Report of Independent Auditors and
Consolidated Financial Statements

North Valley Community Foundation

June 30, 2021 and 2020

MOSSADAMS

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Report of Independent Auditors

To the Board of Directors
North Valley Community Foundation

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of North Valley Community Foundation and affiliates (the “Foundation”), which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows, for the years then ended, and the related notes to the consolidated financial statements.

Management’s Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Foundation’s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of North Valley Community Foundation and affiliates as of June 30, 2021 and 2020, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Moss Adams LLP

Rancho Cordova, California
November 19, 2021

Consolidated Financial Statements

North Valley Community Foundation
Consolidated Statements of Financial Position
June 30, 2021 and 2020

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 25,853,302	$ 12,324,189
Short-term investments	10,985,683	24,650,286
Notes receivable, current portion	11,093	5,463
Contributions receivable, current portion	-	3,422,003
Accounts receivable	25,242	140
Other current assets	3,162	9,836
Total current assets	36,878,482	40,411,917
NONCURRENT ASSETS		
Notes receivable, net of current portion	350,442	156,072
Long-term investments	21,000,982	25,448,351
Investments in Limited Partnership and LLC	659,315	274,441
Property and equipment, net	7,268,746	7,240,374
Deposits	44,043	21,745
Total noncurrent assets	29,323,528	33,140,983
Total assets	$ 66,202,010	$ 73,552,900
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 170,928	$ 193,656
Grants payable, current	2,825,580	5,430,998
Refundable advances	-	671,039
Note payable, current portion	-	83,996
Total current liabilities	2,996,508	6,379,689
NONCURRENT LIABILITIES		
Amounts held on behalf of others	1,461,876	1,436,777
Grants payable, net of current portion	441,667	-
Note payable, net of current portion	-	106,986
Total noncurrent liabilities	1,903,543	1,543,763
Total liabilities	4,900,051	7,923,452
NET ASSETS		
Without donor restrictions	56,544,992	61,776,722
With donor restrictions	4,756,967	3,852,726
Total net assets	61,301,959	65,629,448
Total liabilities and net assets	$ 66,202,010	$ 73,552,900

See accompanying notes.

North Valley Community Foundation
Consolidated Statements of Activities and Changes in Net Assets
Years Ended June 30, 2021 and 2020

	2021	2020
REVENUES WITHOUT DONOR RESTRICTIONS		
Contributions	$ 12,395,783	$ 21,084,021
Program and administration fees	354,729	340,794
Investment income	606,614	1,181,425
Net realized and unrealized investment gains	1,702,703	657,354
Revenue from Smallfoot, LLC	-	500
Revenue from Hignell Family Paradise Shopping Center, LLC	325,289	367,922
Other income	314,553	277,320
Net gain from interests in Limited Partnership and LLC	134,150	56,503
Net assets released from restriction and reclassifications	296,627	(720,234)
Total revenues	16,130,448	23,245,605
EXPENSES		
Program services	20,079,103	27,818,821
Supporting services	1,283,075	2,462,682
Total expenses	21,362,178	30,281,503
Changes in net assets without donor restrictions	(5,231,730)	(7,035,898)
NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	67,859	735,214
Investment income	115,224	125,638
Net realized and unrealized investment gains (losses)	1,017,785	(78,163)
Net assets released from restriction and reclassifications	(296,627)	720,234
Changes in net assets with donor restrictions	904,241	1,502,923
CHANGES IN NET ASSETS	(4,327,489)	(5,532,975)
NET ASSETS, beginning of year	65,629,448	71,162,423
NET ASSETS, end of year	$ 61,301,959	$ 65,629,448

Year Ended June 30, 2021

	Program Services	Supporting Services			
	Community Programs	Management and General and Administrative Fees	Fundraising and Marketing	Total Supporting Services	Total Expenses
Grants awarded	$ 16,533,119	$ 58,472	$ -	$ 58,472	16,591,591
Administrative fees	255,653	10,094	-	10,094	265,747
Project expenses	2,027,036	-	-	-	2,027,036
Salaries and benefits	1,135,852	671,600	65,100	736,700	1,872,552
Investment and bank fees	67,974	4,948	-	4,948	72,922
Facility and equipment expenses	327,655	191,768	-	191,768	519,423
Other operational expenses	391,408	281,093	-	281,093	672,501
Total	$ 20,738,697	$ 1,217,975	$ 65,100	$ 1,283,075	$ 22,021,772

