



**AUDITED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

COMMUNITY FOUNDATION OF THE NORTH STATE
TABLE OF CONTENTS
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

Report of Independent Auditors	1
Statements of Financial Position	3
Statements of Activities.....	4
Statements of Functional Expenses.....	5
Statements of Cash Flows	6
Notes to Financial Statements	7



D. H. SCOTT & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
A LIMITED LIABILITY PARTNERSHIP

Partners

David H. Scott
Keith F. Hunting, CPA
Paul J. Catanese, APC, CPA/MBA
Christine M. Link, APC, CPA/MSA
Christina M. Freilich, APC, CPA
Chris A. Estes, CPA

Managers

Cheryl Hull, CPA
Ron Massey, CPA
Deana M. McClenny, CPA
Donna L. Darwin, MSA
Rebecca R. Braxton, CPA, MAC

REPORT OF INDEPENDENT AUDITORS

Board of Directors
Community Foundation of the North State
Redding, California

Opinion

We have audited the accompanying financial statements of Community Foundation of the North State (a nonprofit organization) which comprise the statement of financial position as of June 30, 2024, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the 2024 financial statements referred to above present fairly, in all material respects, the financial position of Community Foundation of the North State as of June 30, 2024, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Community Foundation of the North State and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Period Financial Statements

The financial statements of Community Foundation of the North State as of June 30, 2023 were audited by other auditors whose report dated October 2, 2023 expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

Responsibilities of Management for the Financial Statements (continued)

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Community Foundation of the North State's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Community Foundation of the North State's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Community Foundation of the North State's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

DH Scott & Company LLP

Redding, California
October 11, 2024

COMMUNITY FOUNDATION OF THE NORTH STATE
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2024 AND 2023

ASSETS

	2024	2023
Cash and cash equivalents	\$ 518,515	\$ 216,986
Cash and cash equivalents held in investments	238,643	479,427
Investments	34,119,555	31,899,374
Contributions receivable	373,251	534,322
Loans receivable, net of allowance for credit losses of \$750 and \$10,750	111,288	127,551
Prepaid expenses	11,534	-
Property and equipment, net	25,845	32,156
Beneficial interest in remainder trust	652,277	655,021
Beneficial interest in life insurance policy	14,574	12,598
Total assets	\$ 36,065,482	\$ 33,957,435

LIABILITIES AND NET ASSETS

	2024	2023
Liabilities		
Accounts payable	53,893	1,423
Scholarships payable	375,206	402,088
Grants payable	2,500	-
Accrued payroll and vacation	56,174	49,957
Total liabilities	487,773	453,468
Net assets		
Without donor restrictions	2,541,607	2,354,043
With donor restriction	33,036,102	31,149,924
Total net assets	35,577,709	33,503,967
Total liabilities and net assets	\$ 36,065,482	\$ 33,957,435

See accompanying notes to financial statements.

COMMUNITY FOUNDATION OF THE NORTH STATE
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue						
Contributions	\$ 70,253	\$ 4,943,890	\$ 5,014,143	\$ 164,810	\$ 3,801,792	\$ 3,966,602
Program service fees	636,284	-	636,284	614,817	-	614,817
Investment income, net	126,126	608,367	734,493	48,286	705,214	753,500
Unrealized gain on investments	122,128	2,052,382	2,174,510	127,571	1,422,415	1,549,986
Change in value of remainder trust	-	(2,743)	(2,743)	-	1,140	1,140
Change in value of life insurance policy	-	1,977	1,977	-	1,421	1,421
Loss on disposal of assets	(2,222)	-	(2,222)	-	-	-
Net assets released from restriction	5,717,695	(5,717,695)	-	5,538,957	(5,538,957)	-
Total support and revenue	<u>6,670,264</u>	<u>1,886,178</u>	<u>8,556,442</u>	<u>6,494,441</u>	<u>393,025</u>	<u>6,887,466</u>
Expenses						
Program services	5,780,860	-	5,780,860	5,491,721	-	5,491,721
Management and general	230,266	-	230,266	269,434	-	269,434
Fundraising	471,574	-	471,574	494,667	-	494,667
Total expenses	<u>6,482,700</u>	<u>-</u>	<u>6,482,700</u>	<u>6,255,822</u>	<u>-</u>	<u>6,255,822</u>
Change in net assets	187,564	1,886,178	2,073,742	238,619	393,025	631,644
Net assets, beginning of year	<u>2,354,043</u>	<u>31,149,924</u>	<u>33,503,967</u>	<u>2,115,424</u>	<u>30,756,899</u>	<u>32,872,323</u>
Net assets, end of year	<u>\$ 2,541,607</u>	<u>\$ 33,036,102</u>	<u>\$ 35,577,709</u>	<u>\$ 2,354,043</u>	<u>\$ 31,149,924</u>	<u>\$ 33,503,967</u>

