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

FINANCIAL STATEMENTS

For the Years Ended
September 30, 2019 and 2018

GYL
CPAs ▪ Advisors

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, 2019 and 2018, 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.

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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, 2019 and 2018, 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
July 21, 2020

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

STATEMENTS OF FINANCIAL POSITION
September 30, 2019 and 2018

ASSETS

	2019	2018
Current Assets		
Cash and cash equivalents (Note 1)	$ 6,798,847	$ 7,214,106
Investments (Note 1 and 2)	10,069,755	10,255,886
Pledges and grants receivable (Note 1 and 4)	5,107,515	1,740,596
Contracts receivable (Note 1)	120,705	84,240
Interest and dividends receivable	19,313	24,949
Prepaid expenses and other current assets (Note 1)	133,559	119,859
Total Current Assets	22,249,694	19,439,636
Property and equipment, net (Note 1 and 5)	32,626	56,273
Total Assets	$ 22,282,320	$ 19,495,909

LIABILITIES AND NET ASSETS

	2019	2018
Current Liabilities		
Accounts payable	$ 147,075	$ 107,096
Accrued liabilities	197,028	221,759
Deferred revenue (Note 1)	25,456	27,025
Deferred rent payable, current portion	37,387	31,435
Grants payable (Note 6)	180,301	430,901
Total Current Liabilities	587,247	818,216
Long-Term Liabilities		
Deferred rent payable, long term portion	35,364	74,050
Total Liabilities	622,611	892,266
Net Assets		
Without donor restrictions		
Undesignated (Note 1)	3,553,758	2,088,208
Board designated (Note 1)	423,029	381,892
Investment in property and equipment	32,626	56,273
Total Net Assets Without Donor Restrictions	4,009,413	2,526,373
With donor restrictions		
Purpose restrictions (Note 1 and 8)	13,812,082	12,239,056
Perpetual in nature (Note 1 and 9)	3,838,214	3,838,214
Total Net Assets With Donor Restrictions	17,650,296	16,077,270
Total Net Assets	21,659,709	18,603,643
Total Liabilities and Net Assets	$ 22,282,320	$ 19,495,909

The accompanying notes are an integral part of these financial statements

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

STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT			
Contributions and grants	$ 2,986,227	$ 13,117,983	$ 16,104,210
Contributed services	6,600		6,600
Contract revenue	1,305,654		1,305,654
Fundraising events, net of cost of direct benefits to donors of $257,883	329,486		329,486
Investment income, net (Note 3)	86,193	535,088	621,281
Other revenue	15,471		15,471
Loss on disposal of equipment	(9,033)		(9,033)
Net assets released from restrictions (endowment transfer)	288,512	(288,512)	
Net assets released from restrictions (satisfaction of program restrictions)	11,791,533	(11,791,533)	
Total Revenues and Support	16,800,643	1,573,026	18,373,669
EXPENSES			
Program expense	13,448,623		13,448,623
General and administrative	1,046,567		1,046,567
Fundraising	822,413		822,413
Total Expenses	15,317,603		15,317,603
Changes in Net Assets	1,483,040	1,573,026	3,056,066
Net Assets - beginning of year	2,526,373	16,077,270	18,603,643
Net Assets - end of year	$ 4,009,413	$ 17,650,296	$ 21,659,709

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

STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT			
Contributions and grants	$ 1,949,272	$ 11,076,762	$ 13,026,034
Contributed services	1,000		1,000
Contract revenue	274,794		274,794
Fundraising events, net of cost of direct benefits to donors of $237,684	344,070		344,070
Investment income, net (Note 3)	66,197	665,954	732,151
Other revenue	150		150
Net assets released from restrictions (endowment transfer)	281,090	(281,090)	
Net assets released from restrictions (satisfaction of program restrictions)	8,992,768	(8,992,768)	
Total Revenues and Support	11,909,341	2,468,858	14,378,199
EXPENSES			
Program expense	9,175,391		9,175,391
General and administrative	1,053,742		1,053,742
Fundraising	796,282		796,282
Total Expenses	11,025,415		11,025,415
Changes in Net Assets	883,926	2,468,858	3,352,784
Net Assets - beginning of year	1,642,447	13,608,412	15,250,859
Net Assets - end of year	$ 2,526,373	$ 16,077,270	$ 18,603,643

