HUMBOLDT AREA FOUNDATION

HUMBOLDT AREA FOUNDATION

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2020

WITH SUMMARY COMPARATIVE INFORMATION FOR JUNE 30, 2019

CONTENTS

YH ADVISORS
THE EXEMPT ORG EXPERTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
Humboldt Area Foundation:

We have audited the accompanying consolidated financial statements of the Humboldt Area Foundation (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2020, and the related consolidated statements of activities, functional expenses and cash flows for the fiscal year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated 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. 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 consolidated financial statements.

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Auditors' Responsibility *(continued)*

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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Humboldt Area Foundation as of June 30, 2020, and the changes in its net assets and cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

The consolidated financial statements for the fiscal year ended June 30, 2019 were audited by a predecessor auditor who expressed an unmodified opinion on those statements dated October 8, 2019. In our opinion, the summarized comparative information presented herein as of and for the fiscal year ended June 30, 2019, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

YH Advisors, Inc.

Huntington Beach, California
January 4, 2021

HUMBOLDT AREA FOUNDATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2020 AND 2019

	June 30, 2020	June 30, 2019
ASSETS		
ASSETS		
Cash and cash equivalents	$ 6,296,368	$ 3,050,804
Unconditional promises to give, net	418,628	692,721
Investments	125,430,021	127,306,173
Mission related investments	2,591,941	2,012,432
Prepaid expenses and other current assets	63,323	85,337
Property and equipment, net	4,579,059	4,605,476
TOTAL ASSETS	$ 139,379,340	$ 137,752,943
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	$ 159,442	$ 100,277
Accrued employee related expenses	236,993	195,207
Grants payable	1,258,653	992,961
Agency pass-through funds	27,613,394	28,524,901
PPP Note payable	573,700	--
Obligations under split-interest agreements	971,163	1,593,611
COMMITMENTS (NOTE 12)		
TOTAL LIABILITIES	30,813,345	31,406,957
NET ASSETS		
Without donor restrictions	100,459,502	98,470,116
With donor restrictions	8,107,493	7,875,870
TOTAL NET ASSETS	108,565,995	106,345,986
TOTAL LIABILITIES AND NET ASSETS	$ 139,379,340	$ 137,752,943

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

HUMBOLDT AREA FOUNDATION
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
WITH SUMMARY COMPARATIVE TOTALS FOR JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	June 30, 2020	June 30, 2019
REVENUE AND SUPPORT				
Contributions	$ 7,987,700	$ --	$ 7,987,700	$ 5,867,813
Grants	43,514	1,552,361	1,595,875	1,709,754
Investment income, net	2,045,094	10,345	2,055,436	4,649,877
Administrative fee income	296,710	--	296,710	220,940
Workshops and other income	90,851	--	90,851	144,642
Rental income	41,600	--	41,600	50,830
Change in value of split-interest agreement	--	410,276	410,276	11,372
Loss on sale of assets	--	--	--	(65,690)
Net assets released from restrictions	2,550,234	(2,550,234)	--	--
TOTAL REVENUE AND SUPPORT	13,055,703	(577,252)	12,478,451	12,589,538
EXPENSES				
Programs and grants	8,676,444	--	8,676,444	9,403,824
Supporting services:				
Administration and general	1,098,573	--	1,098,573	692,279
Fundraising and development	483,425	--	483,425	366,111
TOTAL EXPENSES	10,258,442	--	10,258,442	10,462,214
CHANGE IN NET ASSETS	2,797,261	(577,252)	2,220,009	2,127,324
NET ASSETS AT BEGINNING OF YEAR	98,470,116	7,875,870	106,345,986	104,218,662
CORRECTION OF AN ERROR (NOTE 21)	(808,875)	808,875	--	--
NET ASSETS AT BEGINNING OF YEAR AS RESTATED	97,661,241	8,684,745	106,345,986	104,218,662
NET ASSETS AT END OF YEAR	$ 100,459,502	$ 8,107,493	$ 108,565,995	$ 106,345,986

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

HUMBOLDT AREA FOUNDATION
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
WITH SUMMARY COMPARATIVE TOTALS FOR JUNE 30, 2019

	Programs and Grants	Administration and General	Fundraising and Development	June 30, 2020	June 30, 2019
PERSONNEL EXPENSES					
Salaries and wages	$ 1,405,399	$ 576,998	$ 292,294	$ 2,274,691	$ 2,451,255
Employee benefits and taxes	370,011	132,028	82,226	584,265	651,705
TOTAL PERSONNEL EXPENSES	1,775,410	709,026	374,520	2,858,956	3,102,960
OTHER EXPENSES					
Grants and assistance	6,185,886	--	--	6,185,886	5,836,874
Bank and merchant fees	--	8,822	--	8,822	6,932
Community convening, conferences and meetings	115,704	10,847	2,443	128,994	277,358
Depreciation	59,153	40,158	7,793	107,104	107,660
Equipment and leases	22,249	31,216	6,053	59,518	46,250
Information technology	74,420	75,527	19,753	169,700	151,221
Insurance	7,320	26,802	1,321	35,443	36,479
Professional services:					
Accounting	--	46,250	--	46,250	45,240
Legal	--	3,290	--	3,290	2,594
Other professional services	162,603	26,062	5,056	193,721	293,590
Occupancy	122,598	43,527	8,442	174,567	201,668
Office expenses	47,301	47,660	12,871	107,832	89,885
Outreach, promotion and development	73,021	23,389	43,569	139,979	154,557
Travel	30,779	3,983	1,604	36,366	108,167
Other expenses	--	2,014	--	2,014	780
TOTAL OTHER EXPENSES	6,901,034	389,547	108,905	7,399,486	7,359,254
TOTAL EXPENSES	$ 8,676,444	$ 1,098,573	$ 483,425	$ 10,258,442	$ 10,462,214

