MEADOWS FOUNDATION, INCORPORATED
Dallas, Texas

FINANCIAL STATEMENTS
December 31, 2020 and 2019

MEADOWS FOUNDATION, INCORPORATED
Dallas, Texas

FINANCIAL STATEMENTS
December 31, 2020 and 2019

CONTENTS

Crowe LLP
Independent Member Crowe Global

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Meadows Foundation, Incorporated
Dallas, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of Meadows Foundation, Incorporated (Foundation), which comprise the statements of financial position as of December 31, 2020, and 2019, and the related statements of activities and cash flows for the years 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 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 Foundation'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 Foundation'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.

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Meadows Foundation, Incorporated as of December 31, 2020, and 2019, 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.

Emphasis of Matter

As discussed in Note 2 to the financials, the Foundation has adopted ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to this matter.

Crowe LLP

Crowe LLP

Dallas, Texas
June 10, 2021

MEADOWS FOUNDATION, INCORPORATED
STATEMENTS OF FINANCIAL POSITION
December 31, 2020 and 2019

	2020	2019
Assets		
Cash and cash equivalents	$ 679,912	$ 666,466
Investments (Note 3)	649,350,248	670,432,281
Investments loaned under securities lending agreement (Notes 3 and 5)	32,049,047	16,505,054
Collateral received under securities lending agreement (Note 5)	33,591,679	17,486,064
Program-related investments, net (Note 7)	22,396,441	22,601,834
Fixed assets, net (Note 7)	253,524	300,513
Other assets	426,124	689,793
Total assets	$ 738,746,975	$ 728,682,005
Liabilities and Net Assets		
Accounts payable and accrued liabilities	$ 917,151	$ 477,708
Payable under securities lending agreement (Note 5)	33,591,679	17,486,064
Grants payable, net of discount (Note 8)	34,405,177	39,721,557
Accrued pension and postretirement benefits (Note 10)	4,184,054	4,246,753
Federal current and deferred tax payable (Note 9)	776,295	402,844
Total liabilities	73,874,356	62,334,926
Net assets without donor restrictions		
Designated for J.W. Bullion Fund	457,509	473,896
Designated for Robert Meadows Fund	1,370,398	1,317,172
Designated for Jack Hammack Fund	639,752	613,139
Designated for Linda P. Evans Fund	1,086,275	1,033,049
Designated for Mark Meadows Fund	523,293	-
Undesignated	660,795,392	662,909,823
Total net assets	664,872,619	666,347,079
Commitments (Notes 3 and 4)	-	-
Total liabilities and net assets	$ 738,746,975	$ 728,682,005

See accompanying notes to financial statements.

MEADOWS FOUNDATION, INCORPORATED
STATEMENTS OF ACTIVITIES
Years ended December 31, 2020 and 2019

	2020	2019
Investment Return		
Dividends and interest	$ 6,933,451	$ 9,812,131
Net realized (loss)/gain on investments	(9,801,149)	8,875,801
Net unrealized gain on investments	39,338,143	79,190,382
Other income	2,009,174	2,997,786
Investment and related fees	(9,124,323)	(8,539,471)
Income and excise tax expense (Note 9)	(655,953)	(349,533)
Investment return, net	28,699,343	91,987,096
Grants and Operating Activities		
Grants awarded	19,873,348	28,987,947
Program-related expenses	3,792,269	4,004,774
Direct charitable activities	656,105	813,700
Grants management	2,967,475	3,038,067
General management	2,920,351	3,262,353
Total grants and operating activities	30,209,548	40,106,841
Change in net assets from operating activities	(1,510,205)	51,880,255
Non-operating activities		
Pension and postretirement changes other than the Service cost component of net periodic benefit cost (Note 10)	35,745	(6,275)
Change in net assets without donor restrictions	(1,474,460)	51,873,980
Net assets without donor restrictions, beginning of year	666,347,079	614,473,099
Net assets without donor restrictions, end of year	$ 664,872,619	$ 666,347,079

See accompanying notes to financial statements.

MEADOWS FOUNDATION, INCORPORATED
STATEMENTS OF CASH FLOWS
Years ended December 31, 2020 and 2019

