

SUSTAINABLE COMMUNITIES FUND

FINANCIAL STATEMENTS

December 31, 2024

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Sustainable Communities Fund
Los Angeles, California

Opinion

We have audited the accompanying financial statements of Sustainable Communities Fund (a nonprofit organization), which comprise the statement of financial position as of December 31, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sustainable Communities Fund (SCF) as of December 31, 2024, 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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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 SCF 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 SCF'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 generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, 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 generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of SCF'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 SCF'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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2025, on our consideration of SCF's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of SCF's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SCF's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Windes, Inc." in a cursive script.

Long Beach, California
June 18, 2025

SUSTAINABLE COMMUNITIES FUND
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2024

ASSETS

ASSETS

Cash and cash equivalents	\$ 1,741,348
Contributions receivable, net	67,212
Program-related investments, net, including interest receivable of \$61,037	3,592,687
Mission-related investments, net, including interest receivable of \$4,764	1,260,746
Prepaid expenses	<u>1,032</u>

TOTAL ASSETS	<u>\$ 6,663,025</u>
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LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	<u>\$ 48,149</u>
Total liabilities	<u>48,149</u>

NET ASSETS

Without donor restrictions	
Operating reserve	212,613
Designated for future funding commitments (Note 6)	121,640
General	<u>6,213,411</u>
	6,547,664

With donor restrictions	<u>67,212</u>
Total net assets	<u>6,614,876</u>

TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,663,025</u>
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The accompanying notes are an integral part of these financial statements.

SUSTAINABLE COMMUNITIES FUND

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2024**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Grants	\$ 250,000	\$ -	\$ 250,000
Discounts on contributions	6,759	-	6,759
Interest income	217,515	-	217,515
Net assets released from restrictions	<u>84,640</u>	<u>(84,640)</u>	<u>-</u>
Total revenue and support	<u>558,914</u>	<u>(84,640)</u>	<u>474,274</u>
EXPENSES			
Program services	361,679	-	361,679
Management and general	<u>143,132</u>	<u>-</u>	<u>143,132</u>
TOTAL EXPENSES	<u>504,811</u>	<u>-</u>	<u>504,811</u>
CHANGE IN NET ASSETS	54,103	(84,640)	(30,537)
NET ASSETS, BEGINNING OF YEAR	<u>6,493,561</u>	<u>151,852</u>	<u>6,645,413</u>
NET ASSETS, END OF YEAR	<u>\$ 6,547,664</u>	<u>\$ 67,212</u>	<u>\$ 6,614,876</u>

The accompanying notes are an integral part of these financial statements.

SUSTAINABLE COMMUNITIES FUND

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2024**

	<u>Program Services</u>	<u>Management and General</u>	<u>Total Expenses</u>
SALARIES AND RELATED EXPENSES			
Salaries	\$ 186,820	\$ 74,467	\$ 261,287
Payroll taxes, benefits, and fees	<u>28,678</u>	<u>11,431</u>	<u>40,109</u>
	215,498	85,898	301,396
OTHER EXPENSES			
Accounting	8,259	46,801	55,060
Allowance for loan and investment losses	71,150	-	71,150
Asset management	46,982	-	46,982
Bad debt expense	-	6,400	6,400
Business taxes and fees	-	118	118
Consulting	2,120	1,263	3,383
Insurance	870	218	1,088
Legal fees	6,523	700	7,223
Memberships and dues	500	-	500
Miscellaneous	135	135	270
Overhead fees	150	86	236
Software	2,269	1,513	3,782
Travel, conferences, and meetings	<u>7,223</u>	<u>-</u>	<u>7,223</u>
TOTAL EXPENSES	<u>\$ 361,679</u>	<u>\$ 143,132</u>	<u>\$ 504,811</u>

The accompanying notes are an integral part of these financial statements.

