HUMBOLDT AREA FOUNDATION

AND SUPPORTING ORGANIZATION

CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019

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, 2019, and the related consolidated statements of activities, functional expenses and cash flows for the year 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.

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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.

Emphasis of a Matter

As discussed in Note 2 to the financial statements, as of June 30, 2019, the Foundation adopted Accounting Standards Update (ASU) 2016-14, Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, information about liquidity and availability of resources, methods used to allocate costs, and direction for consistency about information provided about expenses and investment return. The adoption of the standard resulted in additional footnote disclosures and changes to the classification of net assets and disclosures related to net assets. Our opinion is not modified with respect to this matter.

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, 2019, 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.

David L. Moonie & Co.

CERTIFIED PUBLIC ACCOUNTANTS
Eureka, California
October 8, 2019

HUMBOLDT AREA FOUNDATION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2019

ASSETS		
Cash and cash equivalents	$	3,050,804
Unconditional promises to give, net		692,721
Investments		129,318,605
Property and equipment, net		4,605,476
Other assets		85,337
TOTAL ASSETS	$	137,752,943
LIABILITIES		
Accounts payable	$	99,562
Accrued expenses		195,207
Grants payable		992,961
Refundable advances		715
Agency fund liability		28,524,901
Obligations under split-interest agreements		1,593,611
TOTAL LIABILITIES		31,406,957
NET ASSETS		
Without donor restrictions		
Undesignated		92,753,325
Designated by the Board for operating reserves		1,437,555
Invested in property and equipment		4,279,236
		98,470,116
With donor restrictions		
Charitable remainder trusts		1,844,392
Invested in property and equipment, net		326,240
Purpose and time-restricted		5,705,238
		7,875,870
TOTAL NET ASSETS		106,345,986
TOTAL LIABILITIES AND NET ASSETS	$	137,752,943

See accompanying notes to consolidated financial statements.

HUMBOLDT AREA FOUNDATION

CONSOLIDATED STATEMENT OF ACTIVITIES

For The Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, SUPPORT AND GAINS			
Support			
Contributions	$ 5,867,813		$ 5,867,813
Grant income	1,709,754		1,709,754
Workshop and other income	144,642		144,642
Rental income	50,830		50,830
Loss on sale of assets	(65,690)		(65,690)
Total support	7,707,349	-	7,707,349
Net investment return			
Interest and dividends	2,727,049		2,727,049
Realized gains, net	82,989		82,989
Unrealized gains, net	1,839,839		1,839,839
Total net investment return, net	4,649,877	-	4,649,877
Change in value of split-interest agreements		$ 11,372	11,372
Administrative fee income	220,940		220,940
Net assets released from restrictions	2,266	(2,266)	
TOTAL REVENUES AND SUPPORT	12,580,432	9,106	12,589,538
EXPENSES			
Program services			
Grants and assistance	5,837,654		5,837,654
Program expenses	3,566,170		3,566,170
Total program services	9,403,824		9,403,824
Supporting services			
Administrative and general	683,639	8,640	692,279
Fundraising and development	366,111		366,111
Total supporting services	1,049,750	8,640	1,058,390
TOTAL EXPENSES	10,453,574	8,640	10,462,214
CHANGE IN NET ASSETS	2,126,858	466	2,127,324
NET ASSETS, beginning of the year	96,343,258	7,875,404	104,218,662
NET ASSETS, end of the year	$ 98,470,116	$ 7,875,870	$ 106,345,986

See accompanying notes to consolidated financial statements.

