



LIBERTY HILL FOUNDATION
(A Not-for-Profit Corporation)

FINANCIAL STATEMENTS

For the Years Ended
September 30, 2021 and 2020

LIBERTY HILL FOUNDATION
(A Not-for-Profit Corporation)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Liberty Hill Foundation
Los Angeles, California

We have audited the accompanying financial statements of Liberty Hill Foundation (a not-for-profit corporation), which comprise the statements of financial position as of September 30, 2021 and 2020, and the related statements of activities, functional expenses 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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. 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.

CPAs ■ Advisors

 4120 Concours, Suite 100, Ontario, CA 91764
 909.948.9990 / 800.644.0696 / FAX 909.948.9633
 gyl@gylcpa.com
 www.gylcpa.com

INDEPENDENT AUDITOR'S REPORT
(continued)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide the 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 Liberty Hill Foundation as of September 30, 2021 and 2020, 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.

GYL LLP

GYL LLP
Ontario, California
January 24, 2023

LIBERTY HILL FOUNDATION
(A Not-for-Profit Corporation)

STATEMENTS OF FINANCIAL POSITION
September 30, 2021 and 2020

ASSETS

	2021	2020
Current Assets		
Cash and cash equivalents (Note 1)	\$ 8,604,025	\$ 7,414,446
Investments (Note 1 and 3)	9,466,503	8,853,122
Pledges and grants receivable (Note 1 and 4)	1,467,241	1,973,750
Contracts receivable (Note 1)	3,148,865	1,824,193
Interest and dividends receivable	13,819	14,026
Prepaid expenses and other current assets (Note 1)	86,158	122,625
Total Current Assets	22,786,611	20,202,162
Property and equipment, net (Note 1 and 5)	64,319	54,838
Total Assets	\$ 22,850,930	\$ 20,257,000

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts payable	\$ 542,364	\$ 989,030
Accrued liabilities	403,093	435,670
PPP loan (Note 8)	-	467,200
Deferred rent payable, current portion	1,300	34,064
Grants payable (Note 6)	1,415,239	100,951
Total Current Liabilities	2,361,996	2,026,915
Net Assets		
Without Donor Restrictions		
Undesignated (Note 1)	5,927,393	3,536,540
Board designated (Note 1)	364,690	317,575
Investment in property and equipment	64,319	54,838
Total Net Assets Without Donor Restrictions	6,356,402	3,908,953
With Donor Restrictions		
Purpose restrictions (Note 1 and 8)	10,294,318	10,482,918
Perpetual in nature (Note 1 and 9)	3,838,214	3,838,214
Total Net Assets With Donor Restrictions	14,132,532	14,321,132
Total Net Assets	20,488,934	18,230,085
Total Liabilities and Net Assets	\$ 22,850,930	\$ 20,257,000



See independent auditor's report and accompanying notes.

LIBERTY HILL FOUNDATION
(A Not-for-Profit Corporation)

STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES AND OTHER SUPPORT			
Contributions and grants	\$ 3,161,251	\$ 14,920,397	\$ 18,081,648
Contributed services	15,000	-	15,000
Contract revenue	6,555,681	-	6,555,681
PPP loan forgiven	467,200	-	467,200
Fundraising events, net of cost of direct benefits to donors of \$49,976	184,257	-	184,257
Investment income, net (Note 3)	47,612	1,576,759	1,624,371
Net assets released from restrictions (endowment transfer)	1,550,000	(1,550,000)	-
Net assets released from restrictions (satisfaction of program restrictions)	15,135,756	(15,135,756)	-
Total Revenues and Support	<u>27,116,757</u>	<u>(188,600)</u>	<u>26,928,157</u>
EXPENSES			
Program expense	21,693,099	-	21,693,099
General and administrative	2,209,805	-	2,209,805
Fundraising	766,404	-	766,404
Total Expenses	<u>24,669,308</u>	<u>-</u>	<u>24,669,308</u>
Changes in Net Assets	2,447,449	(188,600)	2,258,849
Net Assets - Beginning of Year	<u>3,908,953</u>	<u>14,321,132</u>	<u>18,230,085</u>
Net Assets - End of Year	<u>\$ 6,356,402</u>	<u>\$ 14,132,532</u>	<u>\$ 20,488,934</u>



See independent auditor's report and accompanying notes.

LIBERTY HILL FOUNDATION
(A Not-for-Profit Corporation)

STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT			
Contributions and grants	\$ 2,753,457	\$ 10,929,893	\$ 13,683,350
Contributed services	3,248	-	3,248
Contract revenue	2,223,188	-	2,223,188
Fundraising events, net of cost of direct benefits to donors of \$97,062	212,894	-	212,894
Investment income, net (Note 3)	114,972	1,064,017	1,178,989
Net assets released from restrictions (endowment transfer)	380,936	(380,936)	-
Net assets released from restrictions (satisfaction of program restrictions)	14,942,138	(14,942,138)	-
Total Revenues and Support	20,630,833	(3,329,164)	17,301,669
EXPENSES			
Program expense	18,688,745	-	18,688,745
General and administrative	1,109,118	-	1,109,118
Fundraising	933,430	-	933,430
Total Expenses	20,731,293	-	20,731,293
Changes in Net Assets	(100,460)	(3,329,164)	(3,429,624)
Net Assets - Beginning of Year	4,009,413	17,650,296	21,659,709
Net Assets - End of Year	\$ 3,908,953	\$ 14,321,132	\$ 18,230,085



See independent auditor's report and accompanying notes.

