



The Rancho Santa Fe Foundation

Consolidated Financial Statements
For the Year Ended December 31, 2020
With Summarized Financial Information for 2019



The Rancho Santa Fe Foundation

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Independent Auditors' Report

To the Audit Committee
The Rancho Santa Fe Foundation
Rancho Santa Fe, California

We have audited the accompanying consolidated financial statements of **The Rancho Santa Fe Foundation** (“the Foundation”), a nonprofit organization, which comprise the consolidated statement of financial position as of December 31, 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of **The Rancho Santa Fe Foundation** as of December 31, 2020, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited **The Rancho Santa Fe Foundation's** 2019 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated May 13, 2020. In our opinion, the summarized comparative information herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Mayer Hoffman McCann P.C.

San Diego, California
May 12, 2021

The Rancho Santa Fe Foundation

Consolidated Statements of Financial Position

(Rounded to the nearest thousandth)

With Summarized Financial Information for 2019

December 31,

Assets	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
Cash and cash equivalents	\$ 1,160,000	\$ 1,003,000	\$ 2,163,000	\$ 1,181,000
Investments	54,605,000	50,645,000	105,250,000	98,224,000
Assets held for other agencies	39,325,000	-	39,325,000	32,826,000
Assets held under unitrust agreement	340,000	52,000	392,000	380,000
Contributions receivable	-	422,000	422,000	334,000
Other assets	26,000	-	26,000	1,436,000
Total assets	<u>\$ 95,456,000</u>	<u>\$ 52,122,000</u>	<u>\$ 147,578,000</u>	<u>\$ 134,381,000</u>
Liabilities and Net Assets				
Liabilities:				
Accrued expenses	\$ 68,000	\$ -	\$ 68,000	\$ 88,000
Grants payable, net	2,324,000	-	2,324,000	2,816,000
Liability under unitrust agreement	340,000	-	340,000	334,000
Due to other agencies	39,325,000	-	39,325,000	32,826,000
Total liabilities	<u>42,057,000</u>	<u>-</u>	<u>42,057,000</u>	<u>36,064,000</u>
Net Assets:	<u>53,399,000</u>	<u>52,122,000</u>	<u>105,521,000</u>	<u>98,317,000</u>
Total Net Assets and Liabilities	<u>\$ 95,456,000</u>	<u>\$ 52,122,000</u>	<u>\$ 147,578,000</u>	<u>\$ 134,381,000</u>

The accompanying notes are an integral part of these consolidated financial statements.

The Rancho Santa Fe Foundation

Consolidated Statements of Activities

(Rounded to the nearest thousandth)

With Summarized Financial Information for 2019

Years ended December 31,

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2020 Total</u>	<u>2019 Total</u>
Revenue, earnings (losses), and other support:				
Gifts and bequests	\$ 7,836,000	\$ 429,000	\$ 8,265,000	\$ 8,225,000
Net investment earnings	6,227,000	6,593,000	12,820,000	14,210,000
Interfund transfers	(220,000)	220,000	-	-
Change in value of split interest agreement	-	43,000	43,000	97,000
Impairment of asset held for sale	(1,290,000)	-	(1,290,000)	-
Management fee revenue	280,000	-	280,000	276,000
	<u>12,833,000</u>	<u>7,285,000</u>	<u>20,118,000</u>	<u>22,808,000</u>
Net assets released from restriction	<u>1,889,000</u>	<u>(1,889,000)</u>	<u>-</u>	<u>-</u>
Total revenue, earnings, and other support	<u>14,722,000</u>	<u>5,396,000</u>	<u>20,118,000</u>	<u>22,808,000</u>
Expenses:				
Program grants	11,610,000	-	11,610,000	11,036,000
Operating and administrative expenses	1,304,000	-	1,304,000	1,238,000
Total expenses	<u>12,914,000</u>	<u>-</u>	<u>12,914,000</u>	<u>12,274,000</u>
Change in net assets	1,808,000	5,396,000	7,204,000	10,534,000
Net assets at beginning of year	<u>51,591,000</u>	<u>46,726,000</u>	<u>98,317,000</u>	<u>87,783,000</u>
Net assets at end of year	<u>\$ 53,399,000</u>	<u>\$ 52,122,000</u>	<u>\$ 105,521,000</u>	<u>\$ 98,317,000</u>

The accompanying notes are an integral part of these consolidated financial statements.

