



REPORT OF INDEPENDENT AUDITORS
AND FINANCIAL STATEMENTS

SAG-AFTRA FOUNDATION

September 30, 2019 and 2018

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Report of Independent Auditors

To the Board of Directors
SAG-AFTRA Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of SAG-AFTRA Foundation (the "Foundation"), which comprise the statements of financial position as of September 30, 2019 and 2018, and the related statements of activities, functional expenses, 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 SAG-AFTRA Foundation as of September 30, 2019 and 2018, 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, in the year ended September 30, 2019, the Foundation adopted the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities*. The ASU has been applied retrospectively to all periods presented with the exception of the omission of certain information as permitted by the ASU. Our opinion is not modified with respect to this matter.

Other Matter***Prior Period Financial Statements and Summarized Comparative Information***

We have previously audited the Foundation's September 30, 2018 financial statements, and our report, dated February 11, 2019, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein, as of and for the year ended September 30, 2018, is consistent, in all material respects, with the audited financial statements from which it was derived.

Moss Adams LLP

Los Angeles, California
March 2, 2020

SAG-AFTRA Foundation
Statements of Financial Position

ASSETS		September 30,	
		2019	2018
CURRENT ASSETS			
Cash and cash equivalents	\$	848,278	\$ 664,383
Investments		20,484,221	20,676,403
Contributions receivable		478,002	288,295
Grants receivable		352,500	176,250
Prepaid expenses and other current assets		173,972	121,932
Total current assets		22,336,973	21,927,263
Investments, net of current		28,176	28,645
Equipment and leasehold improvements, net		5,253,935	5,765,640
Receivables, net of current		24,000	-
Other assets		115,190	115,857
Total assets		\$ 27,758,274	\$ 27,837,405
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable and accrued expenses	\$	450,880	\$ 479,897
Deferred rent		82,401	58,185
Total current liabilities		533,281	538,082
Deferred rent, net of current		842,929	853,953
Total liabilities		1,376,210	1,392,035
COMMITMENTS AND CONTINGENCIES (Note 12)			
NET ASSETS			
Without donor restrictions		25,953,077	25,845,228
With donor restrictions		428,987	600,142
Total net assets		26,382,064	26,445,370
Total liabilities and net assets		\$ 27,758,274	\$ 27,837,405

SAG-AFTRA Foundation

Statements of Activities

	For the Year Ended September 30, 2019			Summarized Comparative Information for the Year Ended September 30, 2018
	Without Donor Restriction	With Donor Restriction	Total	Total
	REVENUE, GAINS, AND OTHER SUPPORT			
Claim settlements	\$ 2,201,508	\$ -	\$ 2,201,508	\$ 1,866,573
Contributions	1,480,918	186,859	1,667,777	957,159
In-kind contributions	20,128	-	20,128	20,128
Grants	965,000	150,000	1,115,000	1,245,991
Special events, net	7,973	-	7,973	545,064
Commercials contract	345,309	-	345,309	-
Interest and dividend income, net of investment expenses of \$126,611 in 2019 and \$81,807 in 2018	297,651	-	297,651	353,279
Realized and unrealized gains / (loss) on investments	509,525	-	509,525	(3,837)
Net assets released from restrictions	508,014	(508,014)	-	-
Total revenue and support	6,336,026	(171,155)	6,164,871	4,984,357
EXPENSES				
Program service expenses	4,362,108	-	4,362,108	4,444,771
Administrative service expenses	1,325,028	-	1,325,028	1,360,220
Fundraising expenses	541,041	-	541,041	645,083
Total expenses	6,228,177	-	6,228,177	6,450,074
CHANGE IN NET ASSETS	107,849	(171,155)	(63,306)	(1,465,717)
NET ASSETS, beginning of year	25,845,228	600,142	26,445,370	27,911,087
NET ASSETS, end of year	\$ 25,953,077	\$ 428,987	\$ 26,382,064	\$ 26,445,370

SAG-AFTRA Foundation

Statements of Functional Expenses

	For the Year Ended September 30, 2019				Summarized Comparative Information for the Year Ended September 30, 2018
	Program Services	General and Administrative	Fundraising	Total	Total
PERSONNEL EXPENSES					
Salaries	\$ 1,535,064	\$ 449,273	\$ 343,846	\$ 2,328,183	\$ 2,252,752
Employee benefits	334,604	97,572	75,526	507,702	485,413
Payroll taxes	123,480	36,426	27,875	187,781	190,386
OTHER EXPENSES					
Accounting and legal	4,087	163,023	-	167,110	237,958
Depreciation expense	514,315	34,519	-	548,834	557,906
DVD duplication and tape storage	-	10,200	-	10,200	6,480
Insurance	18,014	19,276	3,350	40,640	48,829
Miscellaneous	20,480	16,949	4,355	41,784	40,195
Security and parking	66,768	8,499	5,927	81,194	93,200
Utilities	66,873	3,239	1,625	71,737	65,296
Office expenses	73,339	22,339	5,375	101,053	123,785
Postage and mailing service	611	2,592	392	3,595	3,495
Printing	5,635	1,852	1,013	8,500	24,804
Production expenses					
Producer fees	86,929	-	-	86,929	91,062
Other production expenses	38,025	-	-	38,025	55,690
Professional fees	31,742	319,800	9,944	361,486	356,735
Program supplies	6,579	5,267	-	11,846	17,553
Janitorial	39,893	8	-	39,901	43,061
Rent	615,830	60,028	47,298	723,156	726,963
Scholarships and grants	716,900	-	-	716,900	812,423
Taxes and licenses	3,756	28,774	12,340	44,870	43,957
Telephone and internet	15,218	12,313	-	27,531	32,998
Travel and meals	30,986	31,535	777	63,298	112,664
Website and streaming	12,980	1,544	1,398	15,922	26,469
Total expenses	<u>\$ 4,362,108</u>	<u>\$ 1,325,028</u>	<u>\$ 541,041</u>	<u>\$ 6,228,177</u>	<u>\$ 6,450,074</u>

