



ARCHSTONE
FOUNDATION

*FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024*

**ARCHSTONE FOUNDATION
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024
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**AUDIT
AND
ASSURANCE**

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Archstone Foundation

Opinion

We have audited the financial statements of Archstone Foundation, which comprise the statement of financial position as of June 30, 2024, 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 Archstone Foundation as of June 30, 2024, 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.

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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Archstone 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 Archstone Foundation's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's 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 auditor's 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 Archstone 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 Archstone 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.

Green Hasson & Janks LLP

December 9, 2024
Los Angeles, California

ARCHSTONE FOUNDATION
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2024

ASSETS

Cash and cash equivalents	\$ 1,030,916
Receivable from sale of investments	6,397,778
Investments, at fair market value	108,094,008
Prepaid expenses	525,447
Other assets	19,294
Property and equipment	70,909
Right of lease asset	<u>119,073</u>

TOTAL ASSETS \$ 116,257,425

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$ 295,838
Grants payable	1,736,081
Deferred compensation payable	620,612
Lease liability	<u>172,014</u>

TOTAL LIABILITITES 2,824,545

NET ASSETS (Without Donor Restrictions) 113,432,880

TOTAL LIABILITIES AND NET ASSETS \$ 116,257,425

The accompanying notes are an integral part of these financial statements.

ARCHSTONE FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024

REVENUE AND GAINS	
Investment Return (Net)	\$ 15,863,313
EXPENSES	
Program services	6,440,205
Management and general	<u>187,692</u>
TOTAL EXPENSES	<u>6,627,897</u>
CHANGE IN NET ASSETS	9,235,416
BEGINNING NET ASSETS (Without Donor Restrictions)	<u>104,197,464</u>
ENDING NET ASSETS (Without Donor Restrictions)	<u>\$ 113,432,880</u>

The accompanying notes are an integral part of these financial statements.

ARCHSTONE FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2024

	Program Services: Grantmaking	Management and General	Total
Grants	\$ 3,501,910	\$ -	\$ 3,501,910
Salaries and benefits	1,647,943	94,518	1,742,461
Director's fees and expenses	442,059	27,206	469,265
Occupancy	216,558	17,922	234,480
Professional Fees	186,086	11,233	197,319
Office expenses	162,376	13,371	175,747
Information Technology	133,999	11,089	145,088
Travel, conferences, and meetings	67,609	5,595	73,204
Depreciation	55,414	4,586	60,000
Insurance	26,251	2,172	28,423
	<u>\$ 6,440,205</u>	<u>\$ 187,692</u>	<u>\$ 6,627,897</u>

The accompanying notes are an integral part of these financial statements.

ARCHSTONE FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2024

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 9,235,416
Adjustments to reconcile changes in net assets to net cash provided by operating activities	
Depreciation	60,000
Net realized and unrealized gains on investments	(15,541,547)
Changes in operating assets and liabilities	
Prepaid expenses	(15,866)
Right of use lease asset	153,129
Accounts payable and accrued expenses	129,734
Deferred Compensation payable	(49,602)
Grants payable	574,132
Lease liability	(223,715)
	<hr/>
NET CASH USED IN OPERATING ACTIVITIES	(5,678,319)
CASH FLOWS FROM INVESTING ACTIVITIES	
Sales of investments	34,826,918
Purchases of investments	(28,650,994)
Purchases of property and equipment	(3,322)
	<hr/>
NET CASH PROVIDED BY INVESTING ACTIVITIES	6,172,602
CHANGE IN CASH AND CASH EQUIVALENTS	494,283
BEGINNING CASH AND CASH EQUIVALENTS	<hr/> 536,633
ENDING CASH AND CASH EQUIVALENTS	<hr/> <u>\$ 1,030,916</u>

The accompanying notes are an integral part of these financial statements.

ARCHSTONE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024

NOTE 1 -NATURE OF BUSINESS

The Archstone Foundation (the "Foundation") was established on September 20, 1985. The Foundation supports charitable community activities in the areas of health and health care delivery.

The primary source of funding for the Foundation's charitable activities is investment income generated from its investment portfolio.

NOTE 2 -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Foundation has prepared these financial statements using the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

Financial Statement Presentation

The net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions as follows:

Without Donor Imposed Restrictions - These are net assets that are not subject to donor-imposed stipulations. These generally result from receiving unrestricted contributions, providing services, investment income and the releasing of net assets with donor restrictions through the fulfillment of those restrictions. Expenses incurred in providing program related services, fundraising, and performing administrative functions are charged against these net assets.

