

**THE CALIFORNIA WELLNESS  
FOUNDATION**

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

**THE CALIFORNIA WELLNESS FOUNDATION**

**FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2019**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
The California Wellness Foundation

### **Report on the Financial Statements**

We have audited the accompanying financial statements of The California Wellness Foundation (the Foundation), which comprise the statement of financial position as of December 31, 2019, 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 the Foundation as of December 31, 2019, 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.

To the Board of Directors  
The California Wellness Foundation  
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**Emphasis of Matter**

As discussed in Note 11 to the financial statements, the recent COVID-19 pandemic in the United States and worldwide has resulted in reduced economic activity and market declines. As the extent and duration of the future impact to the Foundation are uncertain, no adjustments were necessary to the financial statements, and our opinion is not modified with respect to this matter.

*Green Hasson & Janks LLP*

July 30, 2020  
Los Angeles, California

# THE CALIFORNIA WELLNESS FOUNDATION

## STATEMENT OF FINANCIAL POSITION

December 31, 2019

### ASSETS

Cash	\$	51,944
Investment Sales Receivable		2,935,664
Interest and Dividends Receivable		1,163,314
Investments		1,007,652,057
Program Related Investments		2,500,000
Other Assets		789,559
Property and Equipment (Net)		<u>4,662,627</u>
<b>TOTAL ASSETS</b>	<b>\$</b>	<b><u><u>1,019,755,165</u></u></b>

### LIABILITIES AND NET ASSETS

#### LIABILITIES:

Accounts Payable and Accrued Expenses	\$	3,623,934
Investment Purchases Payable		3,642,067
Grants Payable		1,004,750
Accrued Postretirement Healthcare Benefit Obligation		996,607
Deferred and Current Excise Tax Liability		<u>3,410,975</u>
<b>TOTAL LIABILITIES</b>		<b>12,678,333</b>

#### NET ASSETS:

Without Donor Restrictions		<u>1,007,076,832</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$</b>	<b><u><u>1,019,755,165</u></u></b>

The Accompanying Notes are an Integral Part of These Financial Statements

**THE CALIFORNIA WELLNESS FOUNDATION**

STATEMENT OF ACTIVITIES  
Year Ended December 31, 2019

**REVENUE AND GAINS (LOSSES):**

Investment Return (Net) \$ 185,507,315

**OPERATING EXPENSES:**

Program Services 43,055,840

Management and General 4,314,852

Excise and Other Tax Expense 2,411,300

**TOTAL OPERATING EXPENSES** 49,781,992

Postretirement Benefit-Related Changes Other Than

Net Periodic Pension Cost 1,944

**CHANGE IN NET ASSETS WITHOUT  
DONOR RESTRICTIONS**

135,723,379

Net Assets Without Donor Restrictions - Beginning of Year

871,353,453

**NET ASSETS WITHOUT DONOR  
RESTRICTIONS - END OF YEAR**

\$ 1,007,076,832

The Accompanying Notes are an Integral Part of These Financial Statements

# THE CALIFORNIA WELLNESS FOUNDATION

## STATEMENT OF CASH FLOWS

Year Ended December 31, 2019

### **CASH FLOWS FROM OPERATING ACTIVITIES:**

Change in Net Assets Without Donor Restrictions	\$ 135,723,379
Adjustments to Reconcile Change in Net Assets	
Without Donor Restrictions to Net Cash Used in Operating Activities:	
Net Realized and Unrealized Gains on Investments	(171,057,825)
Depreciation	710,499
Change in Deferred Excise Tax Liability	2,111,900
Change in Accrued Postretirement Healthcare Benefit Obligation	94,170
Increase in Other Assets	(330,605)
Decrease in:	
Accounts Payable and Accrued Expenses	(142,880)
Grants Payable	(1,375,550)

***NET CASH USED IN OPERATING ACTIVITIES*** (34,266,912)

### **CASH FLOWS FROM INVESTING ACTIVITIES:**

Proceeds on Sale of Investments	550,009,589
Purchases of Investments	(515,275,061)
Interest and Dividends Receivable	(66,611)
Program Related Investments	(500,000)
Purchases of Property and Equipment	(49,508)

