



SOLANO COMMUNITY FOUNDATION

FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND DECEMBER 31, 2017



SOLANO COMMUNITY FOUNDATION

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Independent Auditors' Report

The Board of Directors
Solano Community Foundation

We have audited the accompanying financial statements of Solano Community Foundation (a California not-for-profit corporation) which comprises the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

The Foundation's 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 auditor's 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 auditor considers 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 Solano Community Foundation as of December 31, 2018 and December 31, 2017, 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.

RINA Accountancy LLP

Certified Public Accountants

San Francisco, California
November 22, 2019

SOLANO COMMUNITY FOUNDATION

STATEMENTS OF FINANCIAL POSITION

<u>ASSETS</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u> (Restated)
CURRENT:		
Cash and cash equivalents	\$ 306,899	\$ 569,622
Investments	8,538,995	9,659,579
	<hr/>	<hr/>
TOTAL CURRENT ASSETS	8,845,894	10,229,201
PROPERTY AND EQUIPMENT, net	37,180	47,517
	<hr/>	<hr/>
	\$ 8,883,074	\$ 10,276,718
	<hr/> <hr/>	<hr/> <hr/>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES	\$ -	\$ 6,000
	<hr/>	<hr/>
NET ASSETS:		
Without Donor Restrictions	1,832,760	3,230,712
With Donor Restrictions	7,050,314	7,040,006
	<hr/>	<hr/>
TOTAL NET ASSETS	8,883,074	10,270,718
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TOTAL LIABILITIES AND NET ASSETS	\$ 8,883,074	\$ 10,276,718
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See notes to financial statements.

SOLANO COMMUNITY FOUNDATION

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES:			
Contribution revenue	\$ 386,542	\$ 20,624	\$ 407,166
Investment income:			
Interest and dividend income	209,689	-	209,689
Net realized and unrealized loss on investments	(885,325)	(10,316)	(895,641)
Investment expenses	(21,114)	-	(21,114)
Gain/loss on equipment	(792)	-	(792)
Interfund revenue	-	-	-
Net assets released from restrictions	-	-	-
	TOTAL REVENUES	10,308	(300,692)
EXPENSES:			
Grant expenses	687,820	-	687,820
Other program expenses	225,564	-	225,564
Management and general	86,042	-	86,042
Fundraising	87,526	-	87,526
	TOTAL EXPENSES	-	1,086,952
CHANGE IN NET ASSETS	(1,397,952)	10,308	(1,387,644)
NET ASSETS, beginning of year	3,230,712	7,040,006	10,270,718
NET ASSETS, end of year	\$ 1,832,760	\$ 7,050,314	\$ 8,883,074

See notes to financial statements.

SOLANO COMMUNITY FOUNDATION

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2017

(Restated)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES:			
Contribution revenue	\$ 466,462	\$ 14,076	\$ 480,538
Investment income:			
Interest and dividend income	273,889	-	273,889
Net realized and unrealized investment gain on investments	1,073,680	-	1,073,680
Interfund revenue	32	-	32
Investment expenses	-	-	-
Net assets released from restrictions	-	-	-
	<hr/>	<hr/>	<hr/>
TOTAL REVENUES	1,814,063	14,076	1,828,139
	<hr/>	<hr/>	<hr/>
EXPENSES:			
Grant expenses	416,806	-	416,806
Other program expenses	247,525	-	247,525
Management and general	63,664	-	63,664
Fundraising	66,200	-	66,200
	<hr/>	<hr/>	<hr/>
TOTAL EXPENSES	794,195	-	794,195
	<hr/>	<hr/>	<hr/>
CHANGE IN NET ASSETS	1,019,868	14,076	1,033,944
NET ASSETS, beginning of year	2,210,844	7,025,930	9,236,774
	<hr/>	<hr/>	<hr/>
NET ASSETS, end of year	\$ 3,230,712	\$ 7,040,006	\$ 10,270,718
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See notes to financial statements.

