

**HUMBOLDT AREA FOUNDATION
AND SUPPORTING ORGANIZATION
CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2015 and 2014

With

INDEPENDENT AUDITOR'S REPORT

HUMBOLDT AREA FOUNDATION

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HUMBOLDT AREA FOUNDATION
INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Humboldt Area Foundation

We have audited the accompanying consolidated financial statements of Humboldt Area Foundation, a non-profit organization, and its supporting organization, which comprise the consolidated statements of financial position as of June 30, 2015 and 2014, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion.

HUMBOLDT AREA FOUNDATION

INDEPENDENT AUDITOR'S REPORT - CONTINUED

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Humboldt Area Foundation as of June 30, 2015 and 2014, 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.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information schedules on pages 22 - 29 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

David L. Moonie & Co.

CERTIFIED PUBLIC ACCOUNTANTS

Eureka, California

October 9, 2015

HUMBOLDT AREA FOUNDATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2015 and 2014

| | <u>2015</u> | <u>2014</u> |
|---|-----------------------|-----------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 1,787,972 | \$ 3,851,415 |
| Unconditional promises to give, net | 1,743,921 | 10,316,921 |
| Investments | 99,652,613 | 90,297,414 |
| Notes receivable from others | 5,600 | 4,398 |
| Program investment in Leavey Ranch, LLC | 2,000,000 | |
| Property and equipment, net | 2,503,844 | 2,175,873 |
| Other assets | 76,945 | 57,481 |
| TOTAL ASSETS | <u>\$ 107,770,895</u> | <u>\$ 106,703,502</u> |
| LIABILITIES | | |
| Accounts payable | \$ 127,846 | \$ 101,464 |
| Accrued expenses | 127,839 | 100,291 |
| Grants payable | 2,203,864 | 2,020,910 |
| Refundable advances | 20,857 | 51,949 |
| Note payable | 12,061 | 18,719 |
| Agency fund liability | 12,468,915 | 12,914,838 |
| Obligations under split interest agreements | 2,496,250 | 2,601,640 |
| TOTAL LIABILITIES | <u>17,457,632</u> | <u>17,809,811</u> |
| NET ASSETS | | |
| Unrestricted | 79,182,006 | 69,427,277 |
| Temporarily restricted | 4,425,216 | 12,566,266 |
| Permanently restricted | 6,706,041 | 6,900,148 |
| TOTAL NET ASSETS | <u>90,313,263</u> | <u>88,893,691</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 107,770,895</u> | <u>\$ 106,703,502</u> |

See accompanying notes to consolidated financial statements.

HUMBOLDT AREA FOUNDATION
CONSOLIDATED STATEMENTS OF ACTIVITIES

For The Years Ended June 30, 2015 and 2014

| | 2015 | | | | 2014 |
|---|---------------|---------------------------|---------------------------|---------------|---------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total | Total |
| REVENUES AND OTHER SUPPORT | | | | | |
| Contributions | \$ 3,583,472 | \$ 770,680 | \$ 9,000 | \$ 4,363,152 | \$ 8,391,225 |
| Grant income | 161,314 | 1,434,078 | | 1,595,392 | 736,606 |
| Investment income | 2,283,666 | | 240,628 | 2,524,294 | 1,811,682 |
| Workshop and other income | 113,617 | | 223 | 113,840 | 51,171 |
| Administrative fee income | 150,494 | | | 150,494 | 141,037 |
| Rental income | 6,600 | | | 6,600 | 15,300 |
| Net assets released from restrictions - Restrictions satisfied by time | 10,450,038 | (10,441,398) | (8,640) | - | |
| TOTAL REVENUES AND OTHER SUPPORT | 16,749,201 | (8,236,640) | 241,211 | 8,753,772 | 11,147,021 |
| EXPENSES | | | | | |
| Program services: | | | | | |
| Grant making | 3,441,653 | | 230,900 | 3,672,553 | 3,052,120 |
| Education, outreach and training | 171,953 | | | 171,953 | 121,529 |
| Community programs | 1,929,395 | | | 1,929,395 | 1,573,389 |
| Support services: | | | | | |
| Administrative | 710,182 | | | 710,182 | 980,053 |
| Investment | 185,463 | | 7,503 | 192,966 | 201,677 |
| Development | 283,349 | | | 283,349 | 301,393 |
| TOTAL EXPENSES | 6,721,995 | - | 238,403 | 6,960,398 | 6,230,161 |
| GAINS AND LOSSES | | | | | |
| Realized and unrealized gains (losses) on investments | (386,599) | | (82,376) | (468,975) | 10,281,269 |
| Gain (loss) on disposal of assets | (417) | | | (417) | (15,548) |
| Actuarial gain (loss) on annuity obligation | | 95,590 | | 95,590 | 405,650 |
| TOTAL GAINS AND LOSSES | (387,016) | 95,590 | (82,376) | (373,802) | 10,671,371 |
| INTERFUND TRANSFERS | | | | | |
| Administrative fees | 114,539 | | (114,539) | - | - |
| Contributions/grants | - | - | - | - | - |
| CHANGE IN NET ASSETS | 9,754,729 | (8,141,050) | (194,107) | 1,419,572 | 15,588,231 |
| NET ASSETS BEGINNING OF YEAR (as previously stated) | 69,313,699 | 12,566,266 | 7,013,726 | 88,893,691 | 73,305,460 |
| Reclassification of funds as unrestricted | 113,578 | | (113,578) | - | - |
| NET ASSETS BEGINNING OF YEAR (as restated) | 69,427,277 | 12,566,266 | 6,900,148 | 88,893,691 | 73,305,460 |
| NET ASSETS END OF YEAR | \$ 79,182,006 | \$ 4,425,216 | \$ 6,706,041 | \$ 90,313,263 | \$ 88,893,691 |

See accompanying notes to consolidated financial statements.

HUMBOLDT AREA FOUNDATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

For The Years Ended June 30, 2015 and 2014

| | <u>2015</u> | <u>2014</u> |
|---|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Increase (decrease) in net assets | \$ 1,419,572 | \$ 15,588,231 |
| Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities: | | |
| Depreciation | 81,622 | 76,945 |
| Realized and unrealized (gain) loss on investments | 468,975 | (10,281,269) |
| Realized and unrealized (gain) loss on Agency Fund investments | 66,531 | (1,409,156) |
| Realized and unrealized (gain) loss on Split-interest agreement | 28,464 | (603,544) |
| Donated securities | (746,078) | (1,213,247) |
| Donated real property, Leavey Ranch, LLC | (2,000,000) | |
| (Gain) loss on disposition of fixed assets | 417 | 15,548 |
| Change in actuarial annuity liability | (105,390) | 320,774 |
| (Increase) decrease in operating assets: | | |
| Unconditional promises to give | 8,573,000 | (4,043,529) |
| Other assets | (19,464) | 328,397 |
| Increase (decrease) in operating liabilities: | | |
| Accounts payable | 26,382 | 44,939 |
| Accrued expenses | 27,548 | (4,149) |
| Grants payable | 182,954 | 148,352 |
| Refundable advances | (31,092) | (7,386) |
| Agency fund liability | (445,923) | 149,130 |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | <u>7,527,518</u> | <u>(889,964)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from repayments of notes receivable | 4,798 | 13,519 |
| Issuance of notes receivable | (6,000) | |
| Proceeds from investments | 16,708,145 | 31,547,949 |
| Purchase of certificates of deposit | (500,000) | |
| Redemption of certificates of deposit | | 501,502 |
| Purchases of investments | (25,381,236) | (30,117,189) |
| Purchases of property and equipment | (410,010) | (65,023) |
| NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES | <u>(9,584,303)</u> | <u>1,880,758</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Payments on note payable | (6,658) | (6,533) |
| NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES | <u>(6,658)</u> | <u>(6,533)</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (2,063,443) | 984,261 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | <u>3,851,415</u> | <u>2,867,154</u> |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u>\$ 1,787,972</u> | <u>\$ 3,851,415</u> |
| Supplemental schedule of cash flow information: | | |
| Cash paid during the year for interest | <u>\$ 368</u> | <u>\$ 499</u> |

See accompanying notes to consolidated financial statements.

