Shasta Regional Community Foundation

Redding, California

FINANCIAL STATEMENTS WITH INDEPENDENT AUDITORS' REPORT

June 30, 2019

HORTON MCNULTY & SAETEURN, LLP

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HORTON MCNULTY & SAETEURN, LLP

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Shasta Regional Community Foundation
Redding, California

We have audited the accompanying financial statements of Shasta Regional Community Foundation (the Foundation), which comprise the statement of financial position as of June 30, 2019; the related statements of activities 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.

Auditors' 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 auditors' 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 Foundation'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 Foundation'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 financial statements.

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

INDEPENDENT AUDITORS' REPORT
(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the 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.

Horton McNulty & Saeteurn, LLP

October 2, 2019
Chico, California

Shasta Regional Community Foundation

STATEMENT OF FINANCIAL POSITION

June 30, 2019		
ASSETS		
Current Assets		
Cash and cash equivalents	$	2,191,890
Contributions receivable - current portion		253,550
Loans receivable - current portion		40,116
Total Current Assets		2,485,556
Property and Equipment - Net		13,028
Other Assets		
Deposits		378
Contributions receivable - long-term, net of current portion		209,949
Beneficial interest in remainder trust		801,192
Beneficial interest in life insurance policy		5,680
Loans receivable - long-term, net of current portion		205,011
Long-term investments		29,122,676
Total Other Assets		30,344,886
TOTAL ASSETS	$	32,843,470
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	$	3,780
Deferred revenue		19,405
Grants payable		550,760
Accrued payroll		39,814
Total Liabilities		613,759
Net Assets		
Without donor restrictions		1,611,689
With donor restrictions		30,618,022
Total Net Assets		32,229,711
TOTAL LIABILITIES AND NET ASSETS	$	32,843,470

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

Shasta Regional Community Foundation

STATEMENT OF ACTIVITIES

Year Ended June 30, 2019	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Other Support			
Contributions	$ 168,662	$ 7,063,401	$ 7,232,063
Program service fees	537,141	-	537,141
Investment return, net	52,928	1,065,397	1,118,325
Gain on insurance proceeds	-	1,672	1,672
Change in value of remainder trust	-	74,570	74,570
Net assets released from restriction	4,659,694	(4,659,694)	-
Total Revenues, Gains, and Other Support	5,418,425	3,545,346	8,963,771
Expenses and Losses			
Grant distributions	4,354,392	-	4,354,392
Salaries	414,628	-	414,628
Occupancy expense	119,758	-	119,758
Payroll overhead	98,239	-	98,239
Contract services	45,888	-	45,888
Marketing	34,929	-	34,929
Travel and lodging	29,174	-	29,174
Classes - Leadership Redding	28,390	-	28,390
Legal and accounting	13,900	-	13,900
Other expenses	13,637	-	13,637
Dues	13,558	-	13,558
Insurance	13,440	-	13,440
Staff training and development	13,150	-	13,150
Telephone	10,609	-	10,609
Depreciation	7,400	-	7,400
Office expenses	5,727	-	5,727
Postage	3,360	-	3,360
Volunteer recognition	3,211	-	3,211
Printing	889	-	889
Loss on sale of assets	358	-	358
Total Expenses and Losses	5,224,637	-	5,224,637
Change in Net Assets	193,788	3,545,346	3,739,134
Net Assets - as Previously Reported	409,029	28,081,548	28,490,577
Effect of Change in Accounting Principles	1,008,872	(1,008,872)	-
Net Assets - As Restated	1,417,901	27,072,676	28,490,577
Net Assets - End of Year	$ 1,611,689	$ 30,618,022	$ 32,229,711

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

Shasta Regional Community Foundation
STATEMENT OF CASH FLOWS

Year Ended June 30, 2019		
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$	3,739,134
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation		7,400
Unrealized gain on investments		(218,524)
Loss on sale of assets		358
Interest and dividends restricted for long-term investment		(934,905)
Change in beneficial interest in remainder trust		(74,570)
Beneficial interest in life insurance policy		(1,672)
Changes in:		
Contributions receivable		335,583
Loans receivable		37,517
Accounts payable		2,679
Deferred revenue		12,055
Grants payable		130,515
Accrued payroll		19,916
NET CASH PROVIDED BY OPERATING ACTIVITIES		3,055,486
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment		(8,147)
Purchase of investments		(2,243,413)
NET CASH USED IN INVESTING ACTIVITIES		(2,251,560)
Net Increase in Cash and Cash Equivalents		803,926
Cash and Cash Equivalents - Beginning of Year		1,387,964
Cash and Cash Equivalents - End of Year	$	2,191,890

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

1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization Shasta Regional Community Foundation (the Foundation) promotes philanthropy by connecting people who care with causes that matter.

