

**THE PHILADELPHIA FOUNDATION**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**



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## INDEPENDENT AUDITORS' REPORT

Board of Managers  
The Philadelphia Foundation  
Philadelphia, Pennsylvania

### **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of The Philadelphia Foundation (a nonprofit corporation), which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### ***Management's Responsibility for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

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

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

**Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Philadelphia Foundation as of December 31, 2019 and 2018, 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.

**Adoption of New Accounting Standard**

As discussed in Note 1 to the consolidated financial statements, management adopted the recipient portion of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to this matter.

**Report on Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information on pages 28 through 32 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.



**CliftonLarsonAllen LLP**

Plymouth Meeting, Pennsylvania  
July 15, 2021

**THE PHILADELPHIA FOUNDATION**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2019 AND 2018**

<b>ASSETS</b>	2019	2018
Cash and Cash Equivalents	\$ 34,266,298	\$ 24,654,393
Certificates of Deposit	4,834,942	5,121,423
Contributions Receivable	29,731,728	45,145,433
Prepaid Expenses and Other Assets	873,542	296,452
Total	69,706,510	75,217,701
Nonendowment Investments:		
Equities	19,763,308	12,298,214
Fixed Income	48,614,055	30,786,093
Other	20,270,162	19,750,785
Total Nonendowment Investments	88,647,525	62,835,092
Endowment Investments:		
Equities	258,201,381	202,866,452
Fixed Income	101,783,395	98,180,833
Cash Surrender Value of Life Insurance	333,823	376,324
Cash Equivalents	22,565,488	27,144,134
Other	81,229,523	66,805,124
Total Endowment Investments	464,113,610	395,372,867
Split-Interest Agreements	9,585,833	9,022,763
Property and Equipment	869,237	910,693
Total Assets	\$ 632,922,715	\$ 543,359,116

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

Accounts Payable and Accrued Liabilities	\$ 770,673	\$ 1,136,918
Grants Payable	8,430,828	3,350,477
Liabilities Under Split-Interest Agreements	3,594,122	2,291,339
Liabilities Under Agency Accounts	11,832,389	9,691,932
Deferred Rent and Lease Incentive Liability	970,367	963,230
Total Liabilities	25,598,379	17,433,896

**NET ASSETS**

Without Donor Restrictions:		
For Grant Endowments	351,800,345	302,014,034
For Grantmaking	94,370,139	62,956,074
For Administrative Endowment and Operations	5,050,271	4,734,177
Total Without Donor Restrictions	451,220,755	369,704,285
With Donor Restrictions	156,103,581	156,220,935
Total Net Assets	607,324,336	525,925,220
Total Liabilities and Net Assets	\$ 632,922,715	\$ 543,359,116

See accompanying Notes to Consolidated Financial Statements.

**THE PHILADELPHIA FOUNDATION  
CONSOLIDATED STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2019**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>REVENUE AND SUPPORT</b>			
Gifts, Grants, and Bequests	\$ 49,218,017	\$ 24,228,004	\$ 73,446,021
Investment Income	11,065,547	1,813,771	12,879,318
Net Unrealized and Realized Investment Gains	52,350,555	7,975,963	60,326,518
Change in Value of Perpetual Trust	-	264,370	264,370
Subtotal	<u>112,634,119</u>	<u>34,282,108</u>	<u>146,916,227</u>
Net Assets Released from Restrictions:			
Satisfaction of Program Restrictions	25,289,822	(25,289,822)	-
Satisfaction of Time Restrictions	5,109,640	(5,109,640)	-
Total Revenue and Support	<u>143,033,581</u>	<u>3,882,646</u>	<u>146,916,227</u>
<b>EXPENSES</b>			
Grants	48,646,878	-	48,646,878
Grantmaking	6,641,374	-	6,641,374
Special Program Expenses	1,860,756	-	1,860,756
Development and Donor Services	1,959,867	-	1,959,867
Financial Management	2,729,864	-	2,729,864
Marketing	408,046	-	408,046
Total Expenses	<u>62,246,785</u>	<u>-</u>	<u>62,246,785</u>
<b>CHANGE IN NET ASSETS BEFORE INCOME TAXES AND OTHER LOSSES</b>	80,786,796	3,882,646	84,669,442
Loss on Endowment Pledge	-	4,000,000	4,000,000
Unrelated Business Income Tax Benefit	<u>(729,674)</u>	<u>-</u>	<u>(729,674)</u>
<b>CHANGE IN NET ASSETS</b>	81,516,470	(117,354)	81,399,116
Net Assets - Beginning of Year	<u>369,704,285</u>	<u>156,220,935</u>	<u>525,925,220</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 451,220,755</u>	<u>\$ 156,103,581</u>	<u>\$ 607,324,336</u>

