

Community Foundation of Mendocino County



Financial Statements

Years ended June 30, 2014 and 2013

THE COMMUNITY FOUNDATION

OF MENDOCINO COUNTY

TABLE OF CONTENTS

INFORMATION ABOUT THE ORGANIZATION AND FINANCIAL HIGHLIGHTS	PAGE 3
INDEPENDENT AUDITOR'S REPORT	PAGE 4
FINANCIAL STATEMENTS	
Statement of Financial Position	PAGE 5
Statement of Activities	PAGE 6
Statement of Cash Flows	PAGE 8
Notes to the Financial Statements	PAGE 9

THE COMMUNITY FOUNDATION

OF MENDOCINO COUNTY

INFORMATION ABOUT THE ORGANIZATION

Name of organization.....	Community Foundation of Mendocino County
Address.....	204 South Oak Street Ukiah, CA 95482
Telephone number.....	707 468-9882
Web site address.....	<u>http://www.communityfound.org/</u>
e-mail address.....	<u>info@communityfound.org</u>
Executive Director.....	Susanne Norgard



JEREMIAH K. MURPHY
CERTIFIED PUBLIC ACCOUNTANT
1102 S. MAIN STREET
FORT BRAGG, CA 95437

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and officers
Community Foundation of Mendocino County
Ukiah, CA

We have audited the accompanying financial statements of the Community Foundation of Mendocino County (a California nonprofit corporation), which comprise the statements of financial position as of June 30, 2014 and 2013, as well as the related statement of activities and statements of cash flows for the years 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Our audit was conducted 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 of 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 auditor's 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 entity'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 entity'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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Community Foundation of Mendocino County as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in blue ink that reads 'Jeremiah K. Murphy'.

Certified Public Accountant
September 18, 2014

COMMUNITY FOUNDATION OF MENDOCINO COUNTY
STATEMENTS OF FINANCIAL CONDITION
JUNE 30, 2014 AND 2013

	2014	2013	Change
ASSETS			
<i>Current assets:</i>			
Cash and equivalents	\$ 262,487	\$ 156,765	\$ 105,722
Accounts and pledges receivable	-	3,810	(3,810)
Prepaid expenses	5,388	4,675	713
Total current assets	267,875	165,250	102,625
<i>Noncurrent assets:</i>			
Fixed assets, net of accumulated deprec.	296,324	288,081	8,243
Investments	17,406,605	15,708,341	1,698,264
Total noncurrent assets	17,702,929	15,996,422	1,706,507
TOTAL	\$ 17,970,804	\$ 16,161,672	\$ 1,809,132
 LIABILITIES AND NET ASSETS			
<i>Current liabilities:</i>			
Accounts payable	\$ 8,703	\$ 1,060	\$ 7,643
Grants payable	349	35,794	(35,445)
Accrued expenses	27,631	24,822	2,809
Deferred income	-	-	-
Total current liabilities	36,683	61,676	(24,993)
<i>Noncurrent liabilities:</i>			
Agency funds held for others	296,260	265,975	30,285
Liabilities under charitable trust agreements	359,009	360,007	(998)
Total noncurrent liabilities	655,269	625,983	29,286
TOTAL LIABILITIES	691,952	687,659	4,293
<i>Net assets:</i>			
Unrestricted net assets	16,559,184	14,803,525	1,755,659
Temporarily restricted net assets	719,668	670,488	49,180
Total net assets	17,278,852	15,474,013	1,804,839
TOTAL	\$ 17,970,804	\$ 16,161,672	\$ 1,809,132

The accompanying notes are an integral part of these financial statements

**COMMUNITY FOUNDATION OF MENDOCINO COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

	Unrestricted	Temporarily Restricted	Total
REVENUES AND GAINS (LOSSES)			
Gifts, grants, and contributions	\$ 876,253	\$ -	\$ 876,253
Investment income (loss):			
Interest and dividends	279,394	20,924	300,318
Realized gains or (losses), net	116,060	22,736	138,796
Unrealized gains (losses), net	1,487,935	79,524	1,567,459
Total investment income (loss)	1,883,389	123,184	2,006,573
Change in value of split-interest agreements	-	(57,983)	(57,983)
Administrative fee to manage funds	226,509	-	226,509
Net assets released from restrictions	16,021	(16,021)	-
Total revenues, gains and (losses)	3,002,172	49,180	3,051,352
GRANTS AND OTHER EXPENSES:			
Grants to the community	627,009	-	627,009
Program services	251,395	-	251,395
Administrative	368,109	-	368,109
Total grants and other expenses	1,246,513	-	1,246,513
CHANGE IN NET ASSETS	\$ 1,755,659	\$ 49,180	\$ 1,804,839
NET ASSETS - beginning of the year	14,803,525	670,488	15,474,013
Adjustment of opening balance	-	-	-
NET ASSETS - end of the year	<u>\$ 16,559,184</u>	<u>\$ 719,668</u>	<u>\$ 17,278,852</u>