LIBERTY HILL FOUNDATION
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STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended September 30, 2021

	Program Expense	General and Administrative	Fundraising	Total
Personnel Expenses				
Salaries	\$ 1,811,345	\$ 665,242	\$ 598,958	\$ 3,075,545
Payroll taxes\employee benefits	263,113	163,158	93,454	519,725
Total Personnel Expenses	2,074,458	828,400	692,412	3,595,270
Other Expenses				
Advertising	39,592	366,875	28	406,495
Conferences and meetings	1,845	1,069	590	3,504
Contract labor	2,347,510	499,633	9,000	2,856,143
Contributed services	-	-	15,000	15,000
Depreciation and amortization	12,655	6,193	2,877	21,725
Dues, fees and subscriptions	12,545	50,257	812	63,614
Equipment rental and purchases	7,189	130,369	2,145	139,703
Grants	16,445,087	-	-	16,445,087
Lobbying expense	580,000	-	-	580,000
Insurance	17,096	10,285	2,573	29,954
Office supplies	1,990	6,041	231	8,262
Postage	193	3,721	236	4,150
Professional services	14,726	155,874	-	170,600
Sponsorships	9,450	8,500	5,275	23,225
Rent	103,310	89,316	22,398	215,024
Staff training	1,261	11,931	2,240	15,432
Telephone	20,311	34,676	6,062	61,049
Travel	3,881	1,465	4,525	9,871
Taxes	-	5,200	-	5,200
Total Other Expenses	19,618,641	1,381,405	73,992	21,074,038
Total Functional Expenses	\$ 21,693,099	\$ 2,209,805	\$ 766,404	\$ 24,669,308
Percentage Functional Expenses	88%	9%	3%	100%



See independent auditor's report and accompanying notes.

LIBERTY HILL FOUNDATION
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STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended September 30, 2020

	Program Expense	General and Administrative	Fundraising	Total
Personnel Expenses				
Salaries	\$ 1,638,039	\$ 633,979	\$ 653,793	\$ 2,925,811
Payroll taxes\employee benefits	284,879	72,320	103,678	460,877
Total Personnel Expenses	1,922,918	706,299	757,471	3,386,688
Other Expenses				
Advertising	21,821	14,742	3,745	40,308
Conferences and meetings	14,262	2,543	580	17,385
Contract labor	1,485,177	77,159	89,101	1,651,437
Contributed services	1,000	-	2,248	3,248
Depreciation and amortization	9,204	8,363	2,093	19,660
Dues, fees and subscriptions	12,310	20,875	1,017	34,202
Equipment rental and purchases	73,190	74,695	18,751	166,636
Grants	14,043,629	-	181	14,043,810
Insurance	16,473	9,909	2,480	28,862
Lobbying expense	785,351	-	-	785,351
Office supplies	31,747	21,005	5,883	58,635
Postage	1,947	1,676	436	4,059
Professional services	47,961	28,459	6,920	83,340
Rent	128,244	110,872	27,804	266,920
Sponsorships	8,686	4,552	1,543	14,781
Staff training	7,609	5,227	1,424	14,260
Taxes	8,686	7,891	1,975	18,552
Telephone	27,123	9,375	6,725	43,223
Travel	41,407	5,476	3,053	49,936
Total Other Expenses	16,765,827	402,819	175,959	17,344,605
Total Functional Expenses	\$ 18,688,745	\$ 1,109,118	\$ 933,430	\$ 20,731,293
Percentage Functional Expenses	90%	5%	5%	100%



See independent auditor's report and accompanying notes.

LIBERTY HILL FOUNDATION
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STATEMENTS OF CASH FLOWS
For the Years Ended September 30, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities		
Increase (decrease) in net assets	\$ 2,258,849	\$ (3,429,624)
Adjustments to reconcile changes to net assets provided by (used in) operating activities:		
Depreciation and amortization	21,725	19,660
Realized and unrealized loss (gain) on investments	(1,536,953)	(922,640)
PPP loan forgiven	(467,200)	-
Donated securities	(834,902)	(2,895,647)
(Increase) decrease in operating assets:		
Pledges and grants receivable	506,509	3,133,765
Contract receivable	(1,324,672)	(1,703,488)
Interest and dividends receivable	207	5,287
Prepaid expenses and other current assets	36,467	10,934
Increase (decrease) in operating liabilities:		
Accounts payable	(446,666)	841,955
Accrued liabilities	(32,577)	238,642
Deferred revenue	-	(25,456)
Deferred rent	(32,764)	(38,687)
Grants payable	1,314,288	(79,350)
Net Cash Used in Operating Activities	(537,689)	(4,844,649)
Cash Flows from Investing Activities		
Proceeds from sale of investments	11,243,854	10,082,340
Purchase of investments	(9,452,202)	(4,955,184)
Reinvested interest and dividends	(33,178)	(92,236)
Acquisition of fixed assets	(31,206)	(41,872)
Net Cash Provided by Investing Activities	1,727,268	4,993,048
Cash Flows from Financing Activities		
Proceeds from PPP loan	-	467,200
Net Cash Provided by Financing Activities	-	467,200
Net Increase (Decrease) in Cash and Cash Equivalents	1,189,579	615,599
Cash and Cash Equivalents - Beginning of Year	7,414,446	6,798,847
Cash and Cash Equivalents - End of Year	\$ 8,604,025	\$ 7,414,446

Supplemental Disclosure of Cash Flow Information:

Cash paid in 2021 and 2020 for interest and taxes were \$0 and \$0, respectively.