HUMBOLDT AREA FOUNDATION

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For The Year Ended June 30, 2019

	Program and Grants	Administrative and General	Fundraising and Development	Total
Grants and assistance	$ 5,837,654			$ 5,837,654
Salaries and wages	1,958,819	$ 277,784	$ 214,652	2,451,255
Payroll taxes	163,778	23,028	17,794	204,600
Retirement plan contributions	139,690	29,239	15,288	184,217
Employee health insurance	212,830	28,238	21,820	262,888
Accounting fees	2,500	42,740		45,240
Advertising and promotion		10,331		10,331
Bank fees	1,424	6,932		8,356
Conferences and meetings	196,128	4,218	3,259	203,605
Consulting services	231,273	62,317		293,590
Depreciation	18,748	88,912		107,660
Dues and subscriptions	15,111	5,385	4,123	24,619
Equipment expense	26,534	16,714	3,010	46,258
Information technology	94,116	32,213	24,892	151,221
Insurance	9,666	25,906	907	36,479
Legal fees		2,594		2,594
Occupancy	203,168	19,667	17,785	240,620
Office expenses	24,889	11,831	5,617	42,337
Outreach expenses	119,193		33,696	152,889
Travel	100,669	4,230	3,268	108,167
Workshop expenses	47,634			47,634
Total expenses by function	$ 9,403,824	$ 692,279	$ 366,111	$ 10,462,214

See accompanying notes to consolidated financial statements.

HUMBOLDT AREA FOUNDATION

CONSOLIDATED STATEMENT OF CASH FLOWS

For The Year Ended June 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	$	2,127,324
Adjustments to reconcile increase (decrease) in net assets		
to net cash provided (used) by operating activities:		
Depreciation		107,660
Realized and unrealized loss on investments		(1,922,828)
Realized and unrealized loss on Agency Fund investments		(1,045,496)
Realized and unrealized loss on Split-interest agreement investments		(60,148)
Loss on disposition of real property		65,690
Donated securities		(2,945,873)
Change in actuarial annuity liability		(150,128)
(Increase) decrease in operating assets:		
Unconditional promises to give		2,803,502
Other assets		(16,945)
Increase (decrease) in operating liabilities:		
Accounts payable		(118,065)
Accrued expenses		10,058
Grants payable		240,419
Refundable advances		(2,133)
Agency fund liability		9,561,535
NET CASH PROVIDED BY OPERATING ACTIVITIES		8,654,572
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from investments		30,224,451
Purchases of investments		(39,102,899)
Proceeds from sale of real property		984,310
NET CASH USED BY INVESTING ACTIVITIES		(7,894,138)
CASH FLOWS FROM FINANCING ACTIVITIES		
NET CASH PROVIDED BY FINANCING ACTIVITIES		-
NET INCREASE IN CASH AND CASH EQUIVALENTS		760,434
CASH AND CASH EQUIVALENTS, beginning of year		2,290,370
CASH AND CASH EQUIVALENTS, end of year	$	3,050,804

See accompanying notes to consolidated financial statements.

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 with a maximum service of ten years, consisting of one two-year and two 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 Humboldt Health Foundation ("HHF"), formerly the Union Labor Health Foundation, a supporting organization of the Foundation. The Foundation is responsible for expenditures of HHF for specific charitable purposes. All material inter-organizational transactions and balances have been eliminated in preparing the financial statements. Upon dissolution of HHF, the assets of HHF 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.

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 HHF and have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

In August 2016, the FASB issued Accounting Standards Update (ASU) 2016-14, Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, information about liquidity and availability of resources, methods used to allocate costs, underwater endowments, and direction for consistency about the information provided about expenses and investment return. The Foundation has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly.

Net assets have been reclassified due to the adoption of ASU 2016-14 as of June 30, 2018, as follows:

	ASU 2016-14 Classifications		
Net Asset Classification June 30, 2018	Without Donor Restriction	With Donor Restriction	Total Net Assets
Unrestricted	$ 90,472,160		$ 90,472,160
Temporarily Restricted	7,715,497		7,715,497
Permanently Restricted		$ 6,031,005	6,031,005
Net assets as previously presented	98,187,657	6,031,005	104,218,662
Reclassification	(1,844,399)	1,844,399	
Net assets as reported after adoption of ASU 2016-14	$ 96,343,258	$ 7,875,404	$ 104,218,662

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions

Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for operating and administrative reserves.