SAG-AFTRA Foundation

Statements of Cash Flows

	Years Ended December 31,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (63,306)	\$ (1,465,717)
Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities:		
Depreciation expense	548,834	557,906
Loss on disposal of property and equipment	-	11,196
Net realized and unrealized (gains) / loss on investments	(509,525)	3,837
Change in deferred rent	13,192	23,582
Changes in operating assets and liabilities:		
Contributions receivable	(189,707)	279,785
Grants receivable	(200,250)	455,240
Prepaid expenses and other current assets	(52,040)	175,538
Other assets	667	-
Accounts payable and accrued expenses	(29,017)	79,301
Net cash (used in) provided by operating activities	<u>(481,152)</u>	<u>120,668</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	1,701,582	7,310,781
Purchases of investments	(999,406)	(7,722,277)
Purchases of equipment and leasehold improvements	<u>(37,129)</u>	<u>(12,864)</u>
Net cash provided by (used in) investing activities	<u>665,047</u>	<u>(424,360)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	183,895	(303,692)
CASH AND CASH EQUIVALENTS, beginning of year	<u>664,383</u>	<u>968,075</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 848,278</u>	<u>\$ 664,383</u>

Note 1 – Organization

General – The SAG-AFTRA Foundation (the “Foundation”) provides vital assistance and educational programming to the professionals of SAG-AFTRA while serving the public at large through its signature children’s literacy programs.

The Foundation envisions a world where all artists can realize their dreams, and children are empowered to create their own.

Description of programs – The SAG-AFTRA Foundation Programs offer an array of free educational classes and resources in Los Angeles, New York, across the country, and online. Programs are broken down into three main categories: Performers Programs, Assistance, and Literacy.

Performers programs – From audition technique to voiceover instruction, career talks with legendary actors to panels with leading directors, the Foundation’s Performers Programs focus on the nuts and bolts of both craft and career in order to better prepare a robust talent pool for success in an ever-changing entertainment and media landscape. The Foundation’s Performers Programs encourage performing artists to take charge of their careers, hone their craft and learn new skills, and develop a habit of lifelong learning and self-focused professional development.

- *The Business* – Provides participating members with understanding and practical guidance on the business of acting and the greater industry as a whole. The *Business* curriculum is presented partly in large-format moderated panel discussions during which established professionals and industry leaders share their seasoned insights into the intersection of the art of performance with the financial and operational arenas of the entertainment industry. Our *Small Group Sessions* compliment the panel discussions by providing members with an environment for breaking down concepts introduced in the larger format programs into practical action items they can individually apply to their professional pursuits.
- *Conversations* – The *Conversations* program offers film and television screenings accompanied by moderated discussions with cast members, as well as *Career Retrospectives* with leading actors who have made lasting artistic and professional contributions to the medium. The *Conversations* program, carefully curated with a focus on projects and associated casts generating both consumer attention and critical accolades, provides attendees with a key professional development opportunity in which they learn from fellow performing artists who are engaged in current or recent content production. Guest speakers discuss the creative process and profession of acting and drill down into the personal experiences and artistic influences that have informed and shaped their careers. These insights furnish both new and established performers in the audience with an expanded understanding of fresh methods for approaching material, both in auditions and while working on set. *Conversations* screenings accompanied by Q&As with cast members also help to ensure that participating members are current with newly released content, crucial information for them in order to fully understand prevailing trends and topics of discussion in the film, television, and awards markets.

SAG-AFTRA Foundation

Notes to Financial Statements

Note 1 – Organization (continued)

- *Casting Access* – Offers critical insight into the casting process, providing SAG-AFTRA members with cold reading experience in intimate classes with a maximum of 20 attendees. Participants receive feedback from respected industry casting professionals they may not otherwise have had the opportunity to meet and learn from.
- *Computer Lab* – This resource provides access to professional-grade video and audio editing programs, writing software, and professional websites and industry trades, all of which are important self-marketing elements for a successful career in the performing arts. The curriculum offered in the Lab's two-hour classes is geared toward ensuring that participants understand and become comfortable utilizing these technologies.
- *Voiceover Lab* – The state-of-the art recording facilities combine the professionalism and quality of a commercial recording studio with the innovation and educational focus of a classroom environment. Performing artists record voice tracks on demo reels, learn how to use industry standard audio recording software, and train with top voice over instructors.
- *On Camera (NY and Los Angeles opening in late 2019)* – Offers SAG-AFTRA members the opportunity to gain valuable experience in front of the camera, as well as record high quality auditions. This facility, staffed by a trained technician, provides a quiet and dedicated space with professional lighting and camera equipment.

