

Sustainable Communities Fund

Financial Statements
and Other Audit Report

December 31, 2021



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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of Sustainable Communities Fund (a California nonprofit corporation) ("SCF"), which comprise the statement of financial position as of December 31, 2021, 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 as of December 31, 2021, 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 of 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Sustainable Communities Fund 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, 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 Sustainable Communities Fund's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.



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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 Sustainable Communities Fund'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 Sustainable Communities Fund'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 27, 2022, 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, and 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.



Armanino^{LLP}
Los Angeles, California

June 27, 2022

Sustainable Communities Fund
Statement of Financial Position
December 31, 2021

ASSETS

Cash	\$ 3,168,494
Contributions receivable, net	369,600
Program-related investment assets, net, including interest receivable of \$24,683	1,962,033
Mission-related investment assets, net	<u>493,707</u>
 Total assets	 <u><u>\$ 5,993,834</u></u>

LIABILITIES AND NET ASSETS

Liabilities	
Accounts payable and accrued expenses	\$ 26,918
Refundable advances	<u>152,894</u>
Total liabilities	<u>179,812</u>
 Net assets	
Without donor restrictions	
Operating reserve	138,500
Designated for future funding commitments (Note 5)	237,400
General	<u>5,068,522</u>
Total without donor restrictions	5,444,422
With donor restrictions	<u>369,600</u>
Total net assets	<u>5,814,022</u>
 Total liabilities and net assets	 <u><u>\$ 5,993,834</u></u>

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

Sustainable Communities Fund
Statement of Activities
For the Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains, and other support			
Contributions			
Grants	\$ 747,106	\$ -	\$ 747,106
Contributions, net	6,500	2,359	8,859
Net assets released from restriction	414,464	(414,464)	-
Total contributions	1,168,070	(412,105)	755,965
Interest income	77,132	-	77,132
Total revenues, gains, and other support	1,245,202	(412,105)	833,097
Functional expenses			
Program services	44,457	-	44,457
Support services			
Management and general	120,071	-	120,071
Fundraising	10,960	-	10,960
Total support services	131,031	-	131,031
Total functional expenses	175,488	-	175,488
Change in net assets from operations	1,069,714	(412,105)	657,609
Gain on adjustment of previous allowance for uncollectable promises to give	-	(49,286)	(49,286)
Change in net assets	1,069,714	(362,819)	706,895
Net assets, beginning of year	4,374,708	732,419	5,107,127
Net assets, end of year	\$ 5,444,422	\$ 369,600	\$ 5,814,022

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

Sustainable Communities Fund
Statement of Functional Expenses
For the Year Ended December 31, 2021

	<u>Program services</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total</u>
Accounting	\$ -	\$ 27,763	\$ -	\$ 27,763
Bank charge	55	56	-	111
Business taxes and fees	-	10	-	10
Insurance	1,363	734	-	2,097
Allowance for loan losses	(72,753)	-	-	(72,753)
Legal fees	675	1,488	-	2,163
Miscellaneous	-	581	-	581
Overhead fee	799	922	-	1,721
Other consulting	5,332	-	-	5,332
Payroll benefits and fees	15,356	11,880	1,738	28,974
Payroll Salaries	81,464	63,019	9,222	153,705
Staff consulting	10,648	12,295	-	22,943
Software	819	819	-	1,638
Supplies	130	129	-	259
Telephone, telecommunications, and website	374	375	-	749
Travel, conferences, and meetings	195	-	-	195
	<u>\$ 44,457</u>	<u>\$ 120,071</u>	<u>\$ 10,960</u>	<u>\$ 175,488</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, 2021

Cash flows from operating activities	
Change in net assets	\$ 706,895
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Decrease in allowance for doubtful contributions receivable	(49,286)
Decrease in discounts on contributions receivable	(2,359)
Decrease in allowance for doubtful program-related investments	(62,600)
Decrease in allowance for doubtful mission-related investments	(10,153)
Changes in operating assets and liabilities	
Contributions receivable	414,464
Program-related investment assets	706
Mission-related investment assets	(32,591)
Accounts payable and accrued expenses	(5,883)
Refundable advances	<u>152,894</u>
Net cash provided by operating activities	<u>1,112,087</u>
Net increase in cash	1,112,087
Cash, beginning of year	<u>2,056,407</u>
Cash, end of year	<u><u>\$ 3,168,494</u></u>

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

Sustainable Communities Fund
Notes to Financial Statements
December 31, 2021

1. NATURE OF OPERATIONS

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 ("EII"). SCF was created to revolve donations coming from NNMF's investment projects as well as other sources, into a new generation of investments benefiting very high-poverty communities or 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.

