



Consolidated Financial Statements
With Independent Auditors' Report

December 31, 2024 and 2023

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Community Foundation for Monterey County
Monterey, California

Opinion

We have audited the accompanying consolidated financial statements of Community Foundation for Monterey County (a nonprofit organization) (the "Foundation"), which comprise the consolidated statements of financial position as of December 31, 2024 and 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2024 and 2023, and the 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 Auditors' Responsibilities for the Audit of the 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 Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the 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 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 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 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.

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

April 22, 2025

COMMUNITY FOUNDATION FOR MONTEREY COUNTY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2024 and 2023

	2024	2023
ASSETS		
Cash and cash equivalents	\$ 33,639,461	\$ 28,011,972
Contributions receivable	441,408	3,634,100
Prepaid expenses	12,744	12,639
Property and equipment, net	2,553,163	2,240,577
Investments	340,753,047	316,010,112
Properties held for sale	10,383,039	--
Programmatic loans receivable	6,417,160	3,416,856
Right-of-use asset, net	66,020	107,005
Charitable gift annuities	4,775,027	4,589,794
Beneficial interest in remainder trusts administered by other trustees	907,701	860,500
Investments held in charitable remainder trusts	20,248,345	21,246,372
Total assets	<u>\$ 420,197,115</u>	<u>\$ 380,129,927</u>
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 465,156	\$ 309,968
Grants payable	3,037,519	2,015,701
Deferred revenue	--	8,295
Notes payable	2,123,003	--
Lease liability	68,895	110,144
Liabilities under charitable gift annuities	2,247,037	2,272,125
Liabilities under charitable remainder trusts	7,222,260	7,958,561
Liabilities under split-interest agreements	3,627,909	4,030,838
Funds held for others	68,495,641	65,409,553
Total liabilities	<u>87,287,420</u>	<u>82,115,185</u>
NET ASSETS		
Without donor restrictions	96,569,024	84,977,054
With donor restrictions	236,340,671	213,037,688
Total net assets	<u>332,909,695</u>	<u>298,014,742</u>
	<u>\$ 420,197,115</u>	<u>\$ 380,129,927</u>

The notes to financial statements are an integral part of these statements.

COMMUNITY FOUNDATION FOR MONTEREY COUNTY

CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended December 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Support:			
Contributions	\$ 67,631,459	\$ 24,540,783	\$ 92,172,242
Donated properties held for sale	--	8,249,898	8,249,898
Amounts received on behalf of others	(21,745,493)	(19,045,188)	(40,790,681)
Total support	45,885,966	13,745,493	59,631,459
Revenue:			
Management fees, net of expenses	561,168	--	561,168
Miscellaneous income	180,887	--	180,887
Rental income	240,245	--	240,245
Net investment income	6,017,520	25,080,941	31,098,461
Net investment income allocated to funds held for others	--	(6,279,033)	(6,279,033)
Net assets released from restrictions	9,244,418	(9,244,418)	--
Total revenue	16,244,238	9,557,490	25,801,728
Total support and revenue	62,130,204	23,302,983	85,433,187
EXPENSES			
Program services:			
Grants awarded	66,143,193	--	66,143,193
Amounts distributed on behalf of others	(21,745,493)	--	(21,745,493)
Net grants awarded	44,397,700	--	44,397,700
Special programs	1,268,163	--	1,268,163
Grant making	945,796	--	945,796
Philanthropic services	278,685	--	278,685
Support services:			
Administration	2,547,683	--	2,547,683
Development	1,088,578	--	1,088,578
Fund management	11,629	--	11,629
Total program and support services	50,538,234	--	50,538,234
Increase in net assets	11,591,970	23,302,983	34,894,953
Net Assets, beginning	84,977,054	213,037,688	298,014,742
Net Assets, ending	\$ 96,569,024	\$ 236,340,671	\$ 332,909,695

The notes to financial statements are an integral part of this statement.

COMMUNITY FOUNDATION FOR MONTEREY COUNTY

CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Support:			
Contributions	\$ 44,202,589	\$ 13,292,441	\$ 57,495,030
Amounts received on behalf of others	(2,565,301)	(4,647,492)	(7,212,793)
Total support	41,637,288	8,644,949	50,282,237
Revenue:			
Management fees, net of expenses	477,625	--	477,625
Miscellaneous income	185,807	--	185,807
Gain on sale of property	15,523	--	15,523
Net investment income	6,562,244	33,382,733	39,944,977
Net investment income allocated to funds held for others	--	(7,746,798)	(7,746,798)
Net assets released from restrictions	10,541,365	(10,541,365)	--
Total revenue	17,782,564	15,094,570	32,877,134
Total support and revenue	59,419,852	23,739,519	83,159,371
EXPENSES			
Program services:			
Grants awarded	39,269,652	--	39,269,652
Amounts distributed on behalf of others	(2,565,301)	--	(2,565,301)
Net grants awarded	36,704,351	--	36,704,351
Special programs	1,170,602	--	1,170,602
Grant making	777,339	--	777,339
Philanthropic services	244,496	--	244,496
Support services:			
Administration	2,213,473	--	2,213,473
Development	954,661	--	954,661
Fund management	18,784	--	18,784
Total program and support services	42,083,706	--	42,083,706
Increase in net assets	17,336,146	23,739,519	41,075,665
Net Assets, beginning	67,640,908	189,298,169	256,939,077
Net Assets, ending	\$ 84,977,054	\$ 213,037,688	\$ 298,014,742

The notes to financial statements are an integral part of this statement.

