FUNDS HELD FOR AND PAYABLE TO OTHERS (Continued)

Funds Held For and Payable to Others at December 31, 2022 and 2021 consisted of the following:

	12/31/22	12/31/21
Funds Payable to Others		
City of Modesto – Parks, Recs & Neighborhoods	\$ 694,305	\$ 828,085
Center for Human Services	284,317	331,050
Modesto Rotary Club Foundation	321,416	405,200
St. Luke's Family Practice	275,402	-
American Leadership Forum	-	255,554
Patterson Historical Research Foundation	180,762	216,115
Friends of Modesto Salvation Army	162,223	163,435
Modesto Gateway Rotary	171,099	199,222
Education Foundation	-	151,009
All Other Agency Funds	767,089	472,199
Total	\$ 2,856,613	\$ 3,021,870

NOTE 6 FUNCTIONAL CLASSIFICATION OF EXPENSES

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

NOTE 7 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.

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NOTE 7 LIQUIDITY AND AVAILABILITY OF RESOURCES (Continued)

	12/31/22	12/31/21
Financial Assets:		
Cash and Cash Equivalents	\$ 3,117,755	\$ 3,344,650
Contributions and Other Receivables	-	10,000
Grants Receivable	98,420	93,210
Investments	37,008,557	42,940,511
Notes Receivable	<u>250,000</u>	<u>327,403</u>
Total Financial Assets	<u>40,474,732</u>	<u>46,715,774</u>
Less Those Unavailable for General Expenditure Within One Year Due to:		
Endowments and Accumulated Earnings		
Subject to Appropriation Beyond One Year	(4,236,371)	(4,096,245)
Agency Funds Invested for Others	(2,856,613)	(3,021,870)
Noncurrent Portion of Notes Receivable	(250,000)	(327,403)
Designations:		
Net Assets with Restrictions	<u>(5,907,619)</u>	<u>(8,338,505)</u>
Financial Assets Available to Meet Cash Needs for Expenditures Within One Year	<u>\$ 27,224,129</u>	<u>\$ 30,931,751</u>

The Foundation has a goal to maintain financial assets on hand to meet 60 days of normal operating expense, which are, on average, approximately \$185,000.

The Foundation has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 8 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.

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NOTE 8 ENDOWMENT FUNDS (Continued)

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 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. For the years ended December 31, 2022 and 2021, the Foundation did not have any funds with deficiencies.

Change in Endowment Net Assets for the Fiscal Year ending December 31, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, Beginning of Year	\$ -	\$ 4,985,652	\$ 4,985,652
Investment Return:			
Dividends	-	124,443	124,443
Net Appreciation (Depreciation)	-	(552,309)	(552,309)
Total Investment Return	-	(427,866)	(427,866)
Contributions to Endowments	-	30,550	30,550
Amounts Appropriated for Expenditures	311,314	(311,314)	-
Expenditures	(311,314)	-	(311,314)
Endowment Net Assets, End of Year	\$ -	\$ 4,277,021	\$ 4,277,021

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NOTE 8 ENDOWMENT FUNDS (Continued)

Change in Endowment Net Assets for the Fiscal Year ending December 31, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, Beginning of Year	\$ -	\$ 4,625,989	\$ 4,625,989
Investment Return:			
Dividends	-	132,983	132,983
Net Appreciation (Depreciation)	-	522,594	522,594
Total Investment Return	-	655,577	655,577
Contributions to Endowments	-	250	250
Amounts Appropriated for Expenditures	296,165	(296,165)	-
Expenditures	(296,165)	-	(296,165)
Endowment Net Assets, End of Year	<u>\$ -</u>	<u>\$ 4,985,652</u>	<u>\$ 4,985,652</u>

NOTE 9 RETIREMENT PLAN

The Foundation maintains 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 years ended December 31, 2022 and 2021, the Foundation contributed \$10,840 and \$10,815, respectively, to the SIMPLE IRA plan.

NOTE 10 OPERATING LEASES

Effective May 1, 2018, the Foundation entered into an 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 increase annually pursuant to a pre-determined rate schedule. Total lease payments made during the years ended December 31, 2022 and December 31, 2021 were \$76,240 and \$72,534, respectively.

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NOTE 10 OPERATING LEASES (Continued)

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>12/31/22</u>	<u>12/31/21</u>
2022	\$ -	\$ 75,778
2023	25,875	25,875
Total	<u>\$ 25,875</u>	<u>\$ 101,653</u>

NOTE 11 CAPITAL LEASES

The Foundation is the lessee of a copier with a recorded cost of \$7,089 and related accumulated depreciation of \$1,891 and \$473 as of December 31, 2022 and December 31, 2021, 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, 2022 and December 31, 2021 were \$1,418 and \$473, respectively.

Capital lease obligations consist of the following at December 31:

	<u>2022</u>	<u>2021</u>
US Bank- Savin Copier	\$ 5,853	\$ 7,449
Less: Amount Representing Interest	<u>(493)</u>	<u>(782)</u>
Total Principal	5,360	6,667
Less: Current Portion	<u>(1,370)</u>	<u>(1,307)</u>
Long-Term Portion	<u>\$ 3,990</u>	<u>\$ 5,360</u>

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

<u>Year Ending December 31,</u>	<u>2022</u>	<u>2021</u>
2022	\$ -	\$ 1,307
2023	1,370	1,370
2024	1,437	1,437
2025	1,507	1,507
2026	<u>1,046</u>	<u>1,046</u>
Total Minimum Lease Payments	<u>\$ 5,360</u>	<u>\$ 6,667</u>

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NOTE 12 NON-OPERATING EXPENSE

During the year ended December 31, 2021, the Foundation was the victim of an external cyber security attack. As a result of this attack, funds in the amount of \$115,000 were sent to a fraudulent account and were not able to be recovered. The Foundation immediately took action, including hiring a third party consultant, to implement additional internal control measures to mitigate against future occurrence.

NOTE 13 SUBSEQUENT EVENTS

Subsequent to year end, the Foundation extended their operating lease agreement for a portion of the office space located at 100 Sycamore Avenue. The extended operating lease has an expiration date of April 30, 2028.

Management has evaluated subsequent events through July 20, 2023, which is the date the financial statements were available to be issued.