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

HUMBOLDT AREA FOUNDATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
WITH SUMMARY COMPARATIVE TOTALS FOR JUNE 30, 2019

	June 30,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 2,220,009	$ 2,127,324
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	107,104	107,660
Realized and unrealized loss on investments	(3,154,252)	(3,028,472)
Loss on disposition of real property	--	65,690
Donated securities	(2,265,854)	(2,945,873)
Contributions restricted for investment in perpetuity	(10,345)	--
Change in allowance for unconditional promises to give	(290,773)	(939,087)
Change in actuarial annuity liability	802,359	(109,433)
Change in operating assets and liabilities:		
Unconditional promises to give	564,866	3,742,589
Prepaid expenses and other current assets	22,014	(16,945)
Accounts payable and accrued expenses	59,165	(120,198)
Accrued employee related expenses	41,786	10,058
Grants payable	265,692	240,419
Agency pass-through funds	(911,507)	9,561,535
Obligations under split-interest agreements	(1,424,806)	(40,695)
Net Cash (Used In) Provided By Operating Activities	(3,974,542)	8,654,572
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	14,655,650	28,594,093
Purchase of investments	(7,359,392)	(37,402,899)
Proceeds from repayments on mission related investments	1,470,491	1,630,358
Disbursements on mission related investments	(2,050,000)	(1,700,000)
Proceeds from sale of real property	--	984,310
Purchases of property and equipment	(80,688)	--
Net Cash Provided By (Used In) Investing Activities	6,636,061	(7,894,138)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from PPP note payable	573,700	--
Contributions restricted for long-term investments	10,345	--
Net Cash Provided By Financing Activities	584,045	--
NET CHANGE IN CASH AND CASH EQUIVALENTS	3,245,564	760,434
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	3,050,804	2,290,370
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 6,296,368	$ 3,050,804

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

HUMBOLDT AREA FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
WITH SUMMARY COMPARATIVE TOTALS FOR 2019

NOTE 1 – Organization

The Humboldt Area Foundation (the Foundation or HAF) is a nonprofit public benefit corporation. The Foundation's mission is to promote and encourage generosity, leadership, and inclusion to strengthen the communities within the region.

HAF, along with affiliates and supporting organizations Wild Rivers Community Foundation (WRCF), Trinity Trust, and the Humboldt Health Foundation (HHF), serve Humboldt, Del Norte and Trinity counties in California and Curry County in Oregon. The Foundation also serves numerous sovereign Tribal nations in a service area that extends beyond 10,000 square miles and with a census population estimated at 200,000 residents.

The Foundation fulfills its mission through:

- Investments of grants and mission-related loans
- Delivering public education, leadership, and capacity building programs
- Providing cultural and technical assistance
- Facilitating donor and philanthropic support on behalf of the region

The Foundation manages programs and partnerships focused on opportunities to improve racial equity, local empowerment, cultural revitalization, and community-led problem-solving. These programs include the Equity Alliance of the North Coast (EA), Building Healthy Communities (BHC) in partnership with The California Endowment; the Native Cultures Fund—a statewide, indigenous-led effort; the Cascadia Center for Leadership; and Northern California Association of Nonprofits (NorCAN) and Non-Profit Leadership Center.

The Foundation partners closely with donors to manage their philanthropic funds and investments. Revenue through the earnings on investments, grants, contributions from the community, and from certain community events support the Foundation's programs, grants, scholarships and operations.

The Foundation 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 of that year, 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 operations. On August 25, 1993, the Humboldt Area Foundation was incorporated as a 501(c)(3) charitable organization, with the original Declaration of Trust created in 1972 terminated. All trust assets were transferred to the new nonprofit corporation. HAF, its affiliates and supporting organizations are governed by no fewer than eight Board of Directors who oversee fiduciary and legal responsibilities in accordance with California State law.

NOTE 1 – Organization *(continued)*

The Humboldt Health Foundation (HHF), formerly the Union Labor Health Foundation, is a supporting organization of the Foundation. The Foundation is responsible for expenditures of HHF for specific charitable purposes including expanding access to affordable, quality health care for underserved individuals, families, groups and communities, and promoting fundamental improvements in the health status of the people of Humboldt County. This responsibility is ensured by the presence of two board members appointed to the board of HHF by the Foundation. Upon dissolution of HHF, the assets of HHF would transfer to the Foundation. The accompanying consolidated financial statements include all activities of HHF.

The Foundation serves residents of Del Norte County in California and Curry County in Oregon and tribal lands by operating under the name Wild Rivers Community Foundation.

