

**Warsh-Mott Legacy**

**Audited Financial Statements**

For Year Ended September 30, 2014

Rubian Moss, CPA  
A Professional Corporation

Warsh-Mott Legacy

Financial Statements

Year ended September 30, 2014

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**RUBIAN MOSS, CPA**

A PROFESSIONAL CORPORATION

1901 OLYMPIC BOULEVARD

(925) 482-2626 PHONE

SUITE 200

(925) 482-2620 FAX

WALNUT CREEK, CA 94596

WWW.MOSSCPA.COM



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## Independent Auditor's Report

Board of Directors  
Warsh-Mott Legacy  
Freestone, California

We have audited the accompanying financial statements of Warsh-Mott Legacy, a nonprofit tax-exempt corporation, which comprise the statement of financial position as of September 30, 2014 and the related statements of activities, 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 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 Warsh-Mott Legacy as of September 30, 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

Warsh-Mott Legacy

Statement of Financial Position

September 30, 2014

**Assets**

Current assets:

Cash (*Note 1*) \$ 38,508

Accounts receivable -

Total current assets 38,508

Investments (*Note 2*) 28,078,150

Total assets \$ 28,116,658

**Liabilities and net assets**

Accounts payable \$ -

Grants payable (*Note 4*) -

Unrestricted net assets (*Note 1*) 28,116,658

Total liabilities and net assets \$ 28,116,658

*See accompanying notes and auditor's report.*

# Warsh-Mott Legacy

## Statement of Activities

Year Ended September 30, 2014

### Changes in unrestricted net assets:

Support and revenues:

|                                   |           |
|-----------------------------------|-----------|
| Contributions ( <i>Note 3</i> )   | \$ -      |
| Interest and dividends            | 486,951   |
| Realized gains on investment, net | 1,014,772 |

Total unrestricted support and revenues 1,501,767

Program service expenses:

|                          |           |
|--------------------------|-----------|
| Grants ( <i>Note 5</i> ) | 1,017,437 |
|--------------------------|-----------|

Management and general expenses:

|                      |         |
|----------------------|---------|
| Grant administration | 345,338 |
| Taxes                | 37,802  |
| Other                | 55,602  |

Total management and general expenses 438,742

Total expenses 1,456,179

Unrestricted support and revenues in excess of expenses 45,588

Change in unrealized gains and losses on investments, net 1,274,987

Change in net assets 1,320,575

Net assets, beginning of year 26,796,083

Net assets, end of year \$ 28,116,658

*See accompanying notes and auditor's report.*

# Warsh-Mott Legacy

## Statement of Cash Flows

Year Ended September 30, 2014

|  |                         |
|--|-------------------------|
| <b>Cash flows from operating activities:</b>   |                         |
| Change in net assets   | \$ 1,320,575            |
| Adjustments to reconcile change in net assets<br>to net cash provided by operating activities: |                         |
| Contributions of investments   | -                       |
| Change in unrealized gains and losses on<br>investments, net                                   | (1,274,987)             |
| Realized losses on investment, net   | 1,014,772               |
| Decrease in accounts receivable  | 358                     |
| Decrease in accounts payable   | <u>(25,000)</u>         |
| Net cash provided by operating activities  | 1,035,718               |
| <b>Cash flows from investing activities:</b>   |                         |
| Proceeds from sale of investments  | 9,327,794               |
| Net gain on investments  | 260,215                 |
| Purchases of investments   | <u>(10,650,544)</u>     |
| Net cash used in investing activities  | (1,062,535)             |
| Net change in cash   | (26,817)                |
| Cash, beginning of year  | <u>65,325</u>           |
| Cash, end of year  | <u><u>\$ 38,508</u></u> |

*See accompanying notes and auditor's report.*

# Warsh-Mott Legacy

## Notes to Financial Statements

Year Ended September 30, 2014

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

#### Organization

Warsh-Mott Legacy 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. Warsh-Mott Legacy 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 Warsh-Mott Legacy 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

Warsh-Mott Legacy 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 Warsh-Mott Legacy uses the most current fair market value estimate available.

# Warsh-Mott Legacy

## Notes to Financial Statements (continued)

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

#### Net Assets

Warsh-Mott Legacy 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.

Warsh-Mott Legacy 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 September 30, 2014 Warsh-Mott Legacy 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 September 30, 2014 all contributions received by Warsh-Mott Legacy are available for unrestricted use.

# Warsh-Mott Legacy

## Notes to Financial Statements (continued)

### 2. Fair Value Measurements

Warsh-Mott Legacy’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 Warsh-Mott Legacy’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 September 30, 2014:

|                           | <u>Total</u>         | <u>Level 1</u>       | <u>Level 2</u>      | <u>Level 3</u>      |
|---------------------------|----------------------|----------------------|---------------------|---------------------|
| Investments:              |                      |                      |                     |                     |
| Cash and cash equivalents | \$ 956,920           | \$ 956,920           | \$ -                | \$ -                |
| Bond funds                | 3,613,552            | 3,613,552            | -                   | -                   |
| Equity funds              | 18,164,152           | 14,303,768           | 3,860,384           | -                   |
| Other investments         | 5,343,526            | -                    | -                   | 5,343,526           |
|                           | <u>\$ 28,078,150</u> | <u>\$ 18,874,240</u> | <u>\$ 3,860,384</u> | <u>\$ 5,343,526</u> |

# Warsh-Mott Legacy

## Notes to Financial Statements (continued)

### 2. Fair Value Measurements (continued)

|                   | Level 3 Fair Value Measurements |                              |                     | Balance<br>9/30/14 |
|-------------------|---------------------------------|------------------------------|---------------------|--------------------|
|                   | Balance<br>9/30/13              | Unrealized<br>Gains (Losses) | Purchases/<br>Sales |                    |
| Investments:      |                                 |                              |                     |                    |
| Other investments | \$ 1,540,535                    | \$ 1,033,135                 | \$ 2,769,856        | \$ 5,343,526       |
|                   | \$ 1,540,535                    | \$ 1,033,135                 | \$ 2,769,856        | \$ 5,343,526       |

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.

### 3. Concentrations

#### Cash

At times Warsh-Mott Legacy may have on deposit with a financial institution amounts in excess of the \$250,000 FDIC insurance limit. At September 30, 2014, Warsh-Mott Legacy did not have any cash deposits in excess of the FDIC insured limit.

#### Contributions

Warsh-Mott Legacy receives all of its contribution revenue from one individual. There were no contributions for the year ended September 30, 2014.

### 4. Grants Payable

Grants approved for distribution by Warsh-Mott Legacy's board of directors are recorded as grants payable. As of September 30, 2014 Warsh-Mott Legacy has no unpaid grants.

### 5. Grants

Grants approved for distribution by Warsh-Mott Legacy's board of directors are recorded as grants expense. The grants expense in these financial statements may differ from the tax returns filed by Wash-Mott Legacy, which are prepared on a cash basis. Awarded grants totaled \$1,017,437 for the year ended September 30, 2014.

## Warsh-Mott Legacy

### Notes to Financial Statements (continued)

#### **6. Related Party Transactions**

Warsh-Mott Legacy shares space and staff with CS Fund, a separate entity with officers on Warsh-Mott Legacy's Board. Warsh-Mott Legacy paid \$345,338 in reimbursements to CS Fund for these incurred expenses during the year ended September 30, 2014. The amount paid was for actual costs incurred by CS Fund.

#### **7. Subsequent Events**

Warsh-Mott Legacy 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.