

**Ventura County Community
Foundation and Subsidiaries**

Consolidated Financial Statements
and Supplementary Information

September 30, 2021
(With Comparative Totals for 2020)



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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Ventura County Community Foundation and Subsidiaries
Camarillo, California

We have audited the accompanying consolidated financial statements of Ventura County Community Foundation and Subsidiaries (a California nonprofit corporation) (the "Foundation"), which comprise the consolidated statement of financial position as of September 30, 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Ventura County Community Foundation and Subsidiaries as of September 30, 2021, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The information on pages 31 - 32 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited Ventura County Community Foundation and Subsidiaries' 2020 consolidated financial statements, and our report dated March 3, 2021 expressed an unmodified opinion on those audited consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2020, adjusted for the change in accounting principle discussed above, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived. Also, in our opinion, such adjustments are appropriate and have been properly applied.



Armanino^{LLP}
Los Angeles, California

March 22, 2022

Ventura County Community Foundation and Subsidiaries
Consolidated Statement of Financial Position
September 30, 2021
(With Comparative Totals for 2020)

	2021	2020
ASSETS		
Cash and cash equivalents	\$ 4,056,862	\$ 11,632,101
Contributions receivable	600,000	5,026,575
Prepaid and other assets	471,995	490,641
Property held for sale	630,000	-
Investments	172,850,290	138,070,163
Planned giving	655,571	660,342
Fixed assets, net of accumulated depreciation	8,375,747	8,580,716
 Total assets	 \$ 187,640,465	 \$ 164,460,538
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 698,164	\$ 496,763
Refundable advance (Paycheck Protection Program)	-	24,357
Grants payable	448,988	569,190
Notes payable	6,401,200	6,517,309
Funds held for designated purpose (Note 5)	5,729,167	-
Funds held as agency endowments	22,391,354	19,028,777
Planned giving liability	336,595	339,116
Tenant security deposits	61,076	61,076
Deferred revenue	25,000	7,105,000
Interest rate swap liability	307,950	105,866
Total liabilities	36,399,494	34,247,454
Commitments and contingencies (Note 14)		
Net assets		
Without donor restrictions		
Funds under management	140,611,014	115,434,383
General	5,894,443	5,673,493
Total without donor restrictions	146,505,457	121,107,876
With donor restrictions	4,735,514	9,105,208
Total net assets	151,240,971	130,213,084
 Total liabilities and net assets	 \$ 187,640,465	 \$ 164,460,538

The accompanying notes are an integral part of these consolidated financial statements.

Ventura County Community Foundation and Subsidiaries
Consolidated Statement of Activities
For the Year Ended September 30, 2021
(With Comparative Totals for 2020)

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
Revenues, gains and other support				
Revenue and other support				
Contributions, grants and bequests	\$ 2,992,955	\$ 4,972,473	\$ 7,965,428	\$ 13,133,530
Donation of property	630,000	-	630,000	-
Federal grants	-	36,367,369	36,367,369	4,527,630
Rental income	823,532	-	823,532	810,821
Paycheck Protection Program grant	24,357	-	24,357	161,643
Management fees	<u>340,771</u>	<u>-</u>	<u>340,771</u>	<u>277,808</u>
Total revenue and other support	4,811,615	41,339,842	46,151,457	18,911,432
Investment return, net of expenses	24,632,909	397,394	25,030,303	8,984,462
Net assets released from restriction	<u>46,106,930</u>	<u>(46,106,930)</u>	<u>-</u>	<u>-</u>
Total revenues, gains, and other support	<u>75,551,454</u>	<u>(4,369,694)</u>	<u>71,181,760</u>	<u>27,895,894</u>
Functional expenses				
Program services				
Grantmaking and distributions	47,297,102	-	47,297,102	19,979,000
Other program services	<u>1,451,311</u>	<u>-</u>	<u>1,451,311</u>	<u>2,094,457</u>
Total program services	<u>48,748,413</u>	<u>-</u>	<u>48,748,413</u>	<u>22,073,457</u>
Supporting services				
Management and general	981,859	-	981,859	946,931
Fundraising	<u>221,517</u>	<u>-</u>	<u>221,517</u>	<u>216,920</u>
Total support services	<u>1,203,376</u>	<u>-</u>	<u>1,203,376</u>	<u>1,163,851</u>
Total functional expenses	<u>49,951,789</u>	<u>-</u>	<u>49,951,789</u>	<u>23,237,308</u>
Change in net assets from operations	25,599,665	(4,369,694)	21,229,971	4,658,586
Non-operating				
Change in value of interest rate swap	<u>202,084</u>	<u>-</u>	<u>202,084</u>	<u>105,866</u>
Change in net assets	25,397,581	(4,369,694)	21,027,887	4,552,720
Net assets, beginning of year	<u>121,107,876</u>	<u>9,105,208</u>	<u>130,213,084</u>	<u>125,660,364</u>
Net assets, end of year	<u>\$146,505,457</u>	<u>\$ 4,735,514</u>	<u>\$151,240,971</u>	<u>\$130,213,084</u>

The accompanying notes are an integral part of these consolidated financial statements.

Ventura County Community Foundation and Subsidiaries
Consolidated Statement of Functional Expenses
For the Year Ended September 30, 2021
(With Comparative Totals for 2020)