Year Ended June 30, 2020

	Program Services	Supporting Services			
	Community Programs	Management and General and Administrative Fees	Fundraising and Marketing	Total Supporting Services	Total Expenses
Grants awarded	$ 24,960,345	$ 272,715	$ -	$ 272,715	$ 25,233,060
Administrative fees	266,745	-	-	-	266,745
Project expenses	1,714,451	-	-	-	1,714,451
Salaries and benefits	612,170	773,527	35,799	809,326	1,421,496
Investment and bank fees	61,315	2,524	-	2,524	63,839
Facility and equipment expenses	9,227	920,576	-	920,576	929,803
Other operational expenses	194,568	457,541	-	457,541	652,109
Total	$ 27,818,821	$ 2,426,883	$ 35,799	$ 2,462,682	$ 30,281,503

North Valley Community Foundation
Consolidated Statements of Cash Flows
Years Ended June 30, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	$ (4,327,489)	$ (5,532,975)
Adjustments to reconcile changes in net assets to cash flows used in operating activities:		
Depreciation	179,280	161,773
Net realized and unrealized investment gains	(2,720,488)	(579,191)
Net gain from interests in Limited Partnership and LLC	(134,150)	(56,503)
Gain from forgiveness of debt	(190,982)	-
Noncash donated stock	(196,191)	-
Noncash grants awarded	-	2,535,118
Changes in operating assets and liabilities:		
Notes receivable	(200,000)	879
Contributions receivable	3,422,003	(1,422,003)
Deposits and other current assets	(40,726)	(24,382)
Accounts payable and accrued liabilities	(22,728)	143,205
Grants payable	(2,163,751)	3,122,545
Refundable advances	(671,039)	671,039
Amounts held on behalf of others	25,099	(244,831)
Cash flows used in operating activities	(7,041,162)	(1,225,326)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	43,019,529	71,322,212
Purchases of investments	(21,990,878)	(62,274,285)
Proceeds from sales of property and equipment	1,877	24,812
Purchases of property and equipment	(209,529)	(118,043)
Cash flows provided by investing activities	20,820,999	8,954,696
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital contributions	(659,594)	-
Proceeds from capital distributions	408,870	-
Proceeds from issuance of notes payable	-	190,982
Cash flows (used in) provided by financing activities	(250,724)	190,982
NET CHANGES IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH FOR FUNDS HELD FOR OTHERS	13,529,113	7,920,352
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH FOR FUNDS HELD FOR OTHERS, beginning of year	12,324,189	4,403,837
NET CHANGES IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH FOR FUNDS HELD FOR OTHERS, end of year	$ 25,853,302	$ 12,324,189
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest paid	$ 153	$ -
Unrelated business income tax paid	$ 4,851	$ 11,404
Donation of land	$ -	$ 2,535,118
Donation of stock	$ (196,191)	$ -

See accompanying notes.

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization – North Valley Community Foundation ("NVCF") is a not-for-profit corporation responsible for charitable funds and the income generated by funds of many donors. NVCF is committed to promoting the well-being of humankind and to serving the general charitable, educational, and scientific needs to the inhabitants of Butte, Colusa, Glenn, and Tehama Counties in Northern California through charitable grants at the discretion of the Board of Directors.

Principles of consolidation – The accompanying consolidated financial statements reflect the consolidation of NVCF and affiliates (collectively, the "Foundation"). Material transactions between the entities have been eliminated in consolidation. The affiliated entities are as follows:

Smallfoot, LLC, and Hignell Paradise Shopping Center, LLC are single-member limited liability companies considered as disregarded entities for Internal Revenue Service ("IRS") purposes. Ownership of both affiliates were donated to NVCF to hold the title to land and buildings that are income producing assets. Each affiliate is part of a donor advised fund established at time of the donation.

NVCF Properties, LLC, is a single-member liability company considered as disregarded entity for IRS purposes. NVCF Properties, LLC, was organized in June 2019 with the purpose of receiving real estate gifts. During the year ended June 30, 2021, NVCF Properties, LLC received a donation of land valued at $190,000 which is listed for sale with proceeds going into an existing donor advised fund. During the year ended June 30, 2020, NVCF Properties, LLC had no operations.

