

LONG BEACH COMMUNITY FOUNDATION

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 and 2021



LONG BEACH COMMUNITY FOUNDATION

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Long Beach Community Foundation

Opinion

We have audited the consolidated financial statements of Long Beach Community Foundation, which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Long Beach Community Foundation and Long Beach Community Foundation Properties Foundation as of December 31, 2022, and the 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 ("U.S. GAAP").

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("U.S. GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Long Beach Community Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. GAAP, 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 Long Beach Community Foundation's ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.

Auditors' 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 auditors' 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 U.S. GAAS 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.

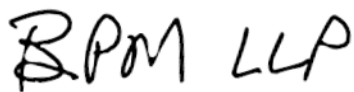
In performing an audit in accordance with U.S. GAAS, we:

- 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 Long Beach Community Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Long Beach Community Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

The comparative financial statements of Long Beach Community Foundation as of and for the year ended December 31, 2021, were audited by O&S CPAs, who merged with BPM LLP effective as of January 1, 2023. O&S CPAs' report dated May 1, 2022, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

A handwritten signature in black ink that reads "BPM LLP". The letters are stylized and cursive.

Long Beach, California
November 17, 2023

LONG BEACH COMMUNITY FOUNDATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As of December 31, 2022 and 2021

	2022	2021
ASSETS		
Cash and cash equivalents held by Greater Horizons	\$ 7,343,100	\$ 9,909,717
Cash and cash equivalents	24,506	58,085
Investments held by Greater Horizons	52,309,383	59,650,662
Investments	162,270	340,681
Contribution receivable	116,000	2,829
Beneficial interest in split-interest agreements	452,503	444,352
Prepaid expenses	11,654	2,533
Property and equipment, net	623,182	549,095
	<u>623,182</u>	<u>549,095</u>
Total assets	<u>\$ 61,042,598</u>	<u>\$ 70,957,954</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 10,962	\$ 4,211
Grants payable	1,247,000	-
Reserve for agency funds (Note 8)	17,426,235	20,480,383
	<u>17,426,235</u>	<u>20,480,383</u>
Total liabilities	<u>18,684,197</u>	<u>20,484,594</u>
Net assets:		
Without donor restrictions	30,149,999	40,943,257
With donor restrictions	12,208,402	9,530,103
	<u>12,208,402</u>	<u>9,530,103</u>
Total net assets	<u>42,358,401</u>	<u>50,473,360</u>
Total liabilities and net assets	<u>\$ 61,042,598</u>	<u>\$ 70,957,954</u>

LONG BEACH COMMUNITY FOUNDATION

CONSOLIDATED STATEMENT OF ACTIVITIES

For the year ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Contributions	\$ 1,532,260	\$ 1,540,760	\$ 3,073,020
Rental income	83,324	-	83,324
Change in value of split-interest agreements	-	(170,260)	(170,260)
Investment loss	(5,021,544)	(783,128)	(5,804,672)
Agency fund administration	186,433	-	186,433
Other income	300	-	300
Total support and revenue	(3,219,227)	587,372	(2,631,855)
Net assets released from restrictions	281,710	(281,710)	-
Total support and revenue	(2,937,517)	305,662	(2,631,855)
Expenses:			
Program services:			
Grants	4,708,940	-	4,708,940
Other program expenses	262,250	-	262,250
Total program services	4,971,190	-	4,971,190
Supporting services:			
Management and general	395,083	-	395,083
Fundraising	116,831	-	116,831
Total supporting services	511,914	-	511,914
Total expenses	5,483,104	-	5,483,104
Change in net assets	(8,420,621)	305,662	(8,114,959)
Net assets, beginning of year	40,943,257	9,530,103	50,473,360
Reclassification from undesignated to temporarily restricted	(2,372,637)	2,372,637	-
Net assets, end of year	\$ 30,149,999	\$ 12,208,402	\$ 42,358,401

LONG BEACH COMMUNITY FOUNDATION

CONSOLIDATED STATEMENT OF ACTIVITIES

For the year ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Contributions	\$ 2,052,603	\$ 5,037,233	\$ 7,089,836
Rental income	84,207	-	84,207
Change in value of split-interest agreements	-	(24,111)	(24,111)
Investment gain	4,117,919	356,839	4,474,758
Agency fund administration	182,808	-	182,808
Other income	400	-	400
Total support and revenue	6,437,937	5,369,961	11,807,898
Net assets released from restrictions	263,012	(263,012)	-
Total support and revenue	6,700,949	5,106,949	11,807,898
Expenses:			
Program services:			
Grants	4,574,875	-	4,574,875
Other program expenses	228,096	-	228,096
Total program services	4,802,971	-	4,802,971
Supporting services:			
Management and general	340,522	-	340,522
Fundraising	96,010	-	96,010
Total supporting services	436,532	-	436,532
Total expenses	5,239,503	-	5,239,503
Change in net assets	1,461,446	5,106,949	6,568,395
Net assets, beginning of year	39,908,326	3,996,639	43,904,965
Reclassification	(426,515)	426,515	-
Net assets, end of year	\$ 40,943,257	\$ 9,530,103	\$ 50,473,360

