

WEINGART FOUNDATION

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

WEINGART FOUNDATION

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

CONTENTS

	Page
Independent Auditor's Report	1
Statement of Financial Position.....	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Weingart Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of Weingart Foundation (a non-profit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses and cash flows for the year 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 audit. We conducted our audit 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a 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 Weingart Foundation as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Weingart Foundation's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 14, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Green Hasson & Janks LLP

October 9, 2019
Los Angeles, California

WEINGART FOUNDATION

STATEMENT OF FINANCIAL POSITION

June 30, 2019

With Summarized Totals at June 30, 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and Cash Equivalents	\$ 44,200,808	\$ 1,676,681
Accounts and Other Receivables	1,474,442	1,169,680
Investment Sales Receivable	60,000,000	-
Prepaid Expenses and Other Assets	128,846	517,344
Investments	709,343,600	792,423,327
Program Related Investments	13,296,714	6,362,348
Property and Equipment (Net)	<u>2,449,629</u>	<u>152,864</u>
TOTAL ASSETS	<u>\$ 830,894,039</u>	<u>\$ 802,302,244</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 2,526,455	\$ 726,795
Line of Credit	15,000,000	-
Grants Payable	19,384,442	12,687,183
Deferred Excise Taxes	<u>1,493,435</u>	<u>3,369,668</u>
TOTAL LIABILITIES	38,404,332	16,783,646
NET ASSETS	<u>792,489,707</u>	<u>785,518,598</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 830,894,039</u>	<u>\$ 802,302,244</u>

The Accompanying Notes are an Integral Part of These Financial Statements

WEINGART FOUNDATION

STATEMENT OF ACTIVITIES

Year Ended June 30, 2019

With Summarized Totals for the Year Ended June 30, 2018

	2019	2018
REVENUE AND GAINS (LOSSES):		
Investment Return (Net)	\$ 51,304,732	\$ 53,329,185
Other Income (Net)	253,697	(113,577)
<i>TOTAL REVENUE AND GAINS (LOSSES)</i>	51,558,429	53,215,608
EXPENSES:		
Program Services:		
Grants	39,493,252	33,882,381
Grant Expenses	2,665,885	2,486,663
<i>Total Program Services</i>	42,159,137	36,369,044
General and Administrative Expenses	2,428,183	3,032,694
<i>TOTAL EXPENSES</i>	44,587,320	39,401,738
<i>CHANGE IN NET ASSETS</i>	6,971,109	13,813,870
Net Assets - Beginning of Year	785,518,598	771,704,728
<i>NET ASSETS - END OF YEAR</i>	<u>\$ 792,489,707</u>	<u>\$ 785,518,598</u>

The Accompanying Notes are an Integral Part of These Financial Statements

WEINGART FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2019

With Summarized Totals for the Year Ended June 30, 2018

	Program Services	General and Administrative	Total	
			2019	2018
Grants Approved	\$ 39,493,252	\$ -	\$ 39,493,252	\$ 33,882,381
Personnel Costs:				
Salaries	1,458,500	862,093	2,320,593	2,518,416
Payroll Taxes	96,872	39,972	136,844	144,551
Employee Benefits	570,237	235,873	806,110	826,812
Rent	-	589,149	589,149	280,730
Professional Fees	293,266	257,051	550,317	657,049
Depreciation	-	258,352	258,352	105,902
Office Expenses	5,605	223,758	229,363	146,027
Travel and Meetings	118,822	54,831	173,653	137,118
Directors Fees	122,425	-	122,425	137,000
Insurance	-	105,800	105,800	110,173
Other Expenses	158	25,044	25,202	19,267
Excise Tax Expense (Benefit)	-	(223,740)	(223,740)	436,312
TOTAL FUNCTIONAL EXPENSES - 2019	\$ 42,159,137	\$ 2,428,183	\$ 44,587,320	
	95%	5%	100%	
 TOTAL FUNCTIONAL EXPENSES - 2018	\$ 36,369,044	\$ 3,032,694		\$ 39,401,738
	92%	8%		100%

