THE SAN FRANCISCO FOUNDATION

JUNE 30, 2023

INDEPENDENT AUDITORS' REPORT AND
FINANCIAL STATEMENTS

HOOD & STRONG LLP
CERTIFIED PUBLIC ACCOUNTANTS

The San Francisco Foundation

Independent Auditors' Report and Financial Statements

HOOD & STRONG LLP
CERTIFIED PUBLIC ACCOUNTANTS
A Century Strong

Independent Auditors' Report

THE BOARD OF TRUSTEES
THE SAN FRANCISCO FOUNDATION
San Francisco, California

Opinion

We have audited the financial statements of **THE SAN FRANCISCO FOUNDATION (the Foundation),** which comprise the statement of financial position as of June 30, 2023, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of June 30, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our 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 Foundation's ability to continue as a going concern for one year from the date of this report.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.

- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

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

Report on Summarized Comparative Information

We have previously audited the Foundation's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 22, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Hood & Strong LLP

San Francisco, California
December 14, 2023

The San Francisco Foundation

Statement of Financial Position
(in thousands)

June 30, 2023 (with comparative totals for 2022)	2023	2022
Assets		
Cash and cash equivalents	$ 81	$ 1,268
Investments	1,615,140	1,565,639
Contributions and other accounts receivable, net	12,518	6,478
Charitable trust assets	26,985	26,671
Program-related investments	46,787	30,586
Other assets	3,230	4,160
Operating right-of-use lease assets	13,576	
Total assets	$ 1,718,317	$ 1,634,802
Liabilities and Net Assets		
Liabilities:		
Accounts payable and other liabilities	$ 1,983	$ 1,585
Grants payable, net	21,472	13,301
Liability to beneficiaries	11,403	11,265
Operating lease liabilities	13,586	
Agency funds	60,931	65,475
Total liabilities	109,375	91,626
Net Assets:		
Without donor restrictions	661,184	623,138
With donor restrictions	947,758	920,038
Total net assets	1,608,942	1,543,176
Total liabilities and net assets	$ 1,718,317	$ 1,634,802

See accompanying notes to the financial statements.

The San Francisco Foundation

Statement of Activities and Changes in Net Assets
(in thousands)

Year Ended June 30, 2023 (with comparative totals for 2022)

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenue and Support:				
Contributions and bequests	$ 114,461	$ 25,912	$ 140,373	$ 173,679
Investment income (loss), net	42,253	81,182	123,435	(183,062)
Change in value of split-interest agreements		1,053	1,053	(1,894)
Unrealized loss on interest in perpetual trust		(496)	(496)	-
Other income	(186)	262	76	551
Net assets released from restrictions	80,193	(80,193)	-	-
Total revenue and support	236,721	27,720	264,441	(10,726)
Expenses:				
Program services	187,844		187,844	253,363
Management and general	8,400		8,400	6,705
Fundraising	2,431		2,431	2,028
Total expenses	198,675	-	198,675	262,096
Change in Net Assets	38,046	27,720	65,766	(272,822)
Net Assets - beginning of year	623,138	920,038	1,543,176	1,815,998
Net Assets - end of year	$ 661,184	$ 947,758	$ 1,608,942	$ 1,543,176

See accompanying notes to the financial statements.

The San Francisco Foundation

Statement of Functional Expenses
(in thousands)

Year Ended June 30, 2023 (with comparative totals for 2022)

	2023				2022
	Program Services	Management and General	Fundraising	Total	Total
Grant expenses	$ 171,445			$ 171,445	$ 238,192
Salaries and benefits	9,223	$ 5,884	$ 1,887	16,994	15,568
Advertising	63	76	47	186	118
Convening and special events	161	81	53	295	307
Depreciation and amortization	158	69	20	247	278
Dues and memberships	85	64	7	156	167
Computer software and maintenance	1,331	577	166	2,074	1,861
Insurance	29	183	5	217	189
Occupancy	776	431	137	1,344	1,234
Office expenses	128	115	37	280	195
Professional fees and consultants	2,677	798	49	3,524	3,472
Taxes, fees, and licenses	136	9		145	347
Training and professional development	64	76	8	148	99
Travel	94	35	11	140	55
Loan loss reserve	1,471			1,471	(7)
Miscellaneous expenses	3	2	4	9	21
Total other expenses	16,399	8,400	2,431	27,230	23,904
Total	$ 187,844	$ 8,400	$ 2,431	$ 198,675	$ 262,096

See accompanying notes to the financial statements.

