

**HUMBOLDT AREA FOUNDATION
AND SUPPORTING ORGANIZATION
FINANCIAL STATEMENTS**

Year Ended June 30, 2013 and 2012

With

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

HUMBOLDT AREA FOUNDATION

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John R. Goff, CPA
Mark G. Wetzel, CPA
Michael R. Cline, CPA



DAVID L. MOONIE & CO., LLP
Certified Public Accountants

Kenneth X. Stringer, CPA
Aaron S. Weiss, CPA
Joshua S. Miller, CPA

HUMBOLDT AREA FOUNDATION
INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

To the Board of Directors
Humboldt Area Foundation
Bayside, California 95524

We have audited the accompanying financial statements of Humboldt Area Foundation, a non-profit organization, which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities and 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. 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 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.

HUMBOLDT AREA FOUNDATION

INDEPENDENT AUDITOR'S REPORT - CONTINUED

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 Humboldt Area Foundation as of June 30, 2013 and 2012, 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.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information schedules on pages 19 - 26 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

David L. Moonie & Co.

CERTIFIED PUBLIC ACCOUNTANTS
Eureka, California
September 30, 2013

HUMBOLDT AREA FOUNDATION
STATEMENTS OF FINANCIAL POSITION

June 30, 2013 and 2012

	2013	2012
ASSETS		
Cash and cash equivalents	\$ 3,867,179	\$ 3,647,363
Unconditional promises to give, net	6,273,392	4,003,411
Investments	77,722,435	68,491,510
Notes receivable from others	17,917	30,943
Property and equipment, net	2,203,343	2,183,142
Other assets	385,878	76,811
TOTAL ASSETS	\$ 90,470,144	\$ 78,433,180
 LIABILITIES		
Accounts payable	\$ 56,525	\$ 213,329
Accrued expenses	104,440	130,876
Grants payable	1,872,558	1,929,459
Refundable advances	59,335	96,731
Note payable	25,252	
Agency fund liability	12,765,708	10,370,313
Obligations under split interest agreements	2,280,866	1,812,515
TOTAL LIABILITIES	17,164,684	14,553,223
 NET ASSETS		
Unrestricted	59,359,666	52,699,240
Temporarily restricted	8,301,469	5,900,915
Permanently restricted	5,644,325	5,279,802
TOTAL NET ASSETS	73,305,460	63,879,957
TOTAL LIABILITIES AND NET ASSETS	\$ 90,470,144	\$ 78,433,180

See accountants' report

HUMBOLDT AREA FOUNDATION
STATEMENTS OF ACTIVITIES
For The Years Ended June 30, 2013 and 2012

	2013			2012	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
REVENUES AND OTHER SUPPORT					
Contributions	\$ 1,611,676	\$ 4,288,188		\$ 5,899,864	\$ 1,749,011
Grant income	846,347	1,309,927		2,156,274	1,838,160
Investment income	1,749,052			1,749,052	1,500,478
Workshop and other income	103,800			103,800	95,519
Administrative fee income	136,870			136,870	121,130
Rental income	16,872			16,872	16,946
Net assets released from restrictions -					
Restrictions satisfied by time	3,346,997	(3,338,357)	\$ (8,640)	-	
TOTAL REVENUES AND OTHER SUPPORT	<u>7,811,614</u>	<u>2,259,758</u>	<u>(8,640)</u>	<u>10,062,732</u>	<u>5,321,244</u>
EXPENSES					
Program services:					
Grant making	2,717,169			2,717,169	2,640,494
Education, outreach and training	133,471			133,471	125,660
Community programs	2,446,029			2,446,029	2,260,962
Support services:					
Administrative	770,206			770,206	829,425
Investment	198,959			198,959	173,566
Development	216,179			216,179	223,563
TOTAL EXPENSES	<u>6,482,013</u>	<u>-</u>	<u>-</u>	<u>6,482,013</u>	<u>6,253,670</u>
GAINS AND LOSSES					
Realized and unrealized gains (losses)					
on investments	5,330,825		373,163	5,703,988	(3,858,874)
Gain (loss) on disposal of assets				-	(1,506)
Actuarial gain (loss) on					
annuity obligation		140,796		140,796	
Gain (loss) on beneficial interest					48,782
in perpetual trusts					
TOTAL GAINS AND LOSSES	<u>5,330,825</u>	<u>140,796</u>	<u>373,163</u>	<u>5,844,784</u>	<u>(3,811,598)</u>
CHANGE IN NET ASSETS	6,660,426	2,400,554	364,523	9,425,503	(4,744,024)
NET ASSETS BEGINNING OF YEAR	<u>52,699,240</u>	<u>5,900,915</u>	<u>5,279,802</u>	<u>63,879,957</u>	<u>68,623,981</u>
NET ASSETS END OF YEAR	<u>\$ 59,359,666</u>	<u>\$ 8,301,469</u>	<u>\$ 5,644,325</u>	<u>\$ 73,305,460</u>	<u>\$ 63,879,957</u>

