Williams & Olds
Certified Public Accountants

CONSOLIDATED FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

SACRAMENTO REGION COMMUNITY FOUNDATION

December 31, 2021 and 2020

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A Professional Corporation

SACRAMENTO REGION COMMUNITY FOUNDATION

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WILLIAMS
& OLDS
Certified Public Accountants

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Board of Directors
Sacramento Region Community Foundation

Opinion

We have audited the accompanying consolidated financial statements of the Sacramento Region Community Foundation (the Foundation), which comprise the consolidated statement of financial position as of December 31, 2021, and the related consolidated statements of activities and changes in net assets, 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 consolidated financial position of Sacramento Region Community Foundation as of December 31, 2021, and the consolidated changes in its net assets and its 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 2021 Consolidated Financial Statements section of our report. We are required to be independent of the 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.

Other Matter

The consolidated financial statements of the Foundation as of December 31, 2020 and for the year then ended were audited by other auditors who expressed an unmodified opinion on those consolidated financial statements in their report dated April 4, 2022.

As part of our audit of the 2021 financial statements, we also audited the adjustments described in Note 1 that was applied to restate the 2020 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2020 financial statements of the Foundation other than with respect to the adjustments, and, accordingly, we do not express an opinion or any other form of assurance on the 2020 consolidated financial statements as a whole.

Responsibilities of Management for the 2021 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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 the 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 2021 Consolidated 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 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 the 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 the 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.

Williams & Olds

Sacramento, California
September 28, 2022

Sacramento Region Community Foundation

Consolidated Statements of Financial Position
(rounded to the nearest thousand)
December 31, 2021 and 2020

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 32,899,000	$ 15,138,000
Contributions and pledges receivable, current portion	5,000	2,000
TOTAL CURRENT ASSETS	32,904,000	15,140,000
NONCURRENT ASSETS		
Contributions and pledges receivable, net of current portion	10,000	9,000
Investments	154,426,000	142,774,000
Land	-	220,000
Art collection	4,000,000	-
Beneficial interest in trust	1,080,000	1,015,000
Other assets	318,000	238,000
Funds held as trusteed assets	7,522,000	7,183,000
Funds held in split-interest agreements	6,325,000	6,154,000
TOTAL ASSETS	$ 206,585,000	$ 172,733,000
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	1,037,000	1,635,000
TOTAL CURRENT LIABILITIES	1,037,000	1,635,000
NONCURRENT LIABILITIES		
Agency endowments	13,185,000	11,236,000
Liability for trusteed assets	7,522,000	7,183,000
Liability under split-interest agreements	1,715,000	1,786,000
TOTAL LIABILITIES	23,459,000	21,840,000
NET ASSETS		
Without donor restrictions	178,516,000	146,525,000
With donor restrictions	4,610,000	4,368,000
TOTAL NET ASSETS	183,126,000	150,893,000
TOTAL LIABILITIES AND NET ASSETS	$ 206,585,000	$ 172,733,000

See accompanying notes to the consolidated financial statement.

Sacramento Region Community Foundation

Consolidated Statement of Activities and Changes in Net Assets
(rounded to the nearest thousand)
For the Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions Split-Interest Agreements	Total
SUPPORT, REVENUES, GAINS (LOSSES), AND OTHER SUPPORT			
Donations and pledges	$ 28,196,000	$ -	$ 28,196,000
Net investment income	19,288,000	148,000	19,436,000
Change in value of beneficial interest	65,000	51,000	116,000
Administrative fees	517,000	-	517,000
Other	6,000	-	6,000
Net assets released from restrictions	28,000	(28,000)	-
TOTAL SUPPORT, REVENUES, GAINS (LOSSES), AND OTHER SUPPORT	48,100,000	171,000	48,271,000
OPERATING EXPENSES			
Salaries and benefits	1,148,000	-	1,148,000
Professional services	116,000	-	116,000
Meetings and conferences	38,000	-	38,000
Printing and publications	37,000	-	37,000
Occupancy	111,000	-	111,000
Financial expenses	2,000	-	2,000
Insurance	13,000	-	13,000
Marketing and donor engagement	87,000	-	87,000
Office equipment and supplies	11,000	-	11,000
Information technology and communications	93,000	-	93,000
Depreciation	13,000	-	13,000
Other	3,000	-	3,000
TOTAL OPERATING EXPENSES	1,672,000	-	1,672,000
PROGRAM EXPENSES			
Program administration	1,150,000	-	1,150,000
Grants and scholarships:			
Public Safety	47,000	-	47,000
Education and scholarship	2,755,000	-	2,755,000
Human services	3,339,000	-	3,339,000
Children's services	1,314,000	-	1,314,000
Health services	2,124,000	-	2,124,000
Economic and regional development	1,249,000	-	1,249,000
Arts	2,930,000	-	2,930,000
Environment and other	3,796,000	-	3,796,000
TOTAL PROGRAM EXPENSES	18,704,000	-	18,704,000
CHARITABLE REMAINDER TRUSTS			
Changes in present value of split-interest agreements	-	71,000	71,000
TOTAL CHARITABLE REMAINDER TRUST	-	71,000	71,000
CHANGE IN NET ASSETS FROM OPERATIONS	27,724,000	242,000	27,966,000
NON-OPERATING ACTIVITIES			
Forgiveness of SBA loan	267,000	-	267,000
Transfer of charitable asset	4,000,000	-	4,000,000
TOTAL NON-OPERATING ACTIVITIES	4,267,000	-	4,267,000
CHANGE IN NET ASSETS	31,991,000	242,000	32,233,000
NET ASSETS, BEGINNING OF YEAR	146,525,000	4,368,000	150,893,000
NET ASSETS, END OF YEAR	$ 178,516,000	$ 4,610,000	$ 183,126,000

See accompanying notes to the consolidated financial statement.