The San Francisco Foundation

Statement of Cash Flows
(in thousands)

Year Ended June 30, 2023 (with comparative totals for 2022)	2023	2022
Cash Flows from Operating Activities:		
Change in net assets	$ 65,766	$ (272,822)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation and amortization	247	278
Net realized and unrealized (gain) loss on investments	(110,206)	189,135
Change in notes receivable loan loss reserve - program-related investments	1,471	(7)
Amortization of operating right-of-use lease assets	1,145	
Change in operating assets and liabilities:		
Contributions and other accounts receivable	(6,040)	16,220
Charitable trust assets	(314)	747
Other assets	725	(195)
Accounts payable and other liabilities	398	(2,509)
Grants payable	8,171	982
Liability to beneficiaries	138	(2,527)
Operating lease liabilities	(1,135)	
Agency funds	(4,544)	(773)
Net cash used by operating activities	(44,178)	(71,471)
Cash Flows from Investing Activities:		
Purchases of investments	(143,513)	(189,900)
Proceeds from sale of investments	204,218	259,354
Purchases of fixed assets	(42)	(63)
Change in other program-related investments	(1,984)	157
Investments in notes receivable - program-related investments	(17,050)	(12,062)
Collection on notes receivable - program-related investments	1,362	9,800
Net cash provided by investing activities	42,991	67,286
Change in Cash and Cash Equivalents	(1,187)	(4,185)
Cash and Cash Equivalents - beginning of year	1,268	5,453
Cash and Cash Equivalents - end of year	$ 81	$ 1,268
Supplementary Disclosure of Non-Cash Activities:		
Operating right-of-use lease assets financed by lease liabilities	$ 14,721	
Supplementary Disclosure of Cash Activities:		
Cash paid under operating right-of-use leases	$ 1,153	

See accompanying notes to the financial statements.

Note 1 - Organization:

The San Francisco Foundation (the Foundation) is a public benefit community foundation created in 1948 for the broad-based public benefit of residents in the Bay Area. The Foundation operated as a Trust until July 1, 2003 when it became a non-profit public benefit corporation under the laws of California.

The Foundation mobilizes resources and acts as a catalyst for change to build strong communities, foster civic leadership, and promote philanthropy. Through the generosity of donors, past and present, the Foundation funds approximately 3,000 non-profit organizations in the Bay Area and across the country each year in response to the ever-changing demographics and needs of our communities. The Foundation's challenge is to ensure that everyone in the Bay Area can thrive and reach their full potential. The Foundation wants to ensure that everyone has a good job, lives in a safe and affordable home, has a strong political voice, and can live in a community that provides real access to opportunity. At the center of this, is the need to advance greater racial and economic equity throughout the region. To reach this goal, the Foundation focuses on three interrelated pathways: 1) People: expanding access to opportunity by removing systemic barriers, 2) Place: anchoring communities that reflect people's culture and identity, and 3) Power: nurturing equity movements to ensure a strong political voice for all. The Foundation supports equity-focused efforts through grants, civic leadership, advocacy, and program-related investments.

The bylaws of the Foundation include a variance provision giving the Board of Trustees (the Trustees) the power to modify any restriction or condition placed on gifts to the Foundation if, in its sole judgment, the Trustees determine that the restriction becomes, in effect, incapable of fulfillment or inconsistent with the charitable needs of the community or area served.

Note 2 - Significant Accounting Policies:

a. Basis of Accounting and Presentation

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Accordingly, the Foundation presents information regarding its net assets and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets without donor restrictions – the portion of net assets not subject to time or donor-imposed restrictions that may be expended for any purpose in performing the primary objective of the Foundation. Net assets without donor restrictions include total donor advised and other client funds held by the Foundation with variance power. The Trustees have designated certain net assets without donor restrictions for endowment, additional program-related investments and operating reserves (Note 12).

Net Assets with donor restrictions – the portion of net assets consisting of irrevocable charitable trusts, contributions unconditionally promised which are scheduled to be received in the future, purpose-restricted grants, and donor-restricted endowment funds. Also included in net assets with donor restrictions is the Foundation's interest in a perpetual trust. When donor restrictions expire, that is, when a stipulated time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities and Changes in Net Assets as net assets released from restrictions.

b. Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include the Foundation's operating and checking accounts. Cash and cash equivalents are also maintained within investments (Note 4), which are liquidated as necessary to meet payment obligations.

c. Investments

The Foundation reports investments at fair value. Gains and losses that result from market fluctuations are recognized in the Statement of Activities and Changes in Net Assets in the period such fluctuations occur. Dividend and interest income are accrued when earned. Investments received through gifts are recorded at estimated fair value at the date of donation.

Due to the inherent uncertainty of the valuation of non-marketable and restricted investments, those estimated values may differ significantly from the values that would have been used had a ready market for the securities existed, and the differences could be material.

