

Shasta Regional Community Foundation
Redding, California

FINANCIAL STATEMENTS WITH INDEPENDENT AUDITORS' REPORT

June 30, 2020



Shasta Regional Community Foundation

TABLE OF CONTENTS

June 30, 2020

	Page Number
Independent Auditors' Report	1
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Notes to the Financial Statements	6

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, 2020; 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, 2020, 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 & Gaetavn, LLP

October 1, 2020
Chico, California

Shasta Regional Community Foundation

STATEMENT OF FINANCIAL POSITION

June 30, 2020

ASSETS

Current Assets

Cash and cash equivalents	\$	2,705,658
Contributions receivable		1,117,361
Loans receivable - current portion		37,002
Prepaid expenses		797

Total Current Assets		3,860,818
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Property and Equipment - Net		36,570
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Other Assets

Deposits		378
Beneficial interest in remainder trust		991,367
Beneficial interest in life insurance policy		7,609
Loans receivable - long-term, net of current portion		177,362
Long-term investments		28,210,944

Total Other Assets		29,387,660
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TOTAL ASSETS	\$	33,285,048
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LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$	32,801
Grants payable		622,719
Accrued payroll		67,774

Total Liabilities		723,294
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Net Assets

Without donor restrictions		1,737,650
With donor restrictions		30,824,104

Total Net Assets		32,561,754
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TOTAL LIABILITIES AND NET ASSETS	\$	33,285,048
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The accompanying notes are an integral part of these financial statements.

Shasta Regional Community Foundation

STATEMENT OF ACTIVITIES

Year Ended June 30, 2020	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Other Support			
Contributions	\$ 236,352	\$ 4,814,101	\$ 5,050,453
Program service fees	616,110	-	616,110
Investment return, net	6,175	101,151	107,326
Gain on insurance proceeds	-	1,929	1,929
Change in value of remainder trust	-	190,175	190,175
Net assets released from restriction	4,901,274	(4,901,274)	-
Total Revenues, Gains, and Other Support	5,759,911	206,082	5,965,993
Expenses and Losses			
Grant distributions	4,628,528	-	4,628,528
Salaries	487,266	-	487,266
Occupancy expense	129,608	-	129,608
Payroll overhead	107,198	-	107,198
Marketing	84,678	-	84,678
Telephone	39,150	-	39,150
Classes - Leadership Redding	27,194	-	27,194
Contract services	25,114	-	25,114
Travel and lodging	17,986	-	17,986
Other expenses	17,352	-	17,352
Legal and accounting	14,400	-	14,400
Insurance	13,461	-	13,461
Dues	12,865	-	12,865
Depreciation	11,857	-	11,857
Office expenses	4,588	-	4,588
Staff training and development	4,400	-	4,400
Printing	3,715	-	3,715
Postage	2,985	-	2,985
Volunteer recognition	1,605	-	1,605
Total Expenses and Losses	5,633,950	-	5,633,950
Change in Net Assets	125,961	206,082	332,043
Net Assets - Beginning of Year	1,611,689	30,618,022	32,229,711
Net Assets - End of Year	\$ 1,737,650	\$ 30,824,104	\$ 32,561,754

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

Shasta Regional Community Foundation

STATEMENT OF CASH FLOWS

Year Ended June 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$	332,043
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation		11,857
Unrealized loss on investments		347,975
Interest and dividends restricted for long-term investment		(837,702)
Change in beneficial interest in remainder trust		(190,175)
Change in beneficial interest in life insurance policy		(1,929)
Changes in:		
Contributions receivable		(653,862)
Loans receivable		30,763
Prepaid expenses		(797)
Accounts payable		29,021
Deferred revenue		(19,405)
Grants payable		71,959
Accrued payroll		27,960

NET CASH USED IN OPERATING ACTIVITIES		(852,292)
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CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of property and equipment		(35,399)
Net redemption of investments		1,401,459

NET CASH PROVIDED BY INVESTING ACTIVITIES		1,366,060
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Net Increase in Cash and Cash Equivalents		513,768
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Cash and Cash Equivalents - Beginning of Year		2,191,890
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Cash and Cash Equivalents - End of Year	\$	2,705,658
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The accompanying notes are an integral part of these financial statements.

