HARBOR COMMUNITY BENEFIT FOUNDATION

Working Toward Healthier Port Communities

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

TRANSMITTAL 2

Independent Auditor's Report

Board of Directors
Harbor Community Benefit Foundation, Port Community
Mitigation Trust and Air Quality Mitigation Fund
San Pedro, California

Opinion

We have audited the accompanying combined financial statements of Harbor Community Benefit Foundation (the Organization), which comprise the combined statement of financial position as of December 31, 2023, and the related combined statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the combined financial statements.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of Harbor Community Benefit Foundation as of December 31, 2023, and the combined changes in its net assets and its combined cash flows for the year 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 auditing standards generally accepted in the United States of America. 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 the Organization and to meet our other ethical responsibilities in accordance with the 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 audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

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

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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 generally accepted 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, including omissions, 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 generally accepted 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 the Organization'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 the Organization'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.

Report on Summarized Comparative Information

We have previously audited the 2022 financial statements of Harbor Community Benefit Foundation, and our report dated June 7, 2023, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the 2022 audited financial statements from which it has been derived.

Board of Directors
Harbor Community Benefit Foundation, Port Community
Mitigation Trust and Air Quality Mitigation Fund

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The combining supplementary information 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.

Mullins PC

Bethesda, Maryland
October 14, 2024

Certified Public Accountants

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Harbor Community Benefit Foundation, Port Community Mitigation Trust and Air Quality Mitigation Fund

Combined Statement of Financial Position
December 31, 2023

Assets	
Cash	**$ 388,653**
Investments Held in Trust Funds	**2,729,133**
Prepaid Expenses	**5,126**
Total Assets	**$ 3,122,912**
Liabilities and Net Assets	
Liabilities	
Accounts Payable and Accrued Expenses	**$ 14,358**
Grants Payable	**50,000**
Total Liabilities	**64,358**
Net Assets	
Without Donor Restrictions	**255,770**
With Donor Restrictions	**2,802,784**
Total Net Assets	**3,058,554**
Total Liabilities and Net Assets	**$ 3,122,912**

See accompanying Notes to Financial Statements

Harbor Community Benefit Foundation, Port Community Mitigation Trust and Air Quality Mitigation Fund

Combined Statement of Activities
For the Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	**Total**
Support and Revenues			
Investment Income - Net	$ 50	$ 155,104	**$ 155,154**
Net Assets Released from Restrictions	2,320,261	(2,320,261)	**-**
Total Support and Revenues	2,320,311	(2,165,157)	**155,154**
Expenses			
Program Services	2,176,069	-	**2,176,069**
Supporting Services			
General and Administrative	128,917	-	**128,917**
Total Supporting Services	128,917	-	**128,917**
Total Expense	2,304,986	-	**2,304,986**
Change in Net Assets	15,325	(2,165,157)	**(2,149,832)**
Net Assets, Beginning of Year	240,445	4,967,941	**5,208,386**
Net Assets, End of Year	$ 255,770	$ 2,802,784	**$ 3,058,554**

See accompanying Notes to Financial Statements

Harbor Community Benefit Foundation, Port Community Mitigation Trust and Air Quality Mitigation Fund

Combined Statement of Functional Expenses
For The Year Ended December 31, 2023

	Program Services	General and Administrative	**Total**
Grants	$ 2,000,000	$ -	**$ 2,000,000**
Personnel Costs	121,025	22,933	**143,958**
Professional Services	37,924	90,429	**128,353**
Office Expense	7,100	1,480	**8,580**
Marketing and Outreach	-	6,430	**6,430**
Occupancy	10,020	1,768	**11,788**
Insurance	-	5,878	**5,878**
Total	$ 2,176,069	$ 128,918	**$ 2,304,987**

See Accompanying Notes to Financial Statements

Harbor Community Benefit Foundation, Port Community Mitigation Trust and Air Quality Mitigation Fund

Combined Statement of Cash Flows
For the Year Ended December 31, 2023

Cash Flows from Operating Activities	
Increase (Decrease) in Net Assets	**$ (2,149,832)**
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by (Used in) Operating Activities	
(Gain) Loss on Investments	**(11,801)**
(Increase) Decrease in Assets	
Prepaid Expenses	**(295)**
Increase (Decrease) in Liabilities	
Accounts Payable and Accrued Expenses	**(3,802)**
Grants Payable	**(206,800)**
Net Cash Provided by (Used in) Operating Activities	**(2,372,530)**
Cash Flows from Investing Activities	
Sales of Investments	**2,200,000**
Purchases of Investments	**(143,254)**
Net Cash Provided by (Used in) Investing Activities	**2,056,746**
Increase (Decrease) in Cash	**(315,784)**
Cash, Beginning of Year	**704,437**
Cash, End of Year	**$ 388,653**

See accompanying Notes to Financial Statements

1. ORGANIZATION

Harbor Community Benefit Foundation (HCBF) is a California tax exempt nonprofit corporation that was formed in May 2011 to address the negative cumulative environmental and public health impacts of The Port of Los Angeles (POLA) business operations on its neighbors - local port communities and residents. Currently, HCBF administers two funds established by the POLA: the Port Community Mitigation Trust Fund (PCMTF), established in 2011, managed by JP Morgan Chase and the Air Quality Mitigation Fund (AQMF), established in 2016, managed by California Community Foundation (CCF).

