Report of Independent Auditors and Consolidated Financial Statements with Supplementary Information

North Valley Community Foundation

June 30, 2022 and 2021

MOSSADAMS

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Report of Independent Auditors

The Board of Directors
North Valley Community Foundation

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of North Valley Community Foundation and affiliates, which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities and changes in net assets, statements of functional expense, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of North Valley Community Foundation and affiliates as of June 30, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). 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 North Valley Community Foundation and affiliates and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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.

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 North Valley Community Foundation and affiliates' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 GAAS 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 consolidated financial statements.

In performing an audit in accordance with GAAS, 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 North Valley Community Foundation and affiliates' 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 North Valley Community Foundation and affiliates' 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.

Moss Adams LLP

Rancho Cordova, California
November 18, 2022

Consolidated Financial Statements

North Valley Community Foundation
Consolidated Statements of Financial Position
June 30, 2022 and 2021

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 5,226,724	$ 25,853,302
Short-term investments	21,557,458	10,985,683
Notes receivable, current portion	202,944	11,093
Contributions and grants receivable	3,492,834	-
Accounts receivable	801	25,242
Other current assets	23,359	3,162
Total current assets	30,504,120	36,878,482
NONCURRENT ASSETS		
Notes receivable, net of current portion	150,753	350,442
Long-term investments	22,152,963	21,000,982
Investments in limited partnership and LLC	1,045,889	659,315
Property and equipment, net	6,898,275	7,268,746
Deposits	7,000	44,043
Total noncurrent assets	30,254,880	29,323,528
Total assets	$ 60,759,000	$ 66,202,010
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 389,290	$ 170,928
Grants payable, current	2,612,706	2,825,580
Total current liabilities	3,001,996	2,996,508
NONCURRENT LIABILITIES		
Amounts held on behalf of others	1,017,244	1,461,876
Grants payable, net of current portion	744,488	441,667
Total noncurrent liabilities	1,761,732	1,903,543
Total liabilities	4,763,728	4,900,051
NET ASSETS		
Without donor restrictions	51,791,663	56,544,992
With donor restrictions	4,203,609	4,756,967
Total net assets	55,995,272	61,301,959
Total liabilities and net assets	$ 60,759,000	$ 66,202,010

See accompanying notes.

	2022	2021
REVENUES WITHOUT DONOR RESTRICTIONS		
Contributions of cash and other financial assets	$ 12,425,226	$ 12,205,783
Contributions of nonfinancial assets	-	190,000
Grants	692,834	-
Program and administration fees	581,226	354,729
Investment income, net	539,153	606,614
Net realized and unrealized investment (losses) gains	(2,117,746)	1,702,703
Revenue from Hignell Family Paradise Shopping Center, LLC	333,127	325,289
Other income	514,331	314,553
Net gain from interests in limited partnership and LLC	247,494	134,150
Net loss from sale of property	(47,197)	-
Net assets released from restriction and reclassifications	34,981	296,627
Total revenues	13,203,429	16,130,448
EXPENSES		
Program services	16,531,241	20,079,103
Supporting services	1,425,517	1,283,075
Total expenses	17,956,758	21,362,178
Changes in net assets without donor restrictions	(4,753,329)	(5,231,730)
NET ASSETS WITH DONOR RESTRICTIONS		
Contributions of cash and other financial assets	228,548	67,859
Investment income	120,598	115,224
Net realized and unrealized investment (losses) gains	(867,523)	1,017,785
Net assets released from restriction and reclassifications	(34,981)	(296,627)
Changes in net assets with donor restrictions	(553,358)	904,241
CHANGES IN NET ASSETS	(5,306,687)	(4,327,489)
NET ASSETS, beginning of year	61,301,959	65,629,448
NET ASSETS, end of year	$ 55,995,272	$ 61,301,959

See accompanying notes.

