

# Shasta Regional Community Foundation

Redding, California

FINANCIAL STATEMENTS WITH INDEPENDENT AUDITORS' REPORT

June 30, 2018



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I S O M

# Shasta Regional Community Foundation

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Shasta Regional Community Foundation (the Foundation), which comprise the statement of financial position as of June 30, 2018; the related statements of activities and cash flows for the year then ended; and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Foundation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**INDEPENDENT AUDITORS' REPORT**

(Continued)

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2018, 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.

*KCoe Jam, LLP*

September 25, 2018  
Redding, California

# Shasta Regional Community Foundation

## STATEMENT OF FINANCIAL POSITION

June 30, 2018

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### ASSETS

#### Current Assets

Cash and cash equivalents	\$	1,387,964
Contributions receivable - current portion		358,550
Loans receivable - current portion		39,617

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<b>Total Current Assets</b>		<b>1,786,131</b>
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<b>Property and Equipment - Net</b>		<b>12,639</b>
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#### Other Assets

Deposits		378
Contributions receivable - long-term, net of current portion		440,532
Beneficial interest in remainder trusts		726,622
Beneficial interest in life insurance policy		4,008
Loans receivable - long-term, net of current portion		243,027
Long-term investments		25,725,834

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<b>Total Other Assets</b>		<b>27,140,401</b>
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<b>TOTAL ASSETS</b>	\$	<b>28,939,171</b>
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### LIABILITIES AND NET ASSETS

#### Current Liabilities

Accounts payable	\$	1,101
Deferred revenue		7,350
Grants payable		420,245
Accrued vacation		19,898

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<b>Total Liabilities</b>		<b>448,594</b>
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#### Net Assets

Unrestricted		409,029
Temporarily restricted		6,255,094
Permanently restricted		21,826,454

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<b>Total Net Assets</b>		<b>28,490,577</b>
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<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$	<b>28,939,171</b>
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*The accompanying notes are an integral part of these financial statements.*

# Shasta Regional Community Foundation

## STATEMENT OF ACTIVITIES

Year Ended June 30, 2018	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenues, Gains, and Other Support</b>				
Contributions	\$ 35,404	\$ 2,798,522	\$ 494,250	\$ 3,328,176
Program service fees	527,058	-	-	527,058
Investment return	42,936	928,934	530,670	1,502,540
Gain on insurance proceeds	1,521	-	-	1,521
Change in value of remainder trusts	-	(77,211)	-	(77,211)
Net assets released from restriction	3,863,985	(3,863,985)	-	-
<b>Total Revenues, Gains, and Other Support</b>	<b>4,470,904</b>	<b>(213,740)</b>	<b>1,024,920</b>	<b>5,282,084</b>
<b>Expenses and Losses</b>				
Advertising	37,345	-	-	37,345
Classes - Leadership Redding	32,784	-	-	32,784
Contract services	38,810	-	-	38,810
Depreciation	6,974	-	-	6,974
Dues	11,517	-	-	11,517
Grant distributions	3,447,042	-	-	3,447,042
Insurance	9,136	-	-	9,136
Legal and accounting	13,495	-	-	13,495
Library expenses	462	-	-	462
Loss on sale of assets	128	-	-	128
Occupancy expense	115,082	-	-	115,082
Office expenses	5,236	-	-	5,236
Other expenses	107,365	-	-	107,365
Payroll overhead	90,027	-	-	90,027
Postage	3,414	-	-	3,414
Printing	631	-	-	631
Salaries	376,175	-	-	376,175
Staff training and development	4,225	-	-	4,225
Telephone	8,455	-	-	8,455
Travel and lodging	23,423	-	-	23,423
Volunteer recognition	3,558	-	-	3,558
<b>Total Expenses and Losses</b>	<b>4,335,284</b>	<b>-</b>	<b>-</b>	<b>4,335,284</b>
<b>Change in Net Assets</b>	<b>135,620</b>	<b>(213,740)</b>	<b>1,024,920</b>	<b>946,800</b>
<b>Net Assets - Beginning of Year</b>	<b>273,409</b>	<b>6,468,834</b>	<b>20,801,534</b>	<b>27,543,777</b>
<b>Net Assets - End of Year</b>	<b>\$ 409,029</b>	<b>\$ 6,255,094</b>	<b>\$ 21,826,454</b>	<b>\$ 28,490,577</b>

