

**THE COMMUNITY FOUNDATION
FOR NORTHEAST FLORIDA, INC.**

FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

THE COMMUNITY FOUNDATION FOR NORTHEAST FLORIDA, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The Community Foundation for Northeast Florida, Inc.

Opinion

We have audited the accompanying financial statements of The Community Foundation for Northeast Florida, Inc. (a nonprofit organization), which comprise the financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Community Foundation for Northeast Florida, Inc. as of December 31, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent of The Community Foundation for Northeast Florida, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Community Foundation for Northeast Florida, Inc.'s ability to continue as a going concern within one year after the date the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a

guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Community Foundation for Northeast Florida, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Community Foundation for Northeast Florida, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Carr, Riggs & Ingram, L.L.C.

Jacksonville, Florida
June 1, 2021

THE COMMUNITY FOUNDATION FOR NORTHEAST FLORIDA, INC.
STATEMENTS OF FINANCIAL POSITION

	<u>December 31,</u>	
	<u>2020</u>	<u>2019</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 50,124,408	\$ 34,983,875
Interest and dividends receivable	1,013,995	921,848
Short-term investments	82,237,050	93,671,286
Promises to give, net (Note 7)	356,846	507,336
Bequests receivable	876,130	2,834,291
Other receivables	10,192	11,085
Prepaid expenses	73,018	96,737
Long-term investments	397,758,274	334,438,116
Program related investment loans	1,000,000	1,194,761
Real estate held for investment	470,612	473,558
Investments in closely held entities	8,287,429	7,387,941
Cash surrender value of life insurance	168,962	184,058
Receivables under split-interest agreements (Note 8)	7,044,754	5,987,791
Interest in perpetual trust	687,252	612,796
Furniture and equipment, net (Note 9)	83,742	69,933
Other assets	<u>129,419</u>	<u>56,086</u>
 Total Assets	 \$ <u>550,322,083</u>	 \$ <u>483,431,498</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accounts payable and accrued liabilities	\$ 181,657	\$ 94,130
Grants payable, net (Note 14)	6,845,755	14,918,744
Deferred income/expense	207,274	232,318
Gift annuities	663,935	694,315
Funds held as agency endowments (Note 10)	<u>15,620,295</u>	<u>13,692,400</u>
Total Liabilities	<u>23,518,916</u>	<u>29,631,907</u>
 Net assets (Note 11):		
Without donor restrictions:		
Endowment	391,938,643	332,389,829
Available for grantmaking	124,583,291	112,955,816
Operating	2,280,178	1,480,950
With donor restrictions:		
Restricted to the passage of time	<u>8,001,055</u>	<u>6,972,996</u>
Total Net Assets	<u>526,803,167</u>	<u>453,799,591</u>
 Total Liabilities and Net Assets	 \$ <u>550,322,083</u>	 \$ <u>483,431,498</u>

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

THE COMMUNITY FOUNDATION FOR NORTHEAST FLORIDA, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Totals
Revenue, Earnings and Other Support:			
Contributions and bequests	\$ 58,737,409	\$ 722,210	\$ 59,459,619
Less: contributions to agency endowments	(265,624)	-	(265,624)
Net contributions	58,471,785	722,210	59,193,995
Net investment earnings	63,919,932	155,950	64,075,882
Change in split-interest agreements	-	1,263,664	1,263,664
Other income	190,301	-	190,301
Net assets released from restrictions	1,113,765	(1,113,765)	-
 Total revenue, earnings and other support	 <u>123,695,783</u>	 <u>1,028,059</u>	 <u>124,723,842</u>
Expenses:			
Grants awarded and programs	48,738,471	-	48,738,471
Less: grants awarded from agency endowments	(376,005)	-	(376,005)
Net grants awarded and programs	48,362,466	-	48,362,466
Other program expenses	1,487,023	-	1,487,023
Management and general	1,364,481	-	1,364,481
Development and fundraising	506,296	-	506,296
 Total expenses	 <u>51,720,266</u>	 <u>-</u>	 <u>51,720,266</u>
 Change in net assets	 71,975,517	 1,028,059	 73,003,576
Net assets, beginning of year	<u>446,826,595</u>	<u>6,972,996</u>	<u>453,799,591</u>
Net assets, end of year	\$ <u><u>518,802,112</u></u>	\$ <u><u>8,001,055</u></u>	\$ <u><u>526,803,167</u></u>

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

THE COMMUNITY FOUNDATION FOR NORTHEAST FLORIDA, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Totals
Revenue, Earnings and Other Support:			
Contributions and bequests	\$ 76,156,473	\$ 861,195	\$ 77,017,668
Less: contributions to agency endowments	<u>(480,213)</u>	-	<u>(480,213)</u>
Net contributions	75,676,260	861,195	76,537,455
Net investment earnings	68,607,592	184,071	68,791,663
Change in split-interest agreements	-	1,511,849	1,511,849
Other income	159,785	-	159,785
Net assets released from restrictions	<u>1,324,266</u>	<u>(1,324,266)</u>	<u>-</u>
 Total revenue, earnings and other support	 <u>145,767,903</u>	 <u>1,232,849</u>	 <u>147,000,752</u>
Expenses:			
Grants awarded and programs	53,414,942	-	53,414,942
Less: grants awarded from agency endowments	<u>(414,415)</u>	-	<u>(414,415)</u>
Net grants awarded and programs	53,000,527	-	53,000,527
Other program expenses	1,466,181	-	1,466,181
Management and general	1,285,403	-	1,285,403
Development and fundraising	<u>505,457</u>	-	<u>505,457</u>
 Total expenses	 <u>56,257,568</u>	 <u>-</u>	 <u>56,257,568</u>
 Change in net assets	 89,510,335	 1,232,849	 90,743,184
Net assets, beginning of year	<u>357,316,260</u>	<u>5,740,147</u>	<u>363,056,407</u>
Net assets, end of year	<u>\$ 446,826,595</u>	<u>\$ 6,972,996</u>	<u>\$ 453,799,591</u>