	2020	2019
Cash flows from operating activities		
Change in net assets	$ (1,474,460)	$ 51,873,980
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	877,409	938,668
Net realized loss (gain) on investments	9,801,149	(8,875,801)
Net unrealized gain on investments	(39,338,143)	(79,190,382)
Pension and postretirement changes other than net periodic benefit cost	(82,179)	(180,573)
Changes in operating assets and liabilities:		
Decrease (increase) in other assets	263,669	(508,644)
Increase (decrease) in accounts payable and accrued liabilities	439,443	(623,475)
(Decrease) increase in grants payable	(5,316,380)	4,263,273
Increase in deferred excise taxes payable	373,451	402,844
Increase (decrease) in accrued pension and postretirement benefits	19,480	(21,108)
Net cash used in operating activities	(34,436,561)	(31,921,218)
Cash flows from investing activities		
Proceeds from sales of investments	198,466,190	259,105,716
Purchases of investments	(163,456,908)	(226,526,591)
Increase (decrease) in cash collateral received under securities lending agreement	16,105,615	(4,770,524)
(Increase) decrease in payable under securities lending agreement	(16,105,615)	4,770,524
Investment in PRI loan	-	(100,000)
Capital expenditures	(559,275)	(301,619)
Net cash provided by investing activities	34,450,007	32,177,506
Net increase in cash and cash equivalents	13,446	256,288
Cash and cash equivalents, beginning of year	666,466	410,178
Cash and cash equivalents, end of year	$ 679,912	$ 666,466
Supplemental cash flow information		
Income and excise tax paid, net of refunds	$ -	$ 451,770
Noncash items		
Rent-free lease income	1,999,120	2,991,688
Grants of free office space	2,742,336	1,998,539

See accompanying notes to financial statements.

NOTE 1 - ORGANIZATION

Meadows Foundation, Incorporated (the Foundation) is a private, nonprofit philanthropic institution established in 1948 by Algur H. and Virginia Meadows and intended to continue in perpetuity under the guidance and direction of family members and trusted advisors. The Foundation's mission is to assist people and institutions of Texas improve the quality and circumstances of life for themselves and future generations. The Foundation supports work in the areas of arts and culture, civic and public affairs, education, health and human services with special emphasis on public education, mental health, and the environment.

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 U.S. generally accepted accounting principles (GAAP) and includes the accounts maintained by and for the benefit of the Foundation.

Cash and Cash Equivalents: Cash consists of U.S. and foreign currencies. Cash equivalents held by the Foundation for use in its operations consist of temporary interest-earning investments with original maturities of three months or less at the time of acquisition. These are highly-liquid investments whose principal values are not subject to significant risk of change due to interest rate fluctuations. Cash and cash equivalents used by the Foundation and the Foundation's investment managers in managing the investment portfolio are reported in investments.

Investments: All investments are carried at fair value. Investment sales and purchases are recorded on a trade date basis. Dividend income is recorded on the ex-dividend date and interest income is recorded on an accrual basis. Amortization and accretion of premiums and discounts are recorded using the effective interest method.

Investment return consists of interest and dividend income, realized gains and losses, and unrealized gains and losses. Gains and losses on dispositions of investments, as included in the statements of activities, are determined on the specific-identification basis, and include the effects of currency translation with respect to transactions and holdings of foreign securities. Unrealized gains and losses from fair value fluctuations on investments are included in the statements of activities in the period such fluctuations occur. Income from limited partnership investments is recorded in net realized gain/loss on investments in the statements of activities. This income is recorded as cash distributions are received in excess of capital invested from dispositions of underlying investments as reported by the general partner and/or the Foundation’s custodian.

Investment and related fees include all external and direct internal investment expenses.

Fair Value of Financial Instruments: Investments in equity securities, debt securities, mutual and exchange-traded funds priced in active markets are carried at their quoted market prices. For investments with limited marketability, including investments in real estate, certain hedge funds and private partnerships, the determination of fair value is based on the best information available in the circumstances and incorporates management’s own assumptions, including appropriate risk adjustments. Because a quoted market price does not exist for these investments, the fair value is generally based on management’s estimate of fair value in the most advantageous exit market. Management considers the reasonableness of the investee company’s methodology for measuring fair value and reviews the investee company’s interim and audited financial statements as well as post-period transactions. Because of the inherent uncertainty of valuation, the estimated fair values of the investments presented could differ significantly from the value that would have been determined had a ready market existed, and it is reasonably possible the difference could be material. As such, there is no assurance that upon liquidation, the Foundation will realize the fair values presented therein.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Foundation has adopted the concept of the "practical expedient" under GAAP, whereas fair value is calculated using net asset values (NAV) as of the most recent audited and interim financial statements. The NAV is based on underlying securities and investment holdings, which may be valued at quoted market prices, based on comparable instruments, at appraised value, or by discounted cash flows. Commingled funds and certain hedge funds and partnership investments are carried at NAV. Pension liabilities and unfunded retirement liabilities approximate fair value as the recorded amounts are reflected at present value. Fair values of all other financial instruments approximate their carrying amounts due to the short maturity of these instruments.

Under GAAP, the Foundation discloses investments recorded at fair value into the "fair value hierarchy." The categorization of a financial instrument within the fair value hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the Foundation's perceived risk of that instrument. The three levels for measuring fair value are based on the reliability of inputs and are as follows:

Level 1 Quoted prices are available in active markets for identical investments as of the reporting date. Level 1 investments include publicly traded securities and publicly traded funds.