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

# Shasta Regional Community Foundation

## STATEMENT OF CASH FLOWS

Year Ended June 30, 2018

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### CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 946,800
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	6,974
Unrealized gain on investments	(262,862)
Loss on sale of assets	128
Contributions restricted for investment in endowment	(494,250)
Interest and dividends restricted for long-term investment	(697,421)
Change in beneficial interest in remainder trusts	840,009
Beneficial interest in life insurance policy	(1,521)
Changes in:	
Contributions receivable	160,835
Prepaid expenses and other current assets	7,488
Loans receivable	49,605
Accounts payable	(1,030)
Deferred revenue	1,400
Grants payable	17,538
Accrued vacation	2,345

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**NET CASH PROVIDED BY OPERATING ACTIVITIES** 576,038

### CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of property and equipment	(5,803)
Purchase of investments	(934,415)
Redemption of investments	10,818

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**NET CASH USED IN INVESTING ACTIVITIES** (929,400)

### CASH FLOWS FROM FINANCING ACTIVITIES

Contributions restricted for investment in endowment	494,250
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**Net Increase in Cash and Cash Equivalents** 140,888

**Cash and Cash Equivalents - Beginning of Year** 1,247,076

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**Cash and Cash Equivalents - End of Year** \$ 1,387,964

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

# Shasta Regional Community Foundation

## NOTES TO THE FINANCIAL STATEMENTS

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### 1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Currently, the Foundation operates the following programs:

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

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

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

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

**Basis of Presentation** The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

The Foundation's financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) *Topic 958, Not-for-Profit Entities*. Under FASB ASC *Topic 958*, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets based upon the existence or absence of donor-imposed restrictions, as follows:

*Unrestricted Net Assets:* Represents resources over which the Board of Directors has discretionary control and that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

*Temporarily Restricted Net Assets:* Represents resources whose use by the Foundation is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of the Foundation pursuant to those stipulations. When a donor restriction expires, that is, when a stipulated purpose is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets.

*Permanently Restricted Net Assets:* Represents resources whose use by the Foundation is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the Foundation.

# Shasta Regional Community Foundation

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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**Revenue Recognition** Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the existence and nature of grantor/donor restrictions, and are recognized in these financial statements when the likelihood of conditions not being met is remote.

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

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

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

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

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

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

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

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

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

# Shasta Regional Community Foundation

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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

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

***Evaluation of Subsequent Events*** Management has evaluated subsequent events through September 25, 2018, the date the financial statements were available to be issued.

## Shasta Regional Community Foundation

### NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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#### 2. CONCENTRATIONS OF CREDIT RISK

The Foundation has diversified its credit risk for cash by maintaining deposits in several financial institutions. There was no amount in excess of deposit insurance at June 30, 2018.

#### 3. INVESTMENTS

The Foundation's investments consisted of the following:

June 30, 2018

Mutual funds	\$	15,616,960
Stocks		3,498,240
Bonds		2,606,604
Government securities		3,072,603
Money market funds		931,427
<b>Total Investments</b>	<b>\$</b>	<b>25,725,834</b>

The Foundation's investment return consisted of the following:

Year Ended June 30, 2018

Interest and dividends	\$	697,421
Realized gain on investments		542,257
Unrealized gain on investments		262,862
<b>Total Investment Return</b>	<b>\$</b>	<b>1,502,540</b>

#### 4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

June 30, 2018

Computer equipment and software	\$	94,706
Less: Accumulated depreciation		82,067
<b>Total Property and Equipment</b>	<b>\$</b>	<b>12,639</b>

Depreciation expense for the year ended June 30, 2018, was \$6,974.