The accompanying notes are an integral part of these financial statements

**COMMUNITY FOUNDATION OF MENDOCINO COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013**

	Unrestricted	Temporarily Restricted	Total
REVENUES AND GAINS (LOSSES)			
Gifts, grants, and contributions	\$ 673,043	\$ 1,300	\$ 674,343
Investment income (loss):			
Interest and dividends	284,969	25,542	310,511
Realized gains (losses), net	(84,359)	-	(84,359)
Unrealized gains (losses), net	1,155,662	78,936	1,234,598
Investment expenses			
Total investment income (loss)	1,356,272	104,478	1,460,750
Change in value of split-interest agreements		(51,681)	(51,681)
Administrative fees to manage funds	185,585	-	185,585
Net assets released from restrictions	42,945	(42,945)	-
Total revenues, gains and (losses)	2,257,845	11,152	2,268,997
GRANTS AND OTHER EXPENSES:			
Grants	798,008		798,008
Program services	202,104		202,104
Administrative	302,171		302,171
Total grants and other expenses	1,302,283	-	1,302,283
CHANGE IN NET ASSETS	\$ 955,562	\$ 11,152	\$ 966,714
NET ASSETS - beginning of the year	13,847,963	659,336	14,507,299
NET ASSETS - end of the year	<u>\$ 14,803,525</u>	<u>\$ 670,488</u>	<u>\$ 15,474,013</u>

The accompanying notes are an integral part of these financial statements

**COMMUNITY FOUNDATION OF MENDOCINO COUNTY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,804,839	\$ 966,714
Adjustments to reconcile the change in net assets to net cash provided by or (used by) operating activities:		
Depreciation and amortization	4,287	3,113
Accounts and pledges receivable	3,810	-
Deferred income	-	-
Grants payable	(35,445)	(45,289)
Prepaid expenses	(713)	652
Other assets		
Accounts payable	7,638	(5,559)
Accrued liabilities	2,810	(4,814)
Assets held in charitable trusts	(995)	(5,228)
Transfer of balances		
Net cash provided (used) by operating activities	<u>\$ 1,786,231</u>	<u>\$ 909,589</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Increase or (decrease) in amounts held for others	30,285	23,492
Other investing activities	-	-
Net cash provided (used) by investing activities	<u>\$ 30,285</u>	<u>\$ 23,492</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
(Increase) or decrease in other assets		
Purchases of fixed assets, net of disposals	(12,530)	(288,508)
(Increase) or decrease in investments	(1,698,264)	(955,017)
Net cash provided (used) by investing activities	<u>\$ (1,710,794)</u>	<u>\$ (1,243,525)</u>
Net increase (decrease) in cash	\$ 105,722	\$ (310,444)
Cash and cash equivalents at beginning of year	<u>156,765</u>	<u>\$467,209</u>
Cash and cash equivalents at end of year	<u>\$ 262,487</u>	<u>\$ 156,765</u>
<i>Supplemental disclosure of cash flow information:</i>		
Cash paid for:		
Interest	\$ -	\$ -
Taxes	\$ 10	\$ 10

The accompanying notes are an integral part of these financial statements

COMMUNITY FOUNDATION OF MENDOCINO COUNTY
NOTES TO FINANCIAL STATEMENTS

1. Description of the Organization:

The Community Foundation of Mendocino County (the Foundation) is a nonprofit public benefit corporation formed in October 1993 for the purpose of developing philanthropy in Mendocino County. The Foundation accomplishes its purpose by building a permanent endowment for the benefit of the community through the support of people who want to “give back” in ways that are meaningful to them and in ways that strengthen local communities. Funds are contributed by individuals, corporations and non-profit agencies and support a wide variety of organizations that contribute to educational, cultural, health, civic, economic/social development in Mendocino County communities and The Foundation’s service areas. The Foundation operates a grants program that seeks out opportunities for the effective use of its resources in a manner that is consistent with donor intent.