Level 2 Quoted prices are available in non-active markets or in active markets for similar assets or liabilities, or inputs that are observable, either directly or indirectly, as of the reporting date for substantially the full term through corroboration with observable market data. Level 2 investments include artwork, real estate, and buildings estimated using private valuations of the properties.

Level 3 Pricing inputs are unobservable for the asset and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation. Fair value for portfolio investments considers a range of factors, including the nature of the investment, local market conditions, current and projected operating performance, financial condition, and financing transactions subsequent to the acquisition of the investment. Level 3 investments include hedge funds and inflation hedging partnerships not valued at NAV where the Foundation participates as a limited partner.

Investments that calculate NAV per share (or its equivalent) using the practical expedient are not categorized in the fair value hierarchy.

<u>Securities Lending Activities</u>: The Foundation, through its custodial bank, lends certain fixed income and equity securities from its U.S. and non-U.S. portfolios to generate incremental investment income and offset custody fees. Under the terms of its securities lending agreement, the Foundation requires collateral of a value at least equal to 102% of the fair value of the loaned U.S. securities and accrued interest, if any, and 105% for non-U.S. securities. The Foundation maintains the right to receive cash dividends, interest payments, and shares of stock in stock splits on the loaned securities. Upon the maturity of the agreement, the borrower must return the same, or substantially the same, securities that were borrowed. The principal risks to the Foundation of securities lending are that the borrower may not provide additional collateral when required or return the securities when due, and that securities in the commingled collateral pool decline in value. However, the Foundation believes that its risk is low based upon its historical experience and the process for identifying borrowers established by the Foundation's custodial bank. The loaned securities continue to be carried as investments on the Foundation's statements of financial position. Amounts received as collateral under securities lending agreements are included in assets and as a payable in the accompanying statements of financial position. Income and expenses from securities lending transactions are included in the dividends and interest line of the statements of activities.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Program-Related Investments and Fixed Assets: In addition to awarding cash grants, the Foundation carries out its charitable purpose by providing certain benefits to nonprofit organizations in the form of program-related investments. In some cases, these benefits are in the form of loans to be repaid at below-market interest rates. In other cases, the Foundation enters into rent-free leases, which provide facilities, utilities, and other services to nonprofit organizations as tenants of the Wilson Historic District. The cost of building and renovating facilities in the Wilson Historic District is reflected as program-related investment real estate. Program-related investments involving real estate are recorded at their fair value on the date of dedication.

Program-related loans are measured at fair value at inception and are recorded on a net basis to reflect a discount on the loan receivable. The Foundation monitors collectability on an ongoing basis based on its understanding of the borrower's financial health and/or payment history. The Foundation reserves the right to convert an outstanding loan to an outright grant as approved by the Board of Directors.

The Foundation generally assesses the recoverability of its program-related investments in land, buildings, and fixed assets by determining whether the carrying value of those assets can be recovered over a reasonable time period through undiscounted future cash flows from use and ultimate disposition of the assets, before interest charges. To the extent the carrying value of these assets is greater than the sum of the undiscounted future cash flows, before interest charges, impairment exists.

Buildings, furniture, and equipment owned by the Foundation are recorded at historical cost and depreciated on a straight-line basis over the estimated useful lives of the respective assets as follows:

Software	3 years
Equipment	5 years
Furniture and fixtures	10 years
Buildings	20-30 years

Leasehold improvements are recorded at historical cost and amortized on a straight-line basis over the estimated useful life of the asset. The Foundation capitalizes acquisitions of computer hardware and software in excess of $1,000 and acquisitions of all other long-lived assets in excess of $3,000.

Grants Expense and Grants Payable: Unconditional grants are recorded as expense in the period the grant is approved. Conditional grants, with a barrier and a right of return, are recorded as expense during the year in which the conditions are substantially met or waived by the Foundation. Grants payable within one year are recorded at their fair value at the date of authorization. Grants payable in more than one year are recorded at the present value of their future cash outflows using U.S. Treasury rates for the period of the respective multi-year grant.

The Foundation provides facility space to certain nonprofit organizations on a rent-free basis. The fair value of using the facility is recorded as grants expense and grants payable when the commitment to provide space is made. As the facilities are occupied, in-kind rental revenue is recognized and included in other income in the statements of activities.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses: The financial statements report certain categories of expenses that are attributable to one or more programs or supporting functions of the Foundation. These expenses include personnel costs, board committee fees, annual report costs, as well as costs of the information technology department and the headquarters building. Personnel costs are allocated based on estimates of time and effort, board committee fees, annual report fees and information technology costs are allocated based on functions receiving direct benefit, and headquarters building costs are allocated based on square footage.