	Program Services			Supporting Services			2021 Total	2020 Total
	Grantmaking and Distributions	Other Program Services	Total Program Services	Management and General	Fundraising	Total Support Services		
Personnel expenses								
Salaries and wages	\$ 670,464	\$ 493,395	\$ 1,163,859	\$ 276,257	\$ 186,575	\$ 462,832	\$ 1,626,691	\$ 1,364,058
Retirement plan contributions	17,360	14,059	31,419	7,153	4,831	11,984	43,403	51,131
Payroll taxes	45,247	36,432	81,679	18,644	12,591	31,235	112,914	93,569
Employee benefits	31,344	32,910	64,254	12,915	8,722	21,637	85,891	78,144
Total personnel expenses	<u>764,415</u>	<u>576,796</u>	<u>1,341,211</u>	<u>314,969</u>	<u>212,719</u>	<u>527,688</u>	<u>1,868,899</u>	<u>1,586,902</u>
Accounting fees	-	15,000	15,000	59,995	-	59,995	74,995	53,342
Advertising and public relations	10,252	30,895	41,147	98,234	-	98,234	139,381	440,445
Bank charges	-	381	381	3,227	-	3,227	3,608	2,946
Depreciation and amortization	-	200,862	200,862	4,420	-	4,420	205,282	204,321
Grants	46,430,624	12,900	46,443,524	-	-	-	46,443,524	18,790,283
Information technology	12,354	-	12,354	64,092	2,621	66,713	79,067	99,536
Insurance	13,648	13,270	26,918	73,173	2,862	76,035	102,953	97,517
Interest expense	-	160,823	160,823	40,121	-	40,121	200,944	459,034
Legal fees	26,903	21,774	48,677	151,809	-	151,809	200,486	372,409
Life insurance	-	9,445	9,445	-	-	-	9,445	8,935
Miscellaneous	-	69	69	-	-	-	69	744
Office supplies	3,281	68	3,349	13,625	165	13,790	17,139	10,773
Other professional services	6,668	65,534	72,202	81,327	-	81,327	153,529	657,999
Printing and copying	2,970	1,105	4,075	2,720	-	2,720	6,795	18,676
Property management fees	-	37,019	37,019	-	-	-	37,019	35,357
Property taxes	-	6,525	6,525	-	-	-	6,525	6,454
Rent	1,580	-	1,580	2,192	410	2,602	4,182	4,045
Repairs and maintenance	5,541	186,452	191,993	2,943	-	2,943	194,936	194,013
Telephone	7,117	293	7,410	10,880	2,740	13,620	21,030	18,425
Training, membership and conferences	11,668	473	12,141	57,615	-	57,615	69,756	53,396
Travel	81	21	102	517	-	517	619	7,221
Utilities	-	111,606	111,606	-	-	-	111,606	114,535
	<u>\$ 47,297,102</u>	<u>\$ 1,451,311</u>	<u>\$ 48,748,413</u>	<u>\$ 981,859</u>	<u>\$ 221,517</u>	<u>\$ 1,203,376</u>	<u>\$ 49,951,789</u>	<u>\$ 23,237,308</u>

The accompanying notes are an integral part of these consolidated financial statements.

Ventura County Community Foundation and Subsidiaries
Consolidated Statement of Cash Flows
For the Year Ended September 30, 2021
(With Comparative Totals for 2020)

	2021	2020
Cash flows from operating activities		
Change in net assets	\$ 21,027,887	\$ 4,552,720
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	205,282	204,321
Allowance for doubtful contributions	68,929	-
Realized and unrealized gains on investments	(27,630,880)	(8,565,299)
Donated stock	32,783	-
Donation of property (Note 18)	(630,000)	-
Prepayment penalty on refinanced note payable	-	92,000
Write off of refinanced note payable discount	-	75,828
Amortization of note payable discount	311	311
Unrealized loss on interest rate swap	202,084	105,866
Changes in operating assets and liabilities		
Decrease (increase) in contributions receivable, net	4,357,646	(1,238,909)
Decrease (increase) in prepaid and other current assets	18,646	(146,236)
Increase in planned giving and other assets	4,771	25,101
Increase in accounts payable and accrued expenses	201,401	164,895
Decrease (increase) in refundable advance (Paycheck Protection Program)	(24,357)	24,357
Increase (decrease) in grants payable	(120,202)	228,776
Increase in funds for designated purpose	5,729,167	-
Increase in funds held as agency endowment	3,362,577	3,926,861
Decrease in planned giving liability	(2,521)	(15,989)
Increase in tenant security deposits	-	2,477
Decrease (increase) in deferred revenue	(7,080,000)	7,103,299
Net cash provided by (used in) operating activities	(276,476)	6,540,379
Cash flows from investing activities		
Purchases of investments	(37,661,813)	(18,811,525)
Proceeds from sales of investments	30,479,783	19,718,335
Purchases of fixed assets	(313)	(13,779)
Net cash provided by (used in) investing activities	(7,182,343)	893,031
Cash flows from financing activities		
Extinguishment of refinanced note payable	-	(4,495,187)
Prepayment penalty on refinanced note payable	-	(92,000)
Proceeds from issuance of note payable	-	4,575,000
Principal payments on note payable	(116,420)	(28,125)
Payment of debt issuance costs	-	(29,877)
Net cash used in financing activities	(116,420)	(70,189)
Net increase (decrease) in cash and cash equivalents	(7,575,239)	7,363,221
Cash and cash equivalents, beginning of year	11,632,101	4,268,880
Cash and cash equivalents, end of year	\$ 4,056,862	\$ 11,632,101

The accompanying notes are an integral part of these consolidated financial statements.

Ventura County Community Foundation and Subsidiaries
Consolidated Statement of Cash Flows
For the Year Ended September 30, 2021
(With Comparative Totals for 2020)

	<u>2021</u>	<u>2020</u>
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	\$ 200,944	\$ 459,034

The accompanying notes are an integral part of these consolidated financial statements.

Ventura County Community Foundation and Subsidiaries
Notes to Consolidated Financial Statements
September 30, 2021

1. NATURE OF OPERATIONS

Ventura County Community Foundation (the "Foundation"), was formed to provide a vehicle through which contributions and bequests can be made for charitable and related purposes, primarily in Ventura County, enabling and promoting philanthropy to improve our communities, with the provision that these funds would be administered and distributed by an independent organization. The Foundation is a fiduciary to more than 600 individual funds, each established with a gift instrument describing either the general or specific purpose for which grants are made.

The Foundation is the sole member of the VCCF Nonprofit Center LLC ("VCNC"), which houses 12 nonprofit organizations and provides conference room space to over 3,000 nonprofits in its community and is described more fully in Note 2.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Change in accounting principle

The Foundation has adopted Financial Accounting Standards Board ASU 2014-09 and its related updates, *Revenue from Contracts with Customers (Topic 606)*, which provides a five-step analysis of contracts to determine when and how revenue is recognized and replaces most existing revenue recognition guidance in U.S. GAAP. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives. The Foundation has adopted the standard with a date of initial application of October 1, 2019, using the full retrospective method. The adoption of 2014-09 did not have an impact on VCCF's financial statements.

Basis of accounting and financial statement presentation

The accompanying consolidated financial statements of the Foundation have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Basis of consolidation

VCCF Nonprofit Center, LLC ("VCNC") is a wholly-owned subsidiary of the Foundation whose primary operating asset is an office building located in Camarillo, California, serving as the VCCF Nonprofit Center, the Foundation's offices, and the VCCF resource library. The Foundation's investment in the VCCF Nonprofit Center utilized 83% of the Cornerstone Administrative funds, whose designated purpose was to support the operations of the Foundation and the VCCF resource library. Returns from the building are allocated to the Cornerstone Administrative funds (at approximately 63%) and to the Foundation (at approximately 37%) representing the proportionate share of their full investments, respectively.

The accounts of the Ventura County Community Foundation Complex Asset Supporting Organization ("CASO") are included in these financial statements. Its public charity status is attained through its affiliation with the Foundation.

Ventura County Community Foundation and Subsidiaries
Notes to Consolidated Financial Statements
September 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

The accounts of VCNC and CASO are included in these financial statements. The Foundation has eliminated all material intercompany accounts and transactions.