The Rancho Santa Fe Foundation

Consolidated Statements of Functional Expenses

(Rounded to the nearest hundredth)

With Summarized Financial Information for 2019

Years ended December 31,	Program Services		Supporting Services		2020	2019
	Grants	Other Program	Fundraising	General and Administrative	Total	Total
Program grants	\$ 11,610,000	\$ -	\$ -	\$ -	\$ 11,610,000	\$ 11,036,400
Salaries	-	129,900	261,100	385,700	776,700	659,800
Employee benefits	-	13,100	23,600	38,100	74,800	57,500
Rent	-	22,900	22,900	23,000	68,800	66,100
Information technology	-	2,000	-	63,400	65,400	40,600
Payroll taxes	-	8,600	17,100	25,300	51,000	49,300
Consulting services	-	23,400	-	27,400	50,800	54,300
Accounting	-	1,000	2,100	41,900	45,000	41,900
Dues and subscriptions	-	8,700	8,400	8,500	25,600	20,200
Insurance	-	500	1,000	23,700	25,200	26,600
Common area charges	-	7,500	7,500	7,500	22,500	22,500
Office expense	-	9,600	5,000	4,900	19,500	14,800
Utilities	-	5,000	4,900	5,000	14,900	15,000
Marketing and public relations	-	-	14,400	-	14,400	16,500
Depreciation	-	-	-	10,200	10,200	8,500
Meetings	-	8,400	-	1,700	10,100	48,600
Donor development	-	-	5,500	-	5,500	12,800
Legal	-	-	-	4,900	4,900	52,700
Professional development	-	-	-	3,800	3,800	4,300
Travel	-	-	-	3,100	3,100	9,000
Printing and reproduction	-	1,000	800	900	2,700	5,300
Equipment lease	-	900	900	800	2,600	2,400
Bank service charges	-	-	-	2,500	2,500	4,500
Miscellaneous taxes	-	-	-	2,100	2,100	1,900
Postage and shipping	-	600	600	500	1,700	2,100
Interest expense	-	100	-	100	200	400
Total Expenses	\$ 11,610,000	\$ 243,200	\$ 375,800	\$ 685,000	\$ 12,914,000	\$ 12,274,000
% of Total Admin Expenses	90%	2%	3%	5%	100%	

The accompanying notes are an integral part of these consolidated financial statements.

The Rancho Santa Fe Foundation

Consolidated Statements of Cash Flows

(Rounded to the nearest thousandth)

Years ended December 31,

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 7,204,000	\$ 10,534,000
Adjustments and reclassifications to reconcile change in net assets to net cash from operating activities:		
Realized and unrealized net gain on investments	(10,794,000)	(11,791,000)
Contribution of stock and securities	(3,093,000)	(1,497,000)
Contributions restricted for long-term purposes	(7,000)	(83,000)
Depreciation/accumulated lease amortization	13,000	11,000
Change in value of split interest agreements	(37,000)	(90,000)
Change in value of liability under unitrust agreement	(6,000)	(7,000)
Impairment of asset held for sale	1,290,000	-
Increase/(decrease) in cash resulting from changes in:		
Contributions receivable	(51,000)	801,000
Assets held under unitrust agreement	12,000	24,000
Other assets	115,000	(1,402,000)
Accrued expenses	(17,000)	40,000
Grants payable, net	(493,000)	2,816,000
Assets held for other agencies	6,499,000	4,403,000
Net cash from operating activities	<u>635,000</u>	<u>3,759,000</u>
Cash flows from investing activities:		
Purchases of investments	(72,774,000)	(77,500,000)
Proceeds from sale of investments	73,124,000	72,810,000
Purchases of equipment	(7,000)	(14,000)
Net cash from (used in) investing activities	<u>343,000</u>	<u>(4,704,000)</u>
Cash flows from financing activities:		
Investment in permanent endowment	7,000	83,000
Payments on capital lease obligation	(3,000)	(2,000)
Net cash from financing activities	<u>4,000</u>	<u>81,000</u>
Net increase (decrease) in cash and cash equivalents	982,000	(864,000)
Cash and cash equivalents at beginning of year	1,181,000	2,045,000
Cash and cash equivalents at end of year	<u>\$ 2,163,000</u>	<u>\$ 1,181,000</u>

