

The Albertsons Companies Foundation

Financial Statements

For the Two-Month Period Ended February 28, 2021 and
For the Year Ended December 31, 2020



TABLE OF CONTENTS

	<u>Page No.</u>
Independent Auditor's Report	1 - 2
Statements of Financial Position	3
Statements of Activities	4 - 5
Statements of Cash Flows	6
Notes to Financial Statements	7 - 15

INDEPENDENT AUDITOR'S REPORT

Board of Directors
The Albertsons Companies Foundation
Pleasanton, California

We have audited the accompanying financial statements of The Albertsons Companies Foundation (a California nonprofit corporation), which comprise the statements of financial position as of February 28, 2021 and December 31, 2020, and the related statements of activities and cash flows for the two-month period ended February 28, 2021 and the year ended December 31, 2020, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Albertsons Companies Foundation as of February 28, 2021 and December 31, 2020, and the changes in its net assets and its cash flows for the two-month period ended February 28, 2021 and the year ended December 31, 2020 in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Armanino LLP". The signature is written in a cursive, flowing style.

Armanino^{LLP}
Irvine, California

July 21, 2021

The Albertsons Companies Foundation
Statements of Financial Position
February 28, 2021 and December 31, 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents	\$ 52,263,524	\$ 50,249,089
Investments	17,502,237	16,832,000
Contributions receivable	<u>2,471,659</u>	<u>6,035,315</u>
Total assets	<u>\$ 72,237,420</u>	<u>\$ 73,116,404</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 1,926,312	\$ 5,745,414
Total liabilities	<u>1,926,312</u>	<u>5,745,414</u>
Net assets		
Without donor restrictions	20,964,609	20,416,709
With donor restrictions	<u>49,346,499</u>	<u>46,954,281</u>
Total net assets	<u>70,311,108</u>	<u>67,370,990</u>
Total liabilities and net assets	<u>\$ 72,237,420</u>	<u>\$ 73,116,404</u>

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

The Albertsons Companies Foundation
Statement of Activities
For the Two-Month Period Ended February 28, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support			
Contributions	\$ 240,999	\$ 6,085,187	\$ 6,326,186
Contributed services	166,148	-	166,148
Investment income, net	<u>670,237</u>	<u>-</u>	<u>670,237</u>
Total revenues, gains and other support	1,077,384	6,085,187	7,162,571
Net assets released from restriction	<u>3,692,969</u>	<u>(3,692,969)</u>	<u>-</u>
Total revenues, gains and other support	<u>4,770,353</u>	<u>2,392,218</u>	<u>7,162,571</u>
Functional expenses			
Grantmaking	4,029,117	-	4,029,117
General and administrative	192,451	-	192,451
Fundraising	<u>885</u>	<u>-</u>	<u>885</u>
Total functional expenses	<u>4,222,453</u>	<u>-</u>	<u>4,222,453</u>
Change in net assets	547,900	2,392,218	2,940,118
Net assets, beginning of year	<u>20,416,709</u>	<u>46,954,281</u>	<u>67,370,990</u>
Net assets, end of period	<u><u>\$ 20,964,609</u></u>	<u><u>\$ 49,346,499</u></u>	<u><u>\$ 70,311,108</u></u>

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

The Albertsons Companies Foundation
Statement of Activities
For the Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support			
Contributions	\$ 3,665,638	\$ 139,132,579	\$ 142,798,217
Contributed services	1,107,973	-	1,107,973
Investment income, net	<u>1,325,330</u>	<u>-</u>	<u>1,325,330</u>
Total revenues, gains and other support	6,098,941	139,132,579	145,231,520
Net assets released from restriction	<u>110,953,287</u>	<u>(110,953,287)</u>	<u>-</u>
Total revenues, gains and other support	<u>117,052,228</u>	<u>28,179,292</u>	<u>145,231,520</u>
Functional expenses			
Grantmaking	116,448,390	-	116,448,390
General and administrative	1,410,480	-	1,410,480
Fundraising	<u>390,471</u>	<u>-</u>	<u>390,471</u>
Total functional expenses	<u>118,249,341</u>	<u>-</u>	<u>118,249,341</u>
Change in net assets	(1,197,113)	28,179,292	26,982,179
Net assets, beginning of year	<u>21,613,822</u>	<u>18,774,989</u>	<u>40,388,811</u>
Net assets, end of year	<u><u>\$ 20,416,709</u></u>	<u><u>\$ 46,954,281</u></u>	<u><u>\$ 67,370,990</u></u>

