

Samueli Foundation

Financial Statements

December 31, 2023

Samueli Foundation

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Independent Auditors' Report

To the Board of Directors of
Samueli Foundation

Opinion

We have audited the accompanying financial statements of Samueli Foundation (the Foundation), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of December 31, 2023, and the changes in its net deficit and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

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

Baker Tilly US, LLP

Los Angeles, California
October 1, 2024

Samueli Foundation

Statement of Financial Position

December 31, 2023

Assets

Current Assets

Cash and cash equivalents	\$ 45,466,494
Prepaid expenses and other current assets	<u>161,429</u>

Total current assets 45,627,923

Property and Equipment, Net

69,329

Total assets \$ 45,697,252

Liabilities and Net Deficit

Current Liabilities

Accounts payable and accrued liabilities	\$ 1,076,258
Current portion of grants payable	<u>26,837,076</u>

Total current liabilities 27,913,334

Grants Payable, Net of Current Portion and Discount

60,195,925

Total liabilities 88,109,259

Net Deficit, Without Donor Restrictions

(42,412,007)

Total liabilities and net assets \$ 45,697,252

See notes to financial statements

Samueli Foundation

Statement of Activities

Year Ended December 31, 2023

	<u>Without Donor Restrictions</u>
Revenue	
Contributions	\$ 53,200,812
Forgiveness of grants payable	10,301,126
Other	<u>830,734</u>
Total support and net gains	<u>64,332,672</u>
Expenses	
Program services	60,990,535
Supportive services	<u>1,449,620</u>
Total expenses	<u>62,440,155</u>
Change in net deficit	1,892,517
Net Deficit, Beginning	<u>(44,304,524)</u>
Net Deficit, Ending	<u><u>\$ (42,412,007)</u></u>

See notes to financial statements

Samueli Foundation

Statement of Functional Expenses
Year Ended December 31, 2023

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Grants	\$ 57,972,160	\$ -	\$ 57,972,160
Wages, taxes and benefits	2,016,945	352,695	2,369,640
Consulting	872,318	115,000	987,318
Provision for federal excise taxes	-	732,639	732,639
Other expenses	129,112	174,147	303,259
Management fees	-	60,000	60,000
Recruiting	-	8,849	8,849
Depreciation	-	5,290	5,290
Office rent	-	1,000	1,000
	<u>\$ 60,990,535</u>	<u>\$ 1,449,620</u>	<u>\$ 62,440,155</u>

See notes to financial statements

Samueli Foundation

Statement of Cash Flows

Year Ended December 31, 2023

Cash Flows From Operating Activities

Change in net deficit	\$ 1,892,517
Adjustments to reconcile change in net deficit to net cash provided by operating activities:	
Depreciation	5,290
Loss on disposal	282
Amortization of discount on grants payable	514,044
Change in operating assets and liabilities:	
Prepaid expenses and other current assets	(95,838)
Accounts payable and accrued liabilities	953,005
Grants payable	12,610,448
	<u>15,879,748</u>

Net cash provided by operating activities

Cash Flows From Investing Activities

Purchase of property and equipment	(68,206)
Proceeds from sale of property and equipment	839
	<u>(67,367)</u>

Net cash used in investing activities

Net change in cash and cash equivalents 15,812,381

Cash and Cash Equivalents, Beginning

29,654,113

Cash and Cash Equivalents, Ending

\$ 45,466,494

Samueli Foundation

Notes to Financial Statements
December 31, 2023

1. Description of Operations and Summary of Significant Accounting Policies

Description of Operations

Samueli Foundation (the Foundation) is a tax-exempt private foundation established by Henry and Susan Samueli in 1998. The Foundation's vision is well-being for all, and its mission is to make Orange County, California a thriving mosaic of community well-being by supporting and uniting catalytic forces whose innovations yield a higher quality of life for everyone. The Foundation strives to accomplish its mission by aligning its values of integrity, gratitude, empathy, curiosity, creativity and trust with three main approaches: (1) invest: support catalytic forces whose innovations yield a higher quality of life for everyone; (2) unite: cultivate multisector cooperation that generates the will and the ways to achieve lasting, equitable community well-being; and (3) model: inspire adaptation by other communities to scale the impact of proven programs.

Basis of Accounting

The financial statements are prepared on an accrual basis of accounting in accordance with U.S. generally accepted accounting principles for not-for-profit organizations (GAAP).

