



Community
PARTNERS®

FINANCIAL REPORT
JUNE 30, 2022

COMMUNITY PARTNERS

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Community Partners

Opinion

We have audited the financial statements of Community Partners (the Organization), which comprise the statements of financial position as of June 30, 2022 and 2021, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization’s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization’s ability to continue as a going concern for a reasonable period of time.

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

The signature is written in a cursive, handwritten style. The words "Singer Lewak" are written in a larger, more prominent script, with "LLP" in a smaller, simpler font to the right.

October 18, 2023

COMMUNITY PARTNERS
STATEMENTS OF FINANCIAL POSITION
June 30, 2022 and 2021

ASSETS

	2022	2021
Cash and cash equivalents	\$ 14,261,594	\$ 17,536,733
Operating investments	15,246,371	14,596,212
Grants and contracts receivable, net	19,958,901	22,891,260
Prepaid expenses and other assets	393,685	993,783
Equipment, net	225,107	318,136
Beneficial interests in assets held by community foundations	1,961,116	2,250,761
Total assets	\$ 52,046,774	\$ 58,586,885

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable and other accrued expenses	\$ 2,626,408	\$ 4,444,320
Accrued payroll and benefits	4,018,641	4,572,895
Refundable advances	-	839,543
Total liabilities	6,645,049	9,856,758

Net assets

Without donor restrictions	4,132,004	7,528,082
With donor restrictions	41,269,721	41,202,045
Total net assets	45,401,725	48,730,127
Total liabilities and net assets	\$ 52,046,774	\$ 58,586,885

See notes to financial statements.

COMMUNITY PARTNERS
STATEMENT OF ACTIVITIES
Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, support, and gains			
Corporation and foundation grants	\$ 36,595	\$ 38,875,533	\$ 38,912,128
Government grants and contracts	-	34,607,337	34,607,337
Contributions	1,450	4,720,128	4,721,578
Conferences and special events	-	2,699,631	2,699,631
In-kind contributions	-	288,110	288,110
Contract fees	126,650	3,204,781	3,331,431
Net investment loss	(555,138)	(49,937)	(605,075)
Other income	-	93,470	93,470
	<u>(390,443)</u>	<u>84,439,053</u>	<u>84,048,610</u>
Total revenue, support, and gains			
	<u>(390,443)</u>	<u>84,439,053</u>	<u>84,048,610</u>
Net assets released from restrictions:			
Program services	76,555,832	(76,555,832)	-
Project administration fees	6,248,545	(6,248,545)	-
Strategic initiative and consulting fees	1,567,000	(1,567,000)	-
	<u>84,371,377</u>	<u>(84,371,377)</u>	<u>-</u>
Total revenue	<u>83,980,934</u>	<u>67,676</u>	<u>84,048,610</u>
Expenses and losses			
Program services	76,423,061	-	76,423,061
Management and general	10,821,180	-	10,821,180
	<u>87,244,241</u>	<u>-</u>	<u>87,244,241</u>
Total expenses			
	<u>87,244,241</u>	<u>-</u>	<u>87,244,241</u>
Loss on uncollectible contributions	132,771	-	132,771
	<u>87,377,012</u>	<u>-</u>	<u>87,377,012</u>
Total expenses and losses			
	<u>87,377,012</u>	<u>-</u>	<u>87,377,012</u>
Change in net assets	(3,396,078)	67,676	(3,328,402)
Net assets, beginning	<u>7,528,082</u>	<u>41,202,045</u>	<u>48,730,127</u>
Net assets, ending	<u>\$ 4,132,004</u>	<u>\$ 41,269,721</u>	<u>\$ 45,401,725</u>

See notes to financial statements.