LONG BEACH COMMUNITY FOUNDATION
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2022

		Supporting Services			
	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Grants:					
From donor advised funds	\$ 4,708,940	\$ -	\$ -	\$ -	\$ 4,708,940
Other:					
Accounting services	-	24,678	-	24,678	24,678
Advertising and marketing	-	-	1,558	1,558	1,558
Building repairs and maintenance	45,376	-	-	-	45,376
Conferences	-	7,427	-	7,427	7,427
Contract services	-	120,102	-	120,102	120,102
Depreciation	16,601	775	-	775	17,376
Employee benefits	-	21,914	-	21,914	21,914
Information technology	-	36,200	-	36,200	36,200
Insurance	-	8,963	-	8,963	8,963
Interest expense	-	-	-	-	-
Investment unitization and bookkeeping	-	7,288	-	7,288	7,288
Legal and professional fees	-	945	-	945	945
Miscellaneous	-	5,957	-	5,957	5,957
Occupancy	-	14,869	-	14,869	14,869
Office supplies	-	11,949	-	11,949	11,949
Payroll service	3,060	-	-	-	3,060
Payroll taxes	7,209	14,418	7,209	21,627	28,836
Projects and events	1,337	-	-	-	1,337
Property management fees	-	-	-	-	-
Property taxes	1,942	-	-	-	1,942
Salaries	168,675	118,964	107,720	226,684	395,359
Travel	-	40	-	40	40
Utilities	18,050	594	344	938	18,988
Total expenses	<u>\$ 4,971,190</u>	<u>\$ 395,083</u>	<u>\$ 116,831</u>	<u>\$ 511,914</u>	<u>\$ 5,483,104</u>

LONG BEACH COMMUNITY FOUNDATION
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2021

		Supporting Services			
	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Grants:					
From donor advised funds	\$ 3,733,604	\$ -	\$ -	\$ -	\$ 3,733,604
Other grants and allocations	841,271	-	-	-	841,271
	4,574,875	-	-	-	4,574,875
Other:					
Accounting services	-	23,850	-	23,850	23,850
Advertising and marketing	-	-	3,463	3,463	3,463
Building repairs and maintenance	24,424	-	-	-	24,424
Conferences	-	9,885	-	9,885	9,885
Contract services	-	29,467	-	29,467	29,467
Depreciation	17,477	775	-	775	18,252
Employee benefits	-	18,270	-	18,270	18,270
Information technology	-	26,951	-	26,951	26,951
Insurance	4,090	3,764	-	3,764	7,854
Interest expense	-	663	-	663	663
Investment unitization and bookkeeping	-	67,236	-	67,236	67,236
Legal and professional fees	-	650	-	650	650
Miscellaneous	-	7,518	-	7,518	7,518
Occupancy	-	20,734	-	20,734	20,734
Office supplies	-	15,027	-	15,027	15,027
Payroll service	2,934	-	-	-	2,934
Payroll taxes	6,284	12,569	6,284	18,853	25,137
Projects and events	3,025	-	-	-	3,025
Property management fees	-	6,600	-	6,600	6,600
Property taxes	1,876	-	-	-	1,876
Salaries	154,434	96,559	86,263	182,822	337,256
Travel	-	4	-	4	4
Utilities	13,552	-	-	-	13,552
Total expenses	<u>\$ 4,802,971</u>	<u>\$ 340,522</u>	<u>\$ 96,010</u>	<u>\$ 436,532</u>	<u>\$ 5,239,503</u>

LONG BEACH COMMUNITY FOUNDATION

CONSOLIDATED STATEMENT OF CASH FLOWS

For the years ended December 31, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ (8,114,959)	\$ 6,568,395
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	17,376	18,251
PPP loan forgiveness	-	(55,095)
Donated stocks and investments	(99,732)	(341,032)
Net realized and unrealized (gains) losses on investments	9,557,561	(5,057,089)
Change in value of split-interest agreements	(8,151)	27,823
Contributions for restricted endowment	(1,476,701)	(4,930,655)
Donor restricted investment income	(197,490)	(68,132)
Decrease (increase) in:		
Contributions receivable	(113,171)	167,757
Prepaid expenses	(9,121)	1,191
Increase (decrease) in:		
Accounts payable and accrued expenses	6,751	(6,426)
Grants payable	1,247,000	(127,600)
Reserve for agency funds	(3,054,148)	4,043,989
Net cash provided by (used in) operating activities	(2,244,785)	241,377
Cash flows from investing activities:		
Construction in progress	-	(63,180)
Additions to property and equipment	(91,463)	-
Proceeds from sale of investments	10,441,897	10,343,146
Purchases of investments	(12,380,036)	(10,357,643)
Net cash used in investing activities	(2,029,602)	(77,677)
Cash flows from financing activities:		
Contributions for restricted endowment	1,476,701	4,930,655
Donor restricted investment income	197,490	68,132
Net cash provided by for financing activities	1,674,191	4,998,787
Increase (decrease) in cash and cash equivalents	(2,600,196)	5,162,487
Beginning cash and cash equivalents	9,967,802	4,805,315
Ending cash and cash equivalents	\$ 7,367,606	\$ 9,967,802
Reconciliation to consolidated statement of financial position:		
Cash and cash equivalents held by Greater Horizons	\$ 7,343,100	\$ 9,909,717
Cash and cash equivalents	24,506	58,085
Total cash and cash equivalents	\$ 7,367,606	\$ 9,967,802