SUSTAINABLE COMMUNITIES FUND

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2024**

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ (30,537)
Adjustments to reconcile change in net assets to net cash from operating activities:	
Change in discounts on contributions receivable	(6,759)
Change in allowance for credit risk loss on program-related investments	48,850
Change in allowance for credit risk loss on mission-related investments	6,204
Changes in operating assets and liabilities:	
Contributions receivable	92,791
Program-related investments	(620,956)
Mission-related investments	(247,795)
Prepaid expenses	(179)
Accounts payable	7,551
Refundable advances	<u>(250,000)</u>
Net Cash Used In Operating Activities	<u>(1,000,830)</u>

NET CHANGE IN CASH AND CASH EQUIVALENTS (1,000,830)

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR 2,742,178

CASH AND CASH EQUIVALENTS, END OF YEAR \$ 1,741,348

The accompanying notes are an integral part of these financial statements.

SUSTAINABLE COMMUNITIES FUND

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2024

NOTE 1 – Summary of Significant Accounting Policies

Description of Organization

Sustainable Communities Fund ("SCF") has been established to alleviate poverty by supporting financial, economic, and social inclusion strategies that empower people and strengthen low-income communities.

SCF is a private operating foundation which operates as a revolving investment fund capitalized by funds originating from investment activities generated primarily by National New Markets Fund ("NNMF"), a joint venture partnership between Strategic Development Solutions, LLC ("SDS") and Economic Innovations International. SCF was created to revolve donations coming from NNMF's investment projects, as well as other sources, into a new generation of investments benefiting high-poverty communities and individuals. SCF achieves its mission by investing in organizations with innovative prototype lending or investing models that create significant social and environmental impacts. SCF particularly seeks organizations with new financing models that may need early-stage seed funding where its investment can help them "prove" their model - and thus spur follow-on investors to bring additional resources to the effort.

On December 23, 2019, SCF filed to terminate its foundation status and transition to a public charity, resulting in the start of a five-year transition process. SCF continued to operate as a private foundation through 2024. SCF has also filed for and received an advance ruling letter from the Internal Revenue Service ("IRS") to allow SCF to fundraise as a public charity during the five-year transition period.

Basis of Accounting and Presentation

The accompanying 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).

SCF reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions as follows:

Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions.

SUSTAINABLE COMMUNITIES FUND

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2024

NOTE 1 – Summary of Significant Accounting Policies (Continued)

With Donor Restrictions – Net assets subject to donor-imposed restrictions that will be met either by actions of SCF or the passage of time. As the restrictions are satisfied, net assets are reclassified as without donor restrictions and reported in the accompanying statement of activities as net assets released from restrictions. As of December 31, 2024, there were no net assets restricted in perpetuity.

Use of Estimates

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

Revenue Recognition

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Grant revenue is recognized consistent with the terms of the grant agreement. Refundable advances represent cash received in excess of costs incurred on cost reimbursement grants.

Program-related Investments (PRIs)

SCF makes PRIs in organizations that align with SCF's strategies to achieve its charitable purposes. At December 31, 2024, SCF had eight outstanding PRIs: all of which are loans. All the PRIs have been made with not-for-profit entities. PRIs are evaluated annually for impairment and no impairment losses were recorded during the year ended December 31, 2024. However, an allowance for loan credit risk loss was established to account for general economic conditions.

Mission-related Investments (MRIs)

SCF makes MRIs in organizations that align with SCF's strategies to achieve its charitable purposes. MRIs are sold at market-rate. At December 31, 2024, SCF had four outstanding MRIs in the form of one certificate of deposit, one loan, and two equity investments. Two of the MRIs have been made with not-for-profit entities and two with for-profit entities. MRIs are evaluated semi-annually for impairment and no impairment losses were recorded during the year ended December 31, 2024. However, an allowance for investment credit risk loss was established to account for general economic conditions.

SUSTAINABLE COMMUNITIES FUND

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2024

NOTE 1 – Summary of Significant Accounting Policies (Continued)

PRI and MRI Allowance for Loan and Investment Credit Risk Loss

In determining its allowance for loan and investment credit risk loss, SCF assesses each individual investment on its own to determine its individual contribution to the overall PRI or MRI allowance for loan and investment credit risk loss.

