



**SACRAMENTO REGION COMMUNITY FOUNDATION**

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

**DECEMBER 31, 2023 AND 2022**

# **SACRAMENTO REGION COMMUNITY FOUNDATION**

## **TABLE OF CONTENTS**

<b>INDEPENDENT AUDITOR’S REPORT .....</b>	<b>1</b>
<b>CONSOLIDATED FINANCIAL STATEMENTS</b>	
Consolidated Statements of Financial Position.....	3
Consolidated Statement of Activities and Changes in Net Assets .....	4
Consolidated Statement of Functional Expenses .....	6
Consolidated Statements of Cash Flows.....	8
Notes to Consolidated Financial Statements.....	9



## **INDEPENDENT AUDITOR'S REPORT**

### **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, 2023 and 2022, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years 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, 2023 and 2022, and the consolidated changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Responsibilities of Management for the 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 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.

Carmichael, California  
December 4, 2024

# Sacramento Region Community Foundation

## Consolidated Statements of Financial Position

(rounded to the nearest thousand)

December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 55,151,000	\$ 17,024,000
Accounts receivable	675,000	1,594,000
Contributions and pledges receivable	12,000	13,000
Investments	151,526,000	131,759,000
Prepaid expense	146,000	174,000
Art collection	4,000,000	4,000,000
Property and equipment, net	87,000	104,000
Real estate held for sale	-	9,800,000
Beneficial interest in trust	2,190,000	2,190,000
Funds held as trustee assets	6,686,000	6,123,000
Funds held in split-interest agreements	<u>7,540,000</u>	<u>8,159,000</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 228,013,000</u></u>	<u><u>\$ 180,940,000</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable and accrued expenses	1,731,000	1,474,000
Agency endowments	9,224,000	7,993,000
Liability for trustee assets	6,686,000	6,123,000
Liability under split-interest agreements	<u>1,348,000</u>	<u>1,466,000</u>
<b>TOTAL LIABILITIES</b>	18,989,000	17,056,000
<b>NET ASSETS</b>		
Without donor restrictions		
Undesignated	82,275,000	49,698,000
Board designated endowments	121,141,000	107,493,000
Total	<u>203,416,000</u>	<u>157,191,000</u>
With donor restrictions	<u>5,608,000</u>	<u>6,693,000</u>
<b>TOTAL NET ASSETS</b>	<u><u>209,024,000</u></u>	<u><u>163,884,000</u></u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 228,013,000</u></u>	<u><u>\$ 180,940,000</u></u>

The accompanying notes are an integral part of this 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, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT, REVENUES, GAINS (LOSSES)</b>			
Donations and pledges	\$ 52,771,000	\$ -	\$ 52,771,000
Net investment income	18,821,000	78,000	18,899,000
Change in value of beneficial interest	(1,000)	214,000	213,000
Administrative fees and other	536,000	-	536,000
Net assets released from restrictions	1,377,000	(1,377,000)	-
<b>TOTAL SUPPORT, REVENUES AND GAINS (LOSSES)</b>	<b>73,504,000</b>	<b>(1,085,000)</b>	<b>72,419,000</b>
<b>OPERATING EXPENSES</b>			
Salaries and benefits	1,240,000	-	1,240,000
Unrelated business income tax	328,000	-	328,000
Professional services	220,000	-	220,000
Meetings and conferences	107,000	-	107,000
Marketing and donor engagement	100,000	-	100,000
Occupancy	120,000	-	120,000
IT and communications	107,000	-	107,000
Printing and publications	29,000	-	29,000
Insurance	18,000	-	18,000
Depreciation	16,000	-	16,000
Office equipment and supplies	21,000	-	21,000
Financial expenses	181,000	-	181,000
Other	14,000	-	14,000
<b>TOTAL OPERATING EXPENSES</b>	<b>2,501,000</b>	<b>-</b>	<b>2,501,000</b>
<b>PROGRAM EXPENSES</b>			
Program administration	1,586,000	-	1,586,000
Grants and scholarships:			
Public Safety	21,000	-	21,000
Education and scholarship	7,796,000	-	7,796,000
Human services	3,422,000	-	3,422,000
Children's services	1,417,000	-	1,417,000
Health services	1,852,000	-	1,852,000
Economic and regional development	1,637,000	-	1,637,000
Arts	2,811,000	-	2,811,000
Environment and other	4,236,000	-	4,236,000
Total grants and scholarships	23,192,000	-	23,192,000
<b>TOTAL PROGRAM EXPENSES</b>	<b>24,778,000</b>	<b>-</b>	<b>24,778,000</b>
<b>TOTAL EXPENSES</b>	<b>27,279,000</b>	<b>-</b>	<b>27,279,000</b>
<b>CHANGE IN NET ASSETS</b>	<b>46,225,000</b>	<b>(1,085,000)</b>	<b>45,140,000</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>157,191,000</b>	<b>6,693,000</b>	<b>163,884,000</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 203,416,000</b>	<b>\$ 5,608,000</b>	<b>\$ 209,024,000</b>