Basis of presentation – The consolidated financial statements are prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Use of estimates – The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash and cash equivalents – The Foundation considers all highly liquid investments with an original maturity from the date of purchase of three months or less to be cash and cash equivalents for the consolidated statements of financial position and consolidated statements of cash flow purposes.

Investments – Investments consist of mutual funds, certificates of deposit, equities, fixed income, and exchange traded products. Investments with maturity dates of less than one year are presented as current on the consolidated statements of financial position. Investments are stated at fair value, with all gains and losses included in the consolidated statements of activities and changes in net assets.

Contributions receivable – Contributions receivable represent unconditional promises to contribute specified amounts to the Foundation in the future. The contributions are recognized as contributions within the consolidated statements of activities and changes in net assets when made.

Contributions receivable are measured at their fair value and reported as an increase in net assets. The Foundation reports gifts of cash and other assets as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction is satisfied or a stipulated time restriction ends, net assets are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities and changes in net assets as net assets released from restrictions. Contributions are subject to variance power giving the Board the power to modify any restriction or condition on the distribution of funds for any specified charitable purpose or to specified organizations if, in the sole judgment of the Board, such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community or area served. Based on that provision, the Foundation classifies contributions as without donor restrictions for financial statement presentation. There were no contributions receivable as of June 30, 2021, and one grantor accounted for 100% of the contributions receivable as of June 30, 2020.

Allowance for uncollectible contributions – An allowance is maintained to provide for uncollectible contributions that can be expected to occur in the normal course of operations. The allowance is based on management's analysis of the outstanding pledges and general business and economic conditions in the community. The allowance is established through a provision for pledge losses, which reduces gross revenue. As of June 30, 2021 and 2020, management determined that no allowance for uncollectible contributions was necessary.

Investment in Limited Partnership and LLC – The Foundation accounts for its interest in companies in which it has no control by using the equity method of accounting. Under the equity method, original investments are recorded at cost and adjusted by the Foundation's share of undistributed earnings or losses, contributions, and distributions of such companies. As of June 30, 2021 and 2020, the Foundation's investments in Fred and Eileen Hignell Limited Partnership consists of 99% ownership interest. The limited partnership interest was donated to the Foundation to hold ownership of the income producing asset as part of a donor advised fund established at time of the limited partnership interest donation. The limited partnership owns various interests in 5 residential rental properties. While the investment value is $0 as of June 30, 2021, due to distributions exceeding the value of the Foundation's capital in the Limited Partnership, it is still operational. Distributions exceeded the value of the Foundation's investment by $1,848 as of June 30, 2021, and therefore are not recognized. Even though the investment's value is $0 as of June 30, 2021, management is aware of its significant value due to consistent distributions of at least $250,000 annually over the past 3 years.

During the fiscal year ended June 30, 2021 Smallfoot, LLC became a one-third member of Garner Properties, LLC that was formed to extend water and sewer to Smallfoot, LLC land and to two other properties whose owners are each one-third members of Garner Properties, LLC. The investment consists of money contributed on behalf of Smallfoot, LLC for its one-third share of costs of the extension of utilities.

Property and equipment – Property and equipment are stated at cost or at fair value at the date of gift, if donated, net of accumulated depreciation. All donated assets are reported as revenues without donor restrictions unless donors' stipulations specify how the assets must be used. The Foundation capitalizes all expenditures for property and equipment in excess of $1,000. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally ranging from three to thirty years. Expenditures for maintenance and repairs are charged to operations as incurred, while renewals and betterments are capitalized. When property and equipment are retired or otherwise disposed of, the cost and related accumulated depreciation or amortization are removed from the accounts and any resulting gain or loss is reflected in income for the period.

Long-lived assets – Long-lived assets consist primarily of property and equipment. The assessment of recoverability of carrying value is based on an analysis of operating results and consideration of other significant events or changes in the business environment. If the Foundation has indicators of impairment, management evaluates whether impairment exists on the basis of undiscounted expected future cash flows from operations, over the remaining useful life of the related assets. If impairment exists, the carrying amount of the long-lived assets would be reduced to its estimated fair value. At June 30, 2021 and 2020, management determined that long-lived assets were not impaired.

