

CHP 11-99 Foundation

(A California Not-for-Profit Corporation)

Financial Report

Years Ended December 31, 2020 and 2019

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
CHP 11-99 Foundation
Costa Mesa, California

Report on the Financial Statements

We have audited the accompanying financial statements of CHP 11-99 Foundation (A California Not-for-Profit Corporation) (the Foundation), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities and changes in net assets 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 Foundation'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 Foundation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Qualified Opinion

As explained in Note 3 to the financial statements, the CHP 11-99 Foundation has excluded certain promises to give from contributions receivable and donation revenues in the accompanying statements of financial position and activities and changes in net assets, respectively. Accounting principles generally accepted in the United States of America require that unconditional promises to give be recognized as income at the time a promise is received.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of CHP 11-99 Foundation as of December 31, 2020 and 2019, 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.

Hutchinson and Bloodgood LLP

October 26, 2021

CHP 11-99 FOUNDATION
(A California Not-for-Profit Corporation)

Statements of Financial Position
December 31, 2020 and 2019

	2020	2019
ASSETS		
Current assets		
Cash	\$ 3,972,648	\$ 4,286,231
Other receivables	53,594	92,001
Prepaid expenses	43,984	68,809
Other current assets	<u>255,585</u>	<u>286,642</u>
Total current assets	<u>4,325,811</u>	<u>4,733,683</u>
Investment portfolios, Capital Guardian		
Cash and cash equivalents - investment portfolio	2,243,793	1,681,626
Investments	<u>64,584,071</u>	<u>56,398,921</u>
Total Investment Portfolios, Capital Guardian	<u>66,827,864</u>	<u>58,080,547</u>
Property and equipment, net	<u>2,351,193</u>	<u>21,470</u>
Other assets	<u>1,000</u>	<u>10,817</u>
Total assets	<u>\$ 73,505,868</u>	<u>\$ 62,846,517</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 614,776	\$ 366,503
Deferred income	<u>12,500</u>	<u>71,405</u>
Total current liabilities	627,276	437,908
Commitments (Note 8)		
Net assets	<u>72,878,592</u>	<u>62,408,609</u>
Total liabilities and net assets	<u>\$ 73,505,868</u>	<u>\$ 62,846,517</u>

CHP 11-99 FOUNDATION

(A California Not-for-Profit Corporation)

Statements of Activities and Changes in Net Assets
Years Ended December 31, 2020 and 2019

	2020	2019
Support and revenues		
Donations	<u>\$ 2,167,950</u>	<u>\$ 1,581,429</u>
Supporter contributions	<u>2,976,938</u>	<u>3,116,129</u>
Less related costs	<u>411,635</u>	<u>383,334</u>
	<u>2,565,303</u>	<u>2,732,795</u>
Golf and fundraiser events	<u>1,025,706</u>	<u>1,478,426</u>
Less related costs	<u>346,283</u>	<u>775,861</u>
	<u>679,423</u>	<u>702,565</u>
Solicitations and appeals	<u>485,727</u>	<u>548,900</u>
Less related costs	<u>195,247</u>	<u>222,350</u>
	<u>290,480</u>	<u>326,550</u>
Investment gain	<u>8,394,588</u>	<u>11,085,783</u>
Miscellaneous income	<u>65,350</u>	<u>59,468</u>
	<u>8,459,938</u>	<u>11,145,251</u>
Net support and revenues	14,163,094	16,488,590
Operating expenses - administrative	(1,359,017)	(1,253,030)
Scholarship program	(2,090,810)	(2,387,143)
Benefits and related programs	(243,284)	(434,374)
Change in net assets	10,469,983	12,414,043
Net assets at beginning of year	<u>62,408,609</u>	<u>49,994,566</u>
Net assets at end of year	<u>\$ 72,878,592</u>	<u>\$ 62,408,609</u>

CHP 11-99 FOUNDATION

(A California Not-for-Profit Corporation)