The accompanying notes are an integral part of these consolidated financial statements.

The Rancho Santa Fe Foundation

Notes to the Consolidated Financial Statements

(1) Organization and Significant Accounting Policies

(a) Organization

The Rancho Santa Fe Foundation (“the Foundation”), formerly the Rancho Santa Fe Community Foundation, is a public charity founded in 1981 created to improve community life through increased philanthropy. The Foundation administers charitable gifts, including permanent endowments, from which grants are made to not-for-profit organizations for community betterment.

(b) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Foundation and the supporting Charitable Special Assets Fund. All inter-company accounts and transactions have been eliminated.

(c) Method of Accounting

The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles. This basis of accounting involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

(d) Basis of Presentation

In order to accommodate the various alternatives for donors’ distribution objectives, the Foundation’s records are maintained for internal purposes in accordance with the principles of fund accounting. The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, donor-restricted net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. The Foundation follows authoritative guidance for financial statements for Not-for-Profit Organizations. This guidance requires that net assets, revenue, gains, expenses, and losses be classified as without donor restrictions or with donor restrictions.

A summary of the net asset categories included in the accompanying consolidated financial statements is as follows:

Net Assets Without Donor Restrictions– Net assets available for general use and not subject to donor restrictions. Net assets without donor restrictions include amounts that are available for support of the Foundation’s operational and administrative functions, discretionary non-advised amounts that are available to support community activities and charitable endeavors at the discretion of the Foundation’s Board of Directors, and discretionary donor-advised amounts for which grant recommendations of the respective donors are accepted for consideration, subject to final approval by the Foundation’s Board of Directors.

The Rancho Santa Fe Foundation

Notes to the Consolidated Financial Statements

(d) Basis of Presentation, cont'd

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are contingent upon a specific performance of a future event or a specific passage of time before the Foundation may spend the funds. The balance includes contributions receivable and deferred gifts in the form of trusts and annuities to funds with donor restrictions, term endowments and unappropriated earnings on permanently restricted endowments.

Other donor-imposed restrictions are perpetual in nature, the original dollar value is to remain in perpetuity as a permanent endowment of the Foundation.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Realized and unrealized gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor-imposed restrictions on net assets, such as the donor stipulated time period has elapsed, are reported as “net assets released from restriction” between the classes of net assets.

(e) New Accounting Pronouncements

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958). This ASU clarifies and improves the scope and the accounting guidance for contributions received and contributions made under accounting principles generally accepted in the United States of America. During the year ended December 31, 2020, the Foundation adopted ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958).

(f) Summarized Information

The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset classification and are presented to provide a basis for comparison to financial information for 2020. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation’s financial statements for 2019, from which the summarized information was derived.

(g) Cash and Cash Equivalents

Cash and cash equivalents consist of cash and highly liquid investments with maturities, when acquired, of three months or less.

The Rancho Santa Fe Foundation

Notes to the Consolidated Financial Statements

(h) Concentration of Credit Risk

The Foundation invests its excess cash in various types of marketable securities and money market funds. The Foundation has established guidelines relative to diversification and maturities that maximize safety and liquidity within acceptable risk levels. These guidelines are periodically reviewed and modified to take advantage of trends in yields and interest rates.