Supporting organizations

The Foundation works with the Martin V. and Martha K. Smith Foundation (the "Smith Foundation"). The Foundation appoints a majority of the members of the governing board of the Smith Foundation. The Smith Foundation's governing board may create its own investment policy and grant guidelines. The assets of the Smith Foundation are under management by the Foundation and totaled \$13,107,884 at September 30, 2021. Currently, the Foundation has the option of including the assets, liabilities, and activities of the Smith Foundation within its consolidated financial statements but has opted not to. In September 2021, the Martin V. and Martha K. Smith Foundation board of directors unanimously approved the decision to sunset the Smith Foundation, gifting the majority of their assets to the California State University Channel Islands Foundation. The remaining assets will be used to create a donor advised fund and a designated endowment fund at the Foundation. In 2028, distributions from the \$1,000,000 designated endowment fund are designated to support the Foundation's operations.

CASO is also a supporting organization. VCCF has both control of CASO and an economic interest in its activities, and therefore consolidates that entity.

Classification of net assets

The Foundation reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

- *Net assets without donor restrictions* - Includes contributions with no donor-imposed restrictions. Contributions with donor-imposed restrictions that are subject to the variance power established by the Foundation's governing documents are also considered without donor restrictions. The variance provision gives the Board of Directors (the "Board") the power to modify any restriction placed on gifts to the Foundation that become incapable of fulfillment or is no longer consistent with the charitable needs of the community. Accordingly, unless time restrictions have been imposed on contributions, net assets are generally classified as without donor restrictions. It is the Foundation's policy that, absent contrary explicit directions in the transferring instrument from the donor regarding the use of the principal, all or part of the principal of any fund may be used subject to certain conditions, including the approval of the Board consistent with all legal requirements. These funds have been separated as "Funds Under Management" in net assets without donor restrictions on the consolidated statement of financial position. Contributions with donor-imposed restrictions that are met during the same fiscal year as the contribution is made are included as without donor restriction support that net assets without donor restrictions.

Ventura County Community Foundation and Subsidiaries
Notes to Consolidated Financial Statements
September 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Classification of net assets (continued)

- *Net assets with donor restrictions* - (See Note 12): These are subject to donor (or certain 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 are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Investment income generated from perpetually donor restricted net assets is temporarily donor restricted by law until appropriated by the Board in support of the purpose of each fund and in accordance with the Foundation's programs and operations. The Foundation's perpetually donor restricted net assets consist of contributions from and related activity of perpetual funds not subject to the variance power and held by the Foundation as defined under the Uniform Prudent Management of Institutional Funds Act ("UPMIFA").

Classifications on fund basis

Within net assets, the Foundation has further classified its funds as:

- *Endowed* - Consists of funds for various purposes, mostly subject to the variance power and are all governed by UPMIFA, that are intended to last in perpetuity. These funds are invested in the Foundation's investment pool and are subject to the Foundation's spending policy which provides for a specific appropriation for distribution on an annual basis.
- *Quasi-endowed* – Consists of funds for particular purposes, subject to the variance power, that were established with the intent that they are available to be spent at any time if so desired, but are intended to be long term assets of the Foundation. These funds are invested in the Foundation's investment pool.
- *Pass-through* – Consists of donor-advised funds for particular purposes, subject to a variance power, that were established with the intent that they would be spent within 12 to 18 months and are held in a money market fund.

Within these classifications there are additional types of funds:

- *Advised funds* – The Foundation offers several types of funds that enable donors to identify funding opportunities aligned with their values and charitable interest. Donor advised funds allow donors to recommend grant recipients, subject to the Foundation's due diligence and approval. At September 30, 2021, total advised funds included within net assets was \$28,958,229.

Ventura County Community Foundation and Subsidiaries
Notes to Consolidated Financial Statements
September 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Classifications on fund basis (continued)

- Agency and Designated Funds – The Foundation receives and distributes assets under certain agency and intermediary arrangements. U.S. GAAP establishes standards for transactions in which a recipient organization 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. U.S. GAAP requires that if a not-for-profit organization establishes a fund at a recipient organization with its own funds and specifies itself or its affiliate as the beneficiary of that fund (Agency Funds), the recipient organization must account for the transfer of such assets as a liability. The liability is reflected under funds held as agency endowments on the accompanying consolidated statement of financial position. In addition, related amounts received or distributed, investment income or loss, and expenses are presented separately in the accompanying consolidated statement of activities. At September 30, 2021, total agency funds included within funds held as agency endowments on the consolidated statement of financial position were \$22,391,354. The Foundation also receives and distributes assets contributed by donors to benefit specific not-for-profit organization(s). These funds (Designated Funds) differ from Agency Funds as they are established by the donor and not established by the not-for-profit organization. At September 30, 2021, total designated funds included within net assets were \$37,566,981.
- Board-designated endowment – These funds were previously donor-advised and currently do not have a donor-advisor so the Board of the Foundation acts as the advisor. At September 30, 2021, total board-designated endowment funds included within net assets was \$18,489,716.
- Field of Interest – These funds enable donors to identify a broad charitable purpose or a category of interest (e.g., arts, education or human services) and/or geographic area or target population (e.g., senior citizens, children and youth or immigrants). At September 30, 2021, total field of interest funds included within net assets was \$31,571,132.
- General – Unrestricted funds that are available for operations of the Foundation. At September 30, 2021, total general funds included within net assets was \$5,894,443.
- Planned giving – These include charitable remainder trusts, charitable gift annuities, and life insurance policies. At September 30, 2021, total planned giving funds included within net assets was \$270,820.
- Scholarship funds – The Foundation administers a scholarship program. The majority are designed for current or former residents of Ventura County. At September 30, 2021, total scholarship funds included within net assets was \$27,535,947.
- Regranting funds – In response to a wide variety of community needs, the Foundation establishes funds to collect and distribute resources for a specific purpose. Regranting funds under management included within net assets totaled \$953,703 at September 30, 2021.

Ventura County Community Foundation and Subsidiaries
Notes to Consolidated Financial Statements
September 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax status

The Foundation and CASO are nonprofit public benefit corporations organized under the laws of California and, as such, are exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC") and corresponding state provisions.

The consolidated financial statements also contain VCNC, a single member limited liability company that is taxed as a partnership under the IRC. Taxable income of VCNC is passed through to its member and reported on their respective income tax return.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain amounts and disclosures. It is at least reasonably possible that the significant estimates could change in the coming year and accordingly, actual results could differ from those estimates.