The accompanying notes are an integral part of this 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, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT, REVENUES, GAINS (LOSSES)</b>			
Donations and pledges	\$ 16,653,000	\$ 1,937,000	\$ 18,590,000
In-kind contributions	9,800,000	-	9,800,000
Net investment income	(25,765,000)	(204,000)	(25,969,000)
Change in value of beneficial interest	1,105,000	381,000	1,486,000
Administrative fees and other	468,000	-	468,000
Net assets released from restrictions	31,000	(31,000)	-
<b>TOTAL SUPPORT, REVENUES AND GAINS (LOSSES)</b>	<b>2,292,000</b>	<b>2,083,000</b>	<b>4,375,000</b>
<b>OPERATING EXPENSES</b>			
Salaries and benefits	1,438,000	-	1,438,000
Professional services	278,000	-	278,000
Meetings and conferences	108,000	-	108,000
Marketing and donor engagement	104,000	-	104,000
Occupancy	115,000	-	115,000
IT and communications	92,000	-	92,000
Printing and publications	33,000	-	33,000
Insurance	16,000	-	16,000
Depreciation	16,000	-	16,000
Office equipment and supplies	13,000	-	13,000
Financial expenses	6,000	-	6,000
Other	18,000	-	18,000
<b>TOTAL OPERATING EXPENSES</b>	<b>2,237,000</b>	<b>-</b>	<b>2,237,000</b>
<b>PROGRAM EXPENSES</b>			
Program administration	1,411,000	-	1,411,000
Grants and scholarships:			
Public Safety	27,000	-	27,000
Education and scholarship	2,289,000	-	2,289,000
Human services	3,154,000	-	3,154,000
Children's services	1,452,000	-	1,452,000
Health services	3,166,000	-	3,166,000
Economic and regional development	1,201,000	-	1,201,000
Arts	3,070,000	-	3,070,000
Environment and other	5,610,000	-	5,610,000
Total grants and scholarships	<b>19,969,000</b>	<b>-</b>	<b>19,969,000</b>
<b>TOTAL PROGRAM EXPENSES</b>	<b>21,380,000</b>	<b>-</b>	<b>21,380,000</b>
<b>TOTAL EXPENSES</b>	<b>23,617,000</b>	<b>-</b>	<b>23,617,000</b>
<b>CHANGE IN NET ASSETS</b>	<b>(21,325,000)</b>	<b>2,083,000</b>	<b>(19,242,000)</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>178,516,000</b>	<b>4,610,000</b>	<b>183,126,000</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 157,191,000</b>	<b>\$ 6,693,000</b>	<b>\$ 163,884,000</b>

The accompanying notes are an integral part of this financial statement.

# Sacramento Region Community Foundation

## Consolidated Statement of Functional Expenses

(rounded to the nearest thousand)

