



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

**FINANCIAL STATEMENTS**

For the Years Ended  
September 30, 2022 and 2021

**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

### ***Opinion***

We have audited the financial statements of Liberty Hill Foundation (a not-for-profit corporation), which comprise the statements of financial position as of September 30, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Liberty Hill Foundation, as of September 30, 2022 and 2021, 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.

### ***Basis for Opinion***

We conducted our audit in accordance with the auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Liberty Hill Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management for the Financial Statements***

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

### **CPAs ■ Advisors**

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INDEPENDENT AUDITOR'S REPORT  
(continued)

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Liberty Hill Foundation's ability to continue as a going concern for one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued, when applicable).

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Liberty Hill Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Liberty Hill Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

INDEPENDENT AUDITOR'S REPORT  
(continued)

***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental information, such as the *Schedule of Expenditures of Federal Awards* is required by audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is 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.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2023, on our consideration of Liberty Hill Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Liberty Hill Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Liberty Hill Foundation's internal control over financial reporting and compliance.

***GYL LLP***

GYL LLP  
Ontario, California  
June 27, 2023

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

**STATEMENTS OF FINANCIAL POSITION**  
September 30, 2022 and 2021

	2022	2021
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 1)	\$ 8,154,627	\$ 8,604,025
Investments (Note 1 and 3)	8,394,703	9,466,503
Pledges and grants receivable (Note 1 and 4)	10,134,050	1,467,241
Contracts receivable (Note 1)	4,862,280	3,148,865
Interest and dividends receivable	13,819	13,819
Prepaid expenses and other current assets (Note 1)	<u>184,346</u>	<u>86,158</u>
<b>Total Current Assets</b>	<u>31,743,825</u>	<u>22,786,611</u>
Property and equipment, net (Note 1 and 5)	<u>70,030</u>	<u>64,319</u>
<b>Total Assets</b>	<u>\$ 31,813,855</u>	<u>\$ 22,850,930</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 507,656	\$ 542,364
Accrued liabilities	536,634	403,093
Deferred rent payable, current portion	-	1,300
Grants payable (Note 6)	<u>681,185</u>	<u>1,415,239</u>
<b>Total Current Liabilities</b>	<u>1,725,475</u>	<u>2,361,996</u>
<b>Net Assets</b>		
Without Donor Restrictions		
Undesignated (Note 1)	7,477,188	5,927,393
Board designated (Note 1)	238,707	364,690
Investment in property and equipment	<u>70,030</u>	<u>64,319</u>
<b>Total Net Assets Without Donor Restrictions</b>	<u>7,785,925</u>	<u>6,356,402</u>
With Donor Restrictions		
Purpose restrictions (Note 1 and 9)	18,464,241	10,294,318
Perpetual in nature (Note 1 and 9)	<u>3,838,214</u>	<u>3,838,214</u>
<b>Total Net Assets With Donor Restrictions</b>	<u>22,302,455</u>	<u>14,132,532</u>
<b>Total Net Assets</b>	<u>30,088,380</u>	<u>20,488,934</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 31,813,855</u>	<u>\$ 22,850,930</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, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>REVENUES AND OTHER SUPPORT</b>			
Federal awards	\$ 2,135,847	\$ -	\$ 2,135,847
Contributions and grants	2,566,143	22,206,630	24,772,773
Contributed services	13,914	-	13,914
Program revenue	11,299,643	-	11,299,643
Fundraising events, net of cost of direct benefits to donors of \$303,001	22,786	-	22,786
Investment income, net (Note 3)	(341,201)	(2,057,610)	(2,398,811)
Net assets released from restrictions (endowment transfer)	350,000	(350,000)	-
Net assets released from restrictions (satisfaction of program restrictions)	11,629,097	(11,629,097)	-
<b>Total Revenues and Support</b>	<u>27,676,229</u>	<u>8,169,923</u>	<u>35,846,152</u>
<b>EXPENSES</b>			
Program expense	22,229,761	-	22,229,761
General and administrative	3,032,960	-	3,032,960
Fundraising	983,985	-	983,985
<b>Total Expenses</b>	<u>26,246,706</u>	<u>-</u>	<u>26,246,706</u>
Changes in Net Assets	1,429,523	8,169,923	9,599,446
Net Assets - Beginning of Year	<u>6,356,402</u>	<u>14,132,532</u>	<u>20,488,934</u>
Net Assets - End of Year	<u>\$ 7,785,925</u>	<u>\$ 22,302,455</u>	<u>\$ 30,088,380</u>



See independent auditor's report and accompanying notes.