COMMUNITY PARTNERS
STATEMENT OF ACTIVITIES
Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, support, and gains			
Corporation and foundation grants	\$ 935,300	\$ 41,799,870	\$ 42,735,170
Government grants and contracts	-	32,057,723	32,057,723
Contributions	500	5,849,626	5,850,126
Conferences and special events	500	3,783,425	3,783,925
In-kind contributions	-	638,621	638,621
Contract fees	-	2,041,345	2,041,345
Net investment return	638,048	73,966	712,014
Other income	-	341,135	341,135
	<u>1,574,348</u>	<u>86,585,711</u>	<u>88,160,059</u>
Net assets released from restrictions:			
Program services	73,405,750	(73,405,750)	-
Project administration fees	6,407,914	(6,407,914)	-
Strategic initiative and consulting fees	3,272,130	(3,272,130)	-
	<u>83,085,794</u>	<u>(83,085,794)</u>	<u>-</u>
	<u>84,660,142</u>	<u>3,499,917</u>	<u>88,160,059</u>
Expenses			
Program services	72,583,945	-	72,583,945
Management and general	8,238,419	-	8,238,419
	<u>80,822,364</u>	<u>-</u>	<u>80,822,364</u>
Loss on uncollectible contributions	821,805	-	821,805
	<u>81,644,169</u>	<u>-</u>	<u>81,644,169</u>
Change in net assets	3,015,973	3,499,917	6,515,890
Net assets, beginning	<u>4,512,109</u>	<u>37,702,128</u>	<u>42,214,237</u>
Net assets, ending	<u>\$ 7,528,082</u>	<u>\$ 41,202,045</u>	<u>\$ 48,730,127</u>

See notes to financial statements.

COMMUNITY PARTNERS
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2022

	Program Services			Management and General	Total
	Fiscal Sponsorship	Intermediary	Total Program		
Salaries, taxes, and benefits	\$ 31,990,282	\$ 864,563	\$ 32,854,845	\$ 7,640,987	\$ 40,495,832
Professional services	10,105,324	17,103,324	27,208,648	1,568,204	28,776,852
Grants – external	3,370,166	4,516,755	7,886,921	500	7,887,421
Conferences and travel	1,381,718	29,006	1,410,724	58,718	1,469,442
Facilities expense	1,182,707	-	1,182,707	376,543	1,559,250
Office expense and supplies	1,441,755	24,878	1,466,633	671,108	2,137,741
Programmatic expenses	2,659,159	267,622	2,926,781	88,762	3,015,543
Special events	259,972	-	259,972	-	259,972
In-kind expense	288,110	-	288,110	-	288,110
Other expenses	886,118	51,602	937,720	416,358	1,354,078
Total expenses by function	<u>\$ 53,565,311</u>	<u>\$ 22,857,750</u>	<u>\$ 76,423,061</u>	<u>\$ 10,821,180</u>	<u>\$ 87,244,241</u>

See notes to financial statements.

COMMUNITY PARTNERS
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2021

	Program Services			Management and General	Total
	Fiscal Sponsorship	Intermediary	Total Program		
Salaries, taxes, and benefits	\$ 29,008,426	\$ 1,904,802	\$ 30,913,228	\$ 5,935,376	\$ 36,848,604
Professional services	16,822,808	6,013,588	22,836,396	1,313,572	24,149,968
Grants – external	3,511,317	4,184,403	7,695,720	-	7,695,720
Conferences and travel	416,076	10,727	426,803	17,480	444,283
Facilities expense	1,181,278	-	1,181,278	112,440	1,293,718
Office expense and supplies	1,485,637	12,544	1,498,181	444,551	1,942,732
Programmatic expenses	5,761,167	183,345	5,944,512	128,596	6,073,108
Special events	51,826	-	51,826	-	51,826
In-kind expense	638,621	-	638,621	-	638,621
Other expenses	1,238,468	158,912	1,397,380	286,404	1,683,784
Total expenses by function	<u>\$ 60,115,624</u>	<u>\$ 12,468,321</u>	<u>\$ 72,583,945</u>	<u>\$ 8,238,419</u>	<u>\$ 80,822,364</u>

See notes to financial statements.