SOLANO COMMUNITY FOUNDATION

SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2018

	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total</u>
		<u>Management and General</u>	<u>Fundraising</u>	
Grants	\$ 687,820	\$ -	\$ -	\$ 687,820
Salaries	95,064	47,532	47,532	190,128
Rent & occupancy	58,775	12,595	12,595	83,965
Information technology	17,250	8,625	8,625	34,500
Accounting fees	13,510	2,895	2,895	19,300
Payroll taxes	8,357	4,179	4,179	16,715
Membership and dues	5,479	4,000	4,000	13,479
Depreciation	7,856	1,684	1,684	11,224
Insurance	4,192	898	898	5,988
Other fees for services	4,114	882	882	5,878
Telephone and internet	3,137	672	672	4,481
Employee benefits	2,630	564	564	3,758
Office expenses	2,397	513	513	3,423
Printing and copying	2,238	480	480	3,198
Travel	512	512	512	1,536
Advertising and promotion	-	-	1,484	1,484
Consulting	53	11	11	75
Totals	<u>\$ 913,384</u>	<u>\$ 86,042</u>	<u>\$ 87,526</u>	<u>\$ 1,086,952</u>

SOLANO COMMUNITY FOUNDATION

SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2017

(Restated)

	<u>Supporting Services</u>			<u>Total</u>
	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	
Grants	\$ 416,806	\$ -	\$ -	\$ 416,806
Salaries	126,965	34,186	30,118	191,269
Rent	49,519	12,379	20,632	82,530
Professional fees	17,813	4,645	3,523	25,981
Information technology (Restated)	11,764	2,634	3,160	17,558
Payroll taxes	11,531	2,471	2,470	16,472
Membership and dues	7,259	1,815	3,024	12,098
Depreciation (Restated)	7,815	2,091	1,101	11,007
Insurance	4,115	1,176	588	5,879
Employee benefits	2,508	502	334	3,344
Office expenses (Restated)	2,481	496	331	3,308
Printing and copying	1,815	389	388	2,592
Telephone and internet	1,863	373	248	2,484
Travel and entertainment	751	205	69	1,025
Conferences and conventions	638	170	42	850
Advertising and promotion	535	123	164	822
Consulting	153	9	8	170
	<u>\$ 664,331</u>	<u>\$ 63,664</u>	<u>\$ 66,200</u>	<u>\$ 794,195</u>
Totals	<u>\$ 664,331</u>	<u>\$ 63,664</u>	<u>\$ 66,200</u>	<u>\$ 794,195</u>

SOLANO COMMUNITY FOUNDATION

STATEMENTS OF CASH FLOWS

	Year Ended December 31, 2018	Year Ended December 31, 2017 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (1,387,644)	\$ 1,033,944
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	11,224	11,007
Net realized and unrealized (gain) loss on investments	895,641	(1,073,680)
Loss on equipment	792	-
(Increase) decrease in assets:		
Other current assets	-	6,575
Increase (decrease) in liabilities:		
Accounts payable	(6,000)	6,000
	(485,987)	(16,154)
NET CASH USED BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(9,567,379)	(136,177)
Proceeds from sales of investments	9,792,322	279,587
Purchases of property and equipment	(1,980)	(16,726)
Proceeds from sale of property	301	-
	223,264	126,684
NET CASH PROVIDED BY INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES		
	-	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
	(262,723)	110,530
CASH AND CASH EQUIVALENTS, beginning of year		
	569,622	459,092
CASH AND CASH EQUIVALENTS, end of year		
	\$ 306,899	\$ 569,622

See notes to financial statements.

SOLANO COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS – DECEMBER 31, 2018 AND DECEMBER 31, 2017

Note 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of activities:

The Solano Community Foundation ("Foundation") is a nonprofit corporation organized in 1994 under the laws of the State of California. The Foundation is a community charitable foundation dedicated to encouraging philanthropy in the Solano County area to the benefit of charitable organizations, to improving the quality and scope of charitable efforts and to facilitate collaboration among donors and various local nonprofit organizations.

Financial statement presentation:

The Foundation prepares its financial statements using the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP). Revenues are recognized in the period in which they are earned. Expenses are recognized in the period in which they are incurred.

GAAP requires that the Foundation present information about its financial position and activities in two classes of net assets: without donor restrictions and with donor restrictions. Contributions received are recorded as without donor restriction and with donor restriction, depending on the existence and nature of any donor restrictions. Descriptions of these categories are as follows:

Without donor restrictions:

The portion of net assets available for use in general operations and not subject to donor-imposed restrictions.