For the Year Ended December 31, 2023

	Program services			Supporting services			Total
	Grants and scholarships	Community programs	Total	Management and general	Fundraising and marketing	Total	
Grants and scholarships	\$ 23,192,000	\$ -	\$ 23,192,000	\$ -	\$ -	\$ -	\$ 23,192,000
Salaries and benefits	-	798,000	798,000	843,000	397,000	1,240,000	2,038,000
Professional services	-	365,000	365,000	106,000	114,000	220,000	585,000
Unrelated business income tax	-	-	-	328,000	-	328,000	328,000
Marketing and donor engagement	-	102,000	102,000	33,000	67,000	100,000	202,000
Financial expenses	-	14,000	14,000	181,000	-	181,000	195,000
Occupancy	-	54,000	54,000	82,000	38,000	120,000	174,000
IT and communications	-	54,000	54,000	59,000	48,000	107,000	161,000
Meetings and conferences	-	44,000	44,000	47,000	60,000	107,000	151,000
Property tax	-	115,000	115,000	-	-	-	115,000
Printing and publications	-	15,000	15,000	4,000	25,000	29,000	44,000
Insurance	-	9,000	9,000	13,000	5,000	18,000	27,000
Depreciation	-	7,000	7,000	11,000	5,000	16,000	23,000
Office equipment and supplies	-	9,000	9,000	13,000	8,000	21,000	30,000
Other	-	-	-	9,000	5,000	14,000	14,000
	<u>\$ 23,192,000</u>	<u>\$ 1,586,000</u>	<u>\$ 24,778,000</u>	<u>\$ 1,729,000</u>	<u>\$ 772,000</u>	<u>\$ 2,501,000</u>	<u>\$ 27,279,000</u>

The accompanying notes are an integral part of this financial statement.



# Sacramento Region Community Foundation

## Consolidated Statement of Functional Expenses

(rounded to the nearest thousand)

For the Year Ended December 31, 2022

	Program services			Supporting services			
	Grants and scholarships	Community programs	Total	Management and general	Fundraising and marketing	Total	Total
Grants and scholarships	\$ 19,969,000	\$ -	\$ 19,969,000	\$ -	\$ -	\$ -	\$ 19,969,000
Salaries and benefits	-	749,000	749,000	1,383,000	55,000	1,438,000	2,187,000
Professional services	-	334,000	334,000	261,000	17,000	278,000	612,000
Meetings and conferences	-	66,000	66,000	96,000	12,000	108,000	174,000
Marketing and donor engagement	-	62,000	62,000	31,000	73,000	104,000	166,000
Occupancy	-	44,000	44,000	111,000	4,000	115,000	159,000
IT and communications	-	57,000	57,000	77,000	15,000	92,000	149,000
Financial expenses	-	30,000	30,000	6,000	-	6,000	36,000
Printing and publications	-	7,000	7,000	3,000	30,000	33,000	40,000
Insurance	-	7,000	7,000	15,000	1,000	16,000	23,000
Depreciation	-	6,000	6,000	15,000	1,000	16,000	22,000
Office equipment and supplies	-	5,000	5,000	12,000	1,000	13,000	18,000
Other	-	44,000	44,000	17,000	1,000	18,000	62,000
	<u>\$ 19,969,000</u>	<u>\$ 1,411,000</u>	<u>\$ 21,380,000</u>	<u>\$ 2,027,000</u>	<u>\$ 210,000</u>	<u>\$ 2,237,000</u>	<u>\$ 23,617,000</u>

The accompanying notes are an integral part of this financial statement.

# Sacramento Region Community Foundation

## Consolidated Statements of Cash Flows

(rounded to the nearest thousand)

For the Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 45,140,000	\$ (19,242,000)
<i>Adjustments to reconcile the change in net assets to net cash provided by operating activities:</i>		
Depreciation	23,000	22,000
Realized and unrealized loss (gain) on investment securities	(18,655,000)	26,673,000
Donation of securities	(2,069,000)	(1,373,000)
Donation of land	-	(9,800,000)
Changes in present value of split-interest agreements	(360,000)	(360,000)
<i>Changes in operating assets and liabilities:</i>		
Contributions and pledges receivable	1,000	2,000
Accounts receivable	919,000	(1,594,000)
Beneficial interest in trust	-	(1,110,000)
Other assets	29,000	40,000
Funds held in split-interest agreements	979,000	(1,474,000)
Accounts payable and accrued expenses	257,000	437,000
Agency endowments	1,231,000	(5,192,000)
Liability under split-interest agreements	(118,000)	(249,000)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>27,377,000</u>	<u>(13,220,000)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	84,200,000	72,507,000
Purchases of investments	(79,419,000)	(75,140,000)
Proceeds from the sale of property	5,900,000	-
Payment received on notes receivable	75,000	-
Purchases of office equipment	(6,000)	(22,000)
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<u>10,750,000</u>	<u>(2,655,000)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	38,127,000	(15,875,000)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>17,024,000</u>	<u>32,899,000</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 55,151,000</u>	<u>\$ 17,024,000</u>
<b><u>SUPPLEMENTAL DISCLOSURES:</u></b>		
Interest	\$ -	\$ -
Income taxes	<u>\$ 328,000</u>	<u>\$ 7,600</u>

The accompanying notes are an integral part of this financial statement.

