Leichtag Foundation and Subsidiaries

Consolidated Financial Statements

Year Ended September 30, 2021

Aldrich[SM]

LEICHTAG FOUNDATION AND SUBSIDIARIES
Consolidated Financial Statements
Year Ended September 30, 2021

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Aldrich

Aldrich CPAs + Advisors LLP
7676 Hazard Drive, #1300
San Diego, California 92108

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, 2021, 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, 2021, 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.

Aldrich CPAs + Advisors LLP

San Diego, California
April 4, 2022

LEICHTAG FOUNDATION AND SUBSIDIARIES
Consolidated Statement of Financial Position
September 30, 2021

ASSETS		
Current Assets:		
Cash	$	5,100,703
Accounts receivable		723,096
Investments		73,650,031
Prepaid expenses		190,745
Total Current Assets		79,664,575
Property and Equipment, net of accumulated depreciation		24,217,635
Total Assets	$	103,882,210
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	$	444,107
Accrued expenses		305,799
Current portion of grants payable		1,000,000
Total Current Liabilities		1,749,906
Grants Payable, net of current portion		4,127,126
Total Liabilities		5,877,032
Net Assets Without Donor Restrictions		98,005,178
Total Liabilities and Net Assets	$	103,882,210

See accompanying notes to the consolidated financial statements.

LEICHTAG FOUNDATION AND SUBSIDIARIES
Consolidated Statement of Activities
Year Ended September 30, 2021

Revenue and Support Without Donor Restrictions:		
Realized and unrealized gains, net	$	12,512,390
Rental income		2,198,472
Interest and dividends		2,132,668
In-kind contributions		243,446
Memberships		25,794
Contributions		24,262
Loss on sale of property and equipment		(8,196)
Total Revenue and Support Without Donor Restrictions		17,128,836
Expenses:		
Program services:		
Grantmaking		4,377,723
Other programs		1,171,483
Supporting services:		
Management and general		4,388,847
Total Expenses		9,938,053
Change in Net Assets		7,190,783
Net Assets Without Donor Restrictions, beginning		90,814,395
Net Assets Without Donor Restrictions, ending	$	98,005,178

See accompanying notes to the consolidated financial statements.

LEICHTAG FOUNDATION AND SUBSIDIARIES
Consolidated Statement of Functional Expenses
Year Ended September 30, 2021

	Program Services		Supporting Services	
	Grantmaking	Other Programs	Management and General	Total
Grants	$ 4,158,057	$ -	$ -	$ 4,158,057
Payroll and related expenses	211,719	778,632	2,366,975	3,357,326
Depreciation	-	-	802,413	802,413
Professional fees	-	2,633	303,022	305,655
In-kind contribution	-	243,446	-	243,446
Security	-	-	224,573	224,573
Consulting	6,475	26,415	140,247	173,137
Repairs and maintenance	-	4,652	167,543	172,195
Office	1,052	48,484	87,215	136,751
Taxes	-	670	105,879	106,549
Insurance	-	-	99,811	99,811
System support	420	15,783	30,068	46,271
Telephone and wireless	-	11,262	30,358	41,620
Travel	-	24,199	5,607	29,806
Other	-	8,797	17,819	26,616
Supplies	-	6,510	7,317	13,827
Total Expenses	$ 4,377,723	$ 1,171,483	$ 4,388,847	$ 9,938,053

LEICHTAG FOUNDATION AND SUBSIDIARIES
Consolidated Statement of Cash Flows
Year Ended September 30, 2021

Cash Flows from Operating Activities:	
Change in net assets	$ 7,190,783
Adjustments to reconcile change in net assets	
to net cash used by operating activities:	
Net realized and unrealized gains on investments	(12,512,390)
Depreciation	802,413
Loss on sale of property and equipment	8,196
Changes in present value of grants payable	358,702
Changes in operating assets and liabilities:	
Accounts receivable	97,921
Prepaid expenses	42,398
Accounts payable	178,309
Accrued expenses	5,045
Grants payable	(1,405,000)
Net Cash Used by Operating Activities	(5,233,623)
Cash Flows from Investing Activities:	
Proceeds from sales of investments	25,246,709
Purchases of investments	(17,390,610)
Proceeds from sales of property and equipment	3,360
Purchases of property and equipment	(1,509,186)
Net Cash Provided by Investing Activities	6,350,273
Net Increase in Cash	1,116,650
Cash, beginning	3,984,053
Cash, ending	$ 5,100,703

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 seed new ideas around sustainable farming and Jewish Life, grow healthy food, and share the harvest with the local community. In 2021, the Farm established full independence by diversifying revenue to be substantially less dependent on the grant from Leichtag, and its board of directors is no longer majority controlled by employees of Leichtag. Accordingly, the Farm's accounts are not included in the consolidated financial statements for the year ended September 30, 2021.