2. Summary of Significant Accounting Policies:

Basis of Accounting:

The Foundation’s financial statements have been prepared on the accrual basis of accounting under the provisions of the Audit Guide for Not-for-Profit Organizations published by the American Institute of Certified Public Accountants. This guide and its related standards provide that net assets and changes therein are classified according to the existence of donor-imposed restrictions.

Classification of Contributions and Net Assets:

The accompanying financial statements have been prepared in accordance with Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements for Not-for-Profit Organizations, including Financial Accounting Standards Board (FASB) Staff Position (FSP) 117-1, which the Foundation adopted September 1, 2009. SFAS No. 117 requires the Foundation to present its net assets and its revenue and gains based on the existence or absence of donor imposed restrictions into three classes: unrestricted, temporarily restricted, and permanently restricted. FSP 117-1 was issued by the Financial Accounting Standards Board in August 2008 and provides guidance for the classification of donor-restricted endowment funds that are subject to an enacted version of the Uniform Prudent Management of Institution Funds Act (UPMIFA), FSP 117-1 also provides for enhanced disclosures about endowment funds (both donor restricted endowment funds and board designated endowment funds). The State of California adopted UPMIFA effective January 1, 2008.

The bylaws of the Foundation include a variance provision giving the Board of Directors the power, whenever any restriction or condition on the distribution of funds becomes, in effect, unnecessary, incapable of fulfillment or inconsistent with the charitable, educational, and scientific needs of Mendocino County, to modify any restriction or condition placed on the distribution of funds and to apply the whole or any part of the principal or income of funds as in its judgment is necessary to serve more effectively the charitable, educational and scientific purposes of the Foundation. Based on this provision

COMMUNITY FOUNDATION OF MENDOCINO COUNTY

NOTES TO FINANCIAL STATEMENTS

all contributions and assets not classified as temporarily restricted are classified as unrestricted. Contributions of pledges for which the cash has not been received and assets and liabilities held in charitable trust agreements or life estate agreements are classified as temporarily restricted. The Foundation has no assets that are permanently restricted.

The Foundation's assets consist of approximately 135 individual funds established by donors for a variety of purposes. As noted above, the Foundation classifies these funds as unrestricted net assets; however, the Foundation manages funds established by donors as endowed funds in accordance with terms set forth in the individual fund agreements. Accordingly, the Foundation further classifies its unrestricted net assets as of June 30, 2014 and 2013 as follows:

	2014	2013
ENDOWMENT FUNDS		
Discretionary	\$3,698,344	\$3,243,509
Field of Interest	3,181,191	2,890,078
Designated	2,919,916	2,694,075
Scholarship	1,940,770	1,735,622
Donor Advised	2,618,488	2,409,369
Total endowment funds	\$14,358,709	\$12,972,653
NON-ENDOWED		
Operating and reserve funds	2,198,796	1,829,533
Charitable Unitrust	718,418	669,238
Total Unrestricted Net Assets	\$17,275,923	\$15,471,424

None of the Foundation's temporarily restricted net assets are endowment funds.

Cash and Cash Equivalents:

For purposes of the Statement of Financial Position and the Statement of Cash Flows, the Foundation considers highly liquid bank investments that are readily convertible into known amounts of cash and have maturities of three months or less when acquired to be cash equivalents. The Foundation does not usually report money market investments in investment accounts as cash equivalents. At June 30, 2014, management believes that the carrying amount of cash equivalents approximates fair value because of the short maturity of these financial instruments.

Certificates of Deposit

Certificates of deposits available for operations, if any, would be included in cash in the accompanying financial statements. To be listed as cash or cash equivalents the certificates would have maturities of less than one year. Certificates of deposit that are part of investment accounts are included with investment accounts and not with cash or cash equivalents.

COMMUNITY FOUNDATION OF MENDOCINO COUNTY
NOTES TO FINANCIAL STATEMENTS

Investments:

Investment securities are stated at fair value. The fair value of debt securities and marketable equity securities are based on quoted market prices. Realized and unrealized gains and losses are reflected in the statement of activities. The Foundation invests cash in excess of daily requirements, unitrust payments, and certain required term and permanent endowments in cash equivalents.

Investment Pools

The Foundation maintains master investment accounts for most donor-designated and donor-advised funds. Realized and unrealized gains and losses and income from the master investment accounts are allocated monthly to individual funds based on individual average daily fund balances.

Contributions:

Contributions are recorded at fair value at the date of receipt or unconditional promise to give.