Grants payable – Grants payable represent unconditional grants that have been authorized prior to year-end, but remain unpaid as of the consolidated statements of financial position date. Conditional grants are expensed and considered payable in the period the conditions are substantially satisfied. There were no conditional grants as of June 30, 2021 and 2020. Grants payable in more than one year are discounted to present value using a discount rate of 2%. As of June 30, 2021, unamortized discounts of grant payable in more than one year totaled $8,660. All grants payable as of June 30, 2020 are payable within one year.

Amounts held on behalf of others – The Foundation accepts funds from unrelated not-for-profit organizations who desire to have the Foundation provide efficient investment management, programmatic expertise, and technical assistance. A liability is recorded at the estimated fair value of assets deposited with the Foundation by not-for-profit organizations and is reflected under amounts held on behalf of others on the accompanying consolidated statements of financial position. Assets are invested in the Foundation's investment pools.

Revenue recognition – In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which provides that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services by identifying the contract(s) with a customer, identifying the performance obligations in the contract, determining the transaction price, allocating the transaction price to the performance obligations in the contract, and recognizing revenue when (or as) the entity satisfied a performance obligation.

The Foundation adopted Topic 606, effective July 1, 2020, using the modified retrospective method. The Foundation elected to apply Topic 606 to all active contracts as of the adoption date. Application of the modified retrospective method did not impact amounts previously reported by the Foundation, nor did it require a cumulative effect adjustment upon adoption, as the Foundation's method of recognizing revenue under Topic 606 yielded similar results to the method utilized immediately prior to adoption. Accordingly, there was no significant impact to each consolidated financial statement line item as a result of applying the new revenue standard.

Contributions are recognized as revenue when received or unconditionally promised. Unconditional promises to give that are expected to be collected in future years, are recognized at fair value based on discounted cash flows. The discount on these amounts are computed using the rate applicable in the year the promises were received. Contributions of assets other than cash are recorded at their estimated fair value. Real estate contributed is recorded at appraised value on the date of the gift. Contributions of public stock are sold immediately and recorded at the net selling price on the date of donation.

Program and administration fees consist of agreed upon fees to NVCF for management of charitable programs to cover staff time and other overhead costs and of finance fees charged on transactions or on fund balances in accordance with agreed terms. Program fees are recognized as revenue as the staff time and other overhead costs are incurred. Administration fees are recognized as revenue as a percentage of transactions when the administrative activities are provided.

Hignell Family Paradise Shopping Center, LLC revenue consists primarily of rental income and it is recognized as revenue when earned in accordance with the terms of the rental agreements.

Other income consists of extinguishment of debt related to the forgiveness of the Foundation's Paycheck Protection Program (see Note 8) and other miscellaneous activity recognized as revenue at a point in time when payment is received, which is when the event occurs.

Functional expense allocations – The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of functional expenses. The expenses are tracked by fund and are directly assigned to program services. Supporting services are shared over the entire Foundation and are tracked separately from program services.

Marketing – The Foundation expenses marketing costs as incurred, which amounted to $19,021 and $52,338 for the years ended June 30, 2021 and 2020, respectively, and are included in supporting services in the consolidated statements of activities and changes in net assets.

Income taxes – NVCF is a nonprofit corporation exempt from federal income taxes under Internal Revenue Code section 501(c)(3) and from State of California income taxes, except on unrelated business income. Therefore, these consolidated financial statements contain no provision for such taxes. Informational returns are filed annually with federal and state taxing authorities. NVCF is not aware of any transactions that would affect its tax-exempt status. Unrelated business income tax is generated through the Fred and Eileen Hignell Limited Partnership.

Smallfoot, LLC, Hignell Family Paradise Shopping Center, LLC and NVCF Properties, LLC are considered disregarded entities for IRS purposes. As a result, all transactions are reported on the Foundation's Form 990. For the California Franchise Tax Board purposes, these are considered a separate legal entity and subject to a fee based on gross income. For the years ended June 30, 2021 and 2020, the LLC taxes for these affiliates totaled $6,969.

The Foundation believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the consolidated financial statements. The Foundation had no unrecognized tax benefits as of June 30, 2021 and 2020.