In addition, the Foundation reports certain investments using the Net Asset Value (NAV) per share as determined by investment managers under the so-called "practical expedient." The practical expedient allows NAV per share to represent fair value for reporting purposes when the criteria for using this method are met. On an annual basis, management reviews the audited financial statements for each investment and compares the value reported by the fund manager to the value contained in the audited financial statements to assess the reasonableness of the valuation.

For cash flow purposes, purchases of investments represent the total additions to the portfolio from revenues received during the year. Proceeds from the sale of investments represent the withdrawals used for grants and operations.

d. Fair Value Measurements

The Foundation carries certain assets and liabilities at fair value. Fair value is defined 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. Fair value measurement standards also require the Foundation to classify these financial instruments into a three-level hierarchy. The Foundation classifies its financial assets and liabilities according to three levels and maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value.

Level 1 - Unadjusted quoted market prices in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date.

Level 2 - Observable inputs other than quoted market prices included within Level 1 for the asset or liability, either directly or indirectly.

Level 3 - Unobservable inputs for the asset or liability that are not corroborated by market data.

e. Endowment Funds

The Foundation follows the guidance of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958-205 “Endowments of Not-for-Profit Organizations – Net Assets Classification of Funds Subject to Enacted Version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), and Enhanced Disclosures for All Endowment Funds.” The State of California adopted a version of UPMIFA as its State Prudent Management of Institutional Funds Act (SPMIFA).

Interpretation of Relevant Law

The Trustees have determined that the Foundation holds net assets that meet the definition of endowment funds under SPMIFA.

The corpus value of funds subject to SPMIFA represents the fair value of the original gift as of the gift date and the original value of subsequent gifts and is classified as with donor restriction in cases where the donor indicated that a portion of the fund be retained permanently. The excess balance is classified as with donor restrictions until appropriated, at which time the appropriation is reclassified to net assets without donor restrictions.

In accordance with SPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purposes of the Foundation and the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the investment policies of the Foundation.

From time to time, the fair value of the assets associated with individual donor-restricted endowment funds may fall below historical gift value. There were two underwater endowment funds as of June 30, 2023; the corpus of the funds were $5,340 and were valued at $4,720 as of June 30, 2023.

Investment and Spending Policies

The Foundation implements a long-term investment strategy based on broad asset class diversification including the use of equities, fixed income and private assets. The Foundation has long-term investment policy targets and permitted ranges for each asset class within the portfolio.

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. The Foundation's spending and investment policies work together to achieve this objective. The current long-term return objective is to earn the spending policy percentage plus inflation, net of investment fees. Actual returns in any given year may vary from this amount. 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-based investments to achieve its long-term return objectives within prudent risk parameters.

The spending policy calculates the amount of money annually distributed from the Foundation's various endowed funds for grantmaking and administration. Recognizing the imperative to combat racial inequities that came into sharp relief in 2020, the Trustees approved a plan to increase the spending policy above the long-term average for a period of five years in order to distribute approximately an additional $10,000 over that timeframe. For the year ended June 30, 2023, the spending policy for endowments with restrictions that permitted their use for these purposes was set at 5.50%, while other endowments remained at 5%, resulting in a weighted average spending policy of 5.31% of a 16-quarter rolling average. Over the long term, the Foundation expects its spending policy to allow its endowment assets to grow at an average rate of inflation annually. This is consistent with the Foundation's objective to maintain the purchasing power of endowment assets as well as to provide additional real growth through new gifts.

f. Charitable Trust Assets

Charitable trust assets include the estimated fair value of various irrevocable charitable trusts. Trusts in which the Foundation is both trustee and secondary beneficiary are recorded at the fair value of the assets in the trust. The assets of these trusts generally include marketable equity and debt securities, which are recorded at fair value determined based on quoted market prices.

Trusts for which the Foundation is not the trustee are recorded as contributions receivable from charitable trusts and are recorded at the fair value of the assets in the trusts, less the present value of any expected payments, using a rate determined by the specifics of the assets and terms of each trust.

g. Beneficial Interest in Perpetual Trust

The Foundation is the beneficiary of an irrevocable trust, from which the Foundation receives the income in perpetuity. The assets are held by a third-party trustee. The value of the beneficial interest is based upon the fair value of the assets in the trust.

h. Fixed Assets

The Foundation capitalizes capital expenditures with a cost over $2 and a useful life greater than one year. Fixed assets and leasehold improvements are recorded at cost. Depreciation is computed using the straight-line basis over the estimated useful lives of assets ranging from three to seven years. Amortization of leasehold improvements is computed over the lesser of the useful life or the term of the related lease.

i. Program-Related Investments

Program-related investments consist of loans which are measured at cost, and other programmatic investments, measured at fair value.