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

The Albertsons Companies Foundation
Statements of Cash Flows
For the Two-Month Period Ended February 28, 2021
and the Year Ended December 31, 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Change in net assets	\$ 2,940,118	\$ 26,982,179
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Net realized and unrealized gains on investments	(674,317)	(986,230)
Changes in operating assets and liabilities		
Contributions receivable	3,563,656	(4,389,026)
Prepaid expenses	-	11,913
Accounts payable	<u>(3,819,102)</u>	<u>4,683,787</u>
Net cash provided by operating activities	<u>2,010,355</u>	<u>26,302,623</u>
Cash flows from investing activities		
Purchases of investments	(107,316)	(2,326,360)
Proceeds from sales of investments	<u>111,396</u>	<u>2,012,419</u>
Net cash provided by (used in) investing activities	<u>4,080</u>	<u>(313,941)</u>
Net increase in cash and cash equivalents	2,014,435	25,988,682
Cash and cash equivalents, beginning of year	<u>50,249,089</u>	<u>24,260,407</u>
Cash and cash equivalents, end of period/year	<u><u>\$ 52,263,524</u></u>	<u><u>\$ 50,249,089</u></u>

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

The Albertsons Companies Foundation
Notes to Financial Statements
February 28, 2021 and December 31, 2020

1. NATURE OF OPERATIONS

The Albertsons Companies Foundation (the "Foundation"), formerly known as The Safeway Foundation, is a California nonprofit corporation that was incorporated on September 10, 2015. Operational activities of the Foundation began shortly after The Safeway Foundation was incorporated on May 31, 2001. The purpose of the Foundation is to fulfill Safeway's commitment to responsible corporate citizenship by helping to improve the quality of life in communities in which employees live and work. The work of the Foundation is accomplished through grantmaking, mobilization of employee volunteers, and collaborative efforts with other funders and community leaders.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and financial statement presentation

The Foundation's financial statements have been prepared using the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Net assets and changes therein are classified as follows:

- *Net assets without donor restrictions* - Net assets without donor restrictions are not subject to donor-imposed restrictions.
- *Net assets with donor restrictions* - Net assets with donor restrictions are subject to donor-imposed restrictions that may expire with time or may be satisfied by the actions of the Foundation according to the intentions of the donor. Net assets with donor restrictions represent contributions from vendors and customers only to be used for specific grant purposes.

Revenue recognition

Cash and other assets received as donations are reported at fair value when the unconditional promise to give has been communicated. Donations are classified as restricted support if they are received with a donor restriction. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from restrictions.

In-kind donations

The Foundation receives a significant amount of in-kind donations such as services and materials.

Employees of Albertsons Companies, an affiliate of the Foundation, perform certain public relations, accounting functions and other services for the Foundation. Donated goods are recorded at estimated fair value when received and donated services received from Albertsons Companies employees are recorded at the cost recognized by Albertsons Companies.

The Albertsons Companies Foundation
Notes to Financial Statements
February 28, 2021 and December 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

Cash equivalents generally consist of short-term, highly liquid investments with original maturities of three months or less at the time of purchase.

Investments

The Foundation's investments are stated at fair value based on quoted prices in active markets. Any related changes in the fair value of investments are reflected in investment return, net of investment expenses, in the statements of activities. Purchases and sales are recorded on a trade date basis and interest and dividend income is accrued as earned.

