LAUREL FOUNDATION

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

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CONTENTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
LaureL Foundation

Report on the Financial Statements
We have audited the accompanying financial statements of LaureL Foundation, which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

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

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of LaureL Foundation as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information
We have previously audited LaureL Foundation's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 14, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Green Hasson & Janks LLP

June 8, 2018
Los Angeles, California

LAUREL FOUNDATION

STATEMENT OF FINANCIAL POSITION
December 31, 2017
With Summarized Totals at December 31, 2016

	2017	2016
ASSETS		
Cash and Cash Equivalents	$ 26,562	$ 70,178
Investments	3,239,317	3,618,106
Interest and Dividends Receivable	10,956	8,379
Prepaid Expenses	-	5,003
TOTAL ASSETS	$ 3,276,835	$ 3,701,666
LIABILITIES AND NET ASSSETS (DEFICIT)		
LIABILITIES:		
Grants Payable	$ 2,514,106	$ 4,336,166
Accrued Expenses	8,333	8,333
Federal Excise Tax Payable	798	-
Deferred Excise Tax Liability	13,494	20,900
TOTAL LIABILITIES	2,536,731	4,365,399
NET ASSETS (DEFICIT):		
Unrestricted	740,104	(663,733)
TOTAL LIABILITIES AND NET ASSETS (DEFICIT)	$ 3,276,835	$ 3,701,666

The Accompanying Notes are an Integral Part of These Financial Statements

LAUREL FOUNDATION

STATEMENT OF ACTIVITIES
Year Ended December 31, 2017
With Summarized Totals for the Year Ended December 31, 2016

	2017	2016
REVENUE:		
Interest and Dividends	$ 51,619	$ 70,976
Net Realized Gain (Loss) on Sale of Investments	378,901	(45,540)
Unrealized Gain on Investments	241,133	302,651
Contributions - Donated Securities	3,000,063	-
Other Income	292	-
Release from Grant Commitment	-	2,535,496
TOTAL REVENUE	3,672,008	2,863,583
EXPENSES:		
Grants	2,109,941	4,213,621
Management and General:		
Administrative Expenses	119,835	76,522
Excise Tax Expense	38,395	34,136
TOTAL EXPENSES	2,268,171	4,324,279
CHANGE IN UNRESTRICTED NET ASSETS	1,403,837	(1,460,696)
Unrestricted Net Assets (Deficit) - Beginning of Year	(663,733)	796,963
UNRESTRICTED NET ASSETS (DEFICIT) - END OF YEAR	$ 740,104	$ (663,733)

The Accompanying Notes are an Integral Part of These Financial Statements

LAUREL FOUNDATION

STATEMENT OF CASH FLOWS
Year Ended December 31, 2017
With Summarized Totals for the Year Ended December 31, 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Unrestricted Net Assets	$ 1,403,837	$ (1,460,696)
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by (Used in) Operating Activities:		
Net Realized (Gain) Loss on Sale of Investments	(201,343)	45,540
Unrealized Gain on Investments	(241,133)	(302,651)
Deferred Excise Tax Expense (Benefit)	(7,406)	16,569
Contributions - Donated Securities	(3,000,063)	-
Net Proceeds on Sale of Donated Securities	4,497,729	-
Realized Gain on Sale of Donated Securities	(177,558)	-
Release from Grant Commitment	-	(2,535,496)
(Increase) Decrease in:		
Interest and Dividends Receivable	(2,577)	2,956
Prepaid Expenses	5,003	(5,003)
Increase (Decrease) in:		
Grants Payable	(1,822,060)	1,805,621
Accrued Expenses	-	3,593
Federal Excise Tax Payable	798	(9,329)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	455,227	(2,438,896)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds on Sale of Investments	1,524,448	2,281,111
Purchase of Investments	(2,023,291)	-
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(498,843)	2,281,111
NET DECREASE IN CASH AND CASH EQUIVALENTS	(43,616)	(157,785)
Cash and Cash Equivalents - Beginning of Year	70,178	227,963
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 26,562	$ 70,178
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash Paid During the Year for Federal Excise Taxes	$ 40,000	$ 32,500

The Accompanying Notes are an Integral Part of These Financial Statements

LAUREL FOUNDATION

NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 1 - ORGANIZATION

LaureL Foundation (the Foundation) is a private, non-profit, public benefit corporation founded in 1995 by Laure W. Kastanis to promote and engage exclusively in charitable endeavors. The main focus of the Foundation's grant-making is to support education, youth programs, animal welfare and local environmental education. It does not conduct or administer its own charitable programs, but operates by making grants to qualified 501(c)(3) organizations. Operations are funded primarily by the Foundation's return on its investment portfolio.