HUMBOLDT AREA FOUNDATION
Notes To Consolidated Financial Statements
June 30, 2015 and 2014

1. DESCRIPTION OF THE HUMBOLDT AREA FOUNDATION AND SUPPORTING ORGANIZATION

Nature of Activities

The Humboldt Area Foundation (the "Foundation" or "HAF"), a nonprofit public benefit corporation, was originally formed in 1972 under a Declaration of Trust for public and charitable purposes to develop philanthropy and engage in grant making in northwestern California. On May 3, 1972, the Foundation received a gift of \$1,000 from Vera Perrott Vietor and was subsequently named an income beneficiary of the Estate of Vera Perrott Vietor. During 1974, a distribution was received from the estate and the Foundation commenced operation.

On August 25, 1993, the Humboldt Area Foundation was incorporated. The original Declaration of Trust created in 1972 was terminated and all trust assets were transferred to the new nonprofit corporation. HAF is governed by a Board of Directors, consisting of twelve persons, who are appointed for four-year terms. The Foundation's mission is to promote and encourage generosity, leadership and inclusion to strengthen our communities.

The accompanying consolidated financial statements include the accounts of the Humboldt Area Foundation and the Union Labor Health Foundation ("ULHF"), a supporting organization of the Foundation. The Foundation is responsible for expenditures of ULHF for specific charitable purposes. All material inter-organizational transactions and balances have been eliminated in preparing the financial statements. Upon dissolution of ULHF, the assets of ULHF would transfer to the Foundation.

The Foundation serves residents in the Wild Rivers Region by operating under the name Wild Rivers Community Foundation and in Trinity County by operating under the name Trinity Trust. The operations are supported by advisory boards of local residents that make recommendations for programs and grants in their region. The accompanying consolidated financial statements include all activities in those regions.

HUMBOLDT AREA FOUNDATION
Notes To Consolidated Financial Statements
June 30, 2015 and 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Foundation is presented to assist in understanding the Foundation's financial statements. The financial statements and notes are representations of management, who is responsible for their integrity and objectivity. These accounting policies have been consistently applied in the preparation of the financial statements.

Basis of Accounting

The Foundation's financial statements include the accounts of HAF and ULHF and have been prepared on the accrual basis of accounting under the provisions of the Audit Guide for Not-for-Profit Organizations (the "Guide") published by the American Institute of Certified Public Accountants. The Guide and its related standards provide that net assets, and changes therein, are classified according to the existence of donor-imposed restrictions.

Program Services

The Foundation's programs consist of disbursement and management of grants and community programs such as education, outreach and training to qualified not-for-profit organizations. The Foundation conducts grant management in its Operating and Special Projects, Endowment and Managed Funds. The education, outreach and training are conducted in its Operating and Special Projects Funds. The Foundation's supporting organization, ULHF, is a grant making organization focused on health care in Humboldt County.

Programs that operate as fiscal sponsored projects under the Foundation include Humboldt Made, Redwood Coast Rural Action, NorCAN, True North, and Native Cultures Fund. These programs are funded principally by outside grants, particularly from The California Endowment.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. In accordance with FASB ASC 958, *Not-for-Profits*, issued by the Financial Accounting Standards Board, assets for which the gift instruments grant the Foundation variance power are classified as unrestricted.

HUMBOLDT AREA FOUNDATION
Notes To Consolidated Financial Statements

June 30, 2015 and 2014

Estimates

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

Agency Funds

The Foundation has a number of funds in which it acts as an agent and holds the assets for other charitable organizations. For these funds, an asset and a corresponding liability are recorded on the Statement of Financial Position. Also, in accordance with FASB ASC 958, the income and expenses of agency funds are not reported in the Foundation's Statement of Activities. Following is a summary of the agency fund activities for the years ending June 30, 2015 and 2014:

| | 2015 | 2014 |
|---|-----------------------------|-----------------------------|
| Balance, beginning of the year | \$ 12,914,838 | \$ 12,765,708 |
| Additions to the funds | 2,524,625 | 1,837,370 |
| Interest and dividends | 334,635 | 249,197 |
| Unrealized and realized investment gain(loss) | (66,531) | 1,409,156 |
| Other income | - | 1,074 |
| Total Increases to Agency Funds | <u>2,792,729</u> | <u>3,496,797</u> |
| Grants(net) | (203,442) | (457,716) |
| Management fees | (101,402) | (93,662) |
| Expenses | (9,708) | (22,366) |
| Withdrawal of funds by agency | <u>(2,924,100)</u> | <u>(2,773,923)</u> |
| Total Decreases to Agency Funds | <u>(3,238,652)</u> | <u>(3,347,667)</u> |
| Balance, end of the year | <u><u>\$ 12,468,915</u></u> | <u><u>\$ 12,914,838</u></u> |

Donated Property and Equipment

Donations of property and equipment are recorded at their estimated fair value and real property requires an appraisal. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Foundation reclassifies temporarily restricted net assets to unrestricted net assets at that time.

HUMBOLDT AREA FOUNDATION
Notes To Consolidated Financial Statements

June 30, 2015 and 2014

Refundable Advances

Refundable advances represent conditional contributions for which the condition has not been substantially met. In addition, refundable advances represent funds which have been received from grants or contracts that are considered to be exchange transactions. These funds are for specific programs which have not yet taken place.

Expense Allocations

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain administrative costs have been allocated among the programs and supporting services benefited.

Cash Equivalents

Cash equivalents are defined as short-term, highly liquid investments that are readily convertible to cash and mature within 90 days or less of the acquisition date.

Donated Investments

Investments, consisting of gifts of securities and/or other property to the Foundation, are recorded at their fair value on the date of gift.

Investments

The Foundation's securities investments that are bought and held principally for the purpose of selling them in the near term are classified as trading securities. Trading securities are recorded at their fair value on the statement of financial position, with the change in fair value during the period included in earnings. For the years ended June 30, 2015 and 2014, all of the Foundation's investments are considered trading securities. Certificates of deposit with maturities over 90 days are included in investments.

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation computed on the straight-line method. It is the Foundation's policy to capitalize expenditures for these items in excess of \$2,500. Lesser amounts are expensed.