Combined Entities

These financial statements are presented as combined because the funds are not separate legal entities and neither HCBF, the Board of Harbor Commissioners (BOHC), nor the investment custodian has unilateral variance power over the funds. However, HCBF is entrusted with using funds to execute its exempt purposes. Therefore, these combined financial statements include both HCBF controlled funds and the PCMTF and the AQMF (collectively referred to as the Organization).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles (US GAAP), which requires the Organization to report information regarding its financial position and activities in accordance with the accrual basis of accounting and the following net asset classifications:

Net Assets Without Donor Restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of management and the Board of Directors. Net assets without donor restrictions include contributions received from PCMTF and AQMF for general operating expenditures of HCBF.

Net Assets With Donor Restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Net assets with donor restrictions Includes the balance of PCMTF and AQMF funds held in trusts as well as contributions received by HCBF from PCMTF and AQMF for approved public benefit projects.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Investments Held in Trust Funds

The investments held in trust funds are monitored by the Board of Directors and are stated at fair value. Unrealized gains and losses are recognized aggregately. Realized gains and losses are recognized at the time of sale and are computed using the specific identification method.

Property and Equipment

Property and equipment are capitalized at cost if unit costs exceed $2,000. Otherwise the items are expensed when paid, including repairs and maintenance. Depreciation and amortization is computed on the straight-line method over the estimated useful lives ranging from three to twenty years. There was no property and equipment as of December 31, 2023.

Revenue Recognition

Contributions consist primarily of transfer of funds from the PCMTF and AQMF for general operations and public benefit projects. Contributions are recognized upon approval by the HCBF Board and BOHC. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets, other than cash, are recorded at their estimated fair value at the date of gift. Contributed services and materials are recorded at their estimated fair value if they would otherwise be purchased if not provided by donation and provided by professionals in their field.

Contributions from PCMTF and AQMF are eliminated on the combined financial statements.

There were no unrecognized conditional contributions as of December 31, 2023.

Functional Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, the categories of expenses that are attributable to more than one program or supporting function have been allocated among the programs and supporting services based on time and effort.

2. Summary of Significant Accounting Policies (Continued)

Income Taxes

HCBF is a nonprofit public benefit corporation organized under the laws of California and, as such, is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and corresponding state provisions.

The Organization requires that a tax position be recognized or derecognized based on a more-likely-than-not threshold. This applies to positions taken or expected to be taken in a tax return. The Organization does not believe its financial statements include, or reflect, and uncertain tax positions.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Organization and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for at December 31, 2023.

The Organization's policy would be to recognize interest and penalties, if any, on tax positions related to its unrecognized tax benefits in income tax expense in the financial statements. No interest and penalties were assessed or recorded during 2023.

New Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, Financial Instruments – Credit Losses (Topic 326). This guidance requires the Organization to measure all expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. This standard was adopted in the current fiscal year and did not have a significant impact on the financial statements.

Subsequent Events

Management has evaluated subsequent events through October 14, 2024 the date which the financial statements were available to be issued. The accompanying financial statements recognize the effects of subsequent events that provided evidence about conditions that existed at the statement of financial position date, including the estimates inherent in the process of preparing financial statements. The accompanying financial statements do not recognize the effect of subsequent events with conditions that did not exist at the statement of financial position date, but disclosures of such events, if any, are included in the accompanying notes.

3. Concentration of Credit Risk

The Organization maintains its cash balances in banks insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per bank. As of December 31, 2023, the Organization's balances exceeded the FDIC insured limit by approximately $263,000.

4. Investments Held in Trust Funds

The Organization has categorized its financial instruments based on a three-level fair value hierarchy as follows:

Level 1 – Values are based on quoted prices for identical assets in active markets.

Level 2 – Values are based on quoted prices for similar assets in active or inactive markets.

Level 3 – Value are based on unobservable inputs to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset at the measurement date.

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value as of December 31, 2023:

	Level 1	Level 2	Total
Cash and Money Market Funds	$ 391,051	$ -	$ 391,051
U.S. Fixed Income	-	2,338,082	2,338,082
	$ 391,051	$ 2,338,082	$ 2,729,133

Activity in the investments during 2023 was as follows:

Balance, Beginning of Year	$ 4,774,078
(Sales) Purchases of Investments	(2,200,049)
Reinvested Dividends and Interest	158,902
Gains (Losses) on Investments	11,801
Investment Management Fees - AQMF	(15,599)
Balance, End of Year	$ 2,729,133

5. Net Assets

Net assets with donor restrictions consisted of the following:

Funds Held in Trust	$ 2,729,133
Land Use Study	10,735
AQMF Administrative Funds	62,916
	$ 2,802,784

Net assets without donor restrictions as of December 31, 2023 were undesignated.

5. Net Assets (Continued)

During 2023, net assets were reclassified among the entities in the supplementary combining schedule of activities. This reclassification did not impact total net assets in the combined statement of activities.