Significant estimates used in the preparation of these consolidated financial statements include:

- Allocation of certain expenses by function
- Discount factors used in determining pledges receivable and annuities payable by charitable trusts
- Allowance for contributions receivable
- Fair market value of assets held by charitable trusts
- Fair market value of certain investments
- Depreciable lives of property and equipment

Cash and cash equivalents

For purposes of the consolidated statement of cash flows, the Foundation considers all highly liquid financial instruments purchased with an original maturity of three months or less to be cash equivalents. There are additional cash and cash equivalents in the investment portfolio that are part of the strategic investment allocation as advised by the Foundation's investment consultant and approved by the Investment Committee and the Foundation's full board. These are detailed in Note 3.

Ventura County Community Foundation and Subsidiaries
Notes to Consolidated Financial Statements
September 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions and contributions receivable

Contributions received are recorded at their fair value on the date of donation. Unconditional promises to give are recognized as revenue in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. The Foundation routinely assesses the financial strength of its donors and records an allowance for potentially uncollectible accounts when deemed necessary. At September 30, 2021 the allowance for doubtful contribution receivables was \$68,929 All contributions receivables are expected to be collected within one year from September 30, 2021.

Investments

Investments are monitored by the Board of Directors' investment oversight committee and are stated at fair value. Unrealized gains and losses are recognized aggregately. Realized gains and losses are recognized immediately and are computed using the specific identification method.

Fixed assets

Purchases of fixed assets are recorded at cost. Donated items are recorded at fair value when received.

Depreciation and amortization on both purchased and donated items are recorded using the straight-line method over the shorter of the estimated useful life of the related asset or the term of the lease for leasehold improvements as follows:

Buildings	40 years
Furniture and equipment	5 - 7 years
Leasehold improvements	5 years

Normal repairs and maintenance are expensed as incurred, whereas significant charges which materially increase values or extend useful lives are capitalized and depreciated or amortized over the estimated useful lives of the related assets.

Depreciation and amortization for the year ended September 30, 2021 was \$205,282.

Impairment of long-lived assets

Management reviews each asset or asset group for impairment whenever events or circumstances indicate that the carrying value of an asset or asset group may not be recoverable. During the year ended September 30, 2021, the Foundation determined that no assets were impaired.

Ventura County Community Foundation and Subsidiaries
Notes to Consolidated Financial Statements
September 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Grants and grants payable

Grants are recorded as expenses when they are recommended by the donor and the Board approves grants retrospectively, subject to the due diligence process of the Foundation. For funds held to benefit specific Agencies, the Board approves those grants at the beginning of the fiscal year, and those are recorded as expenses when they are requested by the Agency. The grants included in the grants payable balance at September 30, 2021 are all scheduled to be paid during the fiscal year ended September 30, 2022.

Concentrations

The Foundation cash balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times during the year, cash in these accounts may exceed the federally insured amounts. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents.

The Foundation maintains a majority of its investment cash balances in money market funds. Such balances are not fully insured.

A majority of the donors to the Foundation are from Ventura County.

Donated services

Donated goods and services received by the Foundation are recorded at fair market value at the time of the donation. During the fiscal year ended September 30, 2021, approximately one hundred volunteers gave their time and expertise to the Foundation in a wide variety of areas including service on the Board; grants and scholarship committees; administrative, technical and financial advice; and office and public relations activities. This contribution, despite its considerable value to the mission of the Foundation, is not reflected in the financial statements.

Donated property and investments

Donated property and investments are recorded as contributions at their fair market value at date of receipt.

Functional expenses

The Foundation allocated its expenses on a functional basis among its various program and support services. Expenses that can be identified with a specific program or support service are allocated directly according to their functional classification. Expenses that are common to several functions are allocated based on the number of full-time equivalent employees working in each functional area, since the benefit received is most closely related to the time spent by the employees.

Ventura County Community Foundation and Subsidiaries
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent events

The Foundation has evaluated events subsequent to September 30, 2021, to assess the need for potential recognition or disclosure in the consolidated financial statements. Such events were evaluated through March 22, 2022, the date which the financial statements were available to be issued. Based upon this evaluation it was determined no subsequent events occurred that require recognition or additional disclosure in the consolidated financial statements except as disclosed in Note 2 and Note 18.

3. FAIR VALUE MEASUREMENT

Accounting Standards Codification ("ASC") 820, *Fair Value Measurement and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes inputs to the valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described as follows:

- *Level 1* - Quoted prices in active markets for identical assets or liabilities.
- *Level 2* - Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active market that are not active; discounted cash flows; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- *Level 3* - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities; including general partner estimates and recent third-party appraisals.

The asset'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.

Ventura County Community Foundation and Subsidiaries
Notes to Consolidated Financial Statements
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3. FAIR VALUE MEASUREMENT (continued)

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of September 30, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 441,312	\$ -	\$ -	\$ 441,312
Fixed income composite	40,130,720	-	-	40,130,720
Hedge fund composite	-	-	14,830,162	14,830,162
Equity	96,325,376	-	-	96,325,376
Private equity composite	-	-	13,319,734	13,319,734
Real asset composite	<u>7,802,986</u>	<u>-</u>	<u>-</u>	<u>7,802,986</u>
	<u>144,700,394</u>	<u>-</u>	<u>28,149,896</u>	<u>172,850,290</u>
Cash surrender value of life insurance	-	236,195	-	236,195
Charitable gift annuities	<u>-</u>	<u>419,376</u>	<u>-</u>	<u>419,376</u>
	<u>-</u>	<u>655,571</u>	<u>-</u>	<u>655,571</u>
	<u>\$ 144,700,394</u>	<u>\$ 655,571</u>	<u>\$ 28,149,896</u>	<u>\$ 173,505,861</u>

Life insurance and charitable gift annuities are included within planned giving on the consolidated statement of financial position.

The following table provides a reconciliation of assets measured at fair value using significant unobservable inputs (Level 3) during the year ended September 30, 2021:

	<u>Beginning of Year</u>	<u>Purchases</u>	<u>Sales</u>	<u>Net Returns</u>	<u>End of Year</u>
Hedge fund composite	\$ 12,744,324	\$ 1,000,000	\$ (1,012,489)	\$ 2,098,327	\$ 14,830,162
Private equity composite	<u>8,342,265</u>	<u>2,883,856</u>	<u>(1,591,949)</u>	<u>3,685,562</u>	<u>13,319,734</u>
	<u>\$ 21,086,589</u>	<u>\$ 3,883,856</u>	<u>\$ (2,604,438)</u>	<u>\$ 5,783,889</u>	<u>\$ 28,149,896</u>

The Foundation's hedge fund and private equity investments are held in limited partnerships holding publicly traded securities, limited partnerships holding real estate, and private equity holdings are recorded at estimated fair value based on the net asset value of the Foundation's ownership interest in the partners' capital, which includes assumptions and methods that were prepared by the general partner of the limited partnerships and were reviewed by the Foundation's management. The Foundation believes that the reported amounts for these investments are a reasonable estimate of fair value at September 30, 2021.