COMMUNITY FOUNDATION FOR MONTEREY COUNTY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2024

	Program Services					Support Services				Total
	Grants Awarded	Special Programs	Grant Making	Philanthropic Services	Total Program Services	Administration	Development	Fund Management	Total Support Services	
EXPENSES										
Grants awarded	\$ 66,143,193	\$ --	\$ --	\$ --	\$ 66,143,193	\$ --	\$ --	\$ --	\$ --	\$ 66,143,193
Amounts distributed on behalf of others	(21,745,493)	--	--	--	(21,745,493)	--	--	--	--	(21,745,493)
Net allocations	44,397,700	--	--	--	44,397,700	--	--	--	--	44,397,700
Advertising and promotion	--	3,925	14,246	3,620	21,791	32,024	10,684	152	42,860	64,651
Bank charges	--	230,867	5,770	1,466	238,103	12,798	4,327	62	17,187	255,290
Depreciation	--	9,378	45,282	11,505	66,165	100,436	33,959	483	134,878	201,043
Donor development	--	80,103	46,982	11,937	139,022	104,204	35,232	502	139,938	278,960
Dues/library	--	3,753	17,157	4,359	25,269	38,075	12,866	183	51,124	76,393
Insurance	--	1,399	6,753	1,716	9,868	14,978	5,064	72	20,114	29,982
Office supplies	--	1,424	5,683	1,444	8,551	12,606	4,262	61	16,929	25,480
Other fund management expense	--	71,107	16,989	4,316	92,412	37,683	12,740	181	50,604	143,016
Payroll taxes and benefits	--	94,298	124,889	39,671	258,858	400,924	172,118	1,650	574,692	833,550
Printing and postage	--	22,171	16,197	4,115	42,483	35,925	12,147	173	48,245	90,728
Professional development	--	3,980	5,696	1,447	11,123	12,634	4,272	61	16,967	28,090
Professional fees	--	262,557	41,003	10,418	313,978	92,068	30,750	438	123,256	437,234
Properties held for sale	--	91,765	--	--	91,765	--	--	--	--	91,765
Property taxes	--	64	309	78	451	686	231	3	920	1,371
Rent	--	1,965	9,488	2,411	13,864	21,045	7,116	101	28,262	42,126
Repairs and maintenance	--	14,724	71,097	18,064	103,885	157,696	53,318	759	211,773	315,658
Salaries and wages	--	357,692	478,852	152,107	988,651	1,386,487	659,942	6,328	2,052,757	3,041,408
Staff expense	--	9,601	3,767	957	14,325	8,371	2,825	40	11,236	25,561
Telephone	--	2,601	12,560	3,191	18,352	27,859	9,419	134	37,412	55,764
Utilities	--	4,789	23,076	5,863	33,728	51,184	17,306	246	68,736	102,464
	<u>\$ 44,397,700</u>	<u>\$ 1,268,163</u>	<u>\$ 945,796</u>	<u>\$ 278,685</u>	<u>\$ 46,890,344</u>	<u>\$ 2,547,683</u>	<u>\$ 1,088,578</u>	<u>\$ 11,629</u>	<u>\$ 3,647,890</u>	<u>\$ 50,538,234</u>

The notes to financial statements are an integral part of this statement.

COMMUNITY FOUNDATION FOR MONTEREY COUNTY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2023

	Program Services					Support Services				Total
	Grants Awarded	Special Programs	Grant Making	Philanthropic Services	Total Program Services	Administration	Development	Fund Management	Total Support Services	
EXPENSES										
Grants awarded	\$ 39,269,652	\$ --	\$ --	\$ --	\$ 39,269,652	\$ --	\$ --	\$ --	\$ --	\$ 39,269,652
Amounts distributed on behalf of others	(2,565,301)	--	--	--	(2,565,301)	--	--	--	--	(2,565,301)
Net allocations	36,704,351	--	--	--	36,704,351	--	--	--	--	36,704,351
Advertising and promotion	--	4,968	15,410	4,023	24,401	35,118	11,873	169	47,160	71,561
Bank charges	--	88,128	3,272	854	92,254	7,456	2,521	36	10,013	102,267
Depreciation	--	3,860	18,141	4,735	26,736	41,340	13,977	199	55,516	82,252
Donor development	--	69,440	40,716	10,628	120,784	92,873	31,372	447	124,692	245,476
Dues/library	--	3,592	14,427	3,766	21,785	32,876	11,116	158	44,150	65,935
Insurance	--	1,314	6,177	1,612	9,103	14,076	4,759	68	18,903	28,006
Office supplies	--	1,018	4,785	1,249	7,052	10,905	3,687	52	14,644	21,696
Other fund management expense	--	136,793	12,219	3,190	152,202	27,846	9,415	134	37,395	189,597
Payroll taxes and benefits	--	79,366	108,853	37,300	225,519	333,956	153,327	1,549	488,832	714,351
Printing and postage	--	11,489	14,546	3,797	29,832	33,148	11,208	160	44,516	74,348
Professional development	--	14,571	8,382	2,188	25,141	19,100	6,458	92	25,650	50,791
Professional fees	--	394,765	9,005	2,351	406,121	68,176	37,628	8,695	114,499	520,620
Property taxes	--	92	431	113	636	983	332	5	1,320	1,956
Rent	--	1,977	9,291	2,425	13,693	21,172	7,159	102	28,433	42,126
Repairs and maintenance	--	16,051	75,433	19,691	111,175	171,902	58,121	827	230,850	342,025
Salaries and wages	--	326,325	400,546	137,254	864,125	1,221,176	564,197	5,699	1,791,072	2,655,197
Staff expense	--	9,984	3,422	893	14,299	7,798	2,637	38	10,473	24,772
Telephone	--	2,664	12,522	3,269	18,455	28,538	9,648	137	38,323	56,778
Utilities	--	4,205	19,761	5,158	29,124	45,034	15,226	217	60,477	89,601
	<u>\$ 36,704,351</u>	<u>\$ 1,170,602</u>	<u>\$ 777,339</u>	<u>\$ 244,496</u>	<u>\$ 38,896,788</u>	<u>\$ 2,213,473</u>	<u>\$ 954,661</u>	<u>\$ 18,784</u>	<u>\$ 3,186,918</u>	<u>\$ 42,083,706</u>

The notes to financial statements are an integral part of this statement.