**LIBERTY HILL FOUNDATION**  
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**STATEMENT OF ACTIVITIES**  
For the Year Ended September 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES AND OTHER SUPPORT</b>			
Contributions and grants	\$ 3,161,251	\$ 14,920,397	\$ 18,081,648
Contributed services	15,000	-	15,000
Program 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)	-
<b>Total Revenues and Support</b>	<b>27,116,757</b>	<b>(188,600)</b>	<b>26,928,157</b>
<b>EXPENSES</b>			
Program expense	21,693,099	-	21,693,099
General and administrative	2,209,805	-	2,209,805
Fundraising	766,404	-	766,404
<b>Total Expenses</b>	<b>24,669,308</b>	<b>-</b>	<b>24,669,308</b>
Changes in Net Assets	2,447,449	(188,600)	2,258,849
Net Assets - Beginning of Year	3,908,953	14,321,132	18,230,085
Net Assets - End of Year	\$ 6,356,402	\$ 14,132,532	\$ 20,488,934



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, 2022

	Program Expense	General and Administrative	Fundraising	Total
<b>Personnel Expenses</b>				
Salaries	\$ 1,928,452	\$ 1,256,376	\$ 794,852	\$ 3,979,680
Payroll taxes\employee benefits	<u>250,520</u>	<u>423,302</u>	<u>112,603</u>	<u>786,425</u>
<b>Total Personnel Expenses</b>	<u>2,178,972</u>	<u>1,679,678</u>	<u>907,455</u>	<u>4,766,105</u>
<b>Other Expenses</b>				
Advertising	682	285,019	129	285,830
Conferences and meetings	9,121	32,871	730	42,722
Contract labor	3,362,848	469,142	15,823	3,847,813
Contributed services	-	-	13,914	13,914
Depreciation and amortization	10,641	5,209	2,419	18,269
Dues, fees and subscriptions	45,641	68,850	978	115,469
Equipment rental and purchases	9,857	121,838	3,602	135,297
Grants	16,141,325	24,150	10,000	16,175,475
Insurance	31,461	18,928	4,735	55,124
Lobbying expense	350,000	-	-	350,000
Office supplies	7,213	16,234	1,973	25,420
Postage	159	7,709	33	7,901
Professional services	2,525	142,626	-	145,151
Rent	37,199	32,162	8,064	77,425
Sponsorships	11,150	2,500	105	13,755
Staff training	2,915	56,488	1,719	61,122
Taxes	-	2,044	-	2,044
Telephone	3,137	56,856	-	59,993
Travel	<u>24,915</u>	<u>10,656</u>	<u>12,306</u>	<u>47,877</u>
<b>Total Other Expenses</b>	<u>20,050,789</u>	<u>1,353,282</u>	<u>76,530</u>	<u>21,480,601</u>
<b>Total Functional Expenses</b>	<u>\$ 22,229,761</u>	<u>\$ 3,032,960</u>	<u>\$ 983,985</u>	<u>\$ 26,246,706</u>
Percentage Functional Expenses	<u>84%</u>	<u>12%</u>	<u>4%</u>	<u>100%</u>



See independent auditor's report and accompanying notes.