At the time of reviewing a prospective loan or investment, SCF's underwriters assess organizational and project-level risks and assign a risk rating score of 1-5 (1 = lowest risk). Each of these risk-rating scores has been assigned a percentage range of the dollar amount of the loan to be allocated to the allowance for investment credit risk loss. Underwriters assign this dollar amount for the allowance for loan or investment credit risk loss as is deemed appropriate based on the specific perceived investment risk rating. SCF then sets aside this dollar amount into its respective PRI or MRI allowance for loan and investment credit risk loss account as the investment funds deploy.

Each loan and investment is assessed annually for its level of risk during its annual asset management review or during an interim assessment if SCF learns of additional investment risks during the course of ongoing borrower communications. Based on the new risk assessment, the allowance for loan and investment credit risk loss may be increased or decreased as appropriate.

At the end of 2024, there was \$168,350 in the PRI allowance for loan credit risk loss. Six of the PRIs have been rated as Risk Level 1 and SCF has provided allowances between 1 – 3.5% of capital deployed. Two of the PRIs have been rated as Risk Level 2 and SCF has provided allowances between 5-12% of capital deployed.

At the end of 2024, there was \$117,744 in the MRI allowance for investment credit risk loss. One of the MRIs has been rated as Risk Level 1 and SCF has not provided an allowance for this investment. The other three MRIs have been rated as Risk Level 2 and SCF has provided allowances between 5-20% of capital deployed and undeployed.

SUSTAINABLE COMMUNITIES FUND

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2024

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Fair Value of Financial Instruments

SCF reports investments in equity securities at fair value in the statement of financial position. The carrying amount of cash and accounts payable approximates fair value because of the relatively short-term nature of these financial instruments.

U.S. GAAP defines fair market value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between willing market participants at the measurement date. These standards categorize the method for determining the fair market value into three levels as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that SCF has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

SCF's assessment of the significance of a particular input to the fair value measurements requires judgment and may affect the valuation of the assets and liabilities being measured and their placement within the fair value hierarchy.

SCF's equity investment assets are measured using level 3 inputs.

Cash and Cash Equivalents

For purposes of the statement of cash flows, SCF considers all demand deposits, money market funds, and unrestricted highly liquid investments with original maturities of three months or less to be cash and cash equivalents.

SUSTAINABLE COMMUNITIES FUND

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2024

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Contributions Receivable

SCF records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are recorded as contributions receivable and are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization is included in discounts on contributions in the statement of activities. At December 31, 2024, SCF uses 4.25% as its present value discount factor which is based on an average U.S. Treasury rate of two years. The discount on contributions receivable is \$6,389 at December 31, 2024. SCF determines the allowance for uncollectible contributions receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectible. At December 31, 2024, management estimated an allowance for uncollectible contributions receivable of \$6,400.

Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Accordingly, SCF recognizes government grant funds as support and revenue when eligible costs are incurred or when eligible services have been rendered. A receivable is recognized to the extent contract support earned exceeds cash advances. Conversely, a refundable advances liability is recorded when grant cash advances exceed support earned. At December 31, 2024, SCF had no refundable advances.

Excise Taxes

The Internal Revenue Code (IRC) imposes an excise tax on Section 501(c)(3) private foundations at the rate of 1.39% on the net investment income. Management records excise tax expense on the cash basis as the amount due is estimated to be de minimis.

SUSTAINABLE COMMUNITIES FUND

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2024

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Federal Tax Status

SCF has received tax-exempt status from the IRS and California Franchise Tax Board under Section 501(c)(3) of the IRC and Section 23701(d) of the Revenue and Taxation Code, respectively. SCF recognizes the financial statement benefit of tax positions, such as its filing status as tax-exempt, only after determining that the relevant tax authority would more likely than not sustain the position following an audit. SCF is subject to potential income tax audits on open tax years by any taxing jurisdiction in which it operates. The statute of limitations for federal purposes is three years and for California purposes is four years.