The Foundation is the 100% owner of Leavey Ranch, LLC (the LLC), a 240-acre historic working ranch that supports education-based research in rangeland management, wildlife, forestry, and fisheries.

The accompanying consolidated financial statements include all activities of Humboldt Heath Foundation, Wild Rivers Community Foundation, and Leavey Ranch LLC.

NOTE 2 – Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Foundation and HHF, its supporting organization. All material inter-organization transactions and balances have been eliminated upon consolidation.

Basis of Presentation of Financial Statements

The consolidated financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with United States Generally Accepted Accounting Principles (US GAAP). The significant accounting policies followed are described below to enhance the usefulness of the consolidated financial statements to the reader.

NOTE 2 – Summary of Significant Accounting Policies *(continued)*

Comparative Financial Information

The accompanying consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a full comparison of operations year over year. Accordingly, these comparative consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the fiscal year ended June 30, 2019, from which the summarized information was derived.

Cash and Cash Equivalents

All cash and highly liquid financial instruments with an original maturity of three months or less when purchased, and which are neither held for nor restricted by donors for long-term purposes, are considered to be cash and cash equivalents.

Unconditional Promises to Give

Unconditional promises to give are stated at the amount management expects to receive. The Foundation provides an allowance for probable uncollectible promises to give through an adjustment to the allowance based on its assessment of each promise using the Financial Committee approved valuation allowance rules. The valuation considers liquidity of the gift, accuracy of the estimate and length of time until expected realization of the gift. Promises that are deemed uncollectible are written off.

Investments

Investments are stated at cost, if purchased, or at fair value, if donated. Thereafter, investments are reported at fair value in the statement of financial position, and the changes in fair value are reported as investment return in the statement of activities.

Purchases and sales of securities are reflected on a trade-date basis. Gains and losses on sales of securities are based on average cost and are record in the statement of activities in the period in which the securities are sold. Interest and dividends are recorded when earned.

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.

NOTE 2 – Summary of Significant Accounting Policies *(continued)*

Investments (continued)

The four master accounts are as follows:

- *Long-term pool* is investments with a long-term horizon and is invested 70 percent in equities, 15 percent in fixed income, 10 percent in the absolute return fund, and 5 percent real estate equities.
- *Fixed income pool* focuses on maintaining the principal of the fund and is invested in money market accounts over a short duration.
- *Mid-term pool* is investments 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.
- *Socially responsible pool* focuses on investments that address climate change, sustainability, other social issues, and maintain good governance practices. This fund is invested 80 percent in equities and 20 percent in fixed income.

Property and Equipment

The Foundation's policy is to capitalize asset additions over $2,500. Property and equipment are stated at cost, with the exception of donated equipment, which is recorded at fair market value on the date received. Depreciation has been provided on the straight-line method over the useful lives of the assets, which are generally three to forty years. Expenditures for repairs and maintenance are expensed as incurred.

Grants Payable

Unconditional grants are recognized when approved and communicated to the grantee. Grants approved by the Board of Directors that are payable upon the performance of specified conditions by the grantee are not reflected in grants payable until those conditions are satisfied. There were two conditional grants outstanding at June 30, 2020 and 2019 for $360,000 and $480,000, respectively.

NOTE 2 – Summary of Significant Accounting Policies *(continued)*

Agency Funds

In accordance with accounting standards generally accepted in the US (US GAAP), when a nonprofit organization, such as a community foundation, accepts a contribution from a donor and agrees to transfer those assets, the return on investment on those assets, or both, to another entity that is specified by the donor, the community foundation must account for the transfer of such assets as if it is holding the funds as an agent of the donor. These funds, identified as agency funds, are included in the Foundation's assets with an off-setting liability on the consolidated statement of financial position. The liability is valued at fair value of the agency funds, estimated by the Foundation. Activities related to the agency funds do not affect the change in net assets of the Foundation.

Classification of Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-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-imposed restrictions.

Net Assets with Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, for example contributed assets that may or will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, for example stipulating that resources be maintained in perpetuity. Law may extend those limits to investment returns from those resources and to other enhancements (diminishments) of those resources. Thus, laws extend to donor-imposed restrictions. The expirations of donor-imposed restrictions are recognized 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.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in nets assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. When a restriction expires, (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets are reclassified to net assets without donor restrictions and reported on the statement of activities as net assets released from restriction.

NOTE 2 – Summary of Significant Accounting Policies *(continued)*

Classification of Net Assets (continued)

The Foundation's corporate bylaws and contribution documents grant the Foundation variance power that, in effect, gives the Foundation control over all grant disbursements. In addition, all donor funds are subject to an annual spending policy which may require the use of the 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. Consequently, all contributions are classified as net assets without donor restrictions if they are available to the Foundation with no restriction as to when the funds are available for expenditure.

Revenue Recognition

Revenue is recognized when earned. Contributions are recognized when cash, securities or other assets, or an unconditional promise to give is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. Program service revenue and event sponsorships received in advance are deferred to the applicable period in which the related services are performed or event occurs. There were no conditional promises to give received during the fiscal years ended June 30, 2020 or 2019.