LONG BEACH COMMUNITY FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022 and 2021

1. Organization, Mission, and Activities

Reporting Entity and Nature of Activities

Long Beach Community Foundation (the “Foundation”, or “LBCF”) was incorporated in the State of California under the Nonprofit Public Benefit Corporation Law in 2006 as a public charity established under the Internal Revenue Service (“IRS”) Code section 501(c)(3). The Foundation’s mission is to initiate positive change for Long Beach, California, through charitable giving, stewardship, and strategic grant making.

To fulfill its mission, the Foundation becomes an enabling vehicle that provides charitable tax deductions for contributions received in connection with individualized giving programs. The Foundation then provides investment management oversight for all funds under its stewardship and assures that such funds receive diversified and comprehensive investment management. Grants to eligible nonprofit agencies and governmental subdivisions are recommended by the Foundation’s Board of Directors (the “Board”), donor advisors, and creators of special purpose charitable funds and endowments. Most grants are intended to benefit Long Beach, California. Strict due diligence and review procedures are applied to each grant to assure compliance with federal and state tax laws. Operating expenses of the Foundation are primarily supported through fees charged to each philanthropic fund.

These consolidated financial statements include the accounts of LBCF Properties Foundation, incorporated in 2012, to receive, hold, manage, and administer donations of real estate and certain other non-liquid types of property for the benefit of the Foundation. It is separately recognized by the IRS as a section 501(c)(3) exempt organization and is classified as an IRS Type 1 Supporting Organization under IRS Code section 509(a)(3). LBCF Properties Foundation owns a commercial office building and leases commercial office space to qualified local charitable organizations.

The Foundation partners with Greater Horizons (administered by the Greater Kansas City Community Foundation) for financial management and investment accounting services for all funds under its stewardship. These “Back Office Operations” are covered by a Service Organization Control Report (SOC 1) issued by KPMG LLP. Through the partnership with Greater Horizons, the Foundation pools its assets with other community foundations. Greater Horizons is compensated for these services and provides fund accounting and enhanced donor services to the Foundation’s donors.

2. Summary of Significant Accounting Policies

Basis of Accounting

The consolidated financial statements are presented on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

Basis of Presentation

The consolidated statement of financial position does not classify assets and liabilities as current or non-current because the operating cycle of a community foundation is presumed to be *in perpetuity*.

LONG BEACH COMMUNITY FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022 and 2021

2. Summary of Significant Accounting Policies, continued

Recent Accounting Standards, continued

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2016-02, *Leases (Topic 842)* ("ASU 2016-02"), which sets out the principles for the recognition measurement, presentation, and disclosure of leases for both lessees and lessors. ASU 2016-02 requires lessees to recognize the following for all leases with terms longer than 12 months: (a) a lease liability, and (b) a right-of-use ("ROU") asset. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. Leases with a term of 12 months or less will be accounted for similarly to existing guidance for operating leases. This standard is effective for non-public entities for fiscal years beginning after December 15, 2021, with early adoption permitted. The Foundation adopted ASU 2016-02 effective January 1, 2020. The adoption of ASU 2016-02 does not impact the Foundation's consolidated financial statements.

Principles of Consolidation

The Foundation and LBCF Properties Foundation are under common management and control. In accordance with U.S. GAAP, the consolidated financial statements have been prepared on a consolidated basis. All intercompany transactions and balances have been eliminated in consolidation. Each entity holds a separate IRS exempt determination letter and is required to file its own IRS Form 990 Informational Return and the corresponding California Form 199. Unless otherwise stated, the two entities are collectively referred to as the "Foundation" in these consolidated financial statements.

Cash and Cash Equivalents

The carrying value of cash and cash equivalents approximates fair value. Cash equivalents consist of highly liquid investments with an initial maturity of three months or less.

Investments

Investments in all mutual funds and equity securities with readily determinable market values are recorded at fair market value. Fair market value is determined from quoted market prices. Investments held at Greater Horizons are made according to the Investment Objectives and Policies adopted by the Board. Prairie Capital Management provides independent investment management and consulting.

Investment guidelines provide for investment in equities and fixed income securities with performance measured against appropriate indices. Securities are held in custodial investment accounts administered by certain financial institutions. The Foundation maintains master investment accounts for all the Foundation's accounts including donor-restricted and board-designated endowment accounts.