The Accompanying Notes are an Integral Part of These Financial Statements

WEINGART FOUNDATION

STATEMENT OF CASH FLOWS

Year Ended June 30, 2019

With Summarized Totals for the Year Ended June 30, 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 6,971,109	\$ 13,813,870
Adjustments to Reconcile Change in Net Assets to Net Cash		
Used in Operating Activities:		
Depreciation	258,352	105,902
Net Realized and Unrealized (Gains) Losses on Investments	(35,297,797)	(38,502,907)
Deferred Excise Tax Expense (Benefit)	(1,876,233)	(91,514)
Change in Present Value Discount on Grants Payable	204,759	(553,506)
(Recovery of) Allowance on Program Related Investment	-	-
Decrease (Increase) in:		
Accounts and Other Receivables	(304,762)	561,477
Prepaid Expenses and Other Assets	388,498	(416,637)
Increase (Decrease) in:		
Accounts Payable and Accrued Expenses	1,799,660	(1,725,589)
Grants Payable	6,492,500	4,398,500
 NET CASH USED IN OPERATING ACTIVITIES	 (21,363,914)	 (22,410,404)
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds on Sale of Investments	315,538,480	227,384,322
Purchases of Investments	(257,160,956)	(198,567,853)
Collection of Program Related Investment	-	-
Purchases of Property and Equipment	(2,555,117)	(81,293)
	(6,934,366)	(5,862,348)
Advances on Program Related Investments		
NET CASH PROVIDED BY INVESTING ACTIVITIES	48,888,041	22,872,828
 CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Line of Credit	15,000,000	-
 NET CASH PROVIDED BY FINANCING ACTIVITIES	 15,000,000	 -
 NET INCREASE IN CASH AND CASH EQUIVALENTS	 42,524,127	 462,424
Cash and Cash Equivalents - Beginning of Year	1,676,681	1,214,257
 CASH AND CASH EQUIVALENTS - END OF YEAR	 \$ 44,200,808	 \$ 1,676,681

The Accompanying Notes are an Integral Part of These Financial Statements

WEINGART FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE 1 - ORGANIZATION

Weingart Foundation (the Foundation) is a private foundation that was established as a tax-exempt, nonprofit corporation pursuant to the Corporation Code of the State of California on June 29, 1951. The Foundation makes grants to nonprofit agencies and charitable organizations located primarily in Southern California.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) BASIS OF PRESENTATION

The accompanying financial statements have been prepared on the accrual basis of accounting.

(b) NET ASSETS

The presentation of Net Assets represents the absence of donor imposed restrictions.

(c) 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 reported amounts of assets, liabilities, revenues and expenses as of the date and for the period presented. Actual results could differ from those estimates.

(d) CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, the Foundation considers cash on hand, deposits in banks, money market accounts and certificates of deposit with an original maturity of three months or less to be cash and cash equivalents. The carrying value of cash and cash equivalents at June 30, 2019 approximates its fair value.

(e) CONCENTRATION OF CREDIT RISK

The Foundation maintains its cash and cash equivalents in bank deposit and other investment accounts which may, at times, exceed federally insured limits. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

WEINGART FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) ACCOUNTS AND OTHER RECEIVABLES

Receivables are recorded when billed or accrued and represent claims against third parties that will be settled in cash. The carrying value of receivables, net of the allowance for doubtful accounts, if any, represents their estimated net realizable value. The allowance for doubtful accounts, if any, is estimated based on historical collection trends, type of debtor, the age of outstanding receivables and existing economic conditions. If events or changes in circumstances indicate that specific receivable balances may be impaired, further consideration is given to the collectability of those balances and the allowance is adjusted accordingly. Past due receivable balances are written-off when internal collection efforts have been unsuccessful in collecting the amount due. At June 30, 2019, all receivables are deemed to be fully collectible; therefore, no allowance for doubtful accounts receivable has been established.

(g) INVESTMENTS

Investments in equity and debt securities with readily determinable market values are reported at fair value. The fair value of investments is valued at the closing price on the last business day of the fiscal year. Sales and purchases of securities were recorded on trade date, which may result in receivables and payables on trades that had not yet settled at the financial statement date. Realized gains and losses are calculated based upon the underlying cost of the securities traded. Interest and dividend income is recorded when earned. Gains or losses (including investments bought, sold, and held during the year), and interest and dividend income are reflected in the statement of activities as increases or decreases in net assets without donor restrictions.