Excise and Income Tax: The Foundation is exempt from federal income tax under Section 501(c)(3) and is classified as a private foundation under Section 509(a) of the Internal Revenue Code. The Foundation is subject to federal excise tax as well as federal and state unrelated business income tax.

The Foundation paid a federal excise tax of 1.39% in 2020 and 2% in 2019. The excise tax is imposed on net investment income, as defined under federal law, which includes interest, dividends and net realized gains less expenses incurred in the production of income.

The Foundation accounts for unrelated business income tax based upon enacted tax laws and rates applicable to the periods in which the tax became payable. The Foundation assesses the likelihood that it will be able to recover its deferred tax assets and considers all available evidence, both positive and negative, including historical levels of unrelated business income, expiration of net operating losses, expectations and risks associated with estimates for future taxable income and ongoing prudent and feasible tax planning strategies, as well as current tax laws, in assessing the need for a valuation allowance. If recovery is not likely, the Foundation records a valuation allowance against the deferred tax assets that it estimates will not ultimately be recoverable.

The Foundation accounts for uncertain tax positions when it is more likely than not that such an asset or liability will be realized. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized upon examination. For tax positions not meeting the “more likely than not” test, no tax benefit is recorded. The Foundation recognizes interest and penalties related to uncertain tax positions in interest and income tax expense, respectively.

Use of Estimates: The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. The most significant estimate is the valuation of the alternative investments as estimated by the respective general partner and reviewed by management. Estimated values may differ significantly from the values that would have been used had a ready market for the securities existed and from the values that may be ultimately realized at redemption.

Net Assets: Net assets of the Foundation and changes therein are classified and reported as net assets without donor restrictions, which represent resources available for support of Foundation operations that are not subject to donor-imposed stipulations.

Recently Adopted Accounting Pronouncements: In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (“ASU 2018-08”). ASU 2018-08 clarifies and improves current guidance about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or an exchange transaction. ASU 2018-08 is effective for annual financial statements issued for fiscal years beginning after December 15, 2019. ASU 2018-08 was implemented effective January 1, 2020. There was no impact to the Foundation upon adoption.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements: In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842),* which amends leasing guidance by requiring companies to recognize a right-of-use asset and a lease liability for all operating and capital leases with lease terms of greater than 12 months. The lease liability will be equal to the present value of the lease payments and the lease asset will be based on the lease liability, subject to adjustment, such as for initial direct costs. For the purposes of reporting on the statement of activities, leases will continue to be classified as operating or capital, with lease expense in both cases calculated substantially the same as under the prior lease guidance. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election not to recognize lease assets or liabilities and must recognize lease expense on a straight-line basis over the lease term. This ASU extended the effective date of this standard for non-public entities. The updated guidance is effective for annual periods beginning after December 15, 2021. The Foundation is currently evaluating the impact of this guidance on its financial statements but expects most of its operating lease commitments will be subject to the new standard and thus be recognized as an operating lease liability and right-of-use asset upon adoption of this ASU.

COVID 19 Risks: In December 2019, a novel strain of coronavirus (COVID-19) surfaced resulting in business and social disruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. The extent to which the coronavirus may impact the Foundation's business activity or investment results will depend on future developments.

NOTE 3 - INVESTMENTS

The following table presents information about the Foundation's investments and fair value hierarchy as of December 31, 2020:

	for Identical Investments (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Investments held at NAV [(1)]	Balance as of December 31, 2020
Cash and cash equivalents	$ 23,764,960	$ -	$ -	$ -	$ 23,764,960
Equities					
U.S.	45,642,435	-	-	-	45,642,435
International	6,247,116	-	-	-	6,247,116
Collective trusts/mutual and exchange-traded funds	56,036,679	-	-	185,264,280	241,300,959
Fixed income					
Collective trusts/mutual and exchange-traded funds	40,707,868	-	-	60,979,811	101,687,679
Hedge funds	-	-	1	107,033,503	107,033,504
Other private partnerships					
Buyouts	-	-	-	48,683,366	48,683,366
Venture capital	-	-	-	19,998,588	19,998,588
Inflation hedging	-	-	16,410,954	35,405,313	51,816,267
Other private equity	-	-	-	28,175,532	28,175,532
Real estate, buildings, and other	-	7,048,889	-	-	7,048,889
Total investments	$ 172,399,058	$ 7,048,889	$ 16,410,955	$ 485,540,393	$ 681,399,295
Reconciliation to total investments					
Investments					$ 649,350,248
Investments loaned under securities lending agreement					32,049,047
Total investments					$ 681,399,295

[(1)] Investments measured at NAV are presented in this table to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

U.S. and international equities and fixed income investments in the above table include $32,049,047 of investments loaned under securities lending transactions, of which all are related to Level 1 assets.

Based on the information made available to the Foundation, there are no concentrations in any underlying individual security or issuer in amounts greater than 5% of the Foundation's net assets without donor restrictions for both 2020 and 2019.