Assistance programs – Through its assistance programs, the Foundation safeguards the health and well-being of performing artists and provides lifesaving emergency health and financial assistance for artists in times of need and crisis.

- *Emergency Assistance* – Provides financial assistance to eligible SAG-AFTRA members and their families for basic expenses, including but not limited to mortgage, rent, utilities, and car insurance. The Foundation's *Emergency Assistance* program also offers case management services to SAG-AFTRA members provided through the Director of Social Services, who is able to provide support, information, and/or referrals to community agencies based on need and the circumstances surrounding a member's emergency needs. The SAG-AFTRA Foundation's Emergency Assistance fund is available to eligible SAG-AFTRA members who live west of the Mississippi in the following locales: Seattle, Portland, San Francisco, Los Angeles, San Diego, Hawaii, Nevada, Arizona, Utah, Colorado, New Mexico, Dallas/Fort Worth, and Houston/Austin.
- *Cobra Assistance* – the COBRA (Consolidated Omnibus Budget Reconciliation Act) Assistance program provides short-term financial grants to eligible SAG-AFTRA members and their families who have lost their earned eligibility through SAG-AFTRA, yet wish to continue their health insurance coverage through the eighteen-month COBRA Assistance program.
- *Catastrophic Health Fund* – Catastrophic Health Fund is a bridge insurance policy available to eligible SAG-AFTRA members and their dependents who suffer from catastrophic illness or injury and have qualified through SAG-AFTRA Pension and Health for this program.

Note 1 – Organization (continued)

- *The Scholarship programs* – Provide opportunities for SAG-AFTRA members and their dependents for study at accredited institutions of higher education, or to pursue related professions within the entertainment industry or change their career paths.
 - The John L. Dales Standard Scholarship is awarded to eligible SAG-AFTRA members and their dependents for study at accredited institutions of higher education;
 - The John L. Dales Transitional Scholarship is awarded to eligible SAG-AFTRA members to pursue related professions within the entertainment industry or change their career paths;
 - The George Heller Memorial Scholarship is awarded to eligible SAG-AFTRA members and their dependents for study at accredited institutions of higher education; and
 - The Ken Orsatti Scholarship Fund provides qualified employees of SAG-AFTRA with grants for education at recognized and accredited institutions of higher learning.
- *Disaster Relief Fund* – The Foundation and the SAG-AFTRA Motion Picture Players Welfare Fund (MPPWF) have a Disaster Relief Fund to provide urgent financial support to SAG-AFTRA members and their families affected by natural disasters. The Actors Fund administers this program on the Foundation's behalf.

Literacy Initiatives – Promotes reading and literacy skill development in children.

- Storyline Online, a free resource dedicated to increasing literacy in children, primarily kindergarten to fifth grade. The program features its own unique cast of celebrated actors reading children's literature alongside creatively produced illustrations, and each video is accompanied by an activity guide aligned with Common Core Standards that includes a book summary, discussion points, hands-on activities, and a list of related books and online resources. These additional materials reinforce comprehension and encourage students to think more deeply about topics presented in the story.

Note 2 – Summary of Significant Accounting Policies

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).

Reclassifications – Certain amounts included in the prior year totals have been reclassified to conform to the current year presentation. Such reclassifications did not have any effect on the reported net assets.

Summarized comparative information – The statements of activities include prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended September 30, 2018, from which the summarized information was derived.

SAG-AFTRA Foundation

Notes to Financial Statements

Note 2 – Summary of Significant Accounting Policies (continued)

Financial statement presentation – The Foundation follows the Financial Statements of the Not-for-Profit Organizations topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) for presentation of its financial statements, which requires that net assets, revenues, gains, and losses be classified as net assets without donor restrictions and net assets with donor restrictions based on the existence or absence of donor restrictions that are placed by donors, as follows:

- *Net assets without donor restrictions* represent expendable funds available for operations that are not otherwise limited by donor criteria.
- *Net assets with donor restrictions* consist of contributed funds subject to specific restrictions contingent upon specific performance of a future event or a specific passage of time before the Foundation may spend the funds or recognize the support. Net assets with donor restrictions also consist of contributed funds subject to irrevocable donor restrictions requiring that the assets be maintained in perpetuity usually for the purpose of generating investment income to fund current operations.

Use of estimates – The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents – For the purpose of the statements of cash flows, the Foundation considers investments with maturities of three months or less at the purchase date to be cash equivalents.

Investments – Investments in equity securities, debt securities, private investment funds, and variable annuities are reported at their fair value. The fair value of alternative investments, including private investment funds, is based on information provided by partnerships and fund managers at the most recent valuation date prior to fiscal year end adjusted for certain cash flows. Management agrees with the assumptions used and fair values determined by the fund managers. Management monitors the activity of the alternative investment managers and performs reconciliations and other procedures to assure that the valuations used in the financial statements are accurately stated. The net realized and unrealized appreciation (depreciation) in fair value of investments is reflected in the statements of activities.