See independent auditor's report and accompanying notes.

LIBERTY HILL FOUNDATION
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NOTES TO FINANCIAL STATEMENTS
September 30, 2021 and 2020

Note 1 Summary of Significant Accounting Policies

Nature of Activities - Liberty Hill Foundation (the “Foundation”) is a unique partnership of funders and community activists, working to improve the health, well-being and quality of life in the underserved communities. The Foundation’s grant-making programs support grassroots organizations in Los Angeles County that empower people and challenge the policies, institutions and attitudes fostering inequality. The Foundation also provides training and technical assistance to community groups, convenes activists and donors around critical regional issues, and works to strengthen the progressive voice in philanthropy. The Foundation’s motto is “Change, not Charity.” The Foundation does this in four ways: (1) making grants in groups working in diverse neighborhoods and communities for equality and social justice, (2) providing tailored training and coaching to social justice leaders through our Wally Marks Leadership Institute for Change, (3) convening groups in coalitions to help them reach their campaign goals, and (4) promoting strategies and thoughtful social change philanthropy.

Basis of Accounting - The Foundation prepares its financial statements using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Net Assets - Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor restrictions.

Net Assets With Donor Restrictions - Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and Cash Equivalents - For purposes of the statement of cash flows, the Foundation considers all highly liquid debt instruments, including short-term treasury bills with an original maturity of three months or less, to be cash equivalents.

LIBERTY HILL FOUNDATION
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NOTES TO FINANCIAL STATEMENTS
September 30, 2021 and 2020

Note 1 **Summary of Significant Accounting Policies** (continued)

The Foundation maintains its cash and cash equivalents in bank deposit accounts and other investment accounts which, at times, may exceed federally insured limits of \$250,000 per financial institution. The exceeded balance is based on total bank statement balances per financial institution less the federally insured limit. As of September 2021, the balance exceeded the insured amount with one financial institution by \$3,195,628.

The Foundation maintains cash and cash equivalents in bank deposit accounts with a financial institution that provides coverage over the federally insured limits by utilizing a network of other financial institutions. As of September 30, 2021, the balances maintained in these accounts were \$4,128,848.

The Foundation has not experienced losses in such accounts and understands that it may be exposed to significant credit risk on cash and cash equivalents. Cash and cash equivalents consisted of the following as of September 2021 and 2020:

	<u>September 30,</u>	
	<u>2021</u>	<u>2020</u>
Cash	\$ 7,448,251	\$ 6,628,168
Cash Equivalents	<u>1,155,774</u>	<u>786,278</u>
	<u>\$ 8,604,025</u>	<u>\$ 7,414,446</u>

Investments - The Foundation records its investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair market values in the statement of financial position. Fair market values are determined by quoted market prices in active markets for identical assets on the measurable date. These are known as Level 1 inputs. See Note 3. Interest and dividend income and gains and losses on investments are reported in the statement of activities as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by donor stipulations or by law.

Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain long-term investments, it is possible that changes in the values of these investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

LIBERTY HILL FOUNDATION
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NOTES TO FINANCIAL STATEMENTS
September 30, 2021 and 2020

Note 1 **Summary of Significant Accounting Policies (continued)**

The Foundation has balances of \$10,622,277 and \$9,639,400, respectively, invested as of September 30, 2021 and 2020. The Securities Investor Protection Corporation (“SIPC”) insures investments up to \$500,000 of which \$250,000 may be cash. Insurance protects assets in the case of broker-dealer insolvency and not against decline in the market values.

Pledges Receivable - Unconditional pledges receivables are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional pledges receivable are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. As of September 30, 2021 and 2020, the Foundation evaluated the collectability of contributions receivable and deemed no allowance for uncollectible contributions necessary. The Foundation’s policy is to review pledges over one year old to determine collectability, and if necessary to write off accounts, as agreed upon between the Advancement Department and the Finance Department.

Contracts Receivable - Contracts receivable consist of amount due from funding sources and are considered by management to be fully collectable.

Prepaid Expenses - Expense items of a nature which will benefit future periods are charged to deposits and prepaid accounts and are amortized over actual periods benefited.

Property and Equipment - Property and equipment are recorded at historical cost or, if received as a donation, at the fair value at the date of the gift, net of accumulated depreciation. Acquisitions that are tangible in nature, with a useful life of one year or more, and with a cost of \$1,000 or more are to be capitalized as a fixed asset. Depreciation and amortization of property and equipment are provided over the estimated useful lives of three to seven years of the assets on a straight-line basis. Expenditures for maintenance and repairs are charged to operations as incurred while renewals and betterments are capitalized.

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 as instructed by the donor. The Foundation reclassifies with donor restrictions net assets to without donor restrictions net assets at the time.

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NOTES TO FINANCIAL STATEMENTS
September 30, 2021 and 2020

Note 1 **Summary of Significant Accounting Policies** (continued)

Long-Lived Assets - The Foundation evaluated long-lived assets for impairment whenever events or changes in circumstances indicated that the carrying value of an asset may not be recoverable. An impairment loss is recognized when the sum of the undiscounted future cash flows is less than the carrying amount of the assets, in which case a write-down is recorded to reduce the related asset to its estimated value. No such impairment losses have been recognized during the years ended September 30, 2021 and 2020.

