

CS FUND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

OCTOBER 31, 2016

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1 - 2
Financial Statements:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Notes to Financial Statements	6 - 10

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
CS Fund
Freestone, California

We have audited the accompanying financial statements of CS Fund (a private foundation), which comprise the statement of financial position as of October 31, 2016, 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 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.



Goranson and Associates, Inc.

717 College Avenue, First Floor, Santa Rosa, CA 95404 Phone: 707/542-1256 Fax 707/978-3090

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, 2016, 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

Another accountant had previously audited the CS Fund's financial statements for the year ended October 31, 2015, and expressed an unmodified audit opinion on those audited financial statements in their report dated June 29, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended October 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Goranson and Associates, Inc.

October 10, 2017

Santa Rosa, California

CS FUND
STATEMENT OF FINANCIAL POSITION
OCTOBER 31, 2016

(With summarized comparative totals for the year ended October 31, 2015)

	<u>2016</u>	<u>2015</u>
ASSETS		
Current assets:		
Cash	\$ 174,377	\$ 218,238
Prepaid expenses	159	7,781
Total current assets	<u>174,536</u>	<u>226,019</u>
Fixed assets:		
Land	123,000	123,000
Buildings and improvements	784,472	800,554
Furniture and equipment	152,336	148,456
Subtotal	1,059,808	1,072,010
Less accumulated depreciation	<u>(631,147)</u>	<u>(607,938)</u>
Net fixed assets	<u>428,661</u>	<u>464,072</u>
Other assets:		
Investments	2,236,382	1,177,889
Total assets	<u>\$ 2,839,579</u>	<u>\$ 1,867,980</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 23,787	\$ (89)
Accrued liabilities	74,640	88,929
Total current liabilities	98,427	88,840
Net assets, unrestricted	<u>2,741,152</u>	<u>1,779,140</u>
Total liabilities and net assets	<u>\$ 2,839,579</u>	<u>\$ 1,867,980</u>

The accompanying notes are an integral part of these financial statements

CS FUND
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED OCTOBER 31, 2016
(With summarized comparative totals for the year ended October 31, 2015)

	<u>2016</u>	<u>2015</u>
REVENUE:		
Contributions	\$ 950,000	\$ 950,000
Grant administration	994,000	-
Interest and dividends	22,733	26,972
Realized gains on investment, net	118,464	152,489
Other income	47,134	18,200
Total support and revenue	<u>2,132,331</u>	<u>1,147,661</u>
Program service expenses:		
Grants	<u>20,500</u>	<u>348,004</u>
Management and general expenses:		
Employee/director costs	787,399	118,302
Office costs	21,574	1,821
Travel	59,530	12,395
Learning	6,699	594
Professional costs and fees	49,637	52,281
Maintenance	16,188	5,989
Depreciation	23,209	25,341
Other	66,503	1,041
Total management and general expenses	<u>1,030,739</u>	<u>217,764</u>
Total expenses	<u>1,051,239</u>	<u>565,768</u>
Unrestricted support and revenues in excess of expenses	1,081,092	581,893
Change in unrealized gains and losses on investments, net	<u>(119,080)</u>	<u>(106,240)</u>
CHANGE IN NET ASSETS	962,012	475,653
NET ASSETS, BEGINNING	<u>1,779,140</u>	<u>1,303,487</u>
NET ASSETS, ENDING	<u>\$ 2,741,152</u>	<u>\$ 1,779,140</u>

The accompanying notes are an integral part of these financial statements

CS FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED OCTOBER 31, 2016
(With summarized comparative totals for the year ended October 31, 2015)

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 12,012	\$ 475,653
Adjustments to reconcile change in net assets to cash from operations		
Contribution of investments	950,000	950,000
Change in unrealized gains and losses on investments	182,617	106,240
Realized (gains) losses on investment	(118,464)	152,489
Depreciation	23,209	25,341
(Increase) decrease in:		
Prepaid expenses	7,622	(1,803)
Increase (decrease) in:		
Accounts payable	23,876	(2,134)
Accrued liabilities	(14,289)	30,467
Grants payable	-	(650,000)
Net cash provided by operating activities	<u>1,066,583</u>	<u>1,086,253</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	12,202	-
Proceeds from sale of investments	451,145	846,851
Contributions of investments	(950,000)	(950,000)
Proceeds on investments	(51,908)	(258,729)
Purchases of investments	(571,883)	(673,719)
Net cash used by investing activities	<u>(1,110,444)</u>	<u>(1,035,597)</u>
NET (DECREASE) INCREASE IN CASH	(43,861)	50,656
CASH, beginning of year	<u>218,238</u>	<u>167,582</u>
CASH, end of year	<u>\$ 174,377</u>	<u>\$ 218,238</u>

The accompanying notes are an integral part of these financial statements

CS FUND
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2016

NOTE 1 ORGANIZATION

CS Fund (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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation – The Fund reports information regarding its financial position and activities on an accrual basis in accordance with generally accepted accounting principles and according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Unrestricted Net Assets – Net assets that are not subject to donor-imposed restrictions. These also may be designated for specific purposes by action of the Board of Directors.

