

Leichtag Foundation and Subsidiaries

Consolidated Financial Statements

Year Ended September 30, 2020



LEICHTAG FOUNDATION AND SUBSIDIARIES
Consolidated Financial Statements
Year Ended September 30, 2020

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Leichtag Foundation and Subsidiaries

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Leichtag Foundation and Subsidiaries (a nonprofit organization), which are comprised of the consolidated statement of financial position as of September 30, 2020, and the related consolidated statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Leichtag Foundation and Subsidiaries as of September 30, 2020, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter Regarding Changes in Accounting Principles

As discussed in Note 1 to the financial statements, in 2020, Leichtag Foundation and Subsidiaries adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (ASC Topic 606)*, and ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (ASC Topic 958)*. Our opinion is not modified with respect to these matters.

Aldrich CPAs + Advisors LLP

San Diego, California
May 7, 2021

LEICHTAG FOUNDATION AND SUBSIDIARIES
Consolidated Statement of Financial Position
September 30, 2020

ASSETS

Current Assets:

Cash	\$ 4,311,691
Accounts receivable	823,584
Current portion of promises to give	49,771
Investments	68,993,740
Prepaid expenses	<u>241,743</u>

Total Current Assets 74,420,529

Promises to Give, net of current portion	25,000
Property and Equipment, net of accumulated depreciation	<u>23,677,868</u>

Total Assets \$ 98,123,397

LIABILITIES AND NET ASSETS

Liabilities:

Accounts payable	\$ 287,727
Accrued expenses	376,220
Current portion of note payable	102,448
Current portion of grants payable	<u>1,405,000</u>

Total Current Liabilities 2,171,395

Note Payable, net of current portion	104,879
Grants Payable, net of current portion	<u>4,768,424</u>

Total Liabilities 7,044,698

Net Assets:

Without donor restrictions	90,868,241
With donor restrictions	<u>210,458</u>

Total Net Assets 91,078,699

Total Liabilities and Net Assets \$ 98,123,397

LEICHTAG FOUNDATION AND SUBSIDIARIES
Consolidated Statement of Activities
Year Ended September 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support:			
Realized and unrealized gains, net	\$ 5,123,220	\$ -	\$ 5,123,220
Rental income	1,805,687	-	1,805,687
Interest and dividends	1,711,547	-	1,711,547
Contributions	221,317	470,444	691,761
Coast Roots Farm	219,499	-	219,499
Fundraising	126,762	-	126,762
Memberships	89,531	-	89,531
Gain on sale of property and equipment	58,319	-	58,319
Consulting	25,200	-	25,200
Net assets released from restrictions, satisfaction of program restrictions	375,920	(375,920)	-
Total Revenue and Support	9,717,291	94,524	9,811,815
Expenses:			
Program services:			
Grantmaking	3,989,980	-	3,989,980
Coastal Roots Farm	1,245,343	-	1,245,343
Other	1,308,112	-	1,308,112
Total Program Services	6,543,435	-	6,543,435
Supporting services:			
Management and general	4,533,721	-	4,533,721
Fundraising	124,997	-	124,997
Total Supporting Services	4,658,718	-	4,658,718
Total Expenses	11,202,153	-	11,202,153
Change in Net Assets	(1,484,862)	94,524	(1,390,338)
Net Assets, beginning	92,353,103	115,934	92,469,037
Net Assets, ending	\$ 90,868,241	\$ 210,458	\$ 91,078,699

LEICHTAG FOUNDATION AND SUBSIDIARIES
Consolidated Statement of Functional Expenses
Year Ended September 30, 2020