Ventura County Community Foundation and Subsidiaries
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4. INVESTMENTS

The following schedule summarizes the investment returns for non-agency and agency funds in the consolidated statement of activities and the consolidated statement of financial position, respectively, for the year ended September 30, 2021:

	Non-agency (VCCF)	Agency	Total
Investment earnings			
Net realized gains	\$ 5,300,304	\$ 839,281	\$ 6,139,585
Net unrealized gains	18,498,839	2,956,900	21,455,739
Dividends and interest	<u>1,714,422</u>	<u>272,551</u>	<u>1,986,973</u>
	25,513,565	4,068,732	29,582,297
Investment expense	<u>(483,262)</u>	<u>(74,390)</u>	<u>(557,652)</u>
	<u><u>\$ 25,030,303</u></u>	<u><u>\$ 3,994,342</u></u>	<u><u>\$ 29,024,645</u></u>

The amounts reported above under "Agency" reflect the investment earnings and fees related to the funds held as agency endowments and are accounted for as changes to the funds held as agency endowments liability.

In seeking to attain the investment objectives set forth in the governing investment policy, the Board exercises prudence and appropriate care in accordance with the Uniform Prudent Management of Institutional Funds Act (UPMIFA). UPMIFA requires fiduciaries to apply the standard of prudence in investment decision making, stating "Management and investment decisions about an individual asset must be made not in isolation but rather in the context of the institutional fund's Portfolio..." All investment actions and decisions must be based solely on the interest of the Foundation. Fiduciaries must provide full and fair disclosure to the Board of all material facts regarding any potential conflicts of interests.

5. COMPLEX ASSET SUPPORTING ORGANIZATION

In January 2020, Ormond Beach Power LLC and the City of Oxnard entered into an agreement where CASO would be the fiduciary of funds for the demolition and remediation of the Ormond Beach Generating Station. Ormond Beach Power LLC will make regular contributions to a fund held by CASO at the Foundation until the sum of all their contributions made to the fund totals \$25 million. CASO's sole responsibility in the agreement is to hold on to the funds until the ultimate demolition and remediation of the Ormond Beach Generation Station and has no duty to review disbursements. As of September 30, 2021, the Foundation had \$5,729,167 of assets under management for CASO, which are included within funds held for designated purpose on the accompanying statement of financial position.

Ventura County Community Foundation and Subsidiaries
Notes to Consolidated Financial Statements
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6. PLANNED GIVING

Planned giving consisted of the following:

Charitable gift annuities	\$ 419,376
Cash surrender value of life insurance	<u>236,195</u>
	<u><u>\$ 655,571</u></u>

Charitable gift annuities

Donors have contributed assets to the Foundation in exchange for a promise by the Foundation to pay to the donor or to individuals or organizations designated by the donor a fixed amount for a specified period of time. Under the terms of the charitable gift annuity agreements, no trust exists, as the assets received are held by, and the liability is an obligation of, the Foundation. The present value of payments to beneficiaries under these arrangements is calculated using discount rates representing risk-free rates in existence at the date of the gift. The liability ("planned giving liability" - see below) is the value of the annuity contract as determined by Section 72 of the Internal Revenue Code and the tax tables thereunder. Charitable gift annuities are included within other assets on the consolidated statement of financial position.

7. FEDERAL, STATE AND LOCAL AWARDS

The County of Ventura has selected the Foundation to administer the business assistance grants program, funded using Federal CARES Act funds. The Foundation is a subrecipient. In addition, the Foundation was chosen by the City of Camarillo to administer their Business Recovery Grant Program, funded from the City's general fund reserves. Due to the Federal requirements on the County funds and the grant requirements from the City's funds, these awards are accounted for as conditional grants. For the year ended September 30, 2021, the Foundation was awarded \$28,515,000 that were subject to specific performance barriers.

8. FIXED ASSETS

Fixed assets consisted of the following:

Land	\$ 2,185,000
Buildings	7,879,841
Furniture and equipment	470,068
Leasehold improvements	<u>124,931</u>
	10,659,840
Accumulated depreciation and amortization	<u>(2,284,093)</u>
	<u><u>\$ 8,375,747</u></u>

Ventura County Community Foundation and Subsidiaries
Notes to Consolidated Financial Statements
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9. REFUNDABLE ADVANCE (PAYCHECK PROTECTION PROGRAM)

On May 8, 2020, the Foundation received loan proceeds of \$186,000 from a promissory note issued by a financial institution under the Paycheck Protection Program ("PPP") established under the Coronavirus Aid, Relief and Economic Security ("CARES") Act and is administered by the U.S. Small Business Administration. The term of the loan is five years and the annual interest rate is 1.00%. Payments of principal and interest are deferred for the first ten months of the loan. Under the terms of the CARES Act, PPP loan recipients can apply for and be granted forgiveness for all or a portion of the loans granted under PPP. The Foundation has applied for forgiveness and has been subsequently granted forgiveness on February 1, 2021 for the entire amount of the PPP loan.

The Foundation has elected a 24-week period to incur qualifying expenditures which ended in October 2020. Due to the requirement to maintain its headcount through the entire 24-week period, accounting guidance requires the Foundation to pro rate the amount of recognizable revenue by a factor equal to the number of weeks incurred prior to year-end by the total number of weeks in the qualifying period. During the years ended September 30, 2021 and 2020, the Foundation recognized \$24,357 and \$161,643, respectively, as Paycheck Protection Program grant income on the accompanying statement of activities, as the revenue relating to the PPP loan forgiveness based on qualifying expenditures incurred.

10. NOTES PAYABLE

Notes payable are detailed as follows:

Note payable to Citizens Business Bank in the original amount of \$4,575,000, with interest at the monthly London Interbank Offered Rate ("LIBOR") rate plus 2.55%, secured by certain real property of the Foundation. The note payable matures in June 2045. Additionally, the Foundation has entered into an interest rate swap agreement (See Note 11). This note payable is subject to certain financial covenants that the foundation was in compliance with as of September 30, 2021. \$ 4,430,455

Unsecured Program Related Investment note payable to the Conrad Hilton Foundation. Interest only payments due quarterly at 2%. Note initially matured January 2019 and automatically renews for one-year increments through January 2024. Unpaid accrued interest and principal of \$2,000,000 due at maturity. 2,000,000

Less unamortized debt issuance costs 6,430,455

(29,255)

\$ 6,401,200

Ventura County Community Foundation and Subsidiaries
Notes to Consolidated Financial Statements
September 30, 2021

10. NOTES PAYABLE (continued)

The future maturities of the notes payable are as follows:

<u>Year ending September 30,</u>		
2022	\$	120,656
2023		125,046
2024		2,129,180
2025		134,295
2026		139,181
Thereafter		<u>3,782,097</u>
	\$	<u>6,430,455</u>

11. INTEREST RATE SWAP

The Foundation holds an interest rate swap agreement to effectively convert the interest rate of its note payable with Citizens Business Bank from variable to a fixed rate. The interest rate swap agreement is considered a derivative financial instrument but was not entered into for trading or speculative purposes. A non-operating gain or loss is included in the statement of activities, which represents the estimated change in the fair value of the interest rate swap based on it being marked to market. This represents an unrealized gain or loss and if the swap is held to maturity, as is intended, no gain or loss will be realized from the swap.