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

THE COMMUNITY FOUNDATION FOR NORTHEAST FLORIDA, INC.
STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2020

	<u>Program Services</u>		<u>Supporting Services</u>		<u>Total</u>
	<u>Grants awarded and programs</u>	<u>Other program expenses</u>	<u>Management & general</u>	<u>Development & fundraising</u>	
Grants awarded and programs	\$ 48,362,466	\$ -	\$ -	\$ -	\$ 48,362,466
Personnel	-	1,191,396	905,362	437,774	2,534,532
Dues and staff development	-	41,331	23,248	9,538	74,117
Consultants – program and other	-	38,588	47,623	-	86,211
Public relations and community education	-	32,988	28,208	14,353	75,549
Professional fees	-	-	74,316	-	74,316
Office and occupancy	-	166,690	264,703	42,918	474,311
Depreciation	-	5,916	21,021	1,713	28,650
Other expenses	-	10,114	-	-	10,114
Total functional expenses	\$ <u>48,362,466</u>	\$ <u>1,487,023</u>	\$ <u>1,364,481</u>	\$ <u>506,296</u>	\$ <u>51,720,266</u>

For the Year Ended December 31, 2019

	<u>Program Services</u>		<u>Supporting Services</u>		<u>Total</u>
	<u>Grants awarded and programs</u>	<u>Other program expenses</u>	<u>Management & general</u>	<u>Development & fundraising</u>	
Grants awarded and programs	\$ 53,000,527	\$ -	\$ -	\$ -	\$ 53,000,527
Personnel	-	1,109,259	862,342	425,385	2,396,986
Dues and staff development	-	62,541	27,202	14,433	104,176
Consultants – program and other	-	38,183	16,160	-	54,343
Public relations and community education	-	54,926	41,796	19,533	116,255
Professional fees	-	-	47,458	-	47,458
Office and occupancy	-	179,471	272,296	44,916	496,683
Depreciation	-	4,271	18,149	1,190	23,610
Other expenses	-	17,530	-	-	17,530
Total functional expenses	\$ <u>53,000,527</u>	\$ <u>1,466,181</u>	\$ <u>1,285,403</u>	\$ <u>505,457</u>	\$ <u>56,257,568</u>

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

THE COMMUNITY FOUNDATION FOR NORTHEAST FLORIDA, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<u>Cash flows from operating activities</u>		
Change in net assets	\$ 73,003,576	\$ 90,743,184
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	28,650	23,610
Net realized and unrealized (gain) loss on investments	(60,774,813)	(63,850,680)
Contribution of securities & other assets	(24,358,061)	(44,916,258)
Proceeds from sale of contributed securities	16,157,211	28,208,310
Change in operating assets and liabilities:		
Pledges receivable	150,490	104,297
Bequests receivable	1,958,161	(2,834,291)
Receivables under split-interest agreements	(1,056,963)	(1,250,606)
Other receivables	(91,254)	(207,576)
Cash surrender value of life insurance	15,096	(15,911)
Prepaid expenses	23,719	(503)
Accounts payable and accrued liabilities	62,483	11,314
Grants payable	(8,072,990)	6,987,218
Gift annuities payable	(30,379)	(39,932)
Funds held as agency endowments	1,927,895	2,022,339
Net cash provided by operating activities	<u>(1,057,179)</u>	<u>14,984,515</u>
 <u>Cash flows from investing activities</u>		
Purchases of investments	(130,224,886)	(130,161,932)
Proceeds from sale and maturity of investments	146,465,057	120,503,892
Purchase of furniture and equipment	(42,459)	(30,872)
Net cash used for investing activities	<u>16,192,817</u>	<u>(9,688,912)</u>
 Net change in cash and cash equivalents	15,140,533	5,295,603
 Cash and cash equivalents, beginning of year	<u>34,983,875</u>	<u>29,688,272</u>
 Cash and cash equivalents, end of year	<u>\$ 50,124,408</u>	<u>\$ 34,983,875</u>

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

THE COMMUNITY FOUNDATION FOR NORTHEAST FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

1. NATURE OF ACTIVITIES

The Community Foundation for Northeast Florida, Inc. (the “Foundation”) is a Florida nonprofit organization. It operates as a family of component funds established by donors. All the Foundation’s funds represent gifts of capital from individuals, families, corporations, trusts, private foundations, and other not-for-profit organizations. The Foundation serves its donors in many ways, from ensuring the efficient processing of grant recommendations to structuring complex, multi-year philanthropic initiatives. The Foundation uses its local knowledge and philanthropic leadership to improve the quality of life in the community and, in so doing, demonstrates its capacity and ability to fulfill donor intent and be a good steward of all its resources.

2. SIGNIFICANT ACCOUNTING PRINCIPLES

Basis of Accounting – The Foundation prepares its financial statements in accordance with generally accepted accounting principles. This basis of accounting involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Financial Statement Presentation – In accordance with the *Not-for-Profit Entities* Topic 958 of the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) the Foundation reports information regarding its financial position and activities according to the existence or absence of donor-imposed restrictions.