	Year Ended June 30, 2022				
	Program Services	Supporting Services			
	Community Programs	Management and General and Administrative Fees	Fundraising and Marketing	Total Supporting Services	Total Expenses
Grants awarded	$ 12,723,042	$ 41,570	$ -	$ 41,570	$ 12,764,612
Administrative fees	404,096	-	-	-	404,096
Project expenses	1,878,388	10,639	-	10,639	1,889,027
Salaries and benefits	1,137,859	727,340	140,487	867,827	2,005,686
Investment and bank fees	12,804	2,627	-	2,627	15,431
Facility and equipment expenses	332,923	190,173	-	190,173	523,096
Other operational expenses	42,129	312,681	-	312,681	354,810
Total	$ 16,531,241	$ 1,285,030	$ 140,487	$ 1,425,517	$ 17,956,758

	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	$ 15,873,525	$ 58,472	$ -	$ 58,472	$ 15,931,997
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	$ 20,079,103	$ 1,217,975	$ 65,100	$ 1,283,075	$ 21,362,178

See accompanying notes.

North Valley Community Foundation
Consolidated Statements of Cash Flows
Years Ended June 30, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	$ (5,306,687)	$ (4,327,489)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation	178,976	179,280
Net realized and unrealized investment losses (gains)	2,985,269	(2,720,488)
Net gain from interests in limited partnership and LLC	(247,494)	(134,150)
Gain from forgiveness of debt	-	(190,982)
Noncash donated stock	(44,483)	(196,191)
Loss on sale of property and equipment	47,197	-
Changes in operating assets and liabilities:		
Notes receivable	7,838	(200,000)
Contributions and grants receivable	(3,492,834)	3,422,003
Deposits and other assets	41,287	(40,726)
Accounts payable and accrued liabilities	218,362	(22,728)
Grants payable	89,947	(2,163,751)
Refundable advances	-	(671,039)
Amounts held on behalf of others	(444,632)	25,099
Net cash used in operating activities	(5,967,254)	(7,041,162)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	47,219,896	43,019,529
Purchases of investments	(61,884,438)	(21,990,878)
Proceeds from sales of property and equipment	144,298	1,877
Purchases of property and equipment	-	(209,529)
Net cash flows (used in) provided by investing activities	(14,520,244)	20,820,999
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital contributions	(386,841)	(659,594)
Proceeds from capital distributions	247,761	408,870
Net cash used in financing activities	(139,080)	(250,724)
NET CHANGES IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH FOR FUNDS HELD FOR OTHERS	(20,626,578)	13,529,113
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH FOR FUNDS HELD FOR OTHERS, beginning of year	25,853,302	12,324,189
CHANGES IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH FOR FUNDS HELD FOR OTHERS, end of year	$ 5,226,724	$ 25,853,302
SUPPLEMENTAL DISCLOSURE OF CASH-FLOWS INFORMATION		
Cash paid during the year for:		
Interest paid	$ 104	$ 153
Unrelated business income tax paid	$ 8,738	$ 4,851
Donation of stock	$ (44,483)	$ (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 of 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 was 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 was sold during the year ended June 30, 2022, with proceeds going into an existing donor advised fund.

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 ("U.S. GAAP").

Use of estimates – The preparation of consolidated financial statements in conformity with U.S. 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 and grants receivable – Contributions and grants 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 and grants 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 consolidated financial statement presentation. There were $3,492,834 and $0 contributions and grants receivable as of June 30, 2022 and 2021, respectively. At June 30, 2022, a grant receivable in the amount of $2,800,000 was due from Pacific Gas & Electric relating to a Dixie Fire civil settlement and a grant receivable in the amount of $692,834 was due from the Glenn County Drought Relief Project for a program that the Foundation is managing with the California Department of Water Resources.

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, 2022 and 2021, 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, 2022 and 2021, the Foundation's investments in Fred and Eileen Hignell Limited Partnership consist 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 five residential rental properties. While the investment value is $0 as of June 30, 2022 and 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 $178,640 and $1,848 for the years ended June 30, 2022 and 2021, respectively, which were recognized as net gain from interests in limited partnership and LLC on the consolidated statement of activities. Even though the investment's value is $0 as of June 30, 2022, management is aware of its significant value due to consistent distributions of at least $250,000 annually over the past three years.

During the fiscal year ended June 30, 2021, Smallfoot, LLC, became a one-third member of Garner Properties, LLC, which 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.

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 $2,000. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally ranging from three to 30 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, 2022 and 2021, 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, 2022 and 2021. Grants payable in more than one year are discounted to present value using a discount rate of 2%. As of June 30, 2022 and 2021, unamortized discounts of grant payable in more than one year totaled $14,598 and $8,660, respectively.