The Foundation maintains a cash account at a bank in San Diego. The balance in the account at this institution may at times, exceed the amount secured by the Federal Deposit Insurance Corporation. The Foundation has not experienced any losses in this account. Management believes that the Foundation is not exposed to any significant credit risk with respect to its cash and cash equivalents.

The Foundation invests in various investment securities, including U.S. government securities, corporate debt and equity securities. Investment securities, in general, are subject to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the consolidated financial statements.

(i) Concentration of Revenue

During 2020, the Foundation received two significant contributions that combined approximated 25% of total gifts and bequests. Both of these contributions were additions to donor advised funds without donor restrictions.

(j) Investments

Investments consist of marketable securities. Marketable securities consist of mutual funds which are carried at fair value. Fair value is determined by quoted market prices on the last business day of the year.

Investments acquired by gift are recorded at their fair market value at the date of the gift. The Foundation's policy is to liquidate all gifts of investment immediately upon receipt.

Net investment earnings (losses) reported in the Statements of Activities consists of interest and dividend income, realized and unrealized capital gains and losses, less external investment expenses.

(k) Assets Held Under Unitrust Agreement

In 2015, the Foundation received a charitable remainder trust designating the Foundation as trustee and charitable remainder beneficiary. Under the terms of the trust agreement, the Foundation makes distributions to income beneficiaries for the life of the beneficiaries. Upon the death of the income beneficiaries, 50% of assets remaining in the trust will be distributed to a nonprofit beneficiary and the final 50% remaining interest will be transferred to the Foundation to an established permanent endowment. Assets held in this charitable remainder trust totaled \$392,000

The Rancho Santa Fe Foundation

Notes to the Consolidated Financial Statements

(k) Assets Held Under Unitrust Agreement, cont'd

at December 31, 2020 are reported at fair market value based on current quoted market prices on the statement of financial position as Assets held under unitrust agreement. On an annual basis, the Foundation revalues the liability based on actuarial assumptions. The present value of the estimated future payments (\$340,000 at December 31, 2020) is calculated using a discount rate of 5% and recent life expectancy tables.

(l) Split-Interest Gifts

The Foundation is a beneficiary of a certain trust fund held by others and has recorded an asset for the net present value of the estimated future amount to be received from such trust included in contributions receivable at December 31, 2020. The charitable remainder trust is an irrevocable trust established in connection with a split-interest agreement, in which the donor or a third-party beneficiary receives specified distributions during the agreement's term. Upon termination of the trust, the Foundation will receive a portion of the assets remaining in the trust. The present value is calculated by using recent life expectancy tables and a discount rate of 0.60% as of December 31, 2020.

(m) Depreciation

Fixed assets are depreciated using the straight-line method over the estimated useful lives of the related assets. Tenant improvements are depreciated over the lesser of the useful life of the related asset or the lease term. The Foundation capitalizes all assets with a useful life greater than one year and a cost greater than \$500.

(n) Assets Held for Other Agencies

The Foundation receives contributions on behalf of unaffiliated not-for-profit agencies, which are not reflected in the Foundation's statement of activities as they do not represent revenue to the Foundation. The total amounts of these managed assets are however reported as offsetting assets and liabilities on the Foundation's statement of financial position. At December 31, 2020, the total amount of these monies held for other agencies was \$39,325,000.

(o) Grant Expenditures

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 payable that are expected to be paid in future years are recorded at the present value of expected future payments. At December 31, 2020, there was one 4-year grant payable which was discounted using the year-end risk free rate of 1.46%.

The Rancho Santa Fe Foundation

Notes to the Consolidated Financial Statements

(p) Functional Allocation of Expenses

Functional expenses are those expenses incurred by the Foundation in the accomplishment of its stated mission. They can be categorized further as follows:

- Program services, including awarded grants, services to other non-profits, philanthropic leadership and civic leadership;
- Fundraising and development, including originating and maintaining relationships with donors; and
- Management and general, including expenses that benefit the Foundation as an entity and the management and accounting of funds.