Concentration of Credit Risk

Financial instruments can potentially subject SCF to concentrations of credit risk. SCF maintains funds in cash deposits and money market accounts with a brokerage firm. Balances in federally insured depository institutions are insured up to a combined total of \$250,000 per financial institution. Investments in money market accounts, mutual funds, and equity securities are placed with high-credit quality financial institutions which are members of the Securities Investor Protection Corporation (SIPC). SIPC funds are available for losses up to \$500,000 for securities, inclusive of up to \$250,000 for cash. At times, the balance of SCF's accounts may exceed the federally insured limits. SCF has not experienced any losses in its cash accounts and believes it is not exposed to any significant credit risk.

At December 31, 2024, one donor represents 100% of outstanding contributions receivable.

SCF's primary source of funding is provided by Community Development Financial Institutions Fund (CDFI). CDFI funds are designed to inject new sources of capital into neighborhoods that lack access to financing. For the year ended December 31, 2024, 100% of grant revenue was received from a CDFI grant.

Functional Expenses

The costs of program and supporting services have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited by the expenditure based on time and effort.

SUSTAINABLE COMMUNITIES FUND

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2024

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Subsequent Events

Management has evaluated subsequent events from the date of the statement of financial position through June 18, 2025, which is the date the financial statements were available to be issued and determined there were no additional items to disclose.

NOTE 2 – Contributions Receivable

At December 31, 2024, net contributions receivable are due in amounts as follows:

Less than one year	\$	-
One to two years		80,000
		<u>80,000</u>
Less present value discount		(6,388)
Less allowance for uncollectible contributions receivable		<u>(6,400)</u>
	\$	<u>67,212</u>

NOTE 3 – Program-Related and Mission-Related Investments

PRIs and MRIs are strategic investments, beyond grants, made by SCF for the specific objective of furthering SCF's charitable purpose. The production of income is not the primary objective of a PRI or an MRI.

Deployed

SCF's portfolio consists of 12 investments at December 31, 2024, the majority of which are in support of economic development activities in low-income communities in the United States. These investments enable partner organizations to invest in small business development and entrepreneurship in select communities. Interest payments are due on the outstanding loan and certificate of deposit amounts at interest rates ranging between 2.7% and 7.5%. Two of the MRIs represent equity investments.

SUSTAINABLE COMMUNITIES FUND

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2024

NOTE 3 – Program-Related and Mission-Related Investments (Continued)

Deployed (Continued)

At December 31, 2024, \$833,240 is deployed in equity investments that mature at various dates through 2029. Included in equity investments is \$307,963 invested in a limited partnership. The limited partnership's primary purpose is to make growth equity investments in rural and other underserved sectors in the United States. The limited partnership expires in 2029, with distributions of the dissolution to be made to the limited partners. SCF has \$500,000 invested in preferred stock of an entity. SCF is to receive preferred distributions during the period of investment. At the end of the period, in 2027, the entity is to buy back the preferred shares.

Deployed investment assets are summarized in the table below as follows:

	<u>PRIs</u>	<u>MRIs</u>	<u>Total</u>
Beginning of year	\$ 3,100,000	\$ 1,110,056	\$ 4,210,056
Additional investments	600,000	596,043	1,196,043
Maturities	-	(307,096)	(307,096)
Distributions	-	(23,281)	(23,281)
Investment loss	-	(1,996)	(1,996)
	<u>3,700,000</u>	<u>1,373,726</u>	<u>5,073,726</u>
Less allowance for loan and investment credit risk loss	(168,350)	(117,744)	(286,094)
Add interest receivable	<u>61,037</u>	<u>4,764</u>	<u>65,801</u>
End of year, net	<u>\$ 3,592,687</u>	<u>\$ 1,260,746</u>	<u>\$ 4,853,433</u>

The activity related to the allowance for credit risk loss on investments during the year ended December 31, 2024, is as follows:

Beginning of year balance	\$ 214,944
Provision	<u>71,150</u>
End of year balance	<u>\$ 286,094</u>

SUSTAINABLE COMMUNITIES FUND

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2024

NOTE 3 – Program-Related and Mission-Related Investments (Continued)

Committed/Undeployed

SCF has two unfunded commitments at December 31, 2024, totaling \$121,640. The unfunded commitments consist of one equity investment in the amount of \$400,000 and one loan in the amount of \$299,880. Funding for the equity investment requires formal capital calls from the investee. During 2024, the investee submitted capital calls totaling \$30,760, which SCF funded. The unfunded portion of the loan is pending receipt of a tax credit award pending receipt of a tax credit award by the borrower.