Statements of Cash Flows

Years Ended December 31, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	<u>\$ 10,469,983</u>	<u>\$ 12,414,043</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	24,733	6,932
Net realized and unrealized (gain) loss on investments	(7,534,952)	(10,101,288)
Stock donations	(23,876)	(34,710)
Change in operating assets and liabilities		
Other receivables	38,407	(55,816)
Prepaid expenses	24,825	(612)
Other current assets	31,058	(792,415)
Other assets	9,817	9,816
Accounts payable and accrued expenses	248,273	19,337
Deferred income	(58,905)	22,005
Total adjustments	<u>(7,240,620)</u>	<u>(10,926,751)</u>
Net cash provided by operating activities	<u>3,229,363</u>	<u>1,487,292</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(28,444,752)	(24,890,138)
Proceeds from sale of investments	27,818,429	22,941,241
Purchase of property and equipment	(2,354,456)	(19,384)
Net cash used in investing activities	<u>(2,980,779)</u>	<u>(1,968,281)</u>
Net increase (decrease) in cash and cash equivalents	248,584	(480,989)
CASH AND CASH EQUIVALENTS, beginning of year	<u>5,967,857</u>	<u>6,448,846</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 6,216,441</u>	<u>\$ 5,967,857</u>
CASH AND CASH EQUIVALENTS INCLUDE THE FOLLOWING:		
Cash and cash equivalents - operations	\$ 3,972,648	\$ 4,286,231
Cash and cash equivalents - investment portfolio	<u>2,243,793</u>	<u>1,681,626</u>
Total cash and cash equivalents reflected in the statements of cash flows	<u>\$ 6,216,441</u>	<u>\$ 5,967,857</u>

CHP 11-99 FOUNDATION
(A California Not-for-Profit Corporation)

Notes to Financial Statements
December 31, 2020 and 2019

NOTE 1. ORGANIZATION

The CHP 11-99 Foundation (A California Not-for-Profit Corporation) (the Foundation) located in Costa Mesa, California, was founded in 1981 as a charitable nonprofit organization. The Foundation's purpose is to provide benefits and scholarships to California Highway Patrol (CHP) employees and their families.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting: The financial statements of the Foundation are prepared on the accrual basis. The Foundation is required to report information regarding its financial position and activities according to two (2) classes of net assets: net assets without donor restrictions (unrestricted) and net assets with donor restrictions (restricted), based on the existence or absence of donor-imposed restrictions. As of December 31, 2020 and 2019, all net assets of the Foundation are reflected as unrestricted.

Donated Services: No amounts have been reflected in the financial statements for donated services since no objective basis is available to measure the value of such services.

Cash and Cash Equivalents: The Foundation considers all highly-liquid investments available for current use with an initial maturity of three (3) months or less, when purchased, to be cash equivalents.

Investments: Investments in marketable securities, debt securities and mutual funds are reported at fair value in the statements of financial position. Realized and unrealized gains and losses are included in the statements of activities and changes in net assets.

Investments acquired by gift are recorded at fair value at the date of the gift. The Foundation's policy is to liquidate all gifts of investments as soon as possible after receipt.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Realized gains or losses on the sale of marketable securities are calculated using the specific-identification method. Unrealized gains and losses represent the change in the fair value of the individual investments for the year, or since the acquisition date, if acquired during the year.

Other Current Assets: Other current assets include inventories that are distributed with new memberships, distributed on a complimentary basis, sold to existing members, or sold at various events. Inventories are stated at the lower of average cost or net realizable value.

Property, Equipment, and Depreciation: Property and equipment are recorded at acquisition cost. Depreciation is computed using the straight-line or accelerated method over the assets estimated useful lives of five to seven years.

