

CS FUND

FINANCIAL STATEMENTS

FOR THE ELEVEN MONTHS ENDED

SEPTEMBER 30, 2018

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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 September 30, 2018, and the related statements of activities and cash flows for the eleven months 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 September 30, 2018, and the changes in its net assets and its cash flows for the eleven months then ended in accordance with accounting principles generally accepted in the United States of America.

Goranson and Associates, Inc.

July 1, 2019

Santa Rosa, CA

CS FUND
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2018

ASSETS

Current assets:	
Cash	\$ 154,807
Accounts and interest receivable	6,860
Total current assets	<u>161,667</u>
Fixed assets:	
Land	123,000
Buildings and improvements	784,472
Furniture and equipment	152,336
Subtotal	<u>1,059,808</u>
Less accumulated depreciation	(669,040)
Net fixed assets	<u>390,768</u>
Other assets:	
Investments	<u>5,475,571</u>
Total assets	<u><u>\$ 6,028,006</u></u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable	\$ 4,274
Accrued liabilities	45,593
Total current liabilities	<u>49,867</u>
Net assets, without donor restriction	<u>5,978,139</u>
Total liabilities and net assets	<u><u>\$ 6,028,006</u></u>

The accompanying notes are an integral part of these financial statements

CS FUND
STATEMENT OF ACTIVITIES
FOR THE ELEVEN MONTHS ENDED SEPTEMBER 30, 2018

REVENUE:	
Contributions	\$ 1,800,165
Grant administration	722,500
Interest and dividends, net of management fees of \$10,000	120,039
Realized gains on investment	551,893
Other income	16,700
Total support and revenue	<u>3,211,297</u>
Program service expenses:	
Grants	<u>162,400</u>
Management and general expenses:	
Employee/director costs	728,753
Office costs	30,560
Travel	44,182
Learning	13,094
Professional costs and fees	24,620
Maintenance	16,788
Depreciation	18,946
Other	73,857
Total management and general expenses	<u>950,800</u>
Total expenses	<u>1,113,200</u>
Unrestricted support and revenues in excess of expenses	2,098,097
Change in unrealized gains and losses on investments, net	<u>(405,111)</u>
CHANGE IN NET ASSETS	1,692,986
NET ASSETS, BEGINNING	<u>4,285,153</u>
NET ASSETS, ENDING	<u>\$ 5,978,139</u>

The accompanying notes are an integral part of these financial statements

CS FUND
STATEMENT OF CASH FLOWS
FOR THE ELEVEN MONTHS ENDED SEPTEMBER 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ 1,692,986
Adjustments to reconcile change in net assets to cash from operations	
Contribution of investments	(1,400,184)
Change in unrealized gains and losses on investments	405,111
Realized gains on investment	(551,893)
Depreciation	18,946
(Increase) decrease in:	
Prepaid expenses	(6,577)
Increase (decrease) in:	
Accounts payable	(718)
Accrued liabilities	(9,650)
Net cash provided by operating activities	<u>148,021</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Proceeds from sale of investments	(2,171,635)
Contributions of investments	1,400,184
Proceeds on investments	(130,039)
Purchases of investments	717,955
Net cash used by investing activities	<u>(183,535)</u>
NET (DECREASE) INCREASE IN CASH	(35,514)
CASH, beginning of year	<u>190,321</u>
CASH, end of year	<u>\$ 154,807</u>

The accompanying notes are an integral part of these financial statements

CS FUND
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

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. The Fund distributes funds for philanthropic purposes. Distribution of funds is made to other tax-exempt organizations through a grant-making program.

Throughout its history, the Fund has been dedicated to progressive social change: protecting human and environmental health, preserving biodiversity, preventing the commodification of life, and defending democracy. The Fund is committed to addressing root causes of problems and supporting systemic solutions. Current grants focus on three main areas: food sovereignty, emerging technology, and rights and governance.

Food sovereignty: grant-making in this area is focused on preserving native and heirloom seeds, building healthy and fertile soils, and protecting and restoring the populations and diversity of native pollinators. This program makes most of its grants to organizations in the global south promoting traditional agricultural knowledge and agroecological practices.