6. Commitments

Effective December 15, 2022, HCBF executed a lease to extend the term for twelve months. Base monthly rent is $949. The lease was amended effective December 15, 2023, to extend the lease term by twelve months with base monthly rent of $978.

Subsequent to year end, the lease was amended to terminate on December 31, 2024.

As of December 31, 2023, future maturities of operating lease obligations are:

2024	$	18,015

Rent expense recognized on a straight line basis for the year ended December 31, 2023, was $11,788.

7. Retirement Plan

The Organization has established a safe harbor 401(k) plan (the Plan), which allows full-time employees to contribute, on a deferred tax basis, up to the statutory maximum. The Organization makes matching contributions of 100% of an employee's contribution, up to 4% of compensation. During the year ended December 31, 2023, the Organization contributed $4,830 to the Plan.

8. Availability and Liquidity

The following represents the Organization's financial assets at December 31, 2023:

Financial Assets at Year End:		
Cash	$	388,653
Less:		
Restricted Funds		(73,651)
		(73,651)
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	$	315,002

As part of the Organization's liquidity management, the Organization maintains enough cash in the operating account in order to fund its operating budget that is approved each year. The Organization approves transfers from PCMTF to HCBF as its general expenditures, liabilities and other obligations become due.

SUPPLEMENTARY INFORMATION

Harbor Community Benefit Foundation, Port Community Mitigation Trust and Air Quality Mitigation Fund

Combining Schedule of Financial Position
December 31, 2023

	HCBF	PCMTF	AQMF	Eliminating Entries	Total
Assets					
Cash	$ 388,653	$ -	$ -	$ -	$ 388,653
Investments Held in Trust Funds	-	391,051	2,338,082	-	2,729,133
Prepaid Expenses	5,126	-	-	-	5,126
Total Assets	$ 393,779	$ 391,051	$ 2,338,082	$ -	$ 3,122,912
Liabilities and Net Assets					
Liabilities					
Accounts Payable and Accrued Expenses	$ 14,358	$ -	$ -	$ -	$ 14,358
Grants Payable	50,000	-	-	-	50,000
Total Liabilities	64,358	-	-	-	64,358
Net Assets					
Without Donor Restrictions	255,770	-	-	-	255,770
With Donor Restrictions	73,651	391,051	2,338,082	-	2,802,784
Total Net Assets	329,421	391,051	2,338,082	-	3,058,554
Total Liabilities and Net Assets	$ 393,779	$ 391,051	$ 2,338,082	$ -	$ 3,122,912

See accompanying Notes to Financial Statements

Harbor Community Benefit Foundation, Port Community Mitigation Trust and Air Quality Mitigation Fund

Combining Schedule of Activities
For the Year Ended December 31, 2023

	HCBF	PCMTF	AQMF	Eliminating Entries	Total
Support and Revenues					
Contributions	$ 2,000,000	$ -	$ -	$ (2,000,000)	$ -
Administrative and Direct Fees	200,000	-	-	(200,000)	-
Investment Income - Net	50	13,509	141,595	-	155,154
Total Support and Revenues	2,200,050	13,509	141,595	(2,200,000)	155,154
Expenses					
Program Services	2,176,069	-	2,176,069	(2,176,069)	2,176,069
Supporting Services					
General and Administrative	128,918	-	23,930	(23,931)	128,917
Total Supporting Services	128,918	-	23,930	(23,931)	128,917
Total Expense	2,304,987	-	2,199,999	(2,200,000)	2,304,986
Change in Net Assets	(104,937)	13,509	(2,058,404)	-	(2,149,832)
Net Assets, Beginning of Year	243,258	377,592	4,587,536	-	5,208,386
Restatements	191,100	(50)	(191,050)	-	-
Net Assets, Beginning of Year - Restated	434,358	377,542	4,396,486	-	5,208,386
Net Assets, End of Year	$ 329,421	$ 391,051	$ 2,338,082	$ -	$ 3,058,554

See accompanying Notes to Financial Statements

Harbor Community Benefit Foundation, Port Community Mitigation Trust and Air Quality Mitigation Fund

Combining Schedule of Functional Expenses
For The Year Ended December 31, 2023

	HCBF		AQMF			
	Program Services	General and Administrative	Program Services	General and Administrative	**Eliminating Entries**	**Total**
Grants	$ 2,000,000	$ -	$ 2,000,000	$ -	$ (2,000,000)	**$ 2,000,000**
Personnel Costs	121,025	22,933	121,025	-	(121,025)	**143,958**
Professional Services	37,924	90,429	37,924	23,930	(61,854)	**128,353**
Office Expense	7,100	1,480	7,100	-	(7,100)	**8,580**
Marketing and Outreach	-	6,430	-	-	-	**6,430**
Occupancy	10,020	1,768	10,020	-	(10,020)	**11,788**
Insurance	-	5,878	-	-	-	**5,878**
Total	$ 2,176,069	$ 128,918	$ 2,176,069	$ 23,930	$ (2,199,999)	**$ 2,304,987**

See Accompanying Notes to Financial Statements