Concentrations of risk – Financial instruments that potentially subject the Foundation to concentrations of credit risk consist primarily of investments in excess of Securities Investor Protection Corporation ("SIPC") insurance and cash deposits in excess of the Federal Deposit Insurance Corporation ("FDIC"). The Foundation periodically maintains balances in depository and brokerage accounts in excess of the respective FDIC and SIPC insurance limits. Management monitors the financial condition of these institutions on a regular basis and does not believe it is exposed to any significant credit risk on uninsured amounts.

Recent accounting pronouncements – In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, to increase transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. The adoption of ASU 2020-07 is effective for the Foundation beginning July 1, 2021. Management is currently evaluating the impact of the provisions of ASU No. 2020-07 on the consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02*, Leases (Topic 842)* ("ASU 2016-02"), to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the consolidated statements of financial position and disclosing key information about leasing arrangements. As a result of ASU 2020-05, the adoption of ASU 2016-02 is effective for the Foundation beginning July 1, 2022. Management is currently evaluating the impact of the provisions of ASU No. 2016-02 on the consolidated financial statements.

Subsequent events – Subsequent events are events or transactions that occur after the consolidated statement of financial position date, but before consolidated financial statements are available to be issued. The Foundation recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the consolidated statement of financial position, including the estimates inherent in the process of preparing the consolidated financial statements. The consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the consolidated statement of financial position, but arose after the consolidated statement of financial position date and before the consolidated financial statements are available to be issued. Subsequent events have been evaluated through November 19, 2021, the date the consolidated financial statements were available to be issued.

NOTE 2 – LIQUIDITY AND AVAILABILITY OF RESOURCES

The Foundation's consolidated financial assets available within one year of the financial position date for general expenditures are as follows:

	2021	2020
Cash and cash equivalents	$ 25,853,302	$ 12,324,189
Short-term investments	10,985,683	24,650,286
Notes receivable, current portion	11,093	5,463
Contributions receivable, current portion	-	3,422,003
Accounts receivable	25,242	140
Other current assets	3,162	9,836
Net financial assets available within one year	36,878,482	40,411,917
Less: amounts held on behalf of others	(1,461,876)	(1,436,777)
Less: amounts unavailable for general expenditures - required to satisfy donor restrictions	(4,756,967)	(3,852,726)
Net financial assets available to meet cash needs for general expenditures within one year	$ 30,659,639	$ 35,122,414

The Foundation has a goal to maintain cash and short-term investment balances on hand to meet at least 90 days of ordinary business expenses, which are on average $400,000. The Foundation's working capital for the year ended June 30, 2021 was $33,881,974. The Foundation has 445 days' cash on hand as of June 30, 2021. The Foundation structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 3 – FAIR VALUE MEASUREMENTS

The Foundation applies the guidance FASB Accounting Standards Codification 820 ("ASC 820"), *Fair Value Measurements,* for all financial assets and liabilities that are recognized or disclosed at fair value in the consolidated financial statements on a recurring basis (at least annually). ASC 820 defines fair value, establishes a framework for measuring fair value, and enhances disclosures about fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for the asset or liability. The fair value should be calculated based on assumptions that market participants would use in pricing the asset or liability, not on assumptions specific to the entity. In addition, the fair value of liabilities should include consideration of nonperformance risk including the Foundation's own credit risk.

In addition to defining fair value, the standard states the disclosure requirements around fair value and establishes a fair value hierarchy for valuation inputs. The hierarchy prioritizes the inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market. Each fair value measurement is reported in one of the three levels, which is determined by the lowest level input that is significant to the fair value measurement in its entirety. These levels are:

Level 1 – Quoted prices are available in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities. Due to the inherent uncertainty of valuation of nonmarketable and restricted investments, those estimated values may differ significantly from the values that would have been used had a ready market for the securities existed. Those differences could be material.

As of June 30, 2021 and 2020, investments fair values are based on either quoted market prices, quoted market prices for similar securities, indications of values provided by brokers, or derived from model-based valuation techniques that use assumptions not observable in the market.

Management monitors the availability of observable market data to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

Management evaluates the significance of transfers between levels based upon the nature of the consolidated financial instrument and size of the transfer relative to total assets, total liabilities or total earnings. There were no such transfers for the year ended June 30, 2021 and 2020.