See accompanying Notes to Consolidated Financial Statements.

**THE PHILADELPHIA FOUNDATION  
CONSOLIDATED STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2018**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>REVENUE AND SUPPORT</b>			
Gifts, Grants, and Bequests	\$ 59,282,144	\$ 51,971,043	\$ 111,253,187
Investment Income	12,909,451	1,593,230	14,502,681
Net Unrealized and Realized Investment Losses	(27,514,911)	(3,082,025)	(30,596,936)
Change in Value of Perpetual Trust	-	(102,780)	(102,780)
Subtotal	<u>44,676,684</u>	<u>50,379,468</u>	<u>95,056,152</u>
Net Assets Released from Restrictions:			
Satisfaction of Program Restrictions	7,800,574	(7,800,574)	-
Satisfaction of Time Restrictions	20,663,723	(20,663,723)	-
Other Transfers and Adjustments	1,862,618	(1,862,618)	-
Total Revenue and Support	<u>75,003,599</u>	<u>20,052,553</u>	<u>95,056,152</u>
<b>EXPENSES</b>			
Grants	35,459,189	-	35,459,189
Grantmaking	1,562,939	-	1,562,939
Special Program Expenses	3,033,921	-	3,033,921
Development and Donor Services	1,776,116	-	1,776,116
Financial Management	3,542,819	-	3,542,819
Marketing	411,500	-	411,500
Total Expenses	<u>45,786,484</u>	<u>-</u>	<u>45,786,484</u>
<b>CHANGE IN NET ASSETS BEFORE INCOME TAXES</b>	29,217,115	20,052,553	49,269,668
Unrelated Business Income Tax Expense	<u>488,351</u>	<u>-</u>	<u>488,351</u>
<b>CHANGE IN NET ASSETS</b>	28,728,764	20,052,553	48,781,317
Net Assets - Beginning of Year	<u>340,975,521</u>	<u>136,168,382</u>	<u>477,143,903</u>
<b>NET ASSETS - END OF YEAR</b>	<u><u>\$ 369,704,285</u></u>	<u><u>\$ 156,220,935</u></u>	<u><u>\$ 525,925,220</u></u>

See accompanying Notes to Consolidated Financial Statements.

**THE PHILADELPHIA FOUNDATION**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2019**

	Program Services	Support Services			Total
		Management and General	Fundraising	Total	
Grant Expense	\$ 48,646,878	\$ -	\$ -	\$ -	\$ 48,646,878
Salaries and Wages	1,261,178	1,372,551	980,651	2,353,202	3,614,380
Payroll Taxes and Benefits	204,741	355,448	226,701	582,149	786,890
Advertising	-	2,506	-	2,506	2,506
Auditing Fees	27,726	205,160	15,790	220,950	248,676
Conferences, Conventions, and Meetings	138,417	12,572	19,679	32,251	170,668
Consultants and Contracted Services	3,541,619	470,147	74,977	545,124	4,086,743
Depreciation	12,533	20,353	8,570	28,923	41,456
Equipment Rental and Maintenance	57,285	107,366	32,625	139,991	197,276
Insurance	12,410	36,363	6,968	43,331	55,741
Legal Fees	46,504	221,718	36,338	258,056	304,560
Membership and Dues	33,717	39,244	18,762	58,006	91,723
Miscellaneous	9,109	19,021	4,633	23,654	32,763
Taxes, Registration, and Fees	-	12,058	2,360	14,418	14,418
Occupancy	89,892	166,850	51,940	218,790	308,682
Postage and Shipping	5,125	8,915	3,535	12,450	17,575
Printing and Publications	39,192	38,241	41,647	79,888	119,080
Program Expenses	3,077,736	-	-	-	3,077,736
Public Relations	48,277	41,399	8,465	49,864	98,141
Supplies	22,457	16,048	15,507	31,555	54,012
Telephone	6,198	11,616	3,530	15,146	21,344
Travel	193,671	24,687	37,179	61,866	255,537
Subtotal	<u>57,474,665</u>	<u>3,182,263</u>	<u>1,589,857</u>	<u>4,772,120</u>	<u>62,246,785</u>
Unrelated Business Income Tax Benefit	-	(729,674)	-	(729,674)	(729,674)
Total Expenses	<u>\$ 57,474,665</u>	<u>\$ 2,452,589</u>	<u>\$ 1,589,857</u>	<u>\$ 4,042,446</u>	<u>\$ 61,517,111</u>