Rights and governance: grant-making in this area is focused on protecting the right to dissent; making the federal government more open, effective, and accountable; ensuring that U.S. national security policies respect the rule of law; building a progressive movement to counter conservative and corporate influence in the courts; and making the rules of international trade more democratic, just, and sustainable.

Emerging technologies: grant-making in this area is focused on promoting precautionary assessment, regulation and oversight of nanotechnology, synthetic biology, and geoengineering.

CS Fund changed fiscal year ends from October 31 to September 30 during the fiscal year ended September 30, 2018.

CS FUND
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation – The Fund reports information regarding its financial position and activities on an accrual basis according to two classes of net assets: net assets without donor restriction and net assets with donor restriction

Net assets without donor restriction – 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.

Net assets with donor restriction – Net assets that are subject to donor-imposed stipulations that may be fulfilled by actions of the Fund's to meet the stipulations or that become net assets without donor restriction at the date specified by the donor.

Net assets released from donor restriction – Net assets with donor restriction are “released” to net assets without donor restriction when the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed.

As of September 30, 2018, the Fund has no net assets with restrictions.

Other Basis of Presentation Policies – Revenues or support are reported as increases in net assets without restriction unless subject to donor-imposed restrictions. If temporary restrictions are fulfilled in the same time period the revenue or support is received, the Fund reports the revenue or support as without donor restriction. Expenses are reported as decreases in net assets without donor restriction. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restriction 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.

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).

CS FUND
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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 – The 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, the Fund held cash and cash equivalent balances in excess of federally insured limits. There is no excess of the FDIC limit at September 30, 2018.

Property and equipment – The 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
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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.

CS FUND
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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 September 30, 2018, 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.

NOTE 3 LIQUIDITY

The following reflects the Fund's financial assets as of September 30, 2018 that are available for operations.

Cash	\$ 154,807
Prepaid expenses	6,860
Investments	<u>5,475,571</u>
Total financial assets	<u><u>\$ 5,637,238</u></u>

CS FUND
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 4 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 September 30, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and Cash equivalents	\$ 848,713			\$ 848,713
Bond Funds	1,033,997			1,033,997
Equity Funds	1,867,825	\$ 580,998		2,448,823
Other assets	-	-	\$ 1,144,038	1,144,038
Total	<u>\$ 3,750,535</u>	<u>\$ 580,998</u>	<u>\$ 1,144,038</u>	<u>\$ 5,475,571</u>

Investment earnings are as follows for the eleven months ended September 30, 2018:

Interest and dividends	\$ 130,039
Realized gains	551,893
Management fees	(10,000)
Unrealized losses	(405,111)
Total investment income	<u>\$ 266,821</u>

NOTE 5 CONCENTRATIONS

The Fund receives all of its contribution revenue from one individual. Contributions received totaled \$1,800,165 for the eleven months ended September 30, 2018.

NOTE 6 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 Fund awarded \$162,400 in grants during the eleven months ended September 30, 2018.

CS FUND
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 7 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 eleven months ended September 30, 2018 is \$11,313.

NOTE 8 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 \$722,500 in reimbursed expenses from Warsh-Mott Legacy for these incurred expenses during the eleven months ended September 30, 2018. 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 \$35,250 for these services during the eleven months ended September 30, 2018.

NOTE 9 CHANGE IN ACCOUNTING PRINCIPLE

The financial statements have been changed to early adopt ASU 2016-14, changing to the new language of "without donor restriction" and "with donor restriction." This change has been applied to both the current year and the prior summarized information. As well, an addition to the summary of significant accounting policies in Note 2 has been written to disclose the allocation methodology used by the Fund, and the new liquidity note has been added in Note 3. The prior year change was only in terminology from "unrestricted" and "temporarily restricted" to "without donor restriction" and with "donor restriction." There was no change in the beginning net asset number.

NOTE 10 SUBSEQUENT EVENTS

The Fund has evaluated subsequent events through July 1, 2019, the date the financial statements were available to be issued and determined that there were no events occurring subsequent to September 30, 2018 that would have a material impact on the Fund's results of operations or financial position.