

Common Counsel Foundation

Financial Statements

December 31, 2023 and 2022

Common Counsel Foundation

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Independent Auditors' Report

To the Board of Trustees of
Common Counsel Foundation

Opinion

We have audited the financial statements of Common Counsel Foundation (a California nonprofit organization) (the Organization), which comprise the statements of financial position as of December 31, 2023 and 2022, and 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 December 31, 2023 and 2022, 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 audits 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 Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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.

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 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.

Baker Tilly US, LLP

San Francisco, California
August 28, 2028

Common Counsel Foundation

Statements of Financial Position

December 31, 2023 and 2022

	2023	2022
Assets		
Current Assets		
Cash and cash equivalents	\$ 95,764,515	\$ 68,379,161
Investments	29,706,514	2,772,773
Grants and contributions receivable, current	4,381,784	10,117,066
Accounts receivable	687,630	632,728
Prepaid expenses	467,434	329,015
Total current assets	131,007,877	82,230,743
Other Assets		
Grants and contributions receivable, net of current portion	9,276,763	14,221,459
Programmatic investments, net	600,652	687,218
Right of use asset	67,941	134,692
Furniture and equipment, net	51,858	64,649
Deposits	18,973	20,301
Total assets	\$ 141,024,064	\$ 97,359,062
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 797,673	\$ 1,188,785
Accrued expenses	412,923	447,340
Grants payable	769,000	578,000
Accrued vacation	684,843	478,647
Deferred revenue	38,000	368,648
Current portion of operating lease liabilities	69,784	66,585
Total current liabilities	2,772,223	3,128,005
Noncurrent Liability		
Operating lease liabilities, net of current portion	5,885	75,669
Total liabilities	2,778,108	3,203,674
Net Assets		
Without donor restrictions	67,687,974	15,172,931
With donor restrictions	70,557,982	78,982,457
Total net assets	138,245,956	94,155,388
Total liabilities and net assets	\$ 141,024,064	\$ 97,359,062

See notes to financial statements

Common Counsel Foundation

Statements of Activities

Years Ended December 31, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue						
Foundation grants	\$ 1,464,847	\$ 21,873,609	\$ 23,338,456	\$ 90,233	\$ 30,129,442	\$ 30,219,675
Contributions	72,136,867	1,611,475	73,748,342	19,481,088	3,243,877	22,724,965
Contributed nonfinancial assets	-	112,370	112,370	-	122,005	122,005
Program service income	2,760,248	-	2,760,248	1,274,690	-	1,274,690
Fees for donor services	201,938	-	201,938	232,688	-	232,688
Investment return, net	1,119,596	909,663	2,029,259	172,350	332,698	505,048
Miscellaneous revenue	36,489	-	36,489	16,487	-	16,487
Net assets released from restrictions	32,125,795	(32,125,795)	-	27,091,213	(27,091,213)	-
Total support and revenue	109,845,780	(7,618,678)	102,227,102	48,358,749	6,736,809	55,095,558
Expenses						
Program services	55,555,896	-	55,555,896	49,115,329	-	49,115,329
Management and general	1,562,047	-	1,562,047	1,495,182	-	1,495,182
Fundraising	212,794	-	212,794	255,890	-	255,890
Total expenses	57,330,737	-	57,330,737	50,866,401	-	50,866,401
Fund Closeout	-	(805,797)	(805,797)	-	(3,375,416)	(3,375,416)
Change in net assets	52,515,043	(8,424,475)	44,090,568	(2,507,652)	3,361,393	853,741
Net Assets, Beginning of Year	15,172,931	78,982,457	94,155,388	17,680,583	75,621,064	93,301,647
Net Assets, Ending	\$ 67,687,974	\$ 70,557,982	\$ 138,245,956	\$ 15,172,931	\$ 78,982,457	\$ 94,155,388

See notes to financial statements

Common Counsel Foundation

Statement of Functional Expenses

Year Ended December 31, 2023

	Program Services				Supporting Services		Total
	Donor Services	Grants to Others	Fiscal Sponsorship	Total Program Services	Management and General	Fundraising	
Grants	\$ -	\$ 36,202,724	\$ -	\$ 36,202,724	\$ -	\$ -	\$ 36,202,724
Salaries	1,494,316	-	6,164,223	7,658,539	822,519	125,620	8,606,678
Consultants	1,388,745	-	3,491,180	4,879,925	124,988	19,089	5,024,002
Travel	66,490	-	2,159,390	2,225,880	23,869	3,633	2,253,382
Employee benefits	341,442	-	1,166,751	1,508,193	203,794	29,837	1,741,824
Office expenses	90,421	-	1,131,946	1,222,367	99,772	14,478	1,336,617
Conferences/meetings	101,494	-	793,185	894,679	14,584	2,227	911,490
Payroll taxes	107,705	-	494,670	602,375	59,284	9,054	670,713
Accounting	20,000	-	104,156	124,156	148,085	-	272,241
Legal	22,092	-	139,708	161,800	8,246	1,259	171,305
Insurance	39,168	-	142	39,310	43,536	6,649	89,495
Miscellaneous	1,000	-	17,984	18,984	7,631	72	26,687
Equipment rental	1,374	-	7,653	9,027	1,527	233	10,787
Depreciation	3,790	-	4,147	7,937	4,212	643	12,792
	<u>\$ 3,678,037</u>	<u>\$ 36,202,724</u>	<u>\$ 15,675,135</u>	<u>\$ 55,555,896</u>	<u>\$ 1,562,047</u>	<u>\$ 212,794</u>	<u>\$ 57,330,737</u>