COMMUNITY FOUNDATION FOR MONTEREY COUNTY

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2024 and 2023

	2024	2023
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 34,894,953	\$ 41,075,665
Adjustments to reconcile increase in net assets to net cash used by operating activities:		
Depreciation	201,043	82,252
Net realized and unrealized gains on investments	(18,047,551)	(29,476,619)
Gain from sale of property	--	(15,523)
Contributions of stock	(13,849,085)	(8,568,149)
Contributions of properties held for sale	(8,249,898)	(1,540,675)
Contributions restricted for endowments	(4,993,910)	(5,282,437)
Contributions to charitable remainder trusts	--	(1,713,802)
Contributions to charitable gift annuities	(51,763)	(108,037)
Terminations of charitable remainder trusts	311,629	--
Change in value of split interest agreements	(658,591)	(1,153,629)
Right-of-use asset, net	40,985	40,458
(Increase) decrease in:		
Contributions receivable	3,192,692	(3,600,193)
Prepaid expenses	(105)	(2,029)
Increase (decrease) in:		
Accounts payable and accrued expenses	155,188	102,683
Grants payable	1,021,818	(379,152)
Deferred revenue	(8,295)	6,195
Lease liability	(41,249)	(39,488)
Funds held for others	3,086,088	5,935,288
Net cash used by operating activities	(2,996,051)	(4,637,192)

The notes to financial statements are an integral part of these statements.

COMMUNITY FOUNDATION FOR MONTEREY COUNTY

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2024 and 2023

	2024	2023
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash paid to purchase property and equipment	(513,629)	(512,633)
Cash paid to purchase investments	(11,996,609)	(32,794,394)
Cash received from sale of property	--	1,556,198
Cash received from sale of investments	17,452,510	31,818,730
Change in balance of cash and money market funds held for long-term investment purposes	1,697,800	2,301,738
Investment in programmatic loans	(3,317,275)	(1,864,959)
Cash received on repayment of programmatic loans	316,971	1,503,144
Net cash provided by investing activities	3,639,768	2,007,824
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for endowments	4,993,910	5,282,437
Repayment of notes notes payable	(10,138)	--
Net cash provided by financing activities	4,983,772	5,282,437
Net increase in cash and cash equivalents	5,627,489	2,653,069
Cash and Cash Equivalents, beginning	28,011,972	25,358,903
Cash and Cash Equivalents, ending	\$ 33,639,461	\$ 28,011,972

The notes to financial statements are an integral part of these statements.

COMMUNITY FOUNDATION FOR MONTEREY COUNTY

Notes to Consolidated Financial Statements
December 31, 2024 and 2023

NOTE 1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Community Foundation for Monterey County (the “Foundation”) is a California nonprofit organization that administers 681 funds for philanthropic purposes. The Foundation was organized to receive gifts and bequests from individuals, foundations, private and public corporations and to make grants to projects benefiting Monterey County.

Basis of accounting and presentation: The consolidated financial statements have been prepared on the accrual basis of accounting, under which revenues are recognized when they are earned and expenses are recognized when the related liability is incurred.

Description of net assets: The Foundation reports information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. These net assets may be used at the discretion of the Foundation’s management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the consolidated statements of activities.

Use of estimates: Preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of any contingent 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.

Principles of consolidation: These financial statements consolidate the statements of Community Foundation for Monterey County Real Estate #1 LLC, which is wholly owned by the Foundation. All significant intercompany accounts and transactions have been eliminated in consolidation.

Cash and cash equivalents: Cash and cash equivalents include all cash balances and highly liquid investments with original maturities of three months or less at acquisition which are not managed as part of long-term investment strategies and are not legally restricted. As of December 31, 2024 and 2023, the Foundation held \$6,302,155 and \$7,569,558, respectively, in cash that is designated primarily for use toward the Monterey County Gives Campaign grant program.

COMMUNITY FOUNDATION FOR MONTEREY COUNTY

Notes to Consolidated Financial Statements
December 31, 2024 and 2023

NOTE 1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash equivalents (continued): Concentrations of market risks exist for cash and cash equivalents. Cash and cash equivalents are held in major financial institutions and in the regular course of business, the Foundation may maintain operating cash balances at a bank in excess of federally insured limits. The Foundation believes it mitigates the risk of concentration by depositing at major financial institutions. The Foundation has not experienced any losses in such accounts.

Contributions receivable: Promises to give and bequests that are expected to be collected within one year are recorded at net realizable value. Promises to give that are expected to be collected in future years are discounted using a rate commensurate with the market risks involved applicable to the years in which the promises were received. As of December 31, 2024 and 2023, all contributions receivable are scheduled to be collected within one year and are recorded at net realizable value. Amortization of these discounts is included in contributions revenue in the accompanying consolidated statements of activities. No amounts have been recorded for uncollectible contributions, as management believes all amounts to be collectible.

Programmatic loans receivable: The programmatic loans receivable are carried at outstanding principal balance, less an allowance for loan losses. Interest income is accrued on the principal loan balance. Management's determination of the level of allowance for loan losses rests upon various judgements and assumptions, including current and projected economic conditions. As of December 31, 2024 and 2023, the allowance for loan losses was \$0.

Real estate held for sale: Real estate / property that has been contributed by a donor is recorded at its fair value at the contribution date based on an independent valuation, less any assets received and liabilities assumed. Due to the inherent uncertainties of the real estate valuation, the appraised values reflected in the accompanying consolidated financial statements may differ significantly from values that would be determined by negotiations between parties in sales transactions, resulting in differences that could be material.

Property and equipment: Property and equipment purchased are recorded at cost and donated property and equipment are recorded at estimated fair value on the date contributed to the Foundation. The cost of property and equipment purchased in excess of \$1,000 is capitalized. Maintenance and repairs which do not extend the useful life of the respective assets are expensed as incurred. Depreciation is provided on the straight-line method over the estimated useful lives of the assets of five to thirty-nine years.

Assets donated with explicit restrictions regarding their use and contributions of cash that are restricted to property and equipment purchases are reported as restricted support. Absent donor stipulations regarding how long those donated assets are to be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in their specified service, at which time the net assets with donor restrictions are reclassified as net assets without donor restrictions.