The future repayment of the program-related and mission-related investments are as follows:

Year Ending December 31,	
2025	\$ 1,265,763
2026	500,000
2027	500,000
2028	700,000
2029	1,507,963
Thereafter	<u>600,000</u>
	<u>\$ 5,073,726</u>

NOTE 4 – Related-Party Transactions

SCF has entered into a shared services agreement with SDS. SDS is owned by individuals that serve on the Board of Directors of SCF and are, therefore, considered disqualified persons under the IRC. SCF has determined that this arrangement qualifies as reimbursement for reasonable and necessary costs. Under the agreement, SCF will reimburse SDS for direct costs of services provided by SDS personnel (which includes a 7.5% overhead charge applied to this total). Any services provided directly by disqualified persons are not charged to SCF. During 2024, costs reimbursable to SDS totaled \$3,380, of which \$415 was included in accounts payable at December 31, 2024.

SUSTAINABLE COMMUNITIES FUND

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2024

NOTE 4 – Related-Party Transactions (Continued)

During 2024, SCF entered into a Participation Loan Agreement with Raza Development Fund (RDF), whereby RDF is the lead lender and SCF has a 49% participation interest in the transaction. Members of RDF's leadership serve on the Board of Directors of SCF. The full loan SCF made to RDF was passed along to the end-borrower and SCF pays a 0.25% servicing fee to RDF for managing the loan. As of December 31, 2024, these fees have not yet been incurred.

NOTE 5 – Financial Assets and Liquidity Resources

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position, comprise the following:

Financial Assets:

Cash and cash equivalents	\$ 1,741,348
Contributions receivable, net	<u>67,212</u>
	1,808,560

Less assets unavailable for general use:

Contributions receivable due past one year	(80,000)
Operating reserve	(212,613)
Designated for future funding commitments	<u>(121,640)</u>

Total financial assets available within one year	<u>\$ 1,394,307</u>
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SCF maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. SCF is also scheduled to receive investment repayments totaling \$1,265,763 in 2025. (See Note 3.)

SUSTAINABLE COMMUNITIES FUND

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2024

NOTE 6 – Net Assets

Net Assets Without Donor Restrictions

At December 31, 2024, SCF maintained \$212,613 as an operating reserve for the purpose of maintaining an adequate level of unrestricted net assets to support its day to day operations in the event of unforeseen shortfalls.

At December 31, 2024, SCF's Board of Directors designated \$121,640 for the purpose of funding future commitments. (See Note 3.)

Net Assets With Donor Restrictions

At December 31, 2024, net assets with donor restrictions consisted of \$67,212 of contributions receivable, net of a present value discount and an allowance for uncollectible contributions receivable, that are time restricted.

NOTE 7 – Commitments and Contingencies

SCF's grants and contracts are subject to inspection and audit by the appropriate governmental funding agencies. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously funded program costs. The ultimate liability, which may result from these governmental audits, cannot be reasonably estimated and, accordingly, SCF has no provision for the possible disallowance of program costs in its financial statements. SCF is not currently undergoing any such audits and believes its risk of disallowed costs as a result of audits is minimal.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors
Sustainable Communities Fund
Los Angeles, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Sustainable Communities Fund (SCF) (a California nonprofit corporation), which comprise the statement of financial position as of December 31, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 18, 2025.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered SCF's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SCF's internal control. Accordingly, we do not express an opinion on the effectiveness of SCF's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies.

Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether SCF's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of SCF's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SCF's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Windes, Inc.".

Long Beach, California
June 18, 2025