

**Walter S. Johnson Foundation**

Financial Statements

December 31, 2021 and 2020



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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of  
Walter S. Johnson Foundation  
San Francisco, California

### **Opinion**

We have audited the accompanying financial statements of Walter S. Johnson Foundation (a California nonprofit corporation), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Walter S. Johnson Foundation as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis of Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 Walter S. Johnson Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 these 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 Walter S. Johnson 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, including omissions, 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 Walter S. Johnson 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 Walter S. Johnson 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.



Armanino<sup>LLP</sup>  
San Jose, California

August 31, 2022

Walter S. Johnson Foundation  
 Statements of Financial Position  
 December 31, 2021 and 2020

	2021	2020
ASSETS		
Cash and cash equivalents	\$ 190,655	\$ 297,592
Investments	146,989,462	132,554,542
Dividends and interest receivable	13,750	24,502
Federal excise tax receivable	20,000	87,996
Property and equipment, net	480	1,876
Other assets	4,696	4,882
Total assets	\$ 147,219,043	\$ 132,971,390
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued liabilities	\$ 39,983	\$ 43,454
Grants payable	2,195,000	1,669,000
Deferred federal excise tax liability	493,859	554,701
Accrued expenses	-	3,304
Federal excise and unrelated business income tax payable	32,966	-
Total liabilities	2,761,808	2,270,459
Commitments (Note 7)		
Net assets without donor restrictions	144,457,235	130,700,931
Total liabilities and net assets	\$ 147,219,043	\$ 132,971,390

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

Walter S. Johnson Foundation  
 Statements of Activities  
 For the Years Ended December 31, 2021 and 2020

	2021	2020
Investment income		
Interest	\$ 99,643	\$ 62,736
Dividends	2,850,873	1,278,266
Income from investments in limited partnerships	12,007,864	665,706
Net realized gain on sale of investments	11,987,848	888,235
Net unrealized appreciation (depreciation) on investments	(4,401,287)	26,371,980
Total investment income	22,544,941	29,266,923
Investment related expenses	766,430	598,355
Federal excise tax expenses, net	302,370	389,057
Unrelated business income tax	5,912	602
Net investment income	21,470,229	28,278,909
Functional expenses		
Program services	7,558,090	5,013,157
Management and general	155,835	172,838
Total functional expenses	7,713,925	5,185,995
Change in net assets	13,756,304	23,092,914
Net assets without donor restrictions, beginning of year	130,700,931	107,608,017
Net assets without donor restrictions, end of year	\$ 144,457,235	\$ 130,700,931

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

Walter S. Johnson Foundation  
Statement of Functional Expenses  
For the Year Ended December 31, 2021

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Grants authorized	\$ 7,044,000	\$ -	\$ 7,044,000
Foundation management services	405,650	21,350	427,000
Trustee management fees	73,660	53,340	127,000
Accounting services	-	61,445	61,445
Membership fees	34,780	-	34,780
Legal services	-	9,263	9,263
Insurance	-	7,972	7,972
Depreciation	-	1,396	1,396
Outside services	-	720	720
Administrative expenses	-	349	349
	<u>\$ 7,558,090</u>	<u>\$ 155,835</u>	<u>\$ 7,713,925</u>

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

Walter S. Johnson Foundation  
Statement of Functional Expenses  
For the Year Ended December 31, 2020

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Grants authorized	\$ 4,500,000	\$ -	\$ 4,500,000
Foundation management services	406,368	21,388	427,756
Trustee management fees	72,024	52,156	124,180
Accounting services	-	85,173	85,173
Membership fees	34,765	-	34,765
Insurance	-	8,068	8,068
Depreciation	-	1,608	1,608
Outside services	-	976	976
Administrative expenses	-	3,469	3,469
	<u>\$ 5,013,157</u>	<u>\$ 172,838</u>	<u>\$ 5,185,995</u>

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



Walter S. Johnson Foundation  
Statements of Cash Flows  
For the Years Ended December 31, 2021 and 2020