Currently, the Foundation operates the following programs:

Asset Development and Grant Making: This program accepts, administers, and disburses funds to eligible recipients based upon donor wishes.

Leadership Redding: This program is a one-year program of day-long sessions intended to provide its participants with information and opportunities to promote community leadership and involvement.

Women's Fund: This program supports the efforts and organizations that improve the lives of women, children, and their families in the greater Redding area.

Ivy B. Horr Endowed Medical Education Loan Fund: This program provides low interest loans to students from Shasta, Lassen, Trinity, Tehama, Modoc, and Siskiyou Counties pursuing an education in medicine.

Implementation of New Accounting Standard The Foundation adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, for the fiscal year ended June 30, 2019. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment returns. Accordingly, the Foundation's financial statements have been presented in accordance with the guidance from this update. The update has been applied retrospectively to all periods presented. As a result of the adoption of ASU 2016-14, net assets without donor restrictions as of July 1, 2018, has been increased by $1,008,872 and net assets with donor restrictions has been decreased by $1,008,872. The restatement was to reclassify board-restricted endowment funds to net assets without donor restrictions as defined by the ASU.

Basis of Accounting and Presentation The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets, revenues, and expenses are classified based on the existence or absence of stipulations imposed by donors or grantors. Accordingly, net assets of the Foundation, and changes therein, are classified and reported as follows:

Net Assets Without Donor Restrictions: Net assets that are not subject to stipulations imposed by donors or grantors and may be expended for any purpose in performing the primary objectives of the Foundation. These net assets may be used at the discretion of the Foundation's management and the board of directors.

Net Assets With Donor Restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Revenue Recognition Contributions received are recorded as without donor restrictions or with donor restrictions depending on the existence and nature of grantor/donor restrictions, and are recognized in these financial statements when the likelihood of conditions not being met is remote.

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

Cash and Cash Equivalents For purposes of the statement of cash flows, the Foundation considers all unrestricted, highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Investments Investments in marketable securities with readily determinable fair values are stated at fair market value. Marketable securities without readily determinable fair values are stated at cost.

Contributions Receivable Contributions receivable are adjusted to net realizable value when they are determined to be delinquent based on historical experience. Losses on uncollectible receivables are recognized when such losses become known or are indicated.

Property and Equipment Property and equipment are stated at cost. Depreciation is provided on the straight-line method over the estimated useful lives of the depreciable assets. The estimated useful lives of current property and equipment range from five to seven years.

The Foundation capitalizes expenses for major improvements and acquisitions as additions to property and equipment, whereas ordinary maintenance, repairs, and renewals are charged to expense as incurred.

Donated Services Donated services are recognized as contributions in accordance with FASB ASC *Subtopic 958-605*, *Not-for-Profit Entities – Revenue Recognition*, if the services: (a) create or enhance nonfinancial assets; or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation.

The value of donated services meeting requirements for recognition in the financial statements was not material and has not been recorded. Volunteers also provided their time and performed a variety of tasks that assisted the Foundation with specific program services. These services did not meet the above requirement for recognition in these financial statements and, accordingly, have not been valued or recorded.

Income Taxes The Foundation has received tax-exempt status under Section 501(c)(3) of the *Internal Revenue Code* (IRC), and Section 23701(d) of the *California Revenue and Taxation Code*, and has been classified as an organization that is not a private foundation under Section 509(a) of the IRC. Accordingly, no provision for income taxes is included in the financial statements.

Endowment Investment and Spending Policies The Foundation follows the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and its own governing documents. UPMIFA details the rules on spending from donor-restricted endowment funds. Donor intent is defined in the terms of the gift instrument or document accompanying the gift. The Foundation's endowment funds are entered into with the donor and Foundation signing a fund agreement. The Foundation's endowed fund agreements state the original gift, and any subsequent gifts, are to be preserved for the perpetuity of the endowed fund with the investment income and net appreciation available to spend for the restricted purpose of the fund. The Foundation classifies the original contributions made to the endowed fund as contributions with donor restrictions and the investment income and net appreciation as net assets with donor restrictions for the amount calculated as available to spend.