With Donor Imposed Restrictions - These are gifts of cash and other assets, and income earned with respect to these assets, that are subject to donor imposed stipulations. These stipulations will typically provide for the use of the asset during a future period, for a particular purpose or both. Once the donor's stipulations have been fulfilled the assets are released from net assets with donor restrictions to net assets without donor imposed restrictions.

None of the net assets of the Foundation have donor restrictions as of June 30, 2024.

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and could differ significantly.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Foundation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. The carrying value of cash and cash equivalents approximate its fair value at all times.

The Foundation, as of June 30, 2024, and periodically throughout the year, has maintained balances in various operating and money market accounts in excess of 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.

ARCHSTONE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024

Investments

Investments are recorded at their fair value in the statement of financial position. Sales and purchases of securities are recorded on their trade date, which results in receivables and payables on trades that have not yet settled at the financial statement date. Interest income is recorded as earned on an accrual basis, and dividend income is recorded based upon the ex-dividend date. Realized gains and losses are calculated based upon the underlying cost of the securities traded. Unrealized gains and losses are included in investment return in the statement of activities and represents the change in difference between the cost and current market quotations of investments held at the end of the fiscal year.

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

Investment are made according to the investment policies, guidelines and objectives adopted by the board of directors. The guidelines require that a majority of the Foundation's investments be in liquid securities, defined as securities that can be transacted quickly. A portion of the portfolio may be invested in less liquid investments in order to diversify the portfolio, to reduce volatility, and to provide sufficient return to meet the Foundation's objectives. The investments are generally managed by outside investment managers contracted by the Foundation.

Current accounting standards define fair market value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between willing market participants at the measurement date. These standards categorize the method for determining the fair market value as discussed below.

Level 1-Data used consists of quoted prices in active markets for identical assets or liabilities that the company has the ability to access at the measurement date. This data will often consist of daily published prices of actively traded stocks, bonds, and mutual funds for example. This level of data is given priority over level 2 and 3 data in establishing fair market value.

Level 2-Data used consists of observable information, either directly or indirectly, other than level 1 quoted prices. An example of such an asset can be a security or investment that is not traded actively and therefore no quoted price is available, but other similar securities or investments have traded recently, or other data such as interest or yield rates are available that allows for a valuation of the asset. This level of data is given priority over level 3 data in establishing fair market value.

Level 3-There are no observable data for determining the fair value of the asset. This would occur where there is no current market or other activity that can be used to determine fair value. In this situation unobservable data may be used to make the best fair value determination possible.

Net Asset Value-Investments for which investment manager's report on a Net Asset Value basis are reported under this category and are not categorized in one of the above levels.

ARCHSTONE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024

Furniture and Equipment

Furniture and equipment is stated on the cost basis. Depreciation and amortization is calculated using the accelerated methods as follows:

Furniture and Equipment - 2-8 Years
Leasehold Improvements - 2-8 Years or the lease term if shorter

Repairs and maintenance, including the replacement of minor items, are expensed as incurred, while major additions and betterments that extend the useful lives of assets are capitalized. Property and equipment are capitalized if the cost of an asset is greater than or equal to \$5,000 and the useful life is greater than one year.

Grants

The Foundation reports grants payable at the date the grant is approved by the board of directors, provided the grant is not subject to future conditions. Conditional grants are recognized as grant expense and as a grant payable in the period in which the grantee meets the terms of the conditions. The actual payment of the grant may not necessarily occur in the year of authorization. Grants payable to be paid over a period of time of more than one year are discounted using a risk free rate applicable at the end of the fiscal year.

The Foundation is required to distribute annually, to qualifying charitable organization, an amount that when combined with other qualifying expenditures for charitable purposes, equals 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 the undistributed income is not distributed by the close of the following tax year, a minimum 30% penalty under the Internal Revenue Code (IRC)S4942(a) will apply. The Foundation met the IRC distribution requirements for the year ended June 30, 2024.

Lease

The Foundation recognizes and measures its leases in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 842, Leases. The Foundation is a lessee in an operating lease for its office. The Foundation determines if an arrangement is a lease, or contains a lease, at inception of a contract and when the terms of an existing contract are changed. The lease liability is initially and subsequently recognized based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. The discount rate is the implicit rate if it is readily determinable or otherwise the Foundation uses its risk-free rate.

The right of use asset is subsequently measured throughout the lease term at the amount of the re-measured lease liability (i.e., present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and any impairment recognized. Lease cost for lease payments is recognized on a straight-line basis over the lease term.