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 reasonably 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.

Investments are made according to the investment policies, guidelines, and objectives adopted by the Foundation's Board of Directors. These guidelines provide for investments in equities, fixed income, and other securities with performance measured against appropriate indices. The investments are generally managed and reviewed by outside investment managers contracted by the Foundation.

Investments in commercial properties are stated at estimated fair market values, which are determined based on valuations performed by appraisers or by management. These valuations are subjective judgments, and the actual fair market values of real estate investments can only be determined by negotiation between independent third parties in a sales transaction.

Investments in private real estate investment trusts are reported at fair value using the income approach in accordance with the fair value accounting standards.

WEINGART FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) INVESTMENTS (continued)

The Foundation reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the book value of the assets 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 asset, in which case a write-down is recorded to reduce the related asset to its estimated fair value. No impairment losses were recognized on long-lived assets during the year ended June 30, 2019.

(h) PROGRAM RELATED INVESTMENTS

In accordance with Internal Revenue Code (IRC) Section 4944, the Foundation is permitted to make investments in furtherance of its charitable purpose. Program related investments are anticipated to have lower-than-market returns on a risk-adjusted basis. Similar to grants, program related investments count toward the Foundation's payout requirement in the year of distribution.

(i) PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost. Depreciation is computed on a straight-line basis over the estimated useful lives of the related assets, as follows:

Artwork	10 Years
Leasehold Improvements	Shorter of useful life or lease term
Furniture and Equipment	3-5 Years

The Foundation reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the book value of the assets may not be recoverable. No impairment losses were recognized on long-lived assets during the year ended June 30, 2019.

(j) TENANT IMPROVEMENT ALLOWANCES

Based on the stipulations of a facility lease agreement (see Note 8), the Foundation receives cash tenant improvement allowances and reports these amounts as a tenant improvement allowance liability, which is included in accounts payable and accrued expenses. The tenant improvement allowance liability is amortized to rent expense over the expected term of the lease.

(k) DEFERRED RENT

The Foundation recognizes scheduled increases in rent and allocation of free rent on a straight-line basis over the initial lease term and those renewal periods that are reasonably assured. The difference between rent expense and rent paid is recorded as deferred rent and is included in accounts payable and accrued expenses.

WEINGART FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) GRANTS

Grants, including conditional grants, are charged against operations when authorized by the Foundation's Board of Directors. The actual payment of the grant may not necessarily occur in the year of authorization. Based on historical grant cancellation rates and the Foundation's giving trend, management has determined that there is only a remote chance that the conditional grants will not be paid and considers the liability for grants payable at June 30, 2019 to be fairly stated. Grants which are expected to be paid beyond one year are discounted at an appropriate rate, which management has determined to be 2.8%. Amortization of the present value discount rate is recorded as additional grants expense.

(m) INCOME TAXES

The Foundation is exempt from taxation under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701(d). The Foundation is subject to a 2% (1% if certain criteria are met) federal excise tax on net investment income. For the year ended June 30, 2019, the Foundation was subject to the 2% federal excise tax, which totaled \$1,652,493. Deferred excise taxes arise from the net unrealized appreciation in the fair value of investments and are calculated using the 2% excise tax rate, as the qualification for the 1% excise tax rate is usually not determined until the year in which the unrealized gains become realized.

The excise tax benefit in the statement of activities consists of the following for the year ended June 30, 2019:

Current	\$ 1,652,493
Deferred	<u>(1,876,233)</u>
TOTAL EXCISE TAX BENEFIT	<u>\$ (223,740)</u>

(n) FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the Foundation's programs and other activities have been presented in the statement of functional expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit. The Foundation uses proportional salary dollars to allocate indirect costs.

(o) COMPARATIVE TOTALS

The financial statements include certain prior-year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

(p) RECLASSIFICATIONS

Certain reclassifications have been made to the 2018 summarized comparative information to conform to the 2019 financial statement presentation. These reclassifications had no effect on the previously reported change in net assets.