HUMBOLDT AREA FOUNDATION
Notes To Consolidated Financial Statements

June 30, 2015 and 2014

Fund Accounting

The accounts of the Foundation are maintained in accordance with the principles of fund accounting. Under fund accounting, resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups.

Income Tax Status

The Foundation qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (IRC) and, therefore, has no provision for federal income taxes. In addition, the Foundation qualifies for the charitable contribution deduction under IRC Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2). The supporting organization meets the requirements of IRC Section 509(a)(3). However, the Foundation is subject to income taxes on any net income that is derived from a trade or business and not in furtherance of the purposes for which it was granted exemption. No income tax provision has been recorded as the net income, if any, from any unrelated business, in the opinion of management, is not material to the financial statements taken as a whole.

The Foundation evaluates uncertain tax positions in accordance with ASC 740-10-25-6, *Income Taxes*, whereby the effect of uncertainty would be recorded if the tax positions will more likely than not be sustained upon examination. As of June 30, 2015 and 2014, the Foundation had no uncertain tax positions requiring accrual or disclosure.

The federal income tax returns of the Foundation for fiscal years ended June 30, 2014, 2013, and 2012 are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

Investment Pools

The Foundation maintains three master investment accounts for the various types of funds within the Foundation. Realized and unrealized gains and losses and income from the master investment accounts are allocated monthly to individual funds based on individual average daily fund balances.

HUMBOLDT AREA FOUNDATION
Notes To Consolidated Financial Statements

June 30, 2015 and 2014

Investment Pools - Continued

The three master accounts are as follows: The Long-term pool for endowment funds or funds with a long-term horizon is invested 70 percent in equities, 20 percent in fixed income, five percent in the Absolute Return fund, and five percent real estate equities. The Fixed Income pool focuses on maintaining the principal of the fund and is invested in money market accounts. The Medium-term pool of investments is designed for funds with a shorter time frame of three to five years. The pool is composed of 60 percent fixed income investments and 40 percent equity investments.

Mission related investments are included in the Long-term pool as part of the fixed income portion of the pool and is detailed in Note 9.

Net Asset Classifications

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board ASC 958, *Not-for-Profit Entities*. Under ASC 958-210-50-3, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted Net Assets – All contributions other than endowments, including those with donor-imposed restrictions, are subject to the variance power established by the Foundation's governing documents. The variance provision gives the Board of Directors the power to modify any restriction placed on gifts to the Foundation that is incapable of fulfillment or is no longer consistent with the charitable needs of the community. Accordingly, unless time restrictions have been imposed on contributions, net assets are generally classified as unrestricted net assets.

Temporarily Restricted Net Assets – These are subject to donor imposed restrictions that will be met by the passage of time. The Foundation's temporarily restricted net assets primarily consist of unconditional promises to give not collected.

Permanently Restricted Net Assets – The portion of net assets that are subject to donor-imposed restrictions that will be maintained in perpetuity. The investment income generated from these assets is temporarily restricted by law until appropriated by the Board in support of the Foundation's programs and operations. The Foundation's permanently restricted net assets consist of contributions from and related activity of perpetual trusts and those endowment funds held by the Foundation as defined under the Uniform Prudent Management of Institutional Funds Act (UPMIFA).

HUMBOLDT AREA FOUNDATION
Notes To Consolidated Financial Statements

June 30, 2015 and 2014

Net Asset Classifications - Continued

Endowment Funds

The Foundation follows ASC Topic 958-205, *Classifications of Donor-Restricted Endowment Funds Subject to Uniform Prudent Management of Institutional Funds Act (UPMIFA)*, which was effective for fiscal years ending after December 5, 2008.

Endowment Investment and Spending Policies

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment, while seeking to maintain the purchasing power of the Foundation's endowment assets. Both the Foundation's spending and investment policies work together to achieve this objective.

The investment policy establishes an achievable return objective through diversification of asset classes.

The current long-term return objective is approximately 6.7 percent, net of investment fees. Actual returns in any given year may vary from this amount. To satisfy long-term rate of return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk parameters.

The spending policy calculates the amount of money annually distributed from the Foundation's various endowed funds, for grant making and administration. The current spending policy is to distribute an amount equal to four percent of the fair value of the assets as of the last sixteen quarters. The spending policy is reviewed annually by the Board of Directors.

3. CASH AND CASH EQUIVALENTS

Cash held by the Foundation at June 30, 2015 and 2014 consists of the following:

| | <u>2015</u> | <u>2014</u> |
|---|---------------------|---------------------|
| Cash and Checking | \$ 792,811 | \$ 397,318 |
| Savings and Money Market | 649,040 | 2,990,391 |
| Money Market at Investment Companies | 346,121 | 203,288 |
| In Transit from Crescent City Title Company | - | 260,418 |
| Total Cash and Cash Equivalents | <u>\$ 1,787,972</u> | <u>\$ 3,851,415</u> |

HUMBOLDT AREA FOUNDATION
Notes To Consolidated Financial Statements

June 30, 2015 and 2014

4. UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give at June 30, 2015 and 2014 consist of the following:

| | 2015 | 2014 |
|--|--------------|---------------|
| Amounts due in less than one year | \$ 2,575,355 | \$ 10,525,141 |
| Amounts due in one to five years | - | 1,290,000 |
| Amounts due in more than five years | 230,243 | 230,243 |
| Total | 2,805,598 | 12,045,384 |
| Less allowance for uncollectible promises receivable | (1,061,677) | (1,728,463) |
| Total | \$ 1,743,921 | \$ 10,316,921 |

Unconditional promises to give are composed of amounts expected to be received from decedents' estates/trusts, and amounts to be received from charitable remainder trusts for which the Foundation is named as beneficiary, but not named as trustee. It is reasonably possible that these estimates could fluctuate based on changes in future market prices in the near term.

5. INVESTMENTS

Investments in marketable equity securities with readily determinable values are stated at fair market value, and realized and unrealized gains and losses are reflected in the statement of activities. The Foundation maintains cash in excess of daily requirements, annuity trust payments, and certain required term and permanent endowments in cash equivalents.

The Board of Directors has a fiduciary responsibility to manage investment assets to produce income to meet annual grant requirements and to invest funds to preserve future spending. Fees for investment management and consulting totaled \$252,963 and \$227,494 for the years ending June 30, 2015 and 2014, respectively. The total does not include the institutional fees in mutual funds. The fees represent less than one percent of the investment portfolios. Investment services include management reports with comprehensive objective analysis and an overall long-term investment strategy with on-going evaluations for the changing environment.