Grants and Program Services

The Foundation's programs consist of grants made from available income and principal in accordance with designations by the donors and as approved by the Board of Directors and are recorded after the grant agreement has been finalized.

Fixed Assets:

Fixed assets are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization are provided using the straight-line method over the estimated useful lives of the related assets, which range from three to forty years, or over the lesser of the term of the lease or the estimated useful life of the asset for assets under capital lease. Leasehold improvements are amortized over the lesser of the term of the lease or the estimated useful life of the improvements. Normal repairs and maintenance are expensed as incurred whereas significant improvements that materially increase values or extend useful lives are capitalized and depreciated over the remaining estimated useful lives of the related assets.

Upon sale or retirement of depreciable assets, the related cost and accumulated depreciation or amortization are removed from the accounts. Any gain or loss on the sale or retirement is recognized in current operations.

COMMUNITY FOUNDATION OF MENDOCINO COUNTY

NOTES TO FINANCIAL STATEMENTS

The Foundation has adopted a capitalization policy requiring all assets acquired, whether purchased or received by donation, with a cost or value of more than \$1,000 to be capitalized. Those below that threshold are expensed in the period received.

The Foundation has received grants for the purchase of equipment and the equipment purchased under those grants is not capitalized and depreciated but instead is expensed in the period that it is acquired and the grant revenue is reported. The Foundation has non-depreciated assets of \$31,790.

Income taxes:

The Foundation has been granted tax-exempt status under Internal Revenue Code Section 501(c)(3) and is, therefore, generally exempt from federal and state income taxes. Accordingly, no taxes have been provided for in the accompanying financial statements.

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 of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and gains, and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Program Advances

Program advances represent conditional contributions for which the condition has not been substantially met.

Expense Allocations

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain administrative costs have been allocated among the programs and supporting services benefited.

Concentration of Credit Risk

The Foundation maintains cash balances at several financial institutions located in northern California. The Federal Deposit Insurance Corporation insures accounts up to \$250,000 at each institution. At June 30, 2014, the Foundation had uninsured cash balances of approximately \$12,200.

COMMUNITY FOUNDATION OF MENDOCINO COUNTY
NOTES TO FINANCIAL STATEMENTS

Money market accounts and certificates of deposit that are in investment accounts or pools are not classified as cash or cash equivalents even if they meet the organization's definition of cash equivalents. Instead they are reported as part of the investments that the Foundation has for grant making purposes. See Note #4 for details of the investments that comprise the Foundation's investment account.

Also, the Foundation maintains long-term investments of over \$13,000,000 with one custodial investment company, Charles Schwab. The institutional brokers where the Foundation maintains accounts have indemnity insurance, professional liability insurance, and bonding in amounts that satisfy regulatory requirements.

Classification of Net Assets

The Foundation considers contributions to be restricted if they are received with donor stipulations that restrict the timing of expending the donated assets. Accordingly, all such contributions are reported as temporarily restricted. Gains and losses in the investment of these assets are classified as temporarily restricted. Investment income subject to restrictions is classified as temporarily restricted until the period in which the funds are spent, at which time temporarily restricted assets are released to unrestricted assets. Such transfers are reported in the statement of activities as "net assets released from restrictions". All other funds are classified as unrestricted net assets. Income derived from unrestricted assets is classified as unrestricted. The fund agreements of the Foundation provide for variance power which allows the redirection of spending and the reduction of principal, if necessary. In addition, all donor funds are subject to an annual spending policy which may require the use of principal from time to time to regulate the flow of grant dollars in order to optimize total investment return on the fund assets and grant dollars delivered to the community.

3. Agency Funds

Statement of Financial Accounting Standards No. 136 (SFAS No. 136), *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others*, establishes standards for transactions in which a community foundation accepts a contribution from a donor and agrees to transfer those assets, the return on investment of those assets or both to another entity that is specified by the donor. SFAS No. 136 specifically requires that if a not-for-profit organization (NPO) establishes a fund at a community foundation with its own funds and specifies itself as the beneficiary of that fund, that community foundation must account for the transfer of such assets as a liability rather than as a contribution. The Foundation refers to such funds as agency funds. The Foundation holds three Agency funds and below is a schedule of those agencies:

COMMUNITY FOUNDATION OF MENDOCINO COUNTY
NOTES TO FINANCIAL STATEMENTS

Fund		Fair Market Value at June 30, 2014	Fair Market Value at June 30, 2013
Mendocino Unified School Enrichment		\$36,395	\$32,354
Mendocino County Museum		108,737	99,276
Gardens Legacy Fund		151,127	134,345
Total of the Agency Funds		\$296,259	\$265,975

4. Investments and Investment Spending Policies

The goal of the Foundation’s investment program for funds held as permanent endowment is to achieve a total rate of return that will allow the Foundation to respond to today’s needs and the long-term growth necessary to respond to future needs. Therefore, the Endowment Investment and Spending Policies employ an intergenerational perspective.