Grants receivable – Grants receivable consist of amounts due from private donors based on the terms of the related grant agreements. Management periodically reviews the status of all grants receivable for collectability. Each balance is assessed based on management's knowledge of and relationship with the donor and the age of the receivable balance. There was no allowance for doubtful accounts at September 30, 2019 and 2018.

Note 2 – Summary of Significant Accounting Policies (continued)

Equipment and leasehold improvement – Equipment and leasehold improvements purchased are stated at cost, while donated assets are capitalized at their fair value at the date of the gift. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Depreciation and amortization of equipment and leasehold improvements are computed using the straight-line method over the estimated useful lives of three to ten years (computer equipment – 3 years; equipment – 5 years; furniture – 5 to 10 years) or the expected terms of the leases, whichever is shorter. The Foundation’s capitalization policy is to capitalize purchases of equipment and leasehold improvements in excess of \$1,000 that have a useful life greater than one year.

Impairment of long-lived assets – The Foundation accounts for its long-lived assets with definite useful lives in accordance with FASB ASC Topic No. 360, *Property, Plant, and Equipment (ASC 360)*. ASC 360 requires impairment losses to be recorded on long-lived assets whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Pursuant to ASC 360, an impairment loss is to be recorded when the net book value of the assets exceeds its fair value. If the asset is determined to be impaired, the asset is written down to its realizable value, and the loss is recognized in income from continuing operations in the period when determination is made. No impairment charges have been recorded for the years ended September 30, 2019 and 2018.

Deferred rent – Rent expense is recognized on the straight-line basis. The differences between cash payments under the lease agreements and straight-lined rent have been recognized as deferred rent in the accompanying statements of financial position.

Claims revenue – The Foundation receives claim settlement revenue from SAG-AFTRA, which is recorded as revenue when notified by SAG-AFTRA. The claim settlement funds result from claims under SAG-AFTRA Commercials Contract when signatory employers violate the contract and SAG-AFTRA negotiates, as settlement of the claim, a donation to the SAG-AFTRA Foundation. In certain circumstances, when a non-SAG-AFTRA member does a commercial spot, the producers are required to contribute to the nonprofit organization that provides assistance benefits to the members of SAG-AFTRA. Management regularly reviews claim settlements receivable balances for collectability. As of September 30, 2019 and 2018, management believed all amounts were collectible.

Contributions, grants, and other revenue – Unconditional contributions and grants received are recorded as with donor restrictions or without donor restrictions support depending on the existence and/or nature of any donor restrictions. Conditional contributions are recorded as support in the period in which the condition is met.

The Foundation records contributions and grants receivable, net of allowances for uncollectible amounts, whenever there is sufficient evidence in the form of verifiable documentation that an unconditional promise was made and received. The allowance for uncollectible contributions receivable is determined based on management’s evaluation of the collectability of individual promises. There was no allowance for unconditional promises to give at September 30, 2019 or 2018.

SAG-AFTRA Foundation

Notes to Financial Statements

Note 2 – Summary of Significant Accounting Policies (continued)

Contributions and grants receivable that are expected to be collected in less than one year are reported at net realizable value. Contributions receivable that are expected to be collected in more than one year are recorded at fair value at the date of promise. That fair value is computed using a present value technique applied to anticipated cash flows. Amortization of the resulting discount is recognized as additional contribution revenue. Unconditional contributions to be received in future periods greater than one year are discounted to net present value at an appropriate discount rate, if significant. Of the contribution and grants receivable at September 30, 2019, \$830,502 is expected to be realized in one year or less, and \$24,000 is expected to be realized within one to five years. Of the contribution and grants receivable at September 30, 2018, all amounts are expected to be realized in one year or less.

The Foundation conducts several special events during the year to raise money in support of its operations. The amounts reflected in these financial statements represent special events revenue net of related direct costs. Revenue from special events is recognized on an accrual basis when earned or when the event takes place.

The Foundation receives revenue based on agreed-upon terms when its members appear in commercials. Revenue from the commercial's contract is recognized on an accrual basis when earned.

In-kind contributions – In-kind contributions of donated non-cash assets are recorded at fair value in the period in which they are received. In-kind contributions of donated services that create or enhance nonfinancial assets or that require specialized skills are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation and are recorded at fair value in the period received. In-kind contributions of services and assets consist of services and products provided for special events held by the Foundation. In-kind contributions for the years ended September 30, 2019 and 2018, were approximately \$20,000 and \$20,000, respectively.

Functional allocation of expenses – The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses that are associated with more than one program or supporting service are allocated based on methods determined by management, including time and effort.

Concentrations of credit risk – Credit risk is the failure of another party to perform in accordance with the contract terms. Financial instruments that potentially subject the Foundation to concentrations of credit risk consist primarily of cash and cash equivalents, contributions and grants receivable, and investments. The Foundation believes that its credit risk relating to cash and cash equivalents, contributions and grants receivable, and investments is not significant.

The Foundation maintains its cash with high credit, quality financial institutions. At times, such deposits may be in excess of amounts insured by the Federal Deposit Insurance Corporation up to \$250,000. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash.