Temporarily Restricted Net Assets – Net assets that are subject to donor-imposed stipulations that may be fulfilled by actions of CS Fund to meet the stipulations or that become unrestricted at the date specified by the donor.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that they be retained and invested permanently by CS Fund to use all or part of the investment return on these net assets for specified or unspecified purposes. There are no permanently restricted net assets.

As of October 31, 2016, the Fund has no temporarily or permanently restricted net assets.

Other Basis of Presentation Policies – Revenues or support are reported as increases in unrestricted net assets unless subject to donor-imposed restrictions. If temporary restrictions are fulfilled in the same time period the revenue or support is received, CS Fund reports the revenue or support as unrestricted. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless restricted by explicit donor stipulation or by law.

Cash and Cash Equivalents – Cash equivalents consist primarily of checking accounts, money market accounts and other investments with an original maturity of 90 days or less.

CS FUND
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2016

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Fair Value Measures – The Fund reports its fair value measures by using a fair value hierarchy defined by generally accepted accounting principles (GAAP) that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy 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 three levels of the fair value hierarchy under GAAP are:

Level 1 – Unadjusted quoted prices in active markets accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 – Prices for valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (inputs are supported by little or no market activity).

Investments – Investments are made up of stocks, mutual funds, bond funds and alternative investments and are reported at their fair values in the statement of financial position. The fair value of the securities are based upon quoted prices in active markets (Level 1, 2 and 3 measurements). Realized and unrealized gains and losses are included in the change in net assets and are included in the statement of activities as net realized and unrealized gains on investments.

Concentrations of Credit Risk – CS Fund maintains cash balances at local financial institutions insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times during the year, CS Fund held cash and cash equivalent balances in excess of federally insured limits. There is no excess of the FDIC limit at October 31, 2016.

Property and equipment – CS Fund capitalizes all expenditures for property and equipment in excess of \$2,500. Property and equipment are stated at cost or, if donated, at fair value at date of donation. Depreciation is computed using the straight-line method over the estimated useful life of the asset.

Estimated useful lives 7-25 years

CS FUND
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2016

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Income Taxes - The Fund is exempt from federal income taxes and classified as a private foundation under Section 501 of the Internal Revenue Code (IRC). It is subject to a 2% (1% if certain criteria are met) federal excise tax on net investment income, including realized gains, as defined by the IRC.

Deferred tax liabilities arise because the accrual basis is used for recognition of investment income, gains, and losses, but the cash basis is used for tax purposes. Taxes are payable when dividends, interest, and other investment income are received in cash and when gains are realized by selling the investments. Realized losses can be used to offset any gains realized in the same year; the excess of realized losses over realized gains cannot be carried back or carried forward to offset gains in prior or future tax years. Thus, because there are net unrealized gains on the investments held by the Foundation, the tax expense exceeds the taxes payable and results in a deferred federal excise tax liability.

At October 31, 2016, there was no excise tax due.

Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Summarized Financial Information – The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Fund's financial statements for the year ended October 31, 2015, from which the summarized information was derived.

CS FUND
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2016

NOTE 3 FAIR VALUE MEASUREMENTS AND INVESTMENTS

The following table presents the assets and liabilities recognized in the accompanying statements of financial position that are measured at fair value on a recurring basis and the level within the fair value hierarchy in which those fair value measurements fall at October 30, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and Cash equivalents	\$ 593,881			\$ 593,881
Bond Funds	175,895			175,895
Equity Funds	680,875	\$ 294,774		975,649
Other assets	-	-	\$ 491,116	491,116
Total	<u>\$ 1,450,651</u>	<u>\$ 294,774</u>	<u>\$ 491,116</u>	<u>\$ 2,236,541</u>

Investment earnings are as follows for the year ended October 30, 2016:

Interest and dividends	\$ 22,733
Realized gains	118,464
Unrealized losses	<u>(119,080)</u>
Total investment income	<u>\$ 22,117</u>

NOTE 4 CONCENTRATIONS

The Fund receives all of its contribution revenue from one individual. Contributions received totaled \$950,000 for the year ended October 31, 2016.

NOTE 5 GRANTS

Grants approved for distribution by the 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 the Fund, which are prepared on a modified cash basis that allows the Fund to include grants awarded in the subsequent fiscal year. The grants awarded totaled \$20,500 for the year ended October 31, 2016.

CS FUND
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2016

NOTE 6 RETIREMENT PLAN

The Fund maintains a contributory retirement plan available for its employees and allows participants to make deferred investment contributions. The plan qualifies under the provision of Section 403(b) of the Internal Revenue Code. The Fund contributes annually. Pension expense for the year ended October 31, 2016 is \$14,536.

NOTE 7 RELATED PARTY TRANSACTIONS

The Fund shares space and staff with Warsh-Mott Legacy, a separate entity with officers on the Fund's Board. The Fund received \$994,000 in reimbursed expenses from Warsh-Mott Legacy for these incurred expenses during the year ended October 31, 2016. The amount received was for actual costs incurred by the Fund. The Fund directors are paid director's fees for their services. The directors received \$33,375 for these services during the year ended October 31, 2016.

NOTE 8 SUBSEQUENT EVENTS

CS Fund has evaluated subsequent events through October 10, 2017, the date the financial statements were available to be issued, and determined that there were no events occurring subsequent to October 31, 2016 that would have a material impact on CS Fund's results of operations or financial position.