The long-term investment objective for endowed funds is to retain and when possible increase the purchasing power of the funds, while at the same time producing a reasonable return for a distribution to meet current community needs. To meet this investment objective, the Foundation follows a total-return strategy in which investment decisions are made with the intent of maximizing the long-term return of the portfolio, combining market-value changes (realized and unrealized) and current yield (interest and dividends). Foundation assets are invested in a mixture of equities, fixed income investments and cash or cash equivalents.

The Foundation has adopted a spending policy to determine the annual amount available for distributions from funds held as permanent endowment. Each year the board sets an annual payout rate for the coming year. For 2013 – 2014, the payout for grants was 3.0% of market value using a 16-quarter trailing average of fund market value. By using this average, grant amounts are more predictable for beneficiaries. Administrative support is assessed quarterly depending on the size of the fund (.1875% - .375%).

Spending Policy and Grant Making	June 30, 2014	June 30, 2013
Funds available for grant making	\$278,966	\$208,590
Grants Made	\$226,215	\$163,962

COMMUNITY FOUNDATION OF MENDOCINO COUNTY
NOTES TO FINANCIAL STATEMENTS

5. Fair value measurements

Accounting Standards Codification (ACS) 820 defines fair value 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. ACS 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1: Inputs are quoted market prices (unadjusted) in active markets for identical assets or liabilities that the entity has the ability to access at the measurement date.

Level 2: Inputs other than quoted prices within Level 1 that are observable, either directly or indirectly such as quoted prices for similar assets or liabilities in active markets or inactive markets, or inputs other than quoted prices that are observable for the asset or liability.

Level 3: Inputs are unobservable. Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

Community Foundation of Mendocino County uses appropriate valuation techniques based on the available inputs to measure the fair value of their investments. When available, Community Foundation of Mendocino County measures fair market value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available.

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. The valuation levels are not necessarily an indication of the risk or liquidity associated with the underlying investments.

COMMUNITY FOUNDATION OF MENDOCINO COUNTY
NOTES TO FINANCIAL STATEMENTS

The schedule below presents the balance of investment assets measured at fair value on a recurring basis at June 30, 2014 and 2013; all of the assets are measured at Level 1 inputs.

	June 30, 2014	June 30, 2013
Mutual Funds:		
Bond funds	\$288,895	\$279,686
Multi-strategy funds	1,978,063	1,281,832
Common stocks	11,123,420	10,004,619
Corporate bonds	770,239	1,027,619
Government bonds	786,248	1,140,417
Other investments	433,041	243,956
Total	\$15,379,906	\$13,978,129

6. Fixed Assets:

Fixed assets consist of the following as of June 30, 2014 and 2013:

	2014	2013
Furniture, fixtures and computer software	\$23,862	\$25,256
Building and improvements	191,949	181,030
	215,811	206,286
Less accumulated deprec. and amortization	(29,488)	(28,206)
 Book value of depreciable fixed assets	 186,323	 178,080
Land (at cost)	110,000	110,000
	<u>\$296,323</u>	<u>288,080</u>

The Foundation depreciates its fixed assets using the straight-line method over the assets expected useful life, which is generally 3 – 10 years except for buildings which are depreciated using a straight line method over a period of 40 years. Depreciation and amortization expenses were \$4,287 for the fiscal year ended June 30, 2014 and \$3,113 for the fiscal year ended June 30, 2013.

The Foundation has purchased, and is using, fixed assets not included in the general ledger fixed asset category because the assets were purchased with grant funds and are expensed annually under the terms of the grants. As of June 30, 2014 the Foundation had \$31,790 invested in these assets.

COMMUNITY FOUNDATION OF MENDOCINO COUNTY
NOTES TO FINANCIAL STATEMENTS

7. Guarantees

The Foundation is a guarantor of student loans set up under the E. Albertson Trust Fund. The Foundation's guarantee is not to exceed 180% of the E. Albertson Trust fund balance, which is \$303,217 as of June 30, 2014. Also as of that date, there was approximately \$173,074 in student loans outstanding. The guarantee arose under the terms of the E. Albertson Trust which was set up to make low interest loans available to students. The Trust, and now the Foundation, subsidizes the lending institution for the difference between the market rate of the loan interest and the amount charged to the student. Management does not believe that an allowance for bad debts is appropriate for these loans and intends to write off any guarantees required under this agreement in the period that they are notified of the default by the student. During the fiscal year there were no loan defaults that were written off and the Foundation recovered \$13,120 in previously written off loans.