Deferred Revenue - This represents amounts received in excess of earned revenue. The amount is available for use in future periods.

Revenue Recognition - Contributions are recognized as revenues when they are received or unconditionally pledged. The Foundation reports gifts of cash and other assets as contributions with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statement of activities as net assets released from restrictions.

Contract Revenue - Contract revenues consist of contracts or grants received from various funding agencies. If the contract or grant is cost-reimbursable, revenues are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Revenues from contracts/grants that are nonreciprocal are treated as contributions. If the contract or grant is conditional, a barrier to entitlement exists. Revenue is recognized when the barrier is considered overcome and as allowable expenditures under the agreement are incurred, resulting in an increase to net assets without donor restrictions. If the contract or grant is unconditional, revenue is reported as an increase in net assets without donor restrictions. Consequently, revenues for these transactions are recognized as the expenditures are incurred. Any differences between expenses and amounts received is recorded as contracts receivable or contracts payable.

Contributed Services - Contributed services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair values in the period received.

The Foundation received total unrestricted contributions of \$15,000 and \$3,248 for donated services during the years ended September 30, 2021 and 2020, respectively, for fundraising and grant consulting services.



LIBERTY HILL FOUNDATION
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NOTES TO FINANCIAL STATEMENTS
September 30, 2021 and 2020

Note 1 **Summary of Significant Accounting Policies (continued)**

Income Tax Status - The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. In addition, the Foundation qualifies as a public charity under Section 509(a)(1) and Section 170(b)(1)(A) of the Internal Revenue Code.

Since the Foundation is exempt from federal and state income tax liability, no provision is made for current or deferred income tax. The Foundation uses the same accounting methods for tax and financial reporting.

Generally Accepted Accounting Principles provide accounting and disclosure guidance about positions taken by the Foundation and its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by the Foundation in its federal and state exempt organization tax returns are more likely than not be sustained upon examination. The Foundation's returns are subject to examination by federal and state taxing authorities, generally for four years after they are filed.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Schedule of Functional Expenses - The costs of providing the Foundation's various programs and supporting services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses are reported on a departmental basis after allocation of general and administrative expenses.

Concentration of Risks - The Foundation receives substantial revenue through donations and fund-raising activities. If the revenues generated for these programs were to be significantly reduced, the Foundation would also have to significantly reduce the service it provides.

LIBERTY HILL FOUNDATION
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NOTES TO FINANCIAL STATEMENTS
September 30, 2021 and 2020

Note 1 **Summary of Significant Accounting Policies** (continued)

Endowment Investments and Spending Policies - During 2009, the Foundation adopted the Financial Accounting Standards Board Staff Position regarding “Endowments of Not-for Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds.” The Foundation follows the guidance of the standard in its own governing documents for the net asset classifications of donor-restricted endowment funds that are subject to the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) and for all endowment funds, both donor-restricted and Board restricted, whether or not they are subject to UPMIFA. Under UPMIFA, not-for-profit organizations must apply enhanced prudence measures and may spend below the historical dollar amount of a donor-restricted endowment fund within certain limitations. The Foundation previously followed the Uniform Management of Institutional Funds Act of 1972 (“UMIFA”) which required the historical dollar amount of a donor-restricted endowment fund to be preserved. Under UPMIFA, in the absence of donor restrictions, the net appreciation on a donor-restricted endowment fund is spendable. The Foundation’s donors have generally not placed restrictions on the use of the investment income or net appreciation resulting from the donor-restricted or other endowment funds.

The Board of Directors, on the advice of legal counsel, has determined that the Foundation’s contributions are subject to the terms of its governing documents. Under the terms of the Foundation’s governing documents, the Board of Directors has the ability to distribute original principal of any trust or separate gift, devise, request or fund as the Board in its sole discretion shall determine within the parameters of the donor stipulations and UPMIFA. As a result of the ability to distribute the original principal, all contributions not classified as with donor restrictions are classified as without donor restrictions net assets for financial statement purposes.

The Board of the Foundation has adopted investment and spending policies that use the total return concept for the endowment assets. A total return strategy means that investment returns are achieved both through capital appreciation (realized and unrealized) and current yield (interest and dividends).

This concept allows spending and investment policies to work together toward achieving the Foundation’s long-term objectives. The Foundation’s diversified asset allocation and rebalancing strategy is intended to maintain principal value while creating returns at least in excess of inflation, though this may not be achieved in every year.

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NOTES TO FINANCIAL STATEMENTS
September 30, 2021 and 2020

Note 1 **Summary of Significant Accounting Policies** (continued)

The spending policy calculates the amount of money annually distributed from the Foundation's various endowed funds for grant making and administration as further disclosed in Note 3. Accordingly, over the long-term, the Foundation expects its current spending policy to allow its endowment assets to grow at a rate greater than inflation. This is consistent with the Foundation's objective to maintain the purchasing power of endowment assets as well as to provide additional real growth through investment returns.

Board Designated Net Assets - In July 2000, the Board of Directors of the Foundation agreed to fund the board designated endowment to be used to support grant making program, help launch and sustain emerging ventures for social change and to support operations.