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**STATEMENT OF FUNCTIONAL EXPENSES**

For the Year Ended September 30, 2021

	<u>Program Expense</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
<b>Personnel Expenses</b>				
Salaries	\$ 1,811,345	\$ 665,242	\$ 598,958	\$ 3,075,545
Payroll taxes\employee benefits	263,113	163,158	93,454	519,725
<b>Total Personnel Expenses</b>	<u>2,074,458</u>	<u>828,400</u>	<u>692,412</u>	<u>3,595,270</u>
<b>Other Expenses</b>				
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
Insurance	17,096	10,285	2,573	29,954
Lobbying expense	580,000	-	-	580,000
Office supplies	1,990	6,041	231	8,262
Postage	193	3,721	236	4,150
Professional services	14,726	155,874	-	170,600
Rent	103,310	89,316	22,398	215,024
Sponsorships	9,450	8,500	5,275	23,225
Staff training	1,261	11,931	2,240	15,432
Taxes	-	5,200	-	5,200
Telephone	20,311	34,676	6,062	61,049
Travel	3,881	1,465	4,525	9,871
<b>Total Other Expenses</b>	<u>19,618,641</u>	<u>1,381,405</u>	<u>73,992</u>	<u>21,074,038</u>
<b>Total Functional Expenses</b>	<u>\$ 21,693,099</u>	<u>\$ 2,209,805</u>	<u>\$ 766,404</u>	<u>\$ 24,669,308</u>
Percentage Functional Expenses	<u>88%</u>	<u>9%</u>	<u>3%</u>	<u>100%</u>



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, 2022 and 2021

	2022	2021
<b>Cash Flows from Operating Activities</b>		
Increase (decrease) in net assets	\$ 9,599,446	\$ 2,258,849
Adjustments to reconcile changes to net assets provided by (used in) operating activities:		
Depreciation and amortization	18,269	21,725
Realized and unrealized loss (gain) on investments	2,490,696	(1,536,953)
PPP loan forgiven	-	(467,200)
Donated securities	(7,318,721)	(834,902)
(Increase) decrease in operating assets:		
Pledges and grants receivable	(8,666,809)	506,509
Contract receivable	(1,713,415)	(1,324,672)
Interest and dividends receivable	-	207
Prepaid expenses and other current assets	(98,188)	36,467
Increase (decrease) in operating liabilities:		
Accounts payable	(34,708)	(446,666)
Accrued liabilities	133,541	(32,577)
Deferred rent	(1,300)	(32,764)
Grants payable	(734,054)	1,314,288
<b>Net Cash Used in Operating Activities</b>	<b>(6,325,243)</b>	<b>(537,689)</b>
<b>Cash Flows from Investing Activities</b>		
Proceeds from sale of investments	11,184,185	11,243,854
Purchase of investments	(5,226,892)	(9,452,202)
Reinvested interest and dividends	(57,468)	(33,178)
Acquisition of fixed assets	(23,980)	(31,206)
<b>Net Cash Provided by Investing Activities</b>	<b>5,875,845</b>	<b>1,727,268</b>
<b>Cash Flows from Financing Activity</b>		
None	-	-
<b>Net Cash Provided by Financing Activity</b>	<b>-</b>	<b>-</b>
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	<b>(449,398)</b>	<b>1,189,579</b>
<b>Cash and Cash Equivalents - Beginning of Year</b>	<b>8,604,025</b>	<b>7,414,446</b>
<b>Cash and Cash Equivalents - End of Year</b>	<b>\$ 8,154,627</b>	<b>\$ 8,604,025</b>

**Supplemental Disclosure of Cash Flow Information:**

Cash paid in 2022 and 2021 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, 2022 and 2021

**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, 2022 and 2021

**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 30, 2022, the balance exceeded the insured amount with one financial institution by \$1,770,776.

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, 2022, the balances maintained in these accounts were \$3,788,739.

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 30, 2022 and 2021:

	September 30,	
	2022	2021
Cash	\$ 7,846,503	\$ 7,448,251
Cash Equivalents	308,124	1,155,774
	\$ 8,154,627	\$ 8,604,025

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, 2022 and 2021

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

The Foundation has balances of \$8,702,827 and \$10,622,277, respectively, invested as of September 30, 2022 and 2021. 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, 2022 and 2021, 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.



**LIBERTY HILL FOUNDATION**  
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**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2022 and 2021

**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, 2022 and 2021.

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 \$13,914 and \$15,000 for donated services during the years ended September 30, 2022 and 2021, respectively, for fundraising and grant consulting services.



