

LOS ALTOS COMMUNITY FOUNDATION

**Financial Statements and
Report of Independent Auditors**

**For the year ended June 30, 2019
with comparative totals as of and
for the year ended June 30, 2018**

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Report of Independent Auditors

To the Board of Directors of
Los Altos Community Foundation:

Report on the Financial Statements

We have audited the accompanying financial statements of Los Altos Community Foundation, a California nonprofit corporation, which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Los Altos Community Foundation as of June 30, 2019, and the changes in its net assets, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Los Altos Community Foundation's financial statements for the year ended June 30, 2018, and our report dated December 20, 2018, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein for the year ended June 30 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of Matter

As discussed in Note 2 to the financial statements, in 2019, Los Altos Community Foundation adopted ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to that matter.

Novogradac & Company LLP

Petaluma, California
October 31, 2019

LOS ALTOS COMMUNITY FOUNDATION
STATEMENT OF FINANCIAL POSITION
June 30, 2019
with comparative totals as of June 30, 2018

	2019	2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 3,142,463	\$ 428,781
Contributions receivable	50,000	124,000
Total current assets	3,192,463	552,781
Investments	12,690,398	10,033,836
Land, property and equipment, net	1,375,130	1,425,842
Total assets	\$ 17,257,991	\$ 12,012,459
 LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 45,490	\$ 31,834
Scholarships payable	184,599	161,977
Total current liabilities	230,089	193,811
Deposits held for others	953,917	918,015
Total liabilities	1,184,006	1,111,826
Net assets		
Without donor restriction	12,365,626	6,898,995
With donor restriction	3,708,359	4,001,638
Total net assets	16,073,985	10,900,633
Total liabilities and net assets	\$ 17,257,991	\$ 12,012,459

see accompanying notes

LOS ALTOS COMMUNITY FOUNDATION
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the year ended June 30, 2019
with comparative totals for the year ended June 30, 2018

	Without donor restriction	With donor restriction	2019 Total	2018 Total
REVENUE AND OTHER SUPPORT				
Contributions	\$ 6,950,154	\$ 731,950	\$ 7,682,104	\$ 4,091,884
In-kind donations	22,000	5,023	27,023	11,945
Administrative income	91,496	-	91,496	89,799
Event income	19,371	19,449	38,820	84,737
Program income	-	123,202	123,202	105,591
Interest/dividend income, net of investment expense	177,423	93,788	271,211	186,022
Realized gain on investments	12,944	19,714	32,658	117,286
Unrealized (loss) gain on investments	(47,361)	(48,533)	(95,894)	250,316
Net assets released from restrictions:				
Satisfaction of program restrictions	1,237,872	(1,237,872)	-	-
 Total revenue and other support	 8,463,899	 (293,279)	 8,170,620	 4,937,580
EXPENSES				
Program expense	2,750,601	-	2,750,601	3,419,970
Management and general	101,191	-	101,191	100,389
Fundraising and development	145,476	-	145,476	138,550
Total expenses	2,997,268	-	2,997,268	3,658,909
 CHANGE IN NET ASSETS	 5,466,631	 (293,279)	 5,173,352	 1,278,671
 NET ASSETS AT BEGINNING OF YEAR	 6,898,995	 4,001,638	 10,900,633	 9,621,962
 NET ASSETS AT END OF YEAR	 \$ 12,365,626	 \$ 3,708,359	 \$ 16,073,985	 \$ 10,900,633

see accompanying notes

LOS ALTOS COMMUNITY FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2019
with comparative totals for the year ended June 30, 2018