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

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended September 30, 2019

	Program Expense	General and Administrative	Fundraising	Total
Personnel Expenses				
Salaries	$ 1,458,965	$ 547,726	$ 501,893	$ 2,508,584
Payroll taxes\employee benefits	212,954	73,298	67,138	353,390
Total Personnel Expenses	1,671,919	621,024	569,031	2,861,974
Other Expenses				
Advertising	602	3,543	1,486	5,631
Administrative expense	19,563	5,091	533	25,187
Bad debt expense	18,750			18,750
Computer and internet	21,108	12,924	20,228	54,260
Conferences and meetings	88,898	9,028	70,062	167,988
Contract labor	857,425	107,974	34,864	1,000,263
Contributed services	500	500	5,600	6,600
Depreciation and amortization	9,308	4,456	3,685	17,449
Dues, fees and subscriptions	6,536	23,814	1,470	31,820
Equipment rental and purchases	8,965	2,671	3,169	14,805
Grants	10,393,198			10,393,198
Lobbying expense	30,098	457		30,555
Insurance		23,827		23,827
Office supplies	4,772	34,916	34,366	74,054
Postage	2,395	868	636	3,899
Printing	21,474	333	1,798	23,605
Professional services	29,422	83,944	4,941	118,307
Public relations	11,529	12,017	700	24,246
Rent	151,971	58,893	54,709	265,573
Staff training	14,915	26,141	4,267	45,323
Telephone	17,236	4,634	5,128	26,998
Travel	68,039	9,512	5,740	83,291
Total Other Expenses	11,776,704	425,543	253,382	12,455,629
Total Functional Expenses	$ 13,448,623	$ 1,046,567	$ 822,413	$ 15,317,603
Percentage Functional Expenses	88%	7%	5%	100%

The accompanying notes are an integral part of these financial statements

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

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended September 30, 2018

	Program Expense	General and Administrative	Fundraising	Total
Personnel Expenses				
Salaries	$ 1,327,411	$ 454,937	$ 493,086	$ 2,275,434
Payroll taxes\employee benefits	189,400	80,025	73,031	342,456
Total Personnel Expenses	1,516,811	534,962	566,117	2,617,890
Other Expenses				
Advertising	4,324	1,721	92	6,137
Computer and internet	22,844	10,594	20,369	53,807
Conferences and meetings	121,650	6,210	16,040	143,900
Contract labor	638,109	149,185	38,182	825,476
Contributed services	1,000			1,000
Depreciation and amortization	17,734	6,400	6,613	30,747
Dues, fees and subscriptions	6,237	36,406	367	43,010
Equipment rental and purchases	8,392	1,940	3,168	13,500
Grants	6,322,322			6,322,322
Lobbying expense	225,698	1,129	121	226,948
Insurance	902	22,372		23,274
Office supplies	4,012	23,387	34,853	62,252
Postage	1,412	713	586	2,711
Printing	14,343	3,497	2,876	20,716
Professional services	3,559	191,515	425	195,499
Public relations	13,308	15,733	788	29,829
Rent	175,644	6,523	98,174	280,341
Staff training	11,724	25,021	1,228	37,973
Telephone	13,107	4,377	5,626	23,110
Travel	52,259	12,057	657	64,973
Total Other Expenses	7,658,580	518,780	230,165	8,407,525
Total Functional Expenses	$ 9,175,391	$ 1,053,742	$ 796,282	$ 11,025,415
Percentage Functional Expenses	83%	10%	7%	100%