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**NOTES TO FINANCIAL STATEMENTS**  
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**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.





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**NOTES TO FINANCIAL STATEMENTS**  
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**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**  
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**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.

Change in Accounting Principles - In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, Revenue Recognition (Topic 606): Revenue from Contracts with Customers. This ASU introduces a new five-step revenue recognition model in which an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expect to be entitled in exchange for those goods or services. The Foundation implemented ASU 2014-09 effective October 1, 2021. The adoption of this accounting standard did not have an impact on the Foundation's financial position or changes in net assets.

Date of Management Review - Subsequent events have been evaluated through June 27, 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, 2022, 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.



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**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2022 and 2021

**Note 2      Liquidity and Availability (continued)**

Cash and cash equivalents	\$ 8,154,627
Investments	8,394,703
Pledges, grants and contracts receivable	<u>14,996,330</u>
Total financial assets	31,545,660
Less those unavailable for general expenditures within one year due to:	
Purpose restrictions	(18,464,241)
Perpetual in nature	<u>(3,838,214)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 9,243,205</u>

**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 30, 2022 and 2021:

	2022		2021	
	Cost	Fair Value	Cost	Fair Value
Equities (Level 1)	\$ 4,379,212	\$ 4,156,757	\$ 4,412,793	\$ 6,609,526
Fixed Income (Level 2)	<u>4,669,386</u>	<u>4,237,946</u>	<u>2,775,729</u>	<u>2,856,977</u>
Total Investments	<u>\$ 9,048,598</u>	<u>\$ 8,394,703</u>	<u>\$ 7,188,522</u>	<u>\$ 9,466,503</u>

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.



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

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.

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

	September 30,	
	2022	2021
Interest and dividends	\$ 145,692	\$ 145,451
Net realized and unrealized (loss) gain	(2,490,696)	1,536,953
(Loss) gain on investments	(2,345,004)	1,682,404
Investment expenses	(53,807)	(58,033)
Total (Loss) Gain on Investments	\$ (2,398,811)	\$ 1,624,371

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.



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

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

The following are the changes (increases and (decreases)) in endowment net assets for the year ended September 30, 2022:

	Endowment			
	Unrestricted Board Designated	Purpose Restricted	Retained in Perpetuity	Total
Net assets, September 30, 2021	\$ 364,690	\$ 1,390,021	\$ 3,838,214	\$ 5,592,925
Write off of endowment pledges	-	-	-	-
Appropriation of endowment assets to expenditure	-	(350,000)	-	(350,000)
New contributions	-	-	-	-
Investment return:				
Investment income	8,611	102,066	-	110,677
Net depreciation (realized and unrealized)	(134,594)	(1,390,168)	-	(1,524,762)
Total Investment Income	(125,983)	(1,288,102)	-	(1,414,085)
Net assets, September 30, 2022	\$ 238,707	\$ (248,081)	\$ 3,838,214	\$ 3,828,840

During the September 30, 2022 fiscal year, the Board of Directors authorized the transfer of \$350,000 from with donor restricted funds to undesignated. During the September 30, 2022 fiscal year, the Board of Directors did not authorize a transfer from board designated to undesignated.



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**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2022 and 2021

**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.

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, 2022 and 2021, there were no such deficiencies.

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.



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**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2022 and 2021

**Note 3 Investments and Fair Value Measurements (continued)**

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.

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.



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**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2022 and 2021

**Note 3 Investments and Fair Value Measurements (continued)**

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 \$10,134,050 and \$1,467,241, as of September 30, 2022 and 2021, 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,	
	2022	2021
Pledges receivable:		
Less than one year	\$ 21,930	\$ 175,000
One to four years	-	-
Total promises to give	21,930	175,000
Less, discounts to net present value	-	-
	21,930	175,000
Grants receivable:		
Less than one year	10,112,120	1,292,241
One to four years	-	-
Total grants receivable	10,112,120	1,292,241
Less, discounts to net present value	-	-
	10,112,120	1,292,241
Total Pledges and Grants Receivable	\$ 10,134,050	\$ 1,467,241





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**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2022 and 2021