SCF filed to terminate its foundation status and transition to a public charity on December 23, 2019, triggering the start of a five-year transition process. SCF will continue to be a private operating 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Income tax status

SCF is exempt from federal income taxes under Section 501(c)(3) and is classified as a private operating foundation under Section 509(a) of the Internal Revenue Code. SCF is subject to federal excise taxes on its net investment income.

Basis of accounting and financial statement presentation

The financial statements of SCF have been prepared on the accrual basis of accounting principals generally accepted in the United States of America ("U.S. GAAP").

SCF reports information regarding its financial position and activities based on the existence or absence of donor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- *Without donor restrictions, operating reserve* - Includes net assets designated as an operating reserve.
- *Without donor restrictions, designated for future funding commitments* - Includes net assets designated for approved program-related investment assets ("PRIs") and mission-related investment assets ("MRIs") that have not yet been funded (see Note 5).

Sustainable Communities Fund
Notes to Financial Statements
December 31, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of accounting and financial statement presentation (continued)

- *Without donor restrictions, general* - Includes contributions, interest income, and other forms of revenue that are not restricted by the donor or grantor as well as expenditures related to the general operations of SCF.
- *With donor restrictions* - Includes net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. At December 31, 2021, net assets with donor restrictions consisted of contributions receivable net of an allowance for uncollectible contributions and present value discount and are being reclassified to net assets without donor restrictions when paid.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

Cash and cash equivalents

SCF considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to building projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition. There were no cash equivalents at December 31, 2021.

Program-related investment assets (PRIs)

SCF makes PRIs to other organizations to achieve its charitable purposes in alignment with SCF's strategies. At December 31, 2021, SCF had seven outstanding PRIs: one in the form of equity and six loans. Five of the PRI investments have been made with not-for-profit entities and two with for-profit entities.

PRIs are evaluated annually for impairment and no impairment losses were recorded during the year ended December 31, 2021. However, an allowance for investment losses was established given the general economic conditions.

Sustainable Communities Fund
Notes to Financial Statements
December 31, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Mission-related investment assets (MRIs)

SCF makes MRIs to other organizations to achieve its charitable purposes in alignment with SCF's strategies. MRIs are market-rate investments and, unlike PRIs, are not considered to be qualified distributions for tax purposes. At December 31, 2021, SCF had three outstanding MRIs in the form of two certificates of deposit and one equity investment. Two of the MRI investments have been made with not-for-profit entities and one with a for-profit entity.

MRIs are evaluated semi-annually for impairment and no impairment losses were recorded during the year ended December 31, 2021. However, an allowance for investment losses was established given the general economic conditions.

PRI and MRI allowance for investment losses

SCF has the following process in determining its allowance for loan losses: SCF assesses each individual investment on its own to determine its individual contribution to the overall PRI or MRI allowance for investment losses.

Initial investment - At the time of reviewing a prospective investment, SCF 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 losses. Underwriters assign this dollar amount for the allowance for investment losses as is deemed appropriate based on the specific perceived investment risk rating, and SCF will set aside this dollar amount into its respective PRI or MRI allowance for investment losses account as the investment funds deploy.

Annual re-assessment - Each 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 on-going borrower communications. Based on the new risk assessment, the allowance for investment losses may be increased or decreased as appropriate.

At the end of 2021, there was \$62,650 in the PRI allowance for investment losses which account for the seven PRI investments. Seven of the PRI investments have been rated as Risk Level 1 and SCF has provided allowances between 2 - 4.9% of capital deployed.

At the end of 2021, there was \$24,390 in the MRI allowance for loan losses which account for the three MRI investments. Two of the MRI investments have been rated as Risk Level 1 and have 100% payment guarantees, and therefore SCF has not provided an allowance for the two Risk Level 1 investments. The third MRI investment has been rated as Risk Level 2 and SCF has provided an allowance equal to 15% of capital deployed.

Sustainable Communities Fund
Notes to Financial Statements
December 31, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

PRI and MRI allowance for investment losses (continued)

During the year ended December 31, 2020, the PRI and MRI allowances also included a general allowance equal to 3.5% of capital deployed. This general allowance reflected management's best estimate of potential investment losses due to the volatile financial market conditions related to the global pandemic experienced in 2020. As of December 31, 2021, management believes that the financial markets have stabilized and the general allowance is no longer needed.

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 of the discounts is included in contribution revenue in the statement of activities. SCF determines the allowance for uncollectible promises to give 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, 2021, management considers all contributions receivable balances to be fully collectible.

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 liability (refundable advances) is recorded when contract cash advances exceed support earned. At December 31, 2021, SCF has \$152,894 in refundable advances. SCF has received approximately \$1,079,159 of cost-reimbursable grants that have not been recognized at December 31, 2021 because qualifying expenses have not yet been incurred.

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 represents cash received in excess of costs incurred on cost reimbursement grants.