COMMUNITY FOUNDATION FOR MONTEREY COUNTY

Notes to Consolidated Financial Statements
December 31, 2024 and 2023

NOTE 1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (continued): Alternative investments are carried at fair value based on net asset value per share as a practical expedient. All fixed income and equity securities with readily determinable fair values are carried at fair value based on quoted market prices. Gains and losses that result from market fluctuations are recognized in the period such fluctuations occur. Realized gains or losses resulting from sales or maturities are calculated on a cost basis. Dividend and interest income are accrued when earned. To address market risk of investments, the Foundation maintains a formal investment policy that sets out performance criteria and investment guidelines. The Foundation has custody agreements with selected banks which process disbursements at the direction of authorized staff.

Charitable gift annuities: Charitable gift annuities require periodic payment of a fixed sum to designated beneficiaries and are terminated upon the death of the designated beneficiaries. Upon termination, the remaining assets of the annuity are then available for use by the Foundation in accordance with the donors' intent. The Foundation recognizes assets and donor restricted contribution revenue for its charitable gift annuities at the date the agreements are established, net of the liability recorded for the present value of the estimated future payments to be made to the donors and other beneficiaries based upon their life expectancies using IRS mortality tables and the appropriate discount rates. The carrying value of the assets is adjusted to fair value at the end of the year. Subsequent changes to the fair value of the assets and liabilities are reflected in the consolidated statements of activities and changes in net assets as a change in value of split-interest agreements.

Beneficial interest in remainder trusts administered by other trustees: The Foundation is a remainder beneficiary in various trusts administered by other trustees. A receivable is recorded at the present value of the amount held by the trustee that is due to the Foundation, which is calculated using the life expectancy of the income beneficiaries. The Foundation uses a discount rate commensurate with the risks involved to discount the contribution receivable. Valuations are reviewed annually by management by updating life expectancy of the income beneficiary, discount rates and the fair value of the underlying investments. The discount rates used for the years ended December 31, 2024 and 2023 were 5.0% and 5.8%, respectively. Subsequent changes to the fair value of the assets and liabilities are reflected in the consolidated statements of activities and changes in net assets as a change in value of split-interest agreements.

Charitable remainder trusts: The Foundation has been designated as the trustee for several irrevocable charitable remainder trusts. The trust agreements generally require the Foundation to make annual payments to the trust beneficiaries based on stipulated payment rates ranging from 5% to 10%, applied to the fair value of the trust assets, as determined annually. Upon the death of the beneficiaries, or other termination of the trusts as may be defined in the individual agreements, the remaining trust assets will be distributed by the Foundation to itself and to other beneficiaries, as stipulated in the trust agreements.

COMMUNITY FOUNDATION FOR MONTEREY COUNTY

Notes to Consolidated Financial Statements
December 31, 2024 and 2023

NOTE 1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Charitable remainder trusts (continued): The Foundation records the assets held in these trusts at their fair value based on quoted market values. A corresponding liability, liabilities under charitable remainder trusts, has been recorded to reflect the present value of required lifetime payments and remaining obligation to the named beneficiaries using discount rates commensurate with the risks involved, which were in existence at the date of gift, ranging from 1.6% to 7.4% for the years ended December 31, 2024 and 2023. Valuations are calculated annually by management by updating life expectancy of the income beneficiaries and investment values.

Liabilities under split-interest agreements represent the present value of the investments held in charitable remainder trusts owed to outside remainder beneficiaries at the settlement of the trust. These liabilities are calculated as a percentage of the present value of the investments held in charitable remainder trusts.

The difference between the fair value of the assets received and liabilities under charitable remainder trusts and under split-interest agreements is recognized as contribution revenue in the year the agreement is signed. Realized and unrealized gains and losses, interest and dividend income from the investments and changes in actuarial assumptions and accretions of the liabilities are recorded as changes to split-interest agreements in the accompanying consolidated statements of financial position.

Funds held for others: The Foundation accepts funds from unrelated nonprofit organizations which desire to have the Foundation provide efficient investment management, programmatic expertise and technical assistance. A liability is recorded at the readily determinable estimated fair value of assets deposited with the Foundation by nonprofit organizations. The Foundation refers to such funds as restricted purpose, designated and stewardship funds. In addition, related amounts received or distributed, investment income or loss and expenses are presented separately on the accompanying consolidated statement of activities. Restricted purpose and designated funds provide a permanent stream of operating income for agencies that donors wish to support over time. Stewardship funds are similar to restricted purpose and designated funds; however, the agency has the option of withdrawing a portion of its funds' principal at any time upon written request by the Board of Directors of the nonprofit agency and evidence of a board vote authorizing the distribution.

Financial instruments: Financial instruments included in the Foundation's consolidated statements of financial position include cash and cash equivalents, contributions receivable, prepaid expenses, investments, programmatic loans receivable, charitable gift annuities, beneficial interest in remainder trusts administered by other trustees, investments held in charitable remainder trusts, accounts payable and accrued expenses, grants payable, deferred revenue, liabilities under charitable gift annuities, liabilities under charitable remainder trusts, liabilities under split-interest agreements and funds held for others.

For cash and cash equivalents, contributions receivable, prepaid expenses, programmatic loans receivable, accounts payable and accrued expenses, grants payable, deferred revenue and funds held for others, the carrying value approximates fair value.

COMMUNITY FOUNDATION FOR MONTEREY COUNTY

Notes to Consolidated Financial Statements
December 31, 2024 and 2023

NOTE 1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (continued): Investments, charitable gift annuities, beneficial interest in remainder trusts administered by other trustees, investments held in charitable remainder trusts, liabilities under charitable gift annuities, liabilities under charitable remainder trusts and liabilities under split-interest agreements are reflected in the accompanying consolidated statements of financial position at their estimated fair values using methodologies described below.

Fair value measurements: Fair value is the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining fair value, the Foundation considers the principal or most advantageous market in which it would transact and considers assumptions that market participants would use when pricing the asset or liability.

The three-level hierarchy for fair value measurements is defined as follows:

Level 1: Valuation is based on observable inputs using quoted prices in active markets for identical assets or liabilities that are accessible at the measurement date.