COMMUNITY PARTNERS
STATEMENTS OF CASH FLOWS
June 30, 2022 and 2021

	2022	2021
Cash flows from operating activities		
Cash received from contributors	\$ 86,868,313	\$ 80,647,720
Cash paid to employees and suppliers	(89,033,983)	(78,007,520)
Interest and dividends received	340,588	661,959
Net cash (used in) provided by operating activities	(1,825,082)	3,302,159
Cash flows from investing activities		
Purchases of equipment	(22,068)	(85,704)
Purchases of investments	(11,713,118)	(17,263,711)
Proceeds from sale and maturity of investments	10,574,774	17,527,407
Change in value of assets of beneficial interests in assets held by community foundations	(289,645)	(452,091)
Net cash used in investing activities	(1,450,057)	(274,099)
Net (decrease) increase in cash and cash equivalents	(3,275,139)	3,028,060
Cash and cash equivalents, beginning of year	17,536,733	14,508,673
Cash and cash equivalents, end of year	\$ 14,261,594	\$ 17,536,733

See notes to financial statements.

COMMUNITY PARTNERS

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – ORGANIZATION

Community Partners (the Organization) is a California nonprofit public benefit corporation that helps foster, launch and grow creative solutions to community challenges. Through fiscal sponsorship, the Organization provides the benefits of tax-exempt status, a full range of back-office services, and expert guidance to over 181 projects working under its umbrella. As an intermediary, the Organization combines its robust financial and administrative services with extensive nonprofit development experience to help foundations, government agencies and other institutions create and manage complex initiatives, build grantee capacity, and supports other efforts to advance the public good. The Organization's Knowledge Sharing activities are designed to capture and disseminate nonprofit best practices, as well as generate innovative ideas and perspectives to strengthen leaders, build the field, and serve as a springboard for an effective civil society.

Across all program areas, the Organization works toward its organizational vision: a vibrant society in which individuals and institutions use knowledge, resources and relationships to build equitable, democratic and thriving communities. The Organization's work spans a wide range of fields, including civic engagement, arts and culture, education, social justice, health, public policy, social services, and youth.

Project Funding

The projects of the Organization are funded primarily by foundations, corporations, and government grants, and individuals. The management and general operations of the Organization are funded primarily by the administrative fee charged on project revenues, which is 9% on revenues from private sources and 12% on revenues from public and government sources. Additional funds are earned from strategic initiatives, contracts, consulting services and earnings on investments.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Use of Estimates

The preparation of financial statements in accordance with U.S. GAAP 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

The Organization considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to building projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition.

Grants and Contracts Receivable

The Organization records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. The Organization determines the allowance for uncollectible promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections.

Investments

The Organization records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statement of financial position. Net investment return/(loss) is reported in the statement of activities and consists of interest and dividend income, and realized and unrealized capital gains and losses, less investment expenses.

Equipment

Property and equipment over \$5,000 that has been acquired for the projects with grant funds and assets over \$1,000 that have been acquired with unrestricted funds that remain the property of the Organization are recorded at cost, or if donated, at fair value on the date of donation. Depreciation is computed using the straight-line basis over the estimated useful lives of the assets (3 – 7 years), or in the case of capitalized leasehold improvements, the lesser of the useful life of the asset or the lease term.

Property and equipment totaled \$990,650 and \$968,582 at June 30, 2022 and 2021, respectively. Accumulated depreciation totaled \$765,543 and \$650,446 at June 30, 2022 and 2021, respectively. Depreciation and amortization expense for the years ended June 30, 2022 and 2021 amounted to \$133,014 and \$135,875, respectively, and is included in facilities expenses on the statements of functional expenses.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of Long-lived Assets

The Organization reviews long-lived assets for indicators of impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment would be recorded in circumstances where undiscounted cash flows expected to be generated by an asset are less than the carrying value of that asset. As of June 30, 2022 and 2021, there were no events or changes in circumstances indicating the carrying amount of long-lived assets may not be recoverable.

Beneficial Interests in Assets held by Community Foundations

Pasadena Community Foundation

Pasadena Community Foundation (PCF) and the Conservatory (a Community Partners project) is named as the beneficiary. PCF has full authority and discretion as to the investment and reinvestment of assets of the funds. PCF makes distributions from the fund as grants for charitable purposes. The amount distributed for grants each year from PCF's endowment funds is determined by the current spending rate, which is set by PCF's board of directors. The fund is held and invested by PCF for the benefit of the Conservatory and is reported at fair value in the statements of financial position, with distributions and changes in fair value recognized in the statements of activities. Should the Conservatory become a separate legal entity, the fund assets will be transferred.