Basis of Presentation

The Foundation reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. All net assets of the Foundation were net assets without donor restrictions as of and for the year ended December 31, 2023.

Net assets (deficit) and changes therein are classified as follows:

Net Assets (Deficit) Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets (Deficit) With Donor Restrictions - Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Use of Estimates

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

Cash and Cash Equivalents

The Foundation considers all highly liquid investments with a maturity of three months or less, at the time of purchase to be cash equivalents.

Samueli Foundation

Notes to Financial Statements

December 31, 2023

Property and Equipment

Property and equipment is recorded at cost if purchased, and fair value if donated. Depreciation of property and equipment is computed using the straight-line method over the estimated useful lives of the related assets, ranging from three to five years for financial reporting purposes. Betterments, renewals and extraordinary repairs over \$2,000 that extend the life of the asset are capitalized. Repair and maintenance expenditures are expensed as incurred. As assets are retired or sold, the cost and related accumulated depreciation are removed from the accounts and any gain or loss on disposition is recognized in the statement of activities for that period.

The Foundation annually reviews property and equipment for impairment of value and records any adjustments necessary to reflect material impacts in value. No impairment loss was recorded during the year ended December 31, 2023.

Contributions

Donors may make contributions to the Foundation directly in the form of cash or marketable securities. Contributions of marketable securities are recorded at fair value based on the average of the high and low trade price at the date of donation and are generally sold upon receipt. The Donors have not imposed any restrictions and therefore contributions of marketable securities are recorded as revenue without donor restrictions. Sale proceeds from contributed stocks that are not immediately converted to cash are classified as cash flows from investing activities on the statement of cash flows.

Forgiveness of Grants Payable

During the year, one organization related to the Foundation made stock donations to grantees of the Foundation. The grantees released the Foundation from their obligation of future grant payments equal to the fair value of the stock received on the date of transfer from the related organization. Accordingly, the Foundation recorded revenue to recognize the release of the obligation. During the year ended December 31, 2023, the Foundation recognized \$10,301,126 in forgiveness of grants payable on the statement of activities.

Charitable Grants and Donations

Charitable grants are recognized in the period the grant is approved, provided the grant is not subject to future conditions. The Foundation records pledge commitments that are expected to be paid in future years at the present value of future expected payments using the treasury rate and is presented on the accompanying statement of financial position as grants payable. Conditional grants, that is, those with a measurable performance barrier and a right of return of funds, are recognized as grant expense and as a promise to give in the period in which the grantee meets the terms of the conditions. At December 31, 2023, there were no conditional grants outstanding.

Income Taxes

The Foundation qualifies as a tax-exempt organization under Section 501(c)(3) of the IRC and Section 23701(d) of the California Revenue and Taxation Code and is exempt from income tax except for income tax on unrelated business taxable income. In addition, some investments in foreign countries are subject to foreign income tax. However, as the Foundation is classified as a private foundation under Section 509(a) of the IRC, it is subject to excise tax on net investment income and is also required to distribute certain minimum amounts within specified periods. The Foundation accounts for uncertain tax positions when it is more likely than not that the position will be sustained upon examination by the applicable tax authority. Management believes there are no uncertain tax positions that must be considered for disclosure. With few exceptions, the Foundation is no longer subject to income tax examinations by tax authorities for fiscal years before 2020. There are no current tax examinations pending.

Samueli Foundation

Notes to Financial Statements
December 31, 2023

Functional Allocation of Expenses

The costs of providing program and other activities have been allocated between program and supportive services. Program grants and expenses are charitable costs expended for the benefit of others. Supportive expenses relate to activities that support the grant-making process as well as administrative operational costs and have been allocated to management and general expenses. Shared costs are allocated based on employee time estimates and usage factors.

Recently Adopted Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments—Credit Losses: Measurement of Credit Losses on Financial Instruments (ASU No. 2016-13)*. ASU No. 2016-13 replaces the current incurred loss impairment methodology for credit losses with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The Foundation adopted this standard effective January 1, 2023; no material impact nor cumulative effect adjustments were recognized upon adoption.

Subsequent Events

The Foundation has evaluated subsequent events through October 1, 2024, which is the date the financial statements were approved and available to be issued.