WEINGART FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) NEW ACCOUNTING PRONOUNCEMENTS

In August 2016, FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*, which is intended to reduce complexity in financial reporting. The ASU focuses on improving the current net asset classification requirements and information presented in financial statements that is useful in assessing a nonprofit's liquidity, financial performance, and cash flows. The Foundation adopted the provisions of this guidance during the year ended June 30, 2019.

In February 2016, FASB issued ASU No. 2016-02, *Leases*, which is intended to improve financial reporting about leasing transactions. The new standard will require organizations that lease assets with terms of more than 12 months to recognize on the statement of financial position the assets and liabilities for the rights and obligations created by those leases. The ASU also will require disclosures to help financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative requirements and provide additional information about the amounts recorded in the financial statements. For the Foundation, the ASU will be effective for the year ending June 30, 2021.

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which is intended to clarify the accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Non-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance. For the Foundation, the ASU will be effective for the year ending June 30, 2021.

(r) SUBSEQUENT EVENTS

The Foundation has evaluated events and transactions occurring subsequent to the statement of financial position date of June 30, 2019 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through October 9, 2019, the date these financial statements were available to be issued. The Foundation is not aware of any subsequent events which would require recording or disclosure in the financial statements.

WEINGART FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE 3 - INVESTMENTS

The Foundation has implemented the fair value accounting standard for those assets that are re-measured and reported at fair value at each reporting period. This standard establishes a single authoritative definition of fair value, sets out a framework for measuring fair value based on inputs used, and requires additional disclosures about fair value measurements.

In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets. Fair values determined by Level 2 inputs utilize data points that are observable such as quoted prices, interest rates and yield curves. Fair values determined by Level 3 inputs are unobservable data points for the asset and include situations where there is little, if any, market activity for the asset.

The following table presents information about the Foundation's assets that are measured at fair value on a recurring basis at June 30, 2019, and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

	Year Ended June 30, 2019	Fair Value Measurements Using			Net Asset Value Per Share or its Equivalent (NAV)
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
MARKETABLE SECURITIES:					
Fixed Income	\$ 178,530,279	\$ -	\$ -	\$ -	\$ 178,530,279
Equities	362,163,852	-	-	-	362,163,852
Mutual Funds	53,912,543	41,123,730	-	-	12,788,813
TOTAL MARKETABLE SECURITIES	594,606,674	41,123,730	-	-	553,482,944
REAL ESTATE:					
Private Real Estate					
Investment Trusts	114,736,926	-	-	-	114,736,926
TOTAL REAL ESTATE	114,736,926	-	-	-	114,736,926
TOTAL INVESTMENTS	\$ 709,343,600	\$ 41,123,730	\$ -	\$ -	\$ 668,219,870

WEINGART FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE 3 - INVESTMENTS (continued)

The Foundation recognizes transfers at the beginning of each reporting period. Transfers between Level 1 and 2 investments generally relate to whether a market becomes active or inactive. Transfers between Level 2 and 3 investments relate to whether significant relevant observable inputs are available for the fair value measurement in their entirety and when redemption rules become more or less restrictive. There were no transfers between levels during the year ended June 30, 2019.

The fair value of the marketable securities within Level 1 was obtained based on quoted market price at the closing of the last business day of the fiscal year.

Investments valued using NAV are comprised of interests in limited partnerships, corporations and trusts. These investments (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. Investments are valued using the NAV provided by the fund managers or general partners. It is probable that the investments will be sold at an amount different from their fair value at June 30, 2019.

The following table summarizes the redemption frequency and notice period for the Foundation's investments using NAV as practical expedient at June 30, 2019:

	Total Fair Value	Redemption Frequency and Notice Period
Fixed Income	\$ 178,530,279	\$ 156,720,582 Redeemable Daily to Quarterly Upon 2-90 Day Notice, and \$ 21,256,420 Illiquid
Equities	362,163,852	Redeemable Daily to Quarterly Upon 2-60 Day Notice
Mutual Funds	12,788,813	Redeemable Daily Upon 3 Day Notice
Private Real Estate Investment Trusts	114,736,926	\$ 45,016,040 Redeemable Quarterly Upon 90 Day Notice, and \$69,410,446 Illiquid
<i>TOTAL</i>	\$ 668,219,870	

The illiquid investments provide distributions only upon liquidation of the underlying assets by respective fund managers. The fund managers estimate the underlying assets of these funds will be liquidated over one to ten years. As of June 30, 2019, unfunded commitments amounted to approximately \$101,900,000.