California Community Foundation

The Organization established an endowment fund perpetual in nature with California Community Foundation (the Foundation), whereby the Foundation has established a Community Partners Fund (CP Fund) to be used for philanthropic purposes. The Organization is named as the beneficiary, and the Foundation has the discretion to distribute the Fund and any future earnings for broad charitable uses and purposes of the Organization. The fund is held and invested by the Foundation for the Organization's benefit and is reported at fair value in the statements of financial position, with distributions and changes in fair value recognized in the statements of activities.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- Net Assets without Donor Restriction – Net assets that are not subject to donor (or certain grantor) restrictions and may be expendable for any purpose in performing the primary objectives of the Organization.
- Net Assets with Donor Restriction – Net assets subject to donor-imposed restrictions that may or will be met either by actions of the Organization and/or the passage of time. The Organization considers all funds received for each project to be with donor restrictions. As the restrictions are satisfied, net assets with donor restriction are reclassified to net assets without donor restriction and reported in the accompanying financial statements as net assets released from restrictions.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue and Revenue Recognition

The Organization recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization incurs the expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statements of financial position. The Organization received cost-reimbursable awards of \$4,021,646 and \$14,179,227 that have not been recognized at June 30, 2022 and 2021, respectively, because qualifying expenditures have not yet been incurred.

The Organization recognizes revenue from project administrative fees and strategic initiative and consulting fees when the performance obligations of providing the services are met.

Conferences and special event revenue is comprised of an exchange element based upon the direct benefits donors receive and a contribution element for the difference. The Organization recognizes special events revenue when the event takes place.

In-kind Contributions

In-kind contributions consist of contributed goods and services and are recorded at fair value at the date of donation (see Note 11).

Volunteers contribute significant amounts of time to the Organization's program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by U.S. GAAP.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Facilities expenses are allocated based on square footage. Other expenses that are associated with more than one program or supporting service are allocated on the basis of estimates of time and effort.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Organization is organized as a not-for-profit organization exempt from income taxes under the Internal Revenue Code §501(c)(3), and from franchise taxes under §23710(d) of the California Revenue and Taxation Code, except with respect to any unrelated business income. Management has analyzed the tax positions taken by the Organization, and has concluded that, as of June 30, 2022 and 2021, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Change in Accounting Principles

The Organization adopted ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, on July 1, 2021, on a retrospective basis. The new guidance requires nonprofit entities to present contributed nonfinancial assets in the statements of activities as line item that is separate from contributions of cash and other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a nonprofit Organization has received. The Organization adopted the standard on a retrospective basis, as required. The adoption of this standard did not have a significant impact on the financial statements.

Recently Issued Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. This ASU is effective for the Organization beginning on July 1, 2022. Management expects the adoption of the new standard will have a material impact on the financial statements.

Reclassifications

Certain reclassifications of amounts previously reported have been made in the accompanying financial statements to maintain consistency with the periods presented. The reclassifications increased net assets with donor restrictions and decreased net assets without donor restrictions by \$2,004,029.

Subsequent Events

In preparation of these financial statements, the Organization considered subsequent events through October 18, 2023, which represents the date the financial statements were available for issuance.

COMMUNITY PARTNERS
NOTES TO FINANCIAL STATEMENTS

NOTE 3 – FINANCIAL INSTRUMENTS AND CREDIT RISK

The Organization manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Organization has not experienced losses in any of these accounts.

Credit risk associated with grants and contracts receivable is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from governmental agencies, corporations, and foundations supportive of the Organizations mission.

Investments are made and performance is monitored by management. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management believes that the investment policies and guidelines are prudent for the long-term welfare of the Organization.