Level 2: Valuation is based on inputs from sources other than quoted prices in active markets that are either directly or indirectly observable as of the reporting date. This may include quoted prices for similar assets in an active market, quoted prices for similar assets in a market that is not active or valuation methods using models, interest rates and yield curves as observable inputs.

Level 3: Valuation is based on unobservable inputs for the assets, reflecting the Foundation's consideration about the assumptions that a market participant would use in pricing the asset or liability, to the extent that observable inputs (Levels 1 and 2) are not available. Level 3 assets and liabilities include situations where there is little or no market activity for the asset or liabilities, and significant management judgment or estimates are required.

Investments are classified as Level 1, Level 2 or Level 3, depending on the nature of the composition. Beneficial interest in remainder trusts administered by other trustees, liabilities under charitable gift annuities, liabilities under charitable remainder trusts and liabilities under split-interest agreements are measured on a recurring basis and are classified as Level 3 since observable inputs are minimal.

While the Foundation believes its valuation methods are appropriate and consistent with those used by other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at reporting date. Those estimated values may differ significantly from the values that would have been used had a readily available market for such assets and liabilities existed, or had such assets and liabilities been liquidated, and these differences could be material to the consolidated financial statements.

COMMUNITY FOUNDATION FOR MONTEREY COUNTY

Notes to Consolidated Financial Statements
December 31, 2024 and 2023

NOTE 1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition: Contributions received are recognized as revenue when received or unconditionally promised. Contributions of assets other than cash are recorded at their estimated fair values. Contributions of public stock are recorded at the high-low average of the quoted price on the date of donation.

Functional expense allocation: Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. Operating expenses are allocated based on a time study, with contract services, legal and other fund management expenses allocated to the specific function related to the expense.

Grants expense: Grant expenditures are recognized in the period the grant is approved provided the grant is not subject to significant future conditions. Conditional grants are recognized as grant expense and as a grant payable in the period in which the grantee meets the terms of the conditions. Grants are returned to the Foundation if certain conditions are not met. Returned grants are included in miscellaneous income in the accompanying consolidated statements of activities.

Income tax status: The Foundation is a tax-exempt not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Act and is classified as other than a private foundation.

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.

NOTE 2. AVAILABILITY AND LIQUIDITY

The Foundation receives significant contributions with donor restrictions to be used in accordance with the associated purpose restrictions. It also receives gifts to establish endowments that will exist in perpetuity; the availability of funding for grants from these endowments is based on the annual spending policy. In addition, the Foundation receives support without donor restrictions; in 2024 and 2023 such support was represented by approximately 77% and 83%, respectively, of non-endowed grants and contributions to fund operating needs, with the remainder funded by investment income without donor restrictions and management fees.

The Foundation considers investment income without donor restrictions, appropriated earnings from donor-restricted endowments, contributions without donor restrictions and contributions with donor restrictions for use in current programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. General expenditures include administrative and general expenses, development and fund management expenses, and grant commitments expected to be paid in the subsequent year. Annual operations are defined as activities occurring during the Foundation's fiscal year.

COMMUNITY FOUNDATION FOR MONTEREY COUNTY

Notes to Consolidated Financial Statements
December 31, 2024 and 2023

NOTE 2. AVAILABILITY AND LIQUIDITY (Continued)

The Foundation manages its cash available to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets, and
- Maintaining sufficient reserves to provide reasonable assurance that long term grant commitments and obligations under endowments with donor restrictions and quasi-endowments that support mission fulfillment will continue to be met, ensuring the sustainability of the Foundation.

The Foundation strives to maintain financial assets available to meet general expenditures at a level that represents 100% of annual expenses for administrative, general, and development expenses, plus an amount that represents the next expected payment for grant commitments.

The table below presents financial assets available for general expenditures within one year at December 31:

	2024	2023
Financial assets at year end:		
Cash and cash equivalents	\$ 33,639,461	\$ 28,011,972
Contributions receivable	441,408	3,634,100
Investments	340,753,047	316,010,112
Charitable gift annuities	4,775,027	4,589,794
Investments held in charitable remainder trusts	20,248,345	21,246,372
Total financial assets	399,857,288	373,492,350
Less amounts not available to be used within one year:		
Investments in non-liquid securities	11,717,095	14,203,754
Investments held in charitable gift annuities	4,775,027	4,589,794
Investments held in charitable remainder trusts	20,248,345	21,246,372
Portion of donor-restricted endowment to be retained in perpetuity	180,414,323	175,045,980
Financial assets not available to be used within one year	217,154,790	215,085,900
Financial assets available to meet general expenditures within one year	<u>\$ 182,702,498</u>	<u>\$ 158,406,450</u>

COMMUNITY FOUNDATION FOR MONTEREY COUNTY

Notes to Consolidated Financial Statements
December 31, 2024 and 2023

NOTE 3. PROGRAMMATIC LOANS RECEIVABLE

Since 2019, the Foundation has invested in various community impact loans. The loans require interest only payments over the term of the loans, with the principal due upon maturity. The loans bear interest between 2.5% and 6.18% and mature on various dates between 2026 and 2028. Interest income on the loans is recognized over the term of the loans and is calculated using the simple-interest method on principal amounts outstanding. During the years ended December 31, 2024 and 2023, interest income of \$172,344 and \$131,995 was recognized, respectively.

NOTE 4. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consists of the following at December 31:

	2024	2023
Land	\$ 461,627	\$ 461,627
Building	1,083,488	1,083,488
Building and leasehold improvements	777,712	777,712
Furniture and equipment	396,252	362,101
Software	933,337	453,859
	3,652,416	3,138,787
Less accumulated depreciation	(1,099,253)	(898,210)
	<u>\$ 2,553,163</u>	<u>\$ 2,240,577</u>

Depreciation expense totaled \$201,043 and \$82,252 for the years ended December 31, 2024 and 2023, respectively.

