EDWARD CHARLES FOUNDATION

FINANCIAL STATEMENTS

June 30, 2024

CONTENTS

Independent Auditors' Report

To the Board of Directors of
Edward Charles Foundation

Opinion

We have audited the accompanying financial statements of Edward Charles Foundation (the Foundation), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of June 30, 2024, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Baker Tilly US, LLP

Los Angeles, California
November 14, 2024

EDWARD CHARLES FOUNDATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2024

ASSETS

Assets		
Cash and cash equivalents	$	485,722
Restricted cash		40,341,394
Contributions receivable		2,511,661
Accounts receivable		90,172
Prepaid expenses		541,625
Investments		6,827,597
Security deposits		6,847
Pension obligation asset		746,915
Operating lease right-of-use asset		140,304
Total assets	$	51,692,237

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable and accrued liabilities	$	5,657,238
External grants payable		877,062
Notes payable		290,607
Obligation under operating lease		141,601
Total liabilities		6,966,508
Net Assets		
Without donor restrictions		1,258,192
With donor restrictions		43,467,537
Total net assets		44,725,729
Total liabilities and net assets	$	51,692,237

EDWARD CHARLES FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions	$ 1,831	$ 60,481,831	$ 60,483,662
Fee Income	1,965,620	-	1,965,620
Special Events, net of expenses	-	1,294,537	1,294,537
Contributed Nonfinancial Assets	200,000	151,039	351,039
Investment Income (Loss), net	1,285,835	(3,238,332)	(1,952,497)
Service Revenue	-	856,928	856,928
Miscellaneous Income	106,169	4,400	110,569
Net Assets Released from Restrictions	49,257,410	(49,257,410)	-
Total Revenue and Support	52,816,865	10,292,993	63,109,858
FUNCTIONAL EXPENSES			
Program Services	49,257,410	-	49,257,410
Management and General	3,245,737	-	3,245,737
Total Functional Expenses	52,503,147	-	52,503,147
CHANGE IN NET ASSETS	313,718	10,292,993	10,606,711
NET ASSETS, BEGINNING OF YEAR	944,474	33,174,544	34,119,018
NET ASSETS, END OF YEAR	$ 1,258,192	$ 43,467,537	$ 44,725,729

EDWARD CHARLES FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024

	Program Expense	Management and General	Total
PERSONNEL EXPENSES			
Salaries and wages	$ 3,558,564	$ 414,722	$ 3,973,286
Payroll taxes and employee benefits	499,179	43,106	542,285
In-kind donations	-	200,000	200,000
Total Personnel Expenses	4,057,743	657,828	4,715,571
OTHER EXPENSES			
Accounting	1,777,368	171,937	1,949,305
Awareness campaign expenses	5,164,635	9,169	5,173,804
Bank and investment charges	663,212	2,950	666,162
Depreciation	1,676	-	1,676
External grants	30,601,219	5,250	30,606,469
Food for volunteers and staff	-	2,295	2,295
Insurance	35,661	88,805	124,466
Interest expense	1,435	-	1,435
Legal	199,647	25,571	225,218
Licenses and fees	18,893	6,899	25,792
Marketing expenses	-	10,950	10,950
Other expense	5	11,276	11,281
Platforms and charitable donation software	1,321,093	24,407	1,345,500
Postage and printing	34,257	4,691	38,948
Professional services and consulting	5,222,082	2,144,473	7,366,555
Program office expense and supplies	5,455	13,324	18,779
Rent	153,029	65,912	218,941
Total Other Expenses	45,199,667	2,587,909	47,787,576
TOTAL FUNCTIONAL EXPENSES	$ 49,257,410	$ 3,245,737	$ 52,503,147