Fair value measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e. the exit price) in an orderly transaction between market participants at the measurement date. The Foundation determines the fair values of its assets and liabilities based on a fair value hierarchy that includes three levels of inputs that may be used to measure fair value (Level 1, Level 2 and Level 3).

- *Level 1* - inputs are quoted market prices (unadjusted) in active markets for identical assets or liabilities the Foundation has the ability to access at the measurement date. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.
- *Level 2* - inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.
- *Level 3* - inputs are unobservable inputs for the asset or liability.

Unobservable inputs reflect the Foundation's own assumptions about the assumptions market participants would use in pricing the asset or liability (including risk assumptions). Unobservable inputs are developed based on the best information available in the circumstances and may include the Foundation's own data.

The categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Contributions and promises to give

Contributions received are reported as net assets with or without donor restrictions, depending upon donor restrictions, if any.

The Albertsons Companies Foundation
Notes to Financial Statements
February 28, 2021 and December 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions and promises to give (continued)

Contributions, including unconditional promises to give, are recognized as revenue in the period the promise is received. Conditional promises to give are not recognized until they become unconditional, that is when the barriers have been overcome and the right of return or right of release has been met. Contributions that are promised in one year but are not expected to be collected until after the end of that year are discounted at an appropriate discount rate commensurate with the risks involved. An allowance for doubtful contributions receivable is provided based upon management's judgment including such factors as prior collection history, type of contribution and current aging of contributions receivable. Management determined that no such allowance was necessary as of February 28, 2021 and December 31, 2020.

Grants

Grants are recognized as expenses when the unconditional promise to give to an individual program or award is approved. Conditional grants are expensed and considered payable in the period in which the grant becomes unconditional, that is when the related barrier(s) have been overcome and/or the right of return or right of release has been met. Grants scheduled for payment in excess of one year are measured at the present value of future payments. The discounts on these amounts are computed using an appropriate discount rate commensurate with the risks involved.

Income taxes

The Foundation is a nonprofit organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code (the "Code") and Section 23701d of the Revenue and Taxation Code of the State of California. The Foundation has been determined by the Internal Revenue Service to be a public charity within the meaning of Section 509(a) of the Code.

The Foundation assesses tax positions taken or expected to be taken against more likely than not recognition threshold and measurement attributes for financial statement recognition. Based on an analysis prepared by the Foundation, it was determined that the tax positions taken or expected to be taken had no material effect on the recorded tax assets and liabilities of the Foundation.

Functional allocation of expenses

Expenses have been charged directly to grants and general and administrative classifications based on direct expenses incurred. Any expenses not directly chargeable are allocated to grants, general and administrative or fundraising classifications based on management's analysis of what classification was benefited by the expense. Management's analysis primarily includes estimates of employee time incurred.

The Albertsons Companies Foundation
Notes to Financial Statements
February 28, 2021 and December 31, 2020

2. 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Change in accounting principle

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which clarifies the criteria for evaluating whether a transaction is a contribution or an exchange transaction and whether a contribution is conditional or unconditional. The Foundation adopted ASU 2018-08 with a date of the initial application of January 1, 2020 using the modified prospective method.

The adoption of ASU 2018-08 did not have a significant impact on the Foundation's financial position, result of operations, or cash flows. The Foundation has evaluated contributions received and contributions made and has determined that there is no change as a result of the adoption of the standard.

Subsequent events

The Foundation has evaluated subsequent events through July 21, 2021, the date the financial statements were available to be issued. No subsequent events have occurred that would have a material impact on the presentation of the Foundation's financial statements.

3. LIQUIDITY AND FUNDS AVAILABLE

The Foundation's liquidity management includes a policy to structure its financial assets to be available as its grants, general expenditures, liabilities, and other obligations come due. The Foundation maintains cash and investments in liquid securities. However, it also structures its portfolio holdings in a two-tier platform based upon the anticipated timing of planned expenditures. Each year, the Foundation's Board of Directors approves at least \$550,000 to be withdrawn in four quarterly installments for operational costs from the Operational Fund so long as the fund balance does not fall below \$11,000,000. Should the quarterly withdrawal place the Operational Fund balance below \$11,000,000, the Supplemental Fund will be drawn on instead. The Foundation's Board of Directors reserves the right to withdraw more funds should the need arise and only if the performance return exceeds expectations.