Shasta Regional Community Foundation

NOTES TO THE 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.

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.

Shasta Regional Community Foundation

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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 consist of unconditional promises to give to the Foundation. 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. No allowance for uncollectible contributions has been reflected at June 30, 2020, as management believes all amounts are fully collectible.

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.

Shasta Regional Community Foundation

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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 of 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 of up to 4% for all endowed funds, as appropriate.

Evaluation of Subsequent Events Management has evaluated subsequent events through October 1, 2020, 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, 2020.

Shasta Regional Community Foundation

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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, 2020	
Cash and cash equivalents	\$ 2,705,658
Contributions receivable	1,117,361
Loans receivable - current portion	37,002
Total Financial Assets	\$ 3,860,021

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, 2020	
Mutual funds	\$ 16,862,547
Stocks	4,504,245
Bonds	1,845,543
Government securities	1,900,141
Money market funds	3,098,468
Total Investments	\$ 28,210,944

5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

June 30, 2020	
Computer equipment and software	\$ 116,740
Less: Accumulated depreciation	80,170
Property and Equipment - Net	\$ 36,570

Depreciation expense for the year ended June 30, 2020, was \$11,857.

Shasta Regional Community Foundation

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

6. CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of the following:

June 30, 2020	
Amounts to be received in the future	1,117,361
Less: Current portion	1,117,361
Total Contributions Receivable - Long-Term	\$ -

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, 2020	
Less than one year	\$ 1,117,361
One to five years	-
Subtotal	1,117,361
Less: Discount to net present value	-
Total Amounts to be Received in the Future	\$ 1,117,361

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, 2020, 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, 2020, the present value of the future benefits was calculated using a discount rate of 0.6%, estimated rate of return of 5.80%, and applicable mortality tables.

Assets held in the charitable remainder trust at June 30, 2020, totaled \$991,367 and are reported at fair value in the Foundation's statement of financial position.

Shasta Regional Community Foundation

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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, 2020

Amounts to be Received in Future Periods

McConnell Foundation building grant	\$	36,546
McConnell Foundation operating grant		180,815

Total Amounts to be Received in Future Periods 217,361

Amounts Restricted by Donor for Specific Purpose

Community Disaster Relief Fund		2,952,710
Sherrri Lint Charitable Remainder Unitrust		991,367
Harry Daniell Fund		900,000
Patricia L. Kimball and David T. Kimball Fund		890,564
Mt. Shasta Children's Fund		484,143
Patty Duncan Fund		460,247
COVID-19 Relief Fund		394,143
Ivy B. Horr Expendable Fund		372,450
Greater Good Fund		273,291
Red Bluff Bull Sale Committee Fund		183,823
Other		1,070,915

Total Restricted by Donor for Specific Purpose \$ 8,973,653

Shasta Regional Community Foundation

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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, 2020

Knodel Family Endowment Fund	\$ 4,000,078
Elmer H. Schmidt Christian Broadcasting Fund	3,037,900
Ivy B. Horr Endowed Medical Education Fund	1,372,088
Patricia L. Kimball Endowment	1,221,955
Shasta County Board of Education Student Benefit Fund	1,143,922
Josephine Taylor Endowment Fund	1,089,005
Dr. Donald & Ann Gleason Memorial Scholarship	679,136
John and Mae Harrington Fund	678,196
Clement Alan DeTourney Memorial Fund	605,814
Burney Regional Community Fund Endowment	597,502
Women's Endowment Fund of Redding	594,008
Animal Welfare Endowment Fund	531,403
Kohn Family Endowment	416,926
Seamans Family Endowment	405,998
Siskiyou Family YMCA Endowment	379,701
Veteran's Cemetery Endowment Fund	340,154
Tauhindauli Park Endowment Fund	288,669
Other	4,250,635
Total Net Assets In Perpetuity	\$ 21,633,090
Total Net Assets with Donor Restrictions	\$ 30,824,104