The Foundation has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide funding to programs supported by its endowment while striving to maintain capital preservation and purchasing power of those endowment assets over the long term. The investment policy establishes an achievable return objective through diversification of asset classes. The current objective is to achieve an investment return to provide sufficient revenue to support an average annual distribution rate of 6% while maintaining the purchasing power of the portfolio. Actual returns may vary from this amount in any given year. To meet this rate of return objective over the long term, the Foundation targets a diversified asset allocation between equity-based and fixed-income investments within prudent risk factors. The spending policy calculates the amount of money annually available to be distributed from the Foundation's endowed funds for grant making. The current spending policy was calculated as an annual amount up to 4% of a 12-quarter moving average of the fair value of the endowment funds. These funds must have sufficient cumulative investment income and net appreciation to cover the spending policy calculation. The excess income and appreciation is then available for additional growth of the endowed fund. During the current year, the Board of Directors approved a spending policy calculation for all endowed funds.

Evaluation of Subsequent Events Management has evaluated subsequent events through October 2, 2019, the date the financial statements were available to be issued.

2. CONCENTRATIONS OF CREDIT RISK

The Foundation has diversified its credit risk for cash by maintaining deposits in several financial institutions. There was no amount in excess of deposit insurance at June 30, 2019.

3. AVAILABILITY AND LIQUIDITY

The following represents the Foundation's financial assets available to meet general expenditures, liabilities, and other obligations over the next twelve months:

June 30, 2019		
Cash and cash equivalents	$	2,191,890
Contributions receivable - current portion		253,550
Loans receivable - current portion		40,116
Total Financial Assets	$	2,485,556

The Foundation is substantially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Foundation must maintain sufficient resources to meeting those responsibilities to donors. Thus, financial assets may not be available for general expenditures within one year. As part of the Foundation's liquidity management, the Foundation's policy is to structure financial assets to be available as general expenditures, liabilities, and other obligations come due. In addition, the Foundation invests excess cash in money market accounts.

4. INVESTMENTS

The Foundation's investments consisted of the following:

June 30, 2019		
Mutual funds	$	19,542,827
Stocks		4,926,870
Bonds		2,018,276
Government securities		2,329,752
Money market funds		304,951
Total Investments	$	29,122,676

5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

June 30, 2019		
Computer equipment and software	$	99,348
Less: Accumulated depreciation		86,320
Property and Equipment - Net	$	13,028

Depreciation expense for the year ended June 30, 2019, was $7,400.

6. CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of the following:

June 30, 2019		
Amounts to be received in the future	$	463,499
Less: Current portion		253,550
Total Contributions Receivable - Long-Term	$	209,949

Amounts to be received in the future are unconditional promises to give to the Foundation. Under the terms of the underlying agreements, amounts will be made available as follows:

June 30, 2019		
Less than one year	$	253,550
One to five years		217,361
Subtotal		470,911
Less: Discount to net present value		7,412
Total Amounts to be Received in the Future	$	463,499

No allowance for uncollectible contributions has been reflected at June 30, 2019, as management believes all amounts are fully collectible.

7. LOANS RECEIVABLE

The Ivy B. Horr Endowed Medical Education Loan Fund provides for loans to students pursuing medical careers. Loans ranging from $2,000 to $10,000 per loan cycle, not to exceed $50,000 per student, are provided and repayment begins six months after the student's graduation and must be completed within ten years of graduation. Interest is charged at a rate of 2%. Loans receivable are carried at unpaid principal balances, less an allowance for expected loan losses. Management's evaluation of the adequacy of the allowance is based primarily on past loan experience and specific impaired loans. The allowance for loans receivable for the year ended June 30, 2019, was $750.

8. BENEFICIAL INTEREST IN CHARITABLE TRUST

Charitable remainder trust provides for the payment of distributions to designated beneficiaries over the trust's terms. At the end of the trust's terms, the remaining assets are available for the beneficiaries' use, subject to donor-imposed restrictions. Assets held in charitable remainder trust are reported at fair value in the Foundation's statement of financial position. Changes in fair value of charitable remainder trust are reflected as changes in net assets with donor restrictions in the Foundation's statement of activities.