	2021	2020
Cash flows from operating activities		
Change in net assets	\$ 13,756,304	\$ 23,092,914
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Net realized gain on sale of investments	(11,987,848)	(888,235)
Net unrealized (appreciation) depreciation on investments	4,401,287	(26,371,980)
Depreciation	1,396	1,608
Deferred federal excise tax (benefit) expense	(60,842)	367,167
Changes in operating assets and liabilities		
Dividends and interest receivable	10,752	20,782
Federal excise tax receivable	67,996	(3,110)
Other assets	186	572
Accounts payable and accrued liabilities	(6,775)	2,664
Grants payable	526,000	19,000
Federal excise and unrelated business income tax payable	32,966	-
Net cash provided by (used in) operating activities	6,741,422	(3,758,618)
Cash flows from investing activities		
Purchase of investments	(51,603,847)	(15,048,147)
Proceeds from sale of investments	45,686,867	17,607,952
Limited partnership distributions	-	360,535
Proceeds from return of principal	137,213	508,067
Sale (purchase) of cash equivalents and money market funds, net	(1,068,592)	194,471
Net cash provided by (used in) investing activities	(6,848,359)	3,622,878
Net decrease in cash and cash equivalents	(106,937)	(135,740)
Cash and cash equivalents, beginning of year	297,592	433,332
Cash and cash equivalents, end of year	\$ 190,655	\$ 297,592

Supplemental disclosures of cash flow information

Cash paid during the year for		
Cash paid for federal excise taxes	\$ 268,000	\$ 25,000
Cash paid for unrelated business income tax	\$ 162	\$ 602

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

Walter S. Johnson Foundation  
Notes to Financial Statements  
December 31, 2021 and 2020

1. GENERAL INFORMATION

The Walter S. Johnson Foundation (Foundation), a nonprofit private foundation organization located in San Francisco, California, provides grants to organizations primarily in Northern California and Nevada, that qualify as public charities under Section 501(c)(3) of the Internal Revenue Code. The grants reflect the Foundation's goal to assist disadvantaged and transition-aged foster youth to become successful adults by promoting positive change to the policies and systems that serve them and supporting high impact and promising practices in the following areas:

- Provision of supportive services, and
- Promotion of success in college and career

2. PROGRAM GRANTS TO SUPPORT FOUNDATION'S GOAL

Through its grants, the Foundation:

- ***Supports systemic change through policy reform initiatives***, including legislative and administrative action;
- ***Partners with strategic thinkers*** to support programs and policies;
- ***Collaborates with other funders*** to engage and build meaningful partnerships;
- Leverages the unique and independent role of philanthropy to ***provide nimble funding for creative, strategic and timely solutions; and***
- ***Supports organizational improvements*** across infrastructure, communications, data collection, and analysis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and financial statement presentation

The financial statements of the Foundation have been prepared on the accrual basis of accounting and in conformity with accounting principles generally accepted in the United States of America applicable to nonprofit organizations.

The Foundation has not received contributions with donor-imposed restrictions. The net assets and revenues, expenses, gains and losses of the Foundation are classified and reported as net assets without donor restrictions because they are not subject to donor-imposed restrictions.

Walter S. Johnson Foundation  
Notes to Financial Statements  
December 31, 2021 and 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 at the date of the financial statements and the reported amounts of revenues and expenses during the period. Accordingly, actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents include highly liquid investments and investments with a maturity of three months or less. The Foundation maintains some of its cash and cash equivalents in bank deposit accounts which, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts. Management believes it is not exposed to any significant risk on cash and cash equivalent accounts.

Investments

Investments are carried at fair value, which is primarily based upon quoted market prices except for alternative investments for which quoted market prices are not available. The Foundation utilizes a practical expedient for the estimation of the fair value of alternative investments based on the value, usually the net asset value ("NAV"), provided by the general partners, in accordance with their policies as described in their respective financial statements and offering memoranda. The Foundation reviews the NAVs provided by the general partners, reviews the audited financial statements of such investments, and assesses the valuation methods and assumptions used in determining the fair value of the alternative investments. Because alternative investments are not readily marketable, their estimated value is subject to uncertainty and therefore may differ from the value that would have been used had a readily available market for such investments existed, and differences could be material.

Realized gains or losses on the sales of investments are determined based upon the specific costs of securities sold. Unrealized appreciation or depreciation in the value of investments is recognized in the statements of activities as the change in the difference between market values between periods.

Fair value measurements

Fair value is defined as "the price 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."