COMMUNITY FOUNDATION FOR MONTEREY COUNTY

Notes to Consolidated Financial Statements
December 31, 2024 and 2023

NOTE 5. INVESTMENTS AND FAIR VALUE DISCLOSURES

The following table presents the fair value measurements of investments on the accompanying consolidated statements of financial position at December 31, by fair value hierarchy:

2024	Total	Level 1	Level 2	Level 3
Mutual funds	\$ 207,835,037	\$ 207,835,037	\$ --	\$ --
Fixed income securities	88,766,550	88,766,550	--	--
Alternative investments	12,177,632	12,177,632	--	--
Cash and money market funds	20,256,733	20,256,733	--	--
Total recurring fair value measurements	329,035,952	<u>\$ 329,035,952</u>	<u>\$ --</u>	<u>\$ --</u>
Alternative investments measured at net asset value	<u>11,717,095</u>			
Total investments	<u>\$ 340,753,047</u>			
2023	Total	Level 1	Level 2	Level 3
Mutual funds	\$ 191,674,019	\$ 191,674,019	\$ --	\$ --
Fixed income securities	83,179,679	83,179,679	--	--
Alternative investments	12,044,556	12,044,556	--	--
Cash and money market funds	14,908,104	14,908,104	--	--
Total recurring fair value measurements	301,806,358	<u>\$ 301,806,358</u>	<u>\$ --</u>	<u>\$ --</u>
Alternative investments measured at net asset value	<u>14,203,754</u>			
Total investments	<u>\$ 316,010,112</u>			

Investments include certain reserved balances required to be kept in separate investment accounts or to be used for specific purposes as designated by donors.

Alternative investments measured at net asset value: The Foundation holds an investment in a core real estate fund. The ASB Allegiance Real Estate Fund ("ASB"), is stated at fair value as estimated in a privately traded market. The fair value of the Foundation's interest, or units, in ASB is determined based upon the most recent net asset value information provided by ASB. ASB is a real estate private equity investment vehicle that invests in office, multifamily, retail and industrial properties in major urban markets in the United States. ASB's real estate investment values are estimated based on appraisals prepared externally by independent real estate appraisers, as well as income, cost, and sales comparisons. While this investment may create indirect exposure to the Foundation, the Foundation's risk is limited to its capital balance in its investment.

COMMUNITY FOUNDATION FOR MONTEREY COUNTY

Notes to Consolidated Financial Statements
December 31, 2024 and 2023

NOTE 5. INVESTMENTS AND FAIR VALUE DISCLOSURES (Continued)

The sale, exchange, assign, transfer, convey, pledge, grant a security interest in or otherwise dispose of any or all of the Foundation's interest in ASB requires written consent at the sole discretion of the member manager.

The Foundation holds an investment in a core property fund. The Harrison Street Core Property Fund ("HSCPF"), is stated at fair value, as estimated in a privately traded market. The fair value of the Foundation's interest, or units, in HSCPF was determined based upon the most recent net asset value information provided by HSCPF.

Net investment income: Net investment income consists of the following at December 31:

	2024	2023
Interest and dividend income	\$ 12,687,120	\$ 9,568,204
Realized gains, net	8,760,289	17,493,772
Unrealized gains, net	9,287,262	11,982,847
Change in value of split-interest agreements	603,281	1,153,629
Net investment income before external investment fees	31,337,952	40,198,452
External investment fees	(242,635)	(253,475)
Net investment income	<u>\$ 31,095,317</u>	<u>\$ 39,944,977</u>

NOTE 6. CHARITABLE GIFT ANNUITIES AND FAIR VALUE DISCLOSURES

The following table presents the fair value measurements of charitable gift annuities on the accompanying consolidated statements of financial position at December 31, by fair value hierarchy:

2024	Level 1	Level 2	Level 3	Total
Investments held in charitable gift annuities	<u>\$ 4,775,027</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 4,775,027</u>
Liabilities under charitable gift annuities	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 2,247,037</u>	<u>\$ 2,247,037</u>

COMMUNITY FOUNDATION FOR MONTEREY COUNTY

Notes to Consolidated Financial Statements
December 31, 2024 and 2023

NOTE 6. CHARITABLE GIFT ANNUITIES AND FAIR VALUE DISCLOSURES (Continued)

<u>2023</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments held in charitable gift annuities	<u>\$ 4,589,794</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 4,589,794</u>
Liabilities under charitable gift annuities	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 2,272,125</u>	<u>\$ 2,272,125</u>

The following table provides a roll forward of the liabilities listed above measured at fair value using significant unobservable inputs (Level 3) during the periods ended December 31:

<u>Liabilities under charitable gift annuities</u>	<u>2024</u>	<u>2023</u>
Beginning balance	\$ 2,272,125	\$ 2,267,553
Additions	73,316	101,963
Payments to income beneficiaries	(229,006)	(215,796)
Increase in value of liabilities under charitable gift annuities	<u>130,602</u>	<u>118,405</u>
Ending balance	<u>\$ 2,247,037</u>	<u>\$ 2,272,125</u>

NOTE 7. BENEFICIAL INTEREST IN REMAINDER TRUSTS ADMINISTERED BY OTHER TRUSTEES AND FAIR VALUE DISCLOSURES

The following table presents the fair value measurements of beneficial interest in remainder trusts administered by other trustees on the accompanying consolidated statements of financial position at December 31, by fair value hierarchy:

	<u>2024</u> <u>(Level 3)</u>	<u>2023</u> <u>(Level 3)</u>
Beneficial interest in remainder trusts administered by other trustees	<u>\$ 907,701</u>	<u>\$ 860,500</u>

COMMUNITY FOUNDATION FOR MONTEREY COUNTY

Notes to Consolidated Financial Statements
December 31, 2024 and 2023

NOTE 7. BENEFICIAL INTEREST IN REMAINDER TRUSTS ADMINISTERED BY OTHER TRUSTEES AND FAIR VALUE DISCLOSURES (Continued)

The following table provides a roll forward of the assets listed above measured at fair value using significant unobservable inputs (Level 3) during the periods ended December 31:

	2024	2023
Beginning balance	\$ 860,500	\$ 791,765
Increase due to change in market values and actuarial life expectancy	47,201	68,735
Ending balance	<u>\$ 907,701</u>	<u>\$ 860,500</u>

NOTE 8. CHARITABLE REMAINDER TRUSTS AND FAIR VALUE DISCLOSURES

Investments held in charitable remainder trusts consist of the following at December 31:

	2024	2023
Marketable securities - equities	\$ 13,428,830	\$ 13,713,004
Marketable securities - debt	6,260,405	7,214,339
Money market funds and cash	559,110	319,029
	<u>\$ 20,248,345</u>	<u>\$ 21,246,372</u>

The following tables present the fair value of investments held in charitable remainder trusts on the accompanying consolidated statements of financial position at December 31, by fair value hierarchy.