Realized and unrealized gains and losses from securities in the master investment accounts are allocated monthly to the individual accounts based on the relationship of the market value of each account to the total market value of the master investment accounts. Earnings on short-term, pass-through, and special purpose accounts accrue to the Foundation.

Contributions and Bequests Receivable

The Foundation has been named beneficiary of various estates. Bequests received under such estates are not recorded until the Foundation has a legal right to such assets, the distribution of assets to the Foundation is probable, and the amount of the distribution can be reasonably estimated.

LONG BEACH COMMUNITY FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022 and 2021

2. Summary of Significant Accounting Policies, continued

Property and Equipment, Net

Property and equipment, net are recorded at cost, if purchased, or at fair value at the date of the gift, if donated and significant. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

Depreciation has been recorded using the straight-line method over the estimated useful lives of the assets, generally 10 to 39 years for buildings and improvements, and 5 to 10 years for furniture and equipment. Land has an indefinite useful life and is therefore not depreciated. The acquisition cost or value of property and equipment for LBCF Properties Foundation in excess of \$1,000 is capitalized. Acquisitions of property and equipment for LBCF in excess of \$5,000 are capitalized.

Repairs, maintenance, and minor acquisitions are expensed as incurred, and the Foundation uses the direct expense method to account for planned major maintenance activities.

Reserve for Agency Funds

The Foundation follows guidance provided by U.S. GAAP which establishes standards for transactions in which a community foundation accepts a contribution from a donor and agrees to transfer those assets, the return on investment of those assets, or both, to an entity that is specified by the donor. The standards specifically require that if a 501(c)(3) public charity 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 community foundation must account for the transfer of such assets as a liability.

Financial Statement Presentation

The Foundation reports information regarding its financial position and activities according to two classes of net assets: with donor restrictions and without donor restrictions. Net assets and revenues are classified based on the existence or absence of donor-imposed restrictions.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed stipulations.

Net assets with donor restrictions: Net assets subject to donor-imposed restrictions that may be temporary in nature and that may be or will be met by actions of the Foundation or the passage of time. Other donor stipulations may be perpetual in nature, where the donor stipulates that the corpus be maintained intact in perpetuity. As the restrictions are satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statement of activities as net assets released from restrictions.

Revenue Recognition

The Foundation recognizes revenue based on the existence or absence of an exchange transaction. The Foundation recognizes revenue from exchange transactions when it satisfies a performance obligation by providing a service to a customer or by transferring control over a product to a customer.

LONG BEACH COMMUNITY FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022 and 2021

2. Summary of Significant Accounting Policies, continued

Revenue Recognition, continued

Revenue from non-exchange transactions consist of the following:

Contributions of cash and bequests-gifts received without donor stipulations, are reported as revenue and net assets without donor restrictions. Gifts received with a donor stipulation that limits their use, are reported as revenue and net assets with donor restrictions. When a donor-stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and report in the statement of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All contributions, including bequests and unconditional promises to give, are measured at fair market value and recognized as revenue in the consolidated statement of activities in the period received at estimated net realizable value. Bequests are recognized only when the Foundation's right to receive the proceeds is assured and the value is subject to reasonable estimation. Conditional contributions and promises to give are recognized as revenue when the donor-imposed conditions are substantially met. Grant expenses are recognized and released as requests are made by the fund. Grants payable is due within a year of December 31, 2022.

Fair Value Measurements and Disclosures

U.S. GAAP defines fair value as the price that would be received to sell an asset or paid to transfer liability in an orderly transaction between market participants at the measurement date. U.S. GAAP also establishes a framework for measuring fair value and expands disclosures about fair value measurements.

U.S. GAAP emphasizes that fair value is a market-based measurement, not an entity-specific measurement. As a basis for considering market participant assumptions in fair market value measurements, U.S. GAAP establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

- *Level 1* – Inputs utilize quoted prices in active markets for identical assets or liabilities that are able to be accessed.
- *Level 2* – Inputs utilize data other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly and may include:
 - Quoted prices for similar assets or liabilities in active markets.
 - Quoted prices for identical or similar assets or liabilities in inactive markets.
 - Inputs other than quoted prices that are observable for the asset or liability.
 - Inputs and data that are derived from, or corroborated by, observable market data at commonly quoted intervals or by other means.
- *Level 3* – Inputs are unobservable inputs for the assets or liabilities, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

Fair value measurements within the fair value hierarchy are based on the lowest level of any input that is significant to the measurement of a particular asset or liability. Valuations will maximize the use of observable inputs and minimize the use of unobservable inputs.

LONG BEACH COMMUNITY FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022 and 2021

2. Summary of Significant Accounting Policies, continued

Variance Power

The Foundation's governing documents include a variance provision giving the Board the power to modify any restriction or condition placed on any gift given to the Foundation. This includes funds with donor-imposed restrictions, if, in its sole judgment, the Board determines that the restriction becomes, in effect, incapable of fulfillment or inconsistent with the charitable needs of the community. The Foundation's governing documents further provide that, absent contrary directions given in the transferring instrument regarding the use of the principal, all, or part of the principal of any fund may be used subject to certain conditions. Accordingly, such contributions are reported as net assets without donor restrictions.