***NET CASH PROVIDED BY INVESTING ACTIVITIES*** 34,118,409

***NET DECREASE IN CASH*** (148,503)

Cash - Beginning of Year 200,447

***CASH - END OF YEAR*** \$ 51,944

### **SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:**

Cash Paid During the Year for Excise Taxes	\$ 275,000
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The Accompanying Notes are an Integral Part of These Financial Statements

# THE CALIFORNIA WELLNESS FOUNDATION

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019

### NOTE 1 - ORGANIZATION

The California Wellness Foundation (the Foundation), a California nonprofit public benefit corporation, was created in September 1990 in anticipation of the conversion of Health Net (a California corporation) from nonprofit to for-profit status. The conversion of Health Net to a business corporation was finalized in February 1992, resulting in a contribution to the Foundation to further its purpose.

#### **The Foundation's Mission**

To protect and improve the health and wellness of the people of California by increasing access to health care, quality education, good jobs, healthy environments and safe neighborhoods.

#### **The Foundation:**

- Uses its resources to advance its mission through grantmaking, investments, sharing learning and lifting its voice.
- Funds direct services that address the urgent needs people are facing in their communities, particularly the needs of low-income individuals, people of color, youth and residents of rural areas.
- Recognizes, encourages and strengthens leaders to be powerful agents of change.
- Supports advocacy and civic engagement so that communities can build power and create public policies that reflect their vision, will and needs.
- Trusts and invests in nonprofit organizations so that they can operate at full capacity.
- Partners with community-led organizations, philanthropic organizations, businesses, government and individuals who want to improve health and wellness for Californians.

#### **Advancing Wellness Grants Program**

In pursuit of the Foundation's mission, the Advancing Wellness grants program includes four grantmaking portfolios:

- Health Care
- Healthy and Safe Neighborhoods
- Education and Employment
- Health Policy and Strengthening the Sector

The establishment of these portfolios is grounded in research on the social determinants of health, which states that where people live and work, their race or ethnicity, and their income can impact their health and wellness. The Foundation's desire is to help level the playing field so that everyone has access to good-paying jobs, safe neighborhoods and quality health care services.

Building on its past, the Foundation remains committed to the Advancing Wellness Approach: responsive, statewide grantmaking; core operating support; funding of direct services, public policy and capacity building; and prioritizing the health of underserved populations.



# THE CALIFORNIA WELLNESS FOUNDATION

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) BASIS OF PRESENTATION

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

#### (b) NET ASSETS

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- **Net Assets Without Donor Restrictions.** Net assets available for use in general operations and not subject to donor-imposed restrictions.
- **Net Assets With Donor Restrictions.** Net assets subject to donor-imposed restrictions.

None of the Foundation's assets were subject to donor-imposed restrictions at December 31, 2019.

#### (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

The Foundation maintains its cash in bank deposit accounts which at times may 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 at December 31, 2019.

#### (e) INVESTMENTS

Investments in equity and debt securities with readily determinable market values are reported at fair value. The fair value of such investments is valued at the closing price on the last business day of the fiscal year. Investments in hedge funds, private equity and common or comingled funds are valued using net asset value (NAV) per share of units held by the Foundation, as provided by the fund managers or general partners. Investments valued at NAV (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company.

# THE CALIFORNIA WELLNESS FOUNDATION

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (e) INVESTMENTS (continued)

Investment sales and purchases are recorded on a trade-date basis, which may result in either an investment receivable or an investment payable on unsettled investment trades at the statement of financial position date. Realized gains and losses are calculated based upon the underlying cost of the securities traded. Interest and dividend income is recorded when earned on an accrual basis. Gains or losses (including investments bought, sold, and held during the year), and interest and dividend income are reflected in the statement of activities as increases or decreases in net assets without donor restrictions.

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.

Investments are made according to the investment policies, guidelines, and objectives adopted by the Foundation's Board of Directors. These guidelines provide for investments in equities, fixed income, and alternatives with performance measured against appropriate indices. The investments are generally managed and reviewed by outside investment managers contracted by the Foundation.

#### (f) PROGRAM RELATED INVESTMENTS

In accordance with Internal Revenue Code (IRC) Section 4944, the Foundation is permitted to make investments in furtherance of its charitable purpose. Program related investments are anticipated to have lower-than-market returns on a risk-adjusted basis. Similar to grants, program related investments count toward the Foundation's payout requirement in the year of distribution.