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

June 30, 2020	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
Board-designated endowment fund	\$ 1,307,497	\$ -	\$ 1,307,497
Donor-restricted endowment funds	-	21,633,090	21,633,090
Total Endowment Net Assets	\$ 1,307,497	\$ 21,633,090	\$ 22,940,587
Endowment Net Assets - Beginning of Year	1,268,711	22,108,670	23,377,381
Contributions	105,080	222,833	327,913
Investment income, net	28,682	459,454	488,136
Net appreciation (depreciation)	(17,382)	(305,490)	(322,872)
Amounts appropriated for expense	(77,594)	(852,377)	(929,971)
Endowment Net Assets - End of Year	\$ 1,307,497	\$ 21,633,090	\$ 22,940,587

Shasta Regional Community Foundation

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

10. CONTRIBUTIONS

Contributions consisted of the following:

Year Ended June 30, 2020	Without Donor Restrictions	With Donor Restrictions	Total
Grants	\$ 113,262	\$ 20,863	\$ 134,125
Donations	123,090	4,767,590	4,890,680
Sponsorships	-	25,648	25,648
Total Contributions	\$ 236,352	\$ 4,814,101	\$ 5,050,453

11. PROGRAM SERVICE FEES

Program service fees consisted of the following:

Year Ended June 30, 2020	
Fund administration fees	\$ 615,450
Other program service fees	660
Total Program Service Fees	\$ 616,110

Shasta Regional Community Foundation
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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:

Year Ended June 30, 2020	Program Services						Supporting Activities			Total Expenses
	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	
Program Costs										
Grant distributions	\$ 4,543,528	\$ -	\$ 85,000	\$ -	\$ -	\$ 4,628,528	\$ -	\$ -	\$ -	\$ 4,628,528
Salaries	67,501	15,258	24,603	18,595	54,035	179,992	103,704	203,570	307,274	487,266
Occupancy expense	15,553	3,888	6,480	3,888	19,441	49,250	28,515	51,843	80,358	129,608
Payroll overhead	12,864	3,216	5,360	3,216	16,080	40,736	23,583	42,879	66,462	107,198
Marketing	27,299	275	549	-	-	28,123	5,851	50,704	56,555	84,678
Telephone	4,653	1,163	2,316	1,163	5,816	15,111	8,530	15,509	24,039	39,150
Classes - Leadership Redding	-	27,194	-	-	-	27,194	-	-	-	27,194
Contract services	-	13,200	7,704	4,210	-	25,114	-	-	-	25,114
Travel and lodging	1,441	-	3,573	-	4,324	9,338	5,765	2,883	8,648	17,986
Other expenses	1,975	438	2,449	438	2,190	7,490	3,799	6,063	9,862	17,352
Legal and accounting	-	-	-	-	3,600	3,600	7,200	3,600	10,800	14,400
Insurance	3,365	-	-	-	-	3,365	6,731	3,365	10,096	13,461
Dues	3,916	-	1,117	-	-	5,033	3,916	3,916	7,832	12,865
Depreciation	1,423	356	593	356	1,778	4,506	2,608	4,743	7,351	11,857
Office expenses	493	594	214	123	616	2,040	905	1,643	2,548	4,588
Staff training and development	300	1,400	-	-	900	2,600	1,200	600	1,800	4,400
Printing	319	-	526	-	-	845	1,063	1,807	2,870	3,715
Postage	700	-	185	-	-	885	700	1,400	2,100	2,985
Volunteer recognition	-	-	-	-	-	-	1,605	-	1,605	1,605
Total Expenses	\$ 4,685,330	\$ 66,982	\$ 140,669	\$ 31,989	\$ 108,780	\$ 5,033,750	\$ 205,675	\$ 394,525	\$ 600,200	\$ 5,633,950

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.

Shasta Regional Community Foundation

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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 \$72,024 for the year ended June 30, 2020. These lease obligations are supported by a grant from The McConnell Foundation. Future lease obligations under the amended lease are as follows:

Year Ending June 30

2021	\$ 36,546
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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.

Shasta Regional Community Foundation

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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, 2020.

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.