HUMBOLDT AREA FOUNDATION
Notes To Consolidated Financial Statements

June 30, 2015 and 2014

6. FAIR VALUE MEASUREMENTS

FASB ASC 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.
- Level 2 Inputs to the valuation methodology include:
 - quoted prices for similar assets or liabilities in active markets;
 - quoted prices for identical or similar assets or liabilities in inactive markets;
 - inputs other than quoted prices that are observable for the asset or liability;
 - inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset 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 use of observable inputs and minimize the use of unobservable inputs.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

HUMBOLDT AREA FOUNDATION
Notes To Consolidated Financial Statements

June 30, 2015 and 2014

6. FAIR VALUE MEASUREMENTS - CONTINUED

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2015 and 2014:

| <i>Assets at Fair Value as of June 30, 2015</i> | | | | |
|---|----------------------|---------------------|---------------------|-----------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Certificates of Deposit | | \$ 1,004,672 | | \$ 1,004,672 |
| Mutual funds | \$ 91,303,667 | | | 91,303,667 |
| Common stocks | 6,014,481 | | | 6,014,481 |
| Variable annuity | | 34,530 | | 34,530 |
| Privately-held equities | | | \$ 516,829 | 516,829 |
| Mission related investments | | | 778,434 | 778,434 |
| Program investment in Leavey Ranch, LLC | | | 2,000,000 | 2,000,000 |
| Unconditional promises to give | | | 1,743,921 | 1,743,921 |
| Total assets at fair value | <u>\$ 97,318,148</u> | <u>\$ 1,039,202</u> | <u>\$ 5,039,184</u> | <u>\$ 103,396,534</u> |

| <i>Assets at Fair Value as of June 30, 2014</i> | | | | |
|---|----------------------|-------------------|----------------------|-----------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Certificates of Deposit | | \$ 501,234 | | \$ 501,234 |
| Mutual funds | \$ 82,651,900 | | | 82,651,900 |
| Common stocks | 6,182,547 | | | 6,182,547 |
| Variable annuity | | 34,426 | | 34,426 |
| Privately-held equities | | | \$ 326,997 | 326,997 |
| Mission related investments | | | 600,310 | 600,310 |
| Unconditional promises to give | | | 10,316,921 | 10,316,921 |
| Total assets at fair value | <u>\$ 88,834,447</u> | <u>\$ 535,660</u> | <u>\$ 11,244,228</u> | <u>\$ 100,614,335</u> |

Level 3 Gains and Losses

The following table sets forth a summary of changes in the fair value of the Foundation's Level 3 assets for the years ended June 30, 2015 and 2014:

| <i>Level 3 Assets</i> | | |
|--|--|----------------------|
| | <i>Year Ended June 30, 2015 and 2014</i> | |
| | 2015 | 2014 |
| Fair value, beginning of year | \$ 11,244,228 | \$ 6,540,605 |
| Unrealized gain on privately-held equities | (47,418) | 59,783 |
| Contributed privately-held equities | 237,250 | - |
| Mission related investment loans issued | 262,444 | 600,310 |
| Mission related investment loans repaid | (84,320) | - |
| Investment in limited liability company | 2,000,000 | |
| New unconditional promises to give | 770,680 | 4,959,593 |
| Collection of unconditional promises to give | (9,774,603) | (3,086,840) |
| Reduction in unconditional promises to give | (235,863) | (722,647) |
| Allowance for unconditional promises to give | 666,786 | 2,893,424 |
| Fair value, end of year | <u>\$ 5,039,184</u> | <u>\$ 11,244,228</u> |

HUMBOLDT AREA FOUNDATION
Notes To Consolidated Financial Statements

June 30, 2015 and 2014

7. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

| | 2015 | | | |
|--------------------------------|---------------------|---------------------------|---------------------------|---------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| Land | \$ 311,456 | \$ 300,000 | \$ 188,000 | \$ 799,456 |
| Office furniture and equipment | 214,198 | | | 214,198 |
| Building and improvements | 1,884,454 | 140,867 | 345,600 | 2,370,921 |
| | 2,410,108 | 440,867 | 533,600 | 3,384,575 |
| Less accumulated depreciation | 684,002 | 23,929 | 172,800 | 880,731 |
| Total | <u>\$ 1,726,106</u> | <u>\$ 416,938</u> | <u>\$ 360,800</u> | <u>\$ 2,503,844</u> |

| | 2014 | | | |
|--------------------------------|---------------------|---------------------------|---------------------------|---------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| Land | \$ 220,000 | \$ 300,000 | \$ 188,000 | \$ 708,000 |
| Office furniture and equipment | 262,914 | | | 262,914 |
| Building and improvements | 1,603,983 | 140,867 | 345,600 | 2,090,450 |
| | 2,086,897 | 440,867 | 533,600 | 3,061,364 |
| Less accumulated depreciation | 701,014 | 20,317 | 164,160 | 885,491 |
| Total | <u>\$ 1,385,883</u> | <u>\$ 420,550</u> | <u>\$ 369,440</u> | <u>\$ 2,175,873</u> |

Depreciation expense was \$81,622 and \$76,945 for the years ended June 30, 2015 and 2014, respectively.

The Foundation conducts its operations at 363 Indianola Road, Bayside, California. The real property was previously held in trust under the will of Vera P. Vietor, and was transferred to the Foundation as successor trustee on January 17, 1995. The Vietor Trust was terminated on December 31, 2010. The property was transferred to the Foundation on April 17, 2015. The Foundation continues to follow all the terms of the Trust and considers the assets to be permanently restricted. The real property is shown in the operating fund as "Property and equipment, net" on page twenty-two in the supplementary information, but is restricted in use for the Foundation's operations.

HUMBOLDT AREA FOUNDATION
Notes To Consolidated Financial Statements

June 30, 2015 and 2014

8. SPLIT INTEREST AGREEMENTS

The Foundation administers twenty charitable remainder trusts. A charitable remainder trust provides for the payment of distributions to the grantor or other designated beneficiaries over the trust's term (often the designated beneficiary's lifetime). At the end of the trust's term, the remaining assets are available for the Foundation's use. The portion of the trust attributable to the present value of the future benefits to be received by the Foundation is recorded in the Statements of Activities as a temporarily restricted contribution in the period the trust is established.

At June 30, 2015 and 2014 assets held in the charitable remainder trusts changed in value as follows:

| | 2015 | 2014 |
|---|----------------------------|----------------------------|
| Balance, beginning of the year | \$ 4,259,653 | \$ 3,533,229 |
| Additions to the funds: | | |
| Contributions | 255,029 | 367,426 |
| Interest and dividends | 132,595 | 104,665 |
| Unrealized and realized investment gain(loss) | (28,464) | 603,544 |
| Other income | - | 473 |
| Total additions | <u>359,160</u> | <u>1,076,108</u> |
| Reductions to the funds: | | |
| Management fees | (49,093) | (47,376) |
| CRT payments | (312,273) | (298,432) |
| Expenses | <u>(7,594)</u> | <u>(3,876)</u> |
| Total reductions | <u>(368,960)</u> | <u>(349,684)</u> |
| Balance, end of the year | <u><u>\$ 4,249,853</u></u> | <u><u>\$ 4,259,653</u></u> |

On an annual basis, the Foundation revalues the liability to make distributions to the designated beneficiaries based on actuarial assumptions. The present value of the estimated future payments (\$2,496,250 at June 30, 2015 and \$2,601,640 at June 30, 2014) is calculated using a discount rate and applicable mortality tables.

HUMBOLDT AREA FOUNDATION
Notes To Consolidated Financial Statements

June 30, 2015 and 2014

9. MISSION RELATED INVESTMENTS

The Foundation's Board of Directors approved a policy of investing up to 3 percent of the long-term investment portfolio into local investments, approximately \$2.7 million as of June 30, 2015.