The Albertsons Companies Foundation
Notes to Financial Statements
February 28, 2021 and December 31, 2020

3. LIQUIDITY AND FUNDS AVAILABLE (continued)

The Foundation's financial assets available within one year to meet general expenditures included:

	<u>2021</u>	<u>2020</u>
Financial assets		
Cash and cash equivalents	\$ 52,263,524	\$ 50,249,089
Investments	17,502,237	16,832,000
Contributions receivable	<u>2,471,659</u>	<u>6,035,315</u>
	<u>72,237,420</u>	<u>73,116,404</u>
Less amounts unavailable for general expenditures within one year		
Restricted by donor for purpose or time	<u>(49,346,499)</u>	<u>(46,954,281)</u>
	<u>(49,346,499)</u>	<u>(46,954,281)</u>
	<u>\$ 22,890,921</u>	<u>\$ 26,162,123</u>

The Albertsons Companies Foundation
Notes to Financial Statements
February 28, 2021 and December 31, 2020

4. INVESTMENTS AND FAIR VALUE MEASUREMENTS

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of February 28, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Mutual Funds				
U.S. equities	\$ 3,549,105	\$ -	\$ -	\$ 3,549,105
Taxable bond funds	2,781,624	-	-	2,781,624
International equities	2,082,946	-	-	2,082,946
Growth real estate	1,878,431	-	-	1,878,431
Energy/natural resources	1,768,778	-	-	1,768,778
Small company	1,594,994	-	-	1,594,994
Treasury inflation protected securities	950,954	-	-	950,954
International bonds	821,797	-	-	821,797
Aggressive international	<u>430,579</u>	<u>-</u>	<u>-</u>	<u>430,579</u>
	<u>15,859,208</u>	<u>-</u>	<u>-</u>	<u>15,859,208</u>
Exchange traded funds				
Aggressive international	301,747	-	-	301,747
U.S. equities	<u>1,012,973</u>	<u>-</u>	<u>-</u>	<u>1,012,973</u>
	<u>1,314,720</u>	<u>-</u>	<u>-</u>	<u>1,314,720</u>
Money market funds				
Money market funds	<u>328,309</u>	<u>-</u>	<u>-</u>	<u>328,309</u>
	<u>328,309</u>	<u>-</u>	<u>-</u>	<u>328,309</u>
	<u>\$ 17,502,237</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,502,237</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>
Mutual funds				
U.S. equities	\$ 3,445,622	\$ -	\$ -	\$ 3,445,622
Taxable bonds funds	2,743,766	-	-	2,743,766
International equities	2,025,470	-	-	2,025,470
Growth real estate	1,833,553	-	-	1,833,553
Energy/natural resources	1,535,976	-	-	1,535,976
Small company	1,488,302	-	-	1,488,302
Treasury inflation protected securities	963,198	-	-	963,198
International bonds	839,793	-	-	839,793
Aggressive international	<u>386,873</u>	<u>-</u>	<u>-</u>	<u>386,873</u>
	<u>15,262,553</u>	<u>-</u>	<u>-</u>	<u>15,262,553</u>

The Albertsons Companies Foundation
Notes to Financial Statements
February 28, 2021 and December 31, 2020

4. INVESTMENTS AND FAIR VALUE MEASUREMENTS (continued)

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Exchange traded funds				
Aggressive international	321,097	-	-	321,097
U.S. equities	<u>917,248</u>	<u>-</u>	<u>-</u>	<u>917,248</u>
	<u>1,238,345</u>	<u>-</u>	<u>-</u>	<u>1,238,345</u>
Money market funds				
Money market funds	<u>331,102</u>	<u>-</u>	<u>-</u>	<u>331,102</u>
	<u>331,102</u>	<u>-</u>	<u>-</u>	<u>331,102</u>
	<u>\$ 16,832,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,832,000</u>