WEINGART FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE 4 - PROGRAM RELATED INVESTMENTS

Program related investments represent various below-market-rate loans and equity investments. As of June 30, 2019, total principal outstanding was \$13,296,714. The loans bear interest at an average interest rate of 2.2% per annum and loan principals are to be repaid at various dates through June 2030. These loans are individually monitored to determine net realizable value based on an evaluation of recoverability.

At June 30, 2019, program related investments consist of the following:

	Funded	Unfunded
Nonprofit Corporation, Lending Capital for Production of Permanent Supportive Housing for Homeless Individuals, Unsecured, Interest Charged at 2%, Due June 2027	\$ 5,000,000	\$ -
Nonprofit Organization, Capital Campaign Bridge Financing for a Recreational and Cultural Center, Unsecured, Interest Charged at 2%, Due October 2020	1,500,000	-
Limited Liability Company, Lending Capital for Production and Preservation of Affordable Housing for Low-Income Individuals, Unsecured, Interest Charged at 2%, Due June 2030	1,000,000	500,000
Nonprofit Corporation, Lending Capital to Increase Access to Healthy and Affordable Food in Underserved Communities, Unsecured, Interest Charged at 2%, Due February 2028	176,714	823,286
Nonprofit Organization, Working Capital for Service Expansion into an Underserved Community, Unsecured, Interest Charged at 3%, Due November 2018	500,000	-
Nonprofit Organization, Capital Campaign Bridge Financing for Youth and Community Center, Unsecured, Interest Charged at 2%, Due August 2020	1,320,000	-
Nonprofit Organization, Working Capital for Predevelopment Costs for a Permanent Supportive Housing Project, Unsecured, Interest Charged at 2%, Due September 2021	700,000	300,000
Nonprofit Organization, Capital Campaign Bridge Financing for a Homeless Youth Supportive Apartment Project, Unsecured, Interest Charged at 2%, Due November 2021	750,000	-
Nonprofit Organization, Working Capital for Predevelopment Costs for Multiple Affordable Housing Projects, Unsecured, Interest Charged at 2%, Due May 2024	1,800,000	200,000
Limited Partnership, Equity Investment for Venture Capital Fund Investing in Diverse Entrepreneurs, Due April 2029	50,000	450,000
Nonprofit Organization, Predevelopment Financing for Supportive and Affordable Housing Projects, Unsecured, Interest Charged at 2%, Due April 2022	500,000	-
TOTAL PROGRAM RELATED INVESTMENTS	\$ 13,296,714	\$ 2,273,286

WEINGART FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE 4 - PROGRAM RELATED INVESTMENTS (continued)

The Foundation guaranteed the repayment of a \$6,000,000 loan for an unrelated third party for a three year period ending September 8, 2020. In the event of default by the unrelated third party, through the terms of a reimbursement agreement, the Foundation may recover any payments made on behalf of the unrelated third party. The Foundation evaluated the need to record a contingent liability based on the net present value of the guarantee and concluded that the recording of a contingent liability was not required at June 30, 2019. As of June 30, 2019, the unrelated third party had complied with the terms of the loan agreement.

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

Leasehold Improvements	\$ 1,446,638
Furniture and Equipment	755,419
Artwork	21,536
Construction in Progress	<u>485,519</u>
TOTAL	2,709,112
Less Accumulated Depreciation	<u>(259,483)</u>
PROPERTY AND EQUIPMENT (NET)	<u>\$ 2,449,629</u>

Depreciation expense for the year ended June 30, 2019 was \$258,352.

NOTE 6 - GRANTS PAYABLE

Grants authorized but unpaid at June 30, 2019 are reported as liabilities. The following is a summary of grants authorized and payable at June 30, 2019:

To Be Paid in Less than One Year	\$ 10,876,000
To Be Paid in One to Five Years	<u>8,895,000</u>
TOTAL	19,771,000
Less: Present Value Discount (2.8%)	<u>(386,558)</u>
TOTAL GRANTS PAYABLE	<u>\$ 19,384,442</u>

Included in grants payable are authorized grants totaling \$15,930,000 that are contingent upon certain requirements being met by the grantees.

Grant activity during the year ended June 30, 2019 is summarized as follows:

Grants Approved in Prior Years	
Pending Payment	\$ 12,687,183
Grants Approved in Current Year	<u>39,288,493</u>
TOTAL GRANTS APPROVED	51,975,676
Less: Grants to be Paid in Subsequent Years	(19,384,442)
Add: Movement in Present Value Discount	<u>204,759</u>
GRANTS PAID IN CURRENT YEAR	<u>\$ 32,795,993</u>

WEINGART FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE 6 - GRANTS PAYABLE (continued)

The Foundation is required to distribute annually, to qualifying charitable organizations, an amount equal to 5% of the average fair market value of the Foundation's assets (the minimum distribution). If the Foundation does not distribute the required minimum distribution, a one-year grace period is granted to distribute the undistributed income. If undistributed income is not distributed by the close of the following tax year, a minimum 30% penalty under Internal Revenue Code (IRC) §4942(a) will apply. The Foundation met the IRC grant distribution requirement for the year ended June 30, 2019.

NOTE 7 – LINE OF CREDIT

On October 4, 2018, the Foundation entered into an agreement with a bank to establish an unsecured commercial line of credit to be drawn upon as needed for working capital purposes. Interest accrues from the date of an advance at the One Month LIBOR plus thirty basis points (0.30%) per annum. As of June 30, 2019, the interest rate was 2.74%. In accordance with the agreement, the Foundation is required to maintain and comply with certain financial covenants. This agreement expired on October 4, 2019. At June 30, 2019, the outstanding balance under this line of credit was \$15,000,000.

NOTE 8 - LEASES

In January 2018, the Foundation entered into a non-cancelable operating lease for its new office space with an expiration date in June 2029. The lease contains provisions for a base rent, subject to fixed escalation, plus certain operating expenses.

Minimum future rental expense on the non-cancelable lease at June 30, 2019 is as follows:

Years Ending June 30

2020	\$	596,774
2021		669,817
2022		690,331
2023		710,845
2024		731,360
Thereafter		<u>4,001,186</u>
TOTAL	\$	<u>7,400,313</u>

Rent expense for the year ended June 30, 2019 was \$589,149. The Foundation also received a tenant improvement allowance of \$1,221,580 which is included in accounts payable and accrued expenses and will be amortized to rent expense over the term of the lease.

NOTE 9 - RETIREMENT PLAN

The Foundation sponsors a 403(b) defined contribution pension plan for its full-time employees. Under the provisions of the plan, the Foundation makes annual contributions up to certain limits prescribed by Internal Revenue Service. Contributions vest immediately and investments are employee-directed. During the year ended June 30, 2019, the Foundation contributed \$536,821 to the plan on behalf of its employees.

WEINGART FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE 10 - RELATED PARTY TRANSACTIONS

The Foundation's Board of Directors has adopted a conflict of interest policy and re-affirms its belief that its mission is fostered by having on the Board persons active in the community, including those who serve on the boards of organizations who are or may become grant recipients. The conflict of interest policy is intended to assure grantees of the Foundation that decisions of the Foundation are made objectively with full knowledge of the involvement, if any, of the Board and staff and their immediate family members with grant-seeking agencies. Board members with an affiliation with the grantees were not involved in the grant making decision process.

The Board of Directors was compensated for performance of Board services during the year ended June 30, 2019.

NOTE 11 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The Foundation's financial assets that are available for general expenditures within one year are summarized below:

Financial Assets at June 30, 2019	
Cash and Cash Equivalents	\$ 44,200,808
Investments	618,676,734
Investment Sales and Dividends Receivables	<u>60,841,027</u>
TOTAL FINANCIAL ASSETS	
AT JUNE 30, 2019	<u>\$ 723,718,569</u>

The Foundation regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Foundation has various sources of liquidity at its disposal, including cash and cash equivalents, investments and a line of credit.