The accompanying notes are an integral part of these financial statements

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

STATEMENTS OF CASH FLOWS
For the Years Ended September 30, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities		
Increase (decrease) in net assets	$ 3,056,066	$ 3,352,784
Adjustments to reconcile changes to net assets provided by (used in) operating activities:		
Depreciation and amortization	17,449	30,747
Realized and unrealized loss (gain) on investments	(147,777)	(535,531)
Loss on disposal of equipment	9,033	
Donated securities	(3,691,453)	(2,755,390)
(Increase) decrease in operating assets:		
Pledges and grants receivable	(3,366,919)	(732,836)
Contract receivable	(36,465)	(84,240)
Interest and dividends receivable	5,636	1,514
Prepaid expenses and other current assets	(13,700)	3,382
Increase (decrease) in operating liabilities:		
Accounts payable	39,979	(39,089)
Accrued liabilities	(24,731)	56,723
Deferred revenue	(1,569)	(74,772)
Deferred rent	(32,734)	(26,956)
Grants payable	(250,600)	163,493
Net cash provided by (used in) operating activities	(4,437,785)	(640,171)
Cash Flows from Investing Activities		
Proceeds from sale of investments	6,892,596	20,851,975
Purchase of investments	(2,732,204)	(19,072,967)
Reinvested interest and dividends	(135,031)	(204,089)
Proceeds from sale of asset		13,010
Acquisition of fixed assets	(2,835)	(18,417)
Net cash provided by (used in) investing activities	4,022,526	1,569,512
Net increase (decrease) in cash and cash equivalents	(415,259)	929,341
Cash and cash equivalents - beginning of year	7,214,106	6,284,765
Cash and cash equivalents - end of year	$ 6,798,847	$ 7,214,106

Supplemental disclosure of cash flow information:
Cash paid in 2019 and 2018 for interest and taxes were $0 and $0, respectively.

The accompanying notes are an integral part of these financial statements

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. Since 1976, the Foundation has distributed more than $79 million to community groups. 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.

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 2019, the balance exceeded the insured amount with one financial institution by $1,415,796.

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, 2019, the balances maintained in these accounts were $3,875,812.

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 2019 and 2018:

	September 30, 2019	September 30, 2018
Cash	$ 4,984,933	$ 6,267,660
Cash Equivalents	1,813,914	946,446
	$ 6,798,847	$ 7,214,106

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.

The Foundation has balances of $11,883,669 and $11,202,332, respectively, invested as of September 30, 2019 and 2018. 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.

Note 1 Summary of Significant Accounting Policies (continued)

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, 2019 and 2018, the Foundation evaluated the collectability of contributions receivable and an allowance for uncollectible contributions was established of $0 and $0 respectively. 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.

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, 2019 and 2018.

Note 1 Summary of Significant Accounting Policies (continued)

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 revenue is recognized as performance obligations are met.

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 $0 and $1,000 for donated services during the years ended September 30, 2019 and 2018, respectively, for fundraising and grant consulting services.

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.

Note 1 Summary of Significant Accounting Policies (continued)

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.

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 prudency 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.

Note 1 Summary of Significant Accounting Policies (continued)

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 polices 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.

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 though 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 - The Foundation implemented Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2016-14 in the current year, applying the changes retrospectively. The new standards changed the following aspects of the financial statements:

- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The financial statements include a disclosure about liquidity and availability.
- The temporarily restricted net asset class has been renamed net assets with donor restrictions.
- The permanently restricted net asset class has been renamed net assets with donor restrictions.

Note 1 Summary of Significant Accounting Policies (continued)

The changes have the following effect on net assets at October 1, 2017:

Net Asset Class	As Originally Presented	After Adoption of ASU 2016-14
Unrestricted net assets	$ 1,642,447	$
Temporarily restricted net assets	9,770,198	
Permanently restricted net assets	3,838,214	
Net assets without donor restrictions		1,642,447
Net assets with donor restrictions		13,608,412
Total net assets	$ 15,250,859	$ 15,250,859

Date of Management Review - Subsequent events have been evaluated through July 21, 2020, 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, 2019, 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	$ 6,798,847
Investments	10,069,755
Pledges, grants and contracts receivable	5,228,220
Total financial assets	22,096,822
Less those unavailable for general expenditures within one year due to:	
Purpose restrictions	(13,812,082)
Perpetual in nature	(3,838,214)
Financial assets available to meet cash needs for general expenditures within one year	$ 4,446,526

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

NOTES TO FINANCIAL STATEMENTS
September 2019 and 2018

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 2019 and 2018:

	2019		2018	
	Cost	Fair Value	Cost	Fair Value
Equities (Level 1)	$ 6,152,882	$ 6,467,135	$ 6,418,307	$ 6,699,268
Fixed Income (Level 1)	3,506,976	3,602,620	3,593,494	3,556,618
Total Investments	$ 9,659,858	$ 10,069,755	$ 10,011,801	$10,255,886

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.