Shasta Regional Community Foundation

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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

June 30, 2020	Fair Value	Level 1	Level 2	Level 3
Mutual funds:				
Large-cap value funds	\$ 253,583	\$ 253,583	\$ -	\$ -
Large-cap blended funds	5,415,121	5,415,121	-	-
Large-cap growth funds	2,736,371	2,736,371	-	-
Moderate allocation funds	407,687	407,687	-	-
Mid-cap value funds	300,167	300,167	-	-
Mid-cap blend funds	785,955	785,955	-	-
Mid-cap growth funds	676,413	676,413	-	-
Small-cap blend funds	815,383	815,383	-	-
Foreign large blend funds	1,490,125	1,490,125	-	-
Foreign large value funds	577,325	577,325	-	-
Short-term bond funds	1,187,015	1,187,015	-	-
Long-term bond funds	165,697	165,697	-	-
Intermediate-term bond funds	1,969,193	1,969,193	-	-
Foreign bond funds	82,512	82,512	-	-
Stocks:				
Basic materials	182,230	182,230	-	-
Communications	517,383	517,383	-	-
Consumer	1,070,759	1,070,759	-	-
Energy	754,088	754,088	-	-
Financial services	1,167,808	1,167,808	-	-
Industrials	358,141	358,141	-	-
Technology	224,075	224,075	-	-
Utilities	229,761	229,761	-	-
Bonds:				
Financial services	610,022	610,022	-	-
Industrials	1,235,521	1,235,521	-	-
Government securities	1,900,141	1,900,141	-	-
Money market funds	3,098,468	3,098,468	-	-
Contribution receivable - beneficial interest in remainder trust	991,367	-	-	991,367
Contribution receivable - beneficial interest in life insurance policy	7,609	-	-	7,609
Total	\$ 29,209,920	\$ 28,210,944	\$ -	\$ 998,976

Shasta Regional Community Foundation

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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

Balance - July 1, 2019	\$	806,872
Increase in beneficial interests in life insurance policy		1,929
Total gains or (losses) - realized and unrealized		190,175
Balance - June 30, 2020	\$	998,976

The amount of total gains for the year ended June 30, 2020, was \$190,175 and was included in net assets with donor restrictions attributable to the change in beneficial interest in remainder trust 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, 2020, the Foundation made matching contributions of 3% of the annual salary of those participating in the Plan for a total of \$13,424.

17. CONTINGENCIES

The Foundation received a Paycheck Protection Program (PPP) loan of \$94,415 granted by the Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). PPP loans are considered conditional contributions, with a right-of return in the form of an obligation to be repaid if a barrier to entitlement is not met. The barrier is that PPP loan funds must be used to maintain compensation costs and employee headcount, and other qualifying expenses (mortgage interest, rent and utilities) incurred following receipt of the funds. The Foundation recognized the amount received as grant revenue as qualified expenses occurred and barriers to entitlement were met. Application for forgiveness of the loan was made on August 17, 2020, with inclusion of compliance substantiation and certification therein. However, at the time of issuance of the financial statements, notice of forgiveness had not been received from the lender. All documentation supporting program compliance has been made available for the financial statement audit. All indications are that the loan will be forgiven. However, if a portion of the loan must be repaid, the terms (1% per annum, repayable over a maximum of five years with a six-month deferral period) are such that the institution has sufficient liquidity to repay the unforgiven portion.

Shasta Regional Community Foundation

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

18. COVID-19

The novel coronavirus, COVID-19, was declared a worldwide pandemic by the World Health Organization on March 11, 2020. The long-term impact of the pandemic on the Foundation's operations and financial performance will depend on future developments, including government mandates and duration of the pandemic, all of which are uncertain and difficult to predict considering the rapidly evolving landscape. As a result, it is not currently possible to assess the overall impact of COVID-19 on the Foundation's future. However, if the pandemic continues to cause stay-at-home orders and market fluctuations, the disease could have a material adverse effect on the Foundation's service offerings, results of operations, financial condition, and cash flows. Management is monitoring the situation on a daily basis in order to mitigate the potential impact of COVID-19 on the Foundation's operations and financial performance.

19. SUBSEQUENT EVENT

Subsequent to June 30, 2020, the Foundation filed a Fictitious Business Name Statement as Shasta Regional Community Foundation doing business as (DBA) Community Foundation of the North State. All public identification will state Community Foundation of North State.

20. 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, 2022. The Foundation's management has not yet determined the impact, if any, that implementation of this amendment will have on the financial statements.