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Notes to Financial Statements
December 31, 2020 and 2019

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other Assets: Other assets include the carrying value of vehicle, owned by the Foundation, and leased for the benefit of one (1) officer's family in 2020 and 2019. The cost of the vehicle for the years ended December 31, 2020 and 2019 was approximately \$50,000, and the vehicle has an estimated useful life of five (5) years with a \$1,000 residual value. As of December 31, 2020 and 2019, the carrying value of the vehicle was approximately \$1,000 and \$11,000, respectively.

Scholarship Program: The Foundation awards post-secondary level educational scholarships to CHP family members. Upon approval by the Scholarship Committee, scholarship expenditures are considered incurred and award letters are sent to the successful applicants and are expected to be paid within one (1) year. Scholarship funds are disbursed upon receipt of valid evidence of applicants' post-secondary level education enrollments. Scholarship funds not disbursed at year-end were included in accounts payable and accrued expenses as of December 31, 2020 and 2019, totaling approximately \$134,000 and \$12,200, respectively.

Deferred Income: The Foundation receives deposits toward membership from prospective members whose applications are pending approval until background checks have been completed. Such amounts at year-end are reflected as income in the current year. These amounts are recognized as income unless the prospective member fails a background check. Deferred income also includes deposits received prior to year-end for fund-raising events in the subsequent year.

Revenue Recognition: Other than deposits from new member applicants, member payments and all contributions are recognized as revenue when received. All contributions are considered available for unrestricted use unless specifically restricted by the donor. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as unrestricted contributions.

Income Taxes: The Foundation is a not-for-profit corporation as defined in Section 501(c)(3) of the Internal Revenue Code (the Code) and is, therefore, exempt from Federal income tax under Section 501(a) of the Code. In addition, the Foundation is a Section 509(a)(1) organization as defined in the Code and is not a private foundation. The Foundation is also exempt from state taxes under Section 23701d of the California Revenue and Taxation Code. Under applicable laws and regulations, the Foundation has been determined to be exempt from Federal income and California income and franchise taxes. In addition, the Foundation believes it has no income subject to unrelated business income taxes.

The Foundation's policy is to recognize tax positions in the financial statements when it is more-likely-than-not the position will be sustained upon examination by the tax authorities. As of December 31, 2020, the Foundation had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. As of December 31, 2020, the Foundation's annual tax filings for the prior three (3) years are open for audit by the Internal Revenue Service and for the prior four (4) years by the Franchise Tax Board.

Use of Estimates in the Preparation of Financial Statements: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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Notes to Financial Statements
December 31, 2020 and 2019

NOTE 3. CONTRIBUTIONS RECEIVABLE

Contributions receivables represent unconditional promises to give by donors and are recorded at net realizable value. At December 31, 2020 and 2019, the Foundation did not record any contributions receivable.

The Foundation has excluded certain promises to give and pledges from contributions receivable and donation revenues in the accompanying statements of financial position and activities and changes in net assets, respectively. These promises should be included to conform to U.S. GAAP. If accounted for in conformity with U.S. GAAP, as of December 31, 2020 and 2019, contributions receivable and net assets would have been increased by \$1,563,966 and \$1,788,757, respectively, and the change in net assets would have decreased by \$224,791 and \$83,462, respectively.

NOTE 4. INVESTMENTS

As of December 31, 2020 and 2019, the investments, by major security types are summarized as follows:

	2020		2019	
	Cost	Market	Cost	Market
Cash and cash equivalents	\$ 2,243,793	\$ 2,243,793	\$ 1,681,626	\$ 1,681,626
Fixed income				
Asset and mortgage backed securities	356,168	364,925	605,331	612,333
Government and municipal bonds	3,217,382	3,393,911	3,512,615	3,569,458
Corporate bonds	1,407,348	1,495,695	913,457	947,837
Mutual funds	5,839,456	5,949,081	5,636,284	5,550,172
Sovereign Debt	11,951	11,970	--	--
Equities				
Foreign and domestic equity portfolio	26,924,361	43,992,659	25,761,138	38,273,008
Mutual funds	<u>6,843,865</u>	<u>9,375,830</u>	<u>6,643,879</u>	<u>7,446,113</u>
	<u>\$ 46,844,324</u>	<u>\$ 66,827,864</u>	<u>\$ 44,754,330</u>	<u>\$ 58,080,547</u>