Date of Management Review - Subsequent events have been evaluated through January 24, 2023, which is the date the financial statements were available to be issued and there are no subsequent events requiring disclosure.

Note 2 **Liquidity and Availability**

The Foundation strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. Financial assets in excess of daily cash requirements are invested in certificates of deposit, money market funds and other short-term investments.

The following table reflects the Foundation's financial assets as of September 30, 2021, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restriction or internal board designations. Amounts not available to meet general expenditures within one year also may include net assets with donor restrictions.

Cash and cash equivalents	\$ 8,604,025
Investments	9,466,503
Pledges, grants and contracts receivable	<u>4,616,106</u>
Total financial assets	22,686,634
Less those unavailable for general expenditures within one year due to:	
Purpose restrictions	(10,294,318)
Perpetual in nature	<u>(3,838,214)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 8,554,102</u>



LIBERTY HILL FOUNDATION
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NOTES TO FINANCIAL STATEMENTS
September 30, 2021 and 2020

Note 3 Investments and Fair Value Measurements

The Foundation's investments are stated at fair value based on quoted market values and are summarized as follows at September 2021 and 2020:

	2021		2020	
	Cost	Fair Value	Cost	Fair Value
Equities (Level 1)	\$ 4,412,793	\$ 6,609,526	\$ 4,542,371	\$ 5,833,871
Fixed Income (Level 2)	2,775,729	2,856,977	2,918,243	3,019,251
Total Investments	\$ 7,188,522	\$ 9,466,503	\$ 7,460,614	\$ 8,853,122

The following methods and assumptions were used to estimate the fair value for each class of financial instrument measured at fair value:

Equities/Structured Investments/Alternatives - Investments are comprised of corporate stocks and daily traded mutual funds. Securities held in corporate stocks and daily traded mutual funds are generally valued based on quoted market prices in active markets obtained from exchange or dealer markets for identical assets.

Fixed Income - The investment grade debt securities held by the Foundation often do not trade in active markets on the measurement date. If they do, they are measured at the closing price in that active market. In the absence of a trade on the measurement date for the identical security in an active market, corporate bonds and U.S. government securities are valued using inputs including yields currently available on comparable securities of issuers with similar credit rating, recent market price quotations (where observable), bond spreads, and fundamental data relating to the issuer.

In accordance with Accounting Standards, levels 1 through 3 have been assigned to the fair value measurement of investment types. The fair value measurement is determined as follows:

- Level 1 - quoted prices in an active market for identical assets.
- Level 2 - quoted prices for similar assets and market-corroborated inputs.
- Level 3 - inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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NOTES TO FINANCIAL STATEMENTS
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Note 3 Investments and Fair Value Measurements (continued)

The following schedule summarizes the Foundation’s net cash and investment return and its classification in the statement of activities:

	September 30,	
	2021	2020
Interest and dividends	\$ 145,451	\$ 311,411
Net realized and unrealized (loss) gain	1,536,953	922,640
(Loss) gain on investments	1,682,404	1,234,051
Investment expenses	(58,033)	(55,062)
Total Gain (Loss) on Investments	\$ 1,624,371	\$ 1,178,989

Endowment Funds - The Foundation’s endowment fund was established to provide income and stability for the Foundation. The endowment is comprised of Board-designated funds and donor-restricted funds. As required by Generally Accepted Accounting Principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowment, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law - The Board of Directors of the Foundation has interpreted the California UPMIFA along with regulations of the State of California as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restriction to be held in perpetuity (a) the original value of the gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not held in perpetuity is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA and State regulations.

In accordance with these regulations, the following factors are considered in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation



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NOTES TO FINANCIAL STATEMENTS
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Note 3 Investments and Fair Value Measurements (continued)

The following are the changes (increases and (decreases)) in endowment net assets for the year ended September 30, 2021:

	Endowment			Total
	Unrestricted Board Designated	Purpose Restricted	Retained in Perpetuity	
Net assets, September 30, 2020	\$ 317,575	\$ 1,689,418	\$ 3,838,214	\$ 5,845,207
Write off of endowment pledges	-	-	-	-
Appropriation of endowment assets to expenditure	-	(1,550,000)	-	(1,550,000)
New contributions	-	-	-	-
Investment return:				
Investment income	46,227	9,375	-	55,602
Net appreciation (realized and unrealized)	888	1,241,228	-	1,242,116
Total Investment Income	47,115	1,250,603	-	1,297,718
Net assets, September 30, 2021	\$ 364,690	\$ 1,390,021	\$ 3,838,214	\$ 5,592,925

During the September 30, 2021 fiscal year, the Board of Directors authorized the transfer of \$1,550,000 from with donor restricted funds to undesignated. During the September 30, 2021 fiscal year, the Board of Directors did not authorize a transfer from board designated to undesignated.