The cost of providing the various program and supporting services have been summarized on a functional basis in the Statement of Functional Expenses. This statement presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Personnel expenses are allocated based on time and effort.

(q) Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates used in preparing these consolidated financial statements include those assumed in computing the estimated future cash flow of deferred gifts and unitrust liabilities and the allocation of common expenses over program functions.

(r) Income Tax Status

The Foundation is exempt from income taxes under the current provisions of Internal Revenue Code Section 501(c)(3) and Section 23701(d) of the California Franchise Tax Code. The Foundation, however, may be subject to tax on income which is not related to its exempt purpose. The Foundation had no unrelated business income tax for the year ended December 31, 2020.

At December 31, 2020, the federal statute of limitations remains open for 2017 through 2020 years. The statute of limitations for the state income tax returns remains open for the 2016 through 2020 years.

(s) Earnings on Discretionary Funds

Discretionary funds are maintained within the investment portfolio. Interest, dividends, and unrealized gains and losses in the investment pools are allocated monthly to the discretionary funds in proportion to each fund's share in the investment pools.

The Rancho Santa Fe Foundation

Notes to the Consolidated Financial Statements

(t) Fair Value Measurements

The Foundation measures fair value at the price that would be received upon sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Authoritative guidance establishes a hierarchy for ranking the quality and reliability of the information used to determine fair values, requiring that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

- Level 1: Unadjusted quoted market prices in active markets for identical assets or liabilities. Instruments which are generally included in this category include listed equity and debt securities publicly traded on a stock exchange.
- Level 2: Unadjusted quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.
- Level 3: Unobservable inputs for the asset or liability and include situations where there is little, if any, market activity for the instrument.

The Foundation endeavors to utilize the best available information in measuring fair value. The following table summarizes the valuation of the financial instruments in accordance with the guidance's pricing levels as of December 31, 2020. There were no Level 2 financial instruments.

	Total	Unadjusted Quoted Market Prices (Level 1)	Unobservable Inputs (Level 3)
Money market funds	\$ 553,000	\$ 553,000	\$ -
Mutual funds:			
Domestic equities	57,880,000	57,880,000	-
Fixed income	46,158,000	46,158,000	-
Money market	2,417,000	2,417,000	-
Foreign equities	36,821,000	36,821,000	-
Charitable remainder trusts	333,000	-	333,000
Liability under unitrust agreement	(340,000)	-	(340,000)
Totals	\$ 143,822,000	\$ 143,829,000	\$ (7,000)

The Rancho Santa Fe Foundation

Notes to the Consolidated Financial Statements

(t) Fair Value Measurements, cont'd

Changes in Level 3 financial instruments during 2020 were as follows:

	CSAF Assets Held for Sale	Charitable Remainder Trusts	Liability Under Unitrust Agreement
Financial instruments, beginning of year	\$ 1,404,000	\$ 296,000	\$ (334,000)
Assets sold during the year	(114,000)	-	-
Impairment of asset held for sale	(1,290,000)	-	-
Change in value of existing split-interest agreements	-	37,000	6,000
Total gains (realized and unrealized)	-	-	(49,000)
Distributions	-	-	37,000
Financial instruments, end of year	\$ -	\$ 333,000	\$ (340,000)

The following table represents the Foundation's Level 3 financial instruments, the valuation techniques used to measure the fair value of those financial instruments, and the significant unobservable inputs and the ranges of values for those inputs.

Instrument	Fair Value	Principal Valuation Technique	Unobservable Inputs	Range of Significant Input Values
CSAF assets held for sale	\$ -	Third party valuation	-	-
Charitable remainder trusts	\$ 333,000	Present value of beneficial interests	Discount Rate Growth Rate Payout Rate Years remaining	0.6% 5.6% 6.0% 14.1
Liability under unitrust agreement	\$(340,000)	Present value of future distributions	Discount Rate Growth Rate Payout Rate Years remaining	5.0% 5.0% 8.9% 14.9

Management determines the fair value measurement valuation policies and procedures, including those for Level 3 recurring and nonrecurring measurements. At least annually, Management: (1) determines if the current valuation techniques used in fair value measurements are still appropriate, and (2) evaluates and adjusts the unobservable inputs used in the fair value measurements based on current market conditions and third-party information.