	2019			2018	
	Program expense	Management and general	Fundraising and development	Total	Total
Salaries	\$ 200,299	\$ 60,071	\$ 73,895	\$ 334,265	\$ 307,745
Payroll taxes	17,397	5,218	6,418	29,033	26,746
Payroll processing fees	1,438	431	531	2,400	2,411
Total Personnel	<u>219,134</u>	<u>65,720</u>	<u>80,844</u>	<u>365,698</u>	<u>336,902</u>
Grant expense	1,438,928	-	-	1,438,928	2,328,756
Scholarship expense	506,619	-	-	506,619	451,328
Designated fund expenses	32,742	-	-	32,742	7,467
Managed programs	29,316	-	-	29,316	16,882
Sponsored programs	171,202	-	-	171,202	146,027
Event expenses	57,264	-	31,866	89,130	65,712
Administration fees	82,305	-	-	82,305	80,512
Office expenses	31,859	1,870	3,936	37,665	36,441
Insurance expense	7,196	3,396	749	11,341	10,782
Property taxes	-	1,524	-	1,524	1,539
Cleaning and maintenance	20,284	4,622	6,419	31,325	5,381
Utilities expense	3,883	601	835	5,319	5,935
Marketing and advertising	6,942	-	20,827	27,769	30,859
Professional fees	71,247	17,403	-	88,650	71,729
Depreciation	44,657	6,055	-	50,712	50,712
In-kind donation expense	27,023	-	-	27,023	11,945
Total expenses	<u>\$ 2,750,601</u>	<u>\$ 101,191</u>	<u>\$ 145,476</u>	<u>\$ 2,997,268</u>	<u>\$ 3,658,909</u>

see accompanying notes

LOS ALTOS COMMUNITY FOUNDATION
STATEMENT OF CASH FLOWS
For the year ended June 30, 2019
with comparative totals for the year ended June 30, 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 5,173,352	\$ 1,278,671
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Contributions of stock	(531,083)	(224,234)
Depreciation	50,712	50,712
Realized gain on sale of investments	(32,658)	(117,286)
Unrealized (loss) gain on investments	95,894	(250,316)
(Increase) decrease in assets:		
Contributions receivable	74,000	(124,000)
Increase (decrease) in liabilities:		
Accounts payable	13,656	(10,295)
Scholarships payable	22,622	10,891
Net cash provided by operating activities	<u>4,866,495</u>	<u>614,143</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of securities, net	(2,152,813)	(641,708)
 Net increase (decrease) in cash and cash equivalents	2,713,682	(27,565)
 Cash and cash equivalents at beginning of year	<u>428,781</u>	<u>456,346</u>
 Cash and cash equivalents at end of year	<u><u>\$ 3,142,463</u></u>	<u><u>\$ 428,781</u></u>

see accompanying notes

LOS ALTOS COMMUNITY FOUNDATION

Notes to Financial Statements

June 30, 2019

with comparative totals as of and for the year ended June 30, 2018

1. Organization

Los Altos Community Foundation (the "Foundation"), a California nonprofit corporation, was organized in 1991 as a public benefit 501(c)(3) nonprofit corporation and has been determined not to be a private foundation under Section 509(a)(1) of the Internal Revenue Code. The Foundation engages primarily in the administration of funds, which are established by donors who prescribe either the general or specific purposes for which grants are to be made.

The Foundation's goals include providing grants and assistance to develop and strengthen community organizations, to operate and fiscally sponsor programs that meet community needs and encourage civic engagement, to host Donor Advised and other charitable funds for increased philanthropy, and to build a permanent community endowment for the long-term benefit of Los Altos, Los Altos Hills, and neighboring communities.

2. Summary of significant accounting policies

Basis of accounting

The Foundation prepares its financial statements on the accrual basis of accounting consistent with accounting principles generally accepted in the United States of America. The Foundation's year end for tax and financial reporting purposes is June 30.

Basis of presentation

The Foundation is required to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets without donor restrictions:

Net assets available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, an endowment pool with the intention of using earnings for the Foundation's operations, granting or programs. Donor advised funds are considered without donor restrictions since the board has variance power and the funds are available for distribution upon recommendation by the donor.

Net assets with donor restrictions:

Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature, which 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.

Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents include all cash balances on deposit with financial institutions and highly liquid investments with a maturity of three months or less at the date of acquisition.

LOS ALTOS COMMUNITY FOUNDATION

Notes to Financial Statements

June 30, 2019

with comparative totals as of and for the year ended June 30, 2018

2. Summary of significant accounting policies (continued)

Concentration of credit risk

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of temporary cash investments. The Foundation places its temporary cash investments with high credit quality financial institutions and, by policy, limits the amount of credit exposed to any one financial institution. The Board of Directors monitors the investments and changes are made to the investment policy as conditions change. The Foundation has not experienced any losses in such accounts.