See notes to financial statements

Common Counsel Foundation

Statement of Functional Expenses

Year Ended December 31, 2022

	Program Services				Supporting Services		Total
	Donor Services	Grants to Others	Fiscal Sponsorship	Total Program Services	Management and General	Fundraising	
Grants	\$ -	\$ 33,923,061	\$ -	\$ 33,923,061	\$ -	\$ -	\$ 33,923,061
Salaries	1,080,218	-	4,377,512	5,457,730	776,144	151,384	6,385,258
Consultants	1,354,064	-	3,682,809	5,036,873	159,916	31,209	5,227,998
Travel	54,380	-	1,266,228	1,320,608	10,075	1,966	1,332,649
Employee benefits	210,353	-	825,680	1,036,033	148,083	28,899	1,213,015
Office expenses	93,836	-	956,404	1,050,240	91,836	16,228	1,158,304
Payroll taxes	78,844	-	346,644	425,488	54,965	10,727	491,180
Conferences/meetings	86,909	-	287,823	374,732	23,512	4,561	402,805
Accounting	20,000	-	130,537	150,537	159,781	-	310,318
Legal	47,689	-	119,654	167,343	14,528	2,835	184,706
Member fund expenses	-	-	122,699	122,699	-	-	122,699
Insurance	29,579	-	171	29,750	37,490	7,317	74,557
Miscellaneous	1,663	-	3,220	4,883	15,267	64	20,214
Equipment rental	3,994	-	5,199	9,193	1,676	327	11,196
Depreciation	1,455	-	4,704	6,159	1,909	373	8,441
	<u>\$ 3,062,984</u>	<u>\$ 33,923,061</u>	<u>\$ 12,129,284</u>	<u>\$ 49,115,329</u>	<u>\$ 1,495,182</u>	<u>\$ 255,890</u>	<u>\$ 50,866,401</u>

See notes to financial statements

Common Counsel Foundation

Statements of Cash Flows

Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 44,090,568	\$ 853,741
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	12,792	8,441
Amortization of right-of-use asset	166	7,562
Net unrealized and realized (gain) loss on investments	(12,655)	66,950
(Increase) decrease in operating assets:		
Grants and contributions receivable	10,679,978	1,901,854
Accounts receivable	(54,902)	(215,181)
Prepaid expenses	(138,419)	(126,449)
Deposits	1,328	(16,843)
Increase (decrease) in operating liabilities:		
Accounts payable	(391,112)	437,841
Accrued expenses	(34,417)	(1,312)
Grants payable	191,000	(1,029,424)
Accrued vacation	206,196	164,909
Deferred revenue	(330,648)	(5,987)
Net cash from operating activities	<u>54,219,875</u>	<u>2,046,102</u>
Cash Flows From Investing Activities		
Purchase of equipment	-	(72,956)
Purchases of investments	(32,218,109)	(729,073)
Proceeds from sales of investments	<u>5,383,588</u>	<u>1,800,000</u>
Net cash from investing activities	<u>(26,834,521)</u>	<u>997,971</u>
Net change in cash and cash equivalents	27,385,354	3,044,073
Cash and Cash Equivalents, Beginning	<u>68,379,161</u>	<u>65,335,088</u>
Cash and Cash Equivalents, Ending	<u>\$ 95,764,515</u>	<u>\$ 68,379,161</u>

See notes to financial statements

1. Organization and Summary of Significant Accounting Policies

Organization

Common Counsel Foundation (the Organization) is a California nonprofit organization. The purpose of the Organization is to advance equity and social justice through a combination of direct grantmaking, philanthropic advising to client member funds, and managing programmatic activities through projects focused on organizational development, leadership training and sustainability and donor education.

The Organization has three major programs: donor services, grantmaking and fiscal sponsorship.