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NOTES TO FINANCIAL STATEMENTS
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Note 3 Investments and Fair Value Measurements (continued)

The following are the changes (increases and (decreases)) in endowment net assets for the year ended September 30, 2020:

	Endowment			Total
	Unrestricted Board Designated	Purpose Restricted	Retained in Perpetuity	
Net assets, September 30, 2019	\$ 423,029	\$ 1,108,739	\$ 3,838,214	\$ 5,369,982
Write off of endowment pledges	-	-	-	-
Appropriation of endowment assets to expenditure	(194,696)	(380,936)	-	(575,632)
New contributions	-	-	-	-
Investment return:				
Investment income	14,721	158,624	-	173,345
Net appreciation (realized and unrealized)	74,521	802,991	-	877,512
Total Investment Income	89,242	961,615	-	1,050,857
Net assets, September 30, 2020	\$ 317,575	\$ 1,689,418	\$ 3,838,214	\$ 5,845,207

During the September 30, 2020 fiscal year, the Board of Directors authorized the transfer of \$380,936 from with donor restricted funds to undesignated. During the September 30, 2020 fiscal year, the Board of Directors authorized the transfer of \$194,696 from board designated to undesignated.

Funds with Deficiencies - From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature, if any, are reported in unrestricted net assets. As of September 30, 2021 and 2020, there were no such deficiencies.



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NOTES TO FINANCIAL STATEMENTS
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Note 3 Investments and Fair Value Measurements (continued)

General Investment Objectives - On December 1, 2016, the Foundation adopted an investment policy that seeks a return on its investments based on levels of investment risk that are prudent and reasonable, given the investment objectives, time horizons and the stated asset allocation parameters for each fund.

In managing and investing the funds, subject to the intent of any donor expressed in a gift instrument, the following factors are considered:

- The charitable purposes of the Foundation and the purposes of its institutional funds.
- General economic conditions.
- The possible effect of inflation or deflation.
- The role that each investment or course of action plays within the overall investment portfolio of the fund.
- The expected return from income and the appreciation of investments.
- The needs of the funds to make distributions and to preserve capital.
- The charitable purposes of the donor.
- Other resources of the Foundation.
- An asset's social or moral impact on society and / or the world at large.

For purposes of managing investment risk and to optimize investment returns within acceptable risk parameters, the Operating Reserve and the Endowment Fund funds were created and held as separate pools. The investment objective of the Operating Reserve is preservation of capital. The Operating Reserve is intended to supplement shortfalls in operating expenses. The primary investment objective of the Endowment Fund is long term growth of capital with a secondary investment objective of current income.

Investment Philosophy - The Foundation's investment philosophy is to pursue strategies intended to place its investments as close as possible to the theoretical efficient frontier and to maintain long-term consistency in its investment approach. It employs the most cost-effective investment approaches available for the achievement of its goals.

The Foundation seeks to generate returns for its portfolios over time by 1) utilizing low-cost investment options, 2) selecting asset allocation targets based on fund objectives and using automatic, periodic rebalancing, and 3) adhering to its designated investment approach over the long term.

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Note 3 Investments and Fair Value Measurements (continued)

On December 14, 2017, the Foundation added the Socially Responsible Investment Policy appendix to the investment policy. With regards to the Foundation’s endowment investments, the Foundation will apply sustainability, environmental, social and corporate governance factors when considering investment options. The Foundation will seek to invest in equities, bonds and alternative investments which do not inhibit and where possible, actively promote the social justice, diversity, and transparency, integrity and honesty values.

On December 14, 2017, the investment policy was amended to include the Divestment Statement. It states that the Foundation will reduce the Endowment Funds exposure to oil and gas, as well as coal and tar sands energy sources to less than two percent of the total portfolio by March 2018 and will eliminate them by March 2022.

Spending Policy - The Foundation’s policy is to draw into its operating budget each year and amount up to 7% of the rolling average assets of the Endowment Fund, with an annual target of 5-6% for investment returns. This amount may be used for general operations and does not require further authorization by the Board of Directors apart from approval of the annual budget. The mechanics of calculating the automatic draw from the securities portfolio are 7% of a trailing 16 quarter average of the value of the securities portfolio. Any draw down which invades the corpus of the fund requires a two-third majority vote of the Board of Directors.

Note 4 Pledges and Grants Receivable

Donors to the Foundation have made conditional and unconditional promises to give and grants totaling \$1,467,241 and \$1,973,750, as of September 30, 2021 and 2020, respectively. Long-term pledges which are classified as temporarily restricted were discounted to their present value assuming their respective terms at a discount rate of 3%, compounded annually. The discounted pledges and the grants receivable are scheduled to be collected as follows:

	September 30,	
	2021	2020
Pledges receivable:		
Less than one year	\$ 175,000	\$ 1,110,000
One to four years	-	-
Total promises to give	175,000	1,110,000



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Note 4 Pledges and Grants Receivable (continued)

Less, discounts to net present value	-	-
	175,000	1,110,000
Grants receivable:		
Less than one year	1,292,241	863,750
One to four years	-	-
Total grants receivable	1,292,241	863,750
Less, discounts to net present value	-	-
	1,292,241	863,750
Total Pledges and Grants Receivable	\$ 1,467,241	\$ 1,973,750

A reserve for uncollectible pledges has not been recorded as Management believes that there are no pledges and grants that are not fully collectible.