The Foundation is administered by the Philanthropic Services division of the Whittier Trust Company (WTC), a private wealth management firm which provides investment and administrative services to the Foundation.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) BASIS OF PRESENTATION

The accompanying financial statements have been prepared on the accrual basis of accounting.

(b) ACCOUNTING

To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts of the Foundation are maintained in accordance with the principles of net assets accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net asset classes that are in accordance with specified activities or objectives. All net assets of the Foundation are unrestricted.

(c) USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues and expenses as of the date and for the period presented. Actual results could differ from those estimates.

(d) CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, the Foundation considers cash on hand, deposits in banks, money market accounts and certificates of deposit with an original maturity of three months or less to be cash and cash equivalents. The carrying value of cash and cash equivalents at December 31, 2017 approximates its fair value.

The Foundation maintains its cash and cash equivalents in bank deposit and other investment accounts which may, at times, exceed federally insured limits. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) INVESTMENTS

Investments are recorded at fair value. For readily marketable securities, such as common stocks and corporate and government bonds, fair value is based on quoted market prices. The fair value of investments in equity fund partnerships is based on the market value of the underlying securities provided by professional pricing sources less an expense allocation associated with managing the funds. Realized and unrealized investment gains or losses are determined by comparison of specific costs of acquisition to net proceeds received at the time of disposal or changes in the difference between fair value and cost, respectively.

The Foundation invests in various securities, including U.S. government securities, corporate debt securities and equities. Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain long-term investments, it is reasonably possible that changes in the values of these investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

All financial assets of the Foundation are managed by WTC and are held in custody by a major commercial bank. The Foundation believes that, in the event of the insolvency of its custodian, some of the Foundation's assets may be unavailable for a period of time, but all assets would be fully recoverable.

Investments are made according to the investment policies, guidelines, and objectives adopted by the Foundation’s Board of Directors. To achieve its investment objective over long periods of time, the Foundation has adopted an investment strategy that invests in domestic and international equities and fixed income securities. Diversification by asset class, investment style and investment managers is embraced to avoid undue risk concentration and enhance total return. The Foundation has adopted investment and spending policies that seek to maintain the purchasing power of assets. In addition, the Foundation seeks to support current operations through interest income, dividends and capital gains. The Foundation's investment and spending policies work together to achieve this objective.

(f) CONTRIBUTIONS

Unconditional contributions are recognized as revenues in the period received. The Foundation reports unconditional contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets.

During the year ended December 31, 2017, the Foundation recognized contributions of $3,000,063 from its founder.

(g) GRANTS

Grants, including any conditional grants, are charged against operations when authorized by the Foundation’s Board of Directors. The actual payment of the grant may not necessarily occur in the year of authorization. Based on historical grant cancellation rates and the Foundation’s giving trend, management has determined that there is only a remote chance that the conditional grants will not be paid and considers the liability for grants payable at December 31, 2017 to be fairly stated.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) GRANTS (continued)

The Foundation is required to distribute annually, to qualifying charitable organizations, an amount equal to 5% of the average fair market value of the Foundation's assets (the minimum distribution). If the Foundation does not distribute the required minimum distribution, a one-year grace period is granted to distribute the undistributed income. If undistributed income is not distributed by the close of the following tax year, a minimum 30% penalty under Internal Revenue Code (IRC) S4942(a) will apply. The Foundation met the IRC grant distribution requirement for the year ended December 31, 2017.

(h) INCOME TAXES

The Foundation is exempt from taxation under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701(d). The Foundation is subject to a 2% (1% if certain criteria are met) federal excise tax on net investment income. Accounting principles generally accepted in the United States of America require Foundation management to evaluate tax positions taken by the Foundation and recognize a tax liability if the Foundation has taken uncertain tax positions that more-likely-than-not would not be sustained upon examination by applicable taxing authorities. Management has analyzed tax positions taken by the Foundation and concluded that, as of December 31, 2017, there are no uncertain tax positions taken, or expected to be taken, that would require recognition of a liability or that would require disclosure in the financial statements. Deferred federal excise taxes, based on a 1.5% tax rate supported by historical trends, arise from the net unrealized appreciation in the fair value of investments.

The excise tax expense in the statement of activities consists of the following for the year ended December 31, 2017:

Current Excise Tax Expense	$	45,801
Deferred Excise Tax Benefit		(7,406)
TOTAL EXCISE TAXES EXPENSE	$	38,395

(i) COMPARATIVE TOTALS

The financial statements include certain prior-period summarized financial information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such financial information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2016 from which the summarized financial information was derived.