One investment valued at $16,410,954 and $19,133,908 as of December 31, 2020 and 2019, respectively, was classified as Level 3 due to the unmarketability and lack of supported valuation bids for underlying fund assets. The private partnership contains undeveloped properties generating minimal cash flow. Based on these circumstances, the Foundation has adjusted the fair value of these investments by amounts ranging between 50% and 100% of the investment's NAV.

(Continued)

NOTE 3 - INVESTMENTS (Continued)

The Foundation has adjusted the fair value of one hedge fund to $1 which is $2,939,654 below the NAV provided by the general partner. The hedge fund is in the process of liquidation. The fund's underlying assets are illiquid and difficult to value and as a result, there is uncertainty as to the timing and amount the Foundation will ultimately realize.

The following table presents information about the Foundation's investments and fair value hierarchy as of December 31, 2019:

	Fair Value Measurement at December 31, 2019				
	Active Markets for Identical Investments (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments held at NAV [1]	Balance as of December 31, 2019
Cash and cash equivalents	$ 21,694,952	$ -	$ -	$ -	$ 21,694,952
Equities					
U.S.	48,200,218	-	-	-	48,200,218
International	10,383,357	-	-	-	10,383,357
Collective trusts/mutual and exchange-traded funds	55,784,099	-	-	190,591,550	246,375,649
Fixed income					
Collective trusts/mutual and exchange-traded funds	40,029,579	-	-	26,586,847	66,616,426
Hedge funds [2]	-	-	1	142,314,968	142,314,969
Other private partnerships					
Buyouts	-	-	-	37,759,734	37,759,734
Venture capital	-	-	-	21,736,213	21,736,213
Inflation hedging	-	-	19,604,854	39,336,000	58,940,854
Other private equity	-	-	-	25,801,671	25,801,671
Real estate, buildings, and other	-	7,113,292	-	-	7,113,292
Total investments	$ 176,092,205	$ 7,113,292	$ 19,604,855	$ 484,126,983	$ 686,937,335
Reconciliation to total investments					
Investments					$ 670,432,281
Investments loaned under securities lending agreement					16,505,054
Total investments					$ 686,937,335

(1) Investments measured at NAV are presented in this table to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

(2) Hedge funds include $32,841,814 in expected distributions from 2019 redemptions submitted as of year-end.

U.S. and international equities and fixed income investments in the above table include $16,505,054 of investments loaned under securities lending transactions, of which all are related to Level 1 assets.

NOTE 3 - INVESTMENTS (Continued)

The following table provides additional details of hedge funds and other private partnerships measured at NAV as of December 31, 2020:

Category of Investment	Investment Strategy and Structure	Fair Value	Unfunded Commitments	Remaining Life	Redemption Terms	Redemption Restrictions	Redemption Restrictions and Terms in Place at Year End
Hedge Funds [1]	Investments in global multi-strategy, distressed debt, long-only equity, hedged equity, asset-based lending and merger arbitrage	$ 107,033,503	$0	Open Ended	Ranges between 1 to 95 days	Five funds have restrictions consisting of a gate limiting to 10% or 25% of the fund NAV that can be redeemed in any one quarter. One fund has a lockup of 3 years.	Five funds (valued at $1.0 million), for which redemption was requested, are distributing upon sale of illiquid investments.
Other Private Partnerships [2]	Investments in diversified private equity, distressed debt, leveraged buyout, venture capital, real estate, and energy companies	$ 148,673,753	$86,669,931	Generally between 5 and 14 years, but dependent upon investment circumstances	Redemption not permitted during the life of the fund. Distributions are made at the discretion of the general partners.	Funds can be sold in a secondary market at a discount or a premium to current fair value depending on the market for each fund.	Seventeen private equity funds have extended partnership terms for an additional 1 to 8 years.

(1) These funds generally have asset and performance-based fee structures and provide a monthly NAV.

(2) The general partners of the respective funds issue capital calls and distributions. Performance fees are generally collected by the general partner or investment manager only upon a distribution of profits to investors. These funds generally provide the NAV less frequently than monthly.

NOTE 3 - INVESTMENTS (Continued)

The following table provides additional details of hedge funds and other private partnerships measured at NAV as of December 31, 2019:

Category of Investment	Investment Strategy and Structure	Fair Value	Unfunded Commitments	Remaining Life	Redemption Terms	Redemption Restrictions	Redemption Restrictions and Terms in Place at Year End
Hedge Funds [1]	Investments in global macro and multi-strategy, distressed debt, long/short equities, hedged equity, asset-based lending and merger arbitrage	$ 142,314,968	$0	Open Ended	Ranges between 1 to 95 days	Eight funds have restrictions consisting of a gate limiting to 10% or 25% of the fund NAV that can be redeemed in any one quarter. One fund has a lockup of 2 years.	Five funds (valued at $1.1 million), for which redemption was requested, are distributing upon sale of illiquid investments.
Other Private Partnerships [2]	Investments in diversified private equity, distressed debt, leveraged buyout, venture capital, real estate, and energy companies	$ 124,633,618	$98,080,820	Generally between 5 and 14 years, but dependent upon investment circumstances	Redemption not permitted during the life of the fund. Distributions are made at the discretion of the general partners.	Funds can be sold in a secondary market at a discount or a premium to current fair value depending on the market for each fund.	Twenty one private equity funds have extended partnership terms for an additional 1 to 14 years.