Donated Services and In-Kind Contribution

Contributed goods and use of facilities are recorded at fair value at the date of donation. Contributed services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received. Contributions of assets other than cash are recorded at their estimated fair value. Contributions of securities are recorded at the average of the quoted high and low market price on the date of donation. Contributions of real estate is recorded at appraised and estimated fair value on the date received and is generally made available for sale as soon as practical. The Foundation received real property in December 2017 appraised at $1,050,000 and recorded as an asset held for sale. The real property was sold during the fiscal year ending June 30, 2019 for $1,050,000 less closing costs.

Outreach and Advertising

Outreach and advertising expenditures are charged to operations when incurred. Outreach and advertising expense for the years ended June 30, 2020 and 2019 was $139,979 and $154,557, respectively.

NOTE 2 – Summary of Significant Accounting Policies *(continued)*

Income Tax Status

The Foundation and its supporting organization have received tax-exempt status from the Internal Revenue Service and California Franchise Tax Board under Section 501(c)(3) of the Internal Revenue Code and under Revenue and Taxation Code Section 23701d, respectively.

Leavey Ranch, LLC is a single-member limited liability company, wholly owned by the Foundation. Accordingly, all activity is reported under the Foundation's name and Leavey Ranch, LLC assumes the same tax status as the Foundation.

Since the Foundation is exempt from federal and state income tax liability, no provision is made for current or deferred income taxes. The Foundation uses the same accounting methods for tax and financial reporting. Management has considered its tax positions and believes that all of the positions taken in its federal and state exempt Foundation returns are more likely than not to be sustained upon examination. The Foundation's returns are subject to examination by federal and state taxing authorities, generally for three years and four years, respectively, after they are filed.

Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities and the reported revenues and expenses. Actual results could differ from such estimates and those differences could be material.

Financial Instruments and Credit Risk

Concentration risk is managed by placing cash and cash equivalents with financial institutions believed by the Foundation to be creditworthy. At times, amounts on deposit may exceed insured limits. To date, the Foundation has not experienced losses in any of these accounts. During the year ending June 30, 2020, the Foundation utilized a Deposit Placement Agreement by which funds are deposited with multiple banks to maintain levels below the maximum Federal Deposit Insurance Corporation (FDIC) deposit insurance limits. Funds in the program at June 30, 2020 totaled $4,000,082. During the year ending June 30, 2019, the Foundation participated in the Certificate of Deposit Account Registry Service (CDARS) that allows funds to remain below the FDIC deposit insurance limits. Funds in the program at June 30, 2019 totaled $500,000. Credit risk associated with unconditional promises to give is considered to be limited due to high historical collection rates. Investments are made by diversified investment managers whose performance is monitored by the Foundation and the Board of Directors. Although fair values of investments are subject to fluctuations on a year-to-year basis, the Foundation believes that the investment policies and guidelines are prudent for the long-term welfare of the Foundation.

NOTE 2 – Summary of Significant Accounting Policies *(continued)*

Accounting Pronouncements Adopted

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This ASU establishes principles for reporting useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts with customers, particularly, that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 became effective for nonpublic business entities for annual reporting periods beginning after December 15, 2018.

In January 2016, the FASB issued ASU 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*. The amendments in this update address certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. This update requires an entity to (1) measure equity investments at fair value through net income, with certain exceptions; (2) present financial assets and financial liabilities by measurement category and form of financial asset; (3) calculate the fair value of financial instruments for disclosure purposes based on an exit price. ASU 2016-01 became effective for nonpublic business entities for annual reporting periods beginning after December 15, 2018.

In June of 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this update are designed to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. ASU 2018-08 became effective for annual reporting periods beginning after December 15, 2018.

Recent Accounting Pronouncements

In February 2016, FASB issued ASU 2016-02, *Leases*. ASU 2016-02 requires entities to recognize all leased assets on the statement of financial position with a corresponding liability resulting in a gross up of the statement of financial position. Entities will also be required to present additional disclosures regarding the nature and extent of leasing activities. ASU 2016-02 is effective for nonpublic business entities for the annual reporting period beginning after December 15, 2021. The Foundation is in the process of evaluating the impact of this statement and potential effects of the financial statements.

NOTE 2 – Summary of Significant Accounting Policies *(continued)*

Recent Accounting Pronouncements (continued)

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement: Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*. The amendments to Topic 820 makes changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty should be applied prospectively for only the most recent interim or annual period presented in the initial fiscal year of adoption. ASU 2018-13 is effective for nonpublic business entities for the annual reporting period beginning after December 15, 2019. The Foundation is in the process of evaluating the impact of this statement and potential effects of the financial statements.

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 is aimed to improve financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets, including additional disclosure requirements for recognized contributed services. ASU 2020-07 is effective for nonpublic business entities for the annual reporting period beginning after June 15, 2021. The Foundation is in the process of evaluating the impact of this statement and potential effects of the financial statements.

Reclassifications

Certain amounts in the prior year have been reclassified in order to be consistent with the current year presentation. The reclassifications have no impact on previously reported net assets.

Subsequent Events

The Foundation has evaluated subsequent events through January 4, 2021, which was the date these consolidated financial statements were available to be issued for the fiscal year ended June 30, 2020. Refer to Note 20 for additional information.