## Shasta Regional Community Foundation

### NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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#### 5. CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of the following:

June 30, 2018

Amounts to be received in the future	\$	799,082
Less: Current portion		358,550
<b>Total Contributions Receivable - Long-Term</b>	<b>\$</b>	<b>440,532</b>

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

June 30, 2018

Less than one year	\$	358,550
One to five years		470,911
<b>Subtotal</b>		<b>829,461</b>
Less: Discount to net present value		30,379
<b>Total Amounts to be Received in the Future</b>	<b>\$</b>	<b>799,082</b>

No allowance for uncollectible contributions has been reflected at June 30, 2018, as management believes all amounts are fully collectible.

#### 6. LOANS RECEIVABLE

The Ivy B. Horr Endowed Medical Education Loan Fund provides for loans to students pursuing medical careers. Loans ranging from \$2,000 to \$10,000 per loan cycle, not to exceed \$50,000 per student, are provided and repayment begins six months after the student's graduation and must be completed within ten years of graduation. Interest is charged at a rate of 2%. Loans receivable are carried at unpaid principal balances, less an allowance for expected loan losses. Management's evaluation of the adequacy of the allowance is based primarily on past loan experience and specific impaired loans. The allowance for loans receivable for the year ended June 30, 2018, was \$750.

# Shasta Regional Community Foundation

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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### 7. BENEFICIAL INTEREST IN CHARITABLE TRUSTS

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

The Foundation has been named as the irrevocable remainder beneficiary of two charitable remainder trusts that are administered by a third party. At June 30, 2018, the present value of the future benefits was calculated using a discount rate of 3.44%, estimated rate of return of 5.8%, and applicable mortality tables.

During the year, one of the charitable remainder trusts ended. The remainder assets of the trust were transferred to the Foundation per the trust agreement to establish a fund.

Assets held in all charitable remainder trusts at June 30, 2018, totaled \$726,622 and are reported at fair value in the Foundation's statement of financial position.

# Shasta Regional Community Foundation

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

### 8. NET ASSETS

Contributions received, which are restricted to a specific program or are to be received in future periods, are recorded as temporarily restricted net assets 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, are recorded as permanently restricted net assets. The portion of the earnings on endowments, which are not considered permanently restricted, are recorded as temporarily restricted net assets and are released from restriction when program expenses meeting the grantor/donor requirements have been met.

Temporarily restricted net assets consisted of the following:

June 30, 2018

<b>Amounts to be Received in Future Periods</b>	
McConnell Foundation building grant	\$ 171,834
McConnell Foundation operating grant	520,247
Net beneficial interests in charitable trusts	726,622
<b>Total Amounts to be Received in Future Periods</b>	<b>1,418,703</b>
<b>Amounts Restricted by Donor for Specific Purpose</b>	
Patricia L. Kimball and David T. Kimball Fund	1,018,199
Mount Shasta Children's Fund	521,754
Patty Duncan Fund	491,234
Ivy B. Horr Loan Fund	405,092
Red Bluff Bull Sale Committee Fund	185,596
Greater Good Fund	121,987
Trent Fund	115,560
Women's Fund	114,093
First 5 Shasta Children and Families Fund	110,228
Andy Peek Livestock Scholarship Fund	95,783
Betty A. Fitzpatrick Fund	95,771
Other	1,561,094
<b>Total Temporarily Restricted Net Assets</b>	<b>\$ 6,255,094</b>

# Shasta Regional Community Foundation

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Permanently restricted net assets consisted of the following:

June 30, 2018

Knodel Family Endowment Fund	\$	4,249,000
Elmer H. Schmidt Christian Broadcasting Fund		2,854,778
Ivy B. Horr Medical Education Endowment Fund		1,353,733
Patricia L. Kimball Endowment Fund		1,301,038
Shasta County Board of Education Student Benefit Fund		1,236,464
Shasta Regional Community Foundation Stewardship Endowment		1,125,156
Josephine Taylor Endowment Fund		1,081,851
John and Mae Harrington Fund		731,029
Dr. Donald and Ann Gleason Memorial Scholarship		709,092
Burney Regional Community Fund Endowment		615,519
Clement Alan DeTourney Memorial Fund		602,577
Animal Welfare Endowment Fund		570,268
Women's Endowment Fund		568,890
Seamans Family Endowment Fund		430,707
Kohn Family Endowment		428,517
Siskiyou Family YMCA Endowment		411,869
Veteran's Cemetery Endowment Fund		312,799
Tauhindauli Park Endowment Fund		312,385
Tehama County Friends of the Library Endowment		249,663
Prudence Rose Kennedy Endowment Fund		213,502
Keep Our Flag Flying Fund		201,620
Community Arts Endowment		196,464
Redding Rancheria Endowment Fund		196,398
Mildred Lucille Driscoll Endowment Fund		184,494
Top of the State Scholarship Endowment Fund		151,882
Shasta Community Health Center Endowment for a Healthy Community		135,849
Tri Counties Bank Endowed Scholarship Fund		135,656
Brennan Family Endowment Fund		117,753
The Balma Family Scholarship Endowment Fund		116,985
Other		1,030,516
<b>Total Permanently Restricted Net Assets</b>	<b>\$</b>	<b>21,826,454</b>

# Shasta Regional Community Foundation

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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

June 30, 2018	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Donor-restricted endowment funds	\$ 116,283	\$ 1,424,818	\$ 21,826,454	\$ 23,367,555
<b>Endowment Net Assets -</b>				
<b>Beginning of Year</b>	\$ 73,970	\$ 1,261,582	\$ 20,801,534	\$ 22,137,086
Contributions	-	-	854,419	854,419
Investment income	-	2,677	643,520	646,197
Net appreciation (depreciation)	-	1,213,505	(473,019)	740,486
Amounts appropriated for expense	-	73,970	-	73,970
Other amounts released from restriction	42,313	(1,126,916)	-	(1,084,603)
<b>Endowment Net Assets -</b>				
<b>End of Year</b>	\$ 116,283	\$ 1,424,818	\$ 21,826,454	\$ 23,367,555

### 9. CONTRIBUTIONS

Contributions consisted of the following:

Year Ended June 30, 2018	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Grants	\$ -	\$ 15,648	\$ 7,918	\$ 23,566
Donations	35,404	2,757,586	486,332	3,279,322
Sponsorships	-	25,288	-	25,288
<b>Total Contributions</b>	\$ 35,404	\$ 2,798,522	\$ 494,250	\$ 3,328,176

### 10. PROGRAM SERVICE FEES

Program service fees consisted of the following:

Year Ended June 30, 2018	
Fund administration fees	\$ 523,045
Other program service fees	4,013
<b>Total Program Service Fees</b>	\$ 527,058

# Shasta Regional Community Foundation

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

### 11. FUNCTIONAL EXPENSE ALLOCATION

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

Year Ended June 30, 2018

#### EXPENSES

##### Program Services

Asset development and grant making	\$	3,626,586
Leadership Redding		62,957
Women's Fund		78,945
Ivy B. Horr Loan Fund		15,645
Other programs		73,484

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<b>Total Program Services Expenses</b>		<b>3,857,617</b>
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##### Supporting Services

Management and general		214,990
Fundraising		262,677

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<b>Total Supporting Services Expenses</b>		<b>477,667</b>
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<b>TOTAL EXPENSES</b>	\$	<b>4,335,284</b>
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### 12. OPERATING LEASES

The Foundation moved to a new office facility on January 1, 2006, under a five-year lease with The McConnell Foundation. The lease expired on December 31, 2011. A lease amendment was signed in August 2010 to extend the lease an additional five years with the lease expiring December 31, 2015. A second lease amendment was signed January 1, 2016, for five years with the lease expiring December 31, 2020. The lease is a market-rate lease. Lease expense totaled \$67,890 for the year ended June 30, 2018. These lease obligations are supported by a grant from The McConnell Foundation. Future lease obligations under the amended lease are as follows:

Years Ending June 30

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2019	\$	69,924
2020		72,024
2021		36,546
<b>Total</b>	\$	<b>178,494</b>

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# Shasta Regional Community Foundation

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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### 13. SHASTA REGIONAL COMMUNITY REAL ESTATE FOUNDATION

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

### 14. FAIR VALUE MEASUREMENTS

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

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

Valuations within the hierarchy levels are based upon the following:

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

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

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

## Shasta Regional Community Foundation

### NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used during the year ended June 30, 2018.

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

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

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

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

# Shasta Regional Community Foundation

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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

June 30, 2018	Fair Value	Level 1	Level 2	Level 3
<b>Mutual funds:</b>				
Large-cap value funds	\$ 601,367	\$ 601,367	\$ -	\$ -
Large-cap blended funds	5,200,064	5,200,064	-	-
Large-cap growth funds	2,219,812	2,219,812	-	-
Moderate allocation funds	411,732	411,732	-	-
Mid-cap value funds	481,919	481,919	-	-
Mid-cap blend funds	302,269	302,269	-	-
Mid-cap growth funds	640,014	640,014	-	-
Small-cap blend funds	967,468	967,468	-	-
Foreign large blend funds	1,948,998	1,948,998	-	-
Foreign large value funds	587,635	587,635	-	-
Short-term bond funds	1,252,661	1,252,661	-	-
Long-term bond funds	156,935	156,935	-	-
Intermediate-term bond funds	632,965	632,965	-	-
Foreign bond funds	213,121	213,121	-	-
<b>Stocks:</b>				
Basic materials	100,912	100,912	-	-
Communications	285,650	285,650	-	-
Consumer	547,314	547,314	-	-
Energy	776,441	776,441	-	-
Financial services	527,093	527,093	-	-
Healthcare	384,966	384,966	-	-
Industrials	331,744	331,744	-	-
Real estate	114,408	114,408	-	-
Technology	206,948	206,948	-	-
Utilities	174,036	174,036	-	-
Media/entertainment	48,728	48,728	-	-
<b>Bonds:</b>				
Communications	114,359	114,359	-	-
Consumer	123,919	123,919	-	-
Financial services	1,441,108	1,441,108	-	-
Healthcare	381,892	381,892	-	-
Industrials	133,913	133,913	-	-
Technology	225,220	225,220	-	-
Utilities	81,553	81,553	-	-
Media/entertainment	104,640	104,640	-	-
Government securities	3,072,603	3,072,603	-	-
Money market funds	931,427	931,427	-	-
Contribution receivable - beneficial interest in remainder trusts	726,622	-	-	726,622
Contribution receivable - beneficial interest in life insurance policy	4,008	-	-	4,008
<b>Total</b>	<b>\$ 26,456,464</b>	<b>\$ 25,725,834</b>	<b>\$ -</b>	<b>\$ 730,630</b>

# Shasta Regional Community Foundation

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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

<b>Balance - July 1, 2017</b>	\$ 1,569,118
Increase in beneficial interests in life insurance policy	1,521
Less: Beneficial interests in remainder trust disbursed	(762,798)
Total gains or (losses) - realized and unrealized	(77,211)
<b>Balance - June 30, 2018</b>	<b>\$ 730,630</b>

The amount of total losses for the year ended June 30, 2018, was \$77,211 and was included in net temporarily restricted net assets attributable to the change in unrealized gains or losses, relating to assets still held at the reporting date.

### 15. RETIREMENT PLAN

Effective February 1, 2014, the Foundation established a SIMPLE IRA plan (the Plan). The Plan is administered by American Funds and covers employees after they have earned at least \$5,000 per year during any two preceding years and who are expected to earn at least \$5,000 in the current year. Employees may make pre-tax contributions to their individual SIMPLE IRA accounts. The Foundation must match at least 1% of the eligible employees' annual salary up to the smaller of 3% of the employees' annual salary or actual employee contributions made during the fiscal year. For the year ended June 30, 2018, the Foundation made matching contributions of 3% of the annual salary of those participating in the Plan for a total of \$10,773.

### 16. NEW ACCOUNTING PRONOUNCEMENT

In August 2016, FASB issued Accountants Standards Update (ASU) 2016-14, *Presentation of Not-for-Profit Entities (Topic 958)*. This ASU will improve the current net asset classification requirements and the information presented in the financial statements and notes regarding not-for-profit entities' liquidity, financial performance, and cash flows. The Foundation's management has not yet determined the impact, if any, that implementation of this amendment, which is required for the fiscal year ending June 30, 2019, will have on the financial statements.

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