#### (g) PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost. Depreciation is computed on a straight-line basis over the estimated useful lives of the related assets, as follows:

Leasehold Improvements	Shorter of useful life or lease term
Furniture and Equipment	3-7 Years

The Foundation generally capitalizes assets with an original cost greater than \$5,000. Expenditures for repairs and maintenance are charged to operations when incurred while renewals and betterments are capitalized.

The Foundation reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the book value of the assets may not be recoverable. No impairment losses were recognized on long-lived assets during the year ended December 31, 2019.

**THE CALIFORNIA WELLNESS FOUNDATION**

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**(h) GRANTS**

Grants are expensed when approved by the Foundation's Board of Directors or President and CEO. The actual payment of the grant may not necessarily occur in the year of authorization. Grants authorized but unpaid at year end are reported as liabilities. Grants which are expected to be paid in future years are discounted at the appropriate rate commensurate with the risks involved and are recorded at the present value of future cash flows.

The following is a summary of grants payable at December 31, 2019:

To Be Paid in Less than One Year	\$ 919,750
To Be Paid in One to Five Years	<u>85,000</u>
<b>TOTAL GRANTS PAYABLE</b>	<b><u>\$ 1,004,750</u></b>

**(i) FEDERAL EXCISE TAX AND UNRELATED BUSINESS INCOME TAX**

The Foundation is exempt from income taxation under IRC Section 501(c)(3) and California Revenue and Taxation Code Section 23701(d). However, the Foundation is classified under IRC Section 509(a) as a private foundation and, as such, for the year ended December 31, 2019, was subject to a 2% federal excise tax on net investment income, with a possible reduction to 1% providing certain distribution requirements were met. On December 20, 2019, the Further Consolidated Appropriations Act of 2020 was signed into law, where the federal excise tax rate is modified to a flat rate of 1.39% for tax years beginning after December 20, 2019. Deferred excise taxes arise from the net unrealized appreciation in the fair value of investments and have been calculated using the 1.39% excise tax rate at December 31, 2019.

The Foundation is subject to unrelated business income tax on any net income that is derived from a trade or business, regularly carried on, and not in furtherance of the purposes for which it was granted exemption, including certain pass-through investment activities, at regular corporation tax rates.

The excise and other tax expense is comprised of the following at December 31, 2019:

Current Excise Tax	\$ 922,000
Deferred Excise Tax	<u>1,489,300</u>
<b>TOTAL EXCISE AND OTHER TAX EXPENSE</b>	<b><u>\$ 2,411,300</u></b>

# THE CALIFORNIA WELLNESS FOUNDATION

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**(i) FEDERAL EXCISE TAX AND UNRELATED BUSINESS INCOME TAX (continued)**

In accordance with the Financial Accounting Standards Board's (FASB) Accounting Standards Codification Topic 740, *Uncertainty in Income Taxes*, the Foundation recognizes the impact of tax positions in the financial statements if that position is more likely than not to be sustained on audit, based on the technical merits of the position. During the year ended December 31, 2019, the Foundation performed an evaluation of uncertain tax positions and did not note any matters that would require recognition in the financial statements or which might have an effect on its tax-exempt status.

**(j) FUNCTIONAL ALLOCATION OF EXPENSES**

The costs of providing the Foundation's programs and other activities are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and management and general services by a method that best measures the relative degree of benefit. The Foundation uses management's estimates to allocate indirect costs, which includes methodologies such as time spent, departmental headcount supported and office square footage utilized.

**(k) NEW ACCOUNTING PRONOUNCEMENTS**

In June 2018, FASB issued Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which is intended to clarify the accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Non-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance. For the Foundation, the ASU will be effective for the year ending December 31, 2020.

In February 2016, FASB issued ASU No. 2016-02, *Leases*, which is intended to improve financial reporting about leasing transactions. The new standard will require organizations that lease assets with terms of more than 12 months to recognize on the statement of financial position the assets and liabilities for the rights and obligations created by those leases. The ASU also will require disclosures to help financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative requirements and provide additional information about the amounts recorded in the financial statements. For the Foundation, the ASU will be effective for the year ending December 31, 2022.

# THE CALIFORNIA WELLNESS FOUNDATION

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (I) SUBSEQUENT EVENTS

The Foundation has evaluated events and transactions occurring subsequent to the statement of financial position date of December 31, 2019 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through July 30, 2020, the date these financial statements were available to be issued. No such material events or transactions were noted to have occurred, except as described in Note 11.