Donor Services

The Organization provides strategic philanthropic advice and services to independent foundations and donor-advised funds that share a commitment to equity and social justice initiatives. Partnership with the Organization facilitates clients' grantmaking processes and deepens their impact. The Organization provides comprehensive grants program management and administration for foundations, including philanthropic advising, identifying a grantmaking strategy, research and due diligence, recommending charitable organizations for grants, trustee support, accounting, grants administration and legal compliance duties. The Organization is currently home to the following member funds, which it advises: the Abelard Foundation West, the Acorn Foundation, Colombe Peace Foundation, Oscar G. and Elsa S. Mayer Family Foundation, Tykeson Family Foundation and the Kelley Family Foundation.

Grantmaking

The Organization engages in direct grantmaking through its donor-advised funds, which include but are not limited to the David R. Stern Fund, the C.J. & Mattie Lowery Fund, DBEK Fund, Linked Fate Fund for Justice, Visionary Freedom Fund and Honeybee. The Organization also makes direct grants through five fields-of-interest funds, including Grassroots Exchange Fund, Social and Economic Justice Fund, the Environmental Action Fund, Native Voices Rising and Fund for An Inclusive California.

Grassroots Exchange Fund (GXF) is a community-guided, rapid-response, small-grants program that facilitates training to strengthen organizational capacity, advocacy and travel for joint strategizing, learning and bridge building for grassroots social-justice and environmental-justice organizations.

Social and Economic Justice Fund (SEJ) supports collaboration between grassroots groups and their allies. Currently, the Fund is focused on racial justice and criminal justice reform.

Environmental Action Fund supports environmental health and justice.

Native Voices Rising (NVR) is a joint research and re-granting project of Native Americans in Philanthropy and the Organization. NVR is intended to focus philanthropic attention on the need for increased investment in and sustained support for Native-led grassroots community organizing and advocacy in American Indian, Alaska Native, and Native Hawaiian communities.

Fund for an Inclusive California (F4ICA) is a grantmaking program that supports organizations throughout California working on issues of gentrification, displacement in order to create equitable development. It includes philanthropic partners that have pooled their investments to benefit low-income, communities of color in five regions of California.

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Community Organizing for Community Power (COCP) is a bold initiative that brings together community power building organizations and the expansive funder ecosystem to address the inequitable funding system for community ownership of real estate, land, and housing in California. COCP intends to grow the capacity of community ownership groups to acquire, govern, and maintain their own community spaces.

Fiscal Sponsorship

The Organization acts as the fiscal sponsor for various projects. Currently, the Organization is the fiscal sponsor for Color Congress, Windcall Institute, RoadMap, and Movement for Black Lives.

The Color Congress is an intermediary and a funder that is building a national collective of majority people of color (POC) and POC-led organizations aimed at centering and strengthening nonfiction storytelling by, for and about people of color across the United States and territories. The Color Congress does this by supporting, resourcing, and connecting these organizations and building their collective power so they can be a more powerful force for change.

Windcall Institute supports and sustains labor and community organizers, particularly people of color and women through our signature Residency experience and Staying Power programming. Windcall believes that when our organizations are more life sustaining, imaginative, and visionary, our people and movements will more profoundly contribute to dismantling all forms of oppression. As of December 31, 2022, the Organization ended the Windcall fiscal sponsor project.

RoadMap is a national network of organizational-development consultants dedicated to strengthening grassroots organizations. It also serves as a forum for peer exchange and innovation among organizational-development consultants. Continually RoadMap is developing and testing new strategies to build healthier and more sustainable organizations, networks, coalitions and alliances. As of December 31, 2022, the Organization ended the RoadMap fiscal sponsor project.

The Movement for Black Lives (M4BL) formed in December of 2014, was created as a space for Black organizations across the country to debate and discuss the current political conditions, develop shared assessments of what political interventions were necessary in order to achieve key policy, cultural and political wins, convene organizational leadership in order to debate and co-create a shared movement wide strategy. Under the fundamental idea that we can achieve more together than we can separately.

Basis of Accounting

The Organization maintains its records using the accrual method of accounting in accordance with generally accepted accounting principles in the United States of America for Not-for-Profit Organizations (U.S. GAAP).

Description of Net Assets

The Organization reports information regarding its financial position and activities according to two classes of net assets as follows:

Net Assets Without Donor Restrictions - Those net assets and activities which represent the portion of expendable funds that have no use or time restrictions. The Organization's Board of Directors may designate net assets without restrictions for a specific purpose. At December 31, 2023 and 2022, there were no board designated net assets without donor restrictions.

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Net Assets With Donor Restrictions - Those net assets that are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by passage of time or the 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 specific stipulations are met.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all unrestricted, highly liquid investments with an initial maturity of three months or less to be cash equivalents. Certain cash and cash equivalents held in the investment portfolio are recorded as cash in the investments.