2024	Level 1	Level 2	Level 3	Total
Investments held in charitable remainder trusts	<u>\$ 20,248,345</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 20,248,345</u>
Liabilities under charitable remainder trusts	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 7,222,260</u>	<u>\$ 7,222,260</u>
Liabilities under split-interest agreements	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 3,627,909</u>	<u>\$ 3,627,909</u>

COMMUNITY FOUNDATION FOR MONTEREY COUNTY

Notes to Consolidated Financial Statements
December 31, 2024 and 2023

NOTE 8. CHARITABLE REMAINDER TRUSTS AND FAIR VALUE DISCLOSURES (Continued)

2023	Level 1	Level 2	Level 3	Total
Investments held in charitable remainder trusts	\$ 21,246,372	\$ --	\$ --	\$ 21,246,372
Liabilities under charitable remainder trusts	\$ --	\$ --	\$ 7,958,561	\$ 7,958,561
Liabilities under split-interest agreements	\$ --	\$ --	\$ 4,030,838	\$ 4,030,838

The following tables provide a roll forward of the liabilities listed above measured at fair value using significant unobservable inputs (Level 3) during the periods ended December 31:

Liabilities under charitable remainder trusts	2024	2023
Beginning balance	\$ 7,958,561	\$ 6,885,867
Contribution to trust at present value	--	1,280,282
Termination of trust	(307,085)	--
Decrease in value due to change in market value and actuarial value of assets	(429,216)	(207,588)
Ending balance	\$ 7,222,260	\$ 7,958,561
Liabilities under split-interest agreements	2024	2023
Beginning balance	\$ 4,030,838	\$ 3,641,421
Additions	--	83,863
Termination of trust	(574,885)	--
Increase due to change in value of liabilities under charitable remainder trusts	171,956	305,554
Ending balance	\$ 3,627,909	\$ 4,030,838

NOTE 9. GRANTS PAYABLE

As of December 31, 2024, the balance included in grants payable is expected to be paid as follows:

2025	\$ 2,957,519
2026	51,000
2027	29,000
	<u>\$ 3,037,519</u>

COMMUNITY FOUNDATION FOR MONTEREY COUNTY

Notes to Consolidated Financial Statements
December 31, 2024 and 2023

NOTE 10. FUNDS HELD FOR OTHERS

At December 31, 2024 and 2023, the Foundation held 289 and 139 nonprofit funds for others, respectively, with balances as follows:

	2024	2023
Stewardship funds	\$ 59,417,594	\$ 57,290,579
Agency designated funds	9,078,047	8,118,974
	<u>\$ 68,495,641</u>	<u>\$ 65,409,553</u>

The following table summarizes the activity in these funds for the years ended December 31:

	2024	2023
Beginning balance	\$ 65,409,553	\$ 59,474,265
Amounts raised in contributions or transferred in	19,653,943	4,647,492
Dividend and interest income	2,508,425	1,889,554
Net realized and unrealized gains	3,770,607	5,857,244
Fees	(577,492)	(503,177)
Grants	<u>(22,269,395)</u>	<u>(5,955,825)</u>
Ending balance	<u>\$ 68,495,641</u>	<u>\$ 65,409,553</u>

NOTE 11. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions, as of December 31, consist of the following:

	2024	2023
Endowment funds	\$ 213,123,765	\$ 200,602,546
Investments held in charitable remainder trusts	20,248,345	21,246,372
Charitable gift annuities	4,775,027	4,589,794
Beneficial interest in remainder trusts administered by other trustees	907,701	860,500
Properties held for sale	10,383,039	--
Liabilities under charitable gift annuities	(2,247,037)	(2,272,125)
Liabilities under charitable remainder trusts	(7,222,260)	(7,958,561)
Liabilities under split-interest agreements	<u>(3,627,909)</u>	<u>(4,030,838)</u>
Ending balance	<u>\$ 236,340,671</u>	<u>\$ 213,037,688</u>

COMMUNITY FOUNDATION FOR MONTEREY COUNTY

Notes to Consolidated Financial Statements
December 31, 2024 and 2023

NOTE 12. ENDOWMENT DISCLOSURES

As of December 31, 2024 and 2023, the Foundation's endowment funds are comprised of 316 and 308 individual funds, respectively, established for a variety of purposes. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law: The Board of Directors of the Foundation has interpreted the Uniform Prudent Management and 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 gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (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 Foundation's investment policies.

Endowment investment policy: The Foundation has adopted investment and spending policies for endowment assets that attempt to achieve a growth in principal that will support a rise in charitable distributions that keep pace with inflation, avoid a high degree of risk and ensure endowment funds will operate in perpetuity. Endowment assets include those assets that the Foundation must hold in perpetuity. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that attempts to achieve an average annual total return equal to or greater than the policy index. The investments are diversified based upon a target portfolio mix approved and adjusted from time to time by the Foundation's Investment Committee which will assist in achieving operating goals while minimizing exposure to risk. The portfolio mix is reviewed not less than quarterly and performance is measured against relevant indices.

To satisfy its long-term 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 that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Endowment spending policy: For the years ended December 31, 2024 and 2023, the Foundation distributed a payout of 4.25% for funds above their historic balance and including a collared payout rate of 3.95% for funds at 99% of their historic balance, 3.65% for funds at 98% of their historic balance, 3.35% for funds at 97% of their historic balance, and 3.0% for funds below 97% of their historic balance.