The Foundation has been named as the irrevocable remainder beneficiary of one charitable remainder trust that is administered by a third party. At June 30, 2019, the present value of the future benefits was calculated using a discount rate of 2.80%, estimated rate of return of 5.80%, and applicable mortality tables.

Assets held in the charitable remainder trust at June 30, 2019, totaled $801,192 and are reported at fair value in the Foundation's statement of financial position.

9. NET ASSETS WITH DONOR RESTRICTIONS

Contributions received, which are restricted to a specific program or are to be received in future periods, are recorded as net assets with donor restrictions and are released from restriction when program expenses meeting the grantor/donor requirements have been met, or when the time period has lapsed.

Net assets with donor restrictions are restricted for the following purposes or periods:

June 30, 2019		
Amounts to be Received in Future Periods		
McConnell Foundation building grant	$	107,324
McConnell Foundation operating grant		356,175
Total Amounts to be Received in Future Periods		463,499
Amounts Restricted by Donor for Specific Purpose		
Community Disaster Relief Fund		3,608,982
Patricia L. Kimball and David T. Kimball Fund		998,474
Sherri Lint Charitable Remainder Unitrust		801,192
Patty Duncan Fund		529,389
Mount Shasta Children's Fund		502,159
Ivy B. Horr Loan Fund		385,211
Red Bluff Bull Sale Committee Fund		188,322
Greater Good Fund		184,641
The First 5 Shasta Children and Families Fund		111,848
The Women's Fund		110,384
Other		625,251
Total Restricted by Donor for Specific Purpose	$	8,045,853

Contributions received, which are restricted by the donor as endowments to be maintained in perpetuity are recorded as net assets with donor restrictions. The portion of the earnings on endowments, which are subject to the Foundation's spending policy and appropriation, are recorded as net assets with donor restrictions and are released from restrictions when program expenses meeting the grantor/donor requirements have been met. Endowment net assets requiring investment in perpetuity consisted of the following:

June 30, 2019	
Knodel Family Endowment Fund	$ 4,283,199
Elmer H. Schmidt Christian Broadcasting Fund	2,893,759
Ivy B. Horr Endowed Medical Education Fund	1,387,383
Patricia L. Kimball Endowment	1,288,415
Shasta County Board of Education Student Benefit Fund	1,215,983
Josephine Taylor Endowment Fund	1,105,662
John and Mae Harrington Fund	718,428
Dr. Donald & Ann Gleason Memorial Scholarship	709,951
Clement Alan DeTourney Memorial Fund	616,019
Burney Regional Community Fund Endowment	615,861
Women's Endowment Fund of Redding	594,360
Animal Welfare Endowment Fund	554,422
Kohn Family Endowment	435,540
Seamans Family Endowment	422,499
Siskiyou Family YMCA Endowment	403,703
Veteran's Cemetery Endowment Fund	310,851
Tauhindauli Park Endowment Fund	306,538
Other	4,246,097
Total Net Assets In Perpetuity	$ 22,108,670
Total Net Assets with Donor Restrictions	$ 30,618,022

Endowment net assets composition by type of fund is as follows:

June 30, 2019	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
Board-designated endowment fund	$ 1,268,711	$ -	$ 1,268,711
Donor-restricted endowment funds	-	22,108,670	22,108,670
Total Endowment Net Assets	$ 1,268,711	$ 22,108,670	$ 23,377,381
Endowment Net Assets - as Reported	$ 116,283	$ 23,251,272	$ 23,367,555
Effect of change in accounting principles	1,008,872	(1,008,872)	-
Endowment Net Assets - as Restated	1,125,155	22,242,400	23,367,555
Contributions	139,482	230,156	369,638
Investment income, net	43,524	847,913	891,437
Net appreciation	13,048	174,014	187,062
Amounts appropriated for expense	(52,498)	(980,720)	(1,033,218)
Other amounts released from restriction	-	(405,093)	(405,093)
Endowment Net Assets - End of Year	$ 1,268,711	$ 22,108,670	$ 23,377,381

10. CONTRIBUTIONS

Contributions consisted of the following:

Year Ended June 30, 2019	Without Donor Restrictions	With Donor Restrictions	Total
Grants	$ 14,371	$ 59,820	$ 74,191
Donations	154,291	6,976,824	7,131,115
Sponsorships	-	26,757	26,757
Total Contributions	$ 168,662	$ 7,063,401	$ 7,232,063

11. PROGRAM SERVICE FEES

Program service fees consisted of the following:

Year Ended June 30, 2019	
Fund administration fees	$ 534,660
Other program service fees	2,481
Total Program Service Fees	$ 537,141

12. FUNCTIONAL EXPENSE ALLOCATION

The costs of providing various programs and activities have been summarized on a functional basis. Accordingly, the following is the allocation of certain costs among the programs and supporting services:

	Program Services						Supporting Activities			
Year Ended June 30, 2019	Asset Development and Grant Making	Leadership Redding	Women's Fund	Ivy B. Horr Loan Fund	Other Programs	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
Program Costs										
Grant distributions	$ 4,318,392	$ -	$ 36,000	$ -	$ -	$ 4,354,392	$ -	$ -	$ -	$ 4,354,392
Salaries	51,588	12,763	21,973	14,968	58,299	159,591	93,174	161,863	255,037	414,628
Occupancy expense	14,370	3,593	5,988	3,593	17,964	45,508	26,347	47,903	74,250	119,758
Payroll overhead	11,789	2,947	4,913	2,947	14,736	37,332	21,612	39,295	60,907	98,239
Contract services	2,639	12,600	2,199	4,701	-	22,139	7,916	15,833	23,749	45,888
Marketing	13,775	225	1,090	-	-	15,090	1,213	18,626	19,839	34,929
Travel and lodging	2,469	-	4,486	-	7,406	14,361	9,875	4,938	14,813	29,174
Classes - Leadership Redding	-	28,390	-	-	-	28,390	-	-	-	28,390
Legal and accounting	-	-	-	-	3,475	3,475	6,950	3,475	10,425	13,900
Other expenses	1,131	247	1,351	4,284	1,234	8,247	1,955	3,435	5,390	13,637
Dues	4,519	-	-	-	-	4,519	4,520	4,519	9,039	13,558
Insurance	3,360	-	-	-	-	3,360	6,720	3,360	10,080	13,440
Staff training and development	1,245	700	-	-	3,735	5,680	4,980	2,490	7,470	13,150
Telephone	1,273	318	530	319	1,592	4,032	2,334	4,243	6,577	10,609
Depreciation	888	222	370	222	1,110	2,812	1,628	2,960	4,588	7,400
Office expenses	600	792	333	150	750	2,625	1,101	2,001	3,102	5,727
Postage	794	30	154	-	-	978	794	1,588	2,382	3,360
Volunteer recognition	-	2,411	-	-	-	2,411	800	-	800	3,211
Printing	89	-	6	-	-	95	294	500	794	889
Loss on sale of assets	-	-	-	-	-	-	358	-	358	358
Total Expenses	$ 4,428,921	$ 65,238	$ 79,393	$ 31,184	$ 110,301	$ 4,715,037	$ 192,571	$ 317,029	$ 509,600	$ 5,224,637

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses are allocated based on estimates of time, effort, and usage.

13. OPERATING LEASES

The Foundation moved to a new office facility on January 1, 2006, under a five-year lease with The McConnell Foundation. The lease expired on December 31, 2011. A lease amendment was signed in August 2010 to extend the lease an additional five years with the lease expiring December 31, 2015. A second lease amendment was signed January 1, 2016, for five years with the lease expiring December 31, 2020. The lease is a market-rate lease. Lease expense totaled $69,924 for the year ended June 30, 2019. These lease obligations are supported by a grant from The McConnell Foundation. Future lease obligations under the amended lease are as follows:

Years Ending June 30		
2020	$	72,024
2021		36,546
Total	$	108,570

14. SHASTA REGIONAL COMMUNITY REAL ESTATE FOUNDATION

Shasta Regional Community Real Estate Foundation (CREF) is a nonprofit organization formed by Shasta Regional Community Foundation to receive and process gifts of real estate for charitable purposes. CREF is a separate 501(c)(3) supporting organization and is not controlled by the Foundation. Its eight-member board of directors is composed of two members of the Foundation's board and six outside members.

15. FAIR VALUE MEASUREMENTS

The Foundation accounts for certain assets and liabilities in accordance with FASB ASC 820, *Fair Value Measurements and Disclosures*, which establishes a framework for measuring fair value under accounting principles generally accepted in the United States of America.

The Foundation classifies its fair value assets and liabilities into a hierarchy of three levels based on the markets in which they are traded and the reliability of the assumptions used to determine fair value. The asset or liability measurement level within the hierarchy is based on the lowest level of any assumption that is significant to the measurement.