The components of investment return were as follows for the years ended December 31:

	2020	2019
Interest and dividends - investment portfolio	\$ 1,337,688	\$ 1,329,192
Other interest income	21,146	23,466
Net realized and unrealized gains on investments reported at fair value	7,534,952	10,101,288
Investment fees and other	<u>(499,198)</u>	<u>(368,163)</u>
Total investment gain	<u>\$ 8,394,588</u>	<u>\$ 11,085,783</u>

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Notes to Financial Statements
December 31, 2020 and 2019

NOTE 5. FAIR VALUE MEASUREMENT

Fair value is defined as the amount that would be received for selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The inputs used to measure fair value are prioritized based on a three-level hierarchy. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

Level 1: Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 securities. The fair value of investments in cash and cash equivalents, mutual funds, and common stocks are determined using Level 1 inputs.

Level 2: Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, directly, or indirectly. The fair value of investments in asset and mortgage backed securities, government and municipal bonds, and corporate bonds are determined using Level 2 inputs.

Level 3: Valuations based on inputs that are unobservable in the market and significant to the overall fair value measurement. For the years ended, December 31, 2020 and 2019, there were no investments valued based on Level 3 inputs.

Assets measured at fair value on a recurring basis consisted of the following types of instruments as of December 31, 2020:

	Level 1	Level 2	Total
Cash and cash equivalents	\$ 2,243,793	\$ --	\$ 2,243,793
Asset and mortgage backed securities	--	364,925	364,925
Government and municipal bonds	--	3,393,911	3,393,911
Corporate bonds	--	1,495,695	1,495,695
Mutual funds			
Bond funds	5,949,081	--	5,949,081
Growth funds	9,375,830	--	9,375,830
Sovereign Debt	--	11,970	11,970
Common stocks			
Basic Materials	1,459,735	--	1,459,735
Cyclical Consumer Goods & Services	4,201,363	--	4,201,363
Energy	981,295	--	981,295
Financials	5,336,695	--	5,336,695
Healthcare	5,587,104	--	5,587,104
Industrials	5,852,674	--	5,852,674
Non-Cyclical Consumer Goods & Services	5,172,752	--	5,172,752
Technology	11,321,516	--	11,321,516
Utilities	1,515,117	--	1,515,116
Others	2,564,409	--	2,564,409
	<u>\$ 61,561,364</u>	<u>\$ 5,266,501</u>	<u>\$ 66,827,864</u>

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Notes to Financial Statements

December 31, 2020 and 2019

NOTE 5. FAIR VALUE MEASUREMENT (Continued)

Assets measured at fair value on a recurring basis consisted of the following types of instruments as of December 31, 2019:

	Level 1	Level 2	Total
Cash and cash equivalents	\$ 1,681,626	\$ --	\$ 1,681,626
Asset and mortgage backed securities	--	612,333	612,333
Government and municipal bonds	--	3,569,458	3,569,458
Corporate bonds	--	947,837	947,837
Mutual funds			
Bond funds	5,550,172	--	5,550,172
Growth funds	7,446,113	--	7,446,113
Common stocks			
Basic Materials	1,332,118	--	1,332,118
Cyclical Consumer Goods & Services	3,877,179	--	3,877,179
Energy	1,897,375	--	1,897,375
Financials	7,046,911	--	7,046,911
Healthcare	4,406,441	--	4,406,441
Industrials	5,205,673	--	5,205,673
Non-Cyclical Consumer Goods & Services	4,630,011	--	4,630,011
Technology	7,650,197	--	7,650,194
Telecommunications Services	866,470	--	866,470
Utilities	<u>1,360,636</u>	<u>--</u>	<u>1,360,636</u>
	<u>\$ 52,950,922</u>	<u>\$ 5,129,628</u>	<u>\$ 58,080,547</u>