COMMUNITY FOUNDATION FOR MONTEREY COUNTY

Notes to Consolidated Financial Statements
December 31, 2024 and 2023

NOTE 12. ENDOWMENT DISCLOSURES (Continued)

Funds with deficiencies: From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level required by the donor or law, or the historical value of endowment gifts as a result of unfavorable market fluctuations. As of December 31, 2024, funds with original gift values of \$2,596,732, fair values of \$2,557,832, and deficiencies of \$38,900 were reported in net assets with donor restrictions. As of December 31, 2023, funds with original gift values of \$26,732,548, fair values of \$26,132,551, and deficiencies of \$599,997 were reported in net assets with donor restrictions.

During the years ended December 31, 2024 and 2023, endowment net asset activity was as follows:

	With Donor Restrictions
Endowment net assets, December 31, 2022	\$ 179,838,495
Investment income (dividends and interest)	5,813,992
Net realized and unrealized gains	18,668,314
Total investment income	24,482,306
Contributions	5,301,187
Miscellaneous income	22,553
Appropriated for spending	(6,240,541)
Administration fees	(2,603,467)
Net endowment activity	20,962,038
Transfers of income to (from) endowment, net	(197,987)
Endowment net assets, December 31, 2023	200,602,546
Investment income (dividends and interest)	7,366,542
Net realized and unrealized gains	10,832,006
Total investment income	18,198,548
Contributions	5,023,838
Miscellaneous income	4,832
Appropriated for spending	(7,468,175)
Administration fees	(2,863,105)
Net endowment activity	12,895,938
Transfers of income to (from) endowment, net	(374,719)
Endowment net assets, December 31, 2024	\$ 213,123,765

COMMUNITY FOUNDATION FOR MONTEREY COUNTY

Notes to Consolidated Financial Statements
December 31, 2024 and 2023

NOTE 13. MANAGEMENT FEES

The Foundation assesses a 0.5% to 2.00% annual management fee, depending on the size and type of fund, to each fund held within the Foundation.

In addition, the Foundation receives fees for the administration of charitable remainder trusts. The amount charged is two-tenths of one percent of the value of the trust assets, payable quarterly. These fees amounted to \$42,775 and \$37,144 for 2024 and 2023, respectively.

NOTE 14. RETIREMENT PLAN

The Foundation maintains a 403(b) plan covering all employees. Eligible employees may make voluntary contributions subject to certain limits. The plan provides for a discretionary contribution from the Foundation which is determined each year by the Board of Directors. Participants are eligible for the Foundation contribution when hired and have a six-month vesting period. Contributions by the Foundation charged to expense were \$226,896 and \$208,004 in 2024 and 2023, respectively.

NOTE 15. OPERATING LEASE

The Foundation leases office space in Salinas, California under a non-cancelable operating lease that expires July 2026, and requires monthly payments of \$3,594, which escalates 3% annually in August. Rent expense amounted to \$42,126 for each of the years ended December 31, 2024 and 2023.

Other Information

Cash paid for amounts included in the measurement of lease liabilities

Operating cash flows from operating leases	\$	42,390
Weighted-average remaining lease term in years for operating leases		2
Weighted-average discount rate for operating leases		1.30%

Maturity Analysis

2025	\$	43,662
2026		25,910
Total undiscounted cash flows		69,572
Less: present value discount		(677)
Total lease liabilities	\$	68,895

COMMUNITY FOUNDATION FOR MONTEREY COUNTY

Notes to Consolidated Financial Statements
December 31, 2024 and 2023

NOTE 16. INTERFUND BORROWING

In December 2011, the Foundation purchased the building they were renting in Monterey, California. The total purchase price for the building and land was \$1,545,115. The Foundation paid for the purchase using operating funds borrowed from their general endowment. The operating fund is paying the general endowment back on a monthly basis over 231 months, at an interest rate equal to 4% per annum. Monthly payments started at \$7,500 and increase by 3% annually each January.

Future commitments for the operating fund repaying the general endowment as of December 31, 2024 are as follows:

2025	\$ 132,216
2026	136,188
2027	140,268
2028	144,480
Thereafter	<u>340,738</u>
	893,890
Amount representing interest	<u>(107,050)</u>
	<u>\$ 786,840</u>

NOTE 17. RELATED PARTY TRANSACTIONS

Approximately \$96,341 and \$93,918 in donations were received from members of the Board of Directors during the years ended December 31, 2024 and 2023, respectively.

NOTE 18. NOTES PAYABLE

During the year ended December 31, 2024, the Foundation received a donation consisting of the sole membership interest in two LLC's, which held certain assets and liabilities, including a note payable. As a result of the donation, the Foundation assumed the existing obligations of the LLC's, including two note payables with outstanding balances of \$2,123,003 as of December 31, 2024.

The notes payable bear interest at 3.95% per annum and mature on February 1, 2050. Principal and interest payments are due monthly. The note is secured and is collateralized by any rental income and the LLC's properties.

As part of the donation transaction, the fair value of the acquired assets and liabilities was recorded in accordance with generally accepted accounting principles (GAAP). The note payable remains a financial obligation of the Foundation, and management continues to assess its financial impact and repayment strategy.

COMMUNITY FOUNDATION FOR MONTEREY COUNTY

Notes to Consolidated Financial Statements
December 31, 2024 and 2023

NOTE 18. NOTES PAYABLE (Continued)

Interest expense related to the note for the year ended December 31, 2024 was \$14,017 and is included in property held for sale expenses on the statement of functional expenses. Future minimum principal payments on the note payable as of December 31, 2024 are as follows:

2025	\$ 50,295
2026	52,319
2027	54,423
2028	56,612
2029	58,889
Thereafter	<u>1,850,465</u>
	<u>\$ 2,123,003</u>

Management has evaluated the financial impact of the note payable on the Foundation and believes that sufficient resources are available to meet its obligations as they become due.

NOTE 19. SUBSEQUENT EVENTS

Management has evaluated its December 31, 2024 and 2023 consolidated financial statements for subsequent events through April 22, 2025, the date of issuance of the consolidated financial statements. The Foundation is not aware of any subsequent events that would require recognition or disclosure in the consolidated financial statements.