Other Donated Assets, Services and Facilities

Donated marketable securities are recorded at the mean quoted market price on the active trading day closest to the date received. Other noncash donations are recorded as contributions at their estimated fair values at the date of donation. The Foundation also receives donations of other noncash assets including the use of facilities and ancillary services from its supporters. These donations, if significant, are recorded at estimated fair market value at the date of donation. The Foundation received contributed facilities during the years ended December 31, 2022 and 2021, with a fair value of \$22,530 and \$16,629 in each year, respectively.

It is the policy of the Foundation to record a value for contributed services when such services require a special skill or enhance a non-financial asset. No amounts have been reflected in the consolidated financial statements for donated volunteer time, since no objective basis is available to measure the value of such services; however, volunteers and Board members have donated time in the accomplishment of program objectives.

Allocation of Expenses by Function

Expenses that can be identified with a specific program or supporting service are charged directly to the related program or supporting service. Expenses that are associated with more than one program or supporting service are allocated based on an evaluation by the Foundation's management. The expenses that are allocated are salaries and benefits, which are allocated on the basis of estimates of time and effort. Media and public relations costs incurred to promote the mission and programs of the Foundation are charged to "advertising and marketing" as incurred. Such costs are identified in the consolidated statement of functional expenses.

Income Taxes

The Foundation and LBCF Properties Foundation are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the Revenue and Taxation Code of the State of California.

The Foundation evaluates uncertain tax positions whereby the effect of the uncertainty would be recorded if the tax positions will more-likely-than-not be sustained upon examination. As of December 31, 2022 and 2021, management does not believe the Foundation has any uncertain tax positions requiring accrual or disclosure. The Foundation is subject to potential income tax audits on open tax years by any taxing jurisdiction in which it operates. The statute of limitations for federal and California state purposes is generally three and four years, respectively.

LONG BEACH COMMUNITY FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022 and 2021

3. Investments

Investments consisted of the following as of December 31, 2022 and 2021:

	2022	2021
Marketable securities:		
Equity pool	\$ 26,649,426	\$ 31,698,940
Short-term fixed income pool	12,612,946	14,092,339
Intermediate-term fixed income pool	5,498,985	6,113,525
Other	7,710,296	8,086,539
Total investments	<u>\$ 52,471,653</u>	<u>\$ 59,991,343</u>

Investment return was summarized as follows as of December 31, 2022 and 2021:

	2022	2021
Investment income	\$ 1,153,299	\$ 842,827
Net realized and unrealized losses on investments	(6,907,871)	3,676,663
Advisory fees	(50,100)	(44,732)
Total investment loss	<u>\$ (5,804,672)</u>	<u>\$ 4,474,758</u>

Because of the “pooling” of investments with Greater Horizons, the Foundation does not disclose the carrying amounts of investments by major types of security; however, the pools are generally invested as follows:

- **Equity Pool** – The goal of the Equity Pool is to provide a broad market exposure with passive, cost effective investments in segmented and indexed stock mutual funds that diversify across market capitalizations and regions.
- **Short-Term and Intermediate-Term Fixed Income Pools** – The purpose of the Fixed Income Pools is to provide capital preservation and current income in using passive, cost effective investments in U.S. Treasury notes and bonds, corporate bonds, bank loans, mortgage-backed securities and U.S. Treasury Inflation Protected Securities.
- **Separately Managed Accounts (Other)** – The Foundation allows donors to use their own trusted financial advisor to manage a customized charitable investment portfolio under the umbrella of the Foundation. These separately managed accounts are able to make use of any of the above types of investments.

4. Beneficial Interest in Split-Interest Agreements

In January 2010, the Foundation received notice that a \$100,000 cash gift from a revocable trust became irrevocable. The Foundation will receive the distribution upon the death of the surviving spouse.

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4. Beneficial Interest in Split-Interest Agreements, continued

In May 2010, the Foundation received information necessary to record the value of a beneficial interest in six charitable remainder trusts. Upon the death of each trust's noncharitable lead beneficiary, the Foundation will receive a distribution equal to 20% of each trust's remaining assets. Annually the assets are re-measured at fair market value based on the noncharitable lead beneficiaries' life expectancies. The asset is measured at the present value of the expected future cash flows, using an expected payout rate of 6% and applicable mortality tables.

Changes in the value of these assets are recorded as increases or decreases to the assets with a corresponding amount recorded in the consolidated statement of activities and changes in net assets. The beneficial interest in these split-interest agreements as of December 31, 2022 and 2021 was determined to be \$452,503 and \$444,352, respectively.