- Net assets without donor restrictions represent funds available for grants and expenses which are not otherwise limited by donor restrictions.
- Net assets with donor restrictions consist of contributed funds subject to specific donor-imposed restrictions contingent upon specific performance of a future event or a specific passage of time.

FASB ASC (ASC 958-205-45-28) further provides guidance for the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to a state enacted version of the *Uniform Prudent Management of Institutional Funds Act of 2006* (“UPMIFA”) and provides for enhanced disclosures about endowment funds (both donor-restricted endowment funds and board-designated endowment funds). The Foundation has determined its net assets do not meet the definition of endowment under UPMIFA, as adopted in the State of Florida.

The Foundation enters into individual agreements with donors to reflect the types of funds to be created and the purposes for which the contributions are intended. Pursuant to the Foundation’s articles of incorporation and by-laws, the Board of Trustees (the “Board”) has the power to modify any restriction or condition on distribution of funds for any specified charitable purposes or to specified organizations, if in the sole judgment of the Board of Trustees (without the necessity of the approval of any custodian or agent), such restriction or condition becomes, in effect unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. As a result of this “variance power,” the Foundation has no assets that are permanently restricted. Net assets encumbered by a time stipulation are *with donor restrictions* as explained below.

The Foundation’s assets consist of more than 631 component funds established by donors for a variety of purposes. The Board has designated the assets as follows:

Without donor restrictions:

Endowment: Board-designated endowed assets include all contributions contributed to the Foundation with the intention of the donor that the assets remain in perpetuity with the Foundation. The Board intends to spend from these assets only an amount allowable under its spending policy. The spending policy is established and maintained by the Board at a level consistent with the donors’ intention for assets to remain in perpetuity.

Available for grantmaking: Available for grantmaking assets include all non-endowed funds and that portion of endowed funds determined under the Foundation's spending policy to be available for grants.

Operating: Operating assets include all assets available to provide for Foundation support services and to produce income to offset administrative and operating expenses.

With donor restrictions are as follows:

Restricted to the passage of time: In accordance with *Not-for-Profit Revenue Recognition* Topic of the FASB ASC, contributions received as well as collectible unconditional promises to give are recognized in the period received. Contributions with donor-stipulated time restrictions are reported as revenues with donor restrictions. When the time restrictions expire, net assets with donor restrictions are released to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

See Note 11, Net Asset Classification.

Split-Interest Agreements – Contributions receivable from charitable trusts are adjusted annually to fair value, and any gain or loss is reflected in the statement of activities as a change in the value of split-interest agreements. In accordance with accounting guidance on split-interest agreements, the Foundation revalues the receivables annually based on changes in the value of the trusts' assets, the discount rate assumption, and the applicable actuarial assumptions.

Cash and Cash Equivalents – Cash and cash equivalents include checking accounts, savings accounts, money market accounts and certificates of deposit, except for those managed as part of investment management strategies.

Investments – Investments are reported in the financial statements as *short-term investments*, those available to liquidate for grants and expenses within the next twelve months, and *long-term investments*. The Foundation maintains multiple investment pools with unique investment time horizons and risk profiles. Each donor fund is maintained on a daily transaction basis, and earnings from the pools are allocated quarterly to each fund, based on their average daily balance within the pool. The Foundation's investment pools are advised by outside advisors and managed by outside investment managers who invest according to the Foundation's *Investment and Spending Policy for Investment Program* adopted by the Board and overseen by the Foundation's Investment Committee.

Investments are stated at fair value based upon published quotations in the case of marketable securities and estimated fair value, obtained from general partners in certain circumstances for nonmarketable securities. Nonmarketable securities valued at estimated fair value represent 27.3% and 25.0% of the Foundation's assets at December 31, 2020 and 2019, respectively.

Program-Related Investment Loans – The Foundation originates below-market rate loans (PRI Loans) in furtherance of its philanthropic mission. One PRI Loan is outstanding, stated at cost, and matures in 2024 or upon the occurrence of certain events. Management has reviewed the collectability of this PRI Loan and has determined an allowance for impairment is not necessary as of December 31, 2020.

Valuation of Investments – The Foundation adopted *Fair Value Measurements and Disclosures* Topic of the FASB ASC 820 (FASB ASC 820), which defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles and expands disclosure about fair value measurements.

New Accounting Pronouncement – In December 2017, the FASB issued Accounting Standards Update ASU 2016-01, *Financial Instruments - Overall (Topic 825) – Recognition and Measurement of Financial Assets and Financial Liabilities*. The update addresses certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. The Foundation has evaluated the new standard and has determined the effect on its financial statements are immaterial. The Foundation adopted ASU 2016-01 beginning with the year ended December 31, 2019.

In February 2016, the FASB issued Accounting Standards Update ASU 2016-02, *Leases (Topic 842)*. The update requires lessees to recognize lease assets and lease liabilities on the statement of financial position 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 statements of activities. For nonpublic entities, the standard is effective for fiscal years

beginning after December 15, 2021. The Foundation is currently evaluating the impact of this ASU on its Financial reporting.

In September 2020, the FASB issued Accounting Standards Update ASU 2020-07, *Not-For-Profit Entities (Topic 958) – Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets*. This change in accounting principal is effective for fiscal years beginning after June 15, 2021. The Foundation is currently evaluating the impact of this ASU on its Financial reporting.

Administrative Fees – The Foundation charges component funds an administrative fee for managing and administering certain assets during the year. Administrative fees transferred from component funds for support services in 2020 and 2019 were \$3,085,752 and \$2,891,471, respectively. These fees are eliminated in the accompanying financial statements.