NOTE 4 – FINANCIAL ASSETS AND LIQUIDITY RESOURCES

As of June 30, 2022 and 2021, the following table reflects the Organization’s financial assets available for general expenditures within one year:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 14,261,594	\$ 17,536,733
Grants and contract receivables due in one year	18,802,821	18,550,100
Operating investments	<u>15,246,371</u>	<u>14,596,212</u>
Financial assets available to meet general expenditures within one year	<u>\$ 48,310,786</u>	<u>\$ 50,683,045</u>

The Organization receives significant contributions with donor restrictions to be used in accordance with the associated purpose for their projects, and considers contributions restricted for programs which are ongoing, major, and central to the annual operations to be available to meet cash needs for general expenditures. The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

COMMUNITY PARTNERS
NOTES TO FINANCIAL STATEMENTS

NOTE 5 – GRANTS AND CONTRACTS RECEIVABLE

Grants and contracts receivable are estimated to be collected as follows at June 30, 2022 and 2021:

	2022	2021
Within one year	\$ 18,802,821	\$ 18,550,100
In one to five years	1,631,964	4,808,334
	20,434,785	23,358,434
Less present value discount (0.16% – 1.68%)	(70,812)	(52,102)
Less allowance for doubtful accounts	(405,072)	(415,072)
Total	\$ 19,958,901	\$ 22,891,260

NOTE 6 – FAIR VALUE MEASUREMENTS AND DISCLOSURES

The Organization reports certain assets and liabilities at fair value in the financial statements. U.S. GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions, regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the factors market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization can access at the measurement date.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.
- Level 3 – Unobservable inputs for the asset or liability. In these situations, the Organization develops inputs using the best information available in the circumstances.

COMMUNITY PARTNERS
NOTES TO FINANCIAL STATEMENTS

NOTE 6 – FAIR VALUE MEASUREMENTS AND DISCLOSURES (Continued)

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value, which is the Organization’s policy. For the years ended June 30, 2022 and 2021, the application of valuation techniques applied to similar assets and liabilities has been consistent.

The following is a description of the valuation methodologies used for instruments measured at fair value:

- *Mutual funds* – The fair value of these investments is the market value based on quoted market prices. They are classified within Level 1 of the fair value hierarchy.
- *U.S. Treasury, certificates of deposit, commercial paper, and bonds* – The fair value of alternative asset funds is based on market values of similar observable or underlying assets. They are classified within Level 2 of the fair value hierarchy.
- *Beneficial interests in assets held by community foundations* –The fair value of investments in beneficial interest in assets held by community foundations are based on the fair value of fund investments as reported by the community foundations. These are classified as Level 3 of the fair value hierarchy.

The following table summarizes the Organization’s assets measured at fair value on a recurring basis at June 30, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Operating investments				
Mutual funds	\$ 1,654,733	\$ -	\$ -	\$ 1,654,733
U.S. Treasury	-	265,837	-	265,837
Commercial paper	-	493,814	-	493,814
Municipal bonds	-	5,876,956	-	5,876,956
Corporate bonds	-	<u>6,955,031</u>	-	<u>6,955,031</u>
	1,654,733	13,591,638	-	15,246,371
Beneficial interests in assets held by community foundations	<u>-</u>	<u>-</u>	<u>1,961,116</u>	<u>1,961,116</u>
Total	<u>\$ 1,654,733</u>	<u>\$ 13,591,638</u>	<u>\$ 1,961,114</u>	<u>\$ 17,207,487</u>

COMMUNITY PARTNERS
NOTES TO FINANCIAL STATEMENTS

NOTE 6 – FAIR VALUE MEASUREMENTS AND DISCLOSURES (Continued)

The following table summarizes the Organization’s assets measured at fair value on a recurring basis at June 30, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Operating investments				
Mutual funds	\$ 1,819,075	\$ -	\$ -	\$ 1,819,075
Certificates of deposit	-	1,449,619		1,449,619
Municipal bonds	-	5,095,944	-	5,095,944
Corporate bonds	-	6,231,574	-	6,231,574
	<u>1,819,075</u>	<u>12,777,137</u>	<u>-</u>	<u>14,596,212</u>
Beneficial interests in assets held by community foundations	<u>-</u>	<u>-</u>	<u>2,250,761</u>	<u>2,250,761</u>
Total	<u>\$ 1,819,075</u>	<u>\$ 12,777,137</u>	<u>\$ 2,250,761</u>	<u>\$ 16,846,973</u>