Grants and Contributions Receivable

Grants and contributions receivable represent promises to give from donors that have been accrued for and have not yet been collected. Promises to give which are expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-free discount rates ranging from 0.45% to 5.37%, designed to reflect the assumptions market participants would use in pricing the asset.

The Organization uses the allowance method to account for uncollectible grants and contributions receivable. The allowance is based on historical experience and management's evaluation of outstanding grants and contributions receivable as of year-end. At December 31, 2023 and 2022, the Organization believes all grants and contributions receivable are fully collectible; therefore, there is no allowance for uncollectible grants and contributions receivable.

Accounts Receivable

Accounts receivable represent amounts billed and accrued that have not yet been collected related to services rendered. The Organization recognizes an allowance for credit losses for its receivables arising from reciprocal transactions to present the net amount expected to be collected as of the statements of financial position date. Such allowance is based on the credit losses expected to arise over the life of the asset which includes consideration of past events and historical loss experience, current events and also future events. The Organization pools these receivables based on similar risk characteristics in estimating expected credit losses. In situations where a receivable does not share the same risk characteristics with other receivables, the Organization measures those receivables individually. Receivables are written off when the Organization determines that such receivables are deemed uncollectible.

The Organization utilizes the loss rate method in determining its lifetime expected credit losses on accounts receivable. In determining its loss rates, the Organization evaluates information related to its historical losses, adjusted for current conditions and further adjusted for the period of time that can be reasonably forecasted. Qualitative and quantitative adjustments related to current conditions and the reasonable and supportable forecast period consider all the following: past due receivables, payor type, customer creditworthiness, and the effect of other external forces, such as economic conditions and legal and regulatory requirements, on the level of estimated credit losses in the existing receivables. There was no allowance for credit losses as of December 31, 2023. As of December 31, 2022, prior to the adoption of Accounting Standards Update (ASU) 2016-13, there was no allowance for doubtful accounts for such receivables.

Furniture and Equipment

Furniture and equipment with an original purchase price in excess of \$5,000 are carried at cost. Contributed property and equipment are recorded at their estimated fair market values at the date of donation. Depreciation is provided on the straight-line method over the estimated useful lives of the respective assets. Repairs and maintenance which neither materially add to the value of the property or equipment nor appreciably prolong its life are charged to expense as incurred.

Investments

The Organization's investments consist of certificates of deposit and are recorded at fair value. Certain cash and cash equivalents held in the investment portfolio are recorded in investments. Certificates of deposit are valued at amortized cost, which approximates fair value. Realized and unrealized gains and losses are included in the statement of activities. Gain and losses are reflected as increases or decreases in the net assets without donor restrictions unless the donor or relevant laws place a restriction on the gains and losses, they will then be recorded as net assets with donor restrictions.

Programmatic Investments

Programmatic investments include recoverable grants that represent various loans made to other organizations and are recorded at net realizable value. Upon origination of the donation, the Organization determines the probability of repayment. The difference between the cash transferred and the present value of the contractual payments is considered an inherent contribution and as a contribution expense.

The Organization utilizes the loss rate method in determining its lifetime expected credit losses on programmatic investments. In determining its loss rates, the Organization evaluates information related to its historical losses, adjusted for current conditions and further adjusted for the period of time that can be reasonably forecasted. Qualitative and quantitative adjustments related to current conditions and the reasonable and supportable forecast period consider all the following: past due receivables, borrower creditworthiness, and the effect of other external forces, such as economic conditions and legal and regulatory requirements, on the level of estimated credit losses in the existing programmatic investments. There was no allowance for credit losses as of December 31, 2023. As of December 31, 2022, prior to the adoption of ASU No. 2016-13, there was no allowance for doubtful accounts for such investments.

Each year, management evaluates the collectability of the remaining recoverable grant receivable. At December 31, 2023 and 2022, there is no additional allowance reflected in the financial statements.

Fair Value Measurements

The Organization is required to consider the use of market-based information over entity-specific information in valuing its financial assets measured at fair value, using a three-level hierarchy for fair value measurements based on the nature of inputs used in the valuation of an asset or liability as of the measurement date.

The three-level hierarchy for fair value 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 using the best information available in the circumstances.

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The asset's 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 observable inputs and minimize the use of unobservable inputs. At December 31, 2023 and 2022, there have been no changes in the methodologies used.

Accrued Paid Time Off

The Organization accrues vacation liabilities as the vacation hours are earned by employees. Sabbatical liabilities are accrued only when it is probable that an employee will reach the year for the sabbatical, which is assumed to have been achieved at the beginning of the fourth year of employment. At December 31, 2023 and 2022, accrued time off, including sabbatical leave, amounted to \$684,843 and \$478,647, respectively.