Valuations within the hierarchy levels are based upon the following:

Level 1 – Quoted market prices for identical instruments traded in active exchange markets.

Level 2 – Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable or can be corroborated by observable market data.

Level 3 – Model-based techniques use at least one significant assumption not observable in the market. These unobservable assumptions reflect the Foundation's estimates of assumptions that market participants would use on pricing the asset or liability. Valuation techniques include management judgment and estimation, which may be significant.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used during the year ended June 30, 2019.

Money Market Funds: These assets are valued at the net asset value (NAV), generally $1 per share, and are reported on the active market on which securities are traded.

Corporate Stocks, Corporate Fixed Income, and Government Securities: These assets are valued at the closing price reported on the active market on which the individual securities are traded.

Mutual Funds: These assets are valued at the NAV reported on the active market on which the securities are traded.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while 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.

Fair values of assets measured on a recurring basis are as follows:

June 30, 2019	Fair Value	Level 1	Level 2	Level 3
Mutual funds:				
Large-cap value funds	$ 150,473	$ 150,473	$ -	$ -
Large-cap blended funds	4,969,486	4,969,486	-	-
Large-cap growth funds	2,246,601	2,246,601	-	-
Moderate allocation funds	412,762	412,762	-	-
Mid-cap value funds	418,193	418,193	-	-
Mid-cap blend funds	206,002	206,002	-	-
Mid-cap growth funds	820,671	820,671	-	-
Small-cap blend funds	887,695	887,695	-	-
Foreign large blend funds	1,714,562	1,714,562	-	-
Foreign large value funds	630,229	630,229	-	-
Short-term bond funds	4,698,146	4,698,146	-	-
Long-term bond funds	167,268	167,268	-	-
Intermediate-term bond funds	2,144,261	2,144,261	-	-
Foreign bond funds	76,478	76,478	-	-
Stocks:				
Basic materials	194,696	194,696	-	-
Communications	545,854	545,854	-	-
Consumer	1,311,161	1,311,161	-	-
Energy	815,914	815,914	-	-
Financial services	999,177	999,177	-	-
Industrials	508,577	508,577	-	-
Real estate	30,380	30,380	-	-
Technology	230,367	230,367	-	-
Utilities	290,744	290,744	-	-
Bonds:				
Financial services	915,029	915,029	-	-
Industrials	1,041,984	1,041,984	-	-
Utilities	61,263	61,263	-	-
Government securities	2,329,752	2,329,752	-	-
Money market funds	304,951	304,951	-	-
Contribution receivable - beneficial interest in remainder trust	801,192	-	-	801,192
Contribution receivable - beneficial interest in life insurance policy	5,680	-	-	5,680
Total	$ 29,929,548	$ 29,122,676	$ -	$ 806,872

Assets measured at fair value on a recurring basis using significant, unobservable inputs (level 3):

Balance - July 1, 2018	$	730,630
Increase in beneficial interests in life insurance policy		1,672
Total gains or (losses) - realized and unrealized		74,570
Balance - June 30, 2019	$	806,872

The amount of total gains for the year ended June 30, 2019, was $74,570 and was included in net assets with donor restrictions attributable to the change in unrealized gains or losses, relating to assets still held at the reporting date.

16. RETIREMENT PLAN

Effective February 1, 2014, the Foundation established a SIMPLE IRA plan (the Plan). The Plan is administered by American Funds and covers employees after they have earned at least $5,000 per year during any two preceding years and who are expected to earn at least $5,000 in the current year. Employees may make pre-tax contributions to their individual SIMPLE IRA accounts. The Foundation must match at least 1% of the eligible employees' annual salary up to the smaller of 3% of the employees' annual salary or actual employee contributions made during the fiscal year. For the year ended June 30, 2019, the Foundation made matching contributions of 3% of the annual salary of those participating in the Plan for a total of $11,688.

17. RECENT ACCOUNTING PRONOUNCEMENT

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The ASU intends to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and by disclosing key information about leasing arrangements. Previous to this ASU, entities were allowed to exclude from the balance sheet leases classified as operating leases. This ASU required lessees to recognize the assets and liabilities arising from leases on the balance sheet. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for the Foundation for the year ending June 30, 2021. The Foundation's management has not yet determined the impact, if any, that implementation of this amendment will have on the financial statements.