**Note 4 Pledges and Grants Receivable (continued)**

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,	
	2022	2021
Furniture and fixtures	\$ 115,592	\$ 115,592
Equipment and computers	318,432	294,452
Leasehold improvements	42,154	42,154
Total	476,178	452,198
Less accumulated depreciation	(406,148)	(387,879)
Property and Equipment, net	\$ 70,030	\$ 64,319

**Note 6 Grants Payable**

Grants authorized but unpaid as of September 30, 2022 and 2021 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, 2022 and 2021:

	September 30,	
	2022	2021
To be paid in less than one year	\$ 681,185	\$ 1,415,239
Total Grants Payable	\$ 681,185	\$ 1,415,239

**Note 7 Commitments**

The Foundation has entered into several lease agreements for office space and equipment. The lease agreement, that expires May 31, 2023, for office space includes rent escalations. Rental expense for leases was \$90,513 and \$218,528, respectively, for the years ended September 30, 2022 and 2021.



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**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2022 and 2021

**Note 7**      **Commitments** (continued)

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>	
2023	\$ <u>29,120</u>

**Note 8**      **PPP Loan**

In May 2020, the Foundation 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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September 30, 2022 and 2021

**Note 9 With Donor Restrictions Net Assets**

With donor restrictions net assets are available for the following purposes as of September 30, 2022 and 2021:

	Balance 9/30/21	Additions	Releases from Restrictions	Balance 9/30/22
<b>Purpose Restricted:</b>				
Donor Advised Funds	\$ 5,879,806	\$ 7,071,337	\$ (7,111,369)	\$ 5,839,774
Fracking Fund	-	319,350	(217,400)	101,950
Fund for Change:				
Economic Justice	275,449	684,669	(277,155)	682,963
Advancing LGBTQ Equality	95,306	-	-	95,306
Public Health Councils	150,000	-	(70,407)	79,593
Environmental Justice	245,749	322,542	(115,193)	453,098
Rapid Response Fund	28,202	-	(2,500)	25,702
Common Agenda	29,808	-	-	29,808
Bold Vision	-	750,000	-	750,000
Leadership Institute	114,414	242,356	(219,528)	137,242
Legacy Campaign Fund	255,400	-	(140,438)	114,962
A Just Future Campaign Fund	77,410	-	(35,607)	41,803
Common Agenda/ Water Policy	11,484	-	-	11,484
Youth Justice	1,681,512	2,472,624	(909,765)	3,244,371
Environmental Leaders Institute	-	3,800,000	-	3,800,000
10x10 Initiative	16,501	-	(16,501)	-
Liberty Vote	-	208,500	-	208,500
Housing Justice	-	5,565,744	(2,470,085)	3,095,659
Commissions Program	43,256	-	(43,149)	107
Earnings from Endowment				
Fund	1,390,021	(1,288,102)	(350,000)	(248,081)
	<u>10,294,318</u>	<u>20,149,020</u>	<u>(11,979,097)</u>	<u>18,464,241</u>
<b>Perpetual in Nature:</b>				
Endowment Fund	<u>3,838,214</u>	<u>-</u>	<u>-</u>	<u>3,838,214</u>
With Donor Restrictions Net Assets	<u>\$ 14,132,532</u>	<u>\$ 20,149,020</u>	<u>\$ (11,979,097)</u>	<u>\$ 22,302,455</u>



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**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2022 and 2021

**Note 9 With Donor Restrictions Net Assets (continued)**

	<u>Balance</u> <u>9/30/20</u>	<u>Additions</u>	<u>Releases</u> <u>from</u> <u>Restrictions</u>	<u>Balance</u> <u>9/30/21</u>
<b>Purpose Restricted:</b>				
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>
<b>Perpetual in Nature:</b>				
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 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 depreciation in the endowment fund of \$1,288,102 during the year ended September 30, 2022 was appropriated to purpose restricted net assets. Net appreciation in the endowment fund of \$1,250,603 during the year ended September 30, 2021 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. Amounts drawn into the operating budget from the endowment funds were \$350,000 and \$1,550,000, respectively, during the years ended September 30, 2022 and 2021.