With donor restrictions:

The portion of net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, this is, when the stipulated time has elapsed, or when the stipulated purpose for which the resource was restricted has been fulfilled.

GAAP also provides that if the governing body of an organization has the unilateral power to redirect the use of a donor's contribution to another beneficiary, such contributions must be classified as without donor restrictions. The Foundation's agreements with donors include a variance power provision giving the Board of Directors of the Foundation this ability. The Board of Directors may only exercise variance power and modify the restrictions or conditions on a distribution from a component fund if the restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs designated. Accordingly, the Foundation has reported a large portion of donor advised funds as without donor restriction.

Investments:

In accordance with GAAP, investments in marketable securities are reported at fair value based on quoted prices in active markets for identical assets in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as an increase in net assets without donor restrictions if the restrictions are met (either by passage of time or by purpose) in the reporting period in which the income and gains are recognized.

SOLANO COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS – DECEMBER 31, 2018 AND DECEMBER 31, 2017

Note 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Furniture and equipment:

Property and equipment are stated at cost. All assets with a cost of \$500 or more are capitalized. Depreciation is computed using the straight-line method over estimated useful lives ranging from 3 to 7 years. Depreciation expense for the years ended December 31, 2018 and 2017 was \$11,224 and \$11,007, respectively.

Income taxes:

The Foundation was accepted as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code classified as other than a private foundation. The Foundation is also exempt from California franchise taxes under Section 23701(d) of the Revenue and Taxation Code. Therefore, these financial statements contain no provision for federal or California income tax.

Change in accounting principle:

In August 2016, the FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Foundation has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented.

Operating expenses:

The costs of providing the various programs and other activities have been allocated between grants, other programs, management and general and fundraising expenses in the accompanying statement of activities based on targeted percentages set with the annual budget. Grant expenses are charitable costs expended for the direct benefit of others. Other program expenses relate to activities which support the grant-making process. Management and general as well as fundraising expenses support the general operating and fundraising expenses of the foundation.

Subsequent events:

Management has evaluated subsequent events through November 22, 2019, the date which the financial statements were available for issue.

Note 2. NATURE OF ESTIMATES:

The preparation of 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

SOLANO COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS – DECEMBER 31, 2018 AND DECEMBER 31, 2017

Note 3. CASH AND CASH EQUIVALENTS:

Cash and cash equivalents includes 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. Cash and cash equivalents are held in two major financial institutions. Balances in such accounts have exceeded federally insured limits at times. The Foundation has not experienced any losses in such accounts and management believes that the Foundation is not exposed to any significant credit risk.

Note 4. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS:

The following reflects the Foundations financial assets as of the balance sheet date, reduced by amounts not available for general use due to donor-imposed restrictions within one year of the balance sheet date.

Financial assets, at year-end:		
Cash and cash equivalents	\$	306,899
Investments		<u>8,538,995</u>
Total		8,845,894
Less: those unavailable for general expenditures within one year due to:		
Restricted by donor for time or purpose		<u>(7,050,314)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$	<u><u>1,795,580</u></u>

Of the investments listed above, \$7,050,314 consist of donor advised funds. Although donor advised funds are net assets with donor restriction, the Foundation’s policy is to expend those funds according to the advice of donors.

Note 5. INVESTMENTS:

Investments consist of marketable equity and debt securities that are held by a major brokerage company and are stated at current market value in accordance with GAAP. These investments are exposed to various risks, such as credit, interest rate and market. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in value of investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect investment account balances and the amounts reported in the statement of activities. The fair value of investments as of December 31, 2018 and 2017 are as follows:

	<u>2018</u> Fair Value	<u>2017</u> Fair Value
Fixed income securities	\$ 2,691,256	\$ 2,598,832
Equity securities	<u>5,847,739</u>	<u>7,060,747</u>
	<u>\$ 8,538,995</u>	<u>\$ 9,659,579</u>

SOLANO COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS – DECEMBER 31, 2018 AND DECEMBER 31, 2017

Note 6. FAIR VALUE MEASUREMENTS:

Professional accounting standards establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under professional accounting standards are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2 Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value.