Sacramento Region Community Foundation

Consolidated Statement of Activities and Changes in Net Assets
(rounded to the nearest thousand)
For the Year Ended December 31, 2020 (as Restated)

	Without Donor Restrictions	With Donor Restrictions Split-Interest Agreements	Total
SUPPORT, REVENUES, GAINS (LOSSES), AND OTHER SUPPORT			
Donations and pledges	$ 19,090,000	$ -	$ 19,090,000
Program revenue	380,000	-	380,000
Net investment income	16,196,000	148,000	16,344,000
Change in value of beneficial interest	(53,000)	-	(53,000)
Administrative fees	483,000	-	483,000
Other	25,000	-	25,000
Net assets released from restrictions	783,000	(783,000)	-
TOTAL SUPPORT, REVENUES, GAINS (LOSSES), AND OTHER SUPPORT	36,904,000	(635,000)	36,269,000
OPERATING EXPENSES			
Salaries and benefits	935,000	-	935,000
Professional services	65,000	-	65,000
Meetings and conferences	39,000	-	39,000
Printing and publications	32,000	-	32,000
Occupancy	116,000	-	116,000
Financial expenses	3,000	-	3,000
Insurance	11,000	-	11,000
Marketing and donor engagement	83,000	-	83,000
Office equipment and supplies	13,000	-	13,000
Information technology and communications	76,000	-	76,000
Depreciation	13,000	-	13,000
Other	1,000	-	1,000
TOTAL OPERATING EXPENSES	1,387,000	-	1,387,000
PROGRAM EXPENSES			
Program administration	1,695,000	-	1,695,000
Grants and scholarships:			
Public Safety	31,000	-	31,000
Education and scholarship	3,189,000	-	3,189,000
Human services	3,642,000	-	3,642,000
Children's services	1,292,000	-	1,292,000
Health services	2,093,000	-	2,093,000
Economic and regional development	795,000	-	795,000
Arts	2,442,000	-	2,442,000
Environment and other	5,016,000	-	5,016,000
TOTAL PROGRAM EXPENSES	20,195,000	-	20,195,000
CHARITABLE REMAINDER TRUSTS			
Changes in present value of split-interest agreements	-	(198,000)	(198,000)
TOTAL CHARITABLE REMAINDER TRUST	-	(198,000)	(198,000)
CHANGE IN NET ASSETS	15,322,000	(833,000)	14,489,000
NET ASSETS, BEGINNING OF YEAR	131,203,000	5,201,000	136,404,000
NET ASSETS, END OF YEAR	$ 146,525,000	$ 4,368,000	$ 150,893,000

See accompanying notes to the consolidated financial statement.

Sacramento Region Community Foundation

Consolidated Statement of Functional Expenses
(rounded to the nearest thousand)
For the Year Ended December 31, 2021

	Program services			Supporting services			
	Grants and scholarships	Community programs	Total program services	Management and general and administrative fees	Fundraising and marketing	Total supporting services	Total all services
Grants and scholarships	$ 17,554,000	-	17,554,000	-	-	-	17,554,000
Salaries and benefits	-	609,000	609,000	1,094,000	54,000	1,148,000	1,757,000
Professional services	-	230,000	230,000	111,000	5,000	116,000	346,000
IT and communications	-	90,000	90,000	77,000	16,000	93,000	183,000
Occupancy	-	56,000	56,000	107,000	4,000	111,000	167,000
Meetings and conferences	-	27,000	27,000	25,000	13,000	38,000	65,000
Printing and publications	-	17,000	17,000	5,000	32,000	37,000	54,000
Office equipment and supplies	-	5,000	5,000	10,000	1,000	11,000	16,000
Financial expenses	-	45,000	45,000	2,000	-	2,000	47,000
Depreciation	-	5,000	5,000	12,000	1,000	13,000	18,000
Marketing and donor engagement	-	57,000	57,000	21,000	66,000	87,000	144,000
Insurance	-	8,000	8,000	12,000	1,000	13,000	21,000
Other	-	1,000	1,000	3,000	-	3,000	4,000
	$ 17,554,000	$ 1,150,000	$ 18,704,000	$ 1,479,000	$ 193,000	$ 1,672,000	$ 20,376,000

See accompanying notes to the consolidated financial statement.

Sacramento Region Community Foundation

Consolidated Statement of Functional Expenses
(rounded to the nearest thousand)
For the Year Ended December 31, 2020 (as Restated)

	Program services			Supporting services			
	Grants and scholarships	Community programs	Total program services	Management and general and administrative fees	Fundraising and marketing	Total supporting services	Total all services
Grants and scholarships	$ 18,500,000	-	18,500,000	-	-	-	18,500,000
Salaries and benefits	-	750,000	750,000	890,000	45,000	935,000	1,685,000
Professional services	-	554,000	554,000	62,000	3,000	65,000	619,000
IT and communications	-	55,000	55,000	63,000	13,000	76,000	131,000
Occupancy	-	56,000	56,000	111,000	5,000	116,000	172,000
Meetings and conferences	-	24,000	24,000	28,000	11,000	39,000	63,000
Printing and publications	-	30,000	30,000	6,000	26,000	32,000	62,000
Office equipment and supplies	-	7,000	7,000	12,000	1,000	13,000	20,000
Financial expenses	-	21,000	21,000	3,000	-	3,000	24,000
Depreciation	-	5,000	5,000	12,000	1,000	13,000	18,000
Marketing and donor engagement	-	144,000	144,000	22,000	61,000	83,000	227,000
Insurance	-	9,000	9,000	11,000	-	11,000	20,000
Other	-	40,000	40,000	1,000	-	1,000	41,000
	$ 18,500,000	$ 1,695,000	$ 20,195,000	$ 1,221,000	$ 166,000	$ 1,387,000	$ 21,582,000

See accompanying notes to the consolidated financial statement.

Sacramento Region Community Foundation

Consolidated Statements of Cash Flows
(rounded to the nearest thousand)
For the Years Ended December 31, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 32,233,000	$ 14,489,000
Adjustments to reconcile the change in net assets to net cash provided by operating activities:		
Depreciation	18,000	18,000
Unrealized gain on investment securities	(13,022,000)	(14,359,000)
Realized gain on investment securities	(5,474,000)	(1,954,000)
Donation of art collection	(4,000,000)	-
Donation of securities	(2,607,000)	-
Changes in present value of split-interest agreements	(122,000)	198,000
Forgiveness of SBA loan	(267,000)	-
Changes in operating assets and liabilities:		
Contributions and pledges receivable	(2,000)	10,000
Beneficial interest in trust	(65,000)	53,000
Other assets	(77,000)	39,000
Funds held in split-interest agreements	(43,000)	846,000
Accounts payable and accrued expenses	(338,000)	80,000
Agency endowments	1,948,000	1,707,000
Liability under split-interest agreements	(70,000)	(203,000)
NET CASH PROVIDED BY OPERATING ACTIVITIES	8,112,000	924,000
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	30,963,000	34,000,000
Purchases of investments	(21,512,000)	(29,540,000)
Proceeds from the sale of land	220,000	-
Purchases of equipment	(22,000)	(17,000)
NET CASH PROVIDED BY INVESTING ACTIVITIES	9,649,000	4,443,000
NET CHANGE IN CASH AND CASH EQUIVALENTS	17,761,000	5,367,000
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	15,138,000	9,771,000
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 32,899,000	$ 15,138,000

SUPPLEMENTAL DISCLOSURES:

Noncash contributions	$ -	$ 220,000

See accompanying notes to the consolidated financial statement.