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

Financial Statement Presentation
The consolidated financial statements of the Foundation have been prepared in accordance with generally accepted accounting principles (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 temporary or perpetual in nature for the year ended September 30, 2021.

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.

Use of Estimates
The preparation of the consolidated financial statements in conformity with US GAAP 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, 2021 because management believes all amounts are collectible.

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

<u>Investments</u>
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.

<u>Property and Equipment</u>
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.

<u>Grants Payable</u>
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.

<u>Functional Allocation of Expenses</u>
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.

<u>Income Taxes</u>
Leichtag is 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 remains 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, 2021 and therefore no amounts have been accrued.

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

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

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.

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.

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 US GAAP. 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:

> 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, 2021 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.

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

Subsequent Events
The Foundation has evaluated subsequent events through April 4, 2022, which is the date the consolidated financial statements were available to be issued.

The stock market experienced volatility subsequent to year end. Investments held by the Foundation have fluctuated as of the date these financial statements were available to be issued. The ultimate duration and impact of the volatility was undeterminable at the time of issuing the financial statement reports.

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.

Note 3 – Liquidity and Availability

The following represents the Foundation’s financial assets at September 30, 2021:

Cash	$	5,100,703
Accounts receivable		723,096
Investments		73,650,031
Financial assets available to meet cash needs for general expenditures within one year	$	79,473,830

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, 2021:

Description	Level 1	Level 2	Level 3	NAV	Total
Mutual funds:					
Large cap - domestic	$ 19,830,041	$ -	$ -	$ -	$ 19,830,041
Fixed income - domestic	17,573,552	-	-	-	17,573,552
Large cap - international	14,934,903	-	-	-	14,934,903
Mid cap - international	2,027,213	-	-	-	2,027,213
Small cap - domestic	1,793,278	-	-	-	1,793,278
Alternative investments:					
Private equity funds	-	-	-	17,304,887	17,304,887
Hedge fund of funds	-	-	-	186,157	186,157
	$ 56,158,987	$ -	$ -	$ 17,491,044	$ 73,650,031

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.

Commitments and redemption schedules for those investments valued based on net asset value are as follows for the year ended September 30, 2021:

Description	Fair value	Unfunded commitments	Redemption frequency	Redemption notice period
Private equity funds [a]	$ 17,304,887	$ 1,752,500	n/a	n/a
Hedge fund of funds [b]	$ 186,157	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 – Property and Equipment

Property and equipment as of September 30, 2021 consist of the following:

Buildings	$	15,756,219
Land		9,932,732
Machinery and equipment		524,091
Technology		238,345
		26,451,387
Less accumulated depreciation		(3,914,327)
		22,537,060
Construction in progress		1,680,575
	$	24,217,635

Note 6 – 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 is 5.50%.

Future minimum grant obligations are as follows:

Year Ending September 30,		
2022	$	1,000,000
2023		1,000,000
2024		685,176
2025		500,000
2026		500,000
Thereafter		3,000,000
		6,685,176
Less: discount on grants payable		(1,558,050)
		5,127,126
Less: current portion		(1,000,000)
	$	4,127,126

Note 7 – 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, 2021:

Property and equipment held:		
Land and land improvements	$	8,597,140
Greenhouses and buildings		2,612,801
		11,209,941
Less accumulated depreciation		(881,392)
	$	10,328,549

Minimum future lease income to be received under noncancelable leases as of September 30, 2021 are as follows:

Year Ending September 30,		
2022	$	1,947,247
2023		1,602,727
2024		730,541
2025		464,591
2026		118,178
	$	4,863,284

Note 8 – Federal Excise Tax

The Foundation is subject to federal excise tax imposed on private foundations at 1.39% 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 was $157,657 for the year ended September 30, 2021.

Note 9 – 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 $293,119 for the year ended September 30, 2021.

Note 10 – Contingencies

Litigation
From time to time, the Foundation is subject to various litigation as a result of its ongoing business activities. Management believes that the outcome of any such litigation would not have a material adverse effect on the Foundation's statements of financial position, results of operations, or liquidity.

Coronavirus
On March 11, 2020, the World Health Organization 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 located.

At September 30, 2021 the pandemic continues and management continues to initiate changes and modification to the operations of the programs, events, and administrative functions in order to protect the health of staff and clients and to mitigate the financial effects of the virus and its reluctant economic slowdown. The Foundation will continue to evaluate, and if appropriate, adopt other measures in the future as required for the ongoing safety of clients and staff.