	Program Services			Supporting Services		Total
	Grantmaking	Coastal Roots Farm	Other Programs	Management and General	Fundraising	
Payroll and related expenses	\$ 130,705	\$ 997,948	\$ 968,758	\$ 2,480,844	\$ 92,592	\$ 4,670,847
Grants	3,857,664	-	-	-	-	3,857,664
Depreciation	-	39,307	-	750,674	-	789,981
Consulting	525	25,862	102,557	221,346	24,490	374,780
Repairs and maintenance	4	38,775	8,745	225,599	-	273,123
Professional fees	-	3,025	-	225,071	115	228,211
Taxes	-	-	-	192,935	-	192,935
Office	1,082	1,957	55,076	87,229	-	145,344
Insurance	-	11,920	-	105,301	1,668	118,889
Supplies	-	69,972	16,792	28,323	43	115,130
Security	-	-	13,461	78,566	-	92,027
Travel	-	-	81,336	5,521	-	86,857
System support	-	3,484	8,141	43,301	-	54,926
Telephone and wireless	-	-	19,083	31,510	-	50,593
Other	-	30,912	2,418	8,406	3,517	45,253
Community events	-	800	27,761	13,443	30	42,034
Marketing	-	15,043	542	9,745	2,010	27,340
Meals and entertainment	-	1,812	3,442	10,795	319	16,368
Conferences	-	3,126	-	10,672	213	14,011
Property management	-	-	-	4,440	-	4,440
Cost of goods sold	-	1,400	-	-	-	1,400
Total Expenses	\$ 3,989,980	\$ 1,245,343	\$ 1,308,112	\$ 4,533,721	\$ 124,997	\$ 11,202,153

See accompanying notes to the consolidated financial statements.

LEICHTAG FOUNDATION AND SUBSIDIARIES
Consolidated Statement of Cash Flows
Year Ended September 30, 2020

Cash Flows from Operating Activities:	
Change in net assets	\$ (1,390,338)
Adjustments to reconcile decrease in net assets to net cash used by operating activities:	
Net realized and unrealized gains on investments	(5,123,220)
Depreciation	789,981
Gain on sale of property and equipment	(58,319)
Changes in present value of grants payable	376,618
Changes in operating assets and liabilities:	
Accounts receivable	(202,268)
Promises to give	(59,771)
Prepaid expenses	(96,274)
Accounts payable	(113,327)
Accrued expenses	(25,136)
Deferred revenue	(33,712)
Grants payable	<u>(1,635,000)</u>
Net Cash Used by Operating Activities	(7,570,766)
Cash Flows from Investing Activities:	
Proceeds from sales of investments	15,846,935
Purchases of investments	(5,486,458)
Proceeds from sales of property and equipment	588,743
Purchases of property and equipment	<u>(1,832,071)</u>
Net Cash Provided by Investing Activities	9,117,149
Cash Flows Provided by Financing Activities:	
Proceeds from note payable	<u>207,327</u>
Net Increase in Cash	1,753,710
Cash, beginning	<u>2,557,981</u>
Cash, ending	<u>\$ 4,311,691</u>

LEICHTAG FOUNDATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
Year Ended September 30, 2020

Note 1 – Organization and Summary of Significant Accounting Policies

Nature of Activities

The Leichtag Foundation (Leichtag) is a tax-exempt foundation created to honor the legacy of Lee and Toni Leichtag through igniting and inspiring Jewish life, advancing self-sufficiency, and stimulating social entrepreneurship in coastal North San Diego County and Jerusalem.

LF Encinitas Properties, LLC (LF Encinitas) was formed for the purpose of engaging in the business of acquiring, owning, operating, financing, refinancing, leasing, holding for investment, and selling real property. LF Encinitas is a single member limited liability company whose sole member is Leichtag.

LF Manager, LLC (LF Manager) was formed for the purpose of managing its investment in aMoon 2 Fund, L.P. LF Manager is a single member limited liability company whose sole member is Leichtag.

Coastal Roots Farm (the Farm), was formed as a tax-exempt organization on October 17, 2014 and began operations on January 1, 2016. The Farm's mission is to cultivate healthy, connected communities by integrating sustainable agriculture, food justice, and ancient Jewish wisdom. Leichtag is the primary funder of the Farm through grants which are designed to decrease annually in order to establish full independence through increased diversity amongst other fund development strategies.

Principles of Consolidation

The consolidated financial statements include the accounts of Leichtag, LF Encinitas, LF Manager, and the Farm (collectively, the Foundation). All significant intercompany transactions and balances have been eliminated. Independent financial statements have been issued for the Farm.