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization – Sacramento Region Community Foundation (SRCF) is a not-for-profit organization incorporated under the laws of the State of California whose purpose is to administer contributions received, distribute grants, and run programs that meet community needs. SRCF is exempt from federal income taxes under Section 501 (c)(3) of the Internal Revenue Code.

SRCF Supporting Organization is a type one supporting organization that is a not-for-profit public benefit corporation, incorporated in April 2014, to hold unconventional donations such as real estate and privately held stock until their disposition. The organization is included in the consolidated financial statements in accordance with generally accepted accounting principles. As of December 31, 2021 and 2020, there were assets of $222,000 and $220,000, respectively, in SRCF Supporting Organization.

Principles of consolidation – The accompanying consolidated financial statements reflect the consolidation of SRCF and the SRCF Supporting Organization (collectively, the Foundation). All significant transactions between the entities have been eliminated in consolidation.

Basis of presentation – The consolidated financial statements are presented in conformity with accounting principles generally accepted in the United States of America (GAAP).

The Foundation's resources are classified for accounting and reporting purposes into funds established according to their nature and objectives. While separate accounts are maintained for each fund, in the consolidated financial statements the funds have been combined. The funds of the Foundation are maintained as follows:

Administrative fund – Administrative fund represents a portion of funds that are available for the Foundation operations.

Endowed and expendable funds – Endowed and expendable funds are available for disbursement at the recommendation of the donor subject to approval by the Board of Directors (the Board).

Internal administrative fee revenue and expense – Interfunds are charged fees to reimburse SRCF for services provided to administer the individual funds. The revenue and expense from these fees are eliminated at year end.

Cash and cash equivalents – Cash and cash equivalents includes highly liquid investments with remaining terms to maturity of three months or less at the date of acquisition. Interest income on cash and cash equivalents is included in support, revenues, gains, and other support in the consolidated statements of activities and changes in net assets as those investment types are used for the Foundation's daily cash management activities.

Contributions and pledges receivable – Contributions and pledges receivable represent unconditional promises to contribute specified amounts to the Foundation in the future. The contributions and pledges receivable are recognized as donations when made. Discounts related to contributions receivable are insignificant and have not been recorded.

Contributions and pledges receivable are measured at their fair value and reported as an increase in net assets. The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction is satisfied or a stipulated time restriction ends, net assets are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities and changes in net assets as net assets released from restriction. Contributions are subject to variance power and give the Board the power to modify any restriction or condition on the distribution of funds for any specified charitable purpose or to specified organizations if, in the sole judgment of the Board, such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community or area served. Based on that provision, the Foundation classifies contributions as without donor restrictions for financial statement presentation.

Allowance for uncollectible contributions – An allowance is maintained to provide for uncollectible contributions that can be expected to occur in the normal course of operations. The allowance is based on management's analysis of the outstanding pledges and general business and economic conditions in the community. The allowance is established through a provision for pledge losses, which reduces gross revenue. As of December 31. 2021 and 2020, management determined that no allowance for uncollectible contributions was necessary.

Investments – The Foundation invests in securities from the various donor and administrative funds that it maintains in order to increase its investment options and risk diversification. The funds are accounted for using the "market value unit method." Under this method, each donor fund is assigned a number of units based on the ratio of the donor fund's market value to the market value of all investments at the time of entry in the pool. Monthly, the pooled assets are valued, and new unit values calculated. Changes in estimated fair values are recognized as gains or losses in the consolidated statements of activities and changes in net assets.

Concentrations of risk – The Foundation recognizes that there are additional inherent risks associated with nonpublicly traded securities. Risk is managed through rigorous evaluation before an investment is made, quarterly monitoring of valuations, and regular communication with investment managers.

To address market and credit risks of investments, the Foundation maintains formal investment policies that set out performance criteria, provide investment guidelines, and require regular review of investment performance. Investments are managed by multiple investment managers, who have responsibility for investing the funds using various investment strategies. The Foundation has custody agreements with selected banks, which process transactions at the direction of authorized staff and investment managers.

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist primarily of investments in excess of Securities Investor Protection Corporation (SIPC) insurance and cash deposits in excess of Federal Deposit Insurance Corporation (FDIC) insurance. The Foundation occasionally maintains balances in depository and brokerage accounts in excess of the respective FDIC and SIPC insurance limits. Management does not believe it is exposed to any significant credit risk on uninsured amounts.

Long-lived assets – The Foundation evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Upon such an occurrence, recoverability of assets to be held and used is measured by comparing the carrying amount of an asset to forecasted undiscounted future net cash flows expected to be generated by the asset. If the carrying amount exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of or held for sale are reported at the lower of the carrying amount or fair value, less costs to sell or dispose.

Collections – Items purchased for the collection are capitalized at cost, and if donated, they are capitalized at their fair value on the accession date (the date on which the item is accepted by the Board). Gains or losses on the sale of collection items are classified on the consolidated statement of activities as support without donor restrictions or donor-restricted support depending on donor restrictions, if any, placed on the item at the time of purchase or accession. Collection items are depreciated over their estimated useful lives unless they have cultural, aesthetic, or historical value that is worth preserving perpetually, and the Foundation is protecting and preserving essentially undiminished the service potential of the collection item.