The Foundation has elected, for all underlying classes of assets, to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement, and do not include an option to purchase the underlying asset that the Foundation is reasonably certain to exercise. The Foundation recognizes lease cost associated with short-term leases on a straight-line basis over the lease term.

ARCHSTONE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024

Fair Value of Financial Instruments

Investments, dividends receivable, and grants payable are reported at fair value. The carrying amount of cash, other assets, and accounts payable approximates fair value because of the relatively short term nature of these financial instruments.

Exempt Organization Status

The Foundation is exempt from income tax under Section 501(c) (3) of the Internal Revenue Code ("IRC") and Section 23701(d) of the California Tax Code. Contributions to the Foundation are deductible for tax purposes under Section 170(c) (2) of the IRC. The Foundation recognizes the financial statement benefit of tax positions, such as the filing status as tax exempt, only after determining that the relevant tax authority would more likely than not sustain the position if subjected to audit by tax authorities. The statute of limitation for audit by federal and state tax authorities is three and four years respectively.

Excise Taxes

The Internal Revenue Code imposes an excise tax on private foundations at a rate of 1.39% on net investment income. Deferred excise taxes arise from the net unrealized appreciation in the fair value of investments and are calculated using the 1.39% excise tax rate. At June 30, 2024, the Foundation did not have a significant deferred excise tax liability and therefore the accompanying financial statements do not include a provision for deferred excise taxes. Excise tax netted against investment return in the statement of activities consists of the following for the year ended June 30, 2024:

Current Excise Tax Expense	\$	90,000
True-up of Prior Year Excise Tax Expense		<u>(58,000)</u>
<i>EXCISE TAX EXPENSE</i>	\$	<u>32,000</u>

Functional Allocation of Expenses

The costs of funding the Foundation's programs and activities have been accounted for by their natural categories, such as payroll, rent, etc. These costs are then allocated between program and administrative functions. Direct costs are allocated directly to the functional allocation to which they belong. Indirect expenses are allocated between functions by a method that best measures the degree to which each function benefits from the indirect expense.

Subsequent Events

Subsequent events were evaluated through December 9, 2024, the date that the financial statements were available for distribution.

ARCHSTONE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024

NOTE 3 – INVESTMENTS

Investments as of June 30, 2024 are summarized in the following table by the level of information used to determine their fair market valuation.

Investment	Level 1	Net Asset Value	Total
Equities			
U.S.	\$ 30,116,557	\$ 18,958,008	\$ 49,074,565
Developed Foreign Markets	2,217,704	12,029,344	14,247,048
Emerging Foreign Markets	-	6,424,324	6,424,324
Private	-	14,119,307	14,119,307
Fixed Income	3,113,846	6,445,295	9,559,141
Diversifying Strategies	-	14,669,623	14,669,623
	<u>\$ 35,448,107</u>	<u>\$ 72,645,901</u>	<u>\$ 108,094,008</u>

The value of investments in equity and fixed income securities within Level 1 was obtained based on quoted market prices at the closing of the last business day of the fiscal year.

The Foundation has invested in some funds that have multiple investors. These funds report values using net asset value per share. Most of these funds are not traded in a manner where there are readily determinable fair market values in actively traded markets. The net asset values are determined and provided periodically by the fund managers. These funds can invest in assets ranging from publicly traded securities to privately held companies, as well as other assets.

ARCHSTONE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024

The following table provides additional information regarding investments shown as valued at Net Asset Value Per Share.

U.S. Equities	These fund managers tend to invest in publicly traded equity securities. Shares may be redeemed from daily to weekly with three days notice.	\$ 18,958,008
Developed Foreign Markets Equities	These fund managers tend to invest in publicly traded equity securities. Shares may be redeemed daily to weekly with five days notice.	12,029,344
Emerging Foreign Markets Equities	These fund managers tend to invest in publicly traded equity securities. Shares may be redeemed monthly with 30-60 days notice.	6,424,324
Private Equities	These fund managers tend to invest in privately held companies. These investments are not liquid, typically requiring initial holding periods of up to 10 years before shares can be redeemed. The actual value of the investment will probably differ significantly from those provided by the fund manager.	14,119,307
Fixed Income	These fund managers tend to invest in publicly traded bonds and U. S. Treasury Instruments. The ability to redeem shares is dependent on the trading frequency of the securities owned by the fund.	6,445,295
Diversifying Strategies	These fund managers invest in a variety of assets in various geographic markets. Shares may be redeemed quarterly with 75-90 days notice.	<u>14,669,623</u>
		<u>\$ 72,645,901</u>

Unfunded commitments to purchase securities as of June 30, 2024 amounted to \$12,644,507.