This financial instrument necessarily involves counterparty credit exposure. The counterparties for the swap transactions are major financial institution that meet the Foundation's criteria for financial stability and credit-worthiness. The agreement involves the exchange of floating and fixed-rate interest payments over the life of the agreement without an exchange of the underlying principal amount. The differential to be paid or received is recognized as an adjustment to interest expense related to the debt. The related amount payable to or receivable from the counterparty is recorded as a liability or asset in the accompanying consolidated statement of financial position. There was a \$307,950 payable at September 30, 2021, which is included in the accompanying consolidated statement of financial position as interest rate swap liability. A non-operating loss of \$202,084 to record the estimated change in fair value of the swap has been recorded on the accompanying consolidated statement of activities for the year ended September 30, 2021.

The outstanding interest rate swap is on a notational amount of \$4,575,000 with a fixed interest rate of 3.53% and a termination date of June 30, 2045.

Ventura County Community Foundation and Subsidiaries
Notes to Consolidated Financial Statements
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12. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

Subject to expenditure for specified purpose:	
Regranting	\$ 1,537,992
Planned giving	<u>261,621</u>
	1,799,613
Subject to passage of time	798,876
Donor-restricted endowment funds:	
Donor corpus restricted in perpetuity	1,145,731
Earnings on donor-restricted endowments not yet appropriated for spending	<u>991,294</u>
	<u>\$ 4,735,514</u>

13. ENDOWMENTS

Interpretation of relevant law

The Foundation's governing board has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation retains the original value of all gifts to the donor-restricted endowment plus unspent accumulated earnings in accordance with the applicable donor gift instrument.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation.

Ventura County Community Foundation and Subsidiaries
Notes to Consolidated Financial Statements
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13. ENDOWMENTS (continued)

Return objectives, risk parameters and strategies

Short-Term Portfolio - The Foundation offers a Short-Term Portfolio for funds or that portion of a fund that will be distributed in less than three years. The Short-Term Portfolio is intended to be invested in a manner consistent with the objectives of (i) maintaining the principal value of the invested assets, (ii) minimizing the potential that the principal value of assets will be impaired, and (iii) providing a liquid source of funds for distributions.

Due to the objective of preserving principal value of assets, the Short-Term Portfolio is expected to be invested exclusively in money market instruments and short-term fixed income securities such that the average credit quality of the portfolio is "A" or higher and the average duration of the portfolio is less than 24 months. Despite the intention to maintain principal value, the Board acknowledges that no securities with affiliated credit and/or interest rate risk are completely free of risk and principal losses may occur over short periods.

Long-Term Portfolio - The Long-Term Portfolio is designed for funds with an investment horizon of seven or more years. The primary investment objective of the Long-Term Portfolio is to achieve an annualized total return, net of fees and expenses, that is equal to or greater than the rate of inflation (as measured by the broad, domestic Consumer Price Index) plus any spending and investment expenses, such that purchasing power is maintained over time. The assets are to be managed in a manner that will meet the primary investment objective, while at the same time attempting to limit volatility in annual distributions. The primary objective of the portfolio may be expressed as:

Total Return greater than Consumer Price Index + Spending Policy + Investment Expenses

Given that this benchmark is not directly related to market performance, success or failure in achieving this goal should be evaluated over 10 to 20 years. A secondary objective is to achieve a total return in excess of the Policy Benchmark comprised of each strategic asset category benchmark weighted by its target allocation.

This portfolio has a broad target allocation of 50% equity, 20% fixed income and 30% alternative investments. It is designed for endowed funds and funds with a long-term spending horizon of seven or more years and is generally appropriate for funds intended to be fully expended over a donor's lifetime.

Spending policy and how investment objectives relate to spending policy

The purpose of the spending policy is to calculate the amount of money annually distributed from the Foundation's various endowment funds, for grant-making and administration. The primary objectives of the spending policy are to balance the interests of current and future beneficiaries by not over spending in the short-term or over accumulating in the long-term, and maintain the purchasing power of distributions over time by growing the corpus of each endowment fund to pace long-term inflation.

Ventura County Community Foundation and Subsidiaries
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13. ENDOWMENTS (continued)

Spending policy and how investment objectives relate to spending policy (continued)

The Foundation's spending and investment policies work in tandem to achieve these objectives. The investment policy establishes an achievable return objective through a diversified investment strategy. Over long periods of time (7+ years), the Foundation's spending rate plus that of inflation should be in alignment with the average annual total return achieved through investment earnings. In other words, by distributing an amount that is equal to investment earnings less inflation, the Board seeks to preserve purchasing power of future distributions by growing each endowed fund at the rate of inflation. Mathematically, this is represented by the following hypothetical formula:

$$5\% \text{ spending} + 2\% \text{ inflation} = 7\% \text{ net investment return objective}$$

A secondary objective is to achieve a reasonable degree of stability in payout for annual distributions to grantees. Predictability of distributions allows recipients, including the Foundation, to more accurately budget future income. Predictability also helps to insulate the Foundation's investment managers from pressure to generate short term liquidity, which allows them to focus on achieving the best total return over the long term. The Foundation utilizes a smoothing formula to help achieve stable and predictable year-over-year distributions.

In California, UPMIFA includes the provision that an appropriation of greater than 7% of the average fair market value averaged over the past three years is presumptively imprudent.

Spending rate and smoothing formula

The current spending rate is 5% (or less for underwater funds based on the schedule below). This spending rate is applied to the trailing 16-quarter average market value for each endowment fund for the period ending June 30 of the prior fiscal year.

Additionally, a support fee based on the market value for each endowment fund is assessed semi-annually in December (based on September 30 value) and June (based on March 31 value). Support fees charged by the Foundation for services provided and all non-agency administrative fees totaling \$1,581,987 have been eliminated from the consolidated financial statements.

Where a fund has not been in existence for 12 quarters, the actual number of quarters that the fund has been in existence will be used. All new endowment funds must be invested for four full quarters before any distributions are made.

The spending policy will be applied to both donor restricted and board designated endowment funds. It does not apply to endowment funds with specific donor restrictions as to expenditure where the gift instrument defines a specific spending formula.