Net Assets With Donor Restrictions

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.

The bylaws of the Foundation include a variance provision giving the Board of Directors the power, whenever conditions or circumstance are changed since a donor's restriction was accepted and that the literal compliance is unnecessary, undesirable, impractical or impossible, or the restriction is not consistent with the primary purposes of the Foundation, the Board may order such variance from the restrictions as in its judgement is necessary to more effectively serve the charitable purposes of the Organization. In addition, all donor funds are subject to an annual spending policy which may require the use of principal from time to time to regulate the flow of grant dollars to optimize total investment return on the fund assets and grant dollars delivered to the community.

Based on that provision, the Foundation classifies all contributions and assets, except as noted below, as net assets without donor restrictions for financial statement presentation. Contributions of pledges for which the cash has not been received and assets and liabilities held in charitable trust agreements or life estate agreements are classified as net assets with donor restrictions.

Program Services

The Foundation's programs consist of disbursement and management of grants and community programs such as education, outreach and training to not-for-profit organizations. The Foundation conducts grant management in its net assets without donor restrictions. The education, outreach and training are conducted in its Operating and Special Projects Funds. The Foundation's supporting organization, HHF, is a grant making organization focused on health care in Humboldt County.

Programs that operated as fiscal sponsored projects under the Foundation during 2018-2019 include True North Organizing Network and Toys for Kids. Some programs are funded by outside grants, particularly from The California Endowment.

Revenue Recognition

Contributions are recognized as revenue when received or unconditionally promised. Unconditional promises to give that are expected to be collected in future years are recognized at fair market value based on our Finance Committee-approved valuation allowance rules. The valuation considers liquidity of gift, accuracy of the estimate and length of time until expected realization of the gift. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions of public stock are recorded at the average of the quoted high and low market price on the date of donation.

Donated Property and Equipment

Donations of property and equipment are recorded at their estimated fair value. Real estate contributed is recorded at appraisal value on the date of the gift and is generally made available for sale as soon as practicable. All donations are reported as assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. The Foundation received real property on December 27, 2017 appraised at $1,050,000. The property was recorded as an asset held for sale at the appraised value and was subsequently sold on August 13, 2018 for $1,050,000 less closing costs.

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.

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.

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 year ending June 30, 2019:

Balance, beginning of the year	$ 18,963,366
Additions to the funds	9,754,888
Interest and dividends	599,684
Unrealized and realized investment gain, net	1,045,496
Total Increases to Agency Funds	11,400,068
Management fees	(187,435)
Expenses	(19,778)
Withdrawal of funds by agency	(1,631,320)
Total Decreases to Agency Funds	(1,838,533)
Balance, end of the year	$ 28,524,901

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.

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 year ended June 30, 2019, 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.

Principles of Consolidation

The accompanying consolidated financial statements include all amounts and operations of the Foundation and HHF, its supporting organization. Inter-organizational transactions and accounts have been eliminated in consolidation.

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, 2019, 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, 2018, 2017, and 2016 are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

Investment Pools

The Foundation maintains four 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.

The four master accounts are as follows: The Long-term pool for funds with a long-term horizon is invested 70 percent in equities, 15 percent in fixed income, 10 percent in the absolute return fund, and 5 percent real estate equities. The Fixed Income pool focuses on maintaining the principal of the fund and is invested in money market accounts over a short duration. The Mid-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, 35 percent equity investments, and 5 percent real estate securities. During the 2018-19 fiscal year, the foundation created a new Socially Responsible pool. This fund is invested 80 percent in equities and 20 percent in fixed income, with focus on investments that address climate change, sustainability, other social issues, and maintain good governance practices.

Long-term Investment and Spending Policies

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

UPMIFA allows a charity to appropriate for expenditure, or accumulate, so much of an endowment fund as the charity determines is prudent for the purposes for which the fund was established. Considerations include the duration and preservation of the endowment fund, the purposes of the charity and the fund, general economic condition, effects of inflation and deflation, expected total return from income and appreciation, the charity's other resources, and the charity's investment policy.