5. Retirement Plan

The Foundation has a defined contribution retirement plan under a Simple IRA in which all eligible employees may participate. The Foundation makes matching contributions up to 3% of employee salaries. Matching contributions for the years ended December 31, 2022 and 2021 was \$11,394 and \$9,778, respectively.

6. Property and Equipment

Property and equipment consisted of the following as of December 31, 2022:

Land	\$ 235,800
Building and improvements	525,811
Furniture and equipment	43,443
	<hr/>
	805,054
Less: accumulated depreciation	(181,872)
	<hr/>
Total property and equipment, net	<u>\$ 623,182</u>

Property and equipment consisted of the following as of December 31, 2021:

Land	\$ 235,800
Building and improvements	371,168
Furniture and equipment	43,443
Construction in progress	63,180
	<hr/>
	713,591
Less: accumulated depreciation	(164,496)
	<hr/>
Total property and equipment, net	<u>\$ 549,095</u>

Depreciation expense was \$17,376 and \$18,252 for the years ended December 31, 2022 and 2021, respectively.

LONG BEACH COMMUNITY FOUNDATION
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7. Program Services

Program service expenses consisting of grants and philanthropic distributions and other program expenses for the years ended December 31, 2022 and 2021 totaled \$4,971,190 and \$4,802,971, respectively.

8. Reserve for Agency Funds

Unaffiliated nonprofit organizations have set up funds with the Foundation for their own benefit under agency agreements. The net investment activity and related management fees are allocated on a prorated basis to each separate fund account. Assets related to agency agreements are held in cash and investments. The balance of such funds as of December 31, 2022 and 2021 was \$17,426,235 and \$20,480,383, respectively.

9. Compensated Absences

It is the Foundation's policy to accrue vacation pay for its employees. Employees accrue hours based on employee length of service. The liability for such absences is the part of the accrued liabilities on the statement of financial position. Employees also earn sick pay, but no payment of unused sick leave will be made upon termination of employment. The amount of accrued vacation as of December 31, 2022 and 2021 is immaterial and is thus not recorded as a liability at year-end.

10. Payroll Protection Program Loan

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Securities Act (the "CARES Act") was signed into law including the Payroll Protection Program ("PPP"), a new forgivable loan product offered through the SBA. In February 2021, the Foundation received a second PPP loan in the amount of \$55,669. Any loan amounts not forgiven are repayable over two years with interest at 1.00%. The loan was forgiven August 2021.

11. Fair Value Measurements

The following table summarizes the valuation of the Foundation's fair value measurements as of December 31, 2022:

	Level 1	Level 2	Level 3	Total
Equity pool	\$ -	\$ 26,649,426	\$ -	\$ 26,649,426
Short-term fixed income pool	-	12,612,946	-	12,612,946
Intermediate-term fixed income pool	-	5,498,985	-	5,498,985
Other	-	7,548,026	-	7,548,026
Split-interest agreements	-	-	452,503	452,503
LLC interest	-	-	162,270	162,270
	<u>\$ -</u>	<u>\$ 52,309,383</u>	<u>\$ 614,773</u>	<u>\$ 52,924,156</u>

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11. Fair Value Measurements, continued

The following table summarizes the valuation of the Foundation's fair value measurements as of December 31, 2021:

	Level 1	Level 2	Level 3	Total
Equity pool	\$ -	\$ 31,698,940	\$ -	\$ 31,698,940
Short-term fixed income pool	-	14,092,339	-	14,092,339
Intermediate-term fixed income pool	-	6,113,525	-	6,113,525
Other	-	7,745,858	-	7,745,858
Split-interest agreements	-	-	444,352	444,352
LLC interest	-	-	340,681	340,681
	<u>\$ -</u>	<u>\$ 59,650,662</u>	<u>\$ 785,033</u>	<u>\$ 60,435,695</u>

Fair values for the beneficial interest in split-interest agreements are determined by calculating the present value of the estimated future interest expected to be received by the Foundation. The units in limited partnerships were received as a contribution during the year and recorded at fair market value as of the date of donation, less a management determined discount. Alternative investments are recorded at the net asset value.

The following table reconciles the beginning and ending balances for these Level 3 assets for the year ended December 31, 2022:

	Split-interest Agreements	LLC Interest
Balance, January 1, 2022	\$ 444,352	\$ 340,681
Change in value of split-interest agreements	(8,151)	-
Change in value of LLC interest	-	(178,411)
Balance, December 31, 2022	<u>\$ 452,503</u>	<u>\$ 162,270</u>

The following table reconciles the beginning and ending balances for these Level 3 assets for the year ended December 31, 2021:

	Split-interest Agreements	LLC Interest
Balance, January 1, 2021	\$ 472,175	\$ 377,165
Change in value of split-interest agreements	27,823	-
Change in value of LLC interest	-	(36,484)
Balance, December 31, 2021	<u>\$ 444,352</u>	<u>\$ 340,681</u>

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12. Net Assets

Without Donor Restrictions

Undesignated

Undesignated net assets are available for operating and grant making purposes.