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, 2019	September 30, 2018
Interest and dividends	$ 530,758	$ 248,199
Net realized and unrealized (loss) gain	147,777	535,531
(Loss) gain on investments	678,535	783,730
Investment expenses	(57,254)	(51,579)
Total Gain (Loss) on Investments	$ 621,281	$ 732,151

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

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, 2019:

	Endowment			
	Unrestricted Board Designated	Purpose Restricted	Retained in Perpetuity	Total
Net assets, September 30, 2018	$ 381,892	$ 1,061,213	$ 3,838,214	$ 5,281,319
Write off of endowment pledges				
Appropriation of endowment assets to expenditure		(288,512)		(288,512)
New contributions	9,951			9,951
Investment return:				
Investment income	12,522	134,926		147,448
Net appreciation (realized and unrealized)	18,664	201,112		219,776
Total Investment Income	31,186	336,038		367,224
Net assets, September 30, 2019	$ 423,029	$ 1,108,739	$ 3,838,214	$ 5,369,982

During the September 30, 2019 fiscal year, the Board of Directors authorized the transfer of $288,512 from with donor restricted funds to undesignated.

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, 2018:

	Endowment			
	Unrestricted Board Designated	Purpose Restricted	Retained in Perpetuity	Total
Net assets, September 30, 2017	$ 487,263	$ 916,051	$ 3,838,214	$ 5,241,528
Write off of endowment pledges				
Appropriation of endowment assets to expenditure	(144,929)	(281,090)		(426,019)
New contributions				
Investment return:				
Investment income	8,873	95,606		104,479
Net appreciation (realized and unrealized)	30,685	330,646		361,331
Total Investment Income	39,558	426,552		465,810
Net assets, September 30, 2018	$ 381,892	$ 1,061,213	$ 3,838,214	$ 5,281,319

During the September 30, 2018 fiscal year, the Board of Directors authorized the transfer of $281,090 from with donor restriction funds to undesignated. During the September 30, 2018 fiscal year the Board of Directors authorized the transfer of $144,929 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, 2019 and 2018, there were no such deficiencies.

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.

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 $5,187,881 and $1,778,752, as of September 30, 2019 and 2018, 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,	
	2019	2018
Pledges receivable:		
Less than one year	$ 1,168,667	$ 321,233
One to four years	955,000	128,333
Total promises to give	2,123,667	449,566

Note 4 Pledges and Grants Receivable (continued)

Less, discounts to net present value	(54,821)	(7,367)
	2,068,846	442,199
Grants receivable:		
Less than one year	2,619,214	792,828
One to four years	445,000	536,358
Total grants receivable	3,064,214	1,329,186
Less, discounts to net present value	(25,545)	(30,789)
	3,038,669	1,298,397
Total Pledges and Grants Receivable	$ 5,107,515	$ 1,740,596

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,	
	2019	2018
Furniture and fixtures	$ 115,592	$ 115,592
Equipment and computers	236,750	242,948
Leasehold improvements	26,779	26,779
Total	379,121	385,319
Less accumulated depreciation	(346,495)	(329,046)
Property and Equipment, net	$ 32,626	$ 56,273

Note 6 Grants Payable

Grants authorized but unpaid as of September 30, 2019 and 2018 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, 2019 and 2018:

	September 30, 2019	September 30, 2018
To be paid in less than one year	$ 180,301	$ 430,901
Total Grants Payable	$ 180,301	$ 430,901

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 $211,255 and $205,475, respectively, for the years ended September 30, 2019 and 2018.