These are considered part of the fixed income allocation and may be invested directly in loans or other debt securities in the Humboldt, Del Norte, Curry and Trinity County regions.

Investments are approved on a case-by-case basis by the Foundation's Investment Committee and the Board of Directors. Investment guidelines include: participation with a bank or other lending institution to help evaluate the risk and to service the loan; no individual investment greater than one-third of total local investing allocation; investments made with a government or non-profit agency or, in a for-profit organization, if the investment has positive social potential for the area; expected interest rates should be comparable to or better than long-term expected return on the fixed income portfolio as a whole (currently 2.5 percent); maximum commitment should be less than 15 years. Current local investment commitments outstanding as of June 30, 2015 are as follows:

The Foundation has partnered with Arcata Economic Development Corporation (AEDC), Headwaters Fund, and Redwood Regional Economic Development Commission to each loan up to \$375,000 to Northern California Indian Development Council for the refurbishing of the Carson Block Building on 3rd Street, Eureka. The loan has a 90 percent loan guarantee from the Bureau of Indian Affairs. The loan has a 5.5 percent interest rate and started in July, 2013.

The Foundation partnered with AEDC and the Headwaters Fund to each loan up to \$500,000 to Open Door Clinic to purchase property and to fund planning costs for a new clinic in Arcata, California. The loan has collateral of existing properties of Open Door Clinic. The loan has a 4.85 percent interest rate and started in January, 2014.

The Foundation partnered with AEDC and the Headwaters Fund to provide a \$200,000 loan to the Sequoia Park Zoo Foundation to complete the improvements to the zoo, including the eagle aviary and education center. The loan is secured with a first deed of trust on the zoo property owned by the City of Eureka. The loan has a five percent interest rate and payments are for principal and interest beginning in October 15, 2014 with a maturity date of September 15, 2017.

HUMBOLDT AREA FOUNDATION
Notes To Consolidated Financial Statements

June 30, 2015 and 2014

9. MISSION RELATED INVESTMENTS - CONTINUED

The Foundation board approved a loan in partnership with AEDC and Headwaters Fund to the Arcata Fire Department to support the expansion of the McKinleyville fire station and refurbishing the Arcata fire station. The loan is for \$1,250,000 with the Foundation's portion at \$625,000. The loan has collateral of the fire stations and the rent by the Fire District would support the repayment of the loan. The loan has a 4.5 percent interest rate and may not be used until 2016.

10. PROGRAM INVESTMENT IN LEAVEY RANCH, LLC

The Foundation received a 240 acre historic working ranch in November 2014 that supports education-based research in rangeland management, wildlife, forestry, and fisheries. The property was contributed at the appraised value of \$2,000,000 to the Leavey Ranch, LLC ("the LLC"), of which the Foundation is the sole member. Decisions for a five-year management plan are made by the Leavey Ranch Advisory Committee. An endowment fund was set up with the Foundation for the maintenance of the property and the fund will make regular payments to the LLC for the ranch maintenance.

11. GRANT FUNDED PROJECTS

The Foundation received grant funds from several institutions including The California Endowment, Irvine Foundation, Hewlett Foundation, and Morgan Family Foundation. These grant funds support various programs managed by Humboldt Area Foundation including some staff positions. The expenses are included in the community program line item on the Statement of Activities. Programs managed by the Foundation include Building Healthy Communities in the Del Norte and Adjacent Tribal Lands, Native Culture Program, Boys and Men of Color, and Regional Connections Initiative.

12. PENSION

The Foundation has a tax-deferred annuity plan as covered in Internal Revenue Code Section 403(b). Regular employees working a minimum of twenty hours per week are eligible to enter the Plan as a participant (a) solely for the purpose of making elective deferrals, upon date of hire; and (b) solely for the purpose of receiving employer non-elective contributions, upon completing six months of service. The current employer annual contribution is ten percent of gross salary. Total employer contributions as of June 30, 2015 and 2014, were \$131,170 and \$127,423, respectively.

HUMBOLDT AREA FOUNDATION
Notes To Consolidated Financial Statements

June 30, 2015 and 2014

13. ADMINISTRATIVE FEES

The Foundation charged administrative fees for the management of funds of \$1,557,739 and \$1,366,137 for the years ending June 30, 2015 and 2014, respectively, which were charged as follows:

| | 2015 | 2014 |
|---------------------------|---------------------|---------------------|
| Endowment Funds | \$ 1,078,920 | \$ 948,245 |
| Managed Funds | 253,325 | 209,695 |
| Supporting Organization | 75,000 | 67,160 |
| Agency Funds | 101,401 | 93,661 |
| Split-Interest Funds | 49,093 | 47,376 |
| Total administrative fees | <u>\$ 1,557,739</u> | <u>\$ 1,366,137</u> |

14. BOARD RESTRICTED FUNDS

The Foundation established an operating reserve at June 30, 2015 and 2014 of \$759,258 and \$745,909, respectively, from discretionary funds in a Board-restricted fund to be used when economic circumstances limit the income for operations. The Board considers it prudent management to plan for possible downturns in the economy with the ability to continue operations and continue to respond to the community during economic challenges.

The Foundation also set up three Board-restricted funds reserved for special projects. The balance of the funds at June 30, 2015 and 2014 totaled \$423,353 and \$492,034, respectively.

15. CONCENTRATION OF CREDIT RISK

The Foundation maintains cash balances at several financial institutions located in northern California. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000 and \$250,000 in 2015 and 2014, respectively. At June 30, 2015 and 2014, the Foundation's uninsured cash balances total \$1,723,373 and \$2,879,692, respectively. These amounts include investments in Certificates of Deposit in addition to cash and cash equivalents.

HUMBOLDT AREA FOUNDATION
Notes To Consolidated Financial Statements

June 30, 2015 and 2014

16. SUPPORTING ORGANIZATION

As of July 1, 1997, Union Labor Health Foundation ("ULHF") became a supporting organization of the Foundation under the provisions of Section 509(a)(3) of the Internal Revenue Code. The Humboldt Area Foundation is responsible for the expenditures of the ULHF for specific charitable purposes. This responsibility is ensured by the presence of two board members appointed to the board of ULHF by HAF. ULHF's charitable purpose is to expand access to affordable, quality health care for underserved individuals, families, groups and communities, and to promote fundamental improvements in the health status of the people of Humboldt County. Upon dissolution of ULHF, the assets of ULHF would transfer to the Foundation.

17. RELATED PARTY TRANSACTIONS

The Foundation has a contract with a Board member to provide services under a grant supporting the Building Healthy Communities program in the Del Norte area. The contract was approved by the Board in accordance with the Foundation's conflict of interest policy.

18. PRIOR PERIOD RESTATEMENT

Unrestricted June 30, 2014 net assets in the financial statements have been restated for an increase of \$113,578 due to an error in recognizing administrative fees previously reported as permanently restricted. A corresponding reduction of \$113,578 has been restated in permanently restricted net assets. There was no prior period restatement of total net assets as of June 30, 2014.

19. SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 9, 2015, the date on which the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

HUMBOLDT AREA FOUNDATION
SCHEDULE 1 - COMBINING STATEMENT OF FINANCIAL POSITION

June 30, 2015

| | Operating and Special Projects Funds | Endowment Funds | Managed Funds | Supporting Organization | Total |
|---|--|----------------------|----------------------|----------------------------|-----------------------|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 1,349,033 | \$ 340,783 | \$ 81,066 | \$ 17,090 | \$ 1,787,972 |
| Unconditional promises to give | | 1,743,921 | | | 1,743,921 |
| Investments | 1,281,417 | 65,753,896 | 27,265,923 | 5,351,377 | 99,652,613 |
| Notes receivable from others | 5,600 | | | | 5,600 |
| Investment in LLC | | 2,000,000 | | | 2,000,000 |
| Property and equipment, net | 1,859,310 | 519,534 | 125,000 | | 2,503,844 |
| Other assets | 65,350 | 11,595 | | | 76,945 |
| TOTAL ASSETS | <u>\$ 4,560,710</u> | <u>\$ 70,369,729</u> | <u>\$ 27,471,989</u> | <u>\$ 5,368,467</u> | <u>\$ 107,770,895</u> |
| LIABILITIES | | | | | |
| Accounts payable | \$ 115,471 | \$ 12,122 | | \$ 253 | \$ 127,846 |
| Accrued expenses | 127,239 | 600 | | | 127,839 |
| Grants payable | 227,586 | 1,751,449 | \$ 170,545 | 54,284 | 2,203,864 |
| Refundable advances | 20,857 | | | | 20,857 |
| Note payable | 12,061 | | | | 12,061 |
| Agency fund liability | | | 12,468,915 | | 12,468,915 |
| Obligations under split interest agreements | | 2,496,250 | | | 2,496,250 |
| TOTAL LIABILITIES | <u>503,214</u> | <u>4,260,421</u> | <u>12,639,460</u> | <u>54,537</u> | <u>17,457,632</u> |
| NET ASSETS | | | | | |
| Unrestricted | 2,769,005 | 56,266,542 | 14,832,529 | 5,313,930 | 79,182,006 |
| Temporarily restricted | 927,691 | 3,497,525 | - | | 4,425,216 |
| Permanently restricted | 360,800 | 6,345,241 | | | 6,706,041 |
| TOTAL NET ASSETS | <u>4,057,496</u> | <u>66,109,308</u> | <u>14,832,529</u> | <u>5,313,930</u> | <u>90,313,263</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 4,560,710</u> | <u>\$ 70,369,729</u> | <u>\$ 27,471,989</u> | <u>\$ 5,368,467</u> | <u>\$ 107,770,895</u> |

See independent auditor's report.

HUMBOLDT AREA FOUNDATION
SCHEDULE 2 - COMBINING STATEMENT OF ACTIVITIES - UNRESTRICTED

For The Year Ended June 30, 2015

| | Operating and Special Projects Funds | Endowment Funds | Managed Funds | Supporting Organization | Total |
|--|--|-----------------|---------------|----------------------------|---------------|
| REVENUES AND OTHER SUPPORT | | | | | |
| Contributions | \$ 737,552 | \$ 1,331,305 | \$ 1,511,865 | \$ 2,750 | \$ 3,583,472 |
| Grant income | 133,814 | 25,000 | 2,500 | | 161,314 |
| Investment income | 42,859 | 1,654,045 | 418,606 | 168,156 | 2,283,666 |
| Workshop and other income | 113,477 | 140 | - | - | 113,617 |
| Administrative fee income | 150,494 | | | | 150,494 |
| Rental income | | 6,600 | | | 6,600 |
| Net assets released from restrictions - | | | | | |
| Restrictions satisfied by time | 1,153,859 | 8,264,179 | 1,032,000 | | 10,450,038 |
| TOTAL REVENUES AND OTHER SUPPORT | 2,332,055 | 11,281,269 | 2,964,971 | 170,906 | 16,749,201 |
| EXPENSES | | | | | |
| Program services: | | | | | |
| Grant making | 1,222,488 | 1,398,422 | 663,267 | 157,476 | 3,441,653 |
| Education, outreach and training | 171,953 | | | | 171,953 |
| Community programs | 1,929,395 | | | | 1,929,395 |
| Support services: | | | | | |
| Administrative | 704,418 | - | | 5,764 | 710,182 |
| Investment | 3,738 | 164,461 | 12,301 | 4,963 | 185,463 |
| Development | 283,349 | | | | 283,349 |
| TOTAL EXPENSES | 4,315,341 | 1,562,883 | 675,568 | 168,203 | 6,721,995 |
| GAINS AND LOSSES | | | | | |
| Realized and unrealized gains (losses) | | | | | |
| on investments | (12,178) | (218,708) | (120,627) | (35,086) | (386,599) |
| Gain (loss) on disposal of assets | (417) | | | | (417) |
| Actuarial gain (loss) on | | | | | |
| annuity obligation | | | | | |
| TOTAL GAINS AND LOSSES | (12,595) | (218,708) | (120,627) | (35,086) | (387,016) |
| CHANGE IN NET ASSETS BEFORE INTERFUND TRANSFERS | (1,995,881) | 9,499,678 | 2,168,776 | (32,383) | 9,640,190 |
| INTERFUND TRANSFERS | | | | | |
| Administrative fees | 1,407,245 | (964,381) | (253,325) | (75,000) | 114,539 |
| Contributions/grants | 753,983 | (262,619) | (475,547) | (15,817) | - |
| CHANGE IN NET ASSETS | 165,347 | 8,272,678 | 1,439,904 | (123,200) | 9,754,729 |
| NET ASSETS BEGINNING OF YEAR (as previously stated) | 2,490,080 | 47,993,864 | 13,392,625 | 5,437,130 | 69,313,699 |
| Reclassification of funds as unrestricted | 113,578 | | | | 113,578 |
| NET ASSETS BEGINNING OF YEAR (as restated) | 2,603,658 | 47,993,864 | 13,392,625 | 5,437,130 | 69,427,277 |
| NET ASSETS END OF YEAR | \$ 2,769,005 | \$ 56,266,542 | \$ 14,832,529 | \$ 5,313,930 | \$ 79,182,006 |

See independent auditor's report.