Funds held in split-interest agreements – The Foundation is the trustee, beneficiary, or both the trustee and beneficiary of charitable remainder trusts (CRTs). When the Foundation is the trustee of a CRT, the assets held in trust are recorded at fair value, as determined by quoted market price or other relevant valuation methods, and a corresponding liability is established to recognize the trust's future obligations. If the Foundation is an irrevocable beneficiary of a CRT, management prepares an estimate of the present value of the future contribution using methods that are reciprocal to the methods used by the donor in determining their charitable deduction for federal income tax purposes. Collectability and changes in fair value of these contributions are evaluated periodically and charged or credited to income annually. When the Foundation is the trustee and irrevocable beneficiary, the CRT assets are recorded at fair value and the corresponding liability is recorded net of the contribution amount calculated in the manner outlined above. Changes in fair value of the recorded amounts are charged or credited to income annually.

Agency endowments – The Foundation receives and distributes assets under certain agency and intermediary arrangements. When a not-for-profit organization establishes a fund at a community foundation with its own funds and specifies itself or its affiliate as the beneficiary of that fund, the Foundation accounts for the transfer of such assets as a liability. Liabilities are established at the fair value of the funds and are reflected under agency endowments on the accompanying consolidated statements of financial position.

Funds held as trusteed assets and liabilities – The Foundation is the trustee of a trust, and assets and liabilities are recorded at fair value of the assets received from the donor. Investments owned by these organizations are recorded as offsetting assets and liabilities.

Net assets – Net assets are classified based on existence or absence of donor-imposed restrictions as follows:

Net assets without donor restrictions – Represent resources available to support the Foundation's operations, and resources with no use or time restrictions that have become available for use by the Foundation, in accordance with the intention of the donor. A portion of these net assets may be designated by the Board of Directors for specific purposes. The bylaws of the Foundation include a variance provision giving the Board the power to modify any restriction or condition on the distribution of funds for any specified charitable purpose or to specified organizations if, in the sole judgment of the Board (without the necessity of the approval of any other party), such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community or area served. Based on that provision, the Foundation classifies contributions, except as noted below, as net assets without donor restrictions for financial statement presentation.

Net assets with donor restrictions – Represent those resources the use of which has been restricted by donors to specific use or the passage of time. The release of net assets from restrictions results from the satisfaction of the restricted purposes specified by the donors, or the passage of time, or both. Split-interest gifts for which the Foundation acts as trustee are recorded as net assets with donor restrictions until such time as the contract has expired or matured. The Foundation may also receive grants from charitable foundations and local agencies for initiatives and special projects for which purpose restrictions apply. Such grants are recorded as net assets with donor restrictions until the purpose restrictions are met. When the purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from restrictions. The Foundation retains a variance provision in its bylaws that allows the Board to modify a donor's restrictions. That provision has rarely been used by the Board during the Foundation's history and in all such cases, the Board's actions attempt to follow the donor's original intent as closely as is practicable. Based on that provision, the Foundation classifies contributions otherwise restricted by donors and their related activity, except as noted above, as net assets without donor restrictions for financial statement presentation.

Revenue recognition – Contributions are recognized as revenue when received or unconditionally promised. Unconditional promises to give that are expected to be collected in future years are recognized at fair value based on discounted cash flows. The discount on these amounts is computed using the rate applicable in the year the promises were received. Contributions of assets other than cash are recorded at their estimated fair value. Real estate contributed. is recorded at appraised value on the date of the gift and is generally made available for sale as soon as practicable. Contributions of public stock are recorded at the average of the quoted high and low market price on the date of donation.

Functional expense allocations – The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on staff levels in respective departments. All other expenses are directly charged to the functions they benefit.

Income taxes – SRCF and the SRCF Supporting Organization are nonprofit corporations exempt from federal income taxes under Internal Revenue Code section 501(c)(3) and from State of California income taxes, except on unrelated business income. Therefore, these consolidated financial statements contain no provision for such taxes. Informational returns are filed annually with federal and state taxing authorities. The Foundation is not aware of any transactions that would affect its tax-exempt status. The Foundation had no unrecognized tax benefits as of December 31, 2021 and 2020.

The Foundation believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the consolidated financial statements. For the years ended December 31, 2021 and 2020, there were no tax interest or penalties recorded in the consolidated statements of activities and changes in net assets.

Use of estimates –The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Recent accounting pronouncements – In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, Leases (Topic 842) (ASU 2016-02), to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. As a result of ASU 2020-05, the adoption of ASU 2016-02 is effective for the Foundation beginning January 1, 2022. Management is currently evaluating the impact of the provisions of ASU No. 2016-02 on the consolidated financial statements.

In September 2020, the FASB issued ASU No. 2020-07, Not-for-Profit Entities-Revenue Recognition (Topic 958-605). It specifies requirements for the recognition and initial measurement of contributions and disclosure requirements for contributed services. The amendments in this update should be applied on a retrospective basis and are effective for the Foundation beginning January 1, 2022. Management is currently evaluating the impact of the provisions on the consolidated financial statements.

Restatement of the 2020 consolidated financial statements – Subsequent to the issuance of the 2020 consolidated financial statements, it was noted that internal administrative fees had not been eliminated from revenue and expenses on the consolidated statement of activities and statement of functional expenses. As such, the consolidated financial statements of the Foundation were restated to accurately reflect these eliminations. The information in the following table shows the effect of the restatement on each affected financial statement line item:

	Year ended December 31, 2020	
	As Previously Reported	As Restated
CONSOLIDATED STATEMENT OF ACTIVITIES		
Administrative fees	$ 2,385,000	$ 483,000
Total support, revenues, gains (losses), and other support	$ 38,171,000	$ 36,269,000
Administrative fees	$ 1,902,000	$ -
Total Operating expenses	$ 3,289,000	$ 1,387,000

	Year ended December 31, 2020	
	As Previously Reported	As Restated
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES		
Administrative fees	$ 1,902,000	$ -
Total expenses	$ 23,484,000	$ 21,582,000

Subsequent events – Subsequent events are events or transactions that occur after the consolidated statement of financial position date. but before consolidated financial statements are available to be issued. The Foundation recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the consolidated statement of financial position, including the estimates inherent in the process of preparing the consolidated financial statements. The consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the consolidated statement of financial position, but arose after the consolidated statement of financial position date and before the consolidated financial statements are available to be issued.

Lodi Community Foundation, an affiliate of the Foundation, has entered into an agreement with the San Joaquin Community Foundation to transfer all its funds and assets in 2022. On December 31, 2021, the Lodi Community Foundation had 39 funds with net assets of approximately $5,400,000 with the Foundation.