The following is a reconciliation of the beginning and ending balances of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Balance, beginning of year	\$ 2,250,761	\$ 1,785,604
Purchases/contributions of investments	-	850
Net investment return (loss)	<u>(289,645)</u>	<u>464,307</u>
Balance, end of year	<u>\$ 1,961,116</u>	<u>\$ 2,250,761</u>

COMMUNITY PARTNERS
NOTES TO FINANCIAL STATEMENTS

NOTE 7 – COMMITMENT AND CONTINGENCIES

Operating Leases

The Organization leases a facility and office space under a lease that will expire on July 31, 2027. In addition, the Organization entered into lease agreements on behalf of the projects. These agreements have expiration dates through June 2031, and some of the lease agreements have options to renew.

Future minimum lease payments at June 30, 2022 are as follows:

<u>Years Ending</u> <u>June 30,</u>	
2023	\$ 770,126
2024	687,549
2025	607,965
2026	281,400
2027 and thereafter	<u>529,435</u>
Total	<u>\$ 2,876,475</u>

Rent expense under these operating leases amounted to \$752,785 and \$870,741 for the years ended June 30, 2022 and 2021, respectively, and is included in facilities expense in the statements of functional expenses.

Litigation and Examinations

The Organization is, from time to time, the subject of litigation, claims and assessments arising out of matters occurring in its normal business operations. In the opinion of management, resolution of these matters will not have a material adverse effect on the Organization's financial position or results of operations.

Certain federal grants which the Organization administers and for which it receives reimbursements are subject to audit and final acceptance by federal granting agencies. The amount of expenditures that may be disallowed by the grantor, if any, cannot be determined at this time. The Organization expects that such amounts, if any, would not have a material impact on the financial position and cash flows of the Organization.

NOTE 8 – EMPLOYEE BENEFIT PLAN

The Organization participates in a 403(b) plan whereby it makes contributions for certain eligible employees. Contributions for personnel employed for a specific project are provided from funds for that project. Contributions under the plan vest immediately. Contribution expense for the years ended June 30, 2022 and 2021 was \$1,008,466 and \$942,401, respectively, and is included in salaries, taxes, and benefits on the statements of functional expenses.

COMMUNITY PARTNERS
NOTES TO FINANCIAL STATEMENTS

NOTE 9 – NET ASSETS AND DONOR RESTRICTIONS

At June 30, 2022 and 2021, net assets with donor restrictions of \$41,269,721 and \$41,202,045, respectively, are restricted by the projects for expenditures for specified purposes.

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or other events specified by the donors. For the years ended June 30, 2022 and 2021, net assets of \$84,373,673 and \$83,095,496, respectively, were released from restrictions by incurring expenses satisfying the specified purpose restriction.

NOTE 10 – RELATED PARTY TRANSACTIONS

Annual campaign contributions and promises to give received from members of the Board of Directors and their related organizations totaled \$3,348,359 and \$3,076,927 for the years ended June 30, 2022 and 2021, respectively. The contributions are reported under contributions and corporation and foundation grants in the statements of activities.

NOTE 11 – IN-KIND CONTRIBUTIONS

The Organization has lease agreements to lease office space at no cost. The use of facilities is valued based on estimated fair value of comparable rental prices in the Los Angeles metropolitan area. Donated supplies are based on the estimated of values that would be received for selling similar products. Legal services is recorded at the fair value based on current rates for similar legal services.

For the years ended June 30, 2022 and 2021, the Organization's projects received and expended the following in-kind contributions:

	<u>2022</u>	<u>2021</u>
Use of facilities	\$ 137,440	\$ 187,783
Supplies	147,170	277,942
Legal services	<u>3,500</u>	<u>172,896</u>
	<u>\$ 288,110</u>	<u>\$ 638,621</u>