(1) These funds generally have asset and performance-based fee structures and provide a monthly NAV.
(2) The general partners of the respective funds issue capital calls and distributions. Performance fees are generally collected by the general partner or investment manager only upon a distribution of profits to investors. These funds generally provide the NAV less frequently than monthly.

NOTE 4 - LIQUIDITY AND AVAILABILITY

The Foundation's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

	2020	2019
Cash and cash equivalents	$ 24,444,872	$ 22,361,418
Investments	480,231,604	490,625,590
Total	$ 504,676,476	$ 512,987,008

As part of the Foundation's liquidity management, the Foundation invests its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, the Foundation has a committed line of credit in the amount of $40 million which it could draw upon. The use of this line of credit is generally restricted to the extent that the Foundation is in need of liquidity to fund grant and program related obligations.

(Continued)

NOTE 4 - LIQUIDITY AND AVAILABILITY (Continued)

Borrowings under such an agreement are at a rate per year equal to a prime-based rate as determined by the lender or LIBOR plus 0.45%. The revolving line of credit contains a commitment fee of 0.09% per annum on the unused available credit balance. These fees are reported as operating activities in the statements of activities.

As of December 31, 2020 and 2019, there was no outstanding borrowing on the line of credit. The Foundation is in compliance with covenants on the line of credit as of December 31, 2020.

NOTE 5 - SECURITIES LENDING

Through its securities lending activity, the Foundation received income of $56,412 and $86,910 in 2020 and 2019, respectively. Amounts received as collateral under the securities lending agreements are included in assets and as a payable in the accompanying statements of financial position. The collateral invested in U.S. and international equities, which all are related to Level 1 assets, was $30,630,411 and $16,273,758 in 2020 and 2019, respectively while amounts held in cash and cash equivalents was $2,961,268 and $1,212,306, respectively.

NOTE 6 - GRANTS AND OPERATING EXPENSES BY NATURE

The tables below present expenses by their nature and their function for the years ended December 31, 2020 and 2019:

	Program Expenses					
	Grants Awarded	Program-related Expenses	Direct Charitable Activities	Grants Management	General Management Expenses	Total
December 31, 2020						
Grants awarded	$ 19,873,348	$ -	$ -	$ -	$ -	$ 19,873,348
Salaries and benefits	-	1,971,548	509,781	2,294,459	1,969,246	6,745,034
Office and occupancy	-	1,114,644	103,771	283,734	181,046	1,683,195
Services and professional fees	-	6,940	23,832	200,388	504,031	735,191
Depreciation	-	632,248	7,868	112,405	59,136	811,657
Supplies and travel	-	66,889	10,853	76,489	206,892	361,123
Total grants and operating activities	$ 19,873,348	$ 3,792,269	$ 656,105	$ 2,967,475	$ 2,920,351	$ 30,209,548

	Program Expenses					
	Grants Awarded	Program-related Expenses	Direct Charitable Activities	Grants Management	General Management Expenses	Total
December 31, 2019						
Grants awarded	$ 28,987,947	$ -	$ -	$ -	$ -	$ 28,987,947
Salaries and benefits	-	1,942,883	594,486	2,109,359	1,779,593	6,426,321
Office and occupancy	-	1,182,520	153,324	280,743	242,798	1,859,385
Services and professional fees	-	8,886	28,000	373,781	738,083	1,148,750
Depreciation	-	685,157	12,040	113,090	62,333	872,620
Supplies and travel	-	185,328	25,850	161,094	439,546	811,818
Total grants and operating activities	$ 28,987,947	$ 4,004,774	$ 813,700	$ 3,038,067	$ 3,262,353	$ 40,106,841

The allocations of certain categories of expenses attributable to more than one program or supporting function are described in Note 2.

(Continued)

NOTE 7 - PROGRAM-RELATED INVESTMENTS AND FIXED ASSETS

Program-related investments consisted of the following at December 31, 2020 and 2019:

	2020	2019
Program-related investments		
Land	$ 18,621,910	$ 18,621,910
Buildings and improvements	34,206,280	33,668,039
	52,828,190	52,289,949
Accumulated depreciation	(30,531,749)	(29,788,115)
Total PRI Assets, Net of Depreciation	22,296,441	22,501,834
Program Related Loan	100,000	100,000
Total	$ 22,396,441	$ 22,601,834

The fair value of the contributed rent-free use of program-related investment real estate is $1,999,120 for 2020 and $2,991,688 for 2019, and is included in other income in the accompanying statements of activities.