Furniture and Equipment – Furniture and equipment are carried at cost. The Foundation capitalizes all expenditures for furniture and equipment of \$500 and up. Depreciation is computed using the straight-line method over the estimated useful life of the respective assets (average of 5 years).

Functional Expenses – Functional expenses are those expenses incurred by the Foundation in the accomplishment of its stated mission. They can further be categorized as follows:

- Program services, including awarded grants, services to other non-profits, philanthropic leadership, and civic leadership;
- Development and fundraising, including originating and maintaining relationships with donors; and
- Management and general, including expenses that benefit the Foundation as an entity and the management and accounting for funds.

The cost of providing the various programs and supporting services have been summarized on a functional basis in the Statements of Activities and Statements of Functional Expenses. These statements report expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Personnel expenses are allocated based on estimate of time and effort; occupancy expenses are allocated based on square footage.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentrations of Credit and Market Risk – Financial instruments that potentially expose the Foundation to concentrations of credit and market risk consist primarily of cash equivalents and investments. Cash equivalents are maintained at high-quality financial institutions and no losses have been experienced. The Foundation’s investments do not represent significant concentrations of market risks in as much as the Foundation’s investment portfolio is adequately diversified.

Income Taxes – The Foundation is a corporate-form community foundation and qualifies as a tax-exempt public foundation under Section 501(c)(3) of the Internal Revenue Code, exempt from taxes on income other than unrelated business income. Unrelated business income results from investments, on which projected unrelated business income tax is \$0. Accordingly, there is no accrual for income taxes.

Subsequent Events – In accordance with accounting standards, management has evaluated subsequent events through, June 1, 2021, the date financial statements were available to be issued.

3. INVESTMENT AND SPENDING POLICY FOR ENDOWMENT

The Foundation's long-term investment objective for its Endowment is to generate total returns that are sufficient to preserve and enhance the real, inflation-adjusted grantmaking power of its Endowment.

In pursuing this objective, the Foundation endeavors to achieve total returns in its Endowment that, over time, are better than their relevant market averages, while maintaining acceptable levels of risk and liquidity. The Foundation does not expect that in every year this investment objective will necessarily be achieved. The Foundation will normally measure whether it has achieved this objective over a rolling five-year period.

While there cannot be complete assurance that the investment objective will be realized, the Board and Investment Committee believe that the likelihood of realization is enhanced by diversifying Investment Pool investments among several asset classes.

The spending policy determines the aggregate distributions from endowed funds for grantmaking and administrative expenses in a given year (the "Spendable Amount"). For 2020, the Spendable Amount was limited to that amount determined by multiplying five percent (5%) times a trailing 20-quarter average of the fair value of endowment assets as of September 30 of the previous year; provided, however, that the Spendable Amount would in no case exceed five percent (5%) of, nor be less than three (3%) of, the fair value of endowment assets as of that date.

4. LIQUIDITY

Financial assets available for grants and other expenses within one year of the statements of financial position date comprise the following:

	<u>December 31,</u>	
	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 51,135,533	\$ 35,878,410
Accounts receivable and other assets	1,121,753	1,280,512
Short-term investments	82,237,050	93,671,286
Long-term investments made available for current use	15,546,781	14,126,231
Split-interest agreements made available for current use	268,605	241,066
	<u>\$ 150,309,722</u>	<u>\$ 145,197,505</u>

As described in Note 3, the Foundation's board-designated endowments are subject to an annual spend rate of 5.0%. A Spendable amount of \$15,522,923 will be made available for grantmaking and administrative expenses from these endowments within the next 12 months. Distributions of \$268,605 from split-interest agreements will also be made available for grantmaking within the next 12 months.

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its awarded grants, general expenditures, liabilities, and other obligations become due. The Foundation invests cash in excess of daily requirements in money market accounts, certificates of deposit, treasuries, and short-term investments.

Endowed assets are pooled for investment, with liquidity managed through the pool's target allocation to illiquid investments and periodic review of current illiquidity and projected total exposure to managers with lock-up provisions.

5. INVESTMENTS

Investments are reported in the financial statements as Short-term investments, those available to liquidate for grants and expenses within the next twelve months, of \$82,237,050, and Long-term investments of \$397,758,274. Collectively, these investments include:

	<u>2020</u>	<u>December 31,</u> <u>2019</u>
Cash held for investment		
Money market accounts/cash in transit	\$ 24,031,062	\$ 30,331,894
Equity securities		
Domestic equities	174,123,963	151,583,462
International equities	140,520,130	122,221,586
Private equity funds	21,308,968	14,678,317
Debt securities		
U.S. fixed income and government securities	60,392,533	47,497,386
Global fixed income funds	15,608,562	15,601,959
Other		
Absolute return long/short funds and covered calls	21,922,929	24,442,332
Absolute return multi- strategy funds	9,400,636	7,928,272
Real asset funds	12,686,541	13,824,194
Total Investments	\$ <u>479,995,324</u>	\$ <u>428,109,402</u>

6. FAIR VALUE MEASUREMENT

The Foundation's investments are reported at fair value in accordance with FASB ASC 820, which defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements.

In accordance with this accounting standard, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This standard also established 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.

FASB ASC 820 establishes a three-tier hierarchy to classify fair value measurements for disclosure purposes. Investments are classified as follows:

- Level I: Values are measured using quoted prices in active markets for identical investments. Investments generally included in this category are listed securities. The Foundation's investments in money market, equity, debt, real asset, and absolute return mutual funds and publicly traded REITs are valued at the daily closing price as reported by the fund. These funds are required to publish their daily net asset value ("NAV") which is the price at which units can be traded at the measurement date. Publicly traded equity securities are valued at the closing price in the active market in which the individual securities are traded.
- Level II: Values are measured using other significant observable inputs, such as quoted prices for similar assets or liabilities or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Investments generally included in this category are debt securities held in separately managed accounts. These securities are valued using valuations provided by pricing services, which determines valuations using methods based upon market transactions for comparable securities and various relationships between securities which are generally recognized by institutional traders.