### 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. 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 utilize unobservable data points for the asset and include situations where there is little, if any, market activity for the asset. At December 31, 2019, the Foundation does not have any investments in Level 3 of the fair value hierarchy.

The following table presents information about the Foundation's investments that are measured at fair value on a recurring basis at December 31, 2019, and, where appropriate, indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash Equivalents	\$ 2,285,449	\$ 2,285,449	\$ -	\$ -
Equity Securities	624,591,511	155,454,777	469,136,734	-
Government and Corporate Obligations	114,602,789	38,356,197	76,246,592	-
<b>TOTAL INVESTMENTS IN THE FAIR VALUE HIERARCHY</b>	741,479,749	\$ 196,096,423	\$ 545,383,326	\$ -
Investments Measured at NAV	266,172,308			
<b>TOTAL INVESTMENTS AT FAIR VALUE</b>	<b>\$ 1,007,652,057</b>			

# THE CALIFORNIA WELLNESS FOUNDATION

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019

### NOTE 3 - INVESTMENTS (continued)

Investments that are measured at NAV (or its equivalent) as a practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position. It is probable that these investments will be sold at an amount different from their fair value at December 31, 2019.

The fair value of investments within Level 1 was obtained based on quoted market prices at the closing of the last business day of the fiscal year.

The fair value of the investments within Level 2 categorized as government and corporate obligations were determined by discounting the related cash flows based on current yields of similar instruments with comparable durations and considering the credit-worthiness of the issuer. The fair value of the investments within Level 2 categorized as equity securities were determined by quoted prices in non-active markets or in active markets for similar assets or liabilities, inputs other than quoted prices that are observable, and inputs that are not directly observable, but are corroborated by external market data. The pricing vendors generally use the market approach because prices from market transactions for identical or comparable assets are available for use to value the investments.

The following table summarize the redemption frequency, notice period and unfunded commitments for the Foundation's investments using NAV as practical expedient as of December 31, 2019:

Investment Type	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Hedge Funds	\$ 85,640,290	N/A	1-2 year lock, after one year, quarterly	90 Days
Private Equity	55,763,667	\$ 96,280,075	N/A	N/A
Private Real Assets	4,431,840	24,148,108	N/A	N/A
Developed Market Equities	10,786,688	N/A	Varies, Generally Monthly or Quarterly	5 Days to 90 Days
Fixed Income	3,215,423	N/A	Monthly	30 Days
Global Equities	106,334,400	N/A	Bi-monthly	9 Days
<b>TOTAL</b>	<b>\$ 266,172,308</b>	<b>\$ 120,428,183</b>		

#### Hedge Funds

This class includes investments in various hedge funds, including a hedge fund of funds. The funds include investments in U.S., global, and emerging market long/short equity strategies, debt strategies, activist strategies and structured investments, merger arbitrage and cash.

# THE CALIFORNIA WELLNESS FOUNDATION

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019

### NOTE 3 - INVESTMENTS (continued)

#### Private Equity

This class includes investments in private equity limited partnerships and various funds of funds. The fund commitments are distributed across the U.S., Europe, Asia and emerging markets.

#### Private Real Assets

This class includes investments in private real estate funds focused on debt and equity strategies in U.S. small and middle market entities as well as utility infrastructure.

#### Developed Market Equities

This class includes investments in developed market public equities held in a limited partnership structure.

#### Fixed Income

This class includes domestic and international fixed income instruments.

#### Global Equities

This class includes a global equity strategy fund.

### NOTE 4 - PROGRAM RELATED INVESTMENTS

Program related investments consist of various below-market-rate loans. As of December 31, 2019, total principal outstanding for funded loans was \$2,500,000 and there was an unfunded loan totaling \$1,500,000. The loans bear interest at an interest rate of 2.0% per annum and loan principals are to be repaid at various dates through March 2027. Management has reviewed the collectability of all program related investments and has determined no allowance is necessary at December 31, 2019.

### NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

Leasehold Improvements	\$ 4,788,003
Furniture and Equipment	<u>1,779,295</u>
<b>TOTAL</b>	6,567,298
Less: Accumulated Depreciation	<u>(1,904,671)</u>
<b>PROPERTY AND EQUIPMENT (NET)</b>	<u>\$ 4,662,627</u>

Depreciation expense for the year ended December 31, 2019 was \$710,499.