Fixed assets consisted of the following at December 31, 2020 and 2019:

	2020	2019
Fixed assets		
Furniture and fixtures	$ 470,876	$ 470,876
Equipment	869,614	1,009,665
	1,340,490	1,480,541
Accumulated depreciation	(1,086,966)	(1,180,028)
Total	$ 253,524	$ 300,513

As of December 31, 2020 and 2019, the Foundation determined there was no impairment associated with its program-related investments and fixed assets.

(Continued)

NOTE 8 - GRANTS PAYABLE

Grants payable as of December 31, 2020 and 2019, using discount rates ranging from less than 1% to 3%, were as follows:

	2020	2019
Payable in less than one year	$ 6,899,435	$ 7,569,468
Payable in one to five years	27,020,755	30,892,414
Payable in more than five years	2,092,872	3,860,527
Total amount granted	36,013,062	42,322,409
Less discount to reflect grants payable at present value	(1,607,885)	(2,600,852)
Grants payable, net of discount	$ 34,405,177	$ 39,721,557

Grants payable related to rent-free leases is $9,165,862, net of a discount in the amount of $471,070, at December 31, 2020; and grants payable related to rent-free leases is $8,422,646, net of a discount in the amount of $518,907, at December 31, 2019. This payable is equal to the fair value of the benefits provided over the lives of the remaining leases. The leases expire through 2030.

NOTE 9 - INCOME AND EXCISE TAX

The current provision for federal excise tax is based on a 1.39% and 1% rate on net investment income in 2020 and 2019, respectively. The estimated tax may differ once the tax return is filed. The Foundation's final tax due for 2019 was $25,350 less than accrued for the year and is reflected as an adjustment to the 2019 expense. The deferred provision on cumulative net unrealized gains is based on a 1.39% and 2% rate as of December 31, 2020 and 2019. State unrelated business income tax for the years 2020 and 2019 was expensed as incurred.

	2020	2019
Current excise tax	$ 282,039	$ (54,082)
Deferred excise tax	373,450	402,844
Unrelated business income tax	464	771
Total income and excise tax	$ 655,953	$ 349,533
Prepaid excise tax included in other assets	$ 274,241	$ 556,280
Deferred taxes payable	$ 776,295	$ 402,844

(Continued)

NOTE 9 - INCOME AND EXCISE TAX (Continued)

The Foundation is exempt from federal and state income tax, except to the extent it has unrelated business income (UBI). As of December 31, 2020 and 2019, the Foundation had a federal unrelated business income net operating loss of $20,223,189 and $15,884,832, respectively. After analysis of all available evidence, both positive and negative, the Foundation has determined there is insufficient evidence to prove that it will realize the deferred tax asset resulting from these net operating losses. As such, the entire deferred tax asset balance is offset by a valuation allowance. Accordingly, a deferred tax asset and corresponding valuation allowance was recorded using an applicable tax rate as follows:

	2020	2019
Deferred tax asset, federal UBI net operating loss	$ 4,246,870	$ 3,335,815
Less: valuation allowance	(4,246,870)	(3,335,815)
Net deferred tax asset, federal UBI net operating loss	$ -	$ -

As of December 31, 2020 and 2019, the Foundation has evaluated its uncertain tax positions and determined there were no uncertain tax positions that would have a material effect on the financial statements or the tax-exempt status of the Foundation. In addition, the Foundation has not incurred any material amounts for interest or penalties on uncertain tax positions for the years ended December 31, 2020 and 2019.

The Foundation does not expect the total amount of unrecognized tax positions to significantly change in the next 12 months. The Foundation is no longer subject to examination by U.S. federal and state taxing authorities for years through 2016.

The Foundation is required to make certain minimum qualifying distributions of its assets in accordance with formulas provided by federal law. At December 31, 2019, the Foundation had a distribution shortfall of approximately $5.8 million which was fully distributed in 2020. The Foundation estimates it will have a distribution shortfall in 2020 of approximately $5.2 million. It is expected the shortfall will be fully distributed in 2021.

NOTE 10 - ACCRUED PENSION AND POSTRETIREMENT BENEFITS

The Foundation has a defined contribution pension plan covering substantially all of the Foundation's employees, excluding security guards, who have attained the age of 21 and work at least 1,000 hours in a year. Total pension contribution expense was $575,161 and $539,867 for the years ended December 31, 2020 and 2019, respectively, which is an amount equal to 12.5% of the employee's compensation, as defined by the plan agreement.

