

**CS Fund**

**Audited Financial Statements**

For Year Ended October 31, 2014

Rubian Moss, CPA  
A Professional Corporation

CS Fund  
Financial Statements

Year ended October 31, 2014

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**RUBIAN MOSS, CPA**  
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## Independent Auditor's Report

Board of Directors  
CS Fund  
Freestone, California

We have audited the accompanying statements of CS Fund, a nonprofit tax-exempt corporation, which comprise the statement of financial position as of October 31, 2014 and the related statements of activities, cash flows, and functional expenses 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 of 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 statement.

We believe that our 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 CS Fund as of October 31, 2014 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.

*Rubian Moss, CPA*

Walnut Creek, California  
August 3, 2015

## CS Fund

### Statement of Financial Position

October 31, 2014

#### **Assets**

##### Current assets:

Cash ( <i>Note 1</i> )	\$ 167,582
Accounts receivable	-
Prepaid expenses	<u>5,978</u>

Total current assets 173,560

Investments (*Note 3*) 1,351,021

Fixed assets, net (*Note 4*) 366,413

Land 123,000

Total assets \$ 2,013,994

#### **Liabilities and net assets**

##### Current liabilities:

Accounts payable	\$ 2,045
Accrued liabilities	<u>58,462</u>

Total current liabilities 60,507

Grants payable (*Note 5*) 650,000

Unrestricted net assets (*Note 1*) 1,303,487

Total liabilities and net assets \$ 2,013,994

*See accompanying notes and auditor's report.*

## CS Fund

### Statement of Activities

Year Ended October 31, 2014

#### **Changes in unrestricted net assets:**

##### Support and revenues:

Contributions ( <i>Note 1</i> )	\$ 1,288,814
Interest and dividends	11,100
Realized gains on investment, net	641,205
Other income	18,200

Total unrestricted support and revenues 1,959,319

##### Program service expenses:

Grants ( <i>Note 6</i> )	1,845,510
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##### Management and general expenses:

Employee/director costs	452,893
Office costs	22,172
Communications	347
Travel	33,523
Learning	7,626
Professional costs and fees	45,422
Maintenance	7,650
Computers	2,551
Other	26,121

Total management and general expenses 598,305

Total expenses 2,443,815

Unrestricted support and revenues in excess of expenses (484,496)

Change in unrealized gains and losses on investments, net 2,817

Change in net assets (481,679)

Net assets, beginning of year 1,785,166

Net assets, end of year \$ 1,303,487

*See accompanying notes and auditor's report.*

CS Fund

Statement of Cash Flows

Year Ended October 31, 2014

<b>Cash flows from operating activities:</b>	
Change in net assets	\$ (481,679)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Contributions of investments	1,288,814
Change in unrealized gains and losses on investments, net	(2,817)
Realized losses on investment, net	641,205
Depreciation	25,341
Increase in accounts receivable	25,000
Decrease in prepaid expenses	4,419
Increase in accounts payable	26
Increase in accrued liabilities	4,941
Decrease in grants payable	(10,535)
Net cash provided by operating activities	<u>1,494,715</u>
<b>Cash flows from investing activities:</b>	
Proceeds from sale of investments	2,827,766
Contributions of investments	(1,288,814)
Net gains on investments	(638,388)
Purchases of investments	(2,305,191)
Net cash used in investing activities	<u>(1,404,627)</u>
Net change in cash	90,088
Cash, beginning of year	<u>77,494</u>
Cash, end of year	<u><u>\$ 167,582</u></u>

*See accompanying notes and auditor's report.*

# CS Fund

## Notes to Financial Statements

Year Ended October 31, 2014

### 1. Organization and Summary of Significant Accounting Policies

#### Organization

CS Fund is a not-for-profit tax-exempt private foundation as defined under Sections 501(c)(3), 509(a), and 4924(j)(3) of the Internal Revenue Code. CS Fund distributes funds for philanthropic purposes. Distribution of funds is made to other tax-exempt organizations through a grant making program.

#### Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

#### 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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

#### Cash

Cash consists of accounts with an original maturity of three months or less. Financial instruments that potentially subject CS Fund to concentrations of credit risk include cash and cash equivalents. Cash deposits are generally federally insured in limited amounts. Cash and cash equivalents are stated at fair market value.

#### Investments

CS Fund carries most investments in debt and equity securities with readily determinable fair values at fair value in the statement of financial position, with realized and unrealized gains and losses being reflected in the statement of activities and changes in net assets. For investments without readily determinable fair values CS Fund uses the most current fair market value estimate available.

## CS Fund

### Notes to Financial Statements (continued)

#### 1. Organization and Summary of Significant Accounting Policies (continued)

##### Net Assets

CS Fund reports gifts of cash as restricted support 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions.

