

WEINGART FOUNDATION

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

WEINGART FOUNDATION

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Weingart Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of Weingart Foundation (a non-profit organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, functional expenses 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Weingart Foundation as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Weingart Foundation's 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 20, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Green Hasson & Janks LLP

September 19, 2014
Los Angeles, California

WEINGART FOUNDATION

STATEMENT OF FINANCIAL POSITION

June 30, 2014

With Summarized Totals at June 30, 2013

	2014	2013
ASSETS		
Cash and Cash Equivalents	\$ 1,670,148	\$ 3,401,505
Accounts and Other Receivables	2,629,544	3,806,517
Prepaid Expenses and Other Assets	518,354	538,580
Investments	793,854,649	708,712,263
Program Related Investments	250,000	750,000
	<hr/>	<hr/>
TOTAL ASSETS	\$ 798,922,695	\$ 717,208,865
	<hr/> <hr/>	<hr/> <hr/>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts Payable and Accrued Expenses	\$ 1,177,588	\$ 906,900
Grants Payable	8,765,864	9,312,007
Deferred Excise Taxes	3,631,398	2,310,262
	<hr/>	<hr/>
TOTAL LIABILITIES	13,574,850	12,529,169
NET ASSETS:		
Unrestricted	785,347,845	704,679,696
	<hr/>	<hr/>
TOTAL LIABILITIES AND NET ASSETS	\$ 798,922,695	\$ 717,208,865
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The Accompanying Notes are an Integral Part of These Financial Statements

WEINGART FOUNDATION

STATEMENT OF ACTIVITIES

Year Ended June 30, 2014

With Summarized Totals for the Year Ended June 30, 2013

	2014	2013
REVENUE AND GAINS:		
Interest and Dividends	\$ 18,473,632	\$ 15,546,130
Net Realized and Unrealized Gains on Investments	102,181,434	39,335,323
Rental Income (Net)	2,997,822	5,840,684
<i>TOTAL REVENUE AND GAINS</i>	123,652,888	60,722,137
EXPENSES:		
Program Services:		
Grants	32,081,941	31,742,649
Grant Expenses	3,279,199	3,047,132
<i>Total Program Services</i>	35,361,140	34,789,781
Investment Expenses	4,656,788	3,580,801
Excise Tax Expense	2,966,811	1,155,689
<i>TOTAL EXPENSES</i>	42,984,739	39,526,271
<i>CHANGE IN UNRESTRICTED NET ASSETS</i>	80,668,149	21,195,866
Unrestricted Net Assets - Beginning of Year	704,679,696	683,483,830
<i>UNRESTRICTED NET ASSETS - END OF YEAR</i>	\$ 785,347,845	\$ 704,679,696

The Accompanying Notes are an Integral Part of These Financial Statements

WEINGART FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES
 Year Ended June 30, 2014
 With Summarized Totals for the Year Ended June 30, 2013

	Program Services	Investment Expenses	Total	
			2014	2013
Grants Approved	\$ 32,081,941	\$ -	\$ 32,081,941	\$ 31,742,649
Personnel Costs:				
Salaries	1,494,538	418,956	1,913,494	1,807,385
Payroll Taxes	95,763	16,632	112,395	108,014
Employee Benefits	665,260	186,436	851,696	796,140
Professional Fees	361,254	3,747,193	4,108,447	2,981,563
Directors Fees	152,900	152,900	305,800	289,900
Rent	263,520	73,850	337,370	322,602
Insurance	57,829	16,206	74,035	76,145
Office Expenses	100,381	28,039	128,420	136,571
Travel and Meetings	72,874	7,904	80,778	85,022
Other Expenses	14,880	8,672	23,552	24,591
TOTAL FUNCTIONAL EXPENSES - 2014	\$ 35,361,140	\$ 4,656,788	\$ 40,017,928	
TOTAL FUNCTIONAL EXPENSES - 2013	\$ 34,789,781	\$ 3,580,801		\$ 38,370,582

The Accompanying Notes are an Integral Part of These Financial Statements

WEINGART FOUNDATION

STATEMENT OF CASH FLOWS

Year Ended June 30, 2014

With Summarized Totals for the Year Ended June 30, 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Unrestricted Net Assets	\$ 80,668,149	\$ 21,195,866
Adjustments to Reconcile Change in Unrestricted Net Assets to Net Cash Used in Operating Activities:		
Net Realized and Unrealized Gains on Investments	(102,181,434)	(39,335,323)
Deferred Excise Tax Expense (Benefit)	1,321,136	(1,335,677)
Change in Present Value Discount on Grants Payable	42,190	242,437
(Increase) Decrease in:		
Accounts and Other Receivables	1,176,973	(1,936,457)
Prepaid Expenses and Other Assets	20,226	547,237
Increase (Decrease) in:		
Accounts Payable and Accrued Expenses	270,688	(653,138)
Grants Payable	(588,333)	(584,101)
NET CASH USED IN OPERATING ACTIVITIES	(19,270,405)	(21,859,156)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds on Sale of Investments	96,283,018	356,352,041
Purchases of Investments	(79,243,970)	(334,068,368)
Collection of Program Related Investments	500,000	250,000
NET CASH PROVIDED BY INVESTING ACTIVITIES	17,539,048	22,533,673
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,731,357)	674,517
Cash and Cash Equivalents - Beginning of Year	3,401,505	2,726,988
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,670,148	\$ 3,401,505
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash Paid During the Year for Excise Taxes	\$ 1,050,000	\$ 2,175,000

The Accompanying Notes are an Integral Part of These Financial Statements

WEINGART FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 1 - ORGANIZATION

Weingart Foundation (the Foundation) is a private foundation that was established as a tax-exempt, nonprofit corporation pursuant to the Corporation Code of the State of California on June 29, 1951. The Foundation makes grants to nonprofit agencies and charitable organizations located primarily in Southern California.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) BASIS OF PRESENTATION

The accompanying financial statements have been prepared on the accrual basis of accounting.

(b) ACCOUNTING

To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts of the Foundation are maintained in accordance with the principles of net assets accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net asset classes that are in accordance with specified activities or objectives. All net assets of the Foundation are unrestricted.

(c) USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues and expenses as of the date and for the period presented. Actual results could differ from those estimates.

(d) CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, the Foundation considers cash on hand, deposits in banks, money market accounts and certificates of deposit with an original maturity of three months or less to be cash and cash equivalents. The carrying value of cash and cash equivalents at June 30, 2014 approximates its fair value.

(e) CONCENTRATION OF CREDIT RISK

The Foundation maintains its cash and cash equivalents in bank deposit and other investment accounts which may, at times, exceed federally insured limits. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

WEINGART FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) ACCOUNTS AND OTHER RECEIVABLES

Receivables are recorded when billed or accrued and represent claims against third parties that will be settled in cash. The carrying value of receivables, net of the allowance for doubtful accounts, if any, represents their estimated net realizable value. The allowance for doubtful accounts, if any, is estimated based on historical collection trends, type of debtor, the age of outstanding receivables and existing economic conditions. If events or changes in circumstances indicate that specific receivable balances may be impaired, further consideration is given to the collectability of those balances and the allowance is adjusted accordingly. Past due receivable balances are written-off when internal collection efforts have been unsuccessful in collecting the amount due. At June 30, 2014, all receivables are deemed to be fully collectible; therefore, no allowance for doubtful accounts receivable has been established.

(g) INVESTMENTS

Investments in equity and debt securities with readily determinable market values are reported at fair value. The fair value of investments is valued at the closing price on the last business day of the fiscal year. Realized gains and losses are calculated based upon the underlying cost of the securities traded. Interest and dividend income is recorded when earned. Gains or losses (including investments bought, sold, and held during the year), and interest and dividend income are reflected in the statement of activities as increases or decreases in unrestricted net assets.

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain long-term investments, it is reasonably possible that changes in the values of these investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

Investments are made according to the investment policies, guidelines, and objectives adopted by the Foundation's Board of Directors. These guidelines provide for investments in equities, fixed income, and other securities with performance measured against appropriate indices. The investments are generally managed and reviewed by outside investment managers contracted by the Foundation.

Investments in commercial properties are stated at estimated fair market values, which are determined based on valuations performed by appraisers or by management. These valuations are subjective judgments, and the actual fair market values of real estate investments can only be determined by negotiation between independent third parties in a sales transaction.

The Foundation has a 33% interest in a real estate holding trust. The trust interest is carried at the Foundation's percentage ownership based on the fair market value of the underlying real estate, and the Foundation recognized income of \$625,513 from this investment during the year ended June 30, 2014, which is included in net rental income.

Investments in private real estate investment trusts are reported at fair value using the income approach in accordance with the fair value accounting standards.

WEINGART FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) INVESTMENTS (continued)

The Foundation reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the book value of the assets may not be recoverable. An impairment loss is recognized when the sum of the undiscounted future cash flows is less than the carrying amount of the asset, in which case a write-down is recorded to reduce the related asset to its estimated fair value. No impairment losses were recognized on long-lived assets during the year ended June 30, 2014.

(h) PROGRAM RELATED INVESTMENTS

In accordance with Internal Revenue Code (IRC) Section 4944, the Foundation is permitted to make investments in furtherance of its charitable purpose. At June 30, 2014, the Foundation had one program related investment in the form of an unsecured loan to a charitable organization for the amount of \$250,000. The loan matures in November 2014 and bears interest at 4.0% per annum.

(i) GRANTS

Grants, including conditional grants, are charged against operations when authorized by the Foundation's Board of Directors. The actual payment of the grant may not necessarily occur in the year of authorization. Based on historical grant cancellation rates and the Foundation's giving trend, management has determined that there is only a remote chance that the conditional grants will not be paid and considers the liability for grants payable at June 30, 2014 to be fairly stated. Grants which are expected to be paid beyond one year are discounted at an appropriate rate, which management has determined to be 3.14%. Amortization of the present value discount rate is recorded as additional grants expense.

(j) INCOME TAXES

The Foundation is exempt from taxation under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701(d). The Foundation is subject to a 2% (1% if certain criteria are met) federal excise tax on net investment income. For the year ended June 30, 2014, the Foundation was subject to the 2% federal excise tax, which totaled \$1,645,675 for the year ended June 30, 2014. Deferred excise taxes arise from the net unrealized appreciation in the fair value of investments and are calculated using the 2% excise tax rate, as the qualification for the 1% excise tax rate is usually not determined until the year in which the unrealized gains become realized.

The excise tax expense in the statement of activities consists of the following for the year ended June 30, 2014:

Current	\$	1,645,675
Deferred		<u>1,321,136</u>
TOTAL EXCISE TAX EXPENSE	\$	<u>2,966,811</u>

WEINGART FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the Foundation's programs and other activities have been presented in the statement of functional expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit. The Foundation uses proportional salary dollars to allocate indirect costs.

(l) COMPARATIVE TOTALS

The financial statements include certain prior-year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2013, from which the summarized information was derived.

(m) SUBSEQUENT EVENTS

The Foundation has evaluated events and transactions occurring subsequent to the statement of financial position date of June 30, 2014 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through September 19, 2014, the date these financial statements were available to be issued. The Foundation is not aware of any subsequent events which would require recording or disclosure in the financial statements, except as disclosed in Note 8.

NOTE 3 - INVESTMENTS

The Foundation has implemented the fair value accounting standard for those assets that are re-measured and reported at fair value at each reporting period. This standard establishes a single authoritative definition of fair value, sets out a framework for measuring fair value based on inputs used, and requires additional disclosures about fair value measurements.

In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets. Fair values determined by Level 2 inputs utilize data points that are observable such as quoted prices, interest rates and yield curves. Fair values determined by Level 3 inputs are unobservable data points for the asset and include situations where there is little, if any, market activity for the asset.

WEINGART FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 3 - INVESTMENTS (continued)

The following table presents information about the Foundation's assets that are measured at fair value on a recurring basis at June 30, 2014, and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

	Year Ended June 30, 2014	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
MARKETABLE SECURITIES:				
Fixed Income	\$ 211,828,306	\$ 1,770,616	\$ 210,057,690	\$ -
U.S. Equities	170,927,059	-	170,927,059	-
International Equities	206,279,768	-	206,279,768	-
Real Assets Fund	40,144,797	-	40,144,797	-
TOTAL MARKETABLE SECURITIES	629,179,930	1,770,616	627,409,314	-
REAL ESTATE:				
Commercial Properties	27,700,000	-	-	27,700,000
Real Estate Holding Trust	19,788,410	-	-	19,788,410
Private Real Estate Investment Trusts	117,186,309	-	-	117,186,309
TOTAL REAL ESTATE	164,674,719	-	-	164,674,719
TOTAL INVESTMENTS	\$ 793,854,649	\$ 1,770,616	\$ 627,409,314	\$ 164,674,719

The following is a rollforward of the amounts for the year ended June 30, 2014 for investments within Level 3:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)			
	Commercial Properties	Real Estate Holding Trust	Private Real Estate Investment Trusts	Total
Balance - July 1, 2013	\$ 28,900,000	\$ 6,740,000	\$ 78,181,766	\$ 113,821,766
Purchases	224,066	-	33,405,454	33,629,520
Unrealized and Realized Gains (Losses)	(1,424,066)	13,048,410	5,599,089	17,223,433
BALANCE - JUNE 30, 2014	\$ 27,700,000	\$ 19,788,410	\$ 117,186,309	\$ 164,674,719

During the year ended June 30, 2014, the net change in unrealized gain for Level 3 investments still held at June 30, 2014 amounted to \$17,343,121, which is reflected as part of net realized and unrealized gains on investments on the statement of activities.

The Foundation recognizes transfers at the beginning of each reporting period. Transfers between Level 1 and 2 investments generally relate to whether a market becomes active or inactive. Transfers between Level 2 and 3 investments relate to whether significant relevant observable inputs are available for the fair value measurement in their entirety and when redemption rules become more or less restrictive. There were no transfers between levels during the year ended June 30, 2014.

WEINGART FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 3 - INVESTMENTS (continued)

The fair value of the marketable securities within Level 1 was obtained based on quoted market prices at the closing of the last business day of the fiscal year.

The fair value of the marketable securities within Level 2 was based on the net asset value per share (NAV) of units held by the Foundation. The NAV is determined by the asset managers based on the value of underlying investments within the funds. All lock-up periods on the funds have expired and redemptions can be made monthly, daily, or quarterly in some instances upon 3 to 45 day notice, depending on the fund. There are no unfunded commitments at June 30, 2014.

The fair value of investments in real estate within Level 3 is estimated based on valuations performed by appraisers, management or the private real estate investment trust managers, using the income approach in accordance with the fair value accounting standard. Inputs used for the income approach included the evaluation of certain observable market data such as comparable rent and capitalization rates on similar property types. Investments in commercial properties and the real estate holding trust are illiquid. Redemptions on the real estate investment trusts can be made quarterly upon 45 to 90 day notice. There are no unfunded commitments at June 30, 2014.

NOTE 4 - GRANTS PAYABLE

Grants authorized but unpaid at June 30, 2014 are reported as liabilities. The following is a summary of grants authorized and payable at June 30, 2014:

To Be Paid in Less than One Year	\$ 4,483,333
To Be Paid in One to Five Years	<u>4,545,000</u>
TOTAL	9,028,333
Less: Present Value Discount (3.14%)	<u>(262,469)</u>
TOTAL GRANTS PAYABLE	<u>\$ 8,765,864</u>

Included in grants payable are authorized grants totaling \$7,978,333 that are contingent upon certain requirements being met by the grantees.

Grant activity during the year ended June 30, 2014 is summarized as follows:

Grants Approved in Prior Years	
Pending Payment	\$ 9,312,007
Grants Approved in Current Year	<u>32,039,751</u>
TOTAL GRANTS APPROVED	41,351,758
Less: Grants to be Paid in Subsequent Years	(8,765,864)
Add: Movement in Present Value Discount	<u>42,190</u>
GRANTS PAID IN CURRENT YEAR	<u>\$ 32,628,084</u>

WEINGART FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 4 - GRANTS PAYABLE (continued)

The Foundation is required to distribute annually, to qualifying charitable organizations, an amount equal to 5% of the average fair market value of the Foundation's assets (the minimum distribution). If the Foundation does not distribute the required minimum distribution, a one-year grace period is granted to distribute the undistributed income. If undistributed income is not distributed by the close of the following tax year, a minimum 30% penalty under Internal Revenue Code (IRC) S4942(a) will apply. The Foundation met the IRC grant distribution requirement for the year ended June 30, 2014.

NOTE 5 - LEASES

The Foundation leases commercial space to tenants under long-term non-cancelable operating leases. The leases generally contain provisions for a base rent, subject to fixed escalation, plus reimbursement for certain operating expenses.

Approximate minimum future rental income at June 30, 2014 is as follows:

Years Ending June 30

2014	\$	3,402,057
2015		3,293,874
2016		727,462
2017		453,867
2018		453,867
Thereafter		<u>8,908,676</u>
TOTAL	\$	<u>17,239,803</u>

Rental income (net) for the year ended June 30, 2014 consists of the following:

Rental Income	\$	4,910,316
Rental Expense		<u>(1,912,494)</u>
RENTAL INCOME (NET)	\$	<u>2,997,822</u>

NOTE 6 - RETIREMENT PLAN

The Foundation offers its full-time employees a 403(b) defined contribution pension plan. Under the provisions of the plan, the Foundation makes annual contributions up to certain limits prescribed by Internal Revenue Service regulations. Contributions vest immediately and investments are employee-directed. The Foundation contributed \$391,679 to the plan during the year ended June 30, 2014 on behalf of its employees.

WEINGART FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 7 - RELATED PARTY TRANSACTIONS

The Foundation's Board of Directors has adopted a conflict of interest policy and re-affirms its belief that its mission is fostered by having on the Board persons active in the community, including those who serve on the boards of organizations who are or may become grant recipients. The conflict of interest policy is intended to assure grantees of the Foundation that decisions of the Foundation are made objectively with full knowledge of the involvement, if any, of the Board and staff and their immediate family members with grant-seeking agencies. Board members with an affiliation with the grantees were not involved in the grant making decision process.

The Board of Directors was compensated for performance of Board services during the year ended June 30, 2014.

NOTE 8 -SUBSEQUENT EVENT

On July 14, 2014, the real estate holding trust that the Foundation has a 33% interest in closed escrow on the sale of the commercial property it owned. The sales price of the property was \$58,667,093, and the Foundation's consideration in proportion to its percentage interest in the trust was \$19,788,410.