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

For the Years Ending September 30,	
2020	$ 217,015
2021	117,046
2022	10,480
	$ 344,541

Note 8 With Donor Restrictions Net Assets

With donor restrictions net assets are available for the following purposes as of September 30, 2019 and 2018:

	Balance 9/30/18	Additions	Releases from Restrictions	Balance 9/30/19
Purpose Restricted:				
Donor Advised Funds	$ 6,108,366	$ 8,847,689	$ (6,822,739)	$ 8,133,316
Fracking Fund	417,537	305,600	(619,932)	103,205
Fund for Change:				
Economic Justice	144,958	66,500	(133,059)	78,399
Advancing LGBTQ Equality	102,231	70,000	(55,000)	117,231
Voter Engagement		55,000	(50,012)	4,988
Environmental Justice		200,000	(101,777)	98,223
Rapid Response Fund		1,600	(1,600)	
Common Agenda	236,745		(154,374)	82,371
Partnerships and Other	870,216	37,976	(195,503)	712,689
Leadership Institute	1,414,847	246,032	(1,136,007)	524,872
Legacy Campaign Fund	851,206		(125,857)	725,349
A Just Future Campaign Fund	703,624	95,666	(220,863)	578,427
Common Agenda/ Water Policy	28,946	121,500	(82,311)	68,135
Youth Justice	119,583	3,205,000	(1,930,156)	1,394,427
James Lawson Institute	179,584	64,470	(162,343)	81,711
Earnings from Endowment Fund	1,061,213	336,038	(288,512)	1,108,739
	12,239,056	13,653,071	(12,080,045)	13,812,082
Perpetual in Nature:				
Endowment fund	3,838,214			3,838,214
With Donor Restrictions Net Assets	$ 16,077,270	$ 13,653,071	$ (12,080,045)	$ 17,650,296

Note 8 With Donor Restrictions Net Assets (continued)

	Balance 9/30/17	Additions	Releases from Restrictions	Balance 9/30/18
Purpose Restricted:				
Donor Advised Funds	$ 5,341,923	$ 5,747,631	$ (4,981,188)	$ 6,108,366
Fracking Fund	417,592	634,549	(634,604)	417,537
Fund for Change:				
Economic Justice	185,216	164,500	(204,758)	144,958
Advancing LGBTQ Equality	111,950	71,000	(80,719)	102,231
Rapid Response Fund	19,985	26,375	(46,360)	
Wage Theft Fund	29,437		(29,437)	
Common Agenda	30,778	290,000	(84,033)	236,745
Partnerships and Other	572,120	1,483,810	(1,185,714)	870,216
Leadership Institute	591,610	1,570,988	(747,751)	1,414,847
Youth of Color Civic Engagement Fund	8,000		(8,000)	
Legacy Campaign Fund	1,185,498		(334,292)	851,206
A Just Future Campaign Fund	50,000	994,227	(340,603)	703,624
Common Agenda/Water Policy	54,214	50,000	(75,268)	28,946
Youth Justice	208,985	200,000	(289,402)	119,583
James Lawson Institute	46,839	424,186	(291,441)	179,584
Earnings from Endowment Fund	916,051	426,252	(281,090)	1,061,213
	9,770,198	12,083,518	(9,614,660)	12,239,056
Perpetual in Nature:				
Endowment fund	3,838,214			3,838,214
With Donor Restrictions Net Assets	$ 13,608,412	$ 12,083,518	$ (9,614,660)	$ 16,077,270

Note 9 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 $336,038 during the year ended September 30, 2019 was appropriated to purpose restricted net assets. Net appreciation in the endowment fund of $426,252 during the year ended September 30, 2018 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, 2019 and 2018.

Note 10 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 did not make contributions to the Pension Plan during the years ended September 30, 2019 and 2018.

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 11 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 12 Recently Issued Accounting Pronouncements Pending Adoption

In May 2014, the FASB issued 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 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 ending 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, 2019, 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, 2022.

Note 13 Subsequent Events

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which are likely to negatively impact operating results since the Foundation's main source of income is donation based. The outbreak of the virus in the United States could have a negative impact on the Foundation. While the disruption is currently expected to be temporary, the related financial impact and duration cannot be reasonably estimated at this time. As of June 30, 2020, the market value of the Foundation's investments as a whole decreased by 15% since September 30, 2019.