Note 2 – Summary of Significant Accounting Policies (continued)

The Foundation invests in investments, which are subject to appreciation/depreciation depending on various factors which affect the investment portfolio. The Foundation has a professional investment firm manage the investments.

Contributions and grants receivable as of September 30, 2019, are primarily due from two major contributors.

Scholarships and grants – The Foundation awards scholarships and grants to members of SAG-AFTRA and their children. These grants are recorded as grant expense incurred in the period in which they have been authorized by the Board of Directors. Scholarships and grants for the years ended September 30, 2019 and 2018, were approximately \$717,000 and \$812,000, respectively.

Income taxes – The Foundation is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the Revenue and Taxation Code of the state of California. Accordingly, no provision for income taxes is included in the accompanying financial statements. In addition, the Foundation pays taxes on unrelated business income for which management anticipates to be zero in tax expense for the year ended September 30, 2019.

FASB ASC Topic No. 740, *Accounting for Uncertainty in Income Taxes (ASC 740)*, clarifies the accounting for uncertainty in income taxes and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. In accordance with ASC 740, 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. As of and for the year ended September 30, 2019 and 2018, the Foundation had no unrecognized/derecognized tax benefits or tax penalties or interest.

Recent accounting pronouncements – In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14, which defers the effective date of ASU 2014-09 one year, making it effective for annual reporting periods beginning after December 15, 2018. The Foundation has not yet selected a transition method and is currently evaluating the effect that the standard will have on the financial statements.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, which updates certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. This ASU eliminates the requirement for public business entities to disclose the methods and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the statements of financial position. ASU 2016-01 will be effective for the Foundation for fiscal years beginning after December 15, 2018. The Foundation is currently evaluating the impact of the adoption of this standard on its financial statements.

SAG-AFTRA Foundation

Notes to Financial Statements

Note 2 – Summary of Significant Accounting Policies (continued)

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Foundation is currently evaluating the impact of the adoption of this standard on its financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. These amendments are effective for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. The Foundation has adopted this standard as of the end of its current fiscal year and it has been retrospectively applied to all years presented.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958)*. This update clarifies and improves current guidance about whether a transfer of assets is a contribution or an exchange transaction. The new standard is effective for fiscal years beginning after December 15, 2019. The Foundation is currently evaluating the impact of the adoption of this standard on its financial statements.

Note 3 – Fair Value Measurements

ASC 820 defines fair value 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. ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value, for investment not measured at net asset value per share. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date;

Level 2 – Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active;

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Note 3 – Fair Value Measurements (continued)

The Foundation carries all of their investments at fair value in accordance with generally accepted accounting principles. Inputs are used in applying the valuation techniques and broadly refer to the assumptions that the Foundation uses to make valuation decisions, including assumptions about risk.

Inputs may include quoted market prices, recent transactions, manager statements, provisions within agreements with investment managers, and other factors. An investment's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The categorization of an investment within the hierarchy is based upon the pricing transparency of the investment and does not necessarily correspond to the Foundation's perceived risk of the investment.

The investments of the Foundation in Level 1 include money market funds, corporate bond funds, and equity funds and are valued based on quoted market prices of identical assets.

The investments of the Foundation in Level 2 include variable annuities and are valued based on quoted market prices of comparable assets.

The Foundation has no Level 3 investments.

The investments of the Foundation in Assets Held at Net Asset Value (or equivalent) include one Private Investment Fund, which invests in private investment companies. The Foundation's Investment Committee, along with its investment advisors, monitor the valuations periodically and conduct a performance analysis quarterly. The Finance Committee reports to the Board of Directors. The fair value is determined by the fund as reflected on their audited financial statements. For interests in investment partnerships and investment funds, fair value considers, among other factors, the reported net asset value (NAV) of the fund's investment as determined in good faith by the general partner or managing member of the respective investment partnership or fund. Because of inherent uncertainty in valuing investment funds or investment in partnerships for which no active market exists, the estimated value may differ significantly from the value that could be realized in a secondary market transaction, and the ultimate amounts realized could be significantly different from the values reported.

Transfers between hierarchy levels are recognized at the end of the fiscal year. There were no transfers for the years ended September 30, 2019 or 2018.

SAG-AFTRA Foundation

Notes to Financial Statements

Note 3 – Fair Value Measurements (continued)

The following table presents the fair value measurements of assets recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the ASC 820 value hierarchy in which the fair value measurements fall at September 30, 2019 and 2018:

	2019				Assets Held at Net Asset Value (or Equivalent)
	Total Fair Value	Level 1	Level 2	Level 3	
ASSETS					
Cash and cash equivalents	\$ 502,470	\$ 502,470	\$ -	\$ -	\$ -
Corporate bonds funds	6,831,648	6,831,648	-	-	-
Equity funds	9,811,811	9,811,811	-	-	-
Private investment fund	3,338,292	-	-	-	3,338,292
Variable annuities	28,176	-	28,176	-	-
	<u>\$ 20,512,397</u>	<u>\$ 17,145,929</u>	<u>\$ 28,176</u>	<u>\$ -</u>	<u>\$ 3,338,292</u>
	2018				Assets Held at Net Asset Value (or Equivalent)
	Total Fair Value	Level 1	Level 2	Level 3	
ASSETS					
Corporate bond funds	\$ 7,002,382	\$ 7,002,382	\$ -	\$ -	\$ -
Equity funds	10,510,217	10,510,217	-	-	-
Private investment fund	3,163,804	-	-	-	3,163,804
Variable annuities	28,645	-	28,645	-	-
	<u>\$ 20,705,048</u>	<u>\$ 17,512,599</u>	<u>\$ 28,645</u>	<u>\$ -</u>	<u>\$ 3,163,804</u>