Functional expenses

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

Sustainable Communities Fund
Notes to Financial Statements
December 31, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent events

SCF has evaluated events subsequent to December 31, 2021, to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through June 27, 2022, the date the financial statements were available to be issued. Based upon this evaluation it was determined no subsequent events occurred that require recognition or additional disclosure in the financial statements.

3. CONTRIBUTIONS RECEIVABLE AND NET ASSETS WITH DONOR RESTRICTIONS

Contributions receivable and net assets with donor restrictions consisted of the following:

Khan Family Office	\$ 255,000
American Tubing Arkansas, LLC	43,750
The Westervelt Company	<u>80,000</u>
	378,750
Less: discount to present value	<u>(9,150)</u>
	<u><u>\$ 369,600</u></u>

Contributions receivable by year are as follows:

Due in less than 1 year	\$ 128,750
Due in 1 to 5 years	<u>250,000</u>
	378,750
Less: discount to present value	<u>(9,150)</u>
	<u><u>\$ 369,600</u></u>

SCF uses 0.98% as its present value discount factor which is based on an average of 5-year U.S. Treasury rates.

Donor-restricted net assets consist solely of contributions receivable, which are restricted as to time.

4. FEDERAL EXCISE TAXES

Beginning January 2020, Congress modified the excise tax on net investment income from a two-tier 1%/2% rate to a flat rate of 1.39%. The excise tax is imposed on net investment income, as defined under federal law, which includes interest, dividends, and net related gains on the sale of investments. Management records excise tax expense on the cash basis as the amount due is estimated to be de minimis.

Sustainable Communities Fund
Notes to Financial Statements
December 31, 2021

5. INVESTMENT ASSETS

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 ten investments at December 31, 2021, the majority of which are in support of economic development activities in low-income communities in the United States. They 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 generally ranging between 1% and 4%.

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

	<u>PRIs</u>	<u>MRIs</u>	<u>Total</u>
Beginning of year	\$ 2,000,000	\$ 485,506	\$ 2,485,506
Additional investments	500,000	558,186	1,058,186
Maturities and repayments	<u>(500,000)</u>	<u>(525,595)</u>	<u>(1,025,595)</u>
	2,000,000	518,097	2,518,097
Less: allowance for investment losses	(62,650)	(24,390)	(87,040)
Add: Interest receivable	<u>24,683</u>	<u>-</u>	<u>24,683</u>
End of year, net	<u>\$ 1,962,033</u>	<u>\$ 493,707</u>	<u>\$ 2,455,740</u>

Committed/Undeployed

SCF has one unfunded commitment at December 31, 2021 totaling \$237,400. This unfunded commitment consists of one MRI in the amount of \$400,000. Funding for the MRI requires formal capital calls from the investee. During 2021, the investee submitted capital calls totaling \$45,600 which SCF funded.

Sustainable Communities Fund
Notes to Financial Statements
December 31, 2021

5. INVESTMENT ASSETS (continued)

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

<u>Year ending December 31,</u>		
2022	\$	855,497
2023		300,000
2024		-
2025		700,000
2026		500,000
Thereafter		<u>162,600</u>
	\$	<u>2,518,097</u>

6. 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 Internal Revenue Code. 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), up to \$35,000 in 2021. Any services provided directly by disqualified persons are not charged to SCF. During 2021, costs reimbursable to SDS totaled \$26,760, of which \$1,419 was included in accounts payable and accrued expenses at December 31, 2021.

7. LIQUIDITY AND AVAILABILITY

SCF is significantly supported by contributions and grants. SCF's liquidity management policy is designed to provide that its remaining financial assets are available for operations as its general expenditures, liabilities, and other obligations come due.

The following reflects SCF's financial assets reported on the statement of financial position, reduced by amounts not available for general use within one year because of contractual or time restrictions, or commitments to provide funding to identified investments. PRIs and MRIs have been excluded from this analysis, since they are not generally available for use in SCF's operations.

Sustainable Communities Fund
Notes to Financial Statements
December 31, 2021

7. LIQUIDITY AND AVAILABILITY (continued)

Liquidity of financial assets as of December 31, 2021 is as follows:

Financial assets	
Cash	\$ 3,168,494
Contributions receivable, net	<u>369,600</u>
	<u>3,538,094</u>
Less: assets unavailable for general use	
Contributions receivable due past one year	(250,000)
Operating reserve	(138,500)
Designated for future funding commitments	<u>(237,400)</u>
	<u>(625,900)</u>
	<u>\$ 2,912,194</u>

SCF is also scheduled to receive investment repayments totaling \$855,497 in 2022 (see Note 5).

OTHER AUDIT REPORT

INDEPENDENT AUDITOR'S 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 (a California nonprofit corporation) ("SCF"), which comprise the statement of financial position as of December 31, 2021, 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 27, 2022.

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.



Armanino^{LLP}
Los Angeles, California

June 27, 2022