# THE CALIFORNIA WELLNESS FOUNDATION

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019

### NOTE 6 - LEASE COMMITMENTS

The Foundation leases its office facilities under operating leases which expire in 2027 and 2028. In 2016, the Foundation executed a new lease for its headquarters beginning in October 2017 and expiring in September 2027 with one five year renewal option. In 2017, the Foundation executed a new lease for its Northern California office beginning in May 2018 and expiring in September 2028 with one five year renewal option. The office facilities leases provide for payments of property taxes, insurance, and maintenance expenses. The Foundation also leases office equipment under leases that expire in 2020 through 2024. The following is a schedule by year of minimum future payments related to these leases:

#### Years Ending December 31

2020	\$	879,210
2021		908,366
2022		929,332
2023		880,249
2024		982,556
Thereafter		<u>3,193,976</u>
<b>TOTAL</b>	\$	<u><b>7,773,689</b></u>

Rent expense totaled \$1,036,366 for the year ended December 31, 2019.

### NOTE 7 - FUNCTIONAL ALLOCATION OF EXPENSES

For the year ended December 31, 2019 the Foundation's natural expenses were categorized as follows:

Expense Category	Program Services: Grantmaking	Management and General	Total
Grants	\$ 34,281,325	\$ -	\$ 34,281,325
Compensation and Benefits	5,589,408	2,564,057	8,153,465
Professional Services	912,325	748,667	1,660,992
Travel	443,938	177,564	621,502
Occupancy	1,610,808	712,228	2,323,036
Other Expenses	218,036	112,336	330,372
<b>TOTAL</b>	<u>\$ 43,055,840</u>	<u>\$ 4,314,852</u>	<u>\$ 47,370,692</u>



# THE CALIFORNIA WELLNESS FOUNDATION

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019

### NOTE 8 - TAX-DEFERRED RETIREMENT PLAN

The Foundation sponsors a 401(k) plan for Foundation employees. Under the provisions of the plan, participating employees may make voluntary contributions through salary deductions up to the maximum amount allowed by law. The Foundation's practice is to contribute an amount equal to 12% of all eligible employee compensation and to match eligible employee contributions up to 4% of compensation. Foundation contributions and expenses related to the plan totaled \$822,032 for the year ended December 31, 2019.

### NOTE 9 - DEFERRED COMPENSATION PLAN

The Foundation maintains a 457(b) deferred compensation plan for certain employees. The employees contribute through payroll withholding into various mutual funds or annuity contracts with CUNA Mutual Group. While the assets are owned by the Foundation, they are held in trust accounts for the exclusive benefit of the employees. Such assets totaled \$213,607 at December 31, 2019 and are included in other assets, offset by corresponding liabilities.

### NOTE 10 - POSTRETIREMENT HEALTHCARE BENEFIT PLAN

The Foundation implemented a retiree medical plan effective January 1, 2009 designed to reimburse retirees who qualify in terms of age and years of service for a portion of their premium cost for securing Medigap (Supplemental Insurance) Plan coverage and Medicare Part D Plan coverage. The changes in the postretirement healthcare benefit obligation, plan assets and the amounts recognized in the financial statements are as follows:

Accrued Postretirement Benefit Obligation at January 1, 2019	\$ 902,437
Service Cost	45,135
Interest	37,075
Actuarial Loss	30,305
Employer Share of Periodic Benefit Payments	<u>(18,345)</u>
<b><i>ACCRUED POSTRETIREMENT BENEFIT OBLIGATION AT DECEMBER 31, 2019</i></b>	<b><i>\$ 996,607</i></b>

In accordance with the Foundation's policy, the postretirement healthcare benefit plan is not funded.