The loans are evaluated for impairment annually and the loan loss allowance adjusted periodically based on risk and other factors. Interest rates charged on loan receivables are generally below market rates. The loans are measured at fair value at inception to determine if a contribution element (an implicit subsidy via what would be considered below-market rates) exists, and are recorded on a net basis to reflect a discount on loans receivable (if a contribution exists) or a reasonable loss reserve. The Foundation's loan receivables are recorded at the time the loan is funded and agreed to by both parties.

j. Leases

Operating right-of-use lease assets represent the Foundation's right to use an underlying asset during the lease term and operating lease liabilities represent the Foundation's obligation to make payments arising from the lease. Operating leases are recorded in operating right-of-use lease assets and operating lease liabilities on the Statement of Financial Position. The Foundation does not have any financing leases.

Operating right-of-use lease assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. The discount rate used to derive the present value is based on the rate implicit in the lease or, in absence of a rate implicit in the lease, a risk-free rate which is aligned with the lease term at the lease commencement date. Renewal periods are included in calculating the right-of-use assets and liabilities when they are reasonably certain of exercise. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term. The Foundation made an accounting policy election not to recognize lease assets and liabilities for leases with a term of 12 months or less.

k. Liability to Beneficiaries

Liability to beneficiaries represents the present value of the liability due to primary beneficiaries of the irrevocable charitable trusts for which the Foundation is both trustee and secondary beneficiary. The liability is calculated using life expectancies from the 2012 Individual Annuity Reserve (IAR) mortality table and a discount rate of 7%.

l. Revenue Recognition

Contributions are recognized as revenue when received or unconditionally promised. Contributions of assets other than cash are recorded at their estimated fair value on the date donated. Contributions to be received after one year are discounted at an appropriate market discount rate. 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 met.

As discussed in Note 2(a) above, the Foundation receives contributions subject to time or purpose restrictions. When the restriction is met in the same period the contribution is received, the contribution is recorded as with donor restrictions and net assets released from restrictions in the Statement of Activities and Changes in Net Assets.

m. Grant Expenses

Grant expenses are recognized when unconditional promises to give are approved by the Trustees. Grant refunds are recorded as reductions of grant expenses at the time the grants are refunded to the Foundation. Grants payable represent the present value of grants to be paid in the future. The discount on those amounts is computed using market interest rates applicable in the year in which the grant is approved. Amortization of the discount is included in grant expense.

n. Functional Expense Allocations

The Statement of Activities and Changes in Net Assets reflects expenses in the categories of program, management and general, and fundraising. Because departments are organized along functional lines, for most departments, expenses are allocated based upon the primary purpose of the department. Multi-purpose departments (chief executive, development and donor services, and marketing and communications) are split among program, management and general, and fundraising based upon time estimates made by the Foundation's management staff in these departments.

Overhead expenses (occupancy, equipment rental, and management information systems) are allocated based on actual average full-time employee equivalent percentages to departmental expenses among program, management and general, and fundraising.

o. Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain amounts. Accordingly, actual results could differ from these estimates.

p. Comparative Information

The financial statements include certain comparative information for which the prior year information is summarized in total but not by net asset class. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2022, from which the summarized information is derived.

q. Tax Exempt Status

The Foundation is a tax-exempt organization under the Internal Revenue Code (the Code) Section 501(c)(3) and related California code sections and has been classified as an organization which is not a private foundation as defined in Sections 509(a)(1) and 170(b)(i)(A)(vi) of the Code. However, the Foundation is subject to tax on unrelated business income, such as certain income generated by its investments.

As of June 30, 2023, management evaluated the Foundation's tax positions and concluded that the Foundation had maintained its tax-exempt status and had taken no material uncertain tax positions that require adjustment to or disclosure in the financial statements.

r. Recent Accounting Pronouncements

Pronouncement Adopted

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. Under the new guidance, lessees are required to recognize, at commencement date, a lease liability representing the lessee's obligation to make payments arising from the lease and a right- of-use asset representing the lessee's right to use, or control the use of, a specified asset for the lease term. The Foundation adopted this guidance as of July 1, 2022. The prior year information is presented in accordance with Topic 840, as permitted by the ASU. The Foundation made an accounting policy election available under Topic 842 not to recognize lease assets and liabilities for leases with a term of 12 months or less. The Foundation applied a package of practical expedients to its leases that commenced before the adoption date, electing not to reassess the following: (i) whether any expired or existing contracts contain leases; (ii) the lease classification for any expired or existing leases; and (iii) initial direct costs for any existing leases. Adoption of Topic 842 resulted in the recording of lease assets and lease liabilities related to Foundation's operating leases of $1,483 and $1,483, respectively, at July 1, 2022. The adoption of the new lease standard did not materially impact the change in net assets or cash flows.

Pronouncement Effective in the Future

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which creates a new credit impairment standard for financial assets. The ASU requires loans and trade receivables measured at amortized cost to be presented at the net amount expected to ultimately be collected. The allowance for credit losses includes all losses that are expected to occur over the remaining life of the asset, rather than incurred losses through the date of the financial statements. Changes in the allowance for credit losses are recorded in the Statement of Activities and Changes in Net Assets. As the amounts expected to be collected change. Contribution pledges recorded as receivable are excluded from the new impairment standard. The ASU is effective for fiscal years beginning after December 15, 2022. The Foundation is currently evaluating the impact of adopting this new guidance on its financial statements.

s. Subsequent Events

The Foundation evaluated subsequent events with respect to the financial statements for the year ended June 30, 2023 through December 14, 2023, the date the financial statements were available to be issued, and has determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events occurred, the nature of which would require disclosure, except as discussed in Notes 4 and 7.

(dollars in thousands)

Note 3 - Contributions and Other Accounts Receivable, Net:

Contributions and other accounts receivable consisted of the following as of June 30:

	2023	2022
Contributions receivable (net of discount of $12 and $2 for the years ended June 30, 2023 and 2022, respectively)	$ 508	$ 1,028
Bequests receivable	9,227	3,882
Accrued interest on investments	2,654	1,229
Other accounts receivable	129	339
Total	$ 12,518	$ 6,478

Contributions and other receivables as of June 30, 2023 are expected to be received as follows: $9,069 within one year and $3,449 within two to five years.

Note 4 - Investments:

Investments consisted of the following as of June 30:

	2023	2022
Cash and cash equivalents	$ 96,218	$ 120,210
Fixed income	331,601	350,737
Domestic equities	351,341	327,759
International equities	185,624	173,620
Global equities	201,060	170,953
Alternative investments	442,943	422,055
Subtotal	1,608,787	1,565,334
Receivables for unsettled transactions	8,842	1,346
Payables for unsettled transactions	(2,489)	(1,041)
Total	$ 1,615,140	$ 1,565,639

(dollars in thousands)

The Foundation's investment income consisted of the following for the year ended June 30:

	2023	2022
Realized and unrealized gain (loss)	$ 110,206	$ (189,135)
Fees (management and performance)	(3,979)	(3,948)
Dividends and interest	16,939	10,446
Unrelated business income tax benefit (expense)	269	(425)
Investment income (loss), net	$ 123,435	$ (183,062)

The majority of donor-advised fund investments are allocated among long-term, short-term, and mission-aligned investments pools as recommended by donor advisors. The short-term pool provides liquidity for current giving requirements. Approximately 33% of the donor advised funds allocate 75% or more of their funds to the short-term pool. The long-term pool has an investment objective of earning 5% above the long-term inflation rate and is appropriate for the portion of a donor advised fund with a very long-term outlook. The mission-aligned investments pool has a market rate return investment objective, and is appropriate for the portion of a donor advised fund with a long-term horizon where the advisor seeks to invest using a variety of impact investment and socially-responsible strategies, such as social screens and environmental, social and governance considerations. Donor advised funds invested outside the pools are invested in cash, liquid fixed income and equity strategies, based on the donor's plans for current giving.

Subsequent to year-end, the Foundation invested $15,000 with one investment manager and committed $11,000 with two new investment managers.

(dollars in thousands)

Note 5 - Fair Value Measurements and Net Asset Value:

Fair Value Measurement

The table below presents the balances of assets measured at fair value as of June 30, 2023 on a recurring basis:

	Total	Level 1	Level 2	(a) NAV
Cash and Cash Equivalents	$ 96,218	$ 96,218		
Fixed Income:				
U.S. government and agency	80,109	80,109		
U.S. corporate	76,743		$ 76,743	
Non-agency and asset backed	68,091		68,091	
Global	47,793		47,793	
U.S. fixed income funds	18,351	18,351		
Pooled funds	40,514			$ 40,514
Domestic Equities:				
Publicly traded	68,472	68,472		
Mutual funds and ETFs	6,705	6,705		
Pooled funds	276,164			276,164
International Equities:				
Developed markets	2,370	2,370		
Mutual funds	42,948	42,948		
Pooled funds	140,306			140,306
Global Equities:				
Mutual funds	479	479		
Pooled funds	200,581			200,581
Alternative Investments	442,943			442,943
Subtotal	1,608,787	315,652	192,627	1,100,508
Charitable trust assets	26,985		26,985	
Beneficial interest in perpetual trust	2,570		2,570	
Programmatic investments – Mutual fund	1,644	1,644		
Total assets measured at fair value	$ 1,639,986	$ 317,296	$ 222,182	$ 1,100,508

(a) In accordance with FASB ASC subtopic 820-10, certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the Statement of Financial Position.

(dollars in thousands)

Net Asset Value

The Foundation uses NAV as a practical expedient to determine the fair value of all the underlying investments which do not have a readily determinable fair value and prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. The following table lists investments valued at NAV by major category as of June 30, 2023:

Strategies	# of Funds	Valuation	Unfunded Commitment	Redemption Frequency	Redemption Notice Period	Redemption Gates
Pooled Funds:						
Fixed income (a):						
Redeemable	2	$ 40,514		Semi-monthly to Monthly	5-15 days	
Domestic equities (b):						
Redeemable	1	13,646		Monthly	5 days	
Redeemable with restrictions	7	262,518		Quarterly to 2 Years	45-180 days	0-50%
International equities (c):						
Redeemable	3	51,139		Monthly to Quarterly	10-90 days	
Redeemable with restrictions	2	89,167		Monthly to 3 Years	60-90 days	0-100%
Global equities (d):						
Redeemable	4	114,053		Daily to Semi-Annually	1-40 days	
Redeemable with restrictions	3	86,528		Monthly to Quarterly	60-365 days	0-100%
Alternative Investments:						
Hedged equity (e):						
Redeemable	1	25,334		Quarterly	90 days	
Redeemable with restrictions	7	173,237		Quarterly to 3 Years	60-180 days	0-33%
Multi-strategy (f):						
Redeemable with restrictions	2	27,307		Quarterly	60 days	0-25%
Long/short credit (g):						
Redeemable with restrictions	1	27,269		Quarterly	65 days	25%
Private equity (h):						
Non-redeemable	58	189,796	$ 86,190	None		
Total	91	$ 1,100,508	$ 86,190			

a) The fixed income strategies are actively managed, diversified portfolios of United States (U.S.) investment grade and below investment grade fixed income and non-U.S. fixed income investments.

b) The domestic equity funds invest in actively managed funds benchmarked to U.S. equity indices. One redeemable with restrictions fund valued at $71,055 has 18% in illiquid assets.

c) The international equity strategies are all actively managed and invest in both emerging and developed market equities.

(dollars in thousands)

d) The global equity funds are all actively managed and invested in U.S., non-U.S. developed, and non-U.S. emerging market equities. One redeemable fund valued at $24,248 has 33% in illiquid assets. One redeemable with restrictions fund valued at $5,868 represents a holdback and is illiquid.

e) The hedged equity funds consist of directly held funds with a wide range of investment strategies. These funds are primarily long public equity securities, but others are short public equity securities and hold small amounts of fixed income and derivative securities.

f) The multi-strategy funds consist of directly held funds with a wide array of investment strategies. Approaches include public and private equity, long/short equity and debt strategies, credit arbitrage and active fixed income investing.

g) Long/short credit strategies invest in both long and short positions in high yield fixed income.

h) Private equity strategies invest in various domestic and international companies by using fund of funds as well as directly held funds. The partnerships have a remaining legal life span of up to 11 years as of June 30, 2023 with no redemption rights for the limited partners. Liquidity is expected in the form of distributions from the funds when the underlying assets are sold.

Note 6 - Charitable Trust Assets:

Charitable trust assets consisted of the following as of June 30:

	2023	2022
Assets held in charitable trusts in which the Foundation is both trustee and secondary beneficiary	$ 19,651	$ 18,830
Contributions receivable from non-trusteed charitable trusts	4,338	4,357
Beneficial interest in charitable lead annuity trust	2,996	3,484
Total	$ 26,985	$ 26,671

Assets associated with the charitable lead annuity trust consists primarily of private equity securities. Assets associated with all other charitable trusts consist primarily of cash equivalents, equities, and fixed income securities.

(dollars in thousands)

Note 7 - Program-Related Investments:

Program-related investments consisted of the following as of June 30:

	2023	2022
Notes receivable	$ 43,541	$ 27,854
Notes receivable loan loss allowance	(2,178)	(707)
Mutual fund and other programmatic investments	5,424	3,439
Total	$ 46,787	$ 30,586

Notes receivable as of June 30, 2023 are expected to be received as follows: $6,300 within one year, $23,341 within two to five years, and $13,900 beyond five years.

As of June 30, 2023, the Foundation has a contingent loan of $25,000 of which $21,575 has been disbursed and is included in notes receivable. Additional disbursements of up to $3,425 are contingent upon the Foundation raising funds from donors for this purpose and the borrower requesting disbursement. Additional disbursements must be made by December 2023 and the loan matures in 2031.

As of June 30, 2023, the Foundation has three non-revolving loans with an extended drawdown period and total authorized disbursements of $7,400, of which $1,700 has been disbursed. Additional disbursements of $5,700 can be requested by the borrowers during the loan drawdown periods which extend through September 2032.

Subsequent to year end, the Foundation made additional loan commitments of $1,000 and disbursements of $3,925.

Note 8 - Other Assets:

Other assets consisted of the following as of June 30, 2023:

Beneficial interest in perpetual trust	$ 2,570
Fixed assets ($5,373 net of accumulated depreciation of $5,237)	136
Security deposit and prepaid rent	213
Other	311
Total	$ 3,230

Depreciation and amortization expense was $247 for the year ended June 30, 2023.

(dollars in thousands)

Note 9 - Grants Payable, Net:

Grants payable at June 30, 2023 were scheduled to be disbursed as follows:

Year Ending June 30,		
2024	$	20,487
2025		727
2026		208
2027		53
2028		15
Thereafter		60
		21,550
Less discount on multi-year grants payable		(78)
Grants payable, net	$	21,472

Grant expense for the fiscal year ended June 30, 2023 totaled $171,445.

Note 10 - Agency Funds:

Agency funds represent funds transferred to the Foundation by other not-for-profit organizations that have specified themselves as the beneficiary. These funds are accounted for as assets and liabilities in the Statement of Financial Position and their activities are excluded from the Statement of Activities and Changes in Net Assets. However, the Foundation maintains legal ownership of the assets and has variance power.

The following is a roll forward of the agency funds:

Balance as of June 30, 2022	$	65,475
Contributions and transfers		1,596
Interest and dividends		593
Net gains (realized and unrealized)		3,804
Grants out of agency funds		(9,951)
Other expenses		(586)
Balance as of June 30, 2023	$	60,931

(dollars in thousands)

Note 11 - Endowments:

Endowment net asset composition by type of funds as of June 30, 2023:

	Without Donor Restrictions	With Donor Restrictions Time or Purpose	With Donor Restrictions Perpetuity	Total
Donor-restricted endowment funds		$ 778,258	$ 116,139	$ 894,397
Board-designated endowment funds	$ 10,357			10,357
Total Endowment Funds	$ 10,357	$ 778,258	$ 116,139	$ 904,754

The Board of Trustees established one designated endowment fund for future needs of the Foundation during the year ended June 30, 2023. As of June 30, 2023, these funds were invested on a pooled basis with donor restricted endowment funds. The designated endowment funds are subject to the Foundation's endowment spending policy. The Board of Trustees may at its discretion use the designated endowment funds for any Foundation purposes including but not limited to operations, future programs and purchase or construction of fixed assets.

Changes in endowment net assets for the year ended June 30, 2023:

	Without Donor Restrictions	With Donor Restrictions Time or Purpose	With Donor Restrictions Perpetuity	Total
Net assets, beginning of year		$ 742,257	$ 116,126	$ 858,383
Investment return, net:				
Investment income	$ 50	1,616		1,666
Net appreciation, realized and unrealized	307	78,824		79,131
Total investment return, net	357	80,440		80,797
Board of Trustees approval of Board-designated endowment	10,000			10,000
Contributions		729	2	731
Change in value of split-interest agreements			11	11
Appropriated for expenditure		(45,168)		(45,168)
Net assets, end of year	$ 10,357	$ 778,258	$ 116,139	$ 904,754

(dollars in thousands)

The endowed assets are comprised of approximately 250 individual funds. The Foundation honors the intent expressed by the donor at the time of the gift. Of the grantmaking made from endowed funds in the year ended June 30, 2023, approximately one-half are funds that have been entrusted by donors to the Foundation to determine the best use of the funds to benefit the community. The balance is allocated according to the intent of the donors across the Foundation's equity focused grantmaking pathways of people, place, and power.

Note 12 - Net Asset Composition and Releases:

Net assets consisted of the following as of June 30, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor endowment funds		$ 894,397	$ 894,397
Split-interest agreements		13,919	13,919
Donor-advised funds	$ 606,226		606,226
Undesignated operating funds	16,746		16,746
Board-designated funds:			
Endowment	10,357		10,357
Program-related investments	21,378		21,378
Operating reserve	6,449		6,449
Project and initiative funds	28	34,183	34,211
Other		5,259	5,259
Total	$ 661,184	$ 947,758	$ 1,608,942

Net assets were released from restriction as a result of being utilized for the following purposes during the year ended June 30, 2023:

Donor endowment funds appropriation	$ 45,168
Project and initiative funds	32,865
Other	2,160
Total	$ 80,193

(dollars in thousands)

Note 13 - Availability of Financial Assets and Liquidity:

The Foundation's financial assets available within one year for general expenditures as of June 30, 2023 were as follows:

Financial assets:	
Cash and cash equivalents	$ 81
Investments	1,615,140
Contributions and other accounts receivable, net	12,518
Charitable trust assets	26,985
Program-related investments – notes receivable	41,363
Other program-related investments	5,424
Total financial assets	1,701,511
Less amounts not available to be used within one year:	
Perpetual endowments and accumulated earnings, net of estimated appropriation and fees for the next year of $46,672	(847,725)
Non-endowed investments not convertible to cash within one year	(134,612)
Net assets restricted for project and initiative funds and other	(39,442)
Contributions receivable collectible beyond one year	(3,449)
Program-related investments – notes receivable collectible beyond one year	(37,241)
Agency funds	(60,931)
Charitable trust assets	(26,985)
Net assets designated by the Trustees:	
Endowment	(10,357)
Program-related investments not yet utilized	(13,999)
Operating reserve	(6,449)
	(1,181,190)
Financial assets available to meet general expenditures within one year	$ 520,321

(dollars in thousands)

The Foundation's goal is to generally maintain ample liquidity in its investment portfolios by managing to targets set by the investment committee and approved by the Trustees, reflecting the cashflow needs and variability for each portfolio. The Foundation's management regularly forecasts liquidity needs for cashflow planning purposes and plans ahead for investment redemptions. The cash required for the annual operating expense budget is moved to the short-term pool and checking account at the beginning of each fiscal year. The Foundation's short-term portfolio, which is used for administrative funds along with the portion of donor advised funds intended for expenditure in the near term, holds marketable fixed income securities and maintains a weighted average maturity of less than one year. Additionally, Board-designated funds could be undesignated by the Trustees and made available for general operations as needed.

The predictability of the Foundation's spending policy enables management to target a higher, but still conservative proportion of illiquid investments with endowed fund balances compared with other fund types. The Foundation's program related investment fund, the Bay Area Community Impact Fund, makes long-term loans and consequently, management asks that funds are invested with a minimum commitment of five years to ensure ample available cash for lending.

Note 14 - Leases:

The Foundation leases office facilities and various office equipment under operating leases which expire through July 2034. In May 2023, the Foundation amended its San Francisco office lease to extend the term through July 31, 2034.

The Foundation's lease costs consisted of the following for the year ended June 30, 2023:

Operating leases – rent	$ 1,164
Short-term leases – rent	34
	$ 1,198

(dollars in thousands)

Maturities of the operating lease liabilities are as follows:

Year Ending June 30,		
2024	$	1,213
2025		1,238
2026		1,277
2027		1,316
2028		1,357
Thereafter		9,192
Total lease payments		15,593
Less discount to present value		(2,007)
Present value of lease liabilities	$	13,586

The weighted average remaining lease term as of June 30, 2023 was approximately 11 years. The weighted average discount rate as of June 30, 2023 was approximately 3.57%.

Note 15 - Related Parties:

The Foundation has and may continue to have Trustees and committee members who hold interests in, or are employed by, corporations or partnerships held as investments by the Foundation. The Foundation has a conflict-of-interest policy which covers investments and vendor relationships with Trustees, committee members, and staff. The policy requires annual disclosures and discussion of potential conflicts at meetings, so that Trustees, committee members, and staff may continue to serve the Foundation through their professional knowledge and expertise.

Note 16 - Retirement Plan:

The Foundation provides a defined contribution plan under Section 401(k) of the Code (the 401(k) Plan). Employees are considered eligible for contributions after they have completed one year of service and 1,000 hours of employment. For 2023, the Foundation contributed 12% of salary to the 401(k) Plan for all eligible employees, as defined.

The cost of the Foundation's contribution to the 401(k) Plan was $1,231 for the year ended June 30, 2023.

Note 17 - Concentrations:

Risk

Investments in general are exposed to various risks, such as interest rate, credit, and overall market volatility. To address the risk of investments, the Foundation maintains a formal investment policy that sets out performance criteria, investment guidelines, and asset allocation guidelines, and requires review of the investment managers' performance. Investments are managed by multiple investment managers, who have responsibility for investing the funds in various investment classes. An investment consultant is also utilized. This entire process is actively overseen by an investment committee that includes members and non-members of the Trustees.

In addition to investments, concentrations of market and credit risk exist for cash and cash equivalents and charitable trust assets. At times, cash amounts might exceed federally-insured limits.

Other

The majority of contributions and bequests consist of donations from individuals and estates. Approximately 35% of the contributions and bequest revenue was comprised of funds from three contributors for the year ended June 30, 2023. There was $7,213 in outstanding contributions receivable from these contributors as of June 30, 2023.