**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 \$202,583 and \$82,749, respectively, during the years ended September 30, 2022 and 2021.

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.



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**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2022 and 2021

**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.

**Note 13 Recently Issued Accounting Pronouncements Pending Adoption**

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.

**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.



**SUPPLEMENTARY INFORMATION**

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended September 30, 2022

Grantor / Pass-Through Grantor / Program	Federal Assistance Listing Number	Agency or Pass-through Number	Program or Award Total	Revenue Federal	Expenditures Passed Through to Subrecipients			Total
					Federal	Federal	Total	
<u>U.S. Department of the Treasury</u>								
<i>Coronavirus Relief Fund</i>								
Passed through:								
The Local Initiatives Support Corporation								
Emergency Rental Assistance Program	21.023	53187-0001	\$ 2,432,400	\$ 2,135,847	\$ 315,847	\$ 1,820,000	\$ 2,135,847	
<b>Total Federal Awards</b>			<u>\$ 2,432,400</u>	<u>\$ 2,135,847</u>	<u>\$ 315,847</u>	<u>\$ 1,820,000</u>	<u>\$ 2,135,847</u>	



See accompanying auditors' reports.



**LIBERTY HILL FOUNDATION**  
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**NOTES TO THE SCHEDULE OF EXPENDITURES  
OF FEDERAL AWARDS**  
September 30, 2022

**Note 1 Basis of Presentation**

The Schedule of Expenditures of Federal Awards (“SEFA”) includes the expenditures of federal awards of Liberty Hill Foundation. The federal information in this schedule is presented in accordance with the regulations of *Uniform Grants Guidance*, 2 *CFR* Part 200, Subpart F. These amounts presented in this schedule may differ from amounts presented in or used in the presentation of the financial statements.

**Note 2 Summary of Significant Accounting Policies**

The SEFA presents the expenditures of all federal awards reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Liberty Hill Foundation did not elect to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.





INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Liberty Hill Foundation (the "Foundation"), which comprise the statement of financial position as of September 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 27, 2023.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING  
STANDARDS  
(continued)

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

***GYL LLP***

GYL LLP  
Ontario, California  
June 27, 2023



INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM  
GUIDANCE

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

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Liberty Hill Foundation’s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Liberty Hill Foundation’s major federal programs for the year ended September 30, 2022. Liberty Hill Foundation’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, Liberty Hill Foundation complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2022.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Liberty Hill Foundation and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Liberty Hill Foundation’s compliance with the compliance requirements referred to above.

**CPAs ■ Advisors**

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM  
GUIDANCE  
(continued)

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Liberty Hill Foundation's federal programs.

***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Liberty Hill Foundation's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Liberty Hill Foundation's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Liberty Hill Foundation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Liberty Hill Foundation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Liberty Hill Foundation's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM  
GUIDANCE  
(continued)

**Report on Internal Control Over Compliance**

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

***GYL LLP***

GYL LLP  
Ontario, California  
June 27, 2023

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
September 30, 2022

**SECTION I – SUMMARY OF AUDITOR’S RESULTS**

**FINANCIAL STATEMENTS**

Type of auditor’s report issued:	Unmodified		
Internal control over financial reporting:			
Material weakness(es) identified?	<u>    </u> Yes	<u>  X  </u> No	
Significant deficiencies(s) identified not considered to be material weaknesses?	<u>    </u> Yes	<u>  X  </u> None reported	
Noncompliance material to financial statements noted?	<u>    </u> Yes	<u>  X  </u> No	

**FEDERAL AWARDS**

Internal Control over major programs:			
Material weakness(es) identified?	<u>    </u> Yes	<u>  X  </u> No	
Significant deficiencies(s) identified not considered to be material weaknesses?	<u>    </u> Yes	<u>  X  </u> None reported	
Type of auditor’s report issued on compliance for major programs:	Unmodified		
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)	<u>    </u> Yes	<u>  X  </u> No	

Identification of major programs:

<u>AL Number(s)</u>	<u>Name of Federal Program or Cluster</u>
21.023	Emergency Rental Assistance Program