See accompanying Notes to Consolidated Financial Statements.



**THE PHILADELPHIA FOUNDATION**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2018**

	Program Services	Support Services			Total
		Management and General	Fundraising	Total	
Grant Expense	\$ 35,459,189	\$ -	\$ -	\$ -	\$ 35,459,189
Salaries and Wages	713,922	1,391,236	787,383	2,178,619	2,892,541
Payroll Taxes and Benefits	187,094	354,622	199,282	553,904	740,998
Advertising	-	23,862	-	23,862	23,862
Auditing Fees	97,399	112,418	28,595	141,013	238,412
Conferences, Conventions, and Meetings	83,631	26,788	23,813	50,601	134,232
Consultants and Contracted Services	1,445,691	845,410	247,144	1,092,554	2,538,245
Depreciation	11,845	20,844	6,053	26,897	38,742
Equipment Rental and Maintenance	59,761	107,769	33,697	141,466	201,227
Insurance	13,863	26,457	7,004	33,461	47,324
Legal Fees	99,348	162,966	27,788	190,754	290,102
Membership and Dues	32,324	34,285	29,508	63,793	96,117
Miscellaneous	6,379	58,687	7,407	66,094	72,473
Taxes, Registration, and Fees	-	93,553	215	93,768	93,768
Occupancy	89,572	348,596	50,428	399,024	488,596
Postage and Shipping	6,057	10,297	2,951	13,248	19,305
Printing and Publications	1,500	27,450	5,038	32,488	33,988
Program Expenses	1,570,340	-	-	-	1,570,340
Public Relations	7,099	30,929	108,151	139,080	146,179
Real Estate Acquisition Costs	-	341,188	-	341,188	341,188
Supplies	12,455	18,884	4,569	23,453	35,908
Telephone	8,729	15,020	4,286	19,306	28,035
Travel	172,162	51,123	32,428	83,551	255,713
Subtotal	40,078,360	4,102,384	1,605,740	5,708,124	45,786,484
Unrelated Business Income Tax Expense	-	488,351	-	488,351	488,351
Total Expenses	<u>\$ 40,078,360</u>	<u>\$ 4,590,735</u>	<u>\$ 1,605,740</u>	<u>\$ 6,196,475</u>	<u>\$ 46,274,835</u>

See accompanying Notes to Consolidated Financial Statements.