CS Fund evaluates contributions received to determine to which of the following three net assets classifications to assign the contribution:

**Unrestricted Net Assets** — Includes contributions without donor restrictions, income earned on unrestricted or restricted net assets, and amounts for which restrictions have expired.

**Temporarily Restricted Net Assets** — Includes contributions restricted by donors for a specific purpose. The related investment income is transferred to unrestricted net assets.

**Permanently Restricted Net Assets** — Includes contributions that are subject to gift instrument restrictions that require the principal to be invested in perpetuity.

As of October 31, 2014 CS Fund has not received any temporarily or permanently restricted net assets.

##### Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. As of October 31, 2014 all contributions received by CS Fund are available for unrestricted use.

#### 2. Concentrations

##### Cash

At times CS Fund may have on deposit with a financial institution amounts in excess of the \$250,000 FDIC insurance limit. At October 31, 2014, CS Fund did not have any cash deposits in excess of the FDIC insured limit.

##### Contributions

CS Fund receives all of its contribution revenue from one individual. Contributions received totaled \$1,288,814 for the year ended October 31, 2014.

## CS Fund

### Notes to Financial Statements (continued)

#### 3. Fair Value Measurements

CS Fund's financial assets and liabilities carried at fair value have been classified, for disclosure purposes, based on a hierarchy that gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). The levels of fair value hierarchy are as follow:

**Level 1** — Values are unadjusted quoted prices for identical assets in active markets accessible at the measurement date.

**Level 2** — Inputs include quoted prices for similar assets in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data from the term of the instrument. Such inputs include market interest rates and volatilities, spreads and yield curves.

**Level 3** — Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect CS Fund's best estimate of what hypothetical market participants would use to determine a transaction price for the asset at the reporting date.

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying statement of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall as of October 31, 2014:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:				
Cash and equivalents	\$ 9,585	\$ 9,585	\$ -	\$ -
Bond funds	207,220	207,220	-	-
Equity funds	904,632	715,618	189,014	-
Real estate funds	43,555	-	43,555	-
Other investments	186,029	-	-	186,029
	<u>\$ 1,351,021</u>	<u>\$ 932,423</u>	<u>\$ 232,569</u>	<u>\$ 186,029</u>

## CS Fund

### Notes to Financial Statements (continued)

#### 3. Fair Value Measurements (continued)

	Level 3 Fair Value Measurements			Balance 10/31/14
	Balance 10/31/13	Unrealized Gains (Losses)	Purchases/ (Sales)	
Investments:				
Other investments	\$ 136,603	\$ 49,426	\$ -	\$ 186,029
	\$ 136,603	\$ 49,426	\$ -	\$ 186,029

Investments are reported at fair value as of the date of the financial statements. When possible, the fair value of investments are determined by reference to quoted market prices. When quoted market prices are not available, fair value is estimated by reference to market values for similar investments.

#### 4. Fixed Assets

CS Fund follows the practice of capitalizing, at cost, all expenditures for fixed assets in excess of \$15,000. Buildings, property improvements, furniture, and equipment are depreciated on a straight-line basis over their estimated useful lives, ranging from 7 to 25 years.

Fixed assets consist of the following at October 31, 2014:

Buildings	\$ 679,707
Improvements	120,847
Furniture and equipment	148,461
Less accumulated depreciation	(582,602)
Fixed assets, net	\$ 366,413

#### 5. Grants Payable

Grants approved for distribution by CS Fund's board of directors are recorded as grants payable. These grants are payable within sixty months of the approval date. As of October 31, 2014 CS Fund has not paid \$650,000 in awarded grants.

## CS Fund

### Notes to Financial Statements (continued)

#### **6. Grants**

Grants approved for distribution by CS Fund's board of directors are recorded as grants expense. The grants expense in these financial statements may differ from the tax returns filed by CS Fund, which are prepared on a modified cash basis that allows CS Fund to include grants awarded in the subsequent fiscal year. The grants awarded totaled \$1,845,510 for the year ended October 31, 2014.

#### **7. Related Party Transactions**

CS Fund shares space and staff with Warsh-Mott Legacy, a separate entity with officers on CS Fund's Board. CS Fund received \$350,000 in reimbursed expenses from Warsh-Mott Legacy for these incurred expenses during the year ended October 31, 2014. The amount received was for actual costs incurred by CS Fund.

CS Fund directors are paid directors fees for their services. The directors received \$18,241 for these services during the year ended October 31, 2014.

#### **8. Subsequent Events**

CS Fund has evaluated all subsequent events through August, 3, 2015, the date through which the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in the financial statements.