

WEINGART FOUNDATION

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

WEINGART FOUNDATION

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

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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, 2016, 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, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Weingart Foundation's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 18, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Green Hasson & Janks LLP

September 16, 2016
Los Angeles, California

WEINGART FOUNDATION

STATEMENT OF FINANCIAL POSITION

June 30, 2016

With Summarized Totals at June 30, 2015

	2016	2015
ASSETS		
Cash and Cash Equivalents	\$ 2,353,040	\$ 3,711,682
Accounts and Other Receivables	2,557,072	3,429,892
Prepaid Expenses and Other Assets	358,788	520,508
Investments	733,490,807	771,019,289
Program Related Investment	-	750,000
TOTAL ASSETS	\$ 738,759,707	\$ 779,431,371
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts Payable and Accrued Expenses	\$ 2,335,375	\$ 985,106
Grants Payable	10,237,761	8,912,879
Deferred Excise Taxes	2,777,808	3,016,466
TOTAL LIABILITIES	15,350,944	12,914,451
NET ASSETS:		
Unrestricted	723,408,763	766,516,920
TOTAL LIABILITIES AND NET ASSETS	\$ 738,759,707	\$ 779,431,371

The Accompanying Notes are an Integral Part of These Financial Statements

WEINGART FOUNDATION

STATEMENT OF ACTIVITIES

Year Ended June 30, 2016

With Summarized Totals for the Year Ended June 30, 2015

	2016	2015
REVENUE AND GAINS (LOSSES):		
Interest and Dividends	\$ 19,066,621	\$ 19,129,780
Net Realized and Unrealized Gains (Losses) on Investments	(15,856,813)	4,476,253
Rental Income (Net)	1,308,280	2,246,407
<i>TOTAL REVENUE AND GAINS (LOSSES)</i>	4,518,088	25,852,440
EXPENSES:		
Program Services:		
Grants	39,015,784	35,474,073
Grant Expenses	3,850,468	3,631,973
<i>Total Program Services</i>	42,866,252	39,106,046
Investment Expenses	4,526,517	4,619,441
Excise Tax Expense	233,476	957,878
<i>TOTAL EXPENSES</i>	47,626,245	44,683,365
<i>CHANGE IN UNRESTRICTED NET ASSETS</i>	(43,108,157)	(18,830,925)
Unrestricted Net Assets - Beginning of Year	766,516,920	785,347,845
<i>UNRESTRICTED NET ASSETS - END OF YEAR</i>	\$ 723,408,763	\$ 766,516,920

The Accompanying Notes are an Integral Part of These Financial Statements

WEINGART FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES Year Ended June 30, 2016 With Summarized Totals for the Year Ended June 30, 2015

	Program Services	Investment Expenses	Total	
			2016	2015
Grants Approved	\$ 39,015,784	\$ -	\$ 39,015,784	\$ 35,474,073
Personnel Costs:				
Salaries	1,798,845	352,500	2,151,345	2,177,241
Payroll Taxes	113,635	16,164	129,799	122,504
Employee Benefits	723,914	141,908	865,822	784,033
Professional Fees	425,038	3,759,396	4,184,434	4,131,354
Directors Fees	137,000	137,000	274,000	305,800
Rent	310,375	60,843	371,218	351,533
Insurance	73,139	14,337	87,476	82,155
Office Expenses	152,314	30,143	182,457	165,175
Travel and Meetings	105,972	12,262	118,234	109,640
Other Expenses	10,236	1,964	12,200	21,979
TOTAL FUNCTIONAL EXPENSES - 2016	\$ 42,866,252	\$ 4,526,517	\$ 47,392,769	
TOTAL FUNCTIONAL EXPENSES - 2015	\$ 39,106,046	\$ 4,619,441		\$ 43,725,487

The Accompanying Notes are an Integral Part of These Financial Statements

WEINGART FOUNDATION

STATEMENT OF CASH FLOWS

Year Ended June 30, 2016

With Summarized Totals for the Year Ended June 30, 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Unrestricted Net Assets	\$ (43,108,157)	\$ (18,830,925)
Adjustments to Reconcile Change in Unrestricted Net Assets to Net Cash Used in Operating Activities:		
Net Realized and Unrealized (Gains) Losses on Investments	15,856,813	(4,476,253)
Deferred Excise Tax Benefit	(238,658)	(614,932)
Change in Present Value Discount on Grants Payable	68,061	97,168
Allowance on Program Related Investment	750,000	-
(Increase) Decrease in:		
Accounts and Other Receivables	872,820	(800,348)
Prepaid Expenses and Other Assets	161,720	(2,154)
Increase (Decrease) in:		
Accounts Payable and Accrued Expenses	1,350,269	(192,482)
Grants Payable	1,256,821	49,847
NET CASH USED IN OPERATING ACTIVITIES	(23,030,311)	(24,770,079)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds on Sale of Investments	80,899,004	62,988,881
Purchases of Investments	(59,227,335)	(35,677,268)
Collection of Program Related Investments	-	250,000
Advances on Program Related Investments	-	(750,000)
NET CASH PROVIDED BY INVESTING ACTIVITIES	21,671,669	26,811,613
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,358,642)	2,041,534
Cash and Cash Equivalents - Beginning of Year	3,711,682	1,670,148
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 2,353,040	\$ 3,711,682

The Accompanying Notes are an Integral Part of These Financial Statements

WEINGART FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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, 2016 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, 2016

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, 2016, 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.