The Rancho Santa Fe Foundation

Notes to the Consolidated Financial Statements

(2) Liquidity and Availability

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

- Operating within a prudent range of financial soundness and stability,
- Investing exclusively in short-term liquid assets such as mutual funds, and
- Maintaining sufficient reserves to provide reasonable assurance that long-term grant commitments and obligations under endowments with donor restrictions that support mission fulfillment will be met, ensuring the sustainability of the Foundation.

The Foundation's board-designated endowments and those endowments that have been donor-designated for discretionary grantmaking are subject to an annual spending rate of 5.0%. A spendable amount of \$288,000 will be made available for grantmaking and administrative expenses from these endowments during 2021.

The table below presents the financial assets available for general expenditures within one year at December 31, 2020:

Cash and cash equivalents	\$ 1,160,000
Contributions receivable	88,000
Short-Term Investments	52,597,000
Long-Term Investments made available for current use	288,000
	<hr/>
	\$ 54,133,000

(3) Investments

(a) Marketable Securities

Marketable securities consist of the following at December 31, 2020:

Mutual funds:	
Domestic equities	\$ 57,880,000
Fixed income	46,158,000
Money market	2,417,000
Foreign equities	36,821,000
Total investments	<hr/> 143,276,000
Less investments held for other agencies	(37,634,000)
Less assets held under unitrust agreement	<hr/> (392,000)
	<hr/> \$ 105,250,000

The Rancho Santa Fe Foundation

Notes to the Consolidated Financial Statements

(4) Contributions Receivable

Contributions receivable at December 31, 2020, reported as a component of net assets with donor restrictions, totaled \$422,000. Of this total, \$89,000 is considered receivable in less than one year and is a result of year-end cash and stock contributions initiated in 2020 but not physically received by the Foundation until after January 1, 2021. The remaining \$333,000 represents the net present value of proceeds from a split-interest agreement to be received at an undetermined time in the future.

(5) Other Assets

Other assets consist of the following at December 31, 2020:

Fixed assets, net of accumulated depreciation of \$134,000	\$ 22,000
Prepaid expenses	4,000
	<u>\$ 26,000</u>

(6) Assets Held for Other Agencies

The amount held for other agencies as of December 31, 2020 consists of the following:

Investments	\$ 37,634,000
Cash and cash equivalents	1,672,000
Gifts receivable	19,000
	<u>\$ 39,325,000</u>

(7) Grants Payable

During 2019, a donor restricted endowment fund made an unconditional grant commitment of \$3,000,000 to be paid out in five (5) annual installments of \$600,000 each during the years 2020-2024. As a result, the Foundation has recorded a long-term liability of \$1,800,000 (discounted to \$1,724,000) for the portions of the pledge to be paid beyond the next twelve (12) months. As of December 31, 2020, based on the specific grant agreement, amounts payable are expected to be paid in the following years:

<u>Year Ending December 31,</u>	<u>Amount Payable</u>
2021	\$ 600,000
2022	600,000
2023	600,000
2024	600,000
Total	<u>2,400,000</u>
Less discount to reflect future grants payable at present value	<u>(76,000)</u>
	<u>\$ 2,324,000</u>

The Rancho Santa Fe Foundation

Notes to the Consolidated Financial Statements

(8) Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes at December 31, 2020:

Perpetually restricted	\$ 36,498,000
Charitable Remainder Trust	333,000
Time restricted	8,947,000
Purpose restricted	6,177,000
Term endowment	167,000
	<hr/>
	\$ 52,122,000