Donor Advised Funds

Donor advised funds represent undesignated net assets even though grant recommendations are accepted from donors or other advisors of most donor advised funds. The Foundation is the owner of all such funds and has the ultimate authority and approval regarding the use of those funds.

Board-Designated

Board-designated net assets consisted of the Board-designated funds in which the principal and earnings are to be available for unrestricted grants to the community. The Board has also designated any net investment earnings to be included as part of those funds. The purpose of the board-designated net assets without donor restrictions were as follows as of December 31:

	2022	2021
General grant making in Long Beach	\$ 3,181,241	\$ 3,311,980
Child health care needs	260,027	306,500
Child camp programs	318,392	296,218
Scholarships	191,872	225,114
Education	49,365	60,665
	<u>\$ 4,000,897</u>	<u>\$ 4,200,477</u>

Net assets without donor restrictions are summarized were as follows as of December 31:

	2022	2021
Donor advised funds	\$ 24,397,533	\$ 32,317,039
Undesignated	1,294,038	4,425,741
Board-designated - endowed	4,000,897	4,200,477
Board-designated - nonendowed	457,531	-
Total without donor restrictions	<u>\$ 30,149,999</u>	<u>\$ 40,943,257</u>

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12. Net Assets, continued

With Donor Restrictions – Temporary Restrictions

Net assets which are restricted, primarily for the passage of time, are summarized as follows as of December 31:

	2022	2021
Split-interest agreements	\$ 564,773	\$ 735,033
Time restricted earnings on endowment	182,311	1,104,651
Purpose restricted contributions	2,373,264	79,066
Total net assets with donor restrictions - temporary restrictions	<u>\$ 3,120,348</u>	<u>\$ 1,918,750</u>

With Donor Restrictions – Permanent Restrictions

Net assets with permanent donor restrictions consisted of donor-restricted endowment funds, of which the earnings are restricted in accordance with donor stipulations. The balance of net assets with permanent donor restrictions was \$9,088,054 and \$7,611,353 as of December 31, 2022 and 2021, respectively.

Permanently restricted assets are presented as net assets with donor restrictions and as of December 31, 2022 and 2021 consisted of the following:

	2022	2021
Investments	\$ 9,038,054	\$ 7,561,353
Split-interest agreements	50,000	50,000
	<u>\$ 9,088,054</u>	<u>\$ 7,611,353</u>

13. Endowments

The Foundation's endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

General Board Policy on Administration of Endowment Funds

The Foundation has determined the majority of the Foundation's contributions are subject to its governing documents. Certain contributions are received subject to other gift instruments or are subject to specific agreements with the Foundation. The Foundation has interpreted the California Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift, as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions:

- (a) the original value of the gifts donated to the permanent endowment;
- (b) the original value of subsequent gifts to the permanent endowment, and;
- (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

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13. Endowments, continued

Investment Policy for Endowment Funds

The remaining portion of donor-restricted endowment funds, which is generally composed of investment income from the endowed investment, will be classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA, which became effective in California on January 1, 2009. When appropriated for expenditure, such assets will be reclassified to net assets without donor restrictions. Under the policy adopted by the Foundation, the Foundation has the ability to distribute as much of the corpus of any trust or separate gift, devise, bequest or fund as the Board in their sole discretion shall determine. As a result, all contributions not classified as net assets with donor restriction are classified as net assets without donor restrictions for consolidated financial statement purposes.

Although the Foundation retains variance power over the distributions from these net assets without donor restrictions, to the extent that the donors or the Board have recommended that certain funds function as endowment funds, the Foundation manages these funds as board-designated endowments.

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for operations and granting. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity. Under the investment policy, as approved by the Board, the endowment assets are invested in a manner which attempts to achieve over time, after fees and expenses, a reasonable rate of return consistent with the risk levels established by the investment committee for all permanently restricted endowment assets. 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 focused on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy for Endowment Funds

The Foundation has a policy of appropriating a spendable amount for distribution as of January 1 of each year (currently 4%) of each endowment fund's average fair value over the prior twelve quarters. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to maintain the purchasing power of the endowment assets held in perpetuity.

Endowment net assets consisted of the following as of December 31, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment	\$ -	\$ 9,270,365	\$ 9,270,365
Board-designated endowment	4,000,897	-	4,000,897
	<u>\$ 4,000,897</u>	<u>\$ 9,270,365</u>	<u>\$ 13,271,262</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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13. Endowments, continued

Spending Policy for Endowment Funds, continued

Endowment net assets consisted of the following as of December 31, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment	\$ -	\$ 8,716,004	\$ 8,716,004
Board-designated endowment	4,200,477	-	4,200,477
	<u>\$ 4,200,477</u>	<u>\$ 8,716,004</u>	<u>\$ 12,916,481</u>