Under the terms of the UPMIFA, the Board of Directors has the ability to distribute so much of the original principal of any trust or separate gift, devise, bequest or fund as the Board in its sole discretion shall determine. As a result of the ability to distribute the original principal, all contributions not classified as net assets with donor restrictions are classified as net assets without donor restrictions for financial statement purposes.

The Board of the Foundation has adopted a total return policy, that is, annual spending may be comprised of income, realized capital gains, unrealized capital gains, or principal, or any combination thereof as determined to be prudent when taking into account those factors and considerations relevant to the Foundation and outlined in UPMIFA.

The spending policy sets grant payouts and administrative fees as a percentage of total assets, calculated on the average of the trailing 16 quarterly values. With the goal of creating stability of assets over time, the Investment Committee annually reviews and makes recommendations regarding the spending policy to the Board. During periods of higher than expected return, principal balances will increase, and during times of lower than expected return, past appreciation of principal or principal will be used to maintain payout rates. Even with this smoothing of the impact of changes in spending and investment returns, there is a possibility that both nominal and inflation-adjusted spending may experience year-to-year declines.

The investment policy establishes an achievable return objective through diversification of asset classes. The current long-term return objective is approximately 6.5 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.

During the 2018-19 fiscal year, the Foundation implemented an increase in the annual payout for endowed funds of 4.5 percent of market value using a 16-quarter trailing average of fund market value.

Funds with Donor Restrictions

For Funds with Donor Restrictions, from time to time, certain individual donor endowment funds may have their fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Foundation interprets UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under the law. However, the Foundation further recognizes that a decline below original gift value threatens that fund's ability to make future grants on the scale intended by the donor. At June 30, 2019, the Foundation had no Funds with Donor Restrictions that had a deficiency.

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 in 2019. At June 30, 2019, the Foundation's uninsured cash balances total $1,567,592. These amounts include investments in Certificates of Deposit in addition to cash and cash equivalents.

The Foundation participates in the Certificate of Deposit Account Registry Service (CDARS) that allows funds to remain below the Federal Deposit Insurance Corporation (FDIC) deposit insurance limits. Funds in the program at June 30, 2019 totaled $500,000.

Concentration of Grant Revenue

The most significant grant funding of the Foundation is from The California Endowment, largely in connection with their Building Healthy Communities initiative, which focuses on Del Norte County and Tribal Lands. For the fiscal year ending June 30, 2019, such funding totaled $842,622. Approximately $139,656 was allocated to reimburse the Foundation for overhead. The funding allows the Foundation to promote programs and initiatives in the community, but does not impact the usual operations and grant making of the Foundation.

Functional Expense Allocations

The Consolidated Statement of Functional Expenses reflects expenses in the categories of Programs & Grants, Administrative & General, and Fundraising & Development. With departments being organized along function lines, for the most part, expenses are allocated based upon the primary purpose of the department. Multi-purpose departments (Operating, Administration, Donor Engagement, Finance, and Communications) are split among the three categories of Programs & Grants, Administrative & General, and Fundraising & Development based upon time allocations made by the Foundation's Administrative staff.

Overhead expenses (Occupancy, office equipment rental and information technology) are allocated using a weighted average of expenses of all other departments among the Programs & Grants, Administrative & General, and Fundraising & Development categories.

New Accounting Standards

General Statement on the new Standards

In August 2016, the FASB issued Accounting Standards Update (ASU) 2016-14, Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, information about liquidity and availability of resources, revenue recognition methods pertaining to contracts and leases, methods used to allocate costs, underwater endowments, and direction for consistency about the information provided about expenses and investment return.

The Humboldt Area Foundation has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly.