- Level III: Values are measured using significant unobservable inputs that are supported by little or no market activity. Investments generally included in this category are limited partnership and corporate interests in public and private securities, real assets, and absolute return funds measured at fair value using NAV per share. Interest in perpetual trust is valued based on the underlying assets of the trust, including mutual funds and publicly traded equity and debt securities. Real estate is valued at appraised land value. Closely held investment corporation, a family financial, investment, and administrative services corporation, is valued at net asset value, less applied discounts for minority ownership of 10% and lack of marketability of 31% for years 2020 and 2019. Receivables under split-interest agreements are valued based on the underlying assets of the trusts, including mutual funds and publicly traded equity and debt securities, discounted to present value of the expected future cash flow payments as discussed in Note 8.

The fair market value of each asset and liability in the table below was measured using FASB ASC 820 input guidance and valuation techniques. The following table sets forth carrying amounts and estimated fair values of assets and liabilities measured and recorded at fair value on a recurring basis at December 31, 2020.

	<u>Total fair value</u>	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>
Investments				
Cash held for investment:				
Money market accounts/cash in transit	\$ 24,031,062	\$ 24,031,062	\$ -	\$ -
Publicly traded equity:				
Mutual funds	181,611,026	181,611,026	-	-
Separately managed accounts	62,818,152	62,818,152	-	-
Debt securities:				
Mutual funds	24,618,390	24,618,390	-	-
Separately managed accounts	35,774,143	16,446,116	19,328,027	-
Real assets:				
Mutual funds/REIT	3,212,090	3,212,090	-	-
Absolute return funds:				
Mutual fund multi-strategy	1,904,801	1,904,801	-	-
<i>Limited liability partnerships/corporations measured at net asset value (1):</i>				
Publicly traded equity	70,214,915	-	-	-
Debt securities	15,608,562	-	-	-
Private equity	21,308,968	-	-	-
Private real assets	9,474,451	-	-	-
Absolute return long/short funds	21,583,487	-	-	-
Absolute return multi-strategy funds	7,835,277	-	-	-
Subtotal investments	<u>479,995,324</u>	<u>314,641,637</u>	<u>19,328,027</u>	<u>-</u>
Other assets				
Program related Investment loans	1,000,000	-	1,000,000	-
Interest in perpetual trust	977,796	-	977,796	-
Real estate	470,612	-	470,612	-
Investments in closely held entities	8,287,429	-	-	8,287,429
Receivables under split-interest agreements	7,044,754	-	-	7,044,754
Total assets measured at fair value	<u>\$ 497,775,915</u>	<u>\$ 314,641,637</u>	<u>\$ 21,776,435</u>	<u>\$ 15,332,183</u>
Liabilities:				
Payables under gift annuities	<u>\$ 663,935</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 663,935</u>

(1) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

The fair market value of each asset and liability in the table below was measured using FASB ASC 820 input guidance and valuation techniques. The following table sets forth carrying amounts and estimated fair values of assets and liabilities measured and recorded at fair value on a recurring basis at December 31, 2019.

	<u>Total fair value</u>	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>
Investments				
Cash held for investment:				
Money market accounts/cash in transit	\$ 30,331,894	\$ 30,331,894	\$ -	\$ -
Publicly traded equity:				
Mutual funds	167,758,009	167,758,009	-	-
Separately managed accounts	57,864,630	57,864,630	-	-
Debt securities:				
Mutual funds	19,352,846	19,352,846	-	-
Separately managed accounts	28,144,539	8,678,733	19,465,806	-
Real assets:				
Mutual funds/REIT	6,805,347	6,805,347	-	-
Absolute return funds:				
Mutual fund multi-strategy	1,054,580	1,054,580	-	-
<i>Limited liability partnerships/corporations measured at net asset value (1):</i>				
Publicly traded equity	48,182,410	-	-	-
Debt securities	15,601,959	-	-	-
Private equity	14,678,317	-	-	-
Private real assets	7,018,847	-	-	-
Absolute return long/short funds	24,260,986	-	-	-
Absolute return multi-strategy funds	7,055,038	-	-	-
Subtotal investments	<u>428,109,402</u>	<u>291,846,039</u>	<u>19,465,806</u>	<u>-</u>
Other assets				
Program related Investment loans	1,194,761	-	1,194,761	-
Interest in perpetual trust	612,796	-	612,796	-
Real estate	473,558	-	473,558	-
Investments in closely held entities	7,387,941	-	-	7,387,941
Receivables under split-interest agreements	5,987,791	-	-	5,987,791
Total assets measured at fair value	<u>\$ 443,766,249</u>	<u>\$ 291,846,039</u>	<u>\$ 21,746,921</u>	<u>\$ 13,375,732</u>
Liabilities:				
Payables under gift annuities	<u>\$ 694,315</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 694,315</u>

(1) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying balance sheet using significant unobservable (Level III) inputs:

	Investments in Closely Held Entities	Receivables under Split-interest Agreements	Payables under Gift Annuities
	<u> </u>	<u> </u>	<u> </u>
Balance as of December 31, 2018	\$ 6,178,740	\$ 4,737,185	\$ 734,247
Net investment earnings	1,443,720	–	–
Change in value	–	1,513,519	1,670
Net purchases/contributions and sales/redemptions	<u>(234,519)</u>	<u>(262,913)</u>	<u>(41,602)</u>
Balance as of December 31, 2019	7,387,941	5,987,791	694,315
Net investment earnings	1,394,159	–	–
Change in value	–	1,298,029	34,365
Net purchases/contributions and sales/redemptions	<u>(494,671)</u>	<u>(241,066)</u>	<u>(64,745)</u>
Balance as of December 31, 2020	<u>\$ 8,287,429</u>	<u>\$ 7,044,754</u>	<u>\$ 663,935</u>

In accordance with FASB ASC 820, the following information is provided for investments that are measured at fair value using net asset value per share as a practical expedient as of December 31, 2020. This is provided to enable users of financial statements to understand the nature and risk of the Foundation's investments by major category and whether the investments are probable of being sold at amounts different from net asset value per share or ownership interest in partners' capital.

	Fair value	Unfunded commitments	Redemption frequency	Redemption notice period
Publicly traded equity (a)	\$ 70,214,915	\$ -	monthly to annual	5 – 90 days
Debt securities (b)	15,608,562	-	monthly to quarterly	5 – 65 days
Private equity (c)	21,308,968	10,452,736	see below	see below
Private real assets (d)	9,474,452	2,248,025	see below	see below
Absolute return long/short funds (e)	21,583,487	-	quarterly to annual	60 – 75 days
Absolute return multi-strategy funds (f)	<u>7,835,276</u>	<u>-</u>	quarterly to semi-annual	65 – 95 days
Total	\$ <u>146,025,660</u>	\$ <u>12,700,761</u>		

(a) Publicly traded equity represents ten funds that invest in global publicly traded equities, formed as domestic or offshore limited liability partnerships/corporations; 70% has monthly liquidity, 17% quarterly liquidity, 7% semi-annual liquidity, 6% annual liquidity.

(b) Debt securities represents four funds that invest in investment grade fixed income (34%), senior secured, floating rate assets and secured bonds (30%), World Bank issued bonds (34%), and a broad range real estate debt (2%). Investments are formed as domestic or offshore limited liability partnerships/corporations or closed-end fund; 98% has monthly liquidity, 2% quarterly.

(c) Private equity represents twenty-two private equity primary and secondary funds, formed as domestic or offshore limited liability partnerships/corporations. These direct funds and funds of funds pursue a broad range of strategies across the spectrum of the private equity market, including venture capital, leveraged buyouts, growth financing, mezzanine financing, distressed, and special situations. 100% of these investments cannot be redeemed; distributions are received through the liquidation of underlying assets of the funds, which is estimated to occur over the next 1 to 12 years, at which time the funds will terminate.

(d) Private real assets represent five natural resource funds, and four real estate funds, formed as domestic or offshore limited liability partnerships. These natural resource direct funds and funds of funds (66%) invest primarily in timberland, agriculture, crude oil, and natural gas production, with a focus on reserve-oriented strategies; the real estate funds (34%) invest primarily in domestic and European multifamily, industrial, and office properties. 95% of these investments cannot be redeemed; distributions are received through the liquidation of underlying assets of the funds, which is estimated to occur over the next 1 to 10 years, at which time the funds will terminate; 5% can be redeemed monthly or quarterly.

(e) Absolute return long/short funds represent seven absolute return funds, including direct funds and funds of funds, formed as domestic or offshore limited liability companies/partnerships; 49% has quarterly liquidity, 31% annual liquidity, and 20% has a lock-up period that expires in 2021. These funds invest both long and short in either exclusively U.S. or global equity markets and seek to preserve capital and generate positive absolute returns regardless of market direction.

(f) Absolute return multi-strategy funds represent three absolute return funds, including direct funds and funds of funds, formed as domestic and offshore limited liability companies/partnerships; 54% has quarterly liquidity and 46% semi-annual liquidity. These funds are diversified across virtually all absolute return fund strategies, and seek to generate stable, long-term returns with low volatility and low correlation to traditional investments.

In accordance with FASB ASC 820, the following information is provided for investments that are measured at fair value using net asset value per share as a practical expedient as of December 31, 2019. This is provided to enable users of financial statements to understand the nature and risk of the Foundation's investments by major category and whether the investments are probable of being sold at amounts different from net asset value per share or ownership interest in partners' capital.

	Fair value	Unfunded commitments	Redemption frequency	Redemption notice period
Publicly traded equity (a)	\$ 48,182,410	\$ -	monthly to annual	5 – 90 days
Debt securities (b)	15,601,959	-	monthly to quarterly	5 – 65 days
Private equity (c)	14,678,317	8,435,000	see below	see below
Private real assets (d)	7,018,847	3,300,000	see below	see below
Absolute return long/short funds (e)	24,260,986	-	quarterly to annual	45 – 75 days
Absolute return multi-strategy funds (f)	<u>7,055,038</u>	<u>-</u>	quarterly to annual	65 – 95 days
Total	\$ <u>116,797,557</u>	\$ <u>11,735,000</u>		

(a) Publicly traded equity represents six funds that invest in global publicly traded equities, formed as domestic or offshore limited liability partnerships/corporations; 71% has monthly liquidity, 22% quarterly liquidity, 7% annual liquidity.

(b) Debt securities represents four funds that invest in investment grade fixed income (32%), senior secured, floating rate assets and secured bonds (28%), World Bank issued bonds (34%), and a broad range real estate debt (6%). Investments are formed as domestic or offshore limited liability partnerships/corporations or closed-end fund; 95% has monthly liquidity, 5% quarterly.