Ventura County Community Foundation and Subsidiaries
Notes to Consolidated Financial Statements
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13. ENDOWMENTS (continued)

Spending rate and smoothing formula (continued)

The Foundation will maintain a record of the historic gift value of each donor restricted endowment fund. This includes the terms of any Foundation solicitation from which a donor restricted fund resulted. Historic gift value means a) the fair value in dollars of an endowment fund at the time it first became an endowment fund, b) plus the fair value in dollars of each subsequent donation to the fund at the time it is made, c) plus accumulations to the endowment fund if specifically directed by the donor's gift instrument.

Underwater Funds - From time to time, the fair value of the assets associated with individual donor restricted funds may fall below the level that current law requires the Foundation to retain for a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, these deficiencies are reported as a reduction in net assets without donor restrictions. Such deficiencies may result from unfavorable market fluctuations, particularly if the funds were invested in the endowment pool shortly prior to significant market declines. As of September 30, 2021, the Foundation held 2 endowment funds where the market value had fallen below the original corpus due to market conditions. The amount of the shortfall totaled \$890. Underwater funds will experience a reduction in payout based on the schedule below. The reduced payout is intended to allow for recovery of the historic gift value over a reasonable period of time, while not completely eliminating payout in support of charitable programs.

Underwater Amounts	Adjusted Spending Rates
Less than 15%	5.00%
5% to less than 10%	3.75%
10% to less than 15%	3.35%
15% or more	2.50%

Endowment net assets composition by type of fund

Endowment net asset composition by type of fund as of September 30, 2021 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowments restricted by donors in perpetuity	\$ -	\$ 1,145,731	\$ 1,145,731
Accumulated investment gains on donor-restricted endowments	-	991,294	991,294
Funds functioning as endowments	144,135,304	668,930	144,804,234
	\$ 144,135,304	\$ 2,805,955	\$ 146,941,259

Ventura County Community Foundation and Subsidiaries
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13. ENDOWMENTS (continued)

Endowment net assets composition by type of fund (continued)

Donor restricted funds functioning as endowments are entirely comprised of time-restricted bequests that when received, will become a part of the managed fund and reclassified as funds without donor restrictions.

Changes in endowment net assets during the year ended

Changes in endowment net assets for the fiscal year ended September 30, 2021 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Balance, September 30, 2020	\$ 119,330,084	\$ 6,035,715	\$ 125,365,799
Investment return, net of expenses	24,787,740	333,525	25,121,265
Collection of bequests to endowments	4,124,313	(4,124,313)	-
Contributions	3,058,596	690,000	3,748,596
Appropriation of net assets	<u>(7,165,429)</u>	<u>(128,972)</u>	<u>(7,294,401)</u>
	<u>24,805,220</u>	<u>(3,229,760)</u>	<u>21,575,460</u>
Balance, September 30, 2021	<u>\$ 144,135,304</u>	<u>\$ 2,805,955</u>	<u>\$ 146,941,259</u>

14. COMMITMENTS AND CONTINGENCIES

Leases

The Foundation leases its office space from the VCCF Nonprofit Center, LLC for approximately \$7,027 per month plus operating expenses that expires in November 2022. During the year ended September 30, 2021, the Foundation paid or accrued \$82,260 in rents to the VCCF Nonprofit Center, LLC, which has been eliminated in the consolidated financial statements.

VCCF Nonprofit Center, LLC leases office space to several Ventura County focused nonprofit organizations which expire at various dates through October 2025.

Ventura County Community Foundation and Subsidiaries
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14. COMMITMENTS AND CONTINGENCIES (continued)

Leases (continued)

The future scheduled minimum rental income under the lease terms is as follows:

<u>Year ending September 30,</u>	
2022	\$ 809,853
2023	559,743
2024	<u>20,614</u>
	<u>\$ 1,390,210</u>

Investment commitments

At September 30, 2021, the Foundation had made investment commitments to partnerships that are not readily marketable in an amount not to exceed \$13,068,990.

Investment consultant fees

On October 1, 2018, the Foundation entered into an Outsourced Chief Investment Officer Agreement (the "Agreement") with Canterbury Consulting, Inc. ("Canterbury") which requires annual payments of \$250,000 which increase 4% annually. The Agreement may be terminated by written notice from either party to the other upon 30 days prior written notice.

During the year ended September 30, 2021, the Foundation paid \$270,400 to Canterbury.

Patterson Park

The Foundation has a Right of Termination on land that now makes up Patterson Park that it donated to the City of Oxnard under the condition that it be used only as a park for public use or else ownership of the land will revert back to Ventura County Community Foundation. At the time of the donation the land had a recorded book value of \$3,810,000.

15. RETIREMENT PLAN

Foundation employees who work at least 20 hours per week are eligible to participate in a deferred salary savings plan under Section 403(b) of the Internal Revenue Code after one full calendar month of services. The Foundation matches at its discretion up to 6% of the eligible salary after one year of employment. For the year ended September 30, 2021, Foundation contributions to the 403(b) Plan totaled \$43,403.

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16. FIDUCIARY LIABILITY

In September 2015, the Foundation contracted with a "Big 4" accounting firm to conduct an independent fiduciary review on approximately 90% of the assets under the Foundation's management. Three main issues were uncovered during the review which included:

- Improper investment of funds in money market accounts
- Over allocation of interest income to the Foundation's unrestricted fund
- Assessment of fund administrative fees in excess of agreed upon amounts

As soon as the Foundation received notice from the "Big 4" accounting firm of these issues, the Foundation self-disclosed the situation to the California Attorney General ("AG"). The Foundation also calculated the cost of reimbursing the approximately 48 funds impacted (of the total 600 funds) to make them whole. The cost of resolving these issues was \$1,554,500 with a repayment strategy approved by the AG's office. The repayment terms are as follows:

- Interest rate is set at 3%
- Two years of interest only payments
- Ten years of fully amortizing principal and interest payments

At the same time, the AG directed the Foundation to replenish the funds invested from the Cornerstone Administrative Endowment into the VCCF Nonprofit Center LLC. This replenishment is tied to the final repayment of the bank loan secured by the building (not including any refinancing of the loan), or the sale of the building, whichever occurs earlier. The AG also required the Foundation to have its policies and procedures revised by a third party, particularly with regard to classification and monitoring of its funds. The Foundation engaged with the Silicon Valley Community Foundation to complete this work. On December 6, 2017, the AG confirmed that the Foundation had taken the necessary steps to close the investigation.

On advice of counsel, on December 31, 2018, the Foundation repaid \$295,013 of this liability. The remaining balance will continue to be repaid according to the original terms. As of September 30, 2021, the remaining cost to correct these issues was \$1,036,841 and was eliminated in the consolidated financial statements.