Revenue Recognition

The Financial Accounting Standards Board (FASB) has approved the following and the Foundation has implemented as follows:

Accounting Standard Update (ASU) No. 2016-02, (Topic 842): Leases. the Foundation does not have leases with other parties and thus this standard is not applicable to the Foundation at this time. If the Foundation does have leases in the future, they will be recorded as assets and liabilities as appropriate.

Accounting Standard Update (ASU) No. 2014-09, (Topic 606): Contracts: the Foundation does not have contracts with other parties and thus this standard is not applicable to the Foundation at this time. Should there be contracts in the future, the revenue from these contracts will accrue as the contract is satisfied and not at the time of the signing of the contract.

Accounting Standard Update (ASU) No. 2018-08, (Topic 958): Clarifying the scope and the Accounting Guidance for Contributions Received and Contributions Made: the Foundation’s current revenue recognition process is in compliance this revised standard and thus no changes to the current revenue recognition process is required. Contributions are recognized as revenue when received or unconditionally promised. Unconditional promises to give that are expected to be collected in future years are recognized at fair market value based on valuation allowance rules approved by the Foundation's Finance Committee. The valuation considers liquidity of gift, accuracy of the estimate and length of time until expected realization of the gift.

Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Real estate contributed is recorded at appraisal value on the date of the gift and is generally made available for sale as soon as practicable. Contributions of public stock are recorded at the average of the quoted high and low market price on the date of donation.

3. CASH AND CASH EQUIVALENTS

Cash held by the Foundation at June 30, 2019 consists of the following:

Cash and Checking	$ 1,580,362
Savings and Money Market	110,679
Money Market at Investment Companies	859,763
Certificate of Deposit Account Registry Service	500,000
Total Cash and Cash Equivalents	$ 3,050,804

4. LIQUIDITY AND AVAILABILITY

Grant liquidity is provided through either the long-term equity and socially responsible equity pools or the short-term fixed income pool. The long-term equity and socially responsible equity pools typically maintain $150,000 - $350,000, collectively, in cash for grant-making purposes. This amount may be exceeded during periods of high grant-making activity when the need for additional cash arises. The short-term fixed income pool is invested in laddered CDs and other short-term instruments that can be redeemed as needed. Incoming grant funds in excess of short-term need (4 months) are invested in 3 or 6 month term CDARS to keep the funds FDIC insured. Reserve funds are invested in the mid-term pool. All funds are monitored to ensure the spending rates are in compliance with the gift instrument under which the fund was established.

Operating liquidity comes from fees, grants, donations, and distributions from the reserve funds. Fee income is assessed monthly and based on the average daily balance of funds administered by the Foundation. Reserve distributions are assessed quarterly or as the budgeted need arises.

The table below presents The Humboldt Area Foundation's financial assets available for general expenditures within one year of the statement of financial position date:

Cash and cash equivalents	$ 3,050,804
Investments	129,318,605
Total financial assets at June 30, 2019	$ 132,369,409
Less amounts not available to be used within one year, due to:	
Net assets with donor restrictions	(7,875,870)
Obligations from split-interest agreements	(1,593,611)
Refundable advances	(715)
Agency funds	(28,524,901)
Board designated reserves	(1,437,555)
	(39,432,652)
Financial assets available to meet general expenditures within one year	$ 92,936,757

Although donor-endowed funds are not classified as net assets with donor restrictions based on a variance provision in the bylaws of the Foundation, those funds would not be considered as being available for general expenditures.

At June 30, 2019, an additional $68,504,351 of donor-endowed funds classified as net assets without donor restrictions would not be considered available to meet general expenditures within one year, leaving the financial assets of $24,432,406 available for general expenditures. In the event of an unanticipated liquidity need, The Foundation's administrative reserve policy permits the withdrawal of funds. The administrative reserve has a balance of $1,437,555 as of June 30, 2019.

5. UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give at June 30, 2019 consist of the following:

Amounts due in less than one year	$	1,036,500
Amounts due in one to five years		-
Amounts due in more than five years		217,885
Total		1,254,385
Less allowance for uncollectible promises receivable		(561,664)
Total	$	692,721

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.

6. 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 fund restrictions 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 $222,570, which have been netted against realized and unrealized gains on investments, for the year ended June 30, 2019. 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.

7. 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.

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2019:

	Assets at Fair Value as of June 30, 2019				
Assets	Level 1	Level 2	Level 3	NAV	Total
Certificates of Deposit		$ 289,124			$ 289,124
Fixed Income Funds	$ 35,631,546				35,631,546
Global Equity Funds	69,604,748				69,604,748
Fixed Income Funds	1,303,808				1,303,808
Real Estate Securities Funds	5,819,833				5,819,833
Absolute Return Fund				$ 11,397,113	11,397,113
Government Securities	214,308				214,308
Common stocks	2,973,345				2,973,345
Privately-held equities			$ 49,123	23,225	72,348
Regional mission related investments			2,012,432		2,012,432
Total investments at fair value	115,547,588	289,124	2,061,555	11,420,338	129,318,605
Unconditional promises to give			692,721		692,721
Total assets at fair value	$ 115,547,588	$ 289,124	$ 2,754,276	$ 11,420,338	$ 130,011,326
Liabilities					
Liabilities to beneficiaries from split interest agreements		$ -	$ -	$ 1,593,611	$ 1,593,611

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 year ended June 30, 2019:

Fair value, beginning of year	$ 5,525,086
Unrealized loss on privately-held equities	(1,492)
Reclassifed privately-held equities	(35,458)
Mission related investment loans issued	1,700,000
Mission related investment loans repaid	(1,630,358)
New unconditional promises to give	162,523
Collection of unconditional promises to give	(3,584,895)
Reduction in unconditional promises to give	(320,217)
Allowance for unconditional promises to give	939,087
Fair value, end of year	$ 2,754,276

Investments valued at net asset value ("NAV") per share or its equivalent

The following table presents the unfunded commitments, redemption frequency, and notice period for investments in entities that calculate fair value using net asset value per share or its equivalent:

Investments	Note	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice
Absolute return fund	a	$ 11,397,113		Quarterly- Illiquid	90 days
Private equity fund	b	23,225	$ 20,000	Illiquid	n/a
Total		$ 11,420,338	$ 20,000		

(a) The Absolute return fund is a fund-of-funds format employing a variety of strategies, including, but not limited to, multi-strategy, long/short equity, arbitrage, event-driven, distressed debt and credit. This fund has the ability to invest long and short, shift from a net long position to a net short position, apply leverage, invest in derivatives, and invest in the debt or equity of public and private companies in domestic and foreign markets. The Angeles Absolute fund has redemption restrictions limiting redemptions to time periods. There are no unfunded commitments

(b) The private equity fund is an investment in Blackrock Fulton Street Fund, L.P. a limited partnership that seeks to provide capital appreciation through diversified investments in private equity, and externally managed pooled investment vehicles, as well as investments in private companies. These investments are generally not redeemable from the fund manager. Instead, distributions are received through the liquidation of the underlying assets of the fund, typically over 10 years or more.

8. PROPERTY AND EQUIPMENT

The Foundation conducts its main 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 these as assets with donor restrictions.

Property and equipment consists of the following at June 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Land	$ 2,063,456	$ 188,000	$ 2,251,456
Office furniture & equipment	191,448		191,448
Vehicle	26,610		26,610
Building and improvements	3,099,805	345,600	3,445,405
Sub-total	5,381,318	533,600	5,914,918
Less Accumulated depreciation	(1,102,082)	(207,360)	(1,309,442)
Total	$ 4,279,236	$ 326,240	$ 4,605,476

9. SPLIT-INTEREST AGREEMENTS

The Foundation administers sixteen 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 contribution with donor restrictions in the period the trust is established. At June 30, 2019, assets held in the charitable remainder trusts changed in value as follows:

Balance, beginning of the year	$ 3,576,760
Additions to the funds:	
Interest and dividends	100,993
Unrealized and realized investment gain, net	60,148
Total additions	161,141
Reductions to the funds:	
Final distributions	(40,695)
Management fees	(33,505)
CRT payments	(219,461)
Expenses	(6,237)
Total reductions	(299,898)
Balance, end of the year	$ 3,438,003

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 ($1,593,611 at June 30, 2019) is calculated using a discount rate and applicable mortality tables.