(c) Private equity represents eighteen private equity primary and secondary funds, formed as domestic or offshore limited liability partnerships/corporations. These direct funds and funds of funds pursue a broad range of strategies across the spectrum of the private equity market, including venture capital, leveraged buyouts, growth financing, mezzanine financing, distressed, and special situations. 100% of these investments cannot be redeemed; distributions are received through the liquidation of underlying assets of the funds, which is

estimated to occur over the next 1 to 12 years, at which time the funds will terminate.

(d) Private real assets represent four natural resource funds, and three real estate funds, formed as domestic or offshore limited liability partnerships. These natural resource direct funds and funds of funds (59%) invest primarily in timberland, crude oil, and natural gas production, with a focus on reserve-oriented strategies; the real estate funds (41%) invest primarily in domestic and European multifamily, industrial, and office properties. 95% of these investments cannot be redeemed; distributions are received through the liquidation of underlying assets of the funds, which is estimated to occur over the next 1 to 10 years, at which time the funds will terminate; 5% can be redeemed quarterly.

(e) Absolute return long/short funds represent seven absolute return funds, including direct funds and funds of funds, formed as domestic or offshore limited liability companies/partnerships; 40% has quarterly liquidity, 10% semi-annual liquidity, 37% annual liquidity, and 13% has a lock-up period that expires in 2021. These funds invest both long and short in either exclusively U.S. or global equity markets and seek to preserve capital and generate positive absolute returns regardless of market direction.

(f) Absolute return multi-strategy funds represent four absolute return funds, including direct funds and funds of funds, formed as domestic and offshore limited liability companies/partnerships; 75% has quarterly liquidity and 25% semi-annual liquidity. These funds are diversified across virtually all absolute return fund strategies, and seek to generate stable, long-term returns with low volatility and low correlation to traditional investments.

7. PROMISES TO GIVE

Unconditional promises to give are reported in the accompanying financial statements as a component of net assets with donor restrictions, carried at their net present value discounted using an average discount rate of 0.16% and 1.61% at December 31, 2020 and 2019, respectively.

Promises to give are summarized as follows:

	<u>December 31,</u>	
	<u>2020</u>	<u>2019</u>
Receivable in less than one year	\$ 221,967	\$ 313,453
Receivable in one to five years	134,879	202,709
Total promises to give	<u>356,846</u>	<u>516,162</u>
Less: present value discount	-	(8,826)
Promise to give, net	<u>\$ 356,846</u>	<u>\$ 507,356</u>

An allowance for uncollectible promises to give is provided when, in the opinion of management, collection of pledges is considered doubtful based on such factors as historical losses, existing economic conditions, and the financial stability of its donors. For December 31, 2020 and 2019, no allowance for uncollectible promises to give were recorded.

8. RECEIVABLES UNDER SPLIT-INTEREST AGREEMENTS

The Foundation is a beneficiary of certain charitable lead trusts and charitable remainder trusts, which are known as split-interest agreements. Portions of these trusts are to be paid to the Foundation at specified times in the future or upon the death of certain other beneficiaries. The Foundation is not the trustee for these split-interest agreements, and it does not have any control over the related trust assets.

Receivables from split-interest agreements represent the estimated net present value of the Foundation's interest in various irrevocable trusts held by third parties. The net present value of these receivables was determined using estimated investment returns consistent with the composition of the asset portfolios, single or joint life expectancies from IRS tables, and discount rates ranging from 0.36% to 1.69% represented by the rate on risk-free monetary assets with maturities that coincide with the agreements. On an annual basis, the Foundation revalues the receivables based on changes in the value of the trusts' assets and these assumptions. Revaluation adjustments are reported in the statement of activities as changes in the value of split-interest agreements. The balance of these receivables at December

31, 2020 and 2019 was \$7,044,754 and \$5,987,791, respectively. These receivables are classified as a component of net assets with donor restrictions until the future cash flows are received.

9. FURNITURE AND EQUIPMENT

Furniture and equipment consist of the following:

	<u>December 31,</u>	
	<u>2020</u>	<u>2019</u>
Furniture and equipment, at cost	\$ 687,869	\$ 663,529
Less accumulated depreciation	(604,127)	(593,596)
Furniture and equipment, net	<u>\$ 83,742</u>	<u>\$ 69,933</u>

Depreciation expense was \$28,650 and \$23,610 for the years ended December 31, 2020 and 2019, respectively.

10. FUNDS HELD AS AGENCY ENDOWMENTS

Accounting standards address transactions for which the Foundation accepts a contribution from a donor and agrees to transfer those assets, the net return on investment of those assets, or both, to a not-for-profit organization that is specified by the donor. Specifically, if a not-for-profit organization establishes a fund at a community foundation with its own assets and specifies itself as the beneficiary of that fund, the community foundation must account for the transfer of such assets as a liability. The Foundation refers to such funds as agency endowments.

The Foundation maintains variance power and legal ownership of agency endowments, and as such continues to report these endowed funds as assets of the Foundation. However, in accordance with *Not-for-Profit Revenue Recognition* Topic of the FASB ASC, a liability has been established for the fair value of the funds, which is generally equivalent to the present value of future payments expected to be made to the not-for-profit organizations.