New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-09, *Revenue from Contracts with Customers (ASC Topic 606)*. This standard update, along with related subsequently issued updates, clarifies the principles for recognizing revenue and develops a common revenue standard under accounting principles generally accepted in the United States of America (US GAAP). During the year ended September 30, 2020, the Foundation adopted ASU 2014-09, *Revenue from Contracts with Customers (ASC Topic 606)*.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (ASC Topic 958)*. This standard update clarifies and improves the scope and the accounting guidance for contributions received and contributions made under US GAAP. During the year ended September 30, 2020, the Foundation adopted ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (ASC Topic 958)*.

Financial Statement Presentation

The consolidated financial statements of the Foundation have been prepared in accordance with US GAAP, which require the Foundation to report information regarding its financial position and activities according to the following net asset classification:

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 management.

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 the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. The Foundation did not have any donor restrictions that were perpetual in nature for the year ended September 30, 2020.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Note 1 – Organization and Summary of Significant Accounting Policies, continued

Use of Estimates

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Accounts Receivable

The accounts receivable arise in the normal course of operations. It is the policy of management to review the outstanding accounts receivable at year end, as well as the bad debt write-offs experienced in the past, and establish an allowance for doubtful accounts for uncollectible amounts. No allowance was considered necessary at September 30, 2020 because management believes all amounts are collectible.

Investments

The Foundation carries investments in marketable securities with readily determinable fair values and investments in debt securities at fair values in the consolidated statements of financial position. Investments acquired by gift are recorded at their fair market value at the date of the gift. Alternative investments, for which quoted market prices are not readily available, are valued at fair value by the investment manager based on factors deemed relevant by the manager including, but not limited to, market conditions, purchase price, estimated liquidation value, restrictions on transfer and meaningful third-party transactions in the private market. Because of the inherent uncertainty of valuations, the estimated fair values may differ significantly from the values that would have been used had a ready market for such investments existed or had such investments been liquidated, and those differences could be material. Realized and unrealized gains and losses are included in the changes in net assets in the consolidated statement of activities.

Unconditional Promises to Give

Promises to give that are expected to be collected within one year are recorded at their net realizable value. Promises to give that are expected to be collected in future years are discounted to their estimated net present value. After promises to give are originally recorded, an allowance for uncollectible promises to give may be established based on specific circumstances.

Property and Equipment

The Foundation capitalizes all expenditures for property and equipment in excess of \$2,000. Equipment and improvements are recorded at cost or at estimated fair value at date of gift if donated. Expenditures for maintenance and repairs are charged against operations. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets of five to 39 years.

Grants Payable

Unconditional grants payable are recorded at their net present value at the date the grant is made. Grants payable that are due within one year are recorded at face value. The present value of future cash flows is calculated using a discount rate commensurate with the risks involved. The Foundation has not elected to subsequently measure grants payable at fair value under the financial instruments standard of reporting.

Functional Allocation of Expenses

The consolidated financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Payroll and related expenses and in-kind consulting services are allocated based off time and effort. All other expenses are broken out by accounts and can be directly charged to the appropriate function based on actual expenses.

Note 1 – Organization and Summary of Significant Accounting Policies, continued

Income Taxes

Leichtag and the Farm are exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and from California franchise and income tax under section 23701(d) of the Revenue and Taxation code. However, Leichtag and the Farm remain subject to taxes on any net income which is derived from a trade or business regularly carried on and unrelated to their exempt purpose. Leichtag is subject to federal excise tax. LF Encinitas and LF Manager are non-taxpaying entities for federal income tax purposes, and thus no income tax has been recorded in the consolidated financial statements.

The Foundation follows accounting standards generally accepted in the United States of America related to the recognition of uncertain tax positions. The Foundation recognizes accrued interest and penalties associated with uncertain tax positions as part of the consolidated statement of activities, when applicable. Management has determined that the Foundation has no uncertain tax positions at September 30, 2020 and therefore no amounts have been accrued.

The Foundation files income tax returns in the United States and various state and local jurisdictions.

Revenue Recognition

The Foundation recognizes revenue in a manner that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Foundation expects to be entitled in exchange for those goods or services.