The Foundation has evaluated subsequent events through September 28, 2022, the date the consolidated financial statements were available to be issued.

NOTE 2 – LIQUIDITY AND AVAILABILITY

The Foundation's consolidated financial assets are available within one year of the statement of financial position date for general expenditures as follows:

	2021	2020
Cash and investments for endowed fund appropriations for following year	$ 5,039,000	$ 5,027,000
Cash and investments for expendable contractual or donor-imposed restrictions	41,411,000	31,457,000
Cash and investments for operational expenditures	1,929,000	1,240,000
Financial assets available to meet cash needs for general expenditures within one year	$ 48,379,000	$ 37,724,000

The Foundation has a goal to maintain cash and short-term investment balances on hand to meet at least 30 days of ordinary business expenses, which are on average $200,000 and $100,000 for years ended December 31, 2021 and 2020, respectively. The Foundation's working capital is $31,872,000 and $13,505,000 as of December 31, 2021 and 2020, respectively. The Foundation has 3,373 and 1,688-days' cash on hand as of December 31, 2021 and 2020, respectively. The Foundation has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The Foundation has a primary reserve of $585,000 and an excess reserve of $35,000 as of December 31, 2021 and December 31, 2020, respectively, which are intended to cover the greater of the loss of fee revenue due to a 30% market decline or 25% (three months) of compensation and benefits, that are available for general expenditures or other obligations that are due. The Foundation also has a board-designated endowment of $3,237,000 and $2,224,000 as of December 31, 2021 and 2020, respectively, which the Board, at its discretion, may unendow to supplement assets available for general expenditures.

NOTE 3 – SPLIT-INTEREST AGREEMENTS

Split-interest agreements as of December 31 consisted of the following:

	2021	2020
Funds held in split-interest agreements		
Cash and cash equivalents	286,000	87,000
Split-interest agreement contributions receivable	3,729,000	3,535,000
Investment securities	2,310,000	2,532,000
Total funds held in split-interest agreements	6,325,000	6,154,000
Liability under split-interest agreements	(1,715,000)	(1,786,000)

Charitable remainder trusts held by the Foundation pay administrative fees to the Foundation that are accounted for as inter-fund transactions that eliminate in the consolidated financial statements. The related income and expense are reflected on the consolidated statements of activities and changes in net assets to clarify the revenue sources of the Foundation's fund without donor restrictions.

NOTE 4 – FAIR VALUE MEASUREMENT

Fair value of investments – The Foundation applies the guidance FASB Accounting Standards Codification (ASC) 820, Fair Value Measurements, for all financial assets and liabilities that are recognized or disclosed at fair value in the consolidated financial statements on a recurring basis (at least annually). FASB ASC 820 defines fair value, establishes a framework for measuring fair value, and enhances disclosures about fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for the asset or liability. The fair value should be calculated based on assumptions that market participants would use in pricing the asset or liability, not on assumptions specific to the entity. In addition, the fair value of liabilities should include consideration of nonperformance risk including the Foundation's own credit risk.

In addition to defining fair value, the standard expands the disclosure requirements around fair value and establishes a fair value hierarchy for valuation inputs. The hierarchy prioritizes the inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market. Each fair value measurement is reported in one of the three levels, which is determined oy the lowest level input that is significant to the fair value measurement in its entirety. These levels are:

Level 1 – Quoted prices are available 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 markets that are not active; 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 supported by little or no market activity and are significant to the fair value of the assets or liabilities. Due to the inherent uncertainty of valuation of nonmarketable and restricted investments, those estimated values may differ significantly from the values that would have been used had a ready market for the securities existed. Those differences could be material.

The following methods and assumptions were used by the Foundation to estimate the fair value of its consolidated financial instruments as of December 31, 2021 and 2020, respectively:

Investment securities – For investment securities, fair values are based on either quoted market prices, quoted market prices for similar securities, indications of values provided by brokers, or derived from model-based valuation techniques that use assumptions not observable in the market.

Beneficial interest in trust – For beneficial interest in trust agreements, fair values are based on information supplied by the trustee.

Funds held in split-interest agreements – For funds held in split-interest agreements when the Foundation is an irrevocable beneficiary of a CRT, fair values are based on a present value calculation of the irrevocable portion of the assets of the split-interest agreements utilizing discount rates between 4.9% and 10.9%, based on the applicable federal rate at the date of contribution. Funds held in split-interest agreements when the Foundation is the trustee of a CRT are comprised of equities, mutual funds, and other investments that have quoted market prices.

Funds held as trusteed assets – Funds held as trusteed assets are comprised of equities, mutual funds, and other investments that have quoted market prices.

Management monitors the availability of observable market data to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

Management evaluates the significance of transfers between levels based upon the nature of the consolidated financial instrument and size of the transfer relative to total assets, total liabilities, or total earnings. There were no such transfers for the years ended December 31, 2021 and 2020.

The following tables present information about the Foundation's assets and liabilities measured at fair value on a recurring basis as of:

	December 31, 2021				
	Total	Level 1	Level 2	Level 3	Other*
ASSETS					
Investments					
Mutual funds	$ 76,854,000	$ 76,854,000	$ -	$ -	$ -
Common commingled funds	36,419,000	-	-	-	36,419,000
Corporate stocks and notes	3,973,000	3,973,000	-	-	-
Corporate bonds	50,000	-	-	50,000	-
Alternative investments					
Private assets funds	12,742,000	-	-	12,742,000	-
Real assets funds	1,081,000	-	-	1,081,000	-
Real estate funds	2,480,000	-	-	2,480,000	-
Hedge funds	20,827,000	-	-	-	20,827,000
Total investments	$ 154,426,000	$ 80,827,000	$ -	$ 16,353,000	$ 57,246,000
Beneficial interest in trust					
Beneficial interest in trust	$ 1,080,000	$ -	$ -	$ 1,080,000	$ -
Split-interest agreements					
Funds held in split-interest agreements	$ 6,325,000	$ 2,596,000	$ -	$ 3,729,000	$ -
Funds held as trusteed assets					
Funds held as trusteed assets	$ 7,522,000	$ 7,522,000	$ -	$ -	$ -
LIABILITIES					
Split-interest agreements					
Liability under split-interest agreements	$ (1,715,000)	$ -	$ -	$ (1,715,000)	$ -
Liability for trusteed assets					
Liability for trusteed assets	$ (7,522,000)	$ (7,522,000)	$ -	$ -	$ -