See accountants' report

HUMBOLDT AREA FOUNDATION
STATEMENTS OF CASH FLOWS

For The Years Ended June 30, 2013 and 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 9,425,503	\$ (4,744,024)
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities:		
Depreciation	59,625	55,736
Realized and unrealized (gain) loss on investments	(5,703,988)	3,858,874
Realized and unrealized (gain) loss on Agency Fund investments	(807,821)	625,081
Realized and unrealized (gain) loss on Split-interest agreement	(308,950)	239,766
(Gain) loss on disposition of fixed assets	-	1,506
Change in actuarial annuity liability	468,351	(490,636)
(Increase) decrease in operating assets:		
Unconditional promises to give	(2,269,981)	1,404,739
Other assets	(309,067)	(1,380)
Increase (decrease) in operating liabilities:		
Accounts payable	(156,804)	132,246
Accrued expenses	(26,436)	(11,394)
Grants payable	(56,901)	17,882
Refundable advances	(37,396)	63,261
Agency fund liability	2,395,395	324,744
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	2,671,530	1,476,401
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from repayments of notes receivable	13,026	12,194
Proceeds from investments	38,917,654	11,102,506
Proceeds from program related investments		284,955
Redemption of certificates of deposit	255,189	
Purchases of investments	(41,583,009)	(11,874,486)
Purchases of equipment	(52,966)	(18,420)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(2,450,106)	(493,251)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on note payable	(1,608)	
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	(1,608)	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	219,816	983,150
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,647,363	2,664,213
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 3,867,179	\$ 3,647,363
Supplemental schedule of cash flow information:		
Cash paid during the year for interest	\$ 1,608	\$ -
Supplemental schedule of non-cash investing and financing activities:		
Debt incurred for purchase of equipment	\$ 26,860	\$ -

See accountants' report

HUMBOLDT AREA FOUNDATION

Notes To Financial Statements

June 30, 2013 and 2012

1. DESCRIPTION OF THE HUMBOLDT AREA FOUNDATION AND SUPPORTING ORGANIZATION

Nature of Activities

The Humboldt Area Foundation (the "Foundation" or "HAF"), a nonprofit public benefit corporation, was originally formed in 1972 under a Declaration of Trust for public and charitable purposes to develop philanthropy and engage in grant making in northwestern California. On May 3, 1972, the Foundation received a gift of \$1,000 from Vera Perrott Vietor and was subsequently named an income beneficiary of the Estate of Vera Perrott Vietor. During 1974, a distribution was received from the estate and the Foundation commenced operation.

On August 25, 1993, the Humboldt Area Foundation was incorporated. The original Declaration of Trust created in 1972 was terminated and all trust assets transferred to the new nonprofit corporation. HAF is governed by a Board of Directors, consisting of twelve persons, who are appointed for four-year terms. The Foundation's mission is to serve as an independent staging ground for residents, individually and in concert, to build social, economic and environmental prosperity in the Redwood, Trinity and Wild Rivers regions.

The accompanying financial statements include the accounts of the Humboldt Area Foundation and of Union Labor Health Foundation ("ULHF"), a supporting organization of the Foundation. The Foundation is responsible for expenditures of ULHF for specific charitable purposes. All material inter-organizational transactions and balances have been eliminated in preparing the financial statements. Upon dissolution of ULHF, the assets of ULHF would transfer to the Foundation.

The Foundation acts as a staging ground for residents in Del Norte County and Trinity County by operating under the name Wild Rivers Community Foundation and the Trinity Trust. The operations are supported by boards of local residents that makes recommendations for programs and grants in their region. The accompanying financial statement includes all activities in those regions.

HUMBOLDT AREA FOUNDATION

Notes To Financial Statements

June 30, 2013 and 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Foundation is presented to assist in understanding the Foundation's financial statements. The financial statements and notes are representations of management, who is responsible for their integrity and objectivity. These accounting policies have been consistently applied in the preparation of the financial statements.

Basis of Accounting

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

Program Services

The Foundation's programs consist of disbursement and management of grants and community programs such as education, outreach and training to qualified not-for-profit organizations. The Foundation conducts grant management in its Operating and Special Projects, Endowment and Managed Funds. The education, outreach and training are conducted in its Operating and Special Projects Funds. The Foundation's supporting organization, ULHF, has historically operated and leased healthcare facilities in Eureka, California. ULHF has become a grant making organization, as certain healthcare facilities were divested.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. In accordance with FASB ASC 958, *Not-for-Profits*, issued by the Financial Accounting Standards Board, assets for which the gift instruments grant the Foundation variance power are classified as unrestricted.

HUMBOLDT AREA FOUNDATION

Notes To Financial Statements

June 30, 2013 and 2012

Agency Funds

The Foundation has a number of funds in which they act as a trustee (agency funds) and hold the assets for other charitable organizations. For these funds, an asset and a corresponding liability are recorded on the Statement of Financial Position. Also, in accordance with FASB ASC 958, the income and expenses of agency funds are not reported in the Foundation's Statement of Activities. Following is a summary of the agency fund activities for the years ending June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Balance, beginning of year	\$ 10,370,313	\$ 10,045,569
Additions to the funds	2,143,195	1,775,127
Interest and dividends	315,395	234,485
Unrealized and realized investment gain(loss)	807,821	(611,225)
Total Revenues and Gains (Losses)	<u>3,266,411</u>	<u>1,398,387</u>
Grants(net)	(738,663)	(963,900)
Management fees	(102,322)	(88,288)
Expenses	<u>(30,031)</u>	<u>(21,455)</u>
Total Expenses	<u>(871,016)</u>	<u>(1,073,643)</u>
Balance, end of the year	<u>\$ 12,765,708</u>	<u>\$ 10,370,313</u>

Estimates

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

Donated Property and Equipment

Donations of property and equipment are recorded at their estimated fair value and real property requires an appraisal. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Foundation reclassifies temporarily restricted net assets to unrestricted net assets at that time.