The Foundation's employees may also elect to participate in a separate 403(b) defined contribution plan. No contributions are made by the Foundation under this plan.

The Foundation's defined benefit floor-offset plan, which supplements the defined contribution pension plan, covers substantially all of the Foundation's employees who have attained the age of 21 and work at least 1,000 hours in a year. The Foundation's funding policy is to contribute annually the amount necessary to fully fund the offset plan in accordance with applicable portions of the Internal Revenue Code. The funded status, as defined by the Pension Protection Act of 2006, for the respective plan years was 110.68% in 2020 and 100.84% in 2019.

(Continued)

NOTE 10 - ACCRUED PENSION AND POSTRETIREMENT BENEFITS (Continued)

The Foundation also has a retiree medical plan covering all qualifying personnel of the Foundation. The Foundation's policy is to fund postretirement benefits from general assets.

The Foundation is required to recognize the overfunded or underfunded status of its defined benefit pension and other postretirement benefit plan as an asset or a liability in the statements of financial position and recognize changes in the funded status in the year in which the changes occur. The funded status of the plan is the difference between the fair value of plan assets and the benefit obligation.

The funded status and amounts recognized in the Foundation's statements of financial position and statements of activities as of and for the years ended December 31, 2020 and 2019, are as follows:

	Pension Benefits		Postretirement Benefits	
	2020	2019	2020	2019
Fair value of plan assets	$ 6,356,398	$ 5,819,562	$ -	$ -
Benefit obligation	6,984,624	6,727,356	3,555,828	3,338,959
Unfunded status recognized in the statements of financial position	$ (628,226)	$ (907,794)	$ (3,555,828)	$ (3,338,959)
Accumulated benefit obligation	6,490,094	6,212,470	3,555,828	3,338,959
Employer contributions	163,000	288,000	112,850	98,314
Benefits paid	(330,449)	(272,125)	(112,850)	(98,314)
Net Periodic Benefit Cost, recognized in the Statements of Activities				
Service Cost	145,919	102,099	110,438	85,676
Other components of net periodic benefit cost	(56,046)	118,594	102,483	68,254
Net periodic benefit cost	89,873	220,693	212,921	153,930
(Gain)/loss	$ (206,445)	$ (311,128)	$ 124,263	$ 130,555
Items not yet recognized in net periodic benefit cost				
Unrecognized prior service cost	$ -	$ 2,683	$ -	$ (12,947)
Unrecognized net loss (gain)	1,257,654	1,461,412	(536,979)	(640,830)
	$ 1,257,654	$ 1,464,095	$ (536,979)	$ (653,777)
Weighted average assumptions as of December 31				
Discount rate	3.25%	3.50%	3.25%	3.50%
Expected return on plan assets	7.00%	7.00%	-	-
Rate of compensation increase	3.00%	3.00%	-	-

To maintain funding within recommended ranges, the Foundation expects to make contributions of $112,850 to the postretirement benefits plan and up to $172,000, to the defined benefit pension plan in the fiscal year 2021.

(Continued)

NOTE 10 - ACCRUED PENSION AND POSTRETIREMENT BENEFITS (Continued)

The retiree medical plan provides a fixed maximum monthly premium reimbursement and is not subject to increases based on inflation or an indexed healthcare cost trend rate.

Benefit payments, which reflect expected future service, are expected to be paid as follows:

	Pension Benefits	Postretirement Benefits
2021	$ 456,366	$ 172,558
2022	480,584	173,830
2023	497,042	178,687
2024	490,464	192,152
2025	486,431	198,057
2026-2030	2,210,303	959,659

Plan assets of the defined pension benefit plan are invested in short-term cash investments and commingled index funds at the Foundation's custodial bank. Management determines the asset allocation of the portfolio based on the risk and return goals to meet the plan liability and liquidity requirements. Index funds are subject to market value changes which increased in 2020 resulting in a net gain in the plan which is reflected as a non-operating gain in the statements of activities. The fair value of plan assets is estimated using quoted NAV per share for each of the commingled index funds. As of December 31, 2020, the fair value of the commingled index funds is $6,186,819, or 97% of plan assets, with the remainder held in cash. As of December 31, 2019, the fair value of the commingled index funds is $5,483,889, or 94% of plan assets, with the remainder held in cash.

The investment strategy is to manage risk through prudent asset allocations that will produce a rate of return commensurate with the plans' obligations. The overall expected long-term rate of return on plan assets is based on historical long-term returns of investment performance, adjusted to reflect expectations of future long-term returns by asset class.

NOTE 11 - SUBSEQUENT EVENTS

The Foundation evaluated events subsequent to December 31, 2020, and through June 10, 2021, the date on which the financial statements were available to be issued. Management has determined there are no material subsequent events requiring disclosure in the Foundation's financial statements through this date.