The Foundation earns revenue from contracts with customers through farm income which is comprised of revenues from the farm stand, composting, camps, and community events. Revenues are accounted for under ASC Topic 606, which the Foundation adopted on October 1, 2019. The new guidance was applied retrospectively to the contracts that were not completed as of the adoption date. Management has determined that there is no impact on net assets as of October 1, 2019 due to the adoption of the new policy. The Foundation recognizes revenue from contracts with customers when its performance obligations are satisfied, regardless of the period in which it is billed. This is typically at the point in time when the performance obligation is completed.

Management has analyzed the provisions of the FASB's ASC Topic 606, *Revenue from Contracts with Customers*, and has concluded that no changes are necessary to conform with the new standard. Sales contain a single delivery element and revenue is recognized at a single point in time when ownership, risks and rewards transfer.

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. 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 reported in the statement of activities as net assets released from restrictions. Contributions received with donor-imposed restrictions that are satisfied within the same reporting period are reported as support without donor restrictions and increase net assets without donor restrictions.

Management has analyzed the provisions of the FASB's ASC Topic 958, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, and has implemented the new standard on a modified prospective basis.

Fair Value Measurements

The Foundation defines fair value as the exchange price that would be received for an asset or paid for a liability in the principal or most advantageous market. The Foundation applies fair value measurements to assets and liabilities that are required to be recorded at fair value under generally accepted accounting principles. Fair value measurement techniques maximize the use of observable inputs and minimize the use of unobservable inputs and are categorized in a fair value hierarchy based on the transparency of inputs. The three levels are defined as follows:

Note 1 – Organization and Summary of Significant Accounting Policies, continued

Fair Value Measurements

Level 1 – Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the same term of the financial instrument.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

As a practical expedient, certain financial instruments may be valued using net asset value (NAV) per share. NAV is the amount of net assets attributable to each share of outstanding capital stock at the end of the period.

The carrying value of cash, receivables, and payables approximates fair value as of September 30, 2020 due to the relative short maturities of these instruments.

Future Accounting Standard

In February 2016, the FASB issued ASU 2016-02 *Leases*. The primary change in US GAAP addressed by ASU 2016-02 is the requirement for a lessee to recognize on the consolidated statement of financial position a liability to make lease payments ("lease liability") and a right-of-use asset representing its right to use the underlying asset for the lease term. ASU 2016-02 also requires qualitative and quantitative disclosures to enable users of the consolidated financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. ASU 2016-02 is effective for fiscal years beginning after December 15, 2021. Lessees must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the consolidated financial statements, although there are optional practical expedients that entities may elect to apply. The Foundation is evaluating the effect that the provisions of ASU 2016-02 will have on its consolidated financial statements and related disclosures.

Subsequent Events

The Foundation has evaluated subsequent events through May 7, 2021, which is the date the consolidated financial statements were available to be issued.

Note 2 – Concentration of Credit Risk

The Foundation maintains cash accounts at various financial institutions. The balances at times may exceed Federal Deposit Insurance Corporation (FDIC) limits. Accounts at each financial institution are insured by the FDIC up to \$250,000.

LEICHTAG FOUNDATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
Year Ended September 30, 2020

Note 3 – Liquidity and Availability

The following represents the Foundation's financial assets at September 30, 2020:

Financial assets at year end:	
Cash and cash equivalents	\$ 4,311,691
Accounts receivable	823,584
Investments	68,993,740
Promises to give	<u>49,771</u>
 Total Financial Assets	 74,178,786
 Less amounts not available to be used within one year:	
Restricted by donor with purpose or time restrictions	<u>210,458</u>
 Financial assets available to meet cash needs for general expenditures within one year	 \$ <u><u>73,968,328</u></u>

The Foundation has certain donor-restricted assets limited to use for programs or specific purpose which are ongoing, major and central to its annual operations which are available to meet cash needs for general expenditures for those programs and purposes within one year in the normal course of operations. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Foundation considers all expenditures related to its ongoing activities to be general expenditures.

The Foundation manages its liquidity and reserves through maintaining and reviewing budget to actual amounts and forecasted cash flows on a regular basis. The Foundation also within a prudent range of financial soundness and stability and constantly maintains adequate liquid assets to fund near term operating needs.