The following table represents the liquidity and redemption restrictions on the above investments that do not have a readily determinable fair value and utilize net asset value, or its equivalent, per share to determine fair value as of September 30, 2019:

	2019			
	Fair Value at Year End	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private Investment Fund	3,338,293	-	Quarterly	90 day written notice

Private Investment Funds' investment is a fund of hedge funds, consisting entirely of investments in private investment companies. The investment's objective and strategy is to deliver a high level of absolute return consistent with preservation of capital through investments in private investment companies.

SAG-AFTRA Foundation
Notes to Financial Statements

Note 4 – Investments

Investments at September 30, 2019 and 2018, consist of the following:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 502,470	\$ -
Corporate bonds	6,831,648	7,002,382
Equity funds	9,811,811	10,510,217
Private investment fund	3,338,292	3,163,804
Variable annuities	<u>28,176</u>	<u>28,645</u>
Total fair value	<u>\$ 20,512,397</u>	<u>\$ 20,705,048</u>

The Foundation incurred investment management fees of approximately \$127,000 and \$82,000, which were netted with investment income for the years ended September 30, 2019 and 2018, respectively.

Note 5 – Equipment and Leasehold Improvements

Equipment and leasehold improvements at September 30, 2019 and 2018, consisted of the following:

	<u>2019</u>	<u>2018</u>
Furniture and equipment	\$ 1,889,325	\$ 1,876,029
Leasehold improvements	<u>6,945,058</u>	<u>6,921,225</u>
	8,834,383	8,797,254
Less: accumulated depreciation	<u>(3,580,448)</u>	<u>(3,031,614)</u>
Total	<u>\$ 5,253,935</u>	<u>\$ 5,765,640</u>

Total depreciation expense for the years ended September 30, 2019 and 2018, amounted to approximately \$549,000 and \$558,000, respectively.

Note 6 – Net Assets

At September 30, 2019 and 2018, net assets without donor restrictions consisted of the following:

	<u>2019</u>	<u>2018</u>
Undesignated	\$ 14,439,486	\$ 14,569,431
Board-designated net assets	<u>11,513,591</u>	<u>11,275,797</u>
	<u>\$ 25,953,077</u>	<u>\$ 25,845,228</u>

SAG-AFTRA Foundation

Notes to Financial Statements

Note 6 – Net Assets (continued)

At September 30, 2019 and 2018, net assets with donor restrictions consisted of the following:

	<u>2019</u>	<u>2018</u>
Subject to expenditure when a specific event occurs:		
Actors Center	\$ 1,906	\$ 1,906
Emergency Assistance Fund	209,124	394,164
Health Programs	142,421	-
John L. Dales Scholarship Fund	-	141,706
Staff Assistance Fund	<u>50,536</u>	<u>37,366</u>
	403,987	575,142
Perpetually restricted:		
Actors Program	<u>25,000</u>	<u>25,000</u>
	<u>\$ 428,987</u>	<u>\$ 600,142</u>

Note 7 – Endowment

The Foundation has funds that are functioning as an endowment solely through designation by the Board (quasi-endowment). The earnings of the Foundation's quasi-endowment funds support actors' assistance and scholarship programs.

The Foundation has adopted investment and spending policies for its quasi-endowment assets that attempt to provide a predictable stream of funding to activities supported by its quasi-endowment while seeking to maintain the purchasing power of the quasi-endowment assets. Under the investment policy, as approved by the Board of Directors, the endowment assets are invested in a manner to earn, over the long term, an annualized return (net of investment management fees) that exceeds inflation and meets or outperforms the target asset mix relative to the assigned benchmark indices. Actual returns in any given year may vary from these amounts.

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividend). The Foundation targets a diversified asset allocation that currently places a greater emphasis on fixed income (bond) based investments to achieve its long-term return objectives within prudent risk constraints.

SAG-AFTRA Foundation
Notes to Financial Statements

Note 7 – Endowment (continued)

Changes in the Foundation's quasi-endowment net assets at September 30, 2019 and 2018, consist of the following:

	2019	2018
Net assets without donor restriction - board designated, beginning of year	\$ 11,275,797	\$ 11,126,281
Investment gain	237,794	149,516
Other board-designated income	-	-
Withdrawals	-	-
Net assets without donor restriction - board designated, end of year	<u>\$ 11,513,591</u>	<u>\$ 11,275,797</u>

The Foundation currently has a practice of appropriating for distribution each year approximately the earnings of its quasi-endowment funds.