5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specified time or purpose:		
Hunger relief	\$ 30,332,220	\$ 31,234,737
Education support	4,733,512	3,614,366
Golf charities	4,688,485	2,606,736
We Care programs	2,448,558	2,642,560
Disaster relief	2,352,339	2,352,339
Customer canister	2,005,956	1,758,908
Cancer research	1,998,424	1,215,575
Veterans	464,379	1,209,430
Other	<u>322,626</u>	<u>319,630</u>
	<u>\$ 49,346,499</u>	<u>\$ 46,954,281</u>

The Albertsons Companies Foundation
Notes to Financial Statements
February 28, 2021 and December 31, 2020

5. NET ASSETS WITH DONOR RESTRICTIONS (continued)

Net assets with donor restrictions released from restriction were as follows:

	<u>2021</u>	<u>2020</u>
Hunger relief	\$ 1,574,075	\$ 94,939,132
People with disabilities	7,200	4,492,015
Cancer research	421,935	3,026,546
Education support	462,373	2,525,164
Veterans	746,000	1,972,396
Customer canister	184,200	1,507,682
We Care programs	297,186	852,282
Other	<u>-</u>	<u>1,638,070</u>
	<u>\$ 3,692,969</u>	<u>\$ 110,953,287</u>

6. CONCENTRATIONS

Financial instruments

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash and cash equivalents and short-term investments. Risks associated with cash and cash equivalents are mitigated by banking with creditworthy institutions. Such balances with any one institution may, at times, be in excess of federally insured amounts. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the near term could materially affect the amounts reported in the statements of financial position.

7. FUNCTIONAL EXPENSES

The table below presents expenses by both their nature and their function for the two-month period ended February 28, 2021:

	<u>Grantmaking</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Grants awarded	\$ 4,029,117	\$ -	\$ -	\$ 4,029,117
Contributed services	-	166,148	-	166,148
Other	<u>-</u>	<u>26,303</u>	<u>885</u>	<u>27,188</u>
	<u>\$ 4,029,117</u>	<u>\$ 192,451</u>	<u>\$ 885</u>	<u>\$ 4,222,453</u>

The Albertsons Companies Foundation
Notes to Financial Statements
February 28, 2021 and December 31, 2020

7. FUNCTIONAL EXPENSES (continued)

The table below presents expenses by both their nature and their function for the year ended December 31, 2020:

	<u>Grantmaking</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Grants awarded	\$116,448,390	\$ -	\$ -	\$116,448,390
Contributed services	-	1,107,973	-	1,107,973
Professional services	-	-	245,603	245,603
Other	<u>-</u>	<u>302,507</u>	<u>144,868</u>	<u>447,375</u>
	<u>\$116,448,390</u>	<u>\$ 1,410,480</u>	<u>\$ 390,471</u>	<u>\$118,249,341</u>

8. RISKS AND UNCERTAINTIES

In December 2019, an outbreak of a novel strain of coronavirus ("COVID-19") originated in Wuhan, China and has since spread to a number of other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, several states in the U.S., including California, where the Foundation is located, have declared a state of emergency. In response, the U.S. Government enacted the Coronavirus Aid, Relief and Economic Security Act ("CARES" Act), which includes significant provisions to provide relief and assistance to affected organizations.

COVID-19 could adversely affect the economies and financial markets of many countries, namely the U.S., resulting in an economic downturn that could affect the Foundation in a variety of ways. The Foundation cannot anticipate all of the ways in which COVID-19 could adversely impact the Foundation's operations. Although the Foundation is continuing to monitor and assess the effects of the COVID-19 pandemic on the Foundation's operations, the ultimate impact of the COVID-19 outbreak, the CARES Act and other governmental initiatives is highly uncertain and subject to change.