**Sacramento Region Community Foundation**  
**Notes to Consolidated Financial Statements**  
**(rounded to the nearest thousand)**  
**December 31, 2023 and 2022**

---

**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, 2023 and 2022, there were assets of \$5,403,000 and \$9,819,000, 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 include 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.

**Sacramento Region Community Foundation**  
**Notes to Consolidated Financial Statements**  
**(rounded to the nearest thousand)**  
**December 31, 2023 and 2022**

---

**NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES - Continued**

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, 2023 and 2022, 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 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 non-publicly 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.

**Sacramento Region Community Foundation**  
**Notes to Consolidated Financial Statements**  
**(rounded to the nearest thousand)**  
**December 31, 2023 and 2022**

---

**NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES - Continued**

**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.

**Art Collection** – Items, if 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 trustee 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.

**Sacramento Region Community Foundation**  
**Notes to Consolidated Financial Statements**  
**(rounded to the nearest thousand)**  
**December 31, 2023 and 2022**

---

**NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES - Continued**

**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.

At December 31, 2023 and 2022, net assets with donor restrictions comprise only of charitable remainder trusts, charitable gift annuities, and charitable lead annuity trusts. 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 (nonfinancial assets) 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. During the year ended 2022, the Foundation received real estate contributions valued at \$9,800,000. The Foundation did not receive any real estate contributions during the year ended 2023.

**Sacramento Region Community Foundation**  
**Notes to Consolidated Financial Statements**  
**(rounded to the nearest thousand)**  
**December 31, 2023 and 2022**

---

**NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES – Continued**

**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. 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, 2023 and 2022. The total federal and state unrelated business income tax liabilities as of December 31, 2023, were \$230,000 and \$98,000, respectively, compared to \$7,600 and \$0, respectively, as of December 31, 2022.

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, 2023 and 2022, 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.

**Leases** – The Foundation determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use (ROU) assets and as lease liabilities in the consolidated statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term. ROU assets also include prepaid or accrued rent. Operating lease expense is recognized on a straight-line basis over the lease term. The Foundation does not report ROU assets and leases liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

**Recent accounting pronouncements** –Recent accounting pronouncements issued have been evaluated and determined to have no material effect on the financial statements of the entity.

**NOTE 2 – NOTES RECEIVABLE**

The Foundation accepted a note receivable in connection with the sale of donated real estate located in Sacramento, California. The note bears interest at 4.00% per annum and is payable in a monthly principal installment of \$88,058 through November 30, 2027. The note is secured by deed of trust on the property.

**Sacramento Region Community Foundation**  
**Notes to Consolidated Financial Statements**  
**(rounded to the nearest thousand)**  
**December 31, 2023 and 2022**

**NOTE 3 – SPLIT-INTEREST AGREEMENTS**

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

	<u>2023</u>	<u>2022</u>
<u>Funds held in split-interest agreements</u>		
Cash and cash equivalents	70,000	149,000
Split-interest agreement contributions receivable	5,105,000	3,523,000
Investment securities	1,175,000	3,297,000
Real estate	1,190,000	1,190,000
Total funds held in split-interest agreements	<u>7,540,000</u>	<u>8,159,000</u>
<u>Liability under split-interest agreements</u>	<u>(1,348,000)</u>	<u>(1,466,000)</u>

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 by 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.



**Sacramento Region Community Foundation**  
**Notes to Consolidated Financial Statements**  
**(rounded to the nearest thousand)**  
**December 31, 2023 and 2022**

---

**NOTE 4 – FAIR VALUE MEASUREMENT - Continued**

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, 2023 and 2022, 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 5.2% and 11%, 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 trustee assets* – Funds held as trustee 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, 2023 and 2022.