Revenue Recognition

Grants and Contributions

Unconditional promises to give are recorded as revenue at fair value when the promise is made by the donor/grantor. Conditional grants and contributions are those with a barrier to entitlement that the Organization must overcome and a right of return if the conditions are not met. Cash collected for conditional grants and contributions are accounted for as a liability initially until the barrier to entitlement is overcome, at which point, the revenue is recognized at fair value. Grants and contributions that are restricted by the donor are reported as increases in net assets with donor restrictions. When the Organization incurs qualifying expenditures towards the restricted purpose, net assets with donor restrictions are reclassified to net assets without donor restrictions.

The Organization receives contributions from donors under donor-advised fund agreements (DAFs). While the named advisors to the DAFs have the right to, and are encouraged to, make grant recommendations for grants to nonprofit organizations, the Organization retains variance power and, therefore, has ultimate discretion regarding the use of the funds. Contributions received under DAFs are recognized at fair value on the date promised and are recorded as increases to net assets without donor restrictions.

Program Service Income

Revenue recognition for program service income is evaluated through the following five steps: (i) identification of the contract or contracts with a customer; (ii) identification of the performance obligations in the contract; (iii) determination of the transaction price; (iv) allocation of the transaction price in the contract; and (v) recognition of revenue when or as a performance obligation is satisfied. The Organization utilizes the portfolio approach practical expedient to account for program service income as the contracts and performance obligations have similar characteristics and the Organization reasonably expects that the effects on the financial statements from applying the portfolio method are not materially different than the individual contracts.

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The performance obligation related to program service income contracts is to provide consulting services to other organizations. The Organization recognizes program service income over time in the period that services are rendered. The Organization bills for services on a quarterly basis. Payment is typically due within 30 days after billing. Payments collected in excess of the related program service income recognized as of year-end are recorded as deferred revenue.

	December 31, 2023	December 31, 2022	December 31, 2021
Accounts receivable, net	\$ 687,630	\$ 632,728	\$ 417,547
Deferred revenue	38,000	368,648	374,635

Fees for Donor Services

Fees for donor services include management service fees from providing administrative and management services provided by the Organization. These contracts are generally long-term. Revenue is recognized over the period the services are provided. These services are delivered as a single performance obligation and are billed for a fixed amount on a periodic basis. Revenue is measured as the amount of consideration it expects to receive in exchange for providing a service.

Contributed Nonfinancial Assets

Contributed materials and equipment are reflected as contributions in the accompanying statements at their estimated fair values on the date of receipt. Contributed services are reflected in the financial statements at the fair value of the services received. Contributed services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

The Organization records contribution revenue for certain services received at the fair value of those services, if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills, are provided by individuals possessing those skills, and would be purchased if not donated.

For the year ended December 31, 2023, and 2022, the Organization recognized \$112,370 and \$122,005, respectively, for unrestricted contributions related to event space. Donated products are recorded at their fair value based on estimate cost as of the date of the donation.

Grants Expense

Unconditional grants made by the Organization to unrelated nonprofit organizations are recorded as expense when promised. Conditional grants made by the Organization to unrelated nonprofit organizations are recorded as expense when the underlying conditions have been met by the recipient.

Functional Allocation of Expenses

The costs of providing the various program and supporting activities have been summarized on a functional basis in the statement of activities. Expenses are allocated to program and supporting services based on the nature of each expense and services provided for each function. Accordingly, certain expenses have been allocated to program and supporting services based on employee time estimates.

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 disclosures 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.

Lease

At lease inception, leases are classified as either finance leases or operating leases with the associated right-of-use asset and lease liability measured at the net present value of future lease payments. Operating leases are expensed on a straight-line basis as lease expense over the noncancelable lease term. Expenses for finance leases are comprised of the amortization of the right-of-use asset and interest expense recognized based on the effective interest method.

The Organization has made the following accounting policy elections with regard to its lease accounting:

- The Organization does not separate lease and nonlease components for all asset classes.
- When the rate implicit in the lease is not determinable, rather than use the Organization's incremental borrowing rate, the Organization elected to use a risk-free discount rate for the initial and subsequent measurement of lease liabilities for all asset classes.
- The Organization does not apply the recognition requirements to all leases with an original term of 12 months or less, for which the Organization is not likely to exercise a renewal option or purchase the asset at the end of the lease; rather, short-term leases will continue to be recorded on a straight-line bases over the lease term.

Income Taxes

The Organization is exempt from paying federal and state income taxes under Internal Revenue Code Section 501(c)(3) and by the California Revenue and Taxation Code under Section 23701(d). Accordingly, no provision has been made for such taxes in the accompanying financial statements.

Each year, management considers whether any material tax position the Organization has taken is more likely than not to be sustained upon examination by the applicable taxing authority. Management believes that any position the Organization has taken is supported by substantial authority and hence does not need to be measured or disclosed in these financial statements.