Change in Plan Assets:	
Employer Contributions	\$ 18,345
Participant Contributions	3,320
Periodic Benefit Payments	<u>(21,665)</u>
<b><i>FAIR VALUE OF PLAN ASSETS AT DECEMBER 31, 2019</i></b>	<b><i>\$ -</i></b>

**THE CALIFORNIA WELLNESS FOUNDATION**

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

**NOTE 10 - POSTRETIREMENT HEALTHCARE BENEFIT PLAN (continued)**

The funded status of the postretirement healthcare benefit plan is reconciled as follows at December 31, 2019:

Fair Value of Plan Assets at December 31, 2019	\$	-
Actuarial Present Value of Benefit Obligation		<u>996,607</u>
<b><i>ACCRUED POSTRETIREMENT BENEFIT OBLIGATION AT DECEMBER 31, 2019</i></b>	<b>\$</b>	<b><u>996,607</u></b>

The total postretirement benefit-related changes included in the statement of activities for the year ended December 31, 2019 is comprised of the following:

Net Periodic Pension Cost:		
Service Cost	\$	45,135
Interest		37,075
Amortization of Prior Service Cost		<u>28,361</u>
<b><i>NET PERIODIC PENSION COST</i></b>	<b>\$</b>	<b><u>110,571</u></b>
Postretirement Benefit-Related Changes Other Than Net Periodic Pension Cost:		
Net Loss	\$	30,305
Amortization of Prior Service Cost		<u>(28,361)</u>
<b><i>POSTRETIREMENT BENEFIT-RELATED CHANGES OTHER THAN NET PERIODIC PENSION COST</i></b>	<b>\$</b>	<b><u>1,944</u></b>
<b><i>TOTAL POSTRETIREMENT BENEFIT- RELATED CHANGES</i></b>	<b>\$</b>	<b><u>112,515</u></b>

The weighted average discount rate assumptions used for the postretirement healthcare benefit plan as of December 31, 2019, are as follows:

Discount Rate to Determine Present Value of Benefit Obligation	3.12%
Discount Rate to Determine Net Periodic Pension Cost	3.12%

To determine the accrued postretirement healthcare benefit obligation at December 31, 2019, the annual rate of increase in per capita costs of covered health care was 4.5% by 2031.

**THE CALIFORNIA WELLNESS FOUNDATION**

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

**NOTE 10 - POSTRETIREMENT HEALTHCARE BENEFIT PLAN** (continued)

Assumed healthcare cost trend rates have a significant effect on the amounts reported for the healthcare benefit plan. Increasing the health care cost trend rate by 1% in each future year would increase the accrued postretirement healthcare benefit obligation by \$14,734 and the aggregate annual service and interest cost by \$739. Decreasing the healthcare cost trend rate by 1% in each future year would decrease the accrued postretirement healthcare benefit obligation by \$21,594, and the aggregate annual service and interest cost by \$1,429.

The Foundation expects to contribute \$30,543 to the postretirement healthcare benefit plan during the year ending December 31, 2020.

The following benefit payments, which reflect expected future service, are expected to be paid as follows for the years ending December 31:

<b>Years Ending December 31</b>	<b>Benefit Payments</b>
2020	\$ 30,543
2021	31,645
2022	32,699
2023	33,691
2024	39,092
2025 - 2029	200,551

**NOTE 11 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES**

The total financial assets held by the Foundation at December 31, 2019 and the amounts of those financial assets that could be made available for general expenditures within one year of the date of the statement of financial position are summarized in the following table:

Financial Assets at December 31, 2019	
Cash	\$ 51,944
Investment Sales Receivable	2,935,664
Interest and Dividends Receivable	1,163,314
Investments	<u>1,007,652,057</u>
<b>TOTAL FINANCIAL ASSETS AT DECEMBER 31, 2019</b>	<b>1,011,802,979</b>
Less Amounts Not Available to Be Used Within One Year:	
Illiquid Investments	<u>(61,778,585)</u>
<b>FINANCIAL ASSETS AVAILABLE TO MEET GENERAL EXPENDITURES WITHIN ONE YEAR</b>	<b><u>\$ 950,024,394</u></b>

# **THE CALIFORNIA WELLNESS FOUNDATION**

## **NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019**

### **NOTE 11 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES (continued)**

The Foundation regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Subsequent to year-end, an outbreak of a novel strain of coronavirus (COVID-19) surfaced in the United States and throughout the world. This COVID-19 outbreak has caused business disruption which may negatively impact the Foundation's operations and results. The disruption is expected to be temporary, however there is considerable uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies. While the Foundation is closely monitoring its operations, liquidity and capital resources, it is also actively working to minimize the current and future impact of this unprecedented situation. The related financial impact and duration of this disruption, however, cannot be reasonably estimated at this time.