The components of investment return for investments for the year then ended is as follows.

Interest, dividend and other investment income	\$ 876,946
Realized and unrealized gains	<u>15,541,547</u>
	16,418,493
Less investment management fees	(487,726)
Less investment income allocable to deferred compensation	(35,454)
Less excise tax on investment income	<u>(32,000)</u>
	<u>\$ 15,863,313</u>

ARCHSTONE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024

NOTE 4 - FURNITURE AND EQUIPMENT

The Foundation's property and equipment consists of the following assets.

Leasehold improvements	\$	392,411
Furniture and fixtures		<u>267,956</u>
		660,367
Accumulated depreciation		<u>(589,458)</u>
	\$	<u>70,909</u>

Depreciation expense amount to \$60,000 for the year ended June 30, 2024.

NOTE 5 - GRANTS PAYABLE AND CONDITIONAL GRANTS PAYABLE

The Foundation had \$1,736,081 in grants payable as of June 30, 2024 based on the awardee having met certain requirements on which the payment was conditioned. They are expected to be paid within one year. The Foundation has also awarded conditional grants that are scheduled to be paid in the current and subsequent fiscal year based on the awardees meeting certain requirements. The conditional grants will not become payable until these requirements are met. Total outstanding grant commitments (payable and conditional) by year are as follows

	Unconditional	Conditional	Total
2025	\$ 1,736,081	\$ -	\$ 1,736,081
2026	-	1,123,920	1,123,920
2027	-	554,000	554,000
2028	<u>-</u>	<u>48,400</u>	<u>48,400</u>
Total	<u>\$ 1,736,081</u>	<u>\$ 1,726,320</u>	<u>\$ 3,462,401</u>

ARCHSTONE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024

NOTE 6 -EMPLOYEE BENEFIT PLANS

Defined Contribution Plan

The Foundation maintains a 403(b) defined contribution plan for all employees upon hiring. The Foundation matches employee contributions up to current IRS limits. The Foundation contributed approximately \$197,909 to the plan for the year ended June 30, 2024.

Deferred Compensation Plan

The Foundation has a deferred compensation plan which was suspended effective July 1, 2022. Contributions are no longer made to the plan. However, there were two participants in the plan at the time the plan was suspended. Investment earnings on the plan assets for those participants still accrue to the participants accounts.

The plan provides that the account's funds shall be deemed to be invested in investment funds in which the Foundation has invested its general assets. The income, gains, losses and investment results of such investment shall be credited to, or debited from, the accounts as each calendar year.

NOTE 7 -LEASE AGREEMENT

The Foundation leases its office space under an operating lease. Future minimum lease commitments under the lease are as shown below.

Year ending June 30, 2025	173,648
Less Imputed Interest	<u>(1,634)</u>
Lease Liability	<u>\$ 172,014</u>

The lease agreement provides for two options to extend its lease. The Foundation does not intend to exercise these lease extension options. Therefore, the Foundation does not include these options to extend its lease in determining the Right of use asset and related liability. As of June 30, 2024, the Foundation has recorded a Right of use asset of \$119,073 and a related liability of \$172,014. Payments under the lease totaled approximately \$225,226 for the year ended June 30, 2024. Amortization of the Right of Use Asset totaled \$153,129 for the year ended June 30, 2024. Interest expense related to the lease liability totaled \$7,816 for the year ended June 30, 2024. The risk free rate of return used in calculating interest was 2.8%.

ARCHSTONE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024

NOTE 8 - LIQUIDITY AND AVAILABILITY OF RESOURCES

The Foundation funds its operations primarily through investment income which is generally sufficient to fund its operations. The Foundation has no loans and no lines of credit as management prefers to avoid borrowing. Instead, the Foundation manages its investment portfolio in a manner intended to preserve the purchasing power of the portfolio while funding its activities over time.

The Foundation's financial assets available within one year of the balance sheet date for operating expenditures are as follows.

Cash and cash equivalents	\$ 1,030,916
Receivable from sale of investments	6,397,778
Investments	<u>108,094,008</u>
Total Financial Assets	115,522,702
Less Illiquid Investments	<u>(14,119,307)</u>
Financial Assets Available to meet General Expenditures Within One Year	<u>\$ 101,403,395</u>