See accompanying notes to financial statements.

COMMUNITY FOUNDATION OF THE NORTH STATE
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

	2024				2023			
	Program Services	Management & General	Fundraising Activities	Total Expenses	Program Services	Management & General	Fundraising Activities	Total Expenses
Grant distribution	5,376,115	-	-	5,376,115	5,094,661	-	-	5,094,661
Salaries	214,546	69,772	285,117	569,435	189,882	134,084	298,380	622,346
Occupancy expense	41,412	29,580	47,328	118,320	54,054	38,610	61,775	154,439
Payroll overhead	39,730	12,920	52,798	105,448	31,174	22,012	48,984	102,170
Bank and credit card fees	32,249	-	21,499	53,748	27,286	19,490	31,185	77,961
Contract services	37,292	9,795	-	47,087	4,200	9,795	-	13,995
Office expenses	13,457	13,457	17,942	44,856	4,352	4,353	5,804	14,509
Legal and accounting	-	51,848	-	51,848	6,216	12,430	6,216	24,862
Other expenses	6,966	6,965	9,287	23,218	11,420	1,419	1,892	14,731
Marketing and advertising	-	-	20,322	20,322	10,055	-	18,674	28,729
Travel and lodging	7,887	7,888	3,944	19,719	6,707	6,706	3,353	16,766
Insurance	-	16,691	-	16,691	4,406	8,812	4,406	17,624
Dues	4,809	4,954	4,809	14,572	4,370	4,501	4,370	13,241
Depreciation	4,251	4,250	5,667	14,168	4,544	4,544	6,058	15,146
Telephone/website	2,146	2,146	2,861	7,153	2,678	2,678	3,570	8,926
Classes - Leadership Redding	-	-	-	-	35,716	-	-	35,716
Total functional expenses	\$ 5,780,860	\$ 230,266	\$ 471,574	\$ 6,482,700	\$ 5,491,721	\$ 269,434	\$ 494,667	\$ 6,255,822

See accompanying notes to financial statements.

COMMUNITY FOUNDATION OF THE NORTH STATE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
Cash flows from operating activities		
Cash received from contributions and grants	\$ 5,699,222	\$ 5,260,259
Cash paid to suppliers and employees	(6,445,761)	(6,567,465)
Interest and dividends received, net of investment expenses	863,034	679,824
	116,495	(627,382)
Cash flows from investing activities		
Purchase of property and equipment	(10,079)	(18,213)
Proceeds from sale of investments	8,978,117	8,801,850
Purchase of investments	(9,023,788)	(12,384,259)
	(55,750)	(3,600,622)
Net increase (decrease) in cash and cash equivalents	60,745	(4,228,004)
Cash and cash equivalents, beginning of year	696,413	4,924,417
	\$ 757,158	\$ 696,413
Cash and cash equivalents, end of year	\$ 757,158	\$ 696,413
 Reconciliation of change in net assets to net cash provided by (used in) operating activities		
Change in net assets	\$ 2,073,742	\$ 631,644
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	14,168	15,146
Unrealized loss (gain) on investments	(2,174,510)	(1,549,986)
Loss on disposal of property and equipment	2,222	126
Change in allowance for credit losses	(10,000)	-
(Increase) decrease in assets		
Other receivable	-	118,518
Contributions receivable	160,321	446,635
Loans receivable	27,013	29,815
Prepaid expenses	(11,534)	6,482
Deposits	-	378
Beneficial interest in remainder trust	2,744	(1,141)
Beneficial interest in life insurance policy	(1,976)	(1,421)
Increase (decrease) in liabilities		
Accounts payable	52,470	(26,779)
Scholarship payable	(26,882)	-
Grants payable	2,500	(262,734)
Contract advances	-	(38,500)
Accrued payroll and vacation	6,217	4,435
	(1,957,247)	(1,259,026)
Net cash provided by (used in) operating activities	\$ 116,495	\$ (627,382)

See accompanying notes to financial statements.

