

WARSH-MOTT LEGACY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

SEPTEMBER 30, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Warsh-Mott Legacy
Freestone, California

We have audited the accompanying financial statements of Warsh-Mott Legacy (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 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 Warsh-Mott Legacy as of September 30, 2018, 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 the Warsh-Mott Legacy's financial statements for the year ended September 30, 2017, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 2, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Goranson and Associates, Inc.

July 1, 2019

Santa Rosa, CA

WARSH-MOTT LEGACY
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2018

(With summarized comparative totals for the year ended September 30, 2017)

	2018	2017
ASSETS		
Current assets:		
Cash	\$ 230,248	\$ 266,576
Investments	29,360,137	30,013,677
Total assets	\$ 29,590,385	\$ 30,280,253
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable		\$ 339,427
Grants payable	\$ 671,000	1,006,000
Total current liabilities	671,000	1,345,427
Non-current liabilities		
Grants payable-net of current portion	175,000	40,000
Total liabilities	846,000	1,385,427
Net assets, without donor restriction	28,744,385	28,894,826
Total liabilities and net assets	\$ 29,590,385	\$ 30,280,253

The accompanying notes are an integral part of these financial statements

WARSH-MOTT LEGACY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2018
(With summarized comparative totals for the year ended September 30, 2017)

	<u>2018</u>	<u>2017</u>
SUPPORT AND REVENUE:		
Contributions		\$ 2,004,032
Interest and dividends, net of management fees of \$40,044	\$ 621,222	559,932
Realized gains on investment	<u>835,568</u>	<u>1,441,622</u>
Total support and revenue	<u>1,456,790</u>	<u>4,005,586</u>
 EXPENSES:		
Program service expenses:		
Grants	<u>1,815,000</u>	<u>1,883,300</u>
Management and general expenses:		
Grant administration	722,500	952,600
Taxes	19,749	34,346
Other	<u>10,720</u>	<u>1,600</u>
Total management and general expenses	<u>752,969</u>	<u>988,546</u>
Total expenses	<u>2,567,969</u>	<u>2,871,846</u>
 Unrestricted support and revenues in excess of expenses	(1,111,179)	1,133,740
Unrealized gains and losses on investments, net	<u>960,738</u>	<u>1,137,565</u>
CHANGE IN NET ASSETS	(150,441)	2,271,305
 NET ASSETS, BEGINNING	<u>28,894,826</u>	<u>26,623,521</u>
 NET ASSETS, ENDING	<u>\$ 28,744,385</u>	<u>\$ 28,894,826</u>

The accompanying notes are an integral part of these financial statements

WARSH-MOTT LEGACY
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2018
(With summarized comparative totals for the year ended September 30, 2017)

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (150,441)	\$ 2,271,305
Adjustments to reconcile change in net assets to cash from operations		
Contributions of investments	-	(1,454,064)
Unrealized gains on investments, net	(960,738)	(1,137,565)
Realized losses on investment, net	(795,524)	(1,471,932)
Increase in:		
Accounts payable	(339,427)	329,427
Grants payable	(200,000)	116,000
Net cash used by operating activities	<u>(2,446,130)</u>	<u>(1,346,829)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	5,055,566	8,310,278
Contributions of investments	-	1,454,064
Purchases of investments	<u>(2,645,764)</u>	<u>(8,316,334)</u>
Net cash provided by investing activities	<u>2,409,802</u>	<u>1,448,008</u>
NET INCREASE (DECREASE) IN CASH	(36,328)	101,179
CASH, beginning of year	<u>266,576</u>	<u>165,397</u>
CASH, end of year	<u>\$ 230,248</u>	<u>\$ 266,576</u>

The accompanying notes are an integral part of these financial statements

WARSH-MOTT LEGACY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 1 ORGANIZATION

Warsh-Mott Legacy is a not-for-profit tax-exempt private foundation as defined under Sections 501(c)(3) and 509(a) 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

Throughout its history, the Warsh-Mott Legacy has been dedicated to progressive social change: protecting human and environmental health, preserving biodiversity, preventing the commodification of life, and defending democracy. The foundation 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 US 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation – Warsh-Mott Legacy 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 Warsh-Mott Legacy's to meet the stipulations or that become net assets without donor restriction at the date specified by the donor.

WARSH-MOTT LEGACY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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 restricted net assets with donor restrictions.

Other Basis of Presentation Policies – Revenues or support are reported as increases in net assets with donor restriction unless subject to donor-imposed restrictions. If temporary restrictions are fulfilled in the same time period the revenue or support is received, Warsh-Mott Legacy 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 Measurements – Warsh-Mott Legacy 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).

WARSH-MOTT LEGACY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Concentrations of Credit Risk – Warsh-Mott Legacy maintains cash balances at local financial institutions insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times during the year, Warsh-Mott Legacy 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 – Warsh-Mott Legacy 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	3-5 years
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Warsh-Mott Legacy has no fixed assets at September 30, 2018.

Income Taxes – Warsh-Mott Legacy 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 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.

WARSH-MOTT LEGACY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Reclassifications – Certain prior year amounts have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported results of operations.

Summarized Financial Information – The financial statements include certain prior year summarized comparative information in total. 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 Warsh-Mott Legacy's financial statements for the year ended September 30, 2017, from which the summarized information was derived.

NOTE 3 LIQUIDITY

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

Cash	\$	230,248
Investments		29,360,137
Total financial assets	\$	29,590,385

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:

	Level 1	Level 2	Level 3	Total
Cash and Cash equivalents	\$ 421,026			\$ 421,026
Bond Funds	2,239,396			2,239,396
Equity Funds	14,695,909	\$ 4,400,808		19,096,717
Other assets	-	-	\$ 7,602,997	7,602,997
Total	\$ 17,356,331	\$ 4,400,808	\$ 7,602,997	\$ 29,360,136

WARSH-MOTT LEGACY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 4 FAIR VALUE MEASUREMENTS AND INVESTMENTS, continued

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

Interest and dividends	\$ 661,266
Realized gains	795,524
Unrealized losses	960,738
Total investment income	\$ 2,417,528

The following table presents a reconciliation from the opening balances of Level 3 Fair Value Measurements:

	Level 3 Fair Value Measurements			
	Balance 9/30/2017	Unrealized Gains (Losses)	Purchases/ Sales	Balance 9/30/2018
Investments:				
Other investments	\$ 8,568,124	\$ 331,045	\$ (1,296,172)	\$ 7,602,997

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.

NOTE 5 GRANTS PAYABLE AND CONTINGENT GRANTS PAYABLE

Grants approved for distribution by Warsh-Mott Legacy's board of directors are recorded as grants payable. As of September 30, 2018, Warsh-Mott Legacy had \$1,111,000 in unpaid grants, including \$265,000 in contingent matching grants.

NOTE 6 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 \$2,080,000 for the year ended September 30, 2018.

WARSH-MOTT LEGACY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 7 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 \$722,500 in reimbursements to CS Fund for these incurred expenses during the year ended September 30, 2018. The amount paid was for actual costs incurred by CS Fund.

NOTE 8 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 Warsh-Mott Legacy, 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 9 SUBSEQUENT EVENTS

Warsh-Mott Legacy 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 Warsh-Mott Legacy's results of operations or financial position.