Equity securities, debt securities, and U.S. government securities: Valued at the closing price reported on the active market on which the individual securities are traded.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other Foundations, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

SOLANO COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS – DECEMBER 31, 2018 AND DECEMBER 31, 2017

Note 6. FAIR VALUE MEASUREMENTS (Continued):

The following tables set forth by level the Plan's investments at fair value as of December 31, 2018 and December 31, 2017:

Assets at Fair Value as of December 31, 2018

	Level 1	Level 2	Level 3	Total
Fixed income securities	\$ 2,691,256	\$ -	\$ -	\$ 2,691,256
Equity securities	5,847,739	-	-	5,847,739
Assets at fair value	\$ 8,538,995	\$ -	\$ -	\$ 8,538,995

Assets at Fair Value as of December 31, 2017

	Level 1	Level 2	Level 3	Total
Fixed income securities	\$ 2,598,832	\$ -	\$ -	\$ 2,598,832
Equity securities	7,060,747	-	-	7,060,747
Assets at fair value	\$ 9,659,579	\$ -	\$ -	\$ 9,659,579

Note 7. PROPERTY AND EQUIPMENT:

Net property and equipment consisted of the following as of December 31, 2018 and 2017:

	2018	2017
Furniture	\$ 51,689	\$ 51,503
Equipment	26,967	26,726
Software	43,655	43,655
	122,311	121,884
Less accumulated depreciation	(85,131)	(74,367)
	\$ 37,180	\$ 47,517

Note 8. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions are restricted to supporting the Foundation in perpetuity. The balances of \$7,050,314 and \$7,040,006 as of December 31, 2018 and 2017, respectively, represent contributions of cash and other assets held in funds restricted by the Foundation in an agreement with various donors. Net earnings from these funds are available for unrestricted purposes including donor-advised grants.

SOLANO COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS – DECEMBER 31, 2018 AND DECEMBER 31, 2017

Note 9. INVESTMENT INCOME:

Investment income includes the following at December 31:

	2018	2017
Interest and dividends	\$ 209,689	\$ 273,889
Realized gains and losses	2,280,184	(1,067,986)
Unrealized gains and losses	(3,175,825)	(5,694)
	(685,952)	(799,791)
Investment expense	(21,114)	-
Total investment income/loss, net	\$ (707,066)	\$ (799,791)
	2018	2017
Endowment investment income/loss	\$ (638,236)	\$ 1,273,622
Non-endowment investment income/loss	(47,716)	73,947
Total investment income/loss	\$ (685,952)	\$ 1,347,569

Note 10. IN-KIND DONATIONS:

The Foundation received in-kind donations of \$8,050 for donated fundraising technology support and \$206 for donated office equipment for the years ended December 31, 2018 and 2017, respectively.

Note 11. ENDOWMENT DISCLOSURES:

The Foundation's endowment consists of twenty-nine donor advised funds, with restriction based on the Foundation's evaluation of the degree of permanency in an agreement with donors, as well as funds designated by the Board of Directors to function as endowments as of December 31, 2018. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of restrictions. Donors agree in writing to the terms and conditions in effect for establishing restricted (endowed) or unrestricted gift to the Foundation.

Interpretation of relevant law:

On September 30, 2008, the State of California adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), effective January 1, 2009. The Board of Directors has interpreted UPMIFA as requiring the preservation of the historical cost value of the original gift as of the gift date of the donor advised endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies net assets with donor restrictions: the original value of the gifts donated to the restricted endowment and the original value of subsequent gifts to the restricted endowment. Earnings and realized and unrealized gains or losses are classified as net assets without restriction by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

SOLANO COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS – DECEMBER 31, 2018 AND DECEMBER 31, 2017

Note 11. ENDOWMENT DISCLOSURES (Continued):

Interpretation of relevant law (continued):

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-advised endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-advised endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

Return objectives and risk parameters:

The Foundation has adopted investment spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the corpus of endowment assets. Endowment assets include those assets with donor restrictions and donor-advised funds that the Foundation must hold in perpetuity unless released from restriction. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the average yield results of a blend of diversified equity and bond index funds while assuming a moderate level of investment risk. The Foundation expects its endowment funds over time to provide an average rate of return of at least 6% annually. Actual returns in any given year may vary from this amount.