HUMBOLDT AREA FOUNDATION
SCHEDULE 3 - COMBINING STATEMENT OF ACTIVITIES - TEMPORARILY RESTRICTED

For The Year Ended June 30, 2015

| | Operating and Special Projects Funds | Endowment Funds | Managed Funds | Supporting Organization | Total |
|--|--|--------------------|----------------|----------------------------|--------------|
| REVENUES AND OTHER SUPPORT | | | | | |
| Contributions | | \$ 770,680 | | | \$ 770,680 |
| Grant income | \$ 1,434,078 | | | | 1,434,078 |
| Investment income | | | | | |
| Workshop and other income | | | | | |
| Administrative fee income | | | | | |
| Rental income | | | | | |
| Net assets released from restrictions - | | | | | |
| Restrictions satisfied by time | (1,145,219) | (8,264,179) | \$ (1,032,000) | | (10,441,398) |
| TOTAL REVENUES AND OTHER SUPPORT | 288,859 | (7,493,499) | (1,032,000) | - | (8,236,640) |
| EXPENSES | | | | | |
| Program services: | | | | | |
| Grant making | | | | | |
| Education, outreach and training | | | | | |
| Community programs | | | | | |
| Support services: | | | | | |
| Administrative | | | | | |
| Investment | | | | | |
| Development | | | | | |
| TOTAL EXPENSES | - | - | - | - | - |
| GAINS AND LOSSES | | | | | |
| Realized and unrealized gains (losses) on investments | | | | | |
| Gain (loss) on disposal of assets | | | | | |
| Actuarial gain (loss) on annuity obligation | | 95,590 | | | 95,590 |
| TOTAL GAINS AND LOSSES | - | 95,590 | - | - | 95,590 |
| CHANGE IN NET ASSETS BEFORE INTERFUND TRANSFERS | 288,859 | (7,397,909) | (1,032,000) | | (8,141,050) |
| INTERFUND TRANSFERS | | | | | |
| Administrative fees | | | | | |
| Contributions/grants | | | | | |
| CHANGE IN NET ASSETS | 288,859 | (7,397,909) | (1,032,000) | | (8,141,050) |
| NET ASSETS BEGINNING OF YEAR (as previously stated) | 638,832 | 10,895,434 | 1,032,000 | - | 12,566,266 |
| Reclassification of funds as unrestricted | | | | | |
| NET ASSETS BEGINNING OF YEAR (as restated) | 638,832 | 10,895,434 | 1,032,000 | - | 12,566,266 |
| NET ASSETS END OF YEAR | \$ 927,691 | \$ 3,497,525 | \$ - | \$ - | \$ 4,425,216 |

See independent auditor's report.

HUMBOLDT AREA FOUNDATION
SCHEDULE 4 - COMBINING STATEMENT OF ACTIVITIES - PERMANENTLY RESTRICTED

For The Year Ended June 30, 2015

| | Operating and Special Projects Funds | Endowment Funds | Managed Funds | Supporting Organization | Total |
|--|---|---------------------|------------------|----------------------------|---------------------|
| REVENUES AND OTHER SUPPORT | | | | | |
| Contributions | | \$ 9,000 | | | \$ 9,000 |
| Grant income | | | | | |
| Investment income | | 240,628 | | | 240,628 |
| Workshop and other income | | 223 | | | 223 |
| Administrative fee income | | | | | - |
| Rental income | | | | | - |
| Net assets released from restrictions - | | | | | - |
| Restrictions satisfied by time | \$ (8,640) | | | | \$ (8,640) |
| TOTAL REVENUES AND OTHER SUPPORT | <u>(8,640)</u> | <u>249,851</u> | <u>-</u> | <u>-</u> | <u>241,211</u> |
| EXPENSES | | | | | |
| Program services: | | | | | |
| Grant making | | 230,900 | | | 230,900 |
| Education, outreach and training | | | | | - |
| Community programs | | | | | - |
| Support services: | | | | | |
| Administrative | | | | | - |
| Investment | | 7,503 | | | 7,503 |
| Development | | | | | |
| TOTAL EXPENSES | <u>-</u> | <u>238,403</u> | <u>-</u> | <u>-</u> | <u>238,403</u> |
| GAINS AND LOSSES | | | | | |
| Realized and unrealized gains (losses) on investments | | (82,376) | | | (82,376) |
| Gain (loss) on disposal of assets | | | | | |
| Actuarial gain (loss) on annuity obligation | | | | | |
| TOTAL GAINS AND LOSSES | <u>-</u> | <u>(82,376)</u> | <u>-</u> | <u>-</u> | <u>(82,376)</u> |
| CHANGE IN NET ASSETS BEFORE INTERFUND TRANSFERS | (8,640) | (70,928) | | | (79,568) |
| INTERFUND TRANSFERS | | | | | |
| Administrative fees | - | (114,539) | | | (114,539) |
| Contributions/grants | | | | | |
| CHANGE IN NET ASSETS | (8,640) | (185,467) | | | (194,107) |
| NET ASSETS BEGINNING OF YEAR (as previously stated) | 483,018 | 6,530,708 | - | - | 7,013,726 |
| Reclassification of funds as unrestricted | (113,578) | | | | (113,578) |
| NET ASSETS BEGINNING OF YEAR (as restated) | <u>369,440</u> | <u>6,530,708</u> | <u>-</u> | <u>-</u> | <u>6,900,148</u> |
| NET ASSETS END OF YEAR | <u>\$ 360,800</u> | <u>\$ 6,345,241</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 6,706,041</u> |

See independent auditor's report.

HUMBOLDT AREA FOUNDATION
SCHEDULE 5 - STATEMENT OF ACTIVITIES - OPERATING AND SPECIAL PROJECTS FUNDS

For The Year Ended June 30, 2015

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|--|--------------|---------------------------|---------------------------|--------------|
| REVENUES AND OTHER SUPPORT | | | | |
| Contributions | \$ 737,552 | | | \$ 737,552 |
| Grant income | 133,814 | \$ 1,434,078 | | 1,567,892 |
| Investment income | 42,859 | | | 42,859 |
| Workshop and other income | 113,477 | | | 113,477 |
| Administrative fee income | 150,494 | | | 150,494 |
| Rental income | | | | |
| Net assets released from restrictions - | | | | |
| Restrictions satisfied by time | 1,153,859 | (1,145,219) | \$ (8,640) | |
| TOTAL REVENUES AND OTHER SUPPORT | 2,332,055 | 288,859 | (8,640) | 2,612,274 |
| EXPENSES | | | | |
| Program services: | | | | |
| Grant making | 1,222,488 | | | 1,222,488 |
| Education, outreach and training | 171,953 | | | 171,953 |
| Community programs | 1,929,395 | | | 1,929,395 |
| Support services: | | | | |
| Administrative | 704,418 | | | 704,418 |
| Investment | 3,738 | | | 3,738 |
| Development | 283,349 | | | 283,349 |
| TOTAL EXPENSES | 4,315,341 | - | - | 4,315,341 |
| GAINS AND LOSSES | | | | |
| Realized and unrealized gains (losses) | | | | |
| on investments | (12,178) | | | (12,178) |
| Gain (loss) on disposal of assets | (417) | | | (417) |
| Actuarial gain (loss) on | | | | |
| annuity obligation | | | | |
| TOTAL GAINS AND LOSSES | (12,595) | - | - | (12,595) |
| CHANGE IN NET ASSETS BEFORE INTERFUND TRANSFERS | (1,995,881) | 288,859 | (8,640) | (1,715,662) |
| INTERFUND TRANSFERS | | | | |
| Administrative fees | 1,407,245 | | | 1,407,245 |
| Contributions/grants | 753,983 | | | 753,983 |
| CHANGE IN NET ASSETS | 165,347 | 288,859 | (8,640) | 445,566 |
| NET ASSETS BEGINNING OF YEAR (as previously stated) | 2,490,080 | 638,832 | 483,018 | 3,611,930 |
| Reclassification of funds as unrestricted | 113,578 | | (113,578) | - |
| NET ASSETS BEGINNING OF YEAR (as restated) | 2,603,658 | 638,832 | 369,440 | 3,611,930 |
| NET ASSETS END OF YEAR | \$ 2,769,005 | \$ 927,691 | \$ 360,800 | \$ 4,057,496 |

See independent auditor's report.