HUMBOLDT AREA FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
WITH SUMMARY COMPARATIVE TOTALS FOR 2019

NOTE 3 – Liquidity and Availability

Financial assets available to meet cash needs for general expenditures within one-year from June 30:

	2020	2019
Cash and cash equivalents	$ 6,296,368	$ 3,050,804
Unconditional promises to give, net	418,628	692,721
Investments	125,430,021	127,306,173
Total financial assets	132,145,017	131,049,698
Less amounts unavailable for general expenditures within one-year, as a result of:		
Donor restrictions:		
Funds subject to time or purpose restrictions	(2,076,749)	(3,674,668)
Endowments	(5,713,144)	(5,702,798)
Investments in property and equipment, net	(317,600)	(326,240)
	(8,107,493)	(9,703,706)
Board-designated funds:		
Operating reserves	(1,094,882)	(1,437,555)
Investment in property and equipment, net	(4,261,459)	(4,279,236)
	(5,356,341)	(5,716,791)
Investments classified as Level 3	(--)	(49,123)
Investments measured at NAV	(11,303,096)	(11,420,388)
Investments held for agency pass-through funds	(24,885,191)	(25,706,641)
Unconditional promises to give, net due in more than one-year	(54,471)	(217,885)
	(36,242,758)	(37,393,987)
Financial assets available to meet cash needs for general expenditures within one-year	$ 82,438,425	$ 78,972,935

Operating liquidity comes from fees, grants, donations, and distributions from the reserve funds. Administrative 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. Although donor-endowed funds are not classified as net assets with donor restrictions (see Note 2), those funds would not be considered available for general expenditures.

NOTE 3 – Liquidity and Availability *(continued)*

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 certificates of deposit (CDs) and other short-term instruments that can be redeemed as needed. Incoming grant funds in excess of short-term need (4-months) are maintained under Deposit Placement Agreements to keep the funds FDIC insured. This agreement replaced the CDARS program the Foundation utilized during the previous fiscal year. 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.

At June 30, 2020 and 2019, an additional $77,769,504 and $68,504,351, respectively, 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 $27,870,059 and $31,999,451, respectively, available for general expenditures. In the event of an unanticipated liquidity need, the Foundation has Board-designated operating reserves that can be used with Board approval for administrative and operating expenses. The Board designated reserve funds have balances of $1,094,882 and $1,437,555 as of June 30, 2020 and 2019, respectively.

NOTE 4 – Unconditional Promises to Give

Unconditional promises to give consisted of the following at June 30:

	2020	2019
Amounts expected in less than one year	$ 471,633	$ 1,036,500
Amounts expected in one to five years	--	--
Amounts expected in more than five years	217,886	217,885
	689,519	1,254,385
Less allowance	(270,891)	(561,664)
Total	$ 418,628	$ 692,721

Unconditional promises to give are composed of amounts expected to be received from decedents' estates or 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.

There was no net present value discount for the fiscal years ended June 30, 2020 or 2019 deemed necessary by management as the intent of the allowance is to account for such fluctuations.

NOTE 5 – Investments and Fair Value Measurements

The Foundation reports certain assets at fair value in the consolidated financial statements. Fair value is the price that would be received to sell assets in an orderly transaction in the principal, most advantageous, market at the measurement date under current market conditions, regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the assets, including assumptions about risk. Inputs be may observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the assets based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

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

In some cases, the inputs used to measure the fair value of an asset might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to an assessment of the quality, risk or liquidity profile of the asset.

Nonmarketable securities are valued at net asset value (NAV) per share, or its equivalent, as a practical expedient, as reported by the investment manager unless specific evidence indicates the NAV should be adjusted.

NOTE 5 – Fair Value Measurements and Disclosures *(continued)*

The following table presents assets and liabilities that are measured at fair value on a recurring basis at June 30, 2020:

		Fair Value Measurements at Reporting Date Using		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
ASSETS				
Certificates of deposit	$ 293,501	$ --	$ 293,501	$ --
Fixed income funds	861,729	861,729	--	--
Common stock	3,060,660	3,060,660	--	--
Fixed income funds	17,176,980	17,176,980	--	--
Global equity funds	87,887,261	87,887,261	--	--
Real estate securities funds	150,054	150,054	--	--
Government securities	4,696,740	4,696,740	--	--
	114,126,925	113,833,424	293,501	--
Investments at NAV	11,303,096	--	--	--
Total	$ 125,430,021	$ 113,833,424	$ 293,501	$ --
LIABILITIES				
Agency funds	$ 27,613,394	$ --	$ --	$ 27,613,394
Total	$ 27,613,394	$ --	$ --	$ 27,613,394

NOTE 5 – Fair Value Measurements and Disclosures *(continued)*

The following table presents assets and liabilities that are measured at fair value on a recurring basis at June 30, 2019:

		Fair Value Measurements at Reporting Date Using		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
ASSETS				
Certificates of deposit	$ 289,124	$ --	$ 289,124	$ --
Fixed income funds	35,631,546	35,631,546	--	--
Common stock	2,973,345	2,973,345	--	--
Fixed income funds	1,303,808	1,303,808	--	--
Global equity funds	69,604,748	69,604,748	--	--
Real estate securities funds	5,819,833	5,819,833	--	--
Government securities	214,308	214,308	--	--
Privately-held equities	49,123	--	--	49,213
	115,885,835	115,547,588	289,124	49,213
Investments at NAV	11,420,338	--	--	--
Total	$ 127,306,173	$ 115,547,588	$ 289,124	$ 49,123
LIABILITIES				
Agency funds	$ 28,524,901	$ --	$ --	$ 28,524,901
Total	$ 28,524,901	$ --	$ --	$ 28,524,901

NOTE 5 – Fair Value Measurements and Disclosures *(continued)*

The changes in Level 3 assets are summarized as follows for the fiscal years ended June 30:

	2020	2019
Fair value, beginning of the year	$ 49,213	$ 86,073
Unrealized loss on privately-held equities	--	(1,492)
Reclassified privately-held equities	--	(35,458)
Liquidation of privately-held equities	(49,123)	--
Fair value, end of the year	$ --	$ 49,123

The changes in Level 3 liabilities are summarized as follows for the fiscal years ended June 30:

	2020	2019
Fair value, beginning of the year	$ 28,524,901	$ 18,963,366
Additions to the funds	1,274,461	9,754,888
Investment income, net	569,402	1,645,180
Management fees	(217,489)	(187,435)
Expenses	(25,626)	(19,778)
Withdrawal of funds by agency	(2,512,255)	(1,631,320)
Fair value, end of the year	$ 27,613,394	$ 28,524,901

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 at fiscal year ended June 30, 2020:

Investments	Note	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice
Absolute return fund	(a)	$11,290,491	$ --	Quarterly-Illiquid	90 days
Private equity fund	(b)	12,605	20,000	Liquidate	n/a
Total		$ 11,303,096	$ 20,000		

NOTE 5 – Fair Value Measurements and Disclosures *(continued)*

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 at fiscal year ended June 30, 2019:

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	Liquidate	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 derivative, 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 not funded 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.

NOTE 6 – Mission Related Investments

The Foundation's Board of Directors has approved a policy for investing up to five percent of the long-term investment pool in local investments. Mission related investments are to support community related projects that align with and support the philanthropic objectives of the Foundation. These loans are generally due over a period of one to fifteen years with stated interest rates of 1 to 7.5 percent and are designed to match the returns of the Foundation's fixed income portfolio. At June 30, 2020 and 2019, up to approximately $6,180,000 and $5,400,000, respectively, was available for local investments; $2,591,941 and $2,012,432, respectively, was outstanding.

NOTE 6 – Mission Related Investments *(continued)*

The following is a summary of investments outstanding at the fiscal years ended June 30:

	2020	2019
Northern California Indian Development Council	$ 346,365	$ 354,484
Friends of Redwood Acres Fairgrounds	95,718	65,059
CASA Del Norte	10,052	16,381
Hoopa Tribe	689,806	700,000
City of Blue Lake Town Center	200,000	--
Paycheck Protection Program Loans	750,000	--
Business Resilience Loans	500,000	--
Sequoia Park Zoo Foundation	--	144,975
Arcata Volunteer Fire	--	731,533
Total	$ 2,591,941	$ 2,012,432

In response to the COVID-19 pandemic, the Foundation purchased eight Paycheck Protection Program loans for nonprofit agencies from a local financial institution. In addition, the Foundation made available $500,000 to a local economic development agency to purchase participations in thirty loans to small businesses. Management has determined that an allowance for uncollectible loans was not considered necessary at June 30, 2020 or 2019.

NOTE 7 – Endowment

The Foundation's Board of Directors is charged with the responsibility for management of the endowed assets. To assist in carrying out this duty, the Foundation has adopted an investment policy that prioritizes preservation of capital, long-term growth, and adherence to the prudent person investment philosophy. To enact this policy, the Foundation's investment strategy emphasizes total return, assuming a level of risk consistent with reasonable and prudent investment practices for such funds. Additionally, the endowment spending policy is in compliance with the regulation of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), enacted by the State of California in 2009, to ensure the prudent management of endowed funs in the disbursement of current earnings in support of the Foundation, and to meet future needs established by the donor. The Foundation has established a target annual spending policy of 4.5% of the most recent 16-quarter trailing average market value of the endowed fund.

NOTE 7 – Endowment *(continued)*

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, of 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 fates. 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 6.7 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.

NOTE 7 – Endowment *(continued)*

At times certain individual 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, 2020 and 2019, there were no underwater endowments.

For the fiscal year beginning July 1, 2020, the Foundation temporarily changed the spending policy to distribute an amount equal to 5.0% of the average fair value of the assets over the trailing 16 quarters.

The Foundation's endowed funds, by net asset classification, were as follows as of June 30, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment funds	$ 958,491	$ 5,713,144	$ 6,671,635

The Foundation's endowed funds, by net asset classification, were as follows as of June 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment funds	$ 1,233,475	$ 5,702,798	$ 6,936,273

NOTE 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.