**Sacramento Region Community Foundation**  
**Notes to Consolidated Financial Statements**  
**(rounded to the nearest thousand)**  
**December 31, 2023 and 2022**

**NOTE 4 – FAIR VALUE MEASUREMENT - Continued**

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

		December 31, 2023				
		Total	Level 1	Level 2	Level 3	Other*
<b>ASSETS</b>						
<b>Investments</b>						
Mutual funds	\$	73,398,000	\$ 73,398,000	\$ -	\$ -	\$ -
Common commingled funds		38,380,000	-	-	-	38,380,000
Corporate stocks and notes		6,360,000	2,535,000	-	3,825,000	-
<b>Alternative investments</b>						
Private assets funds		14,343,000	-	-	14,343,000	-
Real assets funds		1,092,000	-	-	1,092,000	-
Real estate funds		2,223,000	-	-	2,223,000	-
Hedge funds		15,730,000	-	-	-	15,730,000
Total investments	\$	<u>151,526,000</u>	<u>\$ 75,933,000</u>	<u>\$ -</u>	<u>\$ 21,483,000</u>	<u>\$ 54,110,000</u>
<b>Beneficial interest in trust</b>						
Beneficial interest in trust		<u>2,190,000</u>	<u>-</u>	<u>-</u>	<u>2,190,000</u>	<u>-</u>
<b>Split-interest agreements</b>						
Funds held in split-interest agreements		<u>7,540,000</u>	<u>1,245,000</u>	<u>-</u>	<u>6,295,000</u>	<u>-</u>
<b>Funds held as trustee assets</b>						
Funds held as trustee assets		<u>6,686,000</u>	<u>6,686,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>LIABILITIES</b>						
<b>Split-interest agreements</b>						
Liability under split-interest agreements	\$	<u>(1,348,000)</u>	<u>-</u>	<u>\$ -</u>	<u>\$ (1,348,000)</u>	<u>\$ -</u>
<b>Liability for trustee assets</b>						
Liability for trustee assets	\$	<u>(6,686,000)</u>	<u>(6,686,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

		December 31, 2022				
		Total	Level 1	Level 2	Level 3	Other*
<b>ASSETS</b>						
<b>Investments</b>						
Mutual funds	\$	63,894,000	\$ 63,894,000	\$ -	\$ -	\$ -
Common commingled funds		31,885,000	-	-	-	31,885,000
Corporate stocks and notes		3,079,000	3,079,000	-	-	-
Corporate bonds		-	-	-	-	-
<b>Alternative investments</b>						
Private assets funds		12,635,000	-	-	12,635,000	-
Real assets funds		1,155,000	-	-	1,155,000	-
Real estate funds		2,455,000	-	-	2,455,000	-
Hedge funds		16,656,000	-	-	-	16,656,000
Total investments	\$	<u>131,759,000</u>	<u>\$ 66,973,000</u>	<u>\$ -</u>	<u>\$ 16,245,000</u>	<u>\$ 48,541,000</u>
<b>Beneficial interest in trust</b>						
Beneficial interest in trust	\$	<u>2,190,000</u>	<u>-</u>	<u>\$ -</u>	<u>\$ 2,190,000</u>	<u>\$ -</u>

**Sacramento Region Community Foundation**  
**Notes to Consolidated Financial Statements**  
**(rounded to the nearest thousand)**  
**December 31, 2023 and 2022**

---

**NOTE 4 – FAIR VALUE MEASUREMENT - Continued**

Split-interest agreements					
Funds held in split-interest agreements	\$	<u>8,159,000</u>	\$	<u>3,447,000</u>	\$ <u>-</u> \$ <u>4,712,000</u> \$ <u>-</u>
Funds held as trustee assets					
Funds held as trustee assets	\$	<u>6,123,000</u>	\$	<u>6,123,000</u>	\$ <u>-</u> \$ <u>-</u> \$ <u>-</u>
<b>LIABILITIES</b>					
Split-interest agreements					
Liability under split-interest agreements	\$	<u>(1,466,000)</u>	\$	<u>-</u>	\$ <u>-</u> \$ <u>(1,466,000)</u> \$ <u>-</u>
Liability for trustee assets					
Liability for trustee assets	\$	<u>(6,123,000)</u>	\$	<u>(6,123,000)</u>	\$ <u>-</u> \$ <u>-</u> \$ <u>-</u>

\*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.

**Sacramento Region Community Foundation**  
**Notes to Consolidated Financial Statements**  
**(rounded to the nearest thousand)**  
**December 31, 2023 and 2022**

---

**NOTE 4 – FAIR VALUE MEASUREMENT - Continued**

*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 trustee 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.