HUMBOLDT AREA FOUNDATION
SCHEDULE 6 - STATEMENT OF ACTIVITIES - ENDOWMENT FUNDS

For The Year Ended June 30, 2015

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|----------------------|---------------------------|---------------------------|----------------------|
| REVENUES AND OTHER SUPPORT | | | | |
| Contributions | \$ 1,331,305 | \$ 770,680 | \$ 9,000 | \$ 2,110,985 |
| Grant income | 25,000 | | | 25,000 |
| Investment income | 1,654,045 | | 240,628 | 1,894,673 |
| Workshop and other income | 140 | | 223 | 363 |
| Administrative fee income | | | | |
| Rental income | 6,600 | | | 6,600 |
| Net assets released from restrictions - Restrictions satisfied by time | 8,264,179 | (8,264,179) | | |
| TOTAL REVENUES AND OTHER SUPPORT | <u>11,281,269</u> | <u>(7,493,499)</u> | <u>249,851</u> | <u>4,037,621</u> |
| EXPENSES | | | | |
| Program services: | | | | |
| Grant making | 1,398,422 | | 230,900 | 1,629,322 |
| Education, outreach and training | | | | |
| Community programs | | | | |
| Support services: | | | | |
| Administrative | 0 | | | - |
| Investment | 164,461 | | 7,503 | 171,964 |
| Development | | | | |
| TOTAL EXPENSES | <u>1,562,883</u> | <u>-</u> | <u>238,403</u> | <u>1,801,286</u> |
| GAINS AND LOSSES | | | | |
| Realized and unrealized gains (losses) on investments | (218,708) | | (82,376) | (301,084) |
| Gain (loss) on disposal of assets | | | | |
| Actuarial gain (loss) on annuity obligation | | 95,590 | | 95,590 |
| TOTAL GAINS AND LOSSES | <u>(218,708)</u> | <u>95,590</u> | <u>(82,376)</u> | <u>(205,494)</u> |
| CHANGE IN NET ASSETS BEFORE INTERFUND TRANSFERS | 9,499,678 | (7,397,909) | (70,928) | 2,030,841 |
| INTERFUND TRANSFERS | | | | |
| Administrative fees | (964,381) | | (114,539) | (1,078,920) |
| Contributions/grants | (262,619) | | | (262,619) |
| CHANGE IN NET ASSETS | 8,272,678 | (7,397,909) | (185,467) | 689,302 |
| NET ASSETS BEGINNING OF YEAR | <u>47,993,864</u> | <u>10,895,434</u> | <u>6,530,708</u> | <u>65,420,006</u> |
| NET ASSETS END OF YEAR | <u>\$ 56,266,542</u> | <u>\$ 3,497,525</u> | <u>\$ 6,345,241</u> | <u>\$ 66,109,308</u> |

See independent auditor's report.

HUMBOLDT AREA FOUNDATION
SCHEDULE 7 - STATEMENT OF ACTIVITIES - MANAGED FUNDS

For The Year Ended June 30, 2015

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|---|----------------------|-----------------------------------|-----------------------------------|----------------------|
| REVENUES AND OTHER SUPPORT | | | | |
| Contributions | \$ 1,511,865 | | | \$ 1,511,865 |
| Grant income | 2,500 | | | 2,500 |
| Investment income | 418,606 | | | 418,606 |
| Workshop and other income | 0 | | | - |
| Administrative fee income | | | | |
| Rental income | | | | |
| Net assets released from restrictions - | | | | |
| Restrictions satisfied by time | <u>1,032,000</u> | <u>\$ (1,032,000)</u> | | |
| TOTAL REVENUES | | | | |
| AND OTHER SUPPORT | <u>2,964,971</u> | <u>(1,032,000)</u> | <u>-</u> | <u>1,932,971</u> |
| EXPENSES | | | | |
| Program services: | | | | |
| Grant making | 663,267 | | | 663,267 |
| Education, outreach and training | | | | |
| Community programs | | | | |
| Support services: | | | | |
| Administrative | | | | |
| Investment | 12,301 | | | 12,301 |
| Development | | | | |
| TOTAL EXPENSES | <u>675,568</u> | <u>-</u> | <u>-</u> | <u>675,568</u> |
| GAINS AND LOSSES | | | | |
| Realized and unrealized gains (losses) | | | | |
| on investments | (120,627) | | | (120,627) |
| Gain on disposal of assets | | | | |
| Actuarial gain (loss) on | | | | |
| annuity obligation | | | | |
| TOTAL GAINS AND LOSSES | <u>(120,627)</u> | <u>-</u> | <u>-</u> | <u>(120,627)</u> |
| CHANGE IN NET ASSETS BEFORE | | | | |
| INTERFUND TRANSFERS | 2,168,776 | (1,032,000) | | 1,136,776 |
| INTERFUND TRANSFERS | | | | |
| Administrative fees | (253,325) | | | (253,325) |
| Contributions/grants | <u>(475,547)</u> | | | <u>(475,547)</u> |
| CHANGE IN NET ASSETS | 1,439,904 | (1,032,000) | - | 407,904 |
| NET ASSETS BEGINNING OF YEAR | <u>13,392,625</u> | <u>1,032,000</u> | <u>-</u> | <u>14,424,625</u> |
| NET ASSETS END OF YEAR | <u>\$ 14,832,529</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 14,832,529</u> |

See independent auditor's report.

HUMBOLDT AREA FOUNDATION
SCHEDULE 8 - STATEMENT OF ACTIVITIES - SUPPORTING ORGANIZATION

For The Year Ended June 30, 2015

| | <u>Unrestricted</u> |
|---|---------------------|
| REVENUES AND OTHER SUPPORT | |
| Contributions | \$ 2,750 |
| Grant income | |
| Investment income | 168,156 |
| Workshop and other income | |
| Administrative fee income | |
| Rental income | |
| Net assets released from restrictions - Restrictions satisfied by time | |
| TOTAL REVENUES AND OTHER SUPPORT | <u>170,906</u> |
| EXPENSES | |
| Program services: | |
| Grant making | 157,476 |
| Education, outreach and training | |
| Community programs | |
| Support services: | |
| Administrative | 5,764 |
| Investment | 4,963 |
| Development | |
| TOTAL EXPENSES | <u>168,203</u> |
| GAINS AND LOSSES | |
| Realized and unrealized gains (losses) on investments | (35,086) |
| Gain on disposal of assets | |
| Actuarial gain (loss) on annuity obligation | |
| TOTAL GAINS AND LOSSES | <u>(35,086)</u> |
| CHANGE IN NET ASSETS BEFORE INTERFUND TRANSFERS | (32,383) |
| INTERFUND TRANSFERS | |
| Administrative fees | (75,000) |
| Contributions/grants | <u>(15,817)</u> |
| CHANGE IN NET ASSETS | (123,200) |
| NET ASSETS BEGINNING OF YEAR | <u>5,437,130</u> |
| NET ASSETS END OF YEAR | <u>\$ 5,313,930</u> |

See independent auditor's report.