**THE PHILADELPHIA FOUNDATION  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 81,399,116	\$ 48,781,317
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By Operating Activities:		
Depreciation	41,456	38,742
Loss on Endowment Pledge	4,000,000	-
Amortization of Discount on Contributions Receivable and Grants Paya	(1,370,698)	(2,203,449)
Gain on Sale of Real Estate	-	(648,000)
Change in Value of Split-Interest Agreements	536,815	2,695,788
Unrealized (Gain) Loss on Investments	(56,273,213)	36,973,665
Realized Gain on Sale of Investments	(4,149,931)	(6,273,949)
(Increase) Decrease in Assets:		
Contributions Receivable	12,828,797	(8,427,882)
Prepaid Expenses and Other Assets	(577,090)	(93,942)
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Liabilities	(366,245)	(50,224)
Grants Payable	5,035,957	1,875,208
Liabilities Under Split-Interest Agreements	1,302,783	(440,048)
Liabilities Under Agency Accounts	2,140,457	(754,528)
Deferred Rent and Lease Incentive Liability	7,137	145,567
Net Cash Provided by Operating Activities	<u>44,555,341</u>	<u>71,618,265</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Nonendowment Investments	(34,868,748)	(57,255,708)
Proceeds from Sale of Nonendowment Investments	13,543,576	33,115,218
Purchases of Endowment Investments	(132,457,495)	113,142,817
Proceeds from Sale of Endowment Investments	119,439,116	(163,935,605)
Proceeds from the Sale of Real Estate	-	16,500,000
Purchases of Property and Equipment	-	(53,599)
Net Purchase of Certificates of Deposit	500,000	(3,267,941)
Net Cash Used by Investing Activities	<u>(33,843,551)</u>	<u>(61,754,818)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Subject to Annuity Agreements	-	58,833
Payments on Annuity Contracts	(1,099,885)	(422,994)
Net Cash Used by Financing Activities	<u>(1,099,885)</u>	<u>(364,161)</u>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	9,611,905	9,499,286
Cash and Cash Equivalents - Beginning of Year	<u>24,654,393</u>	<u>15,155,107</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 34,266,298</u>	<u>\$ 24,654,393</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Income Taxes Paid	<u>\$ 987,000</u>	<u>\$ 586,000</u>

See accompanying Notes to Consolidated Financial Statements.

**THE PHILADELPHIA FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization and Principles of Consolidation**

The Philadelphia Foundation (TPF) is a community foundation established in 1918 primarily to serve the Greater Philadelphia region. The Philadelphia Foundation, Inc. (TPF, Inc.), a nonprofit corporation formed in 1992, acts as trustee for a portion of TPF's assets. The members of the board of managers of TPF also serve as the board of directors of TPF, Inc. (board of managers). TPF and TPF, Inc. receive contributions, manage endowment and nonendowment funds, lead programs, and make grants to meet community needs.

TPF and TPF, Inc. are comprised of approximately 1,000 individual funds, which are classified into six different categories according to donor intent. These include funds with donor-imposed restrictions as to use: designated, donor advised, scholarship and administrative endowment; and funds with no or lesser restrictions: field of interest and undesignated. The board of managers is responsible for approval of all grants.

TPF Properties LLC was formed on October 10, 2017, with TPF, Inc. as the sole member. TPF Properties LLC owns and manages donated real estate properties. TPF Properties LLC was organized exclusively for charitable purposes in accordance with Section 501(c)(3) of the Internal Revenue Code (IRC). Accordingly, all TPF Properties LLC activity is reported under TPF, Inc.

TPF Special Assets Fund (SAF), a nonprofit corporation, was incorporated as a Type I supporting organization to TPF on December 17, 2002, to receive, manage, and distribute assets, primarily real estate, in support of TPF.

The Lenfest Institute for Journalism, LLC (the Institute), formerly known as The Institute for Journalism in New Media, LLC, was formed on December 17, 2015, with SAF as the sole member. The Institute was organized solely and exclusively for educational and other tax-exempt purposes of SAF in accordance with Section 501(c)(3) of the IRC. Accordingly, all Institute activity is reported under SAF.

The Harry R. Halloran, Jr. Charitable Trust (Halloran Trust) was formed as a Type I supporting organization to TPF on June 3, 2013, to make grants for charitable purposes that support the mission of TPF.

Delaware Charitable Assets, Inc. (DCA), a nonprofit corporation, was incorporated as a Type I supporting organization to TPF on October 26, 2015, to make grants for charitable purposes that support the mission of TPF.

The Dr. Rudolph Masciantonio Foundation for Classical Studies (Masciantonio Foundation), a charitable trust controlled by TPF, was established on December 1, 2017, to promote Classical Studies. As of December 31, 2019, