

ROBERT NELSON FOUNDATION

Financial Statements and
Independent Auditor's Report

April 30, 2024

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Independent Auditor's Report

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To the Board of Trustees of
The Robert Nelson Foundation

Qualified Opinion

We have audited the accompanying financial statements of Robert Nelson Foundation (the Foundation), which comprise the statement of financial position as of April 30, 2024, and the related statement of activities, cash flows, and statement of functional expenses for the year then ended, and the related notes to the financial statements.

In our opinion, except for the effects of the matter discussed in the *Basis for Qualified Opinion* section of our report, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Foundation as of April 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 (U.S. GAAP).

Basis for Qualified Opinion

The Foundation has recorded its equity in a 33.34%-owned limited liability company (the LLC) and its equity in a 30%-owned limited partnership (the LP) based on the valuations prepared in accordance with the income tax basis of accounting. In our opinion, the equity in the earnings of the LLC and LP should be computed based on their financial statements prepared on the same basis of accounting used by the Foundation to conform with U.S. GAAP. Quantification of the effects of that departure from U.S. GAAP on the financial statements of the Foundation is not practicable.

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 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 qualified 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 U.S. GAAP, 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.

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 generally accepted auditing standards 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 generally accepted auditing standards, 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.

JLK Rosenberger, LLP

Glendale, California
April 21, 2025

ROBERT NELSON FOUNDATION

Statement of Financial Position As of April 30, 2024

Assets

Current assets:

Cash and cash equivalents	\$ 1,219,307
Invested assets:	
Certificates of deposit	451,743
Marketable securities	9,220,126
Investment in limited liability company	2,393,809
Investment in limited partnership	<u>3,221,192</u>
Total invested assets	15,286,870
Accrued interest receivable	<u>52,911</u>
Total current assets	<u>16,559,088</u>
Total assets	<u><u>\$ 16,559,088</u></u>

Liabilities and Net Assets

Current liabilities:

Accounts payable and accrued expenses	\$ 533,180
Payable for investments	496,243
Taxes and penalties payable	<u>7,378</u>
Total current liabilities	<u>1,036,801</u>

Net assets:

Without donor restrictions	<u>15,522,287</u>
Total net assets	<u>15,522,287</u>
Total liabilities and net assets	<u><u>\$ 16,559,088</u></u>

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

ROBERT NELSON FOUNDATION

Statement of Activities For the Year Ended April 30, 2024

Changes in unrestricted net assets:

Unrestricted support:	
Contributions	\$ 3,462,835
Total unrestricted support	<u>3,462,835</u>
Expenses:	
Program services	626,280
Management and general	<u>194,567</u>
Total expenses	<u>820,847</u>
Net investment loss	<u>(277,323)</u>
Increase in unrestricted net assets	2,364,665
Net assets, beginning of year	13,157,622
Net assets, end of year	<u>\$ 15,522,287</u>

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

ROBERT NELSON FOUNDATION

Statement of Functional Expenses For the Year Ended April 30, 2024

	Program Services	Management and General	Fund Raising	Total
Operating expenses:				
Grants	\$ 626,280	\$ -	\$ -	\$ 626,280
Officer compensation	-	80,000	-	80,000
Bank service charges	-	70,963	-	70,963
Insurance	-	3,095	-	3,095
Professional services	-	28,131	-	28,131
Taxes and penalties	-	12,378	-	12,378
Total expenses	\$ 626,280	\$ 194,567	\$ -	\$ 820,847

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

ROBERT NELSON FOUNDATION

Statement of Cash Flows For the Year Ended April 30, 2024

Cash flows from operating activities:

Increase in net assets	\$ 2,364,665
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Unrealized loss on investments	860,577
Amortization of investments	4,622
Realized gain on investments	(208,700)
Contribution of interest in limited partnership	(3,221,192)
Changes in assets and liabilities:	
Accrued interest receivable	(19,112)
Prepaid assets	4,800
Accounts payable and accrued liabilities	248,586
Payable for investments	496,243
Taxes and penalties payable	7,378
Net cash provided by operating activities	<u>537,867</u>

Cash flows from investing activities:

Purchase of investments	(14,433,325)
Proceeds from sale of investments	14,755,617
Distributions from investment in limited liability company	183,480
Net cash provided by investing activities	<u>505,772</u>
Net increase in cash and cash equivalents	1,043,639
Cash and cash equivalents at beginning of year	175,668
Cash and cash equivalents at end of year	<u>\$ 1,219,307</u>

Supplemental schedule of noncash investing and financing activities:

Interest in limited partnership acquired through donation	<u>\$ 3,221,192</u>
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The accompanying notes are an integral part of these financial statements.

ROBERT NELSON FOUNDATION

Notes to Financial Statements April 30, 2024

1. Summary of Significant Accounting Policies

Nature of Activities

The Robert Nelson Foundation (the Foundation) is a Nevada 501(c)(3) exempt private foundation established on May 16, 2017. The Foundation became active in 2018 upon receipt of funding from the Robert Nelson Trust. The Foundation was created exclusively for charitable, scientific, literary or educational purposes. It is committed to honoring Mr. Nelson's vision of helping young people follow their dreams of pursuing a career in the radio/television field and to funding projects that emulate Mr. Nelson's character and his historical pattern of giving to specific causes during his lifetime. The Foundation looks to leave a legacy of Mr. Nelson's life in a broad range of giving that reflect his life of honor and excellence. A core mission of the Foundation is to enhance communities by funding projects that promote service, innovation, and excellence. "To Give and to Grow" is based on the principle of supporting great ideas that will help others reach their full potential.

Basis of Presentation

The Foundation's financial statements have been prepared on an accrual basis in accordance with accounting principles generally accepted in the United States of America (GAAP).

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Net Assets

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

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations and that may be expendable for any purpose in performing the primary objectives of the Foundation.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed stipulations will be met by actions of the donor, the Foundation, and/or the passage of time. These net assets include contributions for which donor-imposed restrictions have not been met. As restrictions are satisfied, net assets are reclassified to unrestricted net assets and reported in the accompanying statement of activities as net assets released from restrictions. The investment income generated from these funds is available for either general support of the Foundation's programs and operations, or specific purposes in accordance with donor stipulations.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets.

ROBERT NELSON FOUNDATION

Notes to Financial Statements (Continued) April 30, 2024

1. Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

Cash equivalents consist of investments with original maturities of three months or less at the time of purchase.

Certificates of Deposit

Certificates of deposit with original maturities of more than three months at the time of transfer are stated at fair value.

Investments

Investments in bonds and equity securities are stated at fair value. Investments are valued at the closing price reported on the active market on which the individual securities are traded. Purchases and sales are recorded on the trade date. The estimated fair value of investments is based on quoted market prices. Unrealized gains or losses on investments resulting from fair value fluctuations are recorded in the changes in net assets. Realized gains or losses are recognized on the difference between the investment's fair value and the sales proceeds less the unrealized gain or loss previously recognized.

Investment in limited liability company (LLC) represents a 33.34% interest in the LLC that holds and operates income producing real estate. Investment in limited partnership (LP) represents a 30% interest in the LP that holds and operates income producing real estate. They are accounted for under the equity method whereby the initial investment is recorded at its contributed fair value adjusted for the equity interest in revenues and expenses. Distributions from the LLC and LP are recognized as reductions in the equity method investments.

Fair Value Measurements

The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Accordingly, when market observable data is not readily available, the Foundation's own assumptions are set to reflect those that market participants would be presumed to use in pricing the asset or liability at the measurement date. Financial assets and liabilities recorded in the statement of position at fair value are categorized based on the reliability of inputs to the valuation techniques as follows:

Level 1 – Financial assets and financial liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation can access.

Level 2 – Financial assets and financial liabilities whose values are based on (a) quoted prices for similar assets or liabilities in active markets, (b) quoted prices for identical or similar assets or liabilities in non-active markets, or (c) valuation models whose inputs are observable, directly or indirectly, for substantially the full term of the asset or liability.

Level 3 – Financial assets and financial liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect the Foundation's estimates of the assumptions that market participants would use in valuing the financial assets and financial liabilities.

ROBERT NELSON FOUNDATION

Notes to Financial Statements (Continued) April 30, 2024

1. Summary of Significant Accounting Policies (Continued)

Contributions

Contributions received are recorded as unrestricted or restricted support depending on the existence and/or nature of any donor restrictions. All donor-restricted contributions are reported as an increase in restricted net assets depending on the nature of the restriction. When a stipulated time restriction ends or purpose restriction is accomplished, restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Donated Assets and Services

Donations of non-cash assets are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as an increase in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use are reported as restricted contributions.

Donated services are recognized as contributions if the services create or enhance nonfinancial assets or specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Tax Status

The organization is a private foundation that has obtained an exemption from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and California state income taxes under Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision has been made for federal and state income taxes. The Foundation is subject, however, to Federal and California income taxes on unrelated business income as stipulated by IRC Section 511 and Regulation Section 1.511. The Foundation is classified as a private foundation and is subject to a federal excise tax of 1% or 2% on investment income less investment expenses, and on net realized taxable gains and capital transactions. For the year ended April 30, 2024, the Foundation had unrelated business income of \$1,000,735 and incurred \$12,178 in tax expense.

2. Concentration of Credit Risk

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist primarily of cash, cash equivalents and investments. The Foundation maintains its cash with high-credit quality financial institutions. At times, the Foundation's cash may exceed federally insured limits. The Foundation has not experienced any losses related to these amounts and management believes its credit risk to be minimal.

ROBERT NELSON FOUNDATION

Notes to Financial Statements (Continued) April 30, 2024

3. Investments

Investments consisted of the following as of April 30, 2024:

Certificates of deposit	\$ 451,743
Equity securities	103,367
Bonds	4,319,612
Mutual funds	4,797,147
Investment in LLC	2,393,809
Investment in LP	<u>3,221,192</u>
Total	<u>\$ 15,286,870</u>

The following summarizes the investment return and its classification in the statement of activities for the year ended April 30, 2024:

Interest and dividends	\$ 374,554
Realized gains, net	208,700
Unrealized losses, net	<u>(860,577)</u>
Total	<u>\$ (277,323)</u>

The unrealized losses of \$1,130,104 on the investment in limited liability company are included in the above table.

4. Fair Value Measurements

The following table sets forth by level within the fair value hierarchy of the Foundation's invested assets as of April 30, 2024:

	Level 1	Level 2	Level 3	Total
Equity securities	\$ 103,367	\$ -	\$ -	\$ 103,367
Bonds	-	4,319,612	-	4,319,612
Mutual funds	4,797,147	-	-	4,797,147
Total	<u>\$ 4,900,514</u>	<u>\$ 4,319,612</u>	<u>\$ -</u>	<u>\$ 9,220,126</u>

5. Liquidity and Availability of Resources

The Foundation must annually pay out a minimum of 5% of the average fair value of its investment assets for the preceding year for charitable and administrative purposes in accordance with the private foundation Internal Revenue Code requirements. The Foundation structures its financial assets to manage liquidity in a manner to meet this distribution requirement.

ROBERT NELSON FOUNDATION

Notes to Financial Statements (Continued) April 30, 2024

5. Liquidity and Availability of Resources (Continued)

The following reflects the Foundation's financial assets as of April 30, 2024:

Cash and cash equivalents	\$ 1,219,307
Investments	9,671,869
Accrued interest receivable	52,911
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 10,944,087</u>

6. Related Party Transactions

During the year ended April 30, 2024, the Foundation incurred \$24,783 in expenses for secretarial, accounting and tax return preparation services which were paid to an accounting firm where a board member is a partner.

7. Subsequent Events

Management has evaluated subsequent events through April 21, 2025, which is the date the financial statements were available to be issued. No events have occurred subsequent to April 30, 2024 requiring recording or disclosure in these financial statements.