NOTE 8 – Property and Equipment *(continued)*

Property and equipment as summarized as follows for fiscal year ended June 30, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Building and improvements	$ 3,139,957	$ 345,600	$ 3,485,557
Furniture and equipment	155,283	--	155,283
Vehicles	26,610	--	26,610
	3,321,850	345,600	3,667,450
Less accumulated depreciation	(1,123,847)	(216,000)	(1,339,847)
Land	2,063,456	188,000	2,251,456
Total	$ 4,261,459	$ 317,600	$ 4,579,059

Property and equipment as summarized as follows for fiscal year ended June 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Building and improvements	$ 3,099,805	$ 345,600	$ 3,445,405
Furniture and equipment	191,448	--	191,448
Vehicles	26,610	--	26,610
	3,317,863	345,600	3,663,463
Less accumulated depreciation	(1,102,083)	(207,360)	(1,309,443)
Land	2,063,456	188,000	2,251,456
Total	$ 4,279,236	$ 326,240	$ 4,605,476

Depreciation expense for the fiscal years ended June 30, 2020 and 2019 were $107,104 and $107,660, respectively.

NOTE 9 – Grants Payable

The Foundation's grants payable were approved for payment by the Board of Directors. Future commitments are as follows:

For the fiscal year ending June 30,	
2021	$ 1,231,653
2022	14,000
2023	9,000
2024	4,000
Total	$ 1,258,653

There was no net present value discount deemed necessary by management as the amount would be considered immaterial to the consolidated financial statements.

NOTE 10 – PPP Note Payable

During April 2020, the Foundation received loan proceeds under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), provides for loans to qualifying organizations for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying organization. The loans and accrued interest are forgivable after eight or twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its full time equivalent (FTE) headcount levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight or twenty-four week period following loan funding.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The Foundation used the proceeds for purposes consistent with the requirements of the PPP loan agreement. While the Foundation currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan, assurance cannot be provided that there will not be actions taken that could cause the Foundation to be ineligible for forgiveness of the loan, in whole or in part. Future maturities are as follows:

For the fiscal year ending June 30,	
2021	$ 191,233
2022	382,467
Total	$ 573,700

There was no interest expense for the fiscal year ended June 30, 2020.

NOTE 11 – Split Interest Agreements

The Foundation administers fourteen 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 distributed to end of term beneficiaries and then the rest is 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 statement of activities as a contribution with donor restrictions in the period the trust is established. The changes in the assets held in the charitable remainder trusts were as follows for the fiscal year ending June 30:

	2020	2019
Beginning balance	$ 3,438,003	$ 3,576,760
Investment income, net	17,318	161,140
Final distributions	(1,424,806)	(40,695)
Management fees	(31,322)	(33,505)
Beneficiary distributions	(191,510)	(219,461)
Expenses	(6,657)	(6,236)
Ending Balance	$ 1,801,026	$ 3,438,003

On an annual basis, the Foundation revalues the liability to make distributions to the designated beneficiaries based on actuarial assumptions. Present values of the estimated future payments are calculated using a discount rate and applicable mortality tables and totaled to $971,163 and $1,593,611 for the fiscal years ended June 30, 2020 and 2019, respectively.

NOTE 12 – Commitments

The Foundation is committed and funds have been set aside to make annual pension payments of $9,000 for the next 11 years.

NOTE 12 – Commitments *(continued)*

Operating Leases

The Foundation is committed under various equipment leases through October 2023. Future minimum lease commitments are as follows:

For the fiscal year ending June 30,	
2021	$ 17,166
2022	17,166
2023	16,613
2024	3,068
Total	$ 54,013

Lease expense for the fiscal years ended June 30, 2020 and 2019 was $27,547 and $17,705, respectively.

NOTE 13 – Net Assets

Net Assets without Donor Restrictions

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 Board-designated operating reserve is allocated as follows for the fiscal years ended June 30:

	2020	2019
Operating reserve	$ 902,999	$ 946,950
Strategic programs reserve	40,567	167,080
Technology reserve	136,263	261,681
Deferred maintenance reserve	15,053	61,844
Total	$ 1,094,882	$ 1,437,555

NOTE 13 – Net Assets *(continued)*

Net Assets without Donor Restrictions (continued)

Net assets without donor restrictions were as follows as of June 30:

	2020	2019
Board-designated		
Designated by the board for operating reserves	$ 1,094,882	$ 1,437,555
Invested in property and equipment	4,261,459	4,279,236
Total Board-designated	5,356,341	5,716,791
Undesignated	95,102,161	92,753,325
Total	$ 100,458,502	$ 98,470,116

Net Assets with Donor Restrictions

Net assets with donor restrictions were as follows as of June 30:

	2020	2019
Subject to expenditure for specified purpose:		
Programmatic activities	$ 1,244,448	$ --
Restricted property	317,600	326,240
Subject to the passage of time:		
Assets held under split interest agreements, net	829,862	1,844,392
Perpetual in nature, the earnings from which are subject to spending policies or appropriation:		
Endowed assets formerly held in trust	5,713,144	5,702,798
Annuity	2,439	2,439
Perpetual in nature, not subject to spending policies or appropriation:		
Restricted property	317,600	326,240
Total	$ 8,107,493	$ 7,875,870

NOTE 13 – Net Assets *(continued)*

Net Assets with Donor Restrictions (continued)

Net assets released from donor restrictions included the following during the fiscal years ended June 30:

	2020	2019
Satisfaction of purpose restrictions:		
Programmatic activities	$ 1,116,789	$ --
Distributions (proceeds were not restricted by donors):		
Assets held under split-interest agreements	1,424,805	2,266
Restricted property	8,640	--
Total	$ 2,550,234	$ 2,266

NOTE 14 – Concentrations

For the fiscal year ended June 30, 2020, one estate constituted 44% of net unconditional promises to give.