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 September 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("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 requirements in the ASU require presentation of the receipt of nonfinancial assets as a separate line item in the consolidated statements of activities. The ASU also requires additional disclosures regarding qualitative information about the monetization or utilization of the nonfinancial assets, any donor-imposed restrictions on the use of the nonfinancial assets, and a description of the valuation techniques and inputs used to determine the fair value on the date the nonfinancial assets were received. The Foundation adopted ASU 2020-07 effective July 1, 2021. There was no impact of adopting the provisions of ASU 2020-07 on the consolidated financial statements.

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 is computed using the rate applicable in the year the promises were received. Contributions of nonfinancial assets 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 is recognized as revenue when earned in accordance with the terms of the rental agreements.

Other income consists of 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 $1,358 and $19,021 for the years ended June 30, 2022 and 2021, 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 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, 2022 and 2021, the LLC taxes for these affiliates totaled $9,060 and $6,969, respectively.

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, 2022 and 2021.

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 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 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 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 18, 2022, 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:

	2022	2021
Cash and cash equivalents	$ 5,226,724	$ 25,853,302
Short-term investments	21,557,458	10,985,683
Notes receivable, current portion	202,944	11,093
Contributions and grants receivable, current portion	3,492,834	-
Accounts receivable	801	25,242
Other current assets	23,359	3,162
Net financial assets available within one year	30,504,120	36,878,482
Less: amounts held on behalf of others	(1,017,244)	(1,461,876)
Less: amounts unavailable for general expenditures - required to satisfy donor restrictions	(4,203,609)	(4,756,967)
Net financial assets available to meet cash needs for general expenditures within one year	$ 25,283,267	$ 30,659,639

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, 2022, was $27,502,124. The Foundation has 121 days' cash on hand as of June 30, 2022. 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 Accounting Standards Codification ("ASC") 820, *Fair Value Measurements* ("ASC 820"), 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, 2022 and 2021, investment 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 years ended June 30, 2022 and 2021.

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

	2022			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Mutual funds	$ 5,449,805	$ -	$ -	$ 5,449,805
Certificates of deposit	-	15,442,757	-	15,442,757
Equities	97,132	-	-	97,132
Fixed-income	15,562,431	-	-	15,562,431
Exchange-traded products	7,158,296	-	-	7,158,296
Total investments	$ 28,267,664	$ 15,442,757	$ -	$ 43,710,421

	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

There were no assets or liabilities measured at fair value on a nonrecurring basis as of June 30, 2022 and 2021.

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, 2022 and 2021, was $9,826 and $1,621, 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 May 2022.

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 501(c)3 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 consisted of the following as of June 30:

	2022	2021
Building	$ 3,828,938	$ 3,828,938
Land	3,489,027	3,679,027
Computer equipment	90,475	131,639
Furniture and fixtures	40,052	40,052
Leasehold improvements	18,277	18,277
Total property and equipment	7,466,769	7,697,933
Less: accumulated depreciation	(568,494)	(429,187)
Property and equipment, net	$ 6,898,275	$ 7,268,746

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, 2022 and 2021, was $127,631 for the building, and $51,345 and $51,649 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, 2022 and 2021, 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, 2022 and 2021, net assets without donor restrictions were $51,791,663 and $56,554,992, respectively, on the consolidated statements of financial position, of which $4,829,002 and $6,192,717, 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 $46,962,661 and $53,688,242, respectively, 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 $4,203,609 and $4,756,967 as of June 30, 2022 and 2021, 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, 2022 and 2021, there were no underwater funds.

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

	2022	2021
Endowment net assets, July 1	$ 4,756,967	$ 3,852,726
Contributions	228,548	67,859
Investment return:		
Investment income	120,598	115,224
Net realized and unrealized (losses) gains	(867,523)	1,017,785
Total investment return	(746,925)	1,133,009
Appropriation of endowment assets for expenditure	(34,981)	(296,627)
Endowment net assets, June 30	$ 4,203,609	$ 4,756,967

NOTE 8 – 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:

Years Ending June 30,	
2023	$ 119,194
2024	117,070
2025	83,024
Total	$ 319,288

Rental expense consisted of $151,670 and $123,492 for the years ended June 30, 2022 and 2021, 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.

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