

**Ventura County Community  
Foundation and Subsidiaries**

Consolidated Financial Statements and  
Supplementary Information

September 30, 2022

(With Comparative Totals for 2021)



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## INDEPENDENT AUDITOR'S REPORT

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

### **Opinion**

We have audited the accompanying consolidated financial statements of Ventura County Community Foundation and Subsidiaries (the "Foundation"), which comprise the consolidated statement of financial position as of September 30, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the consolidated financial statements.

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, 2022, 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.

### **Basis for Opinion**

We conducted our audit 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 Ventura County Community Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with 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 consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Ventura County 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Ventura County 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.

## **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The information on pages 29 - 30 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's 2021 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated March 22, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2021, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

A handwritten signature in black ink that reads "Armanino LLP". The signature is written in a cursive, flowing style.

Armanino<sup>LLP</sup>  
Los Angeles, California

March 21, 2023

Ventura County Community Foundation and Subsidiaries  
Consolidated Statement of Financial Position  
September 30, 2022  
(With Comparative Totals for 2021)

	2022	2021
<b>ASSETS</b>		
Cash and cash equivalents	\$ 5,617,932	\$ 4,056,862
Contributions receivable, net	2,235,740	600,000
Prepaid and other assets	244,989	471,995
Property held for sale	-	630,000
Investments	161,316,446	172,850,290
Planned giving	553,227	655,571
Interest rate swap asset	1,104,644	-
Fixed assets, net of accumulated depreciation	8,176,906	8,375,747
 Total assets	 \$ 179,249,884	 \$ 187,640,465
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 478,622	\$ 698,164
Grants payable	2,778,764	448,988
Notes payable	4,280,856	6,401,200
Funds held for designated purpose (Note 5)	15,277,778	5,729,167
Funds held as agency endowments	19,380,129	22,391,354
Planned giving liability	319,844	336,595
Tenant security deposits	58,730	61,076
Deferred revenue	-	25,000
Interest rate swap liability	-	307,950
Total liabilities	42,574,723	36,399,494
 <b>Net assets</b>		
Without donor restrictions		
Funds under management	122,053,267	140,611,014
General	9,546,435	5,894,443
Total without donor restrictions	131,599,702	146,505,457
With donor restrictions	5,075,459	4,735,514
Total net assets	136,675,161	151,240,971
 Total liabilities and net assets	 \$ 179,249,884	 \$ 187,640,465

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, 2022  
(With Comparative Totals for 2021)

	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Total
Revenues, gains and other support				
Revenue and other support				
Contributions, grants and bequests	\$ 16,534,930	\$ 2,468,328	\$ 19,003,258	\$ 7,965,428
Rental income	914,734	-	914,734	823,532
Management fees	388,048	-	388,048	340,771
Paycheck Protection Program grant	-	-	-	24,357
Donation of property	-	-	-	630,000
Federal grants	-	-	-	<u>36,367,369</u>
Total revenue and other support	<u>17,837,712</u>	<u>2,468,328</u>	<u>20,306,040</u>	<u>46,151,457</u>
Investment loss, net of expenses	(22,447,121)	(82,211)	(22,529,332)	25,030,303
Net assets released from restriction	<u>2,046,172</u>	<u>(2,046,172)</u>	<u>-</u>	<u>-</u>
Total revenues, gains, and other support	<u>(2,563,237)</u>	<u>339,945</u>	<u>(2,223,292)</u>	<u>71,181,760</u>
Functional expenses				
Program services				
Grantmaking and distributions	13,620,613	-	13,620,613	47,297,102
Other program services	<u>1,350,824</u>	<u>-</u>	<u>1,350,824</u>	<u>1,451,311</u>
Total program services	<u>14,971,437</u>	<u>-</u>	<u>14,971,437</u>	<u>48,748,413</u>
Supporting services				
Management and general	647,102	-	647,102	981,859
Fundraising	<u>258,023</u>	<u>-</u>	<u>258,023</u>	<u>221,517</u>
Total support services	<u>905,125</u>	<u>-</u>	<u>905,125</u>	<u>1,203,376</u>
Total functional expenses	<u>15,876,562</u>	<u>-</u>	<u>15,876,562</u>	<u>49,951,789</u>
Change in net assets from operations	<u>(18,439,799)</u>	<u>339,945</u>	<u>(18,099,854)</u>	<u>21,229,971</u>
Non-operating				
Change in value of interest rate swap	1,412,594	-	1,412,594	(202,084)
Debt forgiveness	2,000,000	-	2,000,000	-
Realized gain on sale of property	<u>121,450</u>	<u>-</u>	<u>121,450</u>	<u>-</u>
Total non-operating	<u>3,534,044</u>	<u>-</u>	<u>3,534,044</u>	<u>(202,084)</u>
Change in net assets	(14,905,755)	339,945	(14,565,810)	21,027,887
Net assets, beginning of year	<u>146,505,457</u>	<u>4,735,514</u>	<u>151,240,971</u>	<u>130,213,084</u>
Net assets, end of year	<u>\$131,599,702</u>	<u>\$ 5,075,459</u>	<u>\$136,675,161</u>	<u>\$151,240,971</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, 2022  
(With Comparative Totals for 2021)

	Program Services			Supporting Services			2022 Total	2021 Total
	Grantmaking and Distributions	Other Program Services	Total Program Services	Management and General	Fundraising	Total Support Services		
Personnel expenses								
Salaries and wages	\$ 861,990	\$ 357,792	\$ 1,219,782	\$ 317,722	\$ 168,723	\$ 486,445	\$ 1,706,227	\$ 1,626,691
Retirement plan contributions	40,096	17,849	57,945	14,779	7,848	22,627	80,572	43,403
Payroll taxes	55,495	25,815	81,310	20,455	10,862	31,317	112,627	112,914
Employee benefits	42,366	28,077	70,443	15,615	8,293	23,908	94,351	85,891
Total personnel expenses	<u>999,947</u>	<u>429,533</u>	<u>1,429,480</u>	<u>368,571</u>	<u>195,726</u>	<u>564,297</u>	<u>1,993,777</u>	<u>1,868,899</u>
Accounting fees	3,770	15,000	18,770	61,010	-	61,010	79,780	74,995
Advertising and public relations	7,355	17,260	24,615	37,702	7,952	45,654	70,269	139,381
Bank charges	-	264	264	4,002	-	4,002	4,266	3,608
Depreciation and amortization	-	200,862	200,862	2,970	-	2,970	203,832	205,282
Grants	12,434,872	-	12,434,872	-	-	-	12,434,872	46,443,524
Information technology	48,365	20,112	68,477	17,815	9,481	27,296	95,773	79,067
Insurance	46,759	32,898	79,657	18,001	9,581	27,582	107,239	102,953
Interest expense	-	156,592	156,592	25,041	-	25,041	181,633	200,944
Legal fees	39,137	1,008	40,145	36,713	-	36,713	76,858	200,486
Life insurance	7,146	892	8,038	791	421	1,212	9,250	9,445
Miscellaneous	-	324	324	-	-	-	324	69
Office supplies	4,646	3,045	7,691	1,868	910	2,778	10,469	17,139
Other professional services	1,491	70,730	72,221	17,305	6,900	24,205	96,426	153,529
Printing and copying	4,038	1,679	5,717	1,487	792	2,279	7,996	6,795
Property management fees	-	40,115	40,115	-	-	-	40,115	37,019
Property taxes	-	6,578	6,578	-	-	-	6,578	6,525
Rent	-	-	-	4,311	-	4,311	4,311	4,182
Repairs and maintenance	-	207,017	207,017	2,049	-	2,049	209,066	194,936
Telephone	9,445	3,927	13,372	3,479	1,852	5,331	18,703	21,030
Training, membership and conferences	12,859	6,029	18,888	43,703	24,408	68,111	86,999	69,756
Travel	573	138	711	284	-	284	995	619
Utilities	210	136,821	137,031	-	-	-	137,031	111,606
	<u>\$ 13,620,613</u>	<u>\$ 1,350,824</u>	<u>\$ 14,971,437</u>	<u>\$ 647,102</u>	<u>\$ 258,023</u>	<u>\$ 905,125</u>	<u>\$ 15,876,562</u>	<u>\$ 49,951,789</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, 2022  
(With Comparative Totals for 2021)

	2022	2021
Cash flows from operating activities		
Change in net assets	\$ (14,565,810)	\$ 21,027,887
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	203,832	205,282
Allowance for doubtful contributions	-	68,929
Realized and unrealized losses (gains) on investments	28,395,203	(27,630,880)
Donated stock	-	32,783
Realized gain on property held for sale	(121,450)	-
Donation of property	-	(630,000)
Unrealized (gain) loss on interest rate swap	(1,412,594)	202,084
Amortization of note payable discount	312	311
Debt forgiveness	(2,000,000)	-
Changes in operating assets and liabilities		
(Increase) decrease in contributions receivable	(1,635,740)	4,357,646
Decrease in prepaid and other current assets	227,006	18,646
Increase in planned giving and other assets	102,343	4,771
(Decrease) increase in accounts payable and accrued expenses	(219,542)	201,401
Decrease in refundable advance (Paycheck Protection Program)	-	(24,357)
Increase (decrease) in grants payable	2,329,777	(120,202)
Increase in funds for designated purpose	9,548,611	5,729,167
(Decrease) increase in funds held as agency endowment	(3,011,225)	3,362,577
Decrease in planned giving liability	(16,751)	(2,521)
Decrease in tenant security deposits	(2,346)	-
Decrease in deferred revenue	(25,000)	(7,080,000)
Net cash provided by (used in) operating activities	17,796,626	(276,476)
Cash flows from investing activities		
Proceeds from property held for sale	751,450	-
Purchase of investments	(38,171,108)	(37,661,813)
Proceeds from sale of investments	21,309,749	30,479,783
Purchase of fixed assets	(4,991)	(313)
Net cash used in investing activities	(16,114,900)	(7,182,343)
Cash flows from financing activities		
Principal payments on note payable	(120,656)	(116,420)
Net cash used in financing activities	(120,656)	(116,420)
Net increase (decrease) in cash and cash equivalents	1,561,070	(7,575,239)
Cash and cash equivalents, beginning of year	4,056,862	11,632,101
Cash and cash equivalents, end of year	\$ 5,617,932	\$ 4,056,862

Supplemental disclosure of cash flow information

Cash paid during the year for interest	\$ 181,633	\$ 200,944
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Supplemental schedule of noncash investing and financing activities

In-kind contribution of stock	\$ -	\$ 32,783
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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, 2022

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

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.

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

Ventura County Community Foundation and Subsidiaries  
Notes to Consolidated Financial Statements  
September 30, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 \$6,863 at September 30, 2022. 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 December 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 designated endowment fund, which has a balance of \$418,224 at September 30, 2022, 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, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Classification of net assets (continued)

- *Net assets with donor restrictions* - (See Note 10): 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, 2022, total advised funds included within net assets was \$31,826,999.

Ventura County Community Foundation and Subsidiaries  
Notes to Consolidated Financial Statements  
September 30, 2022

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, 2022, total agency funds included within funds held as agency endowments on the consolidated statement of financial position were \$19,380,129. 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, 2022, total designated funds included within net assets were \$31,475,343.
- 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, 2022, total board-designated endowment funds included within net assets was \$14,494,974.
- 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, 2022, total field of interest funds included within net assets was \$25,064,952.
- General – Unrestricted funds that are available for operations of the Foundation. At September 30, 2022, total general funds included within net assets was \$9,871,435.
- Planned giving – These include charitable remainder trusts, charitable gift annuities, and life insurance policies. At September 30, 2022, total planned giving funds included within net assets was \$191,454.
- Scholarship funds – The Foundation administers a scholarship program. The majority are designed for current or former residents of Ventura County. At September 30, 2022, total scholarship funds included within net assets was \$22,435,111.
- 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 \$1,314,893 at September 30, 2022.

Ventura County Community Foundation and Subsidiaries  
Notes to Consolidated Financial Statements  
September 30, 2022

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, 2022

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, 2022 the allowance for doubtful contribution receivables was \$68,929.

Contributions receivables are expected to be realized in the following periods:

In one year or less	\$ 1,104,785
Between one and five years	679,005
Greater than five years	<u>707,871</u>
	2,491,661
Discount, at 3.8%	(186,992)
Allowance for doubtful contribution receivables	<u>(68,929)</u>
	<u><u>\$ 2,235,740</u></u>

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.

Ventura County Community Foundation and Subsidiaries  
Notes to Consolidated Financial Statements  
September 30, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed assets (continued)

Depreciation and amortization for the year ended September 30, 2022 was \$203,832.

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, 2022, the Foundation determined that no assets were impaired.

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, 2022 are all scheduled to be paid during the fiscal year ended September 30, 2023.

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, 2022, 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 as the contributions do not meet the requirements for recognition under GAAP.



Ventura County Community Foundation and Subsidiaries  
Notes to Consolidated Financial Statements  
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Subsequent events

The Foundation has evaluated events subsequent to September 30, 2022, to assess the need for potential recognition or disclosure in the consolidated financial statements. Such events were evaluated through March 21, 2023, 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 12.

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.

Ventura County Community Foundation and Subsidiaries  
Notes to Consolidated Financial Statements  
September 30, 2022

3. FAIR VALUE MEASUREMENT (continued)

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.

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of September 30, 2022:

	Level 1	Level 2	Level 3	Fair Value
Cash and cash equivalents	\$ 17,043,833	\$ -	\$ -	\$ 17,043,833
Fixed income composite	33,166,090	-	-	33,166,090
Hedge fund composite	-	-	13,450,770	13,450,770
Equity	73,581,100	-	-	73,581,100
Private equity composite	-	-	16,188,936	16,188,936
Real asset composite	<u>7,885,717</u>	-	-	<u>7,885,717</u>
	<u>131,676,740</u>	<u>-</u>	<u>29,639,706</u>	<u>161,316,446</u>
Cash surrender value of life insurance	-	214,524	-	214,524
Charitable gift annuities	<u>-</u>	<u>338,703</u>	<u>-</u>	<u>338,703</u>
	<u>-</u>	<u>553,227</u>	<u>-</u>	<u>553,227</u>
	<u>\$ 131,676,740</u>	<u>\$ 553,227</u>	<u>\$ 29,639,706</u>	<u>\$ 161,869,673</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, 2022:

	Beginning of Year	Purchases	Sales	Net Returns	End of Year
Hedge fund composite	\$ 14,830,162	\$ 500,000	\$ (500,000)	\$ (1,379,392)	\$ 13,450,770
Private equity composite	<u>13,319,734</u>	<u>2,988,333</u>	<u>(1,714,101)</u>	<u>1,594,970</u>	<u>16,188,936</u>
	<u>\$ 28,149,896</u>	<u>\$ 3,488,333</u>	<u>\$ (2,214,101)</u>	<u>\$ 215,578</u>	<u>\$ 29,639,706</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, 2022.