(9) Endowment Net Asset Classifications

The Foundation's Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as permitting the expenditure or accumulation of as much of permanent endowment funds as the Foundation determines to be prudent for the uses, benefits, purposes and duration for which each endowment fund is established, even if this results in the occasional invasion of an endowment's historic gift value. Thus, at times, the value of donor-restricted assets may fall below the level that a donor requires the Foundation to maintain in perpetuity. At December 31, 2020, deficiencies of this nature existed in one (1) such donor-restricted endowment fund, which has an original gift value of approximately \$14,000, a current fair value of approximately \$13,000, and a deficiency of approximately \$1,000. This deficit resulted from unfavorable market fluctuations that occurred in the second half of 2015 after this fund was opened and the decision of the fund holder to move the fund balance to cash at that time. As of the publication of these statements this fund remains "underwater" by approximately \$800.

The Foundation retains in perpetuity (a) the original value of gifts used to establish permanent endowments, (b) the original value of subsequent gifts to permanent endowments and (c) any accumulations to the permanent endowments made in accordance with the direction of the applicable donor gift and instrument at the time the accumulation is added to the fund; collectively known as historic gift value. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

The Foundation manages one donor-restricted endowment fund with a time stipulation. Distributions from this endowment are made annually to a specific charity until the earlier of 20 years (2027) or until the assets in the fund are depleted.

The Foundation classifies as endowment net assets without donor restrictions as those that reside in endowment funds that have been established by and for the discretionary use of the Foundation.

The Foundation determines the appropriation of each endowment fund's assets for expenditure based upon the Foundation's adopted spending policy.

The Rancho Santa Fe Foundation

Notes to the Consolidated Financial Statements

(9) Endowment Net Asset Classifications, *cont'd*

- The Foundation's basic endowment spending policy shall be to annually distribute up to the maximum allowable percentage as stated in the original Fund agreement (typically 5% plus administrative fees) from each endowed Fund. To determine the distributable amount for a given year, the specified percentage will be applied to the Fund's average value calculated over a twelve quarter period beginning with the most recent December 31st quarter-end (or fewer quarters where a Fund has not been in existence for a full twelve quarters).
- Unless there is specific wording in the original fund agreement clearly stating that the distribution formula called for in the fund agreement shall apply irrespective of the historic gift value of the fund (i.e. the cumulative total of all gifts), then the payout from an endowment fund may be limited per the following criteria if a fund's average value falls below the average historic gift value for the same twelve-quarter period:
 - Distributing amount(s) not to exceed the fund(s) earnings from the prior four quarters;
 - A temporary cessation of distributions from some or all fund(s) to protect the historic gift value or principal of the fund(s);
 - Reducing the distributable percentage from some or all fund(s) to something less than the permitted maximum(s) per the following table:

Average Fund Value as a Percent of Average Historic Gift Value	Spending Rate
90 – 99%	75% of normal spending rate
80 – 89%	50% of normal spending rate
70 – 79%	25% of normal spending rate
< 70%	Suspend distributions

Although UPMIFA no longer requires that permanent endowments (absent donor advice) be maintained at historic gift value, it is generally accepted that UPMIFA contemplates that “endowed funds will be interpreted to be of permanent duration, and that investments and spending practices should be structured in such a way as to preserve their purchasing power over time”. With this understanding, the primary goals of the Foundation's investment policy are to ensure a total return necessary to preserve and enhance the principal of the funds and to provide a dependable source of revenue for current and future needs. To achieve these objectives, the Foundation's portfolio will be administered with a moderate level of risk, accepting some volatility in principal while attempting to grow the portfolio over time. The investment policy directs the managers for a target allocation for the portfolio that approximates 50% to 70% invested in equity securities and the remainder of the portfolio in fixed income and other securities. At a minimum, an annual rebalancing will be administered to bring the portfolio back in line with the asset allocation model.