Walter S. Johnson Foundation  
Notes to Financial Statements  
December 31, 2021 and 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements (continued)

A hierarchy has been established to prioritize the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). Observable inputs are those that market participants would use in pricing the asset based on market data obtained from sources independent of the Foundation. Unobservable inputs reflect the Foundation's assumption about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The fair value hierarchy is categorized into three levels based on the inputs as follows:

- *Level 1* - Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.
- *Level 2* - Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads and yield curves.
- *Level 3* - Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Foundation's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

Management has elected, as a practical expedient, to measure the fair value of investments which do not have a readily determinable fair value on the basis of the NAV as described under "Investments" above. Investments measured using the NAV practical expedient are not included in the fair value hierarchy.

Property and equipment

Property and equipment are recorded at cost. Depreciation is calculated on the straight-line basis over the estimated useful live of the assets which is 5 years.

Grants

Grants made by the Foundation are recorded at the time the grants are approved by the Board of Trustees. Conditional grants, which contain grantor-imposed conditions that represent a barrier that must be overcome as well as a right of release from obligation, shall be recognized when the condition or conditions on which they depend are substantially met; that is, when the conditional grant becomes unconditional.

Walter S. Johnson Foundation  
Notes to Financial Statements  
December 31, 2021 and 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxes

The Foundation has received notification from the Internal Revenue Service and the State of California that it qualifies as an exempt organization as defined in Section 501(c)(3) of the Internal Revenue Code (the "Code") and Section 23701(d) of the California Revenue and Taxation Code, respectively, and is, accordingly, exempt from income tax except for income tax on unrelated business taxable income.

The Foundation is a private foundation as defined in Section 509 of the Code. It is subject to excise tax on net investment income as provided in Section 4940 of the Code. The Foundation is also required under Section 4942 of the Code to distribute certain minimum amounts within specified periods.

The Foundation is subject to a 1.39% excise tax on net investment income including realized gains as defined by the Code. Additionally, the Foundation provides for deferred federal excise tax on unrealized gains on investments.

Uncertain income tax positions

Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by the Foundation in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination.

Reclassifications

Certain amounts in the prior year have been reclassified in order to be consistent with the current year presentation. These reclassifications had no effect on the change in net assets for the prior year.

Functional allocation of expenses

The expenses of the Foundation have been summarized on a functional basis in the statements of activities as program services and management and general. The costs of granting activities are allocated to program services and administrative costs related to operational support and activities have been allocated to management and general expenses.

Walter S. Johnson Foundation  
Notes to Financial Statements  
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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent events

Management of the Foundation has evaluated events and transactions subsequent to December 31, 2021 for potential recognition or disclosure in the financial statements available to be issued August 31, 2022. The Foundation does not have a subsequent event that required disclosure in the financial statements for the year ended December 31, 2021. Subsequent events have been evaluated through the date the financial statements became available to be issued.

4. INVESTMENTS

Investments held at fair value and cost as of December 31, 2021 consisted of the following:

	<u>Fair Value</u>	<u>Cost</u>
Marketable equity securities	\$ 89,943,169	\$ 67,074,789
Fixed income funds	19,413,469	19,429,280
Cash equivalents and money market funds	<u>1,267,803</u>	<u>1,267,803</u>
	110,624,441	87,771,872
Alternative investments	<u>36,365,021</u>	<u>23,688,105</u>
	<u>\$ 146,989,462</u>	<u>\$ 111,459,977</u>

Investments held at fair value and cost as of December 31, 2020 consisted of the following:

	<u>Fair Value</u>	<u>Cost</u>
Marketable equity securities	\$ 76,967,783	\$ 51,955,332
Fixed income funds	18,017,090	17,556,237
Cash equivalents and money market funds	<u>199,211</u>	<u>199,211</u>
	95,184,084	69,710,780
Alternative investments	<u>37,370,458</u>	<u>22,912,991</u>
	<u>\$ 132,554,542</u>	<u>\$ 92,623,771</u>

Investments are exposed to various risks and market fluctuations. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of such investments will occur in the near term and that such changes could result in values that are materially different from the values reported in the accompanying statements of financial position. The Foundation's risk of loss associated with its investments is limited to the extent of its investment.

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Notes to Financial Statements  
December 31, 2021 and 2020

4. INVESTMENTS (continued)

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of December 31, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Cash equivalents and money market funds	\$ 1,267,803	\$ -	\$ -	\$ 1,267,803
Marketable equity securities	89,943,169	-	-	89,943,169
Fixed income funds	<u>19,413,469</u>	<u>-</u>	<u>-</u>	<u>19,413,469</u>
	<u>\$110,624,441</u>	<u>\$ -</u>	<u>\$ -</u>	110,624,441
Investments measured at net asset value (alternative investments)*				<u>36,365,021</u>
				<u>\$146,989,462</u>

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of December 31, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Cash equivalents and money market funds	\$ 199,211	\$ -	\$ -	\$ 199,211
Marketable equity securities	76,967,783	-	-	76,967,783
Fixed income funds	<u>18,017,090</u>	<u>-</u>	<u>-</u>	<u>18,017,090</u>
	<u>\$ 95,184,084</u>	<u>\$ -</u>	<u>\$ -</u>	95,184,084
Investments measured at net asset value (alternative investments)*				<u>37,370,458</u>
				<u>\$132,554,542</u>

\* Investments measured at fair value using the NAV practical expedient have not been classified in the fair value hierarchy but have been included in the above tables to permit reconciliation of the fair value hierarchy to the line items presented in the statements of financial position.

The Foundation determined the Level 1 fair values in the tables above from actively quoted market prices on national securities exchanges or over-the-counter markets.

Walter S. Johnson Foundation  
Notes to Financial Statements  
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4. INVESTMENTS (continued)

The following table summarizes the Foundation's alternative investments measured at fair value based on NAV per share as of December 31, 2021:

Product	Strategy	Fair Value	Unfunded Commitments	Redemption Terms and Restrictions
Commonfund Partners	(a)	\$ 1,844,949	\$ 418,472	Redemption not available
TIFF Partners IV, LLC	(a)	9,570	200,000	Redemption not available
TIFF Private Equity Partners 2008, LLC	(a)	1,147,748	428,000	Redemption not available
Stadium Capital Partners	(b)	4,689,504	N.A.	Up to 25% quarterly, with annual limit of 75%, upon 90 days prior notice
Coliseum Capital Partners	(c)	16,973,436	2,500,000	Up to 90% as of June 30 in any year, subject to 60 days prior notice
Everside Funds	(d)	<u>11,699,814</u>	<u>13,277,459</u>	Redemption not available
		<u>\$ 36,365,021</u>	<u>\$ 16,823,931</u>	

The following table summarizes the Foundation's alternative investments measured at fair value based on NAV per share as of December 31, 2020:

Product	Strategy	Fair Value	Unfunded Commitments	Redemption Terms and Restrictions
Commonfund Partners	(a)	\$ 2,073,498	\$ 425,972	Redemption not available
TIFF Partners IV, LLC	(a)	10,141	200,000	Redemption not available
TIFF Private Equity Partners 2008, LLC	(a)	2,971,951	440,000	Redemption not available
Stadium Capital Partners	(b)	5,744,999	N.A.	Up to 25% quarterly, with annual limit of 75%, upon 90 days prior notice
Coliseum Capital Partners	(c)	20,065,353	N.A.	Up to 90% as of June 30 in any year, subject to 60 days prior notice
Everside Funds	(d)	<u>6,504,516</u>	<u>6,734,550</u>	Redemption not available
		<u>\$ 37,370,458</u>	<u>\$ 7,800,522</u>	

The Foundation's alternative investments are subject to the terms of the respective partnership agreements.

(a) Commonfund Partners, TIFF Partners IV, LLC and TIFF Private Equity Partners 2008, LLC - invests in investment funds, which in turn, make private equity investments with the objective of obtaining long-term capital growth.



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4. INVESTMENTS (continued)

(b) Stadium Capital Partners - invests principally in publicly traded smaller capitalization companies located in the U.S., Canada and Europe.

(c) Coliseum Capital Partners - invests principally in publicly traded smaller capitalization companies located primarily in the U.S.

(d) Everside Funds - invests in lower middle-market fixed income opportunities via (i) investments in funds licensed as Small Business Investment Companies by the U.S. Small Business Administration, (ii) purchasing existing investments from limited partners in other investment funds and (iii) direct lending to lower middle market companies.

5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	2021	2020
Computers and equipment	\$ 8,041	\$ 8,041
Less: accumulated depreciation	(7,561)	(6,165)
	\$ 480	\$ 1,876

Depreciation expense for the years ended December 31, 2021 and 2020 was \$1,396 and \$1,608, respectively.