EDWARD CHARLES FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024

CASH FLOW FROM OPERATING ACTIVITIES		
Change in net assets		$ 10,606,711
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation expense		1,676
Amortization of right-of-use assets		188,796
Realized and unrealized loss on investment, net		3,664,464
Noncash contributions of securities		(2,477,032)
Changes in operating assets and liabilities		
Contributions receivable		(984,401)
Accounts receivable		285,010
Prepaid expenses		237,070
Security deposits		(3,897)
Accounts payable and accrued liabilities		3,965,763
External grants payable		877,062
Pension obligation asset		(86,969)
Net Cash Provided by Operating Activities		16,274,253
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from sale of investments		3,254,563
Purchase of investments		(5,934,610)
Net Cash Used in Investing Activities		(2,680,047)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from acquisition of debt		219,086
Net Cash Provided by Financing Activities		219,086
NET CHANGE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH		13,813,292
CASH, CASH EQUIVALENTS AND RESTRICTED CASH –		
Beginning of year		
Cash	276,831	
Restricted Cash	26,736,993	
Total Cash and Restricted Cash - beginning of year		27,013,824
CASH, CASH EQUIVALENTS AND RESTRICTED CASH –		
End of year		
Cash	485,722	
Restricted Cash	40,341,394	
Total Cash and Restricted Cash - end of year		$ 40,827,116
SUMMARY OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Initial recognition of right-of-use assets and lease liability		$ 165,822

The accompanying notes are an integral part of these statements.

NOTE 1 - Foundation

Edward Charles Foundation (the Foundation), a California nonprofit, public benefit corporation, acts as a fiscal sponsor on behalf of high-net-worth individuals, families, corporations, celebrities, and athletes who are looking to engage in philanthropy. The mission of the Foundation is to provide a legal framework with the utmost in flexibility to help philanthropists run their charitable activities underneath an umbrella of trust, stewardship, and impact.

To accept a project for fiscal sponsorship, the Foundation vets each applicant's nonprofit purpose to the Internal Revenue Service 501(c)(3) standard and determines its viability for securing funding. At any given time, the Foundation is sponsoring approximately 176 projects, the majority of which reside in the Los Angeles area. The projects represent nonprofit activities in all areas of the nonprofit sector, e.g., arts and culture, education, environment, health and human services, and public affairs. These include projects of limited duration, start-up nonprofit Foundations, public/private partnerships, and multiple funder collaborations.

All the financial activity of the Foundation's fiscally sponsored projects ("FSPs") is aggregated for financial statement purposes. Their funds, however, are kept strictly segregated in individual fund accounts. The majority of its FSP's (those in a comprehensive fiscal sponsorship relationship) are legally a part of the Edward Charles Foundation.

By the nature of the business of fiscal sponsorship, the Foundation's portfolio of fiscally sponsored projects is volatile with time-limited projects completing, with maturing nonprofits spinning off into their own 501(c)(3) Foundations, and with new start-ups signing up throughout each year. As a result, individual budget line items may vary considerably from year to year, and typical financial analyses are not always meaningful.

Funding

The projects of the Foundation are funded primarily by foundations, corporate and government grants, and donations from individuals. The management and general operations of the Foundation are funded primarily by the monthly administrative fees paid by the FSPs. The fees are based on the fiscal sponsorship agreements and are driven by the administrative needs of the individual FSPs. Additional funds are generated from earnings on investments.

NOTE 2 – Summary of Significant Accounting Policies

Basis of Accounting and Reporting

The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). The accrual basis of accounting recognizes revenues in the accounting period in which revenues are earned regardless of when cash is received and recognizes expenses in the accounting period in which expenses are incurred regardless of when cash is disbursed.

Cash and Cash Equivalents

The Foundation considers investments with original maturities of three months or less to be cash equivalents. Cash equivalents consist primarily of money market funds. The carrying amount approximates fair value because of the short maturity of those instruments.

Restricted Cash

Restricted cash includes cash held on behalf of the FSPs.

Investments

Investments are measured at fair value in the accompanying statement of financial position. Purchases and sales of securities are recorded on a trade-date basis. Contributed securities are recorded at fair value on the date of receipt and changes between that date and year end are included in the accompanying statement of activities as investment income, net. Interest income is recorded on an accrual basis and dividend income is recorded based on the ex-dividend date. Unrealized and realized gains and losses are included as changes in net assets in the accompanying statement of activities.

Estimated Fair Value of Financial Instruments

The Foundation reports certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets that the Foundation can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. These include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset, and market- corroborated inputs.

Level 3 – Unobservable inputs for the asset. In these situations, the Foundation develops inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to our assessment of the quality, risk, or liquidity profile of the asset.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other practices, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

In accordance with the authoritative guidance on fair value measurements and disclosures, as practical expedient, an entity holding investments in certain entities that calculate net asset value (NAV) per share or its equivalent for which fair value is not readily determinable is permitted to measure the fair value of such investments on the basis of NAV or its equivalent without adjustments. Investments measured at fair value using the NAV are not categorized within the fair value hierarchy.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method based on the estimated useful lives of the assets, generally 3 years. Expenditures for major renewals and improvements that extend the useful lives of property and equipment are capitalized. Expenditures for repairs and maintenance are charged to expense as incurred.