Changes in endowment net assets were as follows for the year ended December 31, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment assets, beginning of year	\$ 4,200,477	\$ 8,716,004	\$ 12,916,481
Investment return:			
Investment income	78,588	197,490	276,078
Net depreciation (realized and unrealized)	(459,778)	(890,355)	(1,350,133)
Total investment return	(381,190)	(692,865)	(1,074,055)
Investment fees	(48,289)	(80,265)	(128,554)
Contributions	253,381	1,476,701	1,730,082
Amounts appropriated	(23,482)	(149,210)	(172,692)
	<u>\$ 4,000,897</u>	<u>\$ 9,270,365</u>	<u>\$ 13,271,262</u>

LONG BEACH COMMUNITY FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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13. Endowments, continued

Spending Policy for Endowment Funds, continued

Changes in endowment net assets were as follows for the year ended December 31, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment assets, beginning of year	\$ 3,430,220	\$ 2,722,820	\$ 6,153,040
Investment return:			
Investment income	65,477	68,132	133,609
Net appreciation (realized and unrealized)	403,952	348,883	752,835
Total investment return	469,429	417,015	886,444
Investment fees	(45,912)	(55,196)	(101,108)
Contributions	349,755	4,930,655	5,280,410
Amounts appropriated	(3,015)	(122,816)	(125,831)
Reclassification	-	823,526	823,526
Endowment assets, end of year	\$ 4,200,477	\$ 8,716,004	\$ 12,916,481

14. Concentrations

Cash

The Foundation maintains cash balances in a financial institution. Accounts at the financial institution are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. Cash balances maintained by the Foundation as of December 31, 2022 and 2021 are less than the FDIC insurance limit.

The Foundation also has cash balances held by Greater Horizons. Greater Horizons maintains cash balances in financial institutions and in money market funds. As of December 31, 2022 and 2021, the uninsured cash balances totaled \$3,916,461 and \$10,242,541, respectively.

Support

Twelve donors contributed 91% of contribution support for the year ended December 31, 2022. Eight donors contributed 80% of contribution support for the year ended December 31, 2021.

Market and Interest Rate Risks

Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain long-term investments, it is reasonably possible that changes in the values of these investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statement of financial position.

LONG BEACH COMMUNITY FOUNDATION
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15. Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from those assumptions and estimates.

The Foundation has been named beneficiary of various estates. Bequests received under such estates are not recorded until the Foundation has a legal right to such assets, the distribution of assets to the Foundation is probable, and the amount of the distribution can be reasonably estimated. The Foundation's estimate of the beneficial interest in split-interest agreements is subject to uncertainty because it involves significant assumptions. The nature of the uncertainty is a result of the lack of information regarding the life expectancies of lead beneficiaries, the remainder amounts of trust assets, and the value of underlying trust assets. It is at least reasonably possible that a change in the estimate will occur in the near term and the effect of the change would be material to the consolidated financial statements.

16. Supplemental Disclosure of Cash Flow Information

During the years ended December 31, 2022 and 2021, the Foundation paid no interest and no income taxes. The Foundation received non-monetary contributions of \$1,669,780 and \$341,032 for the years ended December 31, 2022 and 2021, respectively,

17. Liquidity and Availability of Financial Assets

The following represents financial assets that could readily be made available within one year as of December 31, 2022 and 2021 for general expenditures:

	2022	2021
Financial assets at year-end:		
Cash and cash equivalents	\$ 7,367,606	\$ 9,967,802
Investments	52,471,653	59,991,343
Contributions receivable	116,000	2,829
Beneficial split-interest agreements	452,503	444,352
Total financial assets	<u>60,407,762</u>	<u>70,406,326</u>
Less: financial assets unavailable for general expenditures due to designations:		
Assets with donor restrictions - temp and perm	(12,208,402)	(3,530,103)
Board-designated endowed and nonendowed assets	(4,000,897)	(4,200,477)
Agency fund activity	<u>(17,426,235)</u>	<u>(20,480,383)</u>
	<u>(33,635,534)</u>	<u>(28,210,963)</u>
Available financial assets, net	<u><u>\$ 26,772,228</u></u>	<u><u>\$ 42,195,363</u></u>

LONG BEACH COMMUNITY FOUNDATION
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17. Liquidity and Availability of Financial Assets, continued

In addition to financial assets available to meet general expenditures over the year, the Foundation operates with a balanced budget and anticipates covering its general expenditures by collection of sufficient donations and administrative fees. The Foundation reviews its cash position on a regular basis to ensure adequate funds are on hand to meet expenses. As of December 31, 2022 and 2021, approximately \$29 million and \$42 million was available for grant making, as needed.

18. Advertising Costs

The Organization expense advertising costs as incurred. Advertising costs totaled \$1,558 and \$3,463 for the years ended December 31, 2022 and 2021, respectively.

19. Subsequent Events

The Foundation has evaluated events and transactions for potential recognition or disclosure through November 17, 2023, which represents the date the consolidated financial statements were available to be issued. Management concluded that no material subsequent events have occurred since December 31, 2022, that would require recognition or disclosure in the consolidated financial statements.