8. Deferred Income

The balance of the deferred income account represents payments that the Foundation received that were not fully expended by the end of the current fiscal year. The balance of the deferred income at the balance sheet date is zero.

9. Retirement and Deferred Compensation Plans

The Foundation has adopted a "Savings Incentive Match Plan for Employees (SIMPLE) IRA plan beginning March 2009. Eligible employees may elect to participate in the plan and have salary deferrals made on their behalf. The Foundation is required to contribute to each employee's SIMPLE IRA an amount that is not to exceed 3% of each participant's regular compensation. For this fiscal year, the amount of employer contribution that was owed is \$1,849.

10. Lease agreements

In the prior fiscal year, the Foundation leased two office spaces: a main office in Ukiah, California and a small satellite office in Fort Bragg, California. The main office space in Ukiah was leased under the terms of a three-year lease that ended March 31, 2012 and reverted to a month-to-month lease. The other space is leased on a month to month basis. Future lease payments under the terms of these leases were zero as they were both month-to-month leases. In the current fiscal year the Foundation purchased real property in Ukiah and moved into it, using the new property as their headquarters. There were only two months of rent paid for the Ukiah facility.

2015	\$-0-
2016	-0-
2017	-0-
2018	-0-
2019	-0-

COMMUNITY FOUNDATION OF MENDOCINO COUNTY
NOTES TO FINANCIAL STATEMENTS

11. Contingent Liability

The Foundation received a donation of \$30,000 during the previous fiscal year from the estate of a contributor. They accepted the donation with the agreement that if the estate owes tax on the inheritance then the Foundation will refund back to the estate the amount due for taxes up to the amount that was received (\$30,000). To date no claim has been made against this contingent liability.

12. Split-Interest Agreement details

The Foundation serves as trustee for various charitable trusts. Under the terms of these trust agreements, the Foundation makes distributions to income beneficiaries for a given term or for the life of the beneficiaries. At the end of the term, or upon the death of the income beneficiaries, assets remaining in the trust will be transferred to the Foundation. The Foundation records the assets held in charitable trusts at their fair market value based on current quoted market prices and records a liability under charitable trust agreements for the estimated discounted value of the amounts due to the income beneficiaries based on Internal Revenue Service annuity and mortality tables.

	June 30, 2014	June 30, 2013
	Totals	Totals
Invested assets for the trust	\$1,077,427	\$1,029,244
Less the liability for future payments	359,009	360,007
Net assets in the trust	\$718,418	\$669,237

13. Temporarily restricted net assets

The following are funds, which by their nature are temporarily restricted as to the time that the funds can be used by the Foundation, are classified as temporarily restricted funds:

Fund Description	2014	2013
Bishoff Charitable Remainder Trust	\$635,086	\$600,320
Pruett Charitable Remainder Trust	83,332	68,918
Other funds	1,250	1,250
Total	\$719,668	\$670,488

COMMUNITY FOUNDATION OF MENDOCINO COUNTY
NOTES TO FINANCIAL STATEMENTS

14. Management Review of Transactions

Management has reviewed the financial transactions subsequent to the financial statement date and reports no material transaction happened that could affect the carrying value of the assets reported on June 30, 2014.

15. Self-funded real estate purchase

On July 25, 2012 the Foundation purchased real estate in Ukiah, California which is to be the new headquarters for the organization. The purchase price was \$251,900 and it was funded with a donations totaling \$100,000 with the rest of the purchase price being self-funded. The Foundation used its own Administrative reserve fund to pay for the purchase and is now repaying the Administrative reserve fund with monthly payments of \$586. The terms of the loan are that the principal will be amortized over a 30 year period at a variable rate of interest, currently 1.6%. The amount of loan principal paid in the current fiscal year was \$5,298.12 and interest paid was \$2,933. During this fiscal year the loan increased \$12,169.70 due to improvements made to the building paid with additional amounts borrowed.

Because the loan balance owed and receivable is the same amount, and the interest earned and expenses are the same amounts, the balances offset each other in the financial statements and so they have no impact on the financial condition and the results of operations for the year.