Ventura County Community Foundation and Subsidiaries  
Notes to Consolidated Financial Statements  
September 30, 2022

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, 2022:

	Non-agency (VCCF)	Agency	Total
Investment earnings			
Net realized gains	\$ 4,682,826	\$ 727,830	\$ 5,410,656
Net unrealized losses	(29,337,784)	(4,474,964)	(33,812,748)
Dividends and interest	2,641,643	375,598	3,017,241
	(22,013,315)	(3,371,536)	(25,384,851)
Investment expense	(516,017)	(73,582)	(589,599)
	<u>\$ (22,529,332)</u>	<u>\$ (3,445,118)</u>	<u>\$ (25,974,450)</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, 2022, the Foundation had \$15,277,778 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  
September 30, 2022

6. PLANNED GIVING

Planned giving consisted of the following:

Charitable gift annuities	\$ 338,703
Cash surrender value of life insurance	<u>214,524</u>
	<u><u>\$ 553,227</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" on the accompanying consolidated statement of activities) 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. FIXED ASSETS

Fixed assets consisted of the following:

Land	\$ 2,185,000
Buildings	7,879,841
Furniture and equipment	379,780
Leasehold improvements	<u>124,931</u>
	10,569,552
Accumulated depreciation and amortization	<u>(2,392,646)</u>
	<u><u>\$ 8,176,906</u></u>

Ventura County Community Foundation and Subsidiaries  
Notes to Consolidated Financial Statements  
September 30, 2022

8. 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, 2022. \$ 4,309,799

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. In May 2022 the the Conrad Hilton Foundation forgave the \$2,000,000 principal balance. The Foundation recorded \$2,000,000 of debt forgiveness on the consolidated statement of activities. -

4,309,799

Less unamortized debt issuance costs (28,943)

\$ 4,280,856

The future maturities of the notes payable are as follows:

<u>Year ending September 30,</u>	
2023	\$ 277,240
2024	277,240
2025	277,240
2026	277,240
2027	277,240
Thereafter	<u>2,923,599</u>
	<u>\$ 4,309,799</u>

9. 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.

Ventura County Community Foundation and Subsidiaries  
Notes to Consolidated Financial Statements  
September 30, 2022

9. INTEREST RATE SWAP (continued)

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 an asset in the accompanying consolidated statement of financial position. A non-operating gain of \$1,412,594 to record the change in fair value of the interest rate swap has been recorded on the accompanying consolidated statement of activities for the year ended September 30, 2022.

The outstanding interest rate swap is on a notational amount of \$4,309,799 with a fixed interest rate of 3.53% and a termination date of June 30, 2045.

10. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

Subject to expenditure for specified purpose:	
Regranting	\$ 1,105,184
Planned giving	<u>229,730</u>
	1,334,914
Subject to passage of time	2,064,420
Donor-restricted endowment funds:	
Donor corpus restricted in perpetuity	1,145,731
Earnings on donor-restricted endowments not yet appropriated for spending	<u>530,394</u>
	<u><u>\$ 5,075,459</u></u>

11. 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.

Ventura County Community Foundation and Subsidiaries  
Notes to Consolidated Financial Statements  
September 30, 2022

11. ENDOWMENTS (continued)

Interpretation of relevant law (continued)

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.

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 acknowledge 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

Ventura County Community Foundation and Subsidiaries  
Notes to Consolidated Financial Statements  
September 30, 2022

11. ENDOWMENTS (continued)

Return objectives, risk parameters and strategies (continued)

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 45% equity, 20% fixed income and 35% 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.

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.



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

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 \$1,804,421 have been eliminated from the consolidated financial statements.

Where a fund has not been in existence for 16 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.

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, 2022, the Foundation held 44 endowment funds where the market value had fallen below the original corpus due to market conditions. The amount of the shortfall totaled \$259,857. 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%

Ventura County Community Foundation and Subsidiaries  
Notes to Consolidated Financial Statements  
September 30, 2022

11. ENDOWMENTS (continued)

Endowment net assets composition by type of fund

Endowment net asset composition by type of fund as of September 30, 2022 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowments restricted by donors in perpetuity	\$ -	\$ 1,145,731	\$ 1,145,731
Accumulated investment gains on donor- restricted endowments	-	530,394	530,394
Funds functioning as endowments	<u>124,991,729</u>	<u>1,262,748</u>	<u>126,254,477</u>
	<u>\$ 124,991,729</u>	<u>\$ 2,938,873</u>	<u>\$ 127,930,602</u>