Note 4 – Investments

The fair market value of investments is categorized as follows for the year ended September 30, 2020:

Description	Level 1	Level 2	Level 3	NAV	Total
Mutual funds:					
Fixed income - domestic	\$ 18,238,617	\$ -	\$ -	\$ -	\$ 18,238,617
Fixed income - international	1,620,317	-	-	-	1,620,317
Large cap - domestic	17,189,641	-	-	-	17,189,641
Large cap - international	14,425,489	-	-	-	14,425,489
Mid cap - international	2,061,122	-	-	-	2,061,122
Small cap - domestic	1,448,609	-	-	-	1,448,609
Alternative investments:					
Private equity funds	-	-	-	13,821,931	13,821,931
Hedge fund of funds	-	-	-	188,014	188,014
	<u>\$ 54,983,795</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,009,945</u>	<u>\$ 68,993,740</u>

The valuations of the private equity funds and hedge fund of funds are reflected at fair value, which is determined by the fund managers and defined as the price agreed to in an orderly transaction between market participants to sell an asset or transfer a liability. The fair value of the funds is generally based on NAV of the underlying funds. The NAV of each underlying fund is calculated by an independent administrator as of a specific valuation date, which is done at a minimum quarterly. The valuation techniques used by the administrators include, but are not limited to, the market approach, sales-comparison approach, and income approach.

LEICHTAG FOUNDATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
Year Ended September 30, 2020

Note 4 – Investments, continued

Commitments and redemption schedules for those investments valued based on net asset value are as follows for the year ended September 30, 2020:

Description	Fair value	Unfunded commitments	Redemption frequency	Redemption notice period
Private equity funds [a]	\$ 13,821,931	\$ 910,000	n/a	n/a
Hedge fund of funds [b]	\$ 188,014	none	quarterly	90 days

[a] Private equity funds are investment in funds organized as limited partnerships which invest in media companies, technology companies (excluding biotech), mezzanine capital, secondaries, and buyouts.

[b] The hedge fund of funds employs a variety of strategies including absolute return, diversified arbitrage, investment in distress strategies, and various long/short strategies.

Note 5 – Promises to Give

Promises to give as of September 30, 2020 consist of the following:

Receivable in less than one year	\$ 49,771
Receivable in one to five years	25,000
	<u>\$ 74,771</u>

No allowance was considered necessary at September 30, 2020 because management believes that all amounts are collectible. No discount was considered necessary at September 30, 2020 due to the minimal effect it would have on the consolidated financial statements.

Note 6 – Property and Equipment

Property and equipment as of September 30, 2020 consist of the following:

Buildings	\$ 14,058,506
Land	9,932,732
Machinery and equipment	745,277
Technology	238,345
Other	32,590
	<u>25,007,450</u>
Less accumulated depreciation	<u>(3,233,079)</u>
	21,774,371
Construction in progress	<u>1,903,497</u>
	<u>\$ 23,677,868</u>

Note 7 – Grants Payable

The Foundation makes grants to recipient organizations whose mission is similar to that of the Foundation in igniting and inspiring Jewish life, advancing self-sufficiency, and stimulating social entrepreneurship in coastal North San Diego County and Jerusalem. The discount on grants payable ranges from 3.25% to 5.50%.

LEICHTAG FOUNDATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
Year Ended September 30, 2020

Note 7 – Grants Payable, continued

Future minimum grant obligations at September 30, 2020 are as follows:

Year Ending September 30,	
2021	\$ 1,405,000
2022	1,000,000
2023	1,000,000
2024	685,176
2025	500,000
Thereafter	<u>3,500,000</u>
	8,090,176
Less: discount on grants payable	<u>(1,916,752)</u>
	6,173,424
Less: current portion	<u>(1,405,000)</u>
	<u>\$ 4,768,424</u>

Note 8 – Property Leased to Others

The Foundation is the lessor of property on long-term operating leases and short-term rentals. The long-term operating leases are for land and various greenhouses and other buildings constructed on the land.