	December 31, 2020				
	Total	Level 1	Level 2	Level 3	Other*
ASSETS					
Investments					
Mutual funds	$ 76,515,000	$ 76,515,000	$ -	$ -	$ -
Common commingled funds	32,294,000	-	-	-	32,294,000
Corporate stocks and notes	794,000	794,000	-	-	-
Corporate bonds	315,000	315,000	-	-	-
Alternative investments					
Private assets funds	8,782,000	-	-	8,782,000	-
Real assets funds	1,229,000	-	-	1,229,000	-
Real estate funds	2,377,000	-	-	2,377,000	-
Hedge funds	20,468,000	-	-	-	20,468,000
Total investments	$ 142,774,000	$ 77,624,000	$ -	$ 12,388,000	$ 52,762,000
Beneficial interest in trust					
Beneficial interest in trust	$ 1,015,000	$ -	$ -	$ 1,015,000	$ -
Split-interest agreements					
Funds held in split-interest agreements	$ 6,067,000	$ 2,532,000	$ -	$ 3,535,000	$ -
Funds held as trusteed assets					
Funds held as trusteed assets	$ 7,183,000	$ 7,183,000	$ -	$ -	$ -
LIABILITIES					
Split-interest agreements					
Liability under split-interest agreements	$ (1,786,000)	$ -	$ -	$ (1,786,000)	$ -
Liability for trusteed assets					
Liability for trusteed assets	$ (7,183,000)	$ (7,183,000)	$ -	$ -	$ -

*Investments measured using Net Asset Value (NAV) practical expedient are not included in the fair value hierarchy.

Mutual funds – This class includes investments in mutual funds that invest primarily in domestic and foreign equity or debt securities. The objective of these investments is to capture similar market returns in their respective indices. The funds are priced and traded on a daily basis and offer full liquidity and availability on a daily basis.

Common commingled funds – This class includes investments in commingled funds that invest primarily in domestic and foreign equity or debt securities. The objective of these investments is to capture similar market returns in their respective indices. The funds' underlying positions are all marketable and priced regularly but the majority of the funds themselves are priced monthly on a net asset value basis. Common commingled funds are accessible for full liquidity on a monthly basis on the first of every month.

Alternative investments – This class includes multiple strategies in investments that are intended to either protect capital through unique investment opportunities while finding value when markets are less than optimal or to maximize returns greater than, while providing less correlation to, the volatility of the overall stock markets. Although these investments may not have readily determinable fair value as defined by GAAP, management believes it has sufficient information and valuation techniques to reflect a reasonable estimate of fair value and this fair value is more representative of the basis for which management and knowledgeable investors make their investment decisions.

Private assets funds – This class includes managed funds and fund-of-funds that invest in private and public companies through a variety of strategies including but not limited to early and late-stage venture capital, leveraged buyouts, distressed assets, special situations, and credit strategies. These closely held private or restricted stocks are reviewed no less than annually using a variety of qualitative factors to subjectively determine the most appropriate valuation methodologies. Valuation inputs may include, but are not limited to, initial investment amount (cost), observed transaction price used in subsequent valuations, liquidation value, qualified opinion or appraisal, company financial statements, press releases and company commentary, and the Foundation's own assessment of value and applicable discounts. These investments are generally not redeemable from the fund manager. Instead, distributions are received through the liquidation of the underlying assets of the fund, typically over 10 years or more.

Real assets funds – This class includes direct investments in physical assets such as land, precious metals, commodities, and timber and are reviewed no less than annually using a variety of qualitative factors to subjectively determine the most appropriate valuation methodologies. Valuation inputs for Level 3 assets may include, but are not limited to, the initial investment amount (cost), company financial statements, and independent appraisal. Fair value is determined using a variety of valuation techniques utilizing appraisals and/or company financial statements. These investments are generally not redeemable from the fund manager. Instead, distributions are received through the liquidation of the underlying assets of the fund, typically over 5 to 10 years.

Real estate funds – This class includes direct investment in real estate and interests in real estate partnerships and investments in real estate funds and are reviewed no less than annually using a variety of qualitative factors to subjectively determine the most appropriate valuation methodologies consistent with the market, income, and cost approaches. Valuation inputs may include, but are not limited to, the initial investment amount (costs), partnership financial statements, market comparable, qualified appraisal, discounted cash flow, and the Foundation's own assessment of value and applicable discounts. Independent appraisals of significant real estate held for investment are conducted periodically, depending on the nature of the investment. These investments are generally not redeemable from the fund manager. Instead, distributions are received through the liquidation of the underlying assets of the fund, typically over 10 years or more.

Hedge funds – This class includes actively managed funds and fund-of-funds employing a variety of strategies, including but not limited to multi-strategy, absolute return, long/short, arbitrage, event-driven, distressed debt, and credit. Hedge funds have the ability to invest long and short, shift from a net long position to a net short position, apply leverage, invest in derivatives, and invest in the debt or equity of public and private companies in domestic and foreign markets. Redemptions vary by fund but often are redeemable with written notification between 30 and 90 days. When requested for full redemption, 5% to 10% of assets are generally held back for several months after the redemption date until final audits are completed.

Corporate stocks and notes – This class includes investments in individual domestic and foreign equity securities. The objective of these investments is to capture dividend income and capital appreciation. The securities are priced and traded on a daily basis and offer full liquidity and availability on a daily basis.

Corporate bonds – This class includes investments in individual domestic fixed income securities. The objective of these investments is to capture interest income. The securities are priced and traded on a daily basis and offer full liquidity and availability on a daily basis.

Beneficial interest in trust, funds and liabilities held in trusteed agreements, funds and liabilities held in split-interest agreements – The Foundation uses the fair value of trust assets reported by the trustee to record the fair value of the beneficial interests in trust; uses a discounted cash-flow methodology to record the fair value of the assets and liability associated with split-interest agreements when the Foundation is an irrevocable beneficiary of a CRT; and uses quoted market prices to record the fair value of the investment securities held when the Foundation is the trustee of an agreement or of a CRT.