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, 2022 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Balance, September 30, 2021	<u>\$ 144,135,304</u>	<u>\$ 2,805,955</u>	<u>\$ 146,941,259</u>
Investment loss, net of expenses	(21,161,039)	(326,644)	(21,487,683)
Contributions	11,147,191	593,817	11,741,008
Appropriation of net assets	<u>(9,129,727)</u>	<u>(134,255)</u>	<u>(9,263,982)</u>
	<u>(19,143,575)</u>	<u>132,918</u>	<u>(19,010,657)</u>
Balance, September 30, 2022	<u>\$ 124,991,729</u>	<u>\$ 2,938,873</u>	<u>\$ 127,930,602</u>

12. COMMITMENTS AND CONTINGENCIES

Leases

The Foundation leases its office space from the VCCF Nonprofit Center, LLC for approximately \$7,540 per month plus operating expenses that expires in November 2027. During the year ended September 30, 2022, the Foundation paid or accrued \$90,471 in rents to the VCCF Nonprofit Center, LLC, which has been eliminated in the consolidated financial statements.

Ventura County Community Foundation and Subsidiaries  
Notes to Consolidated Financial Statements  
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12. COMMITMENTS AND CONTINGENCIES (continued)

Leases (continued)

VCCF Nonprofit Center, LLC leases office space to several Ventura County focused nonprofit organizations which expire at various dates through April 2028.

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

Year ending September 30,

2023	\$ 571,686
2024	29,128
2025	8,300
2026	8,549
2027	<u>2,878</u>
	<u>\$ 620,541</u>

On various dates through February 2023, five of the Foundation's tenants extended their leases for an additional five years. These lease extensions will bring in approximately \$30,000 a month through August 2028.

Investment commitments

At September 30, 2022, the Foundation had made investment commitments to partnerships that are not readily marketable in an amount not to exceed \$15,017,017.

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 \$281,216 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, 2022, the Foundation paid \$281,216 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.

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September 30, 2022

13. 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 immediately upon hire. The Foundation matches at its discretion up to 6% of the eligible salary after one year of employment. For the year ended September 30, 2022, Foundation contributions to the 403(b) Plan totaled \$77,294.

14. 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, 2022, the remaining cost to correct these issues was \$920,413 and was eliminated in the consolidated financial statements.

Ventura County Community Foundation and Subsidiaries  
Notes to Consolidated Financial Statements  
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15. 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.

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, 2022 is as follows:

Cash	\$ 5,617,932
Contributions receivable, net	2,235,740
Investments	<u>161,316,446</u>
	169,170,118
Net assets with donor restrictions (Note 10)	(5,075,459)
Funds held for agency endowments	(19,380,129)
Funds under management	(122,053,267)
Funds held for designated purpose (Note 5)	<u>(15,277,778)</u>
	<u><u>\$ 7,383,485</u></u>

The Organization also has signed leases that will bring in \$571,686 in cash through the next year. See Note 12 for more details.

During the year ended September 30, 2022, the Organization incurred \$3,382,516 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, 2022, the Organization can sustain operations for approximately 26 months after year-end.

16. 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. The Foundation recorded a \$121,450 realized gain on sale of property on the accompanying consolidated statement of activities in relation to the sale.

SUPPLEMENTARY INFORMATION

Ventura County Community Foundation and Subsidiaries  
Statement of Financial Position by Segment  
September 30, 2022

ASSETS

	Operating and Non-profit Center	Under Management	Eliminating Entries	2022 Total
Cash and cash equivalents	\$ 680,074	\$ 4,937,858	\$ -	\$ 5,617,932
Contributions receivable, net	300,000	1,935,740	-	2,235,740
Prepaid and other assets	244,622	367	-	244,989
Investments	4,916,235	156,400,211	-	161,316,446
Planned giving	57,135	496,092	-	553,227
Interest rate swap asset	1,104,644	-	-	1,104,644
Fixed assets, net of accumulated depreciation	8,176,906	-	-	8,176,906
Earnings due to funds	-	814,450	(814,450)	-
	<u>\$ 15,479,616</u>	<u>\$164,584,718</u>	<u>\$ (814,450)</u>	<u>\$179,249,884</u>
Total assets				