The following tables present information about the Foundations' assets measured at fair value on a recurring basis as of June 30:

	2021			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Mutual funds	$ 10,692,401	$ -	$ -	$ 10,692,401
Certificates of deposit	-	11,484,489	-	11,484,489
Equities	599,734	-	-	599,734
Fixed income	4,160,494	-	-	4,160,494
Exchange traded products	5,049,547	-	-	5,049,547
Total investments	$ 20,502,176	$ 11,484,489	$ -	$ 31,986,665

	2020			
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Mutual funds	$ 6,972,169	$ -	$ -	$ 6,972,169
Certificates of deposit	-	38,189,851	-	38,189,851
Equities	655,350	-	-	655,350
Fixed income	320,518	-	-	320,518
Exchange traded products	3,960,749	-	-	3,960,749
Total investments	$ 11,908,786	$ 38,189,851	$ -	$ 50,098,637

There were no assets or liabilities measured at fair value on a nonrecurring basis as of June 30, 2021 and 2020.

NOTE 4 – NOTES RECEIVABLE

A note receivable in the original amount of $165,000 was gifted to the Foundation during the year ended June 30, 2018. The note is payable in monthly installments of $625 including interest at 3%. The note is unsecured and is due March 1, 2025. Interest received on the note for the years ended June 30, 2021 and 2020 was $1,621 and $0, respectively. Interest is included in other income in the consolidated statements of activities and changes in net assets. The note receivable was brought to current as of September 8, 2021.

A note receivable in the original amount of $200,000 was originated by the Foundation during the year ended June 30, 2021. The note is to Healthy Rural California, Inc., a 501c3 organization, for the cost associated with accreditation of a Psychiatry Residency Consortium based in Butte County. The note is payable in one lump-sum installment and carries no interest. The note is unsecured and is due June 30, 2023.

NOTE 5 – PROPERTY AND EQUIPMENT, NET

Property and equipment, net consists of the following as of June 30:

	2021	2020
Building	$ 3,828,938	$ 3,828,938
Land	3,679,027	3,489,027
Computer equipment	131,639	116,761
Furniture and fixtures	40,052	42,680
Leasehold improvements	18,277	13,626
Total property and equipment	7,697,933	7,491,032
Less: accumulated depreciation	(429,187)	(250,658)
Property and equipment, net	$ 7,268,746	$ 7,240,374

The land and building amounts, which were donated to the Foundation, are held in the three affiliates that produce income for associated donor-advised funds. The furniture, fixtures, and computer equipment are held by the Foundation for its operations. Depreciation expense for the years ended June 30, 2021 and 2020 was $127,631 for the building, and $51,649 and $34,142 for the computer equipment, furniture and fixtures, and leasehold improvements, respectively. Depreciation is included in supporting services on the consolidated statements of activities and changes in net assets.

NOTE 6 – NET ASSETS

Net assets are classified based on existence or absence of donor-imposed restrictions as follows:

Net assets without donor restrictions – Represent resources available to support the Foundation's operations, and resources with no use or time restrictions that have become available for use by the Foundation, in accordance with the intention of the donor. A portion of these net assets may be designated by the Board of Directors for specific purposes. As of June 30, 2021 and 2020, the Foundation had no board-designated net assets.

The Foundation retains a variance power in its bylaws that allows the Board to modify any restriction or condition on the distribution of funds for any specified charitable purpose or to specified organizations if, in the sole judgment of the Board (without the necessity of the approval of any other party), such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community or area served. That provision has rarely been used by the Board during the Foundation's history and in all such cases, the Board's actions attempt to follow the donor's original intent as closely as is practicable. However, based on that provision, the Foundation classifies contributions otherwise restricted by donors and their related activity as net assets without donor restrictions for financial statement presentation.

As of June 30, 2021 and 2020, net assets without donor restrictions were $56,554,992 and $61,776,722, respectively, on the consolidated statements of financial position, of which $6,192,717 and $8,088,480, respectively, represents operating funds that the Foundation may use for general operations without the Board having to exercise its variance power. The remaining amount of $50,352,275 and $53,688,242 is considered by management as having some type of purpose restriction (donor contributions to funds held and managed by the Foundation that have a specific charitable purpose), are scholarship funds with criteria for distribution, or donor advised-funds. These assets are subject to the variance power but would almost never be reclassified for use by the Foundation for general operations.