The Rancho Santa Fe Foundation

Notes to the Consolidated Financial Statements

(9) Endowment Net Asset Classifications, Cont'd

Endowment Net Asset Composition by Type of Fund as of December 31, 2020,

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board designated endowment funds	\$891,000	-	\$891,000
Donor-restricted endowment funds:			
Original donor-restricted gift amount(s) and amounts required to be maintained in perpetuity	-	\$36,446,000	\$36,446,000
Accumulated gains	-	\$9,078,000	\$9,078,000
Total endowment funds	<u>\$ 891,000</u>	<u>\$ 45,524,000</u>	<u>\$ 46,415,000</u>

Changes in Endowment Net Assets for the year ending December 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 809,000	\$ 40,962,000	\$ 41,771,000
Gifts, bequests & transfers	8,000	8,000	16,000
Change in Value of Unitrust Agreement	-	6,000	6,000
Net Assets Released from Restriction	-	-	-
Total investment return	111,000	5,876,000	5,987,000
Amounts appropriated for expenditure	<u>(37,000)</u>	<u>(1,328,000)</u>	<u>(1,365,000)</u>
Endowment net assets, end of year	<u>\$ 891,000</u>	<u>\$ 45,524,000</u>	<u>\$ 46,415,000</u>

(10) Real Estate

The Foundation holds title to a 22-acre parcel of undeveloped land in Rancho Santa Fe which is to be held by the Foundation in perpetuity as open space. The value of this parcel has not been included within the accompanying financial statements as the land has no recognizable value due to the nature of the restrictive circumstances under which it is held.

The Rancho Santa Fe Foundation

Notes to the Consolidated Financial Statements

(11) Charitable Special Assets Fund

The Rancho Santa Fe Foundation Charitable Real Estate Fund (“CREF”) was established in February 2007 for the purpose of helping donors become impactful philanthropists through gifts of real estate and other illiquid assets. The CREF received its IRS Determination Letter in January 2008. In 2020 the CREF changed its name to the Rancho Santa Fe Foundation Charitable Special Assets Fund (“CSAF”) to better reflect the purpose of the fund.

During 2019, the CREF accepted two gifts of privately-held stock valued at \$1,404,000. In 2020, one of these gifts was liquidated with net proceeds of \$114,000 being transferred from the CSAF into a donor advised fund with no donor restrictions at the Foundation. As a result of the impact of the COVID pandemic, the second gift was reappraised in 2020 with a valuation of \$0 and was written off.

(12) Benefit Plan

The Foundation sponsors a 401(k) savings plan for all eligible employees. Participants may contribute up to 86% of their eligible compensation. The Foundation matches 100% of the first 5% of the participant’s eligible compensation. Total matching contributions were \$37,000 in 2020.

(13) Operating Lease

During 2013, the Foundation signed a standard operating lease that expired in October 2018, which included an increase of 4% per annum. During 2014, the Foundation signed an amendment to that lease for an adjacent office space under similar terms and with the same expiration date. In 2018, the Foundation signed a 5-year extension to this lease with the same 4% per annum increases. The Foundation incurred rent expense of approximately \$69,000 in 2020. Future minimum rental payments under this operating lease are as follows:

<u>Year Ending December 31,</u>	<u>Lease Amount</u>
2021	\$71,000
2022	\$74,000
2023	\$64,000
Total	<u>\$209,000</u>

The Rancho Santa Fe Foundation

Notes to the Consolidated Financial Statements

(14) CARES Act / PPP Loan

The Foundation received a Paycheck Protection Program (PPP) loan of \$118,000 granted by the Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). PPP loans are considered conditional contributions, with a right-of-return in the form of an obligation to be repaid if a barrier to entitlement is not met. The barrier is that PPP loan funds must be used to maintain compensation costs and employee headcount, and other qualifying expenses (mortgage interest, rent and utilities) incurred following receipt of the funds. The Foundation recognized the amount received as grant revenue as qualified expenses occurred / barriers to entitlement were met. The Foundation submitted its application for PPP loan forgiveness on December 22, 2020 and the U.S. Small Business Administration (SBA) approved the Foundation's application for PPP loan forgiveness on February 26, 2021.

(15) Subsequent Events

The Foundation has evaluated subsequent events through May 12, 2021, which is the date the consolidated financial statements were issued