Strategies employed for achieving objectives:

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity income investments to achieve its long-term return objectives within prudent risk constraints.

Spending policy and how the investment objectives relate to spending policy:

The Foundation has a policy of appropriating for distribution each year the net investment earnings of donor restricted endowment funds. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to retain the historical cost value of all donor-restricted contributions. Real growth for endowed funds is expected to occur through new donor restricted gifts in the future.

As required by professional accounting standards, net assets associated with endowment funds are classified and reported based on the existence or absence of donor restrictions.

SOLANO COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS – DECEMBER 31, 2018 AND DECEMBER 31, 2017

Note 11. ENDOWMENT DISCLOSURES (Continued):

Endowment Net Asset Composition as of December 31, 2018:

	Without Donor Restriction	With Donor Restriction	Totals
Board-Designated	\$ 892,550	\$ -	\$ 892,550
Donor restricted	-	7,050,314	7,050,314
Totals	\$ 892,550	\$ 7,050,314	\$ 7,942,864

Net changes in endowment funds for the year ended December 31, 2018 were as follows:

	Without Donor Restriction	With Donor Restriction	Totals
Beginning balance	\$ 1,938,955	\$ 7,040,006	\$ 8,978,961
Investment return	(627,920)	(10,316)	(638,236)
Contributions	20,523	20,624	41,147
Grant expenses	(199,935)	-	(199,935)
Community Development Fees	(239,073)	-	(239,073)
Totals	\$ 892,550	\$ 7,050,314	\$ 7,942,864

Endowment Net Asset Composition as of December 31, 2017:

	Without Donor Restriction	With Donor Restriction	Totals
Board-Designated	\$ 1,938,955	\$ -	\$ 1,938,955
Donor restricted	-	7,040,006	7,040,006
Totals	\$ 1,938,955	\$ 7,040,006	\$ 8,978,961

Net changes in endowment funds for the year ended December 31, 2017 were as follows:

	Without Donor Restriction	With Donor Restriction	Totals
Beginning balance	\$ 1,228,003	\$ 7,025,930	\$ 8,253,933
Investment return	1,273,622	-	1,273,622
Contributions	105	14,076	14,181
Grant expenses	(299,723)	-	(299,723)
Community Development Fees	(263,052)	-	(263,052)
Totals	\$ 1,938,955	\$ 7,040,006	\$ 8,978,961

SOLANO COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS – DECEMBER 31, 2018 AND DECEMBER 31, 2017

Note 12. CONDITIONAL SCHOLARSHIPS

The Foundation awards multi-year conditional scholarships to high school seniors on an annual basis which require initial and certain annual renewal requirements to be met. Future conditional scholarship payments consist of the following at December 31:

<u>Year Ending December 31,</u>		
2019	\$	135,376
2020		92,000
2021		49,500
2022		<u>25,000</u>
Total	\$	<u>301,876</u>

Note 13. COMMITMENTS:

The Foundation is liable under long-term operating lease agreements for office space and equipment. Future minimum lease payments required under lease obligations are as follows:

<u>Year Ending December 31,</u>	<u>Office Space</u>	<u>Equipment</u>
2019	\$ 86,232	\$ 15,731
2020	88,819	16,351
2021	-	17,008
2022	<u>-</u>	<u>8,752</u>
Totals	<u>\$ 175,051</u>	<u>\$ 57,842</u>

Note 14. PRIOR PERIOD ADJUSTMENT:

The Foundation has restated Net Assets as of December 31, 2017 to reflect an adjustment related to capitalizing fixed assets that were previously expensed. The effect of this adjustment for the year ended December 31, 2017 is as follows:

Net Assets, as previously reported at December 31, 2017	\$ 10,255,695
Depreciation expense	(1,703)
Office expenses	1,064
Information technology expense	<u>15,662</u>
Retained Earnings, as restated at December 31, 2017	<u>\$ 10,270,718</u>
Net Income, as previously reported at December 31, 2017	\$ 1,018,921
Depreciation expense	(1,703)
Office expenses	1,064
Information technology expense	<u>15,662</u>
Net Income, as restated at December 31, 2017	<u>\$ 1,033,944</u>