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

Community Foundation of the North State (the Foundation) promotes philanthropy by connecting people who care with causes that matter.

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 was a one-year program of day-long sessions intended to provide its participants with information and opportunities to promote community leadership and involvement. As of October 2, 2023, Leadership Redding is no longer a program of the Foundation.

Women's Fund: This program supported the efforts and organizations that improve the lives of women, children, and their families in the greater Redding area. As of October 2, 2023, Women's Fund is no longer a program of the Foundation.

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.

Other Programs: Other Programs is comprised of various programs including North State Giving Tuesday an online networking and giving event that provides nonprofit organizations in Shasta, Siskiyou, and Tehama counties the opportunity to gain exposure and start relationships with new donors. The event takes place annually on the Tuesday after Thanksgiving.

Shasta Regional Community Real Estate Foundation (CREF) is a nonprofit organization formed by Community Foundation of the North State 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. The activity of CREF is not included in the accompanying financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Adoption of New Accounting Standard

Effective July 1, 2023, the Foundation adopted ASU 2016-13 Financial Instruments – Credit Losses (Topic 326) Measurement of Credit Losses on Financial Instruments (ASC 326), which among other things, requires an estimate of credit losses for the remaining estimated life of receivables on the statements of financial position, based on historical information, current conditions, and reasonable and supportable forecasts. Receivables measured at amortized cost will be presented as the net amount expected to be collected by using an allowance for credit losses.

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 the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation

The financial statements of The Foundation have been prepared on the accrual basis of accounting. The Foundation reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions Net assets that are not subject to or are no longer subject to donor imposed stipulations.

Net Assets With Donor Restrictions Net assets whose use is limited by donor-imposed time and/or purpose restrictions.

Revenues are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed restrictions. Donations are reported as without donor restrictions unless the donor has restricted the donated asset to a specific purpose. 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 net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on the net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Cash and Cash Equivalents

Cash and cash equivalents is defined as cash in demand deposit accounts, as well as investments with original maturities of three months or less. The Foundation places its cash and cash investments with high quality credit institutions, with operating balances insured through an automatic cash sweep program to keep balances below the Federal Deposit Insurance Corporation (FDIC) insured limit. At June 30, 2024 and June 30, 2023, the Foundation did not have any cash balances above the FDIC limit. Additionally, the Foundation places cash and cash equivalents in money market funds which are not insured or guaranteed by the FDIC or any other government agency. The Foundation had \$269,510 of cash and cash equivalents invested in money market funds at June 30, 2024.

Following is a reconciliation of cash and cash equivalents as reflected on the statement of cash flows at June 30, 2024 and 2023:

	2024	2023
Cash and cash equivalents	\$ 518,515	\$ 216,986
Cash and cash equivalents held in investments	238,643	479,427
Total cash and cash equivalents	\$ 757,158	\$ 696,413

Note: The financial statements for the year ended June 30, 2023, as presented by the predecessor auditor, did not break out cash and cash equivalents held in investments for cash flow presentation. Certain amounts on the statement of cash flows have been reclassified to conform to the presentation for the year ended June 30, 2024.

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 grants has been reflected at June 30, 2024 and 2023, as management believes all amounts are fully collectible.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Loans Receivable

The Ivy B. Horr Endowed Medical Education Loan Fund provides low interest loans to students pursuing an education in medicine. 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 or graduation. Interest is charged at a rate of 2%. Loans receivable are carried at unpaid principal balances, less an allowance for expected loan losses. Loans receivable as of June 30, 2024 and 2023 were \$112,038 and \$138,301, respectively. Management individually reviews each student's loan account to determine if the loan should be recorded as a credit loss. Management's evaluation of the adequacy of the allowance is based primarily on past loan experience and specific impaired loans. The allowance for credit losses as of June 30, 2024 and 2023 was \$750 and \$10,750, respectively.