10. REGIONAL MISSION RELATED INVESTMENTS

The Foundation's Board of Directors approved a policy of investing up to five percent of the long-term investment pool into local investments (approximately $5.4 million), as of June 30, 2019. 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.

Mission Related investments, along with their financial returns, are to support community benefit projects and align and support the philanthropic objectives of the Foundation. 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 community development financial institutions or other lending institutions to help evaluate the risk and to service the loan with an exception to this requirement in the case of small loans under $50,000, the total amount not to exceed $250,000; no individual investment greater than one-fifth of total local investing allocation; expected interest rates should be comparable to or better than long-term expected return on the fixed income portfolio as a whole (currently 3.75 percent); maximum commitment should be less than fifteen years.

Current local investment commitments outstanding as of June 30, 2019 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 outstanding balance at June 30, 2019 was $354,484.

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 loan was paid in full in February, 2019.

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 November 1, 2019. The outstanding balance at June 30, 2019 was $144,975.

The Foundation board approved a loan in partnership with AEDC and the Headwaters Fund to the Arcata Volunteer Firefighters' Association, Inc. to support the expansion of the McKinleyville fire station and refurbish the Arcata fire station. The loan is for $1,250,000 with the Foundation's portion at $625,000. The loan is collateralized by the fire house buildings and land. The rent income from the Fire District will support the repayment of the loan. The loan has a 4.5 percent interest rate and the first draw was made in June, 2016. The outstanding balance at June 30, 2019 was $625,000

The Foundation authorized an additional $750,000 loan to the Arcata Volunteer Firefighters' Association, Inc. to complete the expansion of the McKinleyville fire station. The Foundation's portion is $125,000. The loan has a 7.5 percent interest rate. The outstanding balance at June 30, 2019 was $106,533.

Subsequent to the end of the fiscal year, both loans to the Arcata Volunteer Fire Department were repaid in full.

The Foundation partnered with AEDC and Redwood Regional Economic Development Commission to provide a $500,000 line of credit to the Westside Improvement District for a bridge loan for improvement to the Jefferson School site. The improvement to the property is funded through a Community Development Block Grant (CDBG). The loan is secured with a first trust deed on the Jefferson property at a six percent interest rate. The loan was paid in full in March, 2019.

The Foundation provided a small $30,000 direct loan to CASA Del Norte that replaced a bank loan with a balloon payment. The interest rate is 6.5 percent and is paid off with monthly payments. The outstanding balance as of June 30, 2019 was $16,380.

The Foundation provided a loan to Redwood Acres Friends of the Fairground to enable improvements of the kitchen facilities at the fairgrounds. Redwood Regional Economic Development Commission provided the evaluation and is servicing the loan. The loan is for six percent and will be repaid through increased rents from kitchen facilities rented to local small businesses. The outstanding balance as of June 30, 2019 was $65,059.

The Foundation has partnered with the Headwaters Fund and Redwood Regional Economic Development Commission (RREDC) for a loan to the Southern Humboldt Community Healthcare District to provide working capital to ensure a $1.8 million federal Medi-Cal and Medi-Care match. RREDC's portion was $300,000, the Headwaters' Fund portion was $500,000 and HAF's loan portion was $1 million. The loan has a 5.25 percent interest rate and started in February, 2019. The loan was paid in full in June, 2019.