At the project level, cost of assets purchased under $5,000 are charged to expense. Property and equipment over $5,000 that have been acquired with unrestricted funds that remain the property of the Foundation are capitalized on the Foundation's books at cost. At June 30, 2024, there were no capitalized assets purchased with unrestricted funds.

At June 30, 2024, there were $9,050 of capitalized assets purchased by the projects, net of accumulated depreciation of $9,050. Depreciation expense for the year ended June 30, 2024 was $1,676.

Net Assets

Revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Foundation and changes therein are classified and reported as follows:

> ***Net Assets Without Donor Restrictions:*** Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. These net assets may be used at the discretion of the Foundation's board of directors. At June 30, 2024, the Foundation did not have any net assets designated by the board of directors.
>
> ***Net Assets With Donor Restrictions:*** Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of Foundation or by the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

Contributions

Contributions consist principally of donations from individuals and foundations. Contributions are recognized as revenue when received or unconditionally promised. Contributions received on behalf of projects are recorded as with donor restrictions support when they are awarded. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported as net assets released from restrictions in the statement of activities. Conditional promises to give are excluded from revenue and support until the conditions are substantially met. At June 30, 2024, there were no conditional promises to give.

If project funds are not spent before a project separates, such funds are recorded as a fund transfer expense at the time of separation. Contributions to be received after one year are discounted to present value at an appropriate discount rate commensurate with the risks involved. Amortization of the resulting discount is recognized as additional contribution revenue. An allowance for uncollectible contributions receivable is provided, if necessary, based on management's judgment, including such factors as prior collection history, type, and nature of contribution, and when contributions are anticipated to be received. At June 30, 2024, there was no allowance for doubtful accounts.

Accounts Receivable and Allowance for Credit Losses

Accounts receivable are stated at the amount management expects to collect from outstanding customer balances. Accounts receivable includes amounts due for fee and service income.

Effective July 1, 2023, the Foundation prospectively adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-13, *Financial Instrument—Credit Losses (Topic 326)*. During the year ended June 30, 2024, under the standard, the Foundation recognizes an allowance for credit losses for trade and other receivables to present the net amount expected to be collected as of the statement of financial position date. Such allowance is based on the credit losses expected to arise over the life of the asset which includes consideration of past events and historical loss experience, current events and also future events based on management's expectation as of the statement of financial position date. Receivables are written off when the Foundation determines that such receivables are deemed uncollectible. The Foundation pools its receivables based on similar risk characteristics in estimating its expected credit losses. In situations where a receivable does not share the same risk characteristics with other receivables, the Foundation measures those receivables individually. The Foundation also continuously evaluates such pooling decisions and adjusts as needed from period to period as risk characteristics change.

The Foundation utilizes the loss rate method in determining its lifetime expected credit losses on its receivables. This method is used for calculating an estimate of losses based primarily on the Foundation's historical loss experience. In determining its loss rates, the Foundation evaluates information related to its historical losses, adjusted for current conditions, and further adjusted for the period of time that can be reasonably forecasted. Qualitative and quantitative adjustments related to current conditions and the reasonable and supportable forecast period consider past due receivables and historical collection rates. For receivables that are not expected to be collected within the normal business cycle, the Foundation considers current and forecasted direction of the economic and business environment.

During the year ended June 30, 2024, the Foundation experienced no credit losses, bad debt expense, or bad debt recoveries. As of June 30, 2024, accounts receivable are expected to be collected in full and no adjustments are considered necessary.

Revenue Recognition

Revenue recognition is evaluated under Accounting Standards Codification (ASC) No. 606 through the following five steps:

1. identification of the contract or contracts with a customer;
2. identification of the performance obligations in the contract;
3. determination of the transaction price;
4. allocation of the transaction price in the contract; and
5. recognition of revenue when or as a performance obligation is satisfied. The Foundation assesses the contract term as the period in which the parties to the contract have presently enforceable rights and obligations.

The Foundation derives its revenue from the following sources:

Fee Income

Revenues from fee income from sponsored projects are recognized over time as services are provided.

Special Events Revenue

Revenues from special events are recognized once the events are held. Amounts received in advance are recorded as unearned revenue.

Service Revenue

Revenue from services provided by sponsored projects to third parties are recorded as service revenue. Revenue is recognized over time as the services are provided to the students.

Functional Allocation of Expenses

Costs of providing program and supporting services have been summarized on a functional basis in the statement of activities and the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on usage and employee time.

Income Taxes

The Foundation has received tax-exempt status from the Internal Revenue Service and California Franchise Tax Board under Section 501(c)(3) of the Internal Revenue Code and Section 2370l(d) of the Revenue and Taxation Code, respectively.

Each year, management considers whether any material tax position the Foundation has taken is more likely than not to be sustained upon examination by the applicable taxing authority. Management believes that any positions the Foundation has taken are supported by substantial authority and, hence, do not need to be measured or disclosed in these financial statements.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Management's estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Contributed Nonfinancial Assets

The Foundation may receive services, equipment and materials without payment or compensation. Contributed nonfinancial assets are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation. Material and other noncash donations are recorded at cost or estimated fair value determined at the date of donation. For the year ended June 30, 2024, the Foundation recorded donated services of $200,000 and donated goods of $151,039, which are recorded as contributed nonfinancial assets in the accompanying statement of activities.

New Accounting Pronouncements

Adopted in the Current Year

In June 2016, the FASB issued ASU No. 2016-13, *Measurement of Financial Instruments—Credit Losses* (Topic 326). The ASU introduces a new credit loss methodology, *Current Expected Credit Losses (CECL)*, which requires earlier recognition of credit losses, while also providing additional transparency about credit risk. Since its original issuance in 2016, the FASB has issued several updates to the original ASU. For financial instruments included in the scope, the CECL methodology utilizes a lifetime "expected credit loss" measurement objective for the recognition of credit losses at the time the financial asset is originated or acquired. The expected credit losses are adjusted each period for changes in expected lifetime credit losses. The methodology replaces the multiple existing impairment methods in current accounting principles generally accepted in the United States of America, which generally require that a loss be incurred before it is recognized. On July 1, 2023, the Foundation adopted the ASU using the modified retrospective approach. There was no adjustment to beginning net assets upon adoption.

Concentrations of Credit Risk

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist of cash and cash equivalents and investments.

The Foundation places its cash and cash equivalents with high-credit, quality financial institutions. At times, such cash may be in excess of the FDIC insurance limit. The Foundation has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk.

At June 30, 2024, 81% of contributions receivable were from five donors.

Subsequent Events

The Foundation has evaluated events through November 14, 2024 which is the date the financial statements were approved and available to be issued.

NOTE 3 – Liquidity

The Foundation regularly monitors liquidity required to meet its operating needs and other contractual commitments while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Foundation considers all expenditures related to its ongoing mission-related activities as well as the month expenditures undertaken to support those activities to be general expenditures.

The Foundation’s financial assets available within one year of June 30, 2024 to meet general expenditures include:

Financial assets at fiscal year-end:	
Cash, restricted cash and cash equivalents	$ 40,827,116
Contributions receivable	2,511,661
Accounts receivable	90,172
Investments	6,827,597
Total financial assets and other liquidity resources	50,256,546
Less amounts unavailable for general expenditure within one year:	
Donor-imposed restrictions:	
Purpose restricted net assets	(43,467,537)
Financial assets to meet cash needs for general expenditures within one year	$ 6,789,009

NOTE 4 - Contributions Receivable

Contributions receivable at June 30, 2024 totaled $2,511,661 and are expected to be received by June 30, 2025.

NOTE 5 — Investments and Fair Value Measurements

At June 30, 2024, the fair value of the Foundation's investments on a recurring basis are as follows:

	Level 1	Level 2	Level 3	Net Asset Value	Total
Investments:					
Equities	$ 115,277	$ –	$ –	$ –	$ 115,277
Government bonds	–	1,664,011	–	–	1,664,011
Mutual funds	2,526,460	–	–	–	2,526,460
Exchange traded funds	1,492,098	–	–	–	1,492,098
Closely held stock	–	–	957,001	–	957,001
Convertible note receivable	–	–	50,000	–	50,000
Limited Partnership interest (1) *	–	–	–	22,750	22,750
Totals	$ 4,133,835	$ 1,664,011	$ 1,007,001	$ 22,750	$ 6,827,597

(1) This includes one investment in a Limited Partnership which is locked for the duration and therefore no withdrawals are allowed. The term of the Limited Partnership ends in December 2032 and at June 30, 2024, the Foundation has an unfunded commitment of $77,250.

The fair values of investments within Level 1 inputs were obtained based on quoted market prices at the closing of the last business day of the fiscal year for 2024.

The fair values of investments within Level 2 inputs were valued based on amortized cost.

The fair value of the investments in Level 3 were valued by the Foundation with assistance from external appraisers using methods that management believes provide a reasonable estimate of fair value. The Foundation uses either a market approach that uses prices and other relevant information generated by comparable public companies or the average of the value from a market approach and an income method using historical and projected cash flows.

There were no changes in methodologies used to determine fair value at June 30, 2024.

For the year ended June 30, 2024 level 3 investments activity is summarized as follows:

	Level 3
Balance at June 30, 2023	$ 4,722,100
Purchase of convertible note receivable	50,000
Unrealized loss	(3,765,099)
Balance at June 30, 2024	$ 1,007,001

NOTE 6 – Notes Payable

The Foundation entered into various loan agreements with entities sponsored by the Foundation in the amount of $260,607. The notes are due on demand and do not bear interest.

The Foundation entered into a loan agreement with a corporate entity in the amount of $30,000. The note is due on demand and does not bear interest.

NOTE 7 – External Grants Payable

External grants payable consist of unconditional promises to give to further the mission of the sponsored projects. During the year ended June 30, 2024, the Foundation pledged $1,079,118 to an unrelated organization, payable in annual installments of $119,902 over 9 years commencing July 31, 2025. External grants payable are initially recorded at their fair value, discounted at a rate of 4.36% and accreted over the life of the promise to give.

The amount of these contributions payable were as follows at June 30, 2024:

Years ending June 30	
2025	$ -
2026	119,902
2027	119,902
2028	119,902
2029	119,902
Thereafter	599,510
Total	1,079,118
Discount to net present value	(202,056)
	$ 877,062

NOTE 8 – Net Assets With Donor Restrictions

At June 30, 2024, net assets with donor restriction consist of contributions which are available for future periods and/or specific programs as follows:

Subject to purpose and time restrictions	
Time and purpose restricted	$ 2,511,661
Purpose restricted	
Baker Family Foundation	10,241,796
Social justice	6,816,138
The Morgan Wallen Foundation	6,566,660
Preservation and economic advancement	3,405,821
Brooks Family DAF	3,164,130
Cosmos Institute	2,996,081
Health and wellness	1,508,678
General philanthropy	1,447,121
Religious services	1,393,105
Outschool.org	1,220,288
Research	710,325
Education	531,689
Environmental conservation	436,884
Food security	280,470
Disaster relief	236,690
	$ 43,467,537

For the year ended June 30, 2024, net assets with donor restrictions were released from donor restrictions by incurring expenses satisfying the purpose specified by donors as follows:

Baker Family Foundation	$ 189,920
The Morgan Wallen Foundation	2,066,631
Social justice	7,510,574
Preservation and economic advancement	8,356,438
Brooks Family DAF	130,350
Cosmos Institute	3,915,739
Outschool.org	2,801,228
Health and wellness	10,657,611
General philanthropy	2,726,407
Religious services	3,390,871
Research	1,817,608
Education	2,228,589
Environmental conservation	2,399,842
Food security	657,984
Disaster relief	407,618
	$ 49,257,410

NOTE 9 – Leases

The Foundation leases three office spaces under noncancelable operating lease agreements expiring between October 2024 and August 2025. The minimum monthly lease payments range between $2,250 to $9,503.

Right-of-use assets represent the Foundation's right to use an underlying asset for the lease term, while lease liabilities represent the Foundation's obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the commencement date of a lease based on the net present value of lease payments over the lease term.

In determining the discount rate used to measure the right-of-use assets and lease liabilities, the Foundation uses the rate implicit in the lease, or if not readily available, the Foundation uses a risk free rate based on U.S. Treasury note or bond rates for a similar term.

Right-of-use assets are assessed for impairment in accordance with the Foundation's long-lived asset policy. The Foundation reassesses lease classification and remeasures right-of-use assets and lease liabilities when a lease is modified and that modification is not accounted for as a separate new lease or upon certain other events that require reassessment in accordance with Topic 842.

The Foundation made significant assumptions and judgments in applying the requirements of Topic 842. In particular, the Foundation:

- Evaluated whether a contract contains a lease, by considering factors such as whether the Foundation obtained substantially all rights to control an identifiable underlying asset and whether the lessor has substantive substitution rights;
- Evaluated leases with similar commencement dates, lengths of term, renewal options or other contract terms, which therefore meet the definition of a portfolio of leases, whether to apply the portfolio approach to such leases; although this election as not made.
- Determined whether contracts contain embedded leases;
- Determined for leases that contain a residual value guarantee, whether a payment at the end of the lease term was probable and, accordingly, whether to consider the amount of a residual value guarantee in future lease payments;

During the year ended June 30, 2024, lease expense, which comprises operating and short-term lease expense, amounted to $218,941.

The right-of-use assets and lease liabilities were calculated using a discount rate of 4.43%. As of June 30, 2024, the remaining lease term was 0.93 years.

The table below summarizes the Foundation's scheduled future minimum lease payments for years ending after June 30, 2024:

Years ending June 30	
2025	$ 131,012
2026	13,250
Total lease payments	144,262
Less: future interests	(2,661)
Present value of lease obligations	$ 141,601

NOTE 10 - Contingencies

Litigation

In the normal course of business, the Foundation may become a party to litigation. Management believes there are no asserted or unasserted claims or contingencies that would have a significant impact on the financial statements of the Foundation as of June 30, 2024.

NOTE 11 – Retirement Plan

The Foundation has a defined benefit plan (the Plan) for eligible employees. The benefits are based on years of service and average monthly earnings. The Foundation's plan is funded annually at an amount sufficient to cover the normal cost.

The Foundation recognizes the funded status of the benefit plan in the statement of financial position and gains and losses that arise during the period that are deferred under pension accounting rules in the statement of activities as a change to net assets.

No contributions are required by employees and the Foundation did not make any contributions for the year ended June 30, 2024. The present value of the benefit obligation was fully funded as required under the terms of the Plan. There were no material changes in the fair value of the assets during the year ended June 30, 2024.

For the year ended June 30, 2024, changes in the fair value of plan assets and the net pension obligation resulted in a $86,969 gain on pension obligation asset which is included in miscellaneous income in the accompanying statement of activities.

The following table sets forth information about the Foundation's defined benefit plan as of and for the year ended June 30, 2024:

	Plan Assets	Accumulated Benefit Obligation	Net Periodic Pension Cost	Pension Changes
Balance at June 30, 2023	$ 1,026,278	$ 366,332	$ 659,946	$ –
Actual return on net assets	101,944	–	101,944	101,944
Actuarial loss	–	14,975	(14,975)	(14,975)
Balance at June 30, 2024	$ 1,128,222	$ 381,307	$ 746,915	$ 86,969

The changes in pension plan assets in the preceding table were measured at fair value.

The following table sets forth by level with the fair value hierarchy pension plan assets at their fair value as of June 30, 2024:

	Level 1	Level 2	Level 3	Net Asset Value	Total
Cash	$ 316,922	$ –	$ –	$ –	$ 316,922
Limited Partnership interests (1)	–	–	–	811,299	811,299
Totals	$ 316,922	$ –	$ –	$ 811,299	$ 1,128,221

(1) This category includes four equity investments in Limited Partnerships with investments in real estate.

The following assumptions were used in accounting for the pension plan:

Weighted-average assumptions used to determine pension benefit obligations at June 30, 2024:

Discount rate	5%
Expected return on plan assets	5%

The expected long-term rate of return assumption is based upon many factors including asset allocations, historical asset returns, current and expected future market conditions, risk and active management premiums.

No benefits were paid by the Plan to participants during the year ended June 30, 2024. Benefit payments provided by the Plan are expected to be paid in 2032.

Plan contributions are made and the actuarial present value of accumulated plan benefits are reported based on certain assumptions pertaining to interest rates, inflation rates and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near-term would be material to the financial statements.

Equity interests in limited partnerships held as plan assets are reported at NAV. To mitigate potential fluctuations in the fair value of real estate investments held by limited partnerships, all other plan assets are held as cash. The investment strategy is to invest plan assets in real estate to realize rental income and appreciation in the value of the property. Cash is available for future investment opportunities and offsets the risk of fluctuations in real estate values and lack of occupancy in the investment properties.

NOTE 12 – Related Parties

An entity controlled by the Foundation's CEO provides operational services to the Foundation. For the year ended June 30, 2024, payments to the entity totaled $1,763,825.

The Foundation subleases office space to an entity controlled by the Foundation’s CEO. The Foundation received payments of $19,200 related to this short-term lease.