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.

Fair Value Measurement

Under generally accepted accounting principles, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date. Generally accepted accounting principles establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Foundation. Unobservable inputs, if any, reflect the Foundation's assumption about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

- Level 1 - Valuation based on unadjusted quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access at measurement date. Valuation adjustments and block discounts are not applied to Level 1 securities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.
- Level 2 - Valuations based on significant inputs that are observable, either directly or indirectly, or quoted prices in markets that are not active; that is, markets in which there are few transactions, the prices are not current or price quotations vary substantially either over time or among market makers.
- Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of valuation techniques and observable inputs can vary from security to security and is affected by a wide variety of factors, including the type of security, whether the security is new and not yet established in the marketplace, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Those estimated values do not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined. Because of the inherent uncertainty of valuation, those estimated values may be materially higher or lower than the values that would have been used had a ready market for the securities existed.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Endowment

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.

Property and Equipment

Property and equipment is stated at cost of acquisition, or fair value if donated. The costs of maintenance and repairs are charged to expense as incurred. Depreciation is computed based on the straight-line method over the estimated useful lives of the assets. The estimated useful lives of current property and equipment range from three 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.

Leases

The Foundation recognizes and measures its leases in accordance with FASB ASC 842, Leases. The Foundation has elected, for all underlying classes of assets, to not recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement, and do not include an option to purchase the underlying asset that the Foundation is reasonably certain to exercise. The Foundation recognizes lease cost associated with short-term leases on a straight-line basis over the lease term. The Foundation made an accounting policy election by class of underlying asset to account for each separate lease component of a contract and its associated non-lease components as a single lease component.

In-Kind Contributions

Contributed services are recognized as contributions in accordance with FASB ASC Subtopic 958-605-25-16, 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. It is the policy of the Foundation to record the estimated fair value of contributed services as in-kind contribution revenue and operating expense.

Revenue Recognition

The Foundation recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. On occasion, the Foundation receives revenue derived from cost-reimbursable grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Foundation has incurred expenditures in compliance with specific contract or grant provisions.

The Foundation recognizes revenue from program service fees assessed for costs associated with administering charitable funds. The fees are calculated as an annual percentage assessed quarterly. Special project fund fees are assessed monthly based on receipts. Program service fees assessed for June 30, 2024 and 2023, totaled \$636,284 and \$614,817, respectively. There are no unassessed fees as of June 30, 2024 and 2023.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Expense Allocation

The costs of providing program services and supporting services are summarized on a functional basis in the statements of activities and statements of functional expenses. Accordingly, certain costs are allocated among program services and supporting service based on estimates of employees' time incurred and on usage of resources.

Income Taxes

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and the related California code sections. Accordingly, no provision for income taxes is included in the financial statements.

Reclassifications

Certain amounts in the financial statements for the year ended June 30, 2023 have been reclassified to conform to the presentation for the year ended June 30, 2024. Such reclassifications had no effect on the change in net assets.

NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditures without donor or other restrictions limiting their use within one year as of June 30, 2024 and 2023 were approximately \$500,000 and \$200,000, respectively, consisting of cash and cash equivalents.

The Foundation has a goal to maintain a minimum checking account balance for the operating fund of \$250,000. The board reviews cash flow quarterly and when preparing the annual budget. The operating fund requires approximately \$85,000 per month to meet normal recurring operating needs. 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.

NOTE 4 – FAIR VALUE MEASUREMENTS

The Foundation's investments recorded at fair value have been categorized based upon a fair value hierarchy of inputs in accordance with generally accepted accounting principles. See Note 2 for a discussion of the Foundation's policies. 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 years ended June 30, 2024 and 2023:

- Money market funds 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 are valued at the closing price reported on the active market on which the individual securities are traded.
- Fixed income investments are based on quoted prices in active markets for identical assets, or, if there are no such active markets, the fixed income investments are valued using quoted process for similar assets or quoted prices in markets that are not active.