Note 5 Property and Equipment

Property and equipment consisted of the following:

	September 30,	
	2021	2020
Furniture and fixtures	\$ 115,592	\$ 115,592
Equipment and computers	294,452	278,621
Leasehold improvements	42,154	26,779
Total	452,198	420,992
Less accumulated depreciation	(387,879)	(366,154)
Property and Equipment, net	\$ 64,319	\$ 54,838

Note 6 Grants Payable

Grants authorized but unpaid as of September 30, 2021 and 2020 are reported as liabilities in accordance with professional standards for accounting for contributions received and contributions made. The following is a summary of grants authorized and payable as of September 30, 2021 and 2020:

	September 30,	
	2021	2020
To be paid in less than one year	\$ 1,415,239	\$ 100,951
Total Grants Payable	\$ 1,415,239	\$ 100,951



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NOTES TO FINANCIAL STATEMENTS
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Note 7 Commitments

The Foundation has entered into several lease agreements for office space and equipment that expire on various dates through July 2022. The lease agreement for office space includes rent escalations. Rental expense for leases was \$218,528 and \$221,368, respectively, for the years ended September 30, 2021 and 2020.

Future monthly minimum lease payments under the terms of the leases for the succeeding years are as follows:

For the Years	
<u>Ending September 30,</u>	
2022	<u>\$ 10,480</u>

Note 8 PPP Loan

In May 2020, the School received loan proceeds in the amount of \$467,200 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable as long as the borrower properly allocates the use of the loan proceeds for eligible purposes, including qualified payroll, benefits, rent, mortgage interest and utilities. The amount of loan forgiveness could be reduced if the borrower terminates employees or reduces salaries.

The unforgiven portion of the PPP loan is payable, under current provisions, over two years at an interest rate of 1%, with a deferral of payments for the first six months. The Foundation used the proceeds for purposes consistent with the PPP. On March 11, 2021, the full amount of the loan was forgiven.

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NOTES TO FINANCIAL STATEMENTS
September 30, 2021 and 2020

Note 9 With Donor Restrictions Net Assets

With donor restrictions net assets are available for the following purposes as of September 30, 2021 and 2020:

	<u>Balance</u> 9/30/20	<u>Additions</u>	<u>Releases</u> from <u>Restrictions</u>	<u>Balance</u> 9/30/21
Purpose Restricted:				
Donor Advised Funds	\$ 5,070,615	\$ 9,420,743	\$ (8,611,552)	\$ 5,879,806
Fracking Fund	235,111	278,254	(513,365)	-
Fund for Change:				
Economic Justice	201,451	957,000	(883,002)	275,449
Advancing LGBTQ Equality	154,481	306,275	(365,450)	95,306
Public Health Councils	-	150,000	-	150,000
Environmental Justice	86,322	444,250	(284,823)	245,749
Rapid Response Fund	104,108	13,023	(88,929)	28,202
Common Agenda	61,672	-	(31,864)	29,808
Partnerships and Other	-	-	-	-
Leadership Institute	209,152	60,000	(154,738)	114,414
Legacy Campaign Fund	626,894	-	(371,494)	255,400
A Just Future Campaign Fund	543,972	-	(466,562)	77,410
Common Agenda/ Water Policy	65,201	-	(53,717)	11,484
Youth Justice	823,804	2,424,423	(1,566,715)	1,681,512
James Lawson Institute	43,558	-	(43,558)	-
10x10 Initiative	23,223	-	(6,722)	16,501
Liberty Vote	17,475	82,085	(99,560)	-
Housing Justice	368,550	1,102,500	(1,471,050)	-
Commissions Program	157,911	8,000	(122,655)	43,256
Earnings from Endowment				
Fund	<u>1,689,418</u>	<u>1,250,603</u>	<u>(1,550,000)</u>	<u>1,390,021</u>
	<u>10,482,918</u>	<u>16,497,156</u>	<u>(16,685,756)</u>	<u>10,294,318</u>
Perpetual in Nature:				
Endowment Fund	<u>3,838,214</u>	<u>-</u>	<u>-</u>	<u>3,838,214</u>
With Donor Restrictions				
Net Assets	<u>\$ 14,321,132</u>	<u>\$ 16,497,156</u>	<u>\$ (16,685,756)</u>	<u>\$ 14,132,532</u>

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NOTES TO FINANCIAL STATEMENTS
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Note 9 With Donor Restrictions Net Assets (continued)

	<u>Balance</u> <u>9/30/19</u>	<u>Additions</u>	<u>Releases</u> <u>from</u> <u>Restrictions</u>	<u>Balance</u> <u>9/30/20</u>
Purpose Restricted:				
Donor Advised Funds	\$ 8,133,316	\$ 7,254,698	\$ (10,317,399)	\$ 5,070,615
Fracking Fund	103,205	529,256	(397,350)	235,111
Fund for Change:				
Economic Justice	78,399	330,000	(206,948)	201,451
Advancing LGBTQ Equality	117,231	41,250	(4,000)	154,481
Voter Engagement	4,988	55,000	(59,988)	-
Environmental Justice	98,223	307,150	(319,051)	86,322
Rapid Response Fund	-	428,608	(324,500)	104,108
Common Agenda	82,371	50,000	(70,699)	61,672
Partnerships and Other	712,689	-	(712,689)	-
Leadership Institute	524,872	110,000	(425,720)	209,152
Legacy Campaign Fund	725,349	-	(98,455)	626,894
A Just Future Campaign Fund	578,427	22,000	(56,455)	543,972
Common Agenda/Water Policy	68,135	-	(2,934)	65,201
Youth Justice	1,394,427	1,657,197	(2,227,820)	823,804
James Lawson Institute	81,711	61,100	(99,253)	43,558
10x10 Initiative	-	91,000	(67,777)	23,223
Liberty Vote	-	262,975	(245,500)	17,475
Housing Justice	-	368,550	-	368,550
Commissions Program	-	157,911	-	157,911
Earnings from Endowment				
Fund	<u>1,108,739</u>	<u>961,615</u>	<u>(380,936)</u>	<u>1,689,418</u>
	<u>13,812,082</u>	<u>12,688,310</u>	<u>(16,017,474)</u>	<u>10,482,918</u>
Perpetual in Nature:				
Endowment Fund	<u>3,838,214</u>	<u>-</u>	<u>-</u>	<u>3,838,214</u>
With Donor Restrictions				
Net Assets	<u>\$ 17,650,296</u>	<u>\$ 12,688,310</u>	<u>\$ (16,017,474)</u>	<u>\$ 14,321,132</u>