Fair value inputs are reviewed and updated annually by adjusting the current life expectancy of the income beneficiaries, an applicable discount rate determined by the Foundation, and market value of each trust from financial statements provided by the trustees. A decrease in the discount rate and a shorter life expectancy will increase the fair value of the funds held in split-interest agreements and liability, just as an increase in the discount rate and a longer life expectancy will decrease the fair value of the funds held in split-interest agreements and liability.

Valuation process – The Foundation's investments are generally classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency. The types of instruments valued based on quoted market prices in active markets include corporate stocks and notes, corporate bonds and mutual funds. Such instruments are generally classified within Level 1 of the fair value hierarchy.

A portion of the alternative investments and the Foundation's beneficial interest in trust are classified within Level 3 of the fair value hierarchy as significant assumptions are not observable in the market. The alternative investments may be in offshore fund vehicles or in a fund-of-funds structure and the beneficial interest in trust represents an ownership interest in a trust, and therefore do not have a readily determinable fair value. The Foundation values its alternative investments based on indicative pricing using a market approach. Those indicative price quotes represent the individual broker's own assessments based on similar assets as well as using valuation techniques and analyzing the underlying asset. The Foundation also relies on other qualitative analysis including discussions with brokers and fund managers and overall capital market liquidity to value its alternative investments. The Foundation values its beneficial interest in trust based on the fair values reported by the trustee, which includes unobservable inputs as the Foundation does not own the individual underlying trust assets.

Funds held in trusteed agreements and funds held in split-interest agreements are classified within Level 1 and Level 3 of the fair value hierarchy. Funds included in Level 1 are invested in instruments such as equities, mutual funds, and other investments that have quoted market prices. Funds included in Level 3 are ownership interests in a company that benefit split-interest agreements held at the Foundation. The Foundation values these ownership interests based on the fair values of various securities and the net asset value of the company, which includes unobservable inputs.

The following tables present the changes in Level 3 investments (including the change in fair value) on the consolidated statements of financial position for the years ended December 31:

	2021						
	Private Asset Funds	Real Asset Funds	Real Estate Funds	Beneficial Interest in Trust	Funds held in Split Interest Agreements	Land	Total
Balance, January 1	$ 8,782,000	$ 1,229,000	$ 2,377,000	$ 1,015,000	$ 3,535,000	$ 215,000	$ 17,153,000
Total realized and unrealized gains (losses) included in changes in net assets	6,920,000	(136,000)	440,000	65,000	194,000	-	7,483,000
Purchases	937,000	12,000	477,000	-	-	-	1,426,000
Sales	(3,897,000)	(18,000)	(814,000)	-	-	(215,000)	(4,944,000)
Balance, December 31	$ 12,742,000	$ 1,087,000	$ 2,480,000	$ 1,080,000	$ 3,729,000	$ -	$ 21,118,000
Change in unrealized gains and losses on investments held as of December 31	$ 3,266,000	$ 88,000	$ 423,000	$ 65,000	$ 194,000	$ -	$ 4,034,000

	2020						
	Private Asset Funds	Real Asset Funds	Real Estate Funds	Beneficial Interest in Trust	Funds held in Split Interest Agreements	Land	Total
Balance, January 1	$ 8,706,000	$ 1,412,000	$ 2,393,000	$ 1,068,000	$ 5,267,000	$ -	$ 18,846,000
Total realized and unrealized gains (losses) included in changes in net assets	1,063,000	(204,000)	(12,000)	(53,000)	(982,000)	-	(188,000)
Purchases	658,000	36,000	251,000	-	-	-	945,000
Sales	(1,645,000)	(15,000)	(255,000)	-	(750,000)	-	(2,665,000)
Balance, December 31	$ 8,782,000	$ 1,229,000	$ 2,377,000	$ 1,015,000	$ 3,535,000	$ -	$ 16,938,000
Change in unrealized gains and losses on investments held as of December 31	$ (166,000)	$ (153,000)	$ (82,000)	$ (50,000)	$ (982,000)	$ -	$ 1,433,000

The table below presents information about significant unobservable inputs related to material categories of Level 3 financial assets and liabilities at December 31:

	Fair Value at December 31, 2021	Valuation Techniques	Unobservable Inputs	Quantitative Inputs
Private assets funds	$ 12,742,000	Market, cost, or income	409A valuation Funds financials	na*
Real assets funds	$ 1,087,000	Market, cost, or income	409A valuation Funds financials	na*
Real estate funds	$ 2,480,000	Market comparables	Listing prices, General partner estimates	na*
Beneficial interest in trust	$ 1,080,000	Fair value of trust assets reported by the trustee	Asset fair value from trustees	Varies
Funds held in split-interest agreement assets and liabilities	$ 3,729,000	Discounted cash flows	Asset fair values from trustees Payout rate Payout frequency Term life of instrument IRS Publication 1458 unitrust factors AFR rate	Varies 4.8 - 10.8% Quarterly, annually Lifetime .38 - .95 1.6%

* Not included due to the wide range of possible values given the diverse nature of the underlying investments.

	Fair Value at December 31, 2020	Valuation Techniques	Unobservable Inputs	Quantitative Inputs
Private assets funds	$ 8,782,000	Market, cost, or income	409A valuation Funds financials	na*
Real assets funds	$ 1,229,000	Market, cost, or income	409A valuation Funds financials	na*
Real estate funds	$ 2,377,000	Market comparables	Listing prices, General partner estimates	na*
Beneficial interest in trust	$ 1,015,000	Fair value of trust assets reported by the trustee	Asset fair value from trustees	Varies
Funds held in split-interest agreement assets and liabilities	$ 3,535,000	Discounted cash flows	Asset fair values from trustees Payout rate Payout frequency Term life of instrument IRS Publication 1458 unitrust factors AFR rate	Varies 4.8 - 10.8% Quarterly, annually Lifetime .38 - .95 2.0%

* Not included due to the wide range of possible values given the diverse nature of the underlying investments.

Approximately 24% and 14% of the Foundation's investments were invested in alternative investments as of December 31, 2021 and 2020. respectively. These investments are composed of private assets funds. real assets funds, real estate funds, and hedge funds that are not immediately liquid. Certain of the Foundation's investments require investment commitments and include limitations on the timing of subsequent withdrawals from those investments. The Foundation was committed to approximately $9,755,000 and $6,068,000 in future investments as of December 31, 2021 and 2020 respectively.