COMMUNITY FOUNDATION OF THE NORTH STATE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

NOTE 4 – FAIR VALUE MEASUREMENTS (continued)

- Alternative investments include limited partnerships and private equity funds. The fair values of the limited partnerships and private equity funds are based on the net asset value (NAV) of the fund and the Community Foundation's shares/ownership interest in the respective fund.
- Structured investments include Jump Securities which are unsubordinated, unsecured debt obligations issued by UBS AG. Structured investments are based on quoted prices in active market for identical assets, or, if there are no such active markets, the structured investments are valued using quoted prices for similar assets or quoted prices in markets that are not active.
- Mutual funds are valued at the NAV reported on the active market on which the securities are traded.

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

The following table sets forth by level, assets within the fair value hierarchy:

	2024			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 508,158	\$ -	\$ -	\$ 508,158
Equities	13,849,738	-	-	13,849,738
Mutual funds	3,602,423	-	-	3,602,423
Fixed income and preferred	11,300,995	-	-	11,300,995
Alternative investments	1,130,308	-	3,106,276	4,236,584
Structured investments	-	860,300	-	860,300
	<u>\$ 30,391,622</u>	<u>\$ 860,300</u>	<u>\$ 3,106,276</u>	<u>\$ 34,358,198</u>
	2023			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 1,005,281	\$ -	\$ -	\$ 1,005,281
Equities	12,876,545	-	-	12,876,545
Mutual funds	3,233,408	-	-	3,233,408
Fixed income and preferred	10,818,261	-	-	10,818,261
Alternative investments	1,012,494	-	2,713,912	3,726,406
Structured investments	-	718,900	-	718,900
	<u>\$ 28,945,989</u>	<u>\$ 718,900</u>	<u>\$ 2,713,912</u>	<u>\$ 32,378,801</u>

COMMUNITY FOUNDATION OF THE NORTH STATE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

NOTE 4 – FAIR VALUE MEASUREMENTS (continued)

Following are detailed changes in fair value of the Foundation's level 3 investments for the years ended June 30,:

	2024	2023
Beginning balance - alternative investments	\$ 2,713,912	\$ 2,375,323
Additional investments in alternative investments	431,881	454,438
Distributions from alternative investments	(85,826)	(91,475)
Increase (decrease) in fair value of alternative investments	46,309	(24,374)
Ending balance	\$ 3,106,276	\$ 2,713,912

NOTE 5 – INVESTMENTS

Investment revenues are reported net of related investment expenses in the statements of activities. Investment income, net reported on the statement of activities consisted of the following for the years ended June 30,:

	2024	2023
Interest and dividends	\$ 988,263	\$ 805,420
Realized gains (losses) on investments	(128,540)	73,676
Investment management fees	(126,544)	(126,389)
Interest received from loan funds	1,314	793
Total investment income, net	\$ 734,493	\$ 753,500

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment is summarized as follows:

	2024	2023
Computer equipment and software	\$ 93,234	\$ 97,539
Less accumulated depreciation	(67,389)	(65,383)
Property and equipment, net	\$ 25,845	\$ 32,156

Depreciation expense for the years ended June 30, 2024 and 2023, was \$14,168 and \$15,146, respectively

NOTE 7 – 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, 2024 and 2023, the present value of the future benefits were calculated using discount rates of 5.6% and 4.2%, estimated rates of return of 5.0% and 4.8%, and applicable mortality tables, respectively.

COMMUNITY FOUNDATION OF THE NORTH STATE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

NOTE 8 – 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.

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.