Net assets with donor restrictions include a contribution of \$25,000 that is restricted by a donor. The initial contribution was received in February 2013 and immediately invested in a variable annuity that guarantees a fixed income so that the program can be sustainable over time and the principal amount of the gift will stay intact in perpetuity. Any earnings on the annuity are considered donor restricted and will be used to support the Actors Program. All earnings are appropriated for expenditure each year in full; as such, the inflow and outflow are presented within the net assets without donor restrictions column on the statements of activities.

The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Foundation classifies as net assets with donor restrictions (a) the original value of the gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

SAG-AFTRA Foundation

Notes to Financial Statements

Note 7 – Endowment (continued)

The remaining portion of the donor-restricted endowment fund is classified as restricted until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the following factors are to be considered in making a determination to appropriate or accumulate endowment funds:

- The duration and preservation of the fund
- The purposes of the Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effects of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

Changes in the Foundation's permanently restricted net assets at September 30, 2019 and 2018, consist of the following:

	2019	
	Without Donor Restriction	With Donor Restriction
Net assets, beginning of year	\$ -	\$ 25,000
Investment gain	-	-
Appropriation of assets for expenditure	-	-
Net assets, end of year	<u>\$ -</u>	<u>\$ 25,000</u>
	2018	
	Without Donor Restriction	With Donor Restriction
Net assets, beginning of year	\$ -	\$ 25,000
Investment gain	-	-
Appropriation of assets for expenditure	-	-
Net assets, end of year	<u>\$ -</u>	<u>\$ 25,000</u>

SAG-AFTRA Foundation
Notes to Financial Statements

Note 8 – Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses, satisfying the restricted purposes, occurrence of other events specified by donors, and for reclassifications and redesignations. Revenues and releases of net assets with donor restrictions at September 30, 2019 and 2018, consisted of the following:

	2019			
	September 30, 2018	Revenues	Release from Restriction	September 30, 2019
Actors Center	\$ 1,906	\$ -	\$ -	\$ 1,906
Actors Program	25,000	-	-	25,000
Emergency Assistance Fund	394,164	41,946	(226,986)	209,124
Health Programs	-	215,994	(73,573)	142,421
John L. Dales Scholarship Fund	141,706	18,895	(160,601)	-
Staff Assistance Fund	37,366	26,794	(13,624)	50,536
Disaster Relief Fund	-	33,230	(33,230)	-
Total	<u>\$ 600,142</u>	<u>\$ 336,859</u>	<u>\$ (508,014)</u>	<u>\$ 428,987</u>

	2018			
	September 30, 2017	Revenues	Release from Restriction	September 30, 2018
Actors Center	\$ 1,906	\$ -	\$ -	\$ 1,906
Actors Program	27,914	731	(3,645)	25,000
Emergency Assistance Fund	639,444	31,023	(276,303)	394,164
Health Programs	-	3,376	(3,376)	-
John L. Dales Scholarship Fund	428,361	11,889	(298,544)	141,706
Staff Assistance Fund	35,457	32,496	(30,587)	37,366
Disaster Relief Fund	24,556	10,562	(35,118)	-
Total	<u>\$ 1,157,638</u>	<u>\$ 90,077</u>	<u>\$ (647,573)</u>	<u>\$ 600,142</u>

SAG-AFTRA Foundation

Notes to Financial Statements

Note 9 – Liquidity

The following table reflects the financial assets of the Foundation as of September 30, 2019, reduced by amounts not available for general expenditure within one year. Financial assets may be unavailable because of contractual or donor-imposed restrictions within one year.

	<u>2019</u>
Cash and cash equivalents	\$ 848,278
Investments	20,512,397
Contributions receivable	502,002
Grants receivable	<u>352,500</u>
Total financial assets	22,215,177
Less:	
Receivables not scheduled to be collected within one year	(24,000)
Perpetually restricted investments	<u>(25,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 22,166,177</u></u>

The Foundation operates with a balanced budgeting process and anticipates collection of sufficient revenue to cover general expenditures. As part of the Foundation's liquidity management plan, it considers the composition of its financial assets to ensure sufficient funds are available as obligations come due.

Note 10 – Related-Party Transactions

In addition to claim settlements received from SAG-AFTRA, the Foundation on occasion receives contributions and donations from SAG-AFTRA. For the years ended September 30, 2019 and 2018, the amounts of these contributions and donations totaled \$83,000 and \$53,000, of which \$0 and \$6,000 remained uncollected, and is included in contributions receivable, respectively. In addition, the Foundation also receives in-kind contributions from SAG-AFTRA. The amount of these contributions totaled approximately \$10,000 for the years ended September 30, 2019 and 2018.

SAG-AFTRA provides certain reimbursable administrative services to the Foundation. For the years ended September 30, 2019 and 2018, the Foundation incurred administrative expenses of approximately \$33,000 and \$41,000, respectively. Of these amounts, approximately \$1,000 and \$10,000 remained unpaid at September 30, 2019 and 2018, respectively, and is included in accounts payable and accrued expenses.