The Foundation has partnered with Arcata Economic Development Corporation (AEDC), the Headwaters Fund, Northern California Community Loan Fund, and the Rural Community Assistance Corporation for a loan total up to $4.2 million to Hoopa Valley Tribe for the renovation of the existing commercial space and startup of the Hoopa Valley Grocery store. The Hoopa Valley Tribe has been working on this project for several years to find a way to bring a grocery store and food security back to the area. HAF's portion is $700,000. The loan has a 90 percent loan guarantee from the Bureau of Indian Affairs. The loan has a 5.25 percent interest rate and started in February 2019. Payments for principal and interest begin September 2019 with a maturity date of January 28, 2029. The outstanding balance at June 30, 2019 was $700,000.

11. GRANT FUNDED PROJECTS

The Foundation received grant funds from several institutions including The California Endowment, Hewlett Foundation, Aspen Institute and Humboldt State University. These grant funds support various programs managed by Humboldt Area Foundation including some staff positions. Programs managed by the Foundation include the Building Healthy Communities initiative in Del Norte County and Tribal Lands, True North Organizing Network, and The Equity Alliance of the Northcoast.

12. FISCAL SPONSORSHIP

Since 2010, the Foundation has received funding from The California Endowment to form and operate a community organizing effort covering Humboldt and Del Norte counties and Tribal Lands. In 2016, True North Organizing Network ("True North") received approval as a 501(c)(3) organization by the IRS and began to operate these community organizing efforts, though it continued as a fiscal sponsorship of the Foundation. Funding for True North comes primarily from The California Endowment.

True North became an independent entity on June 1, 2019. This will result in a decrease in grants received and community program expenses by the Foundation, as well as a reduction in the overhead reimbursement in future years. Following is a summary of True North's activities for the year ending June 30, 2019:

Balance, beginning of the year	$	310,547
Gifts		12,873
Grant income		404,000
Total Increases to True North Funds		416,873
Program expenses		(679,157)
Operating expenses		(46,694)
Total Decreases to True North Funds		(725,851)
Balance, end of the year	$	1,569

13. 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. The LLC has been consolidated into the assets without donor restrictions of the Foundation, as the Foundation is the sole member and has one hundred percent ownership of the LLC.

14. 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. Total employer contributions as of June 30, 2019 were $174,762.

15. ADMINISTRATIVE FEES

The Foundation charged administrative fees for the management of funds of $1,865,157 for the year ending June 30, 2019, which were charged as follows:

HAF Funds	$	1,545,935
Supporting Organization		98,282
Total Organizational Internal Funds		1,644,217
Agency Funds		187,435
Split-Interest Funds		33,505
Total Organizational External Funds		220,940
Total Administrative Fees	$	1,865,157

16. BOARD DESIGNATED OPERATING RESERVES

The Foundation has four Board-restricted operating reserve funds 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 operating reserve funds of $1,437,555 for the year ending June 30, 2019 are allocated as follows:

Operating Reserve Account	$	946,950
Strategic Program Reserve		167,080
Technology Reserve		261,681
Deferred Maintenance Reserve		61,844
Total Designated by the Board for operating reserves	$	1,437,555

17. SUPPORTING ORGANIZATION

The Foundation is responsible for the expenditures of the HHF for specific charitable purposes. This responsibility is ensured by the presence of two board members appointed to the board of HHF by HAF. HHF'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 HHF, the assets of HHF would transfer to the Foundation.

18. AFFORDABLE HOUSING GRANT

The Foundation received a $1 million gift to support local affordable housing. In June 2019, the Foundation made a $1 million loan to an affordable housing project in Samoa, California. The note has a fifty-five year term, 3 percent annual interest to accrue, and no payments are required until maturity. Due to the charitable purpose of the project and the long tenure of the note, the foundation has chosen to account for this as a grant expense for audit and tax purposes. Upon future receipt of payments for interest and/or principal, the Foundation will recognize this as income at that time.

19. SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 8, 2019, the date on which the financial statements were available to be issued.