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

	<u>2024</u>	<u>2023</u>
Amounts to be received in future periods		
McConnell Foundation building grant	\$ 38,514	\$ 36,960
McConnell Foundation operating support grant	303,987	497,362
Other contributions receivable	<u>30,750</u>	<u>-</u>
Total amounts to be received in future periods	<u>373,251</u>	<u>534,322</u>
Amounts restricted by donor for specific purpose		
Elmer H. Schmidt Christian Broadcasting Fund	1,330,849	963,004
Knodel Family Endowment Fund	968,347	569,166
Ivy B. Horr Endowed Medical Education Fund	717,184	642,331
Patricia L. Kimball and David T. Kimball Fund	663,197	727,589
Sherri Lint Charitable Remainder Unitrust	652,277	655,021
Josephine Taylor Endowed Scholarship Fund	535,338	481,918
Other funds restricted by donor for specific purpose	<u>6,831,389</u>	<u>7,081,711</u>
Total amounts restricted by donor for specific purpose	<u>11,698,581</u>	<u>11,120,740</u>
Investments in perpetuity		
Knodel Family Endowment Fund	4,197,517	4,197,517
Elmer H. Schmidt Christian Broadcasting Fund	2,262,854	2,262,646
Shasta County Board of Education Student Benefit Fund	1,076,000	1,076,000
Patricia L. Kimball Endowment	1,015,054	1,015,054
LiveRifffully Endowment Fund	1,000,000	-
Ivy B. Horr Endowed Medical Education Fund	848,097	848,097
Josephine Taylor Endowed Scholarship Fund	732,348	732,348
Dr. Donald and Ann Gleason Memorial Scholarship	680,539	680,539
Kohn Family Endowment	663,750	588,750
John and Mae Harrington Fund	612,010	612,010
Clement Alan DeTourney Memorial Fund	580,879	580,879
Women's Endowment Fund of Redding	515,664	508,894
Animal Welfare Endowment Fund	505,651	466,540
Other investments in perpetuity	<u>6,273,907</u>	<u>5,925,588</u>
Total net assets requiring investments in perpetuity	<u>20,964,270</u>	<u>19,494,862</u>
Total net assets with donor restrictions	<u>\$ 33,036,102</u>	<u>\$ 31,149,924</u>

COMMUNITY FOUNDATION OF THE NORTH STATE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

NOTE 9 – ENDOWMENT

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 purchase 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.

Included in endowment net assets without donor restrictions at June 30, 2024 and 2023, was \$2,006,912 and \$1,752,651, respectively, of board-designated endowment.

Changes in endowment net assets for the fiscal years ended June 30, 2024 and 2023 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment, July 1, 2022	\$ 1,571,798	\$ 22,662,219	\$ 24,234,017
Contributions	58,899	291,034	349,933
Interest and dividends, net of fees	23,272	349,582	372,854
Realized gain on investments	12,016	42,963	54,979
Unrealized gain on investments	126,577	1,327,142	1,453,719
Appropriation for expenditure	<u>(39,911)</u>	<u>(477,704)</u>	<u>(517,615)</u>
Endowment, June 30, 2023	<u>\$ 1,752,651</u>	<u>\$ 24,195,236</u>	<u>\$ 25,947,887</u>
Endowment, July 1, 2023	\$ 1,752,651	\$ 24,195,236	\$ 25,947,887
Contributions	92,908	1,634,695	1,727,603
Interest and dividends, net of fees	65,662	630,411	696,073
Realized gain on investments	16,540	35,784	52,324
Unrealized gain on investments	172,207	1,880,175	2,052,382
Appropriation for expenditure	<u>(93,056)</u>	<u>(1,232,494)</u>	<u>(1,325,550)</u>
Endowment, June 30, 2024	<u>\$ 2,006,912</u>	<u>\$ 27,143,807</u>	<u>\$ 29,150,719</u>

NOTE 10 – RETIREMENT PLANS

The Foundation maintains 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 years ended June 30, 2024 and 2023, the Foundation made matching contributions of 3% of the annual salary of those participating in the Plan for a total of \$12,046 and \$13,739, respectively and is included in payroll overhead on the statement of functional expenses.

NOTE 11 – OPERATING LEASE

The Foundation leases office space from the McConnell Foundation under a lease amendment. The lease is a one-year extension of the original lease and expires December 31, 2024. The lease is a market-rate lease. Lease expense totaled \$75,474 and \$73,506 for the years ended June 30, 2024 and 2023, respectively, and is included in occupancy expense on the statement of functional expenses. The lease obligation is supported by a grant from the McConnell Foundation.

NOTE 12 – INCOME TAXES

The Foundation is exempt from federal and California income tax under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code, respectively. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(a) and has been classified as an organization that is not a private foundation under Section 509(a).

Generally accepted accounting principles prescribe a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Management of the Foundation has evaluated its uncertain tax positions and related income tax contingencies. Management does not believe that any material uncertain tax positions exist. The Foundation's tax returns are subject to examination by Federal tax authorities for a period of three years from the date they are filed and a period of four years for California taxing authorities.

NOTE 13 – SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through October 11, 2024, which is the date the financial statements were available to be issued.