Contributions and grants

Contributions and grants are recognized when the donor makes a promise to give that is, in substance, unconditional. Contributions and grants that are restricted by the donor are reported as increases in net assets without donor restriction if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions and grants are reported as increases in net assets with donor restriction. When a restriction expires, net assets with donor restriction are reclassified to net assets without donor restriction.

In-kind donations

In-kind donations, which require a specialized skill and which the Foundation would have paid for if not donated, are recorded at the estimated fair value at the time the services are rendered. The Foundation has an objective measurable method to determine fair value. A number of unpaid professionals providing consulting services have made significant contributions of their time to the Foundation. In addition, associated meeting supplies and materials have been received at no cost to the Foundation. For the years ended June 30, 2019 and 2018, the fair value of the contributed time and materials was \$27,023 and \$11,945, respectively, and has been reflected as a donated services contribution in these financial statements.

The Foundation also receives donated services that do not require specific expertise but which are nonetheless essential to the Foundation's operations. These donated services are not reflected in the financial statements.

Revenue recognition

Revenue resulting from special events, fees charged by the Foundation, refunded grants and other income is recorded when earned.

Investments

Investments include those held in individual funds established by donors, supporting organizations, and a variety of investment pools made available to donor funds for investment of gifted assets. Separate asset allocations are maintained for each investment pool, the endowment and supporting organizations. The asset allocation of any individual donor fund is dependent on the donor's choice of approved investment pools.

Realized gains or losses on the sale of marketable securities are calculated using the average cost method. Unrealized gains and losses represent the change in the fair market value of the individual investments for the year or since the acquisition date if acquired during the year.

LOS ALTOS COMMUNITY FOUNDATION

Notes to Financial Statements

June 30, 2019

with comparative totals as of and for the year ended June 30, 2018

2. Summary of significant accounting policies (continued)

Accounts receivable

Management considers receivables to be fully collectible. If amounts become uncollectible, they are charged to operations in the period in which that determination is made. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

Fair value measurements

The Foundation applies the accounting provisions related to fair value measurements. These provisions define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, establish a hierarchy that prioritizes the information used in developing fair value estimates and require disclosure of fair value measurements by level within the fair value hierarchy. The hierarchy gives the highest priority to quoted prices in active markets (Level 1 measurements) and the lowest priority to unobservable data (Level 3 measurements), such as the reporting entity's own data. These provisions also provide valuation techniques, such as the market approach (comparable market prices), the income approach (present value of future income or cash flows) and the cost approach (cost to replace the service capacity of an asset or replacement cost).

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The three levels of valuation hierarchy are defined as follows:

Level 1: Observable inputs such as quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2: Inputs other than quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3: Unobservable inputs that reflect the Foundation's own assumptions.

LOS ALTOS COMMUNITY FOUNDATION

Notes to Financial Statements

June 30, 2019

with comparative totals as of and for the year ended June 30, 2018

2. Summary of significant accounting policies (continued)

Fair value measurements (continued)

The following tables present the Foundation's assets and liabilities that are measured and recognized at fair value on a recurring basis classified under the appropriate level of the fair value hierarchy as of June 30, 2019 and 2018:

	June 30, 2019			Fair Value Measurements
	Level 1	Level 2	Level 3	
Assets				
Certificates of deposit	\$ 1,759,179	\$ -	\$ -	\$ 1,759,179
Fixed income mutual funds	3,524,774	-	-	3,524,774
Domestic equity mutual funds and ETFs	5,037,866	-	-	5,037,866
Foreign equity mutual funds	2,044,577	-	-	2,044,577
Domestic common stocks	324,002	-	-	324,002
Total assets	\$ 12,690,398	\$ -	\$ -	\$ 12,690,398

Liabilities				
Deposits held for others	\$ 953,917	\$ -	\$ -	\$ 953,917
Total liabilities	\$ 953,917	\$ -	\$ -	\$ 953,917