Newly Adopted Accounting Pronouncement

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13, *Measurement of Financial Instruments—Credit Losses (Topic 326)*. The ASU introduces a new credit loss methodology, Current Expected Credit Losses (CECL), which requires earlier recognition of credit losses, while also providing additional transparency about credit risk. Since its original issuance in 2016, the FASB has issued several updates to the original ASU. For financial instruments included in the scope, the CECL methodology utilizes a lifetime "expected credit loss" measurement objective for the recognition of credit losses at the time the financial asset is originated or acquired. The expected credit losses are adjusted each period for changes in expected lifetime credit losses.

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Notes to Financial Statements

December 31, 2023 and 2022

The methodology replaces the multiple existing impairment methods in current accounting principles generally accepted in the United States of America, which generally require that a loss be incurred before it is recognized. On January 1, 2023, the Organization adopted the ASU using the modified retrospective approach. The adoption of ASU 2016-13 had no impact on the financial statements for the year ended December 31, 2023.

2. Liquidity and Availability of Financial Assets

The Organization is substantially supported by contributions, specifically funds held for Fiscally Sponsored Projects and Donor Advised Funds. Because a donor's restriction requires resources to be used a particular manner or in a future period, the Organization maintains sufficient resources to meet those responsibilities. These financial assets are not available for general expenditure within one year but are available for programmatic expenditure.

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization invests cash in excess of daily requirements in short-term investments, certificates of deposit and money market funds.

The General Fund holds unrestricted cash to meet the operational needs of the Organization. Short-term investments are structured in a way that ensures that adequate cash will be on hand to meet the grant obligations approved by the Board of Trustees on a quarterly basis. The funds held in donor advised funds are considered unavailable for general operating expenditures due to recommendations for specific purposes by donors.

At December 31, 2023 and 2022, financial assets available for general expenditures consist of the following:

	2023	2022
Cash and cash equivalents	\$ 95,764,515	\$ 68,379,161
Investments	29,706,514	2,772,773
Grants and contributions receivable	4,381,784	10,217,066
Accounts receivable	687,630	632,728
	<u>130,540,443</u>	<u>82,001,728</u>
Less amounts not available to meet general expenditures within one year:		
Net assets with donor restrictions	(9,770,000)	(14,855,000)
Fiscal sponsorship	(7,350,700)	(464,916)
Donor advised funds	<u>(54,524,992)</u>	<u>(7,185,127)</u>
	<u>(71,645,692)</u>	<u>(22,505,043)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 58,894,751</u>	<u>\$ 59,496,685</u>

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Notes to Financial Statements

December 31, 2023 and 2022

3. Grants and Contributions Receivable

At December 31, 2023 and 2022, grants and contributions receivable are due as follows:

	2023	2022
Receivable within one year	\$ 4,381,784	\$ 10,117,066
Receivable within two to five years	9,770,000	14,855,000
Present value discount	(493,237)	(633,541)
Total	<u>\$ 13,658,547</u>	<u>\$ 24,338,525</u>

The Organization recognizes conditional promises to give, that is those with a measurable performance or other barrier and a right of return when the conditions on which they depend have been met. At December 31, 2023 and 2022, grants and contributions amounting to \$0 and \$1,333,334, respectively, have not been recognized in the accompanying financial statements due to funding restrictions and right of returns on the grant have not been met.

4. Investments and Fair Value Measurements

At December 31, 2023 and 2022, the major categories of investments measured at fair value on a recurring basis during the years ended December 31, 2023 and 2022 using quoted prices in active markets for identical assets (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3) consist of the following:

2023				
Fair Value	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	
Certificates of deposit	\$ 29,706,514	\$ -	\$ 29,706,514	\$ -
Total	<u>\$ 29,706,514</u>	<u>\$ -</u>	<u>\$ 29,706,514</u>	<u>\$ -</u>
2022				
Fair Value	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	
Cash equivalents	\$ 50,000	\$ 50,000	\$ -	\$ -
Certificates of deposit	2,722,773	50,000	2,722,773	-
Total	<u>\$ 2,772,773</u>	<u>\$ 100,000</u>	<u>\$ 2,722,773</u>	<u>\$ -</u>

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Notes to Financial Statements
December 31, 2023 and 2022

5. Programmatic Investments

Programmatic investments consist of various loans made to other organizations in 2023 and 2022. Upon donation of the investment, management performs an assessment of the impairment of the loans. The difference between the cash transferred and the present value of the contractual payments of the loans at the effective interest rate is recognized as contribution expense and a discount on the loans. The loans mature at various times between 2023 and 2029.

The grant and accumulated inherent contribution at December 31, 2023 and 2022 are as follows:

	2023	2022
Recoverable grant	\$ 790,000	\$ 805,000
Inherent contribution	(189,348)	(117,782)
Total	<u>\$ 600,652</u>	<u>\$ 687,218</u>

6. Furniture and Equipment

At December 31, 2023 and 2022, furniture and equipment consist of the following:

	2023	2022
Equipment	\$ 12,440	\$ 37,871
Furniture	60,515	61,872
	72,955	99,743
Less accumulated depreciation	(21,097)	(35,094)
Total	<u>\$ 51,858</u>	<u>\$ 64,649</u>

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Notes to Financial Statements
December 31, 2023 and 2022

7. Net Assets With Donor Restrictions

During the years ended December 31, 2023 and 2022, net assets with donor restrictions consist of the following:

	2023	2022
Subject to expenditure for specific purpose:		
Movement 4 Black Lives	\$ 45,734,820	\$ 68,145,101
Visionary Freedom Fund	1,589,395	1,594,145
Community Ownership for Community Power	1,274,604	-
Fund for Inclusive California	871,057	1,839,589
Color Congress Initiative	803,247	1,965,246
Native Voices Rising	195,443	4,085,015
Environmental Action Fund	100,000	75,000
Linked Fate	1,449	13,321
Health Impact Fund	1,104	1,104
Social and Economic Justice	196	-
Windcall	-	20,936
	<u>50,571,315</u>	<u>77,739,457</u>
Subject to purpose and passage of time:		
Movement 4 Black Lives	14,690,000	-
Fund for Inclusive California	2,416,667	-
Community Ownership for Community Power	1,550,000	-
Native Voices Rising	1,330,000	-
RoadMap	-	400,000
Kindle Project	-	373,000
Windcall	-	295,000
	<u>19,986,667</u>	<u>1,068,000</u>
Subject to passage of time	<u>-</u>	<u>175,000</u>
Total	<u>\$ 70,557,982</u>	<u>\$ 78,982,457</u>

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Notes to Financial Statements

December 31, 2023 and 2022

Net assets with donor restrictions released for donor-restricted purpose expenses during the years ended December 31, 2023 and 2022, are as follows:

	2023	2022
Movement 4 Black Lives	\$ 20,139,529	\$ 13,702,600
Native Voices Rising	5,031,956	5,667,695
Fund for Inclusive CA	2,771,865	1,886,903
Color Congress Initiative	1,962,974	1,576,037
Community Ownership	847,000	-
Windcall	730,032	429,310
Linked Fate	185,472	138,971
General Pass-Through	175,000	-
RoadMap	132,358	612,351
Visionary Freedom Fund	74,750	1,190,741
Environmental Action Fund	60,000	60,000
Grassroots Exchange Fund	10,000	37,762
Kindle Project	4,839	1,618,300
Social and Economic Justice Fund	20	71,158
Health Impact Fund	-	99,385
Total	\$ 32,125,795	\$ 27,091,213

8. Fiscal Sponsorships

The Organization enters into agreements with some projects that are determined to be consistent with the Organization's charitable mission to serve as their fiscal sponsor. These projects are unincorporated charitable associations established to manage the affairs of the projects.

The Organization has the ultimate responsibility of the activities conducted by the projects and the project employees are at-will employees of the Organization. The fiscal sponsorship shall terminate when the Organization can no longer reasonably accomplish the objectives of the project, or the fiscal sponsorship can be terminated by a 90-day written notice to the other party as long as another acceptable nonprofit organization (not classified as private foundation) is found and is willing and able to sponsor the project. Upon termination, all assets and liabilities existing at the time of termination will be transferred to the successor fiscal sponsor. In addition, either party can terminate the sponsorship agreement by giving a 30-day written notice to the other party upon a material breach of the fiscal-sponsorship agreement.

For administrative services, the Organization charges a percentage of funds raised. These revenue and expenses are eliminated in these financial statements since they are internal charges.

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Notes to Financial Statements
December 31, 2023 and 2022

As of December 31, 2023 and 2022, net assets of fiscally sponsored projects are as follows:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Movement 4 Black Lives	\$ 4,643,495	\$ 60,427,765	\$ 65,071,260
Color Congress Initiative	-	803,247	803,247
Total	<u>\$ 4,643,495</u>	<u>\$ 61,231,012</u>	<u>\$ 65,874,507</u>
	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Movement 4 Black Lives	\$ -	\$ 68,845,101	\$ 68,845,101
Color Congress Initiative	-	1,965,246	1,965,246
RoadMap	453,835	400,000	853,835
Windcall	11,081	420,936	432,017
Total	<u>\$ 464,916</u>	<u>\$ 71,631,283</u>	<u>\$ 72,096,199</u>

9. Concentrations

Credit and Investment Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash, cash equivalents, investments and receivables. Cash and cash equivalents in accounts held by Royal Bank of Canada are insured up to the limit set by the Canadian Deposit Insurance Corporation (CDIC) (currently \$100,000 per depositor). All other cash and cash equivalents accounts, which are held by institutions in the United States, are insured up to the limit set by the Federal Deposit Insurance Corporation (FDIC) (currently \$250,000 per depositor). The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

Investments, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Certain investments are insured up to the limit set by the Securities Investor Protection Corporation (SIPC) (currently \$500,000 per depositor). At December 31, 2023, the Organization held investments in excess of the SIPC insurance limits.

The Organization minimizes its risk of loss by holding cash and cash equivalent funds in Certificate of Deposit Account Registry Services (CDARS) or insured credit sweep accounts, which allow for more than \$250,000 to be held in a single account and maintain FDIC protection.

Major Donors

During the years ended December 31, 2023 and 2022, about \$14 million and \$13 million, respectively, of foundation grant revenue was derived from six donors to support Movement 4 Black Lives. During the year ended December 31, 2023, 72% of contribution revenue was derived from two donors. At December 31, 2023 and 2022, 42% and 12%, respectively, of grants and contributions receivable were due from two donors.

10. Retirement Plan

The Organization adopted a 401(k) plan (the Plan) effective January 1, 2021. An employee is able to participate after a 90-day waiting period. The Organization contributes a percentage (3% for the years ended December 31, 2023 and 2022) of the employee's current salary every pay period. During the years ended December 31, 2023 and 2022, employer contributions under the Plan totaled \$241,349 and \$179,239, respectively.

11. Leases

Right-of-use assets represent the Organization's right to use an underlying asset for the lease term, while lease liabilities represent the Organization's obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the commencement date of a lease based on the net present value of lease payments over the lease term.

Certain of the Organization's leases include options to renew or to terminate the lease. The exercise of lease renewal or early termination options is at the Organization's sole discretion. The Organization regularly evaluates the renewal and early termination options and when they are reasonably certain of exercise, the Organization includes such options in the lease term. Additionally, upon adoption of the new standard, the Organization made judgments regarding lease terms for certain of its real property leases that were in month-to-month status or that contained auto-renewal clauses. The Organization estimated a lease end date based on the required length of usage of the property and calculated a right-of-use asset and lease liability with the resulting estimated lease term.

In determining the discount rate used to measure the right-of-use assets and lease liabilities, the Organization uses the rate implicit in the lease, or if not readily available, the Organization uses a risk-free rate based on U.S. Treasury notes for similar terms.

Right-of-use assets are assessed for impairment in accordance with the Organization's long-lived asset policy. The Organization reassesses lease classification and remeasures right-of-use assets and lease liabilities when a lease is modified and that modification is not accounted for as a separate new lease or upon certain other events that require reassessment in accordance with Topic 842.

The Organization made significant assumptions and judgments in applying the requirements of Topic 842. In particular, the Organization:

- Evaluated whether a contract contains a lease, by considering factors such as whether the Organization obtained substantially all rights to control an identifiable underlying asset and whether the lessor has substantive substitution rights.
- Determined whether contracts contain embedded leases.
- Evaluated leases with similar commencement dates, lengths of term, renewal options or other contract terms, which therefore meet the definition of a portfolio of leases, whether to apply the portfolio approach to such leases.

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Notes to Financial Statements

December 31, 2023 and 2022

The Organization does not have any material leasing transactions with related parties.

The following table summarizes the operating lease right-of-use assets and operating lease liabilities as of December 31, 2023 and 2022:

	2023	2022
Operating lease right-of-use assets	\$ 67,941	\$ 134,692
Operating lease liabilities:		
Current	69,784	66,585
Long-term	5,885	75,669
Total operating lease liabilities	\$ 75,669	\$ 142,254

During the years ended December 31, 2023 and 2022, the expense incurred pertaining to leases totaled \$68,554.80 and \$68,722, respectively. The right-of-use assets and lease liabilities were calculated using a discount rate of 1.76%. As of December 31, 2023, the remaining lease term was 1.08 years.

The table below summarizes the Organization's scheduled future minimum lease payments for years ending after December 31, 2023:

Years ending:	
2024	\$ 70,556
2025	5,894
Total lease payments	76,450
Total lease liabilities	76,450
Less current portion	(69,784)
Long-term lease liabilities	\$ 6,666

The following table includes supplemental cash flow and noncash information related to the leases for the years ended December 31, 2023 and 2022:

	2023	2022
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 68,555	\$ 61,160
Operating lease right-of-use assets obtained in exchange for lease liabilities	-	200,311

12. Subsequent Events

Subsequent to year end, Honeybee Root Cellar donor-advised fund program was transferred out of the Foundation. The transfer involved assets valued at approximately \$34 million.

Management has evaluated events and transactions for potential recognition or disclosure through August 28, 2024, which represents the date the financial statements were available to be issued.