2. Liquidity and Availability of Financial Assets

The Foundation's financial assets are not donor restricted and are available to meet cash needs for general operating expenditures within one year of the date of the statement of financial position. The Foundation receives significant contributions from related entities to fund its pledge commitments annually. The financial assets held by the Foundation at December 31, 2023 and the amounts of those financial assets that could be readily made available within one year of the statement of financial position date to meet general expenditures consist of cash and cash equivalents amounting to \$45,466,494.

3. Property and Equipment

Property and equipment consist of the following as of December 31, 2023:

Computer software	\$ 27,895
Computer equipment	<u>21,553</u>
Total property and equipment	49,448
Less accumulated depreciation	<u>(36,343)</u>
	13,105
Software development in progress	<u>56,224</u>
Property and equipment, net	<u><u>\$ 69,329</u></u>

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Notes to Financial Statements

December 31, 2023

4. Grants and Grants Payable

As of December 31, 2023, the Foundation's grants payable totaled \$87,033,001, net of a \$9,177,573 discount. Amortization of the discount amounted to \$514,044 has been recorded to grants expense.

Grants payable, by objective, consist of the following as of December 31, 2023:

Education	\$ 44,488,874
Health and medical	18,826,700
Social	14,910,000
Religious	11,035,000
Environment	6,050,000
Arts	<u>900,000</u>
Total promises to give	96,210,574
Less discount	<u>(9,177,573)</u>
Promises to give, net	<u>\$ 87,033,001</u>

As of December 31, 2023, based on specific grant agreements, promises to give are expected to be paid in the following years:

Years ending December 31:	
2024	\$ 26,837,076
2025	28,602,662
2026	18,739,445
2027	12,428,420
2028	<u>425,398</u>
Total	<u>\$ 87,033,001</u>

5. Allocation of Grants

For the year ended December 31, 2023, the Foundation's grants were concentrated in the following program objective areas:

Social services	\$ 17,294,812
Religious	14,975,629
Health/Medical	8,179,267
Environment	9,448,352
Education	7,206,130
Art	<u>867,970</u>
Total allocation of grants	<u>\$ 57,972,160</u>

6. Related-Party Transactions

During the year ended December 31, 2023, affiliated organizations contributed \$10,301,126 directly to charitable organizations to which the Foundation made pledges to in prior years (refer to Note 1).

The Foundation paid a management fee of \$60,000 to a related party that provides executive, accounting and administrative services to the Foundation.

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As discussed in further detail in Note 8, the Foundation's Participation Agreement for its 401(k) profit sharing plan is with a related party.

Each of the Foundation's board members also serve as board members to several charitable organizations to which the Foundation contributes. Total amounts contributed to these organizations amounted to \$1,126,717. As of December 31, 2023, the Foundation has \$40,048,874 payable to these organizations.

7. Federal Excise Taxes and Distribution Requirements

The Foundation is subject to distribution requirements of the Internal Revenue Code. Accordingly, it must distribute 5% of the fair value of its investment assets, as defined, within one year after the year-end of each year.

The Foundation is subject to a 1.39% federal excise tax on net investment income, including realized gains, and royalty income as defined by the IRC. For the year ended December 31, 2023, the Foundation was taxed at 1.39%.

Deferred excise taxes arise primarily from unrealized gains/losses on investments and are calculated at the rate expected to be paid by the Foundation.

Excise tax expense for the year ended December 31, 2023 was \$732,639.

8. Retirement Plan

During April 2005, the Foundation entered into a Participation Agreement with H&S Ventures LLC, a related party (Note 6), to adopt its 401(k) profit sharing plan (the Plan). Each participant may elect to defer a portion of compensation up to the maximum allowable amount as determined by the Internal Revenue Service. The Plan is a safe harbor plan, which provides for matching 100% of the participant's contribution up to 3%, plus 50% of the participant's contributions that exceed 3% but do not exceed 5%. During the year ended December 31, 2023, the Foundation made matching contributions of \$48,104.

9. Concentrations

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash and cash equivalents. Risks associated with cash and cash equivalents are mitigated by banking with creditworthy institutions. Such balances with any one institution may, at times, be in excess of federally insured amounts (currently \$250,000 per depositor). Certain investment accounts are insured up to \$500,000 by the Securities Investor Protection Corporation (SIPC). A significant portion of cash and cash equivalent balances are held by a global custodian in a custody account held separate and apart from its corporate assets. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

For the year ended December 31, 2023, 56% of grants payable is payable to two organizations.

For the year ended December 31, 2023, 95% of contribution income was received from one donor.