Net assets with donor restrictions – Represent those resources of which the use has been restricted by donors to specific use or the passage of time. The release of net assets from restrictions results from the satisfaction of the restricted purposes specified by the donors, or the passage of time, or both. Based on the variance of power provision described under net assets without donor restrictions, management determined that only endowment funds shall be recognized as net assets with donor restrictions (see Note 7). Total net assets with donor restrictions was $4,756,967 and $3,852,726 as of June 30, 2021 and 2020, respectively.

NOTE 7 – ENDOWMENT NET ASSETS

Endowment – The Foundation accounts for endowment gifts under the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). Under UPMIFA, the Foundation may allow an endowed fund to spend into historic gift value if it can prudently do so after consideration of seven factors that affect the spending and future earnings of the fund. The factors in making a determination as to the appropriation of assets for expenditure are: 1) the duration and preservation of the fund, 2) the purposes of the organization and the endowment fund with donor restrictions, 3) general economic conditions, 4) the possible effect of inflation and deflation, 5) the expected total return from income and the appreciation of investments, 6) other resources of the Foundation, and 7) the investment policies of the Foundation.

Investment and spending policies – The Foundation has adopted investment and spending policies for endowed assets that attempt to provide a predictable stream of funding for programs supported by endowments, while seeking to maintain the purchasing power of the endowed assets. The investment and spending policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes.

The Foundation has a policy of appropriating for distribution of an amount not greater than 5% of an endowment fund after deduction of the Foundation's administrative expenses. The current long-term return objective is an annualized total rate of return over a three-year period that exceeds an appropriate index rate return by 1.50 percentage points compounded annually, net of investment fees, for equity funds and 0.75 percentage points for fixed income. The Foundation's spending policy is reviewed annually in light of economic conditions and relationship to the overall long-term benchmark.

To satisfy its long-term rate of return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation with an emphasis on equity-based investments, within prudent risk parameters. Funds with balances below historic gift value are defined as underwater funds. As of June 30, 2021 and 2020, there were no underwater funds.

Classifications include endowment that is designated by donors. The changes in endowment net assets for the year ended June 30, were as follows:

	2021	2020
Endowment net assets, July 1	$ 3,852,726	$ 2,349,803
Contributions	67,859	735,214
Investment return:		
Investment income	115,224	125,638
Net realized and unrealized gains (losses)	1,017,785	(78,163)
Total investment return	1,133,009	47,475
Appropriation of endowment assets for expenditure	(296,627)	(181,583)
Other changes:		
Transfers	-	901,817
Endowment net assets, June 30	$ 4,756,967	$ 3,852,726

NOTE 8 – DEBT

In May 2020, the Foundation received a loan of $190,982 under the Paycheck Protection Program, which is administered by the U.S. Small Business Administration under authority from the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"). The Paycheck Protection Program provides for the forgiveness of amounts borrowed under the program provided that the borrower meets certain criteria, with the amount of loan forgiveness reduced by a factor determined by reductions in personnel during the eight-week or 24-week period beginning on the loan date. Under these provisions, the loan was fully forgiven during the year ended June 30, 2021 and recognized as other income on the consolidated statements of activities and changes in net assets.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

Lease obligation – The Foundation leases its office premises with a term of five years, expiring in March 30, 2025. The Foundation also leases certain equipment under noncancelable leases. Following is a schedule of future minimum rental payments under its noncancelable operating leases:

Year Ending June 30,	
2022	$ 110,593
2023	115,799
2024	114,671
2025	72,688
Total	$ 413,751

Rental expense consisted of $123,492 and $68,486 for the years ended June 30, 2021 and 2020, respectively.

Contingencies – The Foundation is subject to legal proceedings and claims that arise in the ordinary course of business. In the opinion of management, the amount of ultimate liability with respect to such actions will not materially affect the consolidated financial position or results of operations of the Foundation.

COVID-19 – In March 2020, the World Health Organization declared the novel coronavirus (COVID-19) a global pandemic and a public health emergency. The COVID-19 pandemic has not resulted in closure of the Foundation's facilities, however the Foundation continues to monitor the situation closely and could close its facilities if government mandated. Facility closures or disruption in operations of the Foundation's customers, or suppliers could adversely impact the Foundation's results of operations to the extent that COVID-19 or any other epidemic harms the global economy. The Foundation cannot estimate the impact on its operations and financial results, and the duration and intensity of the impact of the coronavirus and resulting disruption to the Foundation's operations is uncertain.

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