LIABILITIES AND NET ASSETS

	Operating and Non-profit Center	Under Management	Eliminating Entries	2022 Total
<b>Liabilities</b>				
Accounts payable and accrued expenses	\$ 454,145	\$ 24,477	\$ -	\$ 478,622
Grants payable	-	2,778,764	-	2,778,764
Notes payable	4,280,856	-	-	4,280,856
Funds held for designated purpose	-	15,277,778	-	15,277,778
Funds held as agency endowments	-	19,380,129	-	19,380,129
Planned giving liability	-	319,844	-	319,844
Tenant security deposits	58,730	-	-	58,730
Due from funds	814,450	-	(814,450)	-
Total liabilities	<u>5,608,181</u>	<u>37,780,992</u>	<u>(814,450)</u>	<u>42,574,723</u>
<b>Net assets</b>				
Without donor restrictions	9,546,435	122,053,267	-	131,599,702
With donor restrictions	325,000	4,750,459	-	5,075,459
Total net assets	<u>9,871,435</u>	<u>126,803,726</u>	<u>-</u>	<u>136,675,161</u>
Total liabilities and net assets	<u>\$ 15,479,616</u>	<u>\$164,584,718</u>	<u>\$ (814,450)</u>	<u>\$179,249,884</u>

Ventura County Community Foundation and Subsidiaries  
Statement of Activities by Segment  
For The Year Ended September 30, 2022

	<u>Operating and Non-profit Center</u>	<u>Under Management</u>	<u>Eliminating Entries</u>	<u>2022 Total</u>
Revenue, gains and other support				
Revenue and support				
Grants and contributions	\$ 963,507	\$ 19,241,019	\$ (1,201,268)	\$ 19,003,258
Rental income	914,734	-	-	914,734
Management fees	<u>2,163,938</u>	<u>22,027</u>	<u>(1,797,917)</u>	<u>388,048</u>
Total revenue and support	4,042,179	19,263,046	(2,999,185)	20,306,040
Investment loss, net	<u>(95,265)</u>	<u>(22,407,952)</u>	<u>(26,115)</u>	<u>(22,529,332)</u>
Total revenue, gains and other support	<u>3,946,914</u>	<u>(3,144,906)</u>	<u>(3,025,300)</u>	<u>(2,223,292)</u>
Functional expenses				
Grants & distributions	1,170,977	13,655,641	(1,206,006)	13,620,612
Other program services	1,284,523	66,301	-	1,350,824
Management and general	668,993	1,797,404	(1,819,294)	647,103
Fundraising	<u>258,023</u>	<u>-</u>	<u>-</u>	<u>258,023</u>
Total functional expenses	<u>3,382,516</u>	<u>15,519,346</u>	<u>3,025,300</u>	<u>15,876,562</u>
Changes in net assets	564,398	(18,664,252)	-	(18,099,854)
Non-operating expenses				
Debt forgiveness	2,000,000	-	-	2,000,000
Change in value of interest rate swap	1,412,594	-	-	1,412,594
Realized gain on sale of property	<u>-</u>	<u>121,450</u>	<u>-</u>	<u>121,450</u>
Change in unrestricted net assets	<u>3,976,992</u>	<u>(18,785,702)</u>	<u>-</u>	<u>(14,565,810)</u>
Change in net assets	3,976,992	(18,785,702)	-	(14,565,810)
Net assets, beginning of year	<u>5,894,443</u>	<u>145,346,528</u>	<u>-</u>	<u>151,240,971</u>
Net assets, end of year	<u>\$ 9,871,435</u>	<u>\$126,560,826</u>	<u>\$ -</u>	<u>\$136,675,161</u>