The following is a summary of land and greenhouses held for lease as of September 30, 2020:

Property and equipment held:	
Land and land improvements	\$ 8,597,140
Greenhouses and buildings	<u>2,612,801</u>
	11,209,941
Less accumulated depreciation	<u>(624,213)</u>
	<u>\$ 10,585,728</u>

Minimum future lease income to be received under noncancelable leases as of September 30, 2020 are as follows:

Year Ending September 30,	
2021	\$ 1,736,070
2022	1,669,814
2023	1,320,868
2024	472,583
2025	<u>209,822</u>
	<u>\$ 5,409,157</u>

LEICHTAG FOUNDATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
Year Ended September 30, 2020

Note 9 – Federal Excise Tax

The Foundation is subject to federal excise tax imposed on private foundations at 2%, or at 1% if certain conditions are met. The excise tax is imposed on net investment income, as defined under federal law, which includes realized gains on the sale of investments. Federal excise tax expense consists of the current provision on realized net investment income.

Federal excise tax expense for the year ended September 30, 2020 was \$110,000.

Note 10 – Retirement Plans

The Foundation provides a 401(k) Profit Sharing Plan (Plans), which is administered by Newport Group as of January 2016. The Plans cover substantially all the Foundation's full-time employees. The Foundation makes nonelective contributions equal to 3% of compensation for the Safe Harbor, 4% of compensation up to \$30,000 and an additional 4.3% of compensation in excess of \$30,000 to the Profit-Sharing plan. The Foundation also makes matching contributions for eligible employees equal to the lesser of 50% of the participants' contributions during the plan year up to 3% of the participants' eligible compensation.

Retirement plan expense was \$287,019 for the year ended September 30, 2020.

Note 11 – Restrictions on Net Assets

Net assets with donor restrictions consist of the following at September 30, 2020:

Purpose restrictions:	
Education programs	\$ 147,358
Distribution program	38,100
	<u>185,458</u>
Time restricted:	
General operating	25,000
	<u>\$ 210,458</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows:

Farm production	\$ 147,114
Security upgrades	75,000
Distribution program	70,464
Youth education programs	46,479
Kubota	16,193
Special events	10,371
Other	7,300
Farm Stand	3,000
	<u>\$ 375,920</u>

LEICHTAG FOUNDATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
Year Ended September 30, 2020

Note 12 – Note Payable

Note payable consists of the following at September 30, 2020:

Note Payable under the Paycheck Protection Program (PPP), which is held by City National Bank, was approved by the SBA on April 21, 2020 in the original amount of \$207,327 and bears interest at 1% annum. Principal and interest are due in monthly principal and interest payments, net of any amount forgiven, over 24 months. Payments begin 10 months from the date of distribution. There are no prepayment penalties and the loan is unsecured. The Farm intends to request forgiveness for loan proceeds used to pay qualifying expenses.

	\$ <u>207,327</u>
Less: current portion	(102,448)
	\$ <u><u>104,879</u></u>

Principal payments of long-term debt at September 30, 2020 are due as follows:

Year Ending September 30,		
2021	\$	102,448
2022		104,879
Thereafter		-
Total	\$	207,327

Note 13 – Contingencies

In December 2019, a novel strain of coronavirus (COVID-19) was reported in Wuhan, China. On March 11, 2020, the World Health Foundation declared COVID-19 a global pandemic and recommended containment and mitigation measures worldwide. The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses and shelter in place orders, including California, where the Foundation is headquartered. In response, the U.S. Government enacted the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which includes significant provisions to provide relief and assistance to affected organizations. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of business closures, shelter-in-place orders, and the ultimate impact of the CARES Act and other governmental initiatives. It is at least reasonably possible that this matter will negatively impact the Foundation. However, the financial impact and duration cannot be reasonably estimated at this time.

Note 14 – Subsequent Events

The Farm was notified on February 1, 2021 that its application for a loan of \$249,190 under the Second Draw PPP was approved by the SBA. The loan terms require interest at 1% per annum, due in monthly principal and interest payments that amortize the loan balance, net of any amounts forgiven, over 24 months. There are no prepayment penalties and the loan is unsecured. The Farm intends to request forgiveness for loan proceeds used to pay qualifying payroll, rent, utility and interest expenses during the 24 weeks following loan disbursement. The loan forgiveness is exempt from federal income tax.

On April 30, 2021, the Farm was notified that the note payable (Note 12) under the PPP was forgiven in full.