**Sacramento Region Community Foundation**  
**Notes to Consolidated Financial Statements**  
**(rounded to the nearest thousand)**  
**December 31, 2023 and 2022**

---

**NOTE 4 – FAIR VALUE MEASUREMENT - Continued**

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 trustee 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.

**Sacramento Region Community Foundation**  
**Notes to Consolidated Financial Statements**  
**(rounded to the nearest thousand)**  
**December 31, 2023 and 2022**

**NOTE 4 – FAIR VALUE MEASUREMENT - Continued**

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:

<b>2023</b>							
	Private Assets Funds	Real Assets Funds	Real Estate Funds	Beneficial Interest in Trust	Funds held in Split Interest Agreements	Land	Total
Balance, January 1	\$ 12,635,000	\$ 1,161,000	\$ 2,455,000	\$ 1,085,000	\$ 3,538,000	\$ 9,800,000	\$ 21,119,000
Total realized and unrealized gains (losses) included in changes in net assets	869,000	(33,000)	(42,000)	1,105,000	3,962,000	-	5,861,000
Gifts	-	-	-	-	-	659,000	-
Purchases	2,476,000	11,000	273,000	-	-	-	2,760,000
Sales	(1,637,000)	(47,000)	(462,000)	-	-	(9,800,000)	(11,945,000)
							-
Balance, December 31	\$ 14,343,000	\$ 1,092,000	\$ 2,223,000	\$ 2,190,000	\$ 7,500,000	\$ 659,000	\$ 28,008,000
							-
Change in unrealized gains and losses on investments held as of December 31	\$ 381,000	\$ (101,000)	\$ 4,000	\$ 1,105,000	\$ 3,962,000	\$ -	\$ 5,351,000

<b>2022</b>							
	Private Asset Funds	Real Asset Funds	Real Estate Funds	Beneficial Interest in Trust	Funds held in Split Interest Agreements	Land	Total
Balance, January 1	\$ 12,742,000	\$ 1,087,000	\$ 2,480,000	\$ 1,080,000	\$ 6,325,000	\$ -	\$ 21,118,000
Total realized and unrealized gains (losses) included in changes in net assets	280,000	47,000	184,000	1,110,000	1,834,000	-	3,455,000
Purchases	-	-	-	-	-	9,800,000	9,800,000
Sales	1,337,000	58,000	697,000	-	-	-	2,092,000
Balance, December 31	\$ 12,635,000	\$ 1,155,000	\$ (906,000)	\$ -	\$ -	\$ -	\$ (2,667,000)
Change in unrealized gains and losses on investments held as of December 31	\$ (1,724,000)	\$ (37,000)	\$ 2,455,000	\$ 2,190,000	\$ 8,159,000	\$ 9,800,000	\$ 33,798,000

**Sacramento Region Community Foundation**  
**Notes to Consolidated Financial Statements**  
**(rounded to the nearest thousand)**  
**December 31, 2023 and 2022**

**NOTE 4 – FAIR VALUE MEASUREMENT - Continued**

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, 2023	Valuation Techniques	Unobservable Inputs	Quantitative Inputs
Private assets funds	\$ 14,343,000	Market, cost, or income	409A valuation Funds financials	na*
Real assets funds	\$ 1,092,000	Market, cost, or income	409A valuation Funds financials	na*
Real estate funds	\$ 2,223,000	Market comparable	Listing prices, General partner estimates	na*
Beneficial interest in trust	\$ 2,190,000	Fair value of trust assets reported by the trustee	Asset fair value from trustees	Varies
Funds held in split-interest agreement assets and liabilities	\$ 7,540,000	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%
Land	\$ 659,000	Market comparable	Listing prices	na*

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

	Fair Value at December 31, 2022	Valuation Techniques	Unobservable Inputs	Quantitative Inputs
Private assets funds	\$ 12,635,000	Market, cost, or income	409A valuation Funds financials	na*
Real assets funds	\$ 1,155,000	Market, cost, or income	409A valuation Funds financials	na*
Real estate funds	\$ 2,455,000	Market comparable	Listing prices, General partner estimates	na*
Beneficial interest in trust	\$ 2,190,000	Fair value of trust assets reported by the trustee	Asset fair value from trustees	Varies
Funds held in split-interest agreement assets and liabilities	\$ 8,159,000	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%
Land	\$ 9,800,000	Market comparable	Listing prices	na*