NOTE 6. PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of December 31:

	2020	2019
Land and building	\$ 2,300,000	\$ --
Furniture and equipment	<u>120,471</u>	<u>173,908</u>
	2,420,471	173,908
Less accumulated depreciation	<u>69,278</u>	<u>152,438</u>
	<u>\$ 2,351,193</u>	<u>\$ 21,470</u>

Depreciation expense for the years ended December 31, 2020 and 2019 was \$24,733 and \$6,932, respectively.

During 2020, the Foundation purchased an office building in Costa Mesa and did not extend the lease for the Fullerton office. During 2020, the Foundation disposed of fully depreciated assets with a historic cost of \$107,893.

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Notes to Financial Statements
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NOTE 7. DEFERRED INCOME

The Foundation collects dues related to member applications, the approval for which is pending completion of background checks. Amounts collected for pending applications at December 31, 2020 and 2019 were \$12,500 and \$3,400, respectively.

The Foundation also received deposits for future fundraising events. Advance deposits received as of December 31, 2020 and 2019 were \$0 and \$68,005, respectively.

NOTE 8. COMMITMENTS

During 2020, the Foundation leased two (2) office spaces and the leases were accounted for as operating leases. During 2020, the Foundation purchased an office building in Costa Mesa and did not extend the lease for the Fullerton office. The office lease in San Jose will expire in February 2021. As of December 31, 2020, the Foundation has entered into various service agreements terminating through 2021. At December 31, 2020, the future minimum payments are as follows:

Years Ending December 31:	
2021	\$ 8,619

Occupancy and equipment rent expense for the years ended December 31, 2020 and 2019 was \$113,234 and \$109,489, respectively.

NOTE 9. CONCENTRATIONS OF CREDIT RISK

The Foundation's financial instruments that are exposed to concentrations of credit risk include cash, cash equivalents, and investments.

The Foundation's cash deposits are insured by the Federal Deposit Insurance Corporation (FDIC). As of December 31, 2020, all accounts at an FDIC-insured institution are insured up to \$250,000 per financial institution. Periodically, the Foundation may maintain balances in excess of insured amounts for interest and non-interest bearing deposit accounts. As of December 31, 2020, approximately \$3,000,000 was uninsured. The Foundation has not experienced any losses on any deposits.

The Foundation has significant investments in cash and cash equivalents, common stocks, government obligations and corporate bonds, mortgage backed securities and mutual funds and the investments are subject to concentrations of credit risk. The investments, in general, are subject to various risks, such as interest rate, credit, and overall market volatility risk. Additionally, the value, liquidity, and related income of the investment securities are sensitive to changes in economic conditions and may be affected by shifts in the market's perception of issuers and changes in interest rates. Certain investments are less liquid and may have restrictions on their sale. Forced liquidation, although not expected at this time, may affect the estimated value of such investments. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in the value of investments will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Investments are made by investment managers engaged by the Foundation and the investments are monitored for the Foundation by an investment advisor. Though the market value of investments is subject to fluctuation on a year-to-year basis, management believes the investment policy is prudent for the long-term welfare of the Foundation and its beneficiaries.

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Notes to Financial Statements
December 31, 2020 and 2019

NOTE 10. DEFINED CONTRIBUTION PLAN

The Foundation approved a tax sheltered annuity plan (the Plan), effective May 1999 and amended during the year ended December 31, 2013. Full-time salaried employees, who have completed 90 days of employment are eligible to participate in the Plan and make elective salary deferral contributions. The Plan allows discretionary non-matching and matching employer contributions to the Plan. For the years ended December 31, 2020 and 2019, the Foundation paid \$94,642 and \$86,826, respectively, in employer matching contributions.