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NOTES TO FINANCIAL STATEMENTS
September 30, 2021 and 2020

Note 10 Perpetual in Nature Net Assets

Perpetual in nature net assets consists of endowment funds. The Board of Directors has adopted the policy to preserve the historical dollar value of the endowment fund as a corpus on which investment income may be earned. The Foundation attempts to insulate the corpus from the effects of inflation by allowing it to grow by at least a rate greater than-or-equal to the rate of inflation. The Foundation does this by appropriating the appreciation or depreciation in the funds invested in the endowment to purpose restricted net assets. Net appreciation in the endowment fund of \$1,250,603 during the year ended September 31, 2021 was appropriated to purpose restricted net assets. Net appreciation in the endowment fund of \$961,615 during the year ended September 30, 2020 was appropriated to purpose restricted net assets.

Additionally, the Board of Directors may draw into its operation budget each year an amount up to seven percent of the securities portfolio of the endowment, provided that the amount does not reduce the balance to a value below the historic value of the securities portfolio. There was no amount drawn into the operating budget from the endowment fund during the years ended September 30, 2021 and 2020.

Note 11 Employee Benefit Plans

The Foundation has a defined contribution plan that covers all eligible employees. To be eligible, the employee must be at least eighteen years of age and have completed at least six months of service. The Foundation may contribute up to five percent of the employee's compensation to the Plan. The Foundation made contributions to the Pension Plan of \$82,749 and \$72,318, respectively, during the years ended September 30, 2021 and 2020.

The Foundation has a Cafeteria Plan that covers all eligible employees. The Plan is intended to provide the following benefits: health care reimbursement, dependent care assistance, insurance premium payment and cash benefit. These benefits are provided subject to the terms and limits of the applicable sections of the Internal Revenue Code.

Note 12 Donor Advised Funds

The Foundation administers various "donor advised funds." A donor advised fund (i) is a separately identified fund established by a donor or group of donors with an instrument of gift describing the general or specific purposes of the funds; (ii) is owned and controlled by a sponsoring organization (the Foundation); and (iii) allows a donor, or person designated by the donor, advisory privileges with respect to the distribution of the charitable funds.



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NOTES TO FINANCIAL STATEMENTS
September 30, 2021 and 2020

Note 13 Recently Issued Accounting Pronouncements Pending Adoption

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, Revenue (Topic 606): Revenue from Contracts with Customers. The new standard provides a single, principles-based five-step model to be applied to all contracts with customers while enhancing disclosures about revenue, providing additional guidance for transactions that were not previously addressed comprehensively and improving guidance for multiple-element arrangements. ASU 2014-09 will replace most existing revenue recognition guidance under Generally Accepted Accounting Principles (“GAAP”) when it becomes effective. The standard permits the use of either the retrospective or cumulative effect transition method upon adoption. In addition, a series of updates associated with ASU No. 2014-09 were issued. The Foundation does not expect the adoption of the amended guidance to have a material impact on the Foundation's financial statements. The Foundation will make additional revenue related disclosures in the footnotes to the Foundation’s financial statements upon adoption for the year ended September 30, 2021.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). The new standard requires lessees to recognize most leases on their balance sheets but continue to recognize lease expenses in their income statement in a manner similar to current practice. The new standard states that a lessee will recognize a lease liability for the obligation to make lease payments and a right-of-use asset for the right to use the underlying asset for the lease term. Expense related to leases determined to be operating leases will be recognized on a straight-line basis, while those determined to be financing leases will be recognized following a front-loaded expense profile in which interest and amortization are presented separately in the income statement. ASU 2016-02 is effective for private companies for annual fiscal reporting periods beginning after December 15, 2022, and early application is permitted. The Foundation is currently evaluating the expected impact of this standard on its financial statements, but anticipates that, among other things, the required recognition of a lease liability and related right-of-use asset will significantly increase both the assets and liabilities recognized and reported on its balance sheet. The Foundation currently expects to complete its assessment of the full financial impact of the new lease accounting guidance during the next 12 months and will adopt the new standard for its fiscal year to end on September 30, 2023.

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Note 14 Contingency

The impact of the COVID-19 coronavirus continues to create economic uncertainties which could negatively impact operating results. While the disruption is expected to be temporary, there is considerable uncertainty around the duration of any negative impacts. The related financial impact and duration cannot be reasonably estimated at this time.

Note 15 Subsequent Event

Volatility in financial markets that occurred subsequent to year-end resulted in various investment securities of the Foundation incurring declines in fair value. The Foundation believes the declines are temporary in nature and management has asserted that the Foundation's intent is to hold the securities until recovery and that it is more likely than not that the Foundation will not be required to sell the securities before recovery.