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, 2016

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, 2016.

(h) PROGRAM RELATED INVESTMENT

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, 2016, the Foundation had one program related investment in the form of a loan to a charitable organization for the amount of \$750,000, secured by the deed of trust of a certain real property owned by the charitable organization. The loan is interest free through September 2015, bears interest at 1.0% per annum from October 2015 to September 2017, and 3.0% per annum thereafter through maturity date. The principal is to be repaid in annual installments starting July 2018, with the final installment due upon maturity in July 2024. An allowance of \$750,000 was established against the loan during the year ended June 30, 2016, and such expense was included in grants in the statement of activities.

(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, 2016 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 2.15%. 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, 2016, the Foundation was subject to the 1% federal excise tax, which totaled \$472,134 for the year ended June 30, 2016. 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, 2016:

Current	\$	472,134
Deferred		(238,658)
TOTAL EXCISE TAX EXPENSE	\$	233,476

WEINGART FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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, 2015, 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, 2016 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through September 16, 2016, 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.

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, 2016

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, 2016, and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

	Fair Value Measurements Using			
	Year Ended June 30, 2016	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	\$ 201,522,074	\$ 47,141,261	\$ 154,380,813	\$ -
U.S. Equities	158,049,264	-	158,049,264	-
International Equities	185,123,331	-	185,123,331	-
Real Assets Fund	37,657,095	-	37,657,095	-
TOTAL MARKETABLE SECURITIES	582,351,764	47,141,261	535,210,503	-
REAL ESTATE:				
Commercial Properties	7,650,000	-	-	7,650,000
Private Real Estate Investment Trusts	143,489,043	-	-	143,489,043
TOTAL REAL ESTATE	151,139,043	-	-	151,139,043
TOTAL INVESTMENTS	\$733,490,807	\$ 47,141,261	\$ 535,210,503	\$ 151,139,043

The following is a rollforward of the amounts for the year ended June 30, 2016 for investments within Level 3:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)		
	Commercial Properties	Private Real Estate Investment Trusts	Total
Balance - July 1, 2015	\$30,204,012	\$130,117,085	\$160,321,097
Purchases	-	8,525,716	8,525,716
Sales	(23,215,467)	(5,000,000)	(28,215,467)
Unrealized and Realized Gains/Net	661,445	9,846,242	10,507,697
BALANCE - JUNE 30, 2016	\$ 7,650,000	\$143,489,043	\$151,139,043

During the year ended June 30, 2016, the net change in unrealized gain for Level 3 investments still held at June 30, 2016 amounted to \$8,503,991, which is reflected as part of net realized and unrealized losses 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, 2016.

WEINGART FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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, 2016.

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. In addition, the Foundation subscribed to two private real estate funds with aggregate capital commitments of \$45,000,000, of which \$36,697,000 remains uncalled and unfunded as of June 30, 2016.

NOTE 4 - GRANTS PAYABLE

Grants authorized but unpaid at June 30, 2016 are reported as liabilities. The following is a summary of grants authorized and payable at June 30, 2016:

To Be Paid in Less than One Year	\$ 5,715,000
To Be Paid in One to Five Years	<u>4,620,000</u>
TOTAL	10,335,000
Less: Present Value Discount (2.15%)	<u>(97,239)</u>
TOTAL GRANTS PAYABLE	<u>\$ 10,237,761</u>

Included in grants payable are authorized grants totaling \$9,460,000 that are contingent upon certain requirements being met by the grantees.

Grant activity during the year ended June 30, 2016 is summarized as follows:

Grants Approved in Prior Years	
Pending Payment	\$ 8,912,880
Grants Approved in Current Year	<u>38,947,723</u>
TOTAL GRANTS APPROVED	47,860,603
Less: Grants to be Paid in Subsequent Years	(10,237,761)
Less: Allowance on Program Related Investment	(750,000)
Add: Movement in Present Value Discount	<u>68,061</u>
GRANTS PAID IN CURRENT YEAR	<u>\$ 36,940,903</u>

WEINGART FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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) §4942(a) will apply. The Foundation met the IRC grant distribution requirement for the year ended June 30, 2016.

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, 2016 is as follows:

Years Ending June 30

2017	\$ 669,492
2018	108,612
2019	108,612
2020	108,612
2021	108,612
Thereafter	<u>2,380,413</u>
TOTAL	<u>\$ 3,484,353</u>

Rental income (net) for the year ended June 30, 2016 consists of the following:

Rental Income	\$ 3,514,108
Rental Expense	<u>(2,205,828)</u>
RENTAL INCOME (NET)	<u>\$ 1,308,280</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 \$434,170 to the plan during the year ended June 30, 2016 on behalf of its employees.

WEINGART FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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, 2016.

NOTE 8 - LEGAL PROCEEDINGS

In the ordinary course of conducting its business, the Foundation may become involved in various lawsuits. Some of these proceedings may result in judgments being assessed against the Foundation, which, from time to time, may have an impact on its change in net assets. The Foundation does not believe that these proceedings, individually or in the aggregate, are material to the accompanying financial statements.