At December 31, 2020 and 2019, the Foundation was the owner of 56 agency endowment funds with a combined fair value of \$15,620,295 and \$13,692,400, respectively, which are presented as a liability in the Foundation's statement of financial position. Financial activity related to these funds for the years ended December 31, 2020 and 2019 are excluded from the Foundation's statements of activities. The following table summarizes activity in such funds during the years ended:

	<u>December 31,</u>	
	<u>2020</u>	<u>2019</u>
Agency Endowment fund balances at January 1	\$ 13,692,400	\$ 11,670,061
Gifts	265,624	480,213
Net return on investments	2,146,348	2,058,148
Grants	(376,005)	(414,414)
Support for Foundation services & other fund expenses	(108,072)	(101,608)
Agency Endowment fund balances at December 31	<u>\$ 15,620,295</u>	<u>\$ 13,692,400</u>

11. NET ASSET CLASSIFICATION

Endowment net assets by fund type are as follows:

	<u>2020</u>	<u>December 31,</u> <u>2019</u>
Donor designated endowment funds	\$ <u> —</u>	\$ <u> —</u>
Board designated endowment funds:		
Advised and designated	323,592,614	276,018,088
Discretionary	55,186,545	46,942,368
Operating	8,993,987	5,942,335
Affiliate	4,165,497	3,487,038
Subtotal	<u>391,938,643</u>	<u>332,389,829</u>
Total endowment funds	\$ <u><u>391,938,643</u></u>	\$ <u><u>332,389,829</u></u>

None of the Foundation's funds restricted to the passage of time are endowment funds.

Changes in Endowment Net Assets are as follows:

	<u>2020</u>	<u>December 31,</u> <u>2019</u>
Endowment net assets at January 1	\$ <u>332,389,829</u>	\$ <u>237,138,693</u>
Net investment earnings	56,516,950	51,782,165
Contributions	16,350,263	54,120,998
Amounts appropriated for expenditure	(13,301,477)	(10,624,186)
Other changes	<u>(16,922)</u>	<u>(27,841)</u>
Change in endowment	<u>59,548,814</u>	<u>95,251,136</u>
Endowment net assets at December 31	\$ <u><u>391,938,643</u></u>	\$ <u><u>332,389,829</u></u>

Total Net Assets by Fund Type as of December 31, 2020 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
Endowment funds	\$ 391,938,643	\$ -	\$ 391,938,643
Nonendowed funds:			
Advised and designated	123,150,336	356,845	123,507,181
Discretionary	682,438	-	682,438
Operating	2,280,178	55,000	2,335,178
Affiliate	750,517	-	750,517
Subtotal	<u>126,863,469</u>	<u>411,845</u>	<u>127,275,314</u>
Receivables under split-interest agreements and gift annuities	<u>-</u>	<u>7,589,210</u>	<u>7,589,210</u>
Total net assets by fund type as of			
December 31, 2020	\$ <u>518,802,112</u>	\$ <u>8,001,055</u>	\$ <u>526,803,167</u>

Total Net Assets by Fund Type as of December 31, 2019 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
Endowment funds	\$ 332,389,829	\$ -	\$ 332,389,829
Nonendowed funds:			
Advised and designated	111,377,649	482,336	111,859,985
Discretionary	911,390	-	911,390
Operating	1,480,950	80,000	1,560,950
Affiliate	666,777	-	666,777
Subtotal	<u>114,436,766</u>	<u>562,336</u>	<u>114,999,102</u>
Receivables under split-interest agreements and gift annuities	<u>-</u>	<u>6,410,660</u>	<u>6,410,660</u>
Total net assets by fund type as of			
December 31, 2020	\$ <u>446,826,595</u>	\$ <u>6,972,996</u>	\$ <u>453,799,591</u>

12. RETIREMENT PLAN

The Foundation sponsors a defined contribution plan for all eligible employees that provide for employer contributions of up to 10% of eligible compensation to each participant, employee elective salary deferrals, and a related employer match contribution of up to 1% of eligible salary. Total expenses for the years ended December 31, 2020 and 2019 were \$211,288 and \$196,988, respectively.

13. LEASES

The Foundation leases office space under a non-cancelable operating lease with an initial term expiring February 2028.

Future minimum lease payments under this lease as of December 31, 2020 are as follows:

<u>Year ending</u> <u>December 31,</u>	<u>Amounts</u>
2021	\$ 260,783
2022	260,481
2023	265,681
2024	270,981
2025	276,465
Future payments	<u>617,670</u>
	<u>\$ 1,952,061</u>

Lease expense under operating leases totaled \$257,594 and \$257,268 for the years ended December 31, 2020 and 2019, respectively.

14. GRANTS PAYABLE

Grants payable totaling \$6,869,355 (discounted to \$6,845,755) and \$15,074,430 (discounted to \$14,918,744) at December 31, 2020 and 2019, respectively, consisted of approved grant commitments.

Future grants payable based on the specific grant agreements as of December 31, 2020 are as follows:

	<u>Amounts</u>
2021	\$ 4,232,400
2022	1,454,295
2023	391,078
2024	5,000
2025	<u>786,582</u>
Total grants payable	6,869,355
Less: present value discount	<u>(23,600)</u>
Grants payable, net	<u>\$ 6,845,755</u>

Grants payable are discounted using the year-end risk-free rate for each year grants are payable, which range between 0.09% to 0.51% as of December 31, 2020 and 1.58% to 1.69% as of December 31, 2019

15. INCOME TAXES

The Foundation is subject to *Accounting for Income Taxes* Topic of the FASB ASC 740 which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Foundation may recognize the tax benefit from an uncertain tax position only if it is more-likely-than-not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position.

Management evaluated the tax positions for the Foundation and concluded that the Foundation had taken no uncertain income tax positions that require adjustments to the financial statements to comply with the provisions of this guidance. The Foundation's *Return of Organization Exempt from Income Tax* (Form 990) and *Exempt Organization Business Income Tax Return* (990-T) for years ended on or after December 31, 2016 remain subject to examination by federal and state taxing authorities.