SAG-AFTRA Foundation
Notes to Financial Statements

Note 10 – Related-Party Transactions (continued)

The Foundation entered into a 15-year noncancelable agreement to sublease programming and administrative space from SAG-AFTRA in the SAG-AFTRA offices at 1900 Broadway, New York, New York, through 2029. This lease will provide for staggered annual lease payments over the term of the lease, which will range from approximately \$179,000 to \$219,000. In addition, the Foundation will have an option to renew the lease for an additional five years. For the years ended September 30, 2019 and 2018, the Foundation incurred related rent expense of approximately \$214,000 and \$196,000, respectively, of which none remained unpaid as of year end. Deferred rent related to the New York office space totaled approximately \$113,000 and \$109,000 for the years ended September 30, 2019 and 2018, respectively.

Note 11 – Scholarships and Grants

The Foundation awards scholarships and grants to members of SAG-AFTRA and their children. Detail for the years ended September 30, 2019 and 2018, of such amounts by program is as follows:

	2019	2018
John L. Dales Scholarship	\$ 275,000	\$ 273,540
Ken Orsatti Scholarship	5,000	5,000
George Heller Memorial Scholarship	24,000	25,000
Emergency Assistance Grant	226,986	276,306
Staff Assistance Grant	13,624	30,588
Health Grants	73,573	66,123
Motion Picture and Television Fund Contribution	25,000	50,000
Disaster Relief	39,717	53,366
Other grants	34,000	32,500
Total	\$ 716,900	\$ 812,423

Note 12 – Commitments and Contingencies

Litigation – From time to time, the Foundation may be subject to certain claims that arise in the ordinary course of its activities. The Foundation accrues contingent liabilities when it is probable that future expenditures will be made and such expenditures can be reasonably estimated. In the opinion of management, there are no pending claims or assertions against the Foundation of which the outcome is expected to result in a material adverse effect on the financial position, results of operations, or cash flows of the Foundation.

Operating leases – The Foundation leases its Los Angeles facilities and storage from third parties under noncancelable operating lease agreements, which expire in February 2025. The monthly average rents approximate \$35,000.

SAG-AFTRA Foundation

Notes to Financial Statements

Note 12 – Commitments and Contingencies (continued)

In addition, in April 2015, the Foundation entered into a lease agreement for 20 years for a facility in New York, which will be used as a screening room. Monthly rental payments approximate \$12,000. As noted in Note 8, the Foundation also leases programming and administrative space from SAG-AFTRA from their offices in New York.

As of September 30, 2019, minimum lease payments for future years ending September 30 are as follows:

2020	\$	749,187
2021		761,835
2022		781,053
2023		797,395
2024		825,903
Thereafter		<u>2,976,459</u>
Total	\$	<u>6,891,832</u>

Rent expense for the years ended September 30, 2019 and 2018, totaled approximately \$723,000 and \$727,000, respectively. Deferred rent totaled approximately \$925,000 and \$912,000 for the years ended September 30, 2019 and 2018, respectively.

Note 13 – Multiemployer Plan

The Foundation's employees are eligible to receive benefits from SAG-AFTRA's defined-benefit pension plan (the "Plan"). The Foundation makes contributions to the Plan up to seven percent (7%) of each covered employee's qualifying compensation. The pension is administered by SAG – Producers Pension & Health Plans.

The Multiemployer Pension Plan Amendments Act of 1980 (the "Act") significantly increased the pension responsibilities of participating employers. Under the provisions of the Act, if the Plan terminates or the Foundation withdraws, the Foundation could be subject to a substantial withdrawal liability. The Foundation has no plans to withdraw from the Plan as of September 30, 2019.

The risks to the Foundation of participating in this multiemployer pension plan are different from single-employer plans in the following aspects:

- 1) Assets contributed to the multiemployer plan by one employer must be used to provide benefits to employees of other participating employers.
- 2) If a participating employer stops contributing to the Plan, the unfunded obligations of the Plan may be borne by the remaining participating employers.

SAG-AFTRA Foundation
Notes to Financial Statements

Note 13 – Multiemployer Plan (continued)

- 3) If the Foundation chooses to stop participating in some of its multiemployer plans, the Foundation may be required to pay those plans an amount based on the underfunded status of the Plan, referred to as a withdrawal liability.

The Foundation’s participation in the Plan for the annual periods ended September 30, 2019 and 2018, is outlined in the table below. The “EIN/Pension Plan Number” column provides the Employee Identification Number (EIN) and the three-digit plan number.

Pension Fund	Number	Pension Protection Act Zone		Contributions of Foundation	
		2019	2018	2019	2018
The Screen Actors Guild - Producers Pension Plan	95-2110997-001	Green	Green	\$ 473,223	\$ 485,413

As of September 30, 2019 and 2018, the Foundation’s contributions were less than 5% of the total contributions to the Plan, and there was no surcharge paid on the Plan.

The Plan includes all actors who have performed services in television and theatrical motion pictures, television commercials or other covered work for an employer under collective bargaining agreements. The Plan has three major collective bargaining agreements: Theatrical Contract, Television Contract, and Commercial Contract, which are renewed every three years. The expiration dates of these collective bargaining agreements are June 30, 2020; June 30, 2020; and March 31, 2022, respectively.

Note 14 – Subsequent Events

Subsequent events have been evaluated through March 2, 2020, which is the date the financial statements were available to be issued.