	June 30, 2018			Fair Value Measurements
	Level 1	Level 2	Level 3	
Assets				
Certificates of deposit	\$ 1,685,069	\$ -	\$ -	\$ 1,685,069
Fixed income mutual funds	2,649,487	-	-	2,649,487
Domestic equity mutual funds and ETFs	3,442,637	-	-	3,442,637
Foreign equity mutual funds	1,984,603	-	-	1,984,603
Domestic common stocks	272,040	-	-	272,040
Total assets	\$ 10,033,836	\$ -	\$ -	\$ 10,033,836

Liabilities				
Deposits held for others	\$ 918,015	\$ -	\$ -	\$ 918,015
Total liabilities	\$ 918,015	\$ -	\$ -	\$ 918,015

LOS ALTOS COMMUNITY FOUNDATION

Notes to Financial Statements

June 30, 2019

with comparative totals as of and for the year ended June 30, 2018

2. Summary of significant accounting policies (continued)

Property and equipment and depreciation

Property and equipment is recorded at cost or fair market value at the date of acquisition. Depreciation on property and equipment is provided over the estimated useful lives of the respective assets ranging from 5 to 39 years on a straight-line basis.

Income taxes

The Foundation is a not-for-profit corporation under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code and therefore, is generally exempt from both federal and state income taxes, except on net income derived from unrelated business activities.

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires the Foundation to report information regarding its exposure to various tax positions taken. Management has determined whether any tax positions have met the recognition threshold and has measured its exposure to those tax positions. Management believes that the Foundation has adequately addressed all relevant tax positions and that there are no unrecorded tax liabilities. Federal tax authorities generally have the right to examine and audit the previous three years of tax returns filed. California tax authorities generally have the right to examine and audit the previous four years of tax returns filed. Any interest or penalties assessed to the Foundation are recorded in operating expenses. No interest or penalties from federal or state tax authorities were recorded in the accompanying financial statements.

Endowment funds

In August 2008, the Financial Accounting Standards Board provided guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (“UPMIFA”). This guidance also improves disclosures about an organization’s endowed funds (both donor restricted endowment funds and board designated endowment funds) whether or not the organization is subject to UPMIFA.

The Foundation is subject to the required disclosures in that the Foundation classifies its unrealized gains and losses on donor-restricted endowed funds as net assets with donor restriction. To the extent unrealized losses exceed previous unrealized gains, the unrealized losses are recorded to net assets without donor restriction. Any gains in subsequent years will first offset any previous losses recorded in net assets without donor restriction before recording unrealized gains and losses as net assets with donor restriction. As of June 30, 2019 and 2018, the Foundation had no endowment funds with deficiencies of this nature.

LOS ALTOS COMMUNITY FOUNDATION

Notes to Financial Statements

June 30, 2019

with comparative totals as of and for the year ended June 30, 2018

2. Summary of significant accounting policies (continued)

Endowment investing and spending policies

On March 25, 2015, the board approved a new spending policy. The spending policy for endowment funds strives to provide a predictable stream of funding for programs supported by their endowment while seeking to maintain the purchasing power of the endowed assets. The policy allows for granting 4% of the average of the fund balances as of December 31 of the prior year combined with the eleven prior trailing quarter end balances. The original value of the gifts donated to the permanent endowments are to be classified as net assets with donor restriction and any earnings are classified as net assets with donor restriction until appropriated for expenditure.

Deposits held for others

The Foundation accepts funds from unrelated nonprofit organizations who desire to have the Foundation provide efficient investment management, programmatic expertise, and technical assistance. A liability is recorded at the readily determinable estimated fair values of assets deposited with the Foundation by nonprofit organizations.

Grant expense

Grants are recognized when all significant conditions are met, all due diligence has been completed and they are approved by staff or board committee. Grant refunds are recorded as a reduction of grant expense at the time the Foundation receives or is notified of the refund.

Fees charged by the Foundation

The Foundation charges fees to the individual funds for administration costs. For donor advised funds, an annual 1% fee is charged each month based on an average daily balance. For fiscally sponsored programs and designated funds, generally an annual 3% - 5% fee is charged based on monthly income. For the years ended June 30, 2019 and 2018, the Foundation recorded fees charged to deposits held for others by the operating fund to the multiple funds administration fee on a net basis, amounting to \$9,191 and \$9,287 respectively. For the years ended June 30, 2019 and 2018, the total fees charged by the operating fund were \$91,496 and \$89,799, respectively.