(j) NEW ACCOUNTING PRONOUNCEMENTS

In May 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2015-07, *Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent)*. The ASU eliminates the requirement to categorize investments in the fair value hierarchy if the fair value is measured at net asset value (NAV) per share (or its equivalent) using the practical expedient in the FASB's fair value measurement guidance. The Foundation has adopted this pronouncement for the year ended December 31, 2017.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) NEW ACCOUNTING PRONOUNCEMENTS (continued)

In August 2016, FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*, which is intended to reduce complexity in financial reporting. The ASU focuses on improving the current net asset classification requirements and information presented in financial statements that is useful in assessing a nonprofit's liquidity, financial performance, and cash flows. For the Foundation, the ASU will be effective for the year ending December 31, 2018.

(k) SUBSEQUENT EVENTS

The Foundation has evaluated events and transactions occurring subsequent to the statement of financial position date of December 31, 2017 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through June 8, 2018, the date these financial statements were available to be issued. No such material events or transactions were noted to have occurred.

NOTE 3 - INVESTMENTS

The Foundation has implemented the fair value accounting standard for those assets that are re-measured and reported at fair value at each reporting period. This standard establishes a single authoritative definition of fair value, sets out a framework for measuring fair value based on inputs used, and requires additional disclosures about fair value measurements.

In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets (or liabilities). Fair values determined by Level 2 inputs utilize data points that are observable such as quoted prices, interest rates and yield curves. Fair values determined by Level 3 inputs are unobservable data points for the asset (or liability) and include situations where there is little, if any, market activity for the asset (or liability).

The following table presents information about the Foundation's assets that are measured at fair value on a recurring basis at December 31, 2017 and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

		Fair Value Measurements Using			
	Year Ended December 31, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value Per Share or its Equivalent (NAV)
Equities	$ 2,730,501	$ 2,730,501	$ -	$ -	$ -
Fixed Income Securities	89,796	89,796	-	-	-
Equity Fund Partnerships	419,020	-	-	-	419,020
	$ 3,239,317	$ 2,820,297	$ -	$ -	$ 419,020

The fair value of the equities 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.

NOTE 3 - INVESTMENTS (continued)

The Foundation uses net asset value (NAV) to determine the fair value of all the underlying investments which (1) do not have a readily determinable fair value and (2) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. The Foundation's investments in equity fund partnerships are based on the market values of the underlying securities owned by the funds. Market values of the underlying securities are in turn based on quoted prices for identical or similar instruments that may or may not be actively traded. For these investments, the Foundation has concluded that the NAV reported by the underlying fund is a practical expedient to fair value and that these investments are redeemable with the fund at NAV under the original terms of the subscription agreements and operations of underlying funds. These investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient are not categorized in the fair value hierarchy.

WTC is the named investment manager of the various equity fund partnerships. Investments in these partnerships can be redeemed monthly on the first day of the month with 5 business day notice. There is no unfunded commitment at December 31, 2017.

The Foundation recognizes transfers at the beginning of each reporting period. Transfers between Level 1 and 2 investments generally relate to whether a market becomes active or inactive. Transfers between Level 2 and 3 investments generally relate to whether significant relevant observable inputs are available for the fair value measurement in their entirety and when redemption rules become more or less restrictive. There were no transfers between levels during the year ended December 31, 2017.

NOTE 4 - GRANTS PAYABLE

Grants authorized but unpaid are reported as liabilities. Grants to be paid beyond one year are discounted using the risk-free rate at time of approval of the grant.

The following is a summary of grants authorized and payable at December 31, 2017:

To Be Paid in Less than One Year	$ 1,563,000
To Be Paid in One to Five Years	1,008,000
TOTAL	2,571,000
Less: Present Value Discount	(56,894)
TOTAL GRANTS PAYABLE (NET)	$ 2,514,106

NOTE 5 - RELATED PARTY TRANSACTIONS

Two of the Foundation's Board members are employees and shareholders of WTC, which provides investment management services and administrative services to the Foundation. These individuals abstain from voting on any issues related to the WTC relationship and fees. Fees paid to WTC were $100,000 for the year ended December 31, 2017.

The Foundation's Board of Directors has adopted a conflict of interest policy and re-affirms its belief that its mission is fostered by having on the Board of Directors persons active in the community, including those who serve on the boards of organizations who are or may become grant recipients. The conflict of interest policy is intended to assure grantees of the Foundation that decisions of the Foundation are made objectively with full knowledge of the involvement, if any, of the Board of Directors and staff and their immediate family members with grant-seeking agencies.