Investments valued at NAV – The Foundation reports certain investments that are measured at fair value using the NAV per share "practical expedient" as determined by investment managers. These investments do not have readily determinable fair values and are investments in companies that prepare their financial statements consistent with the measurement principles of an investment company or have attributes of an investment company. The following table lists investments reported at NAV by major category as of December 31:

	2021		2020				
Investments	# of Funds	Fair Value	# of Funds	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice
Common commingled funds							
Domestic equities	1	$ 4,837,000	1	$ 4,170,000	-	Daily	None
International equities	9	31,582,000	8	28,124,000	-	Monthly, Quarterly	10 - 120 Days
Alternative investments							
Hedge funds	12	20,827,000	12	20,468,000	-	Twice Monthly, Quarterly,	45 - 95 Days
Total		$ 57,246,000		$ 52,762,000	-		

NOTE 5 – ART COLLECTION

The Sacramento Library Foundation (SLF) held certain assets that benefitted the Sacramento Public Library. These included three endowments and an art piece by Wayne Thiebaud titled River Views. In 2021, the Foundation entered into agreements with the SLF to transfer the endowments and ownership of the painting to SRCF. Under the terms of the transfer of the painting, SRCF would abide by the terms of the original 2003 donation letter from the artist to the SLF. Under this agreement, the painting would be placed on permanent display in a public setting at the Sacramento Public Library's Sacramento Room. The transfer of ownership was submitted to and approved by the California Secretary of State. Additionally, SRCF entered into a separate art loan agreement with the SPL. Under this agreement, SPL agreed to maintain insurance for the painting at an amount not less than its appraised value and SPL would be responsible for loss or damage. In addition, SRCF would be named an additional insured on the SPL policies and that any insurance proceeds received by SPL would be sent to SRCF. The painting was appraised in March of 2021 for $4,000,000.

NOTE 6 – DEBT

During 2020, the Foundation received a U.S. Small Business Administration Loan, pursuant to the Paycheck Protection Program (the PPP), in the amount of $267,096. On April 8, 2021, the PPP loan forgiveness was approved and the full amount was forgiven.

NOTE 7 – ENDOWMENT NET ASSETS

Endowment – The Foundation accounts for endowment gifts under the Uniform Prudent Management of Institutional Funds Act (UPMIFA). Under UPMIFA, the Foundation may allow an endowed fund to spend into historic gift value if it can prudently do so after consideration of seven factors that affect the spending and future earnings of the fund. The factors in making a determination as to the appropriation of assets for expenditure are: 1) the duration and preservation of the fund, 2) the purposes of the organization and the endowment fund with donor restrictions, 3) general economic conditions, 4) the possible effect of inflation and deflation, 5) the expected total return from income and the appreciation of investments, 6) other resources of the Foundation, and 7) the investment policies of the Foundation.

Interpretation of relevant law – The Board of Directors of the Foundation, with the advice of legal counsel, has determined it holds assets that meet the definition of endowment funds under the UPMIFA. As a result of the Foundation's ability to spend into historic gift value and its variance power provision, the Foundation classifies contributions, related activity net assets for donor endowments as without donor restrictions for the consolidated financial statement presentation. A board-designated endowment fund, one where the Foundation's board has set aside a permanent portion of its net assets without donor restrictions to support the Foundation for the long term, is classified as net assets without donor restrictions.

Investment and spending policies – The Foundation has adopted investment and spending policies for endowed assets that attempt to provide a predictable stream of funding for programs supported by its endowment while seeking to maintain the purchasing power of the endowed assets. The investment and spending policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes.

The Foundation has a policy of appropriating for distribution in the current year 4% of an endowment fund's average fair value over the past 12 quarters ending September 30. In establishing this policy, the Foundation has set its long-term total return rate to be approximately 8% annually, which allows for the achieved spending rate, investment expenses, and growth of the fund's balance over time. The Foundation's spending policy is reviewed annually in light of economic conditions and relationship to the overall long-term benchmark.

To satisfy its long-term rate of return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation with an emphasis on equity-based investments, within prudent risk parameters.

Classifications include endowment that is designated by donors, and endowment that has been board designated. The changes in endowment net assets for the years ended December 31 were as follows:

	2021	2020
Endowment net assets, January 1	115,344,000	102,901,000
Investment return:		
Investment income	1,694,000	593,000
Net realized appreciation	5,463,000	1,917,000
Net unrealized appreciation (depreciation)	11,531,000	11,383,000
Total investment return (loss)	18,688,000	13,893,000
Contributions	5,009,000	2,978,000
Appropriation of endowment assets for expenditure	(5,669,000)	(4,428,000)
Endowment net assets, December 31	133,372,000	115,344,000
Board designated endowments with variance power	130,135,000	113,120,000
Board designated endowments	3,237,000	2,224,000
Total	133,372,000	115,344,000

NOTE 8 – COMMITMENTS AND CONTINGENCIES

Lease obligation – The Foundation leases its office premises with a term of five years, expiring in October 2022. The Foundation also leases certain equipment under noncancellable leases. Following is a schedule of future minimum rental payments under its noncancelable operating leases:

Years Ending December 31,		
2022	$	134,000
2023		1,000
2024		1,000
Total	$	136,000

Rental expense consisted of approximately $153,000 and $149,000 for the years ended December 31, 2021 and 2020, respectively.

Contingencies – The Foundation is subject to legal proceedings and claims that arise in the ordinary course of business. In the opinion of management, the amount of ultimate liability with respect to such actions will not materially affect the financial position or results of operations of the Foundation.

NOTE 9 – RETIREMENT BENEFITS

Effective June 1, 2014, the Foundation established a 401(k) plan (the Plan). Participation in the Plan is voluntary, and all full-time and part-time employees who complete 1,000 hours of service and a one-year waiting period are eligible to participate. The Foundation makes contributions equal to 8% of the employee's base pay each pay period. Employer contributions for all employees are fully vested when made except for eligible employees hired after June 1, 2014, whose employer contributions will vest equally over a three-year period. All employee contributions are fully vested when made. Employer contributions totaled $97,000 and $98,000 for the years ended December 31, 2021 and 2020, respectively.