Functional allocation of expenses

The Statement of Functional Expenses reports expenses by both natural and functional classification. Certain categories of expenses are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Costs are directly applied to the related program or supporting service category when identifiable and possible. General operating costs across nearly all natural categories are allocated on the basis of estimates of time and effort.

Change in accounting principle

During 2019, the Foundation adopted the provisions of ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This change had no impact on the total change in net assets for 2018. The update addresses the complexity and understandability of net asset classification, information about liquidity and availability of resources, and consistency in the type of information provided about expenses and investment return. The Foundation has adjusted the presentation of these financial statements accordingly. The change in presentation has been applied retrospectively to all periods presented.

LOS ALTOS COMMUNITY FOUNDATION

Notes to Financial Statements

June 30, 2019

with comparative totals as of and for the year ended June 30, 2018

2. Summary of significant accounting policies (continued)

Subsequent events

Subsequent events have been evaluated through October 31, 2019, which is the date the financial statements were available to be issued. There are no subsequent events requiring disclosure.

3. Liquidity and availability of financial assets

The following represents the Foundation's financial assets as of June 30:

	2019	2018
Financial assets at year end:		
Cash and cash equivalents	\$ 3,142,463	\$ 428,781
Contributions receivable	50,000	124,000
Investments	12,690,398	10,033,836
Total financial assets	15,882,861	10,586,617
Less amounts not available to be used within one year:		
Net assets with donor restrictions	3,708,359	4,001,638
Donor advised funds	8,469,237	2,968,070
Net assets with Board-directed purpose or restrictions to be met in less than one year	3,242,278	3,131,997
	15,419,874	10,101,705
Financial assets available to meet general expenditures over the next twelve months	\$ 462,987	\$ 484,912

The Foundation's goal is to maintain financial assets to meet its ongoing operating expenses.

4. Investments

Investments are stated at current market value and consist of the following:

	2019	2018
Certificates of deposit	\$ 1,759,179	\$ 1,685,069
Fixed income mutual funds	3,524,774	2,649,487
Domestic equity mutual funds and ETFs	5,037,866	3,442,637
Foreign equity mutual funds	2,044,577	1,984,603
Domestic common stocks	324,002	272,040
Total investments	\$ 12,690,398	\$ 10,033,836

LOS ALTOS COMMUNITY FOUNDATION

Notes to Financial Statements

June 30, 2019

with comparative totals as of and for the year ended June 30, 2018

4. Investments (continued)

The following schedule summarizes the return on investments and beneficial interest in assets held by others and their classification in the Statement of Activities for the years ended June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Interest/dividends, net of investment expenses	\$ 271,211	\$ 186,022
Realized gain	32,658	117,286
Unrealized (loss) gain	<u>(95,894)</u>	<u>250,316</u>
Total investment returns	<u>\$ 207,975</u>	<u>\$ 553,624</u>

5. Property and equipment

Property and equipment, net as of June 30, 2019 and 2018, consist of the following:

	<u>2019</u>	<u>2018</u>
Land	\$ 1,065,659	\$ 1,065,659
Buildings	915,093	915,093
Equipment	10,765	10,765
Less: accumulated depreciation	<u>(616,387)</u>	<u>(565,675)</u>
Property and equipment, net	<u>\$ 1,375,130</u>	<u>\$ 1,425,842</u>

For each of the years ended June 30, 2019 and 2018, depreciation expense was \$50,712.

6. Deposits held for others

As of June 30, 2019 and 2018, the Foundation held assets for four nonprofit organizations. The assets are held in funds that are managed by the Foundation on an agency relationship basis. The activity in such funds is summarized as follows:

	<u>2019</u>	<u>2018</u>
Nonprofit fund balances, beginning of year	\$ 918,015	\$ 875,399
Amounts raised in contribution	27,000	-
Dividends and interest income	32,420	26,103
Realized and unrealized investment returns	(9,094)	34,872
Expenses	<u>(14,424)</u>	<u>(18,359)</u>
Nonprofit fund balances, end of year	<u>\$ 953,917</u>	<u>\$ 918,015</u>

LOS ALTOS COMMUNITY FOUNDATION

Notes to Financial Statements

June 30, 2019

with comparative totals as of and for the year ended June 30, 2018

7. Borrowing from designated fund

The Foundation had a promissory note agreement in order to reimburse borrowed designated fund. As of both June 30, 2019 and 2018, the outstanding balance of the amount borrowed was \$0. For the years ended June 30, 2019 and 2018, interest income of approximately \$0 and \$1,341, respectively, is included in net assets with donor restriction investment income on the statement of activities.

As the promissory note agreement is an internal agreement, there is no effect on the statements of financial position as of June 30, 2019 and 2018.

8. Net assets with donor restriction

Net assets with donor restriction consist of the following as of June 30:

	<u>2019</u>	<u>2018</u>
Education and community	\$ 1,134,686	\$ 1,192,548
Community building projects	406,584	398,310
Scholarships	340,863	551,908
Community facilities	869,699	865,343
Other	<u>956,527</u>	<u>993,529</u>
Total net assets with donor restriction	<u>\$ 3,708,359</u>	<u>\$ 4,001,638</u>

Net assets were released from restrictions by incurring expenses satisfying the restricted purpose or by the expiration of time as follows:

	<u>2019</u>	<u>2018</u>
Education and community	\$ 654,605	\$ 620,886
Community building projects	229,816	154,922
Scholarships	222,297	226,822
Community facilities	47,151	24,424
Other	<u>84,003</u>	<u>234,599</u>
Net assets released from restriction	<u>\$ 1,237,872</u>	<u>\$ 1,261,653</u>

LOS ALTOS COMMUNITY FOUNDATION

Notes to Financial Statements

June 30, 2019

with comparative totals as of and for the year ended June 30, 2018

9. Endowment disclosures

The Foundation is required to provide information about net assets which are defined as endowment, which includes endowment which is permanently restricted by donors (permanently restricted net assets) and endowment which has been board designated. As of June 30, 2019 and 2018, endowment net assets consisted of the following:

	June 30, 2019		
	Without donor restriction	With donor restriction	Total
Donor restricted endowments	\$ -	\$ 714,074	\$ 714,074
Board designated endowments	1,904,509	-	1,904,509
Total	\$ 1,904,509	\$ 714,074	\$ 2,618,583
	June 30, 2018		
	Without donor restriction	With donor restriction	Total
Donor restricted endowments	\$ -	\$ 714,074	\$ 714,074
Board designated endowments	1,961,075	-	1,961,075
Total	\$ 1,961,075	\$ 714,074	\$ 2,675,149

LOS ALTOS COMMUNITY FOUNDATION

Notes to Financial Statements

June 30, 2019

with comparative totals as of and for the year ended June 30, 2018

9. Endowment disclosures (continued)

For the years ended June 30, 2019 and 2018, the changes in endowment net assets are as follows:

	<u>Without donor restriction</u>	<u>With donor restriction</u>	<u>Total</u>
Endowment net assets July 1, 2017	\$ 1,883,136	\$ 714,074	\$ 2,597,210
Investment return:			
Investment income	55,862	23,049	78,911
Net appreciation (realized and unrealized)	<u>76,940</u>	<u>40,191</u>	<u>117,131</u>
Total investment gain	132,802	63,240	196,042
Contributions	<u>30,538</u>	<u>-</u>	<u>30,538</u>
Appropriation for spending	<u>(85,401)</u>	<u>(63,240)</u>	<u>(148,641)</u>
June 30, 2018	1,961,075	714,074	2,675,149
Investment return:			
Investment income	69,409	25,960	95,369
Net appreciation (realized and unrealized)	<u>(19,968)</u>	<u>(5,895)</u>	<u>(25,863)</u>
Total investment gain	49,441	20,065	69,506
Contributions	1,048	-	1,048
Appropriation for spending	<u>(107,055)</u>	<u>(20,065)</u>	<u>(127,120)</u>
Endowment net assets June 30, 2019	<u>\$ 1,904,509</u>	<u>\$ 714,074</u>	<u>\$ 2,618,583</u>

10. Prior year comparison

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2018, from which the summarized information was derived.