17. LIQUIDITY AND AVAILABILITY

The Foundation's financial assets are predominantly held for its philanthropic purposes. The Ventura County Community Foundation offers several philanthropic gift planning options, including a Charitable Gift Annuity program, Charitable Lead Trusts, and Charitable Remainder Trusts, and accepting gifts of real estate and other complex assets. The organization is also responsible for the oversight of a 53,000 sq. ft. building that houses 12 nonprofit organizations. Having a robust reserve policy continues to be a key priority. Philanthropic funds cannot be used for reserves.

Ventura County Community Foundation and Subsidiaries
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17. LIQUIDITY AND AVAILABILITY (continued)

The Organization is focused on building reserves equal to three years of unrestricted operating cash needs in an effort to best meet the philanthropic planning requirements of its donors and nonprofit community in Ventura County.

The following reflects the Organization's financial assets reported on the consolidated statement of financial position, reduced by amounts not available for general use within one year because of contractual or donor-imposed restrictions.

Liquidity of financial assets as of September 30, 2021 is as follows:

Cash	\$ 4,056,862
Contributions receivable	600,000
Investments	<u>172,850,290</u>
	177,507,152
Net assets with donor restrictions (Note 12)	(4,735,514)
Funds held for agency endowments	(22,391,354)
Funds under management	(140,744,475)
Funds held for designated purpose (Note 5)	<u>(5,729,167)</u>
	<u><u>\$ 3,906,642</u></u>

The Organization also has signed leases that will bring in \$809,853 in cash through the next year. See Note 14 for more details.

During the year ended September 30, 2021, the Organization incurred \$3,436,011 of expenses to support operations, which includes expenses for operating the 53,000 square foot office building. Based on liquid assets available as of September 30, 2021, the Organization can sustain operations for approximately 14 months after year-end.

18. PROPERTY HELD FOR SALE

In March 2021, the Foundation received a donation of land that had been valued by a 3rd party appraiser at \$630,000. The Foundation later put the property up for sale and sold the land for \$751,450 in November 2021.

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September 30, 2021

19. RISKS AND UNCERTAINTIES

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus ("COVID-19") a global pandemic and recommended containment and mitigation measures worldwide. The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses and shelter in place orders. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings and shelter in place orders. It is at least reasonably possible that this matter will negatively impact the Company. However, the financial impact and duration cannot be reasonably estimated at this time.

SUPPLEMENTARY INFORMATION

Ventura County Community Foundation and Subsidiaries
Statement of Financial Position by Segment
September 30, 2021

ASSETS

	Operating and Non-profit Center	Under Management	Eliminating Entries	2021 Total
Cash and cash equivalents	\$ 1,089,048	\$ 2,967,814	\$ -	\$ 4,056,862
Contributions receivable	-	600,000	-	600,000
Prepaid and other assets	448,666	23,329	-	471,995
Property held for sale	-	630,000	-	630,000
Investments	4,087,659	168,762,631	-	172,850,290
Planned giving	63,325	592,246	-	655,571
Fixed assets, net of accumulated depreciation	8,375,747	-	-	8,375,747
Earnings due to funds	-	917,474	(917,474)	-
	<u>\$ 14,064,445</u>	<u>\$174,493,494</u>	<u>\$ (917,474)</u>	<u>\$187,640,465</u>
Total assets				

LIABILITIES AND NET ASSETS

	Operating and Non-profit Center	Under Management	Eliminating Entries	2021 Total
Liabilities				
Accounts payable and accrued expenses	\$ 457,302	\$ 240,862	\$ -	\$ 698,164
Grants payable	-	448,988	-	448,988
Notes payable	6,401,200	-	-	6,401,200
Funds held for designated purpose	-	5,729,167	-	5,729,167
Funds held as agency endowments	-	22,391,354	-	22,391,354
Planned giving liability	-	336,595	-	336,595
Tenant security deposits	61,076	-	-	61,076
Deferred revenue	25,000	-	-	25,000
Interest rate swap liability	307,950	-	-	307,950
Due from funds	917,474	-	(917,474)	-
Total liabilities	<u>8,170,002</u>	<u>29,146,966</u>	<u>(917,474)</u>	<u>36,399,494</u>
Net assets				
Without donor restrictions	5,749,043	140,756,414	-	146,505,457
With donor restrictions	145,400	4,590,114	-	4,735,514
Total net assets	<u>5,894,443</u>	<u>145,346,528</u>	<u>-</u>	<u>151,240,971</u>
Total liabilities and net assets	<u>\$ 14,064,445</u>	<u>\$174,493,494</u>	<u>\$ (917,474)</u>	<u>\$187,640,465</u>

Ventura County Community Foundation and Subsidiaries
Statement of Activities by Segment
For The Year Ended September 30, 2021

	<u>Operating and Non-profit Center</u>	<u>Under Management</u>	<u>Eliminating Entries</u>	<u>2021 Total</u>
Revenue, gains and other support				
Revenue and support				
Grants and contributions	\$ 808,842	\$ 8,722,752	\$ (1,566,166)	\$ 7,965,428
Donation of property	-	630,000	-	630,000
Federal grants	227,369	36,140,000	-	36,367,369
Rental income	823,532	-	-	823,532
Paycheck Protection Program grant	24,357	-	-	24,357
Management fees	<u>1,917,469</u>	<u>-</u>	<u>(1,576,698)</u>	<u>340,771</u>
Total revenue and support	3,801,569	45,492,752	(3,142,864)	46,151,457
Investment return, net	<u>57,474</u>	<u>24,972,829</u>	<u>-</u>	<u>25,030,303</u>
Total revenue, gains and other support	<u>3,859,043</u>	<u>70,465,581</u>	<u>(3,142,864)</u>	<u>71,181,760</u>
Functional expenses				
Grants & distributions	926,384	47,936,884	(1,566,166)	47,297,102
Other program services	1,334,036	117,275	-	1,451,311
Management and general	954,074	1,604,483	(1,576,698)	981,859
Fundraising	<u>221,517</u>	<u>-</u>	<u>-</u>	<u>221,517</u>
Total functional expenses	<u>3,436,011</u>	<u>49,658,642</u>	<u>3,142,864</u>	<u>49,951,789</u>
Changes in net assets	423,032	20,806,939	-	21,229,971
Non-operating expenses				
Change in value of interest rate swap	<u>202,084</u>	<u>-</u>	<u>-</u>	<u>202,084</u>
Change in unrestricted net assets	<u>220,948</u>	<u>20,806,939</u>	<u>-</u>	<u>21,027,887</u>
Change in net assets	220,948	20,806,939	-	21,027,887
Net assets, beginning of year	<u>5,673,495</u>	<u>124,539,589</u>	<u>-</u>	<u>130,213,084</u>
Net assets, end of year	<u>\$ 5,894,443</u>	<u>\$145,346,528</u>	<u>\$ -</u>	<u>\$151,240,971</u>