NOTE 11. EXPENSES BY NATURE AND FUNCTION

The Foundation's primary program activities are contributions, golf and fundraiser, and scholarship and benefits distribution. Expenses reported as supporting activities are incurred in support of these primary program activities. Operating expenses incurred for the following Foundation programs and support services were as follows:

Year Ended December 31, 2020

	Foundation Programs			Supporting Services		
	Cost of Sales	Payroll and Related	Operating	Payroll and Related	Other	Total
Supporter contributions	\$ --	\$ 62,658	\$ 348,977	\$ --	\$ --	\$ 411,635
Golf and fundraiser events	--	127,863	218,420	--	--	346,283
Solicitation and appeals	--	122,203	73,044	--	--	195,247
Scholarship and related	--	27,000	2,063,810	--	--	2,090,810
Benefits and related	--	2,086	241,198	--	--	243,284
General and administrative	--	352,685	48,992	680,047	277,293	1,359,017
Total departmental and operating expenses	\$ --	\$ 694,495	\$2,994,441	\$ 680,047	\$ 277,293	\$4,646,276

Year Ended December 31, 2019

	Foundation Programs			Supporting Services		
	Cost of Sales	Payroll and Related	Operating	Payroll and Related	Other	Total
Supporter contributions	\$ --	\$ 38,333	\$ 345,001	\$ --	\$ --	\$ 383,334
Golf and fundraiser events	--	139,175	636,686	--	--	775,861
Solicitation and appeals	--	148,897	73,453	--	--	222,350
Scholarship and related	--	31,876	2,355,267	--	--	2,387,143
Benefits and related	--	2,775	431,599	--	--	434,374
General and administrative	--	378,673	56,650	538,971	278,736	1,253,030
Total departmental and operating expenses	\$ --	\$ 739,729	\$3,898,656	\$ 538,971	\$ 278,736	\$5,456,092

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Notes to Financial Statements
December 31, 2020 and 2019

NOTE 12. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Foundation's financial assets as of December 31, 2020 and 2019. As of December 31, 2020 and 2019, there are no amounts unavailable for general use because of contractual or donor-imposed restrictions within one year.

	2020	2019
Cash and cash equivalents – operations	\$ 3,972,648	\$ 4,286,231
Cash and cash equivalents – investment portfolio	2,243,793	1,681,626
Investments	64,584,071	56,398,921
Other receivables	<u>53,594</u>	<u>92,001</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 70,854,106</u>	<u>\$ 62,458,779</u>

NOTE 14. SUBSEQUENT EVENTS

The Foundation has reviewed and evaluated all other events through October 26, 2021, the date these financial statements were available to be issued, and has determined that no events require recognition or disclosure in the accompanying financial statements.

NOTE 15. CORONAVIRUS AND PAYCHECK PROTECTION PROGRAM LOAN

During the year ended December 31, 2020, the outbreak of the coronavirus (COVID-19) resulted in the temporary closure and disruption of certain businesses and establishments as provided by guidance issued from the state of California and other local governments. Effective June 15, 2021, the state of California lifted a majority of its COVID-19 restrictions. The extent of the reopening process, along with the potential impact of COVID-19 remains highly uncertain.

At this time, the Foundation cannot predict how long the COVID-19 pandemic will last or whether it will reoccur, or what additional restrictions may be enacted. The potential long-term financial impact on the Foundation's financial results or financial condition cannot be reasonably estimated.

In connection with COVID-19, during the year ended December 31, 2020, the Foundation received loan proceeds of \$230,062 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 average monthly payroll expenses. PPP loans and accrued interest are forgivable as long as the borrower uses PPP loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains payroll levels during what is termed the "covered period." The Foundation believes the loan will meet the conditions for forgiveness. Accordingly, during the year ended December 31, 2020, the Foundation recognized loan forgiveness in the amount of \$230,062 based on using loan proceeds as intended by the PPP.