6. GRANTS PAYABLE

Grants payable in more than one year are discounted to their present value at the time the grants are made using risk-free interest rates. Grants payable as of December 31, 2021, are payable in the following years:

Grants payable are payable in the following years:

Year ending December 31,	2021	2020
2021	\$ -	\$ 1,524,000
2022	2,195,000	145,000
	\$ 2,195,000	\$ 1,669,000

Walter S. Johnson Foundation  
Notes to Financial Statements  
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7. COMMITMENTS

Investments

As of December 31, 2021, the Foundation had commitments to invest an additional \$16,823,931 in current alternative investment holdings (see Note 4). The timing of the capital calls will be determined by the General Partners of the partnerships.

8. RELATED PARTY TRANSACTIONS

During the years ended December 31, 2021 and 2020, the Foundation held investments in Coliseum Capital Partners (the "CCP Fund"). See Note 4. A current member of the Investment Committee (who is also a former Adjunct Trustee and the son of a former Trustee) has a significant ownership interest (i) in the General Partner of the CCP Fund and, (ii) in Coliseum Capital Management, the management company of the CCP Fund. Investment management fees paid to Coliseum Capital Partners for the years ended December 31, 2021 and 2020 totaled approximately \$287,000 and \$196,000, respectively.

The Foundation also held an investment in Everside Funds. See Note 4. An affiliate of Coliseum Capital Management (see previous paragraph) has a majority ownership interest in the management company and in the general partner of the Everside Funds. Investment management fees paid to Everside Funds for the years ended December 31, 2021 and 2020 totaled approximately \$133,000 and \$133,000, respectively.

9. PROVISION FOR FEDERAL EXCISE / UNRELATED BUSINESS INCOME TAXES

Federal excise taxes

For tax years beginning after December 20, 2019, the Internal Revenue Code imposed excise tax on private foundations of 1.39% of the net investment income, which was defined as interest, dividends, net capital gains realized, partnership and other investment income less expenses directly connected with the production and collection of the investment income. The provision for the deferred income tax on the unrealized appreciation of investments is calculated using a 1.39% rate as of December 31, 2021 and 2020.

For the years ended December 31, 2021 and 2020 federal excise tax (benefit) expense consisted of the following:

	2021	2020
Current federal excise tax expense	\$ 363,212	\$ 21,890
Deferred federal excise tax (benefit) expense	(60,842)	367,167
	\$ 302,370	\$ 389,057

Walter S. Johnson Foundation  
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9. PROVISION FOR FEDERAL EXCISE / UNRELATED BUSINESS INCOME TAXES  
(continued)

Unrelated business income taxes

In accordance with Section 511(a)(1) of the Internal Revenue Code, the Foundation is subject to corporate tax rates on net income earned from unrelated business activities. During the years ended December 31, 2021 and 2020, the Foundation had net operating loss carryforwards for tax purposes of approximately \$59,000 and \$68,000 available to offset unrelated business income. These carryforwards will begin to expire in 2026 if not previously utilized.

In accordance with the California Revenue and Taxation code and the codes of other states, the Foundation is subject to state corporate tax rates on net income earned from unrelated business activities. As of December 31, 2021 and 2020, the Foundation had net operating loss carryforwards for California tax purposes of \$104,616 and \$85,910, respectively.

Unrelated business income tax for the years ended December 31, 2021 and 2020 was \$5,912 and \$602, respectively.

10. LIQUIDITY AND FUNDS AVAILABLE

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.

There are certain limitations on availability of long-term investment funds totaling \$17,571,801 which are subject to certain lockup restrictions. The Foundation would not be able to access these funds to support general expenditures within one-year from the statement of financial position.

The Foundation's financial assets available within one year of December 31, 2021 to meet general expenditures include:

Cash and cash equivalents	\$ 190,655
Investments	146,989,462
Dividends and interest receivable	13,750
Less: amounts unavailable for general expenditures within one year	<u>(17,571,801)</u>
	<u>\$ 129,622,066</u>

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11. RISK AND UNCERTAINTIES

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses and shelter in place orders. Impacts to the Foundation include possible significant fluctuations in investment values due to the effect of the pandemic on financial markets. While the disruption is expected to be temporary, there is considerable uncertainty around the duration of the pandemic and its financial impact.