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

**Sacramento Region Community Foundation**  
**Notes to Consolidated Financial Statements**  
**(rounded to the nearest thousand)**  
**December 31, 2023 and 2022**

**NOTE 4 – FAIR VALUE MEASUREMENT - Continued**

Approximately 23% and 25% of the Foundation's investments were invested in alternative investments as of December 31, 2023 and 2022, 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 \$9,154,000 and \$10,704,000 in future investments as of December 31, 2023 and 2022, 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:

Investments	2023		2022		Unfunded Commitments	Redemption Frequency	Redemption Notice
	# of Funds	Fair Value	# of Funds	Fair Value			
Common commingled funds							
Domestic equities	1	\$ 3,582,000	1	\$ 3,377,000	-	Daily	None
International equities	9	34,798,000	9	28,508,000	-	Monthly, Quarterly	10 - 120 Days
Alternative investments							
Hedge funds	9	15,730,000	9	16,656,000	-	Twice Monthly, Quarterly	45 - 95 Days
Total		\$ 54,110,000		\$ 57,246,000	-		

**NOTE 5 – ART COLLECTION**

The Sacramento Library Foundation (SLF) held certain assets that benefited 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.



**Sacramento Region Community Foundation**  
**Notes to Consolidated Financial Statements**  
**(rounded to the nearest thousand)**  
**December 31, 2023 and 2022**

---

**NOTE 6 – 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.

**Sacramento Region Community Foundation**  
**Notes to Consolidated Financial Statements**  
**(rounded to the nearest thousand)**  
**December 31, 2023 and 2022**

**NOTE 6 – ENDOWMENT NET ASSETS - Continued**

The changes in endowment net assets for the years ended December 31 were as follows:

	<u>2023</u>	<u>2022</u>
Endowment net assets, January 1	\$ 107,493,000	\$ 133,200,000
Investment return:		
Investment income	1,036,000	686,000
Net realized appreciation	621,000	3,529,000
Net unrealized appreciation(depreciation)	<u>14,712,000</u>	<u>(25,609,000)</u>
Total investment return (loss)	16,369,000	(21,394,000)
Contributions	2,734,000	1,598,000
Appropriation of endowment assets for expenditure	<u>(5,454,000)</u>	<u>(5,911,000)</u>
Endowment net assets, December 31	<u>\$ 121,141,000</u>	<u>107,493,000</u>

**NOTE 7 – COMMITMENTS AND CONTINGENCIES**

*Lease obligation* – The Foundation leased its office premises for a term of one year, that expired in October 2024. In September of 2024, the Foundation purchased it's office premises from its landlord. Rental expense amounted to \$170,000 and \$155,000 for the years ended December 31, 2023 and 2022, respectively.

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

**NOTE 8 – 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 \$105,000 and \$120,000 for the years ended December 31, 2023 and 2022, respectively.

**Sacramento Region Community Foundation**  
**Notes to Consolidated Financial Statements**  
**(rounded to the nearest thousand)**  
**December 31, 2023 and 2022**

**NOTE 9 – 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:

	<u>2023</u>	<u>2022</u>
Cash and investments for endowed fund appropriations for following year	\$ 5,028,000	\$ 4,838,000
Cash and investments for expendable contractual or donor-imposed restrictions	77,944,000	38,422,000
Cash and investments for operational expenditures	<u>2,192,000</u>	<u>1,908,000</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u>85,164,000</u>	\$ <u>45,168,000</u>

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 \$270,000 and \$225,000 for years ended December 31, 2023 and 2022, respectively. The Foundation's working capital is \$22,394,000 and \$15,841,000 as of December 31, 2023 and 2022, respectively. The Foundation has 2,488 and 2,112 days' cash on hand as of December 31, 2023 and 2022, 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 \$779,000 and an excess reserve of \$1,360,000 as of December 31, 2023 which is 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 \$3,813,000 and \$3,442,000 as of December 31, 2023 and 2022, respectively, which the Board, at its discretion, may unendow to supplement assets available for general expenditures.

**NOTE 10 – SUBSEQUENT EVENTS**

**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.

The Foundation has evaluated subsequent events through December 4, 2024, the date the consolidated financial statements were available to be issued.