During the fiscal year ended June 30, 2020, the Foundation derived 44% of contribution revenue from two donors.

During the year ended June 30, 2019, the Foundation derived 11% of contribution revenue from one donor.

NOTE 15 – Fiscal Sponsorship

Beginning in 2010, the Foundation received funding from a major donor 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, but it continued its fiscal sponsorship with the Foundation.

NOTE 15 – Fiscal Sponsorship *(continued)*

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

Beginning balance	$ 310,547
Gifts	12,873
Grant income	404,000
Program expenses	(679,157)
Operating expenses	(46,694)
Ending balance	$ 1,569

The Foundation was not the fiscal sponsor of True North during the fiscal year ended June 30, 2020. There was a contract in place to provide administrative services, which was terminated subsequent to year end.

NOTE 16 – Retirement Plan

The Foundation has a tax-deferred annuity plan as covered by Internal Revenue Code Section 403(b) (the Plan). 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 nonelective contributions, upon completing six months of service. Total employer contributions as of June 30, 2020 and 2019 were $155,121 and $174,762, respectively.

NOTE 17 – Functional Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statement of functional expenses presents the natural and functional classification detail of expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and wages, employee benefits and taxes, conferences and meetings, depreciation, equipment and leases, information technology, insurance, other professional services, occupancy, office expenses, outreach and advertising and travel which are allocated on the basis of estimates of time and effort.

NOTE 18 – Affordable Housing Grant

The Foundation received a $1 million gift to support local affordable housing during the fiscal year ended June 30, 2019. During the same fiscal year, 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. Upon future receipt of payments for interest and/or principal, the Foundation will recognize as income at that time.

NOTE 19 – Statements of Cash Flow Supplemental Disclosures

For the year ended June 30:

	2020	2019
Cash paid for interest	NONE	NONE
Cash paid for income taxes	NONE	NONE
Noncash investing transactions	$ 2,265,854	$ 2,945,873
Noncash financing transactions	NONE	NONE

NOTE 20 – Subsequent Events and Economic Uncertainty

On March 11, 2020, the World Health Organization declared the novel coronavirus COVID-19 a pandemic. The outbreak of the disease has affected travel, commerce and financial markets globally, include in the United States. In addition, many states, including California where the Foundation is headquartered, have declared a state of emergency.

Potential impacts to the programs and operations include disruptions or restrictions on the Foundation’s employees’ ability to work. The Foundation implemented a remote work environment, with employees primarily working from home, and a few staff members performing the essential functions that require an on-site presence. The Foundation incurred additional costs to provide staff with equipment, ergonomic work spaces and access to internet and/or cell phones.

The impact of COVID-19 and the associated shelter-in-place directives had an immediate impact on the communities the Foundation serves and so a COVID-19 Regional Response Fund was created which along with other associated funds raised over $3 million as of June 30, 2020. The Foundation has granted $1.25 million from these funds the as of the fiscal year ending June 30, 2020.

Also in response to the pandemic, the Foundation’s Board authorized an increase in the Foundation’s payout rate from 4.5% to 5% for the fiscal year 2020-2021. This will increase the foundation’s grant making for the subsequent fiscal year by approximately $500,000.

NOTE 20 – Subsequent Events and Economic Uncertainty *(continued)*

Pursuant to the Foundation's Local Investment Policy, the Board authorized up to $2 million in loans to nonprofit agencies and small businesses to support Foundations impacted by COVID-19.

The onset of the nationwide shelter-in-place efforts resulted in a significant decline in the aggregate amount of the Foundation's investment pools. However, subsequent market increases have brought the investment pools back to pre-pandemic levels. The Foundation expects continued market volatility in the near-term. The ultimate impact of COVID-19 on the financial performance of the Foundation's investments is not reasonably estimable at this time.

COVID-19 could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could affect funding streams. Any of the foregoing could harm the Foundation and it cannot anticipate all of the ways in which health epidemics such as COVID-19 could adversely impact its business model. Although the Foundation is continuing to monitor and assess the effects of the COVID-19 pandemic, the ultimate impact of the COVID-19 outbreak or a similar health epidemic is highly uncertain and subject to change.

NOTE 21 – Correction of an Error

The previously issued consolidated financial statements for the fiscal year ended June 30, 2019 excluded from net assets with donor restrictions the balance of grants and contributions with donor restrictions for programmatic activities, which totaled $808,875. The change in reporting of such transactions represents a prior period accounting error which has been accounted for retrospectively via adjustment of the opening net asset balances on the June 30, 2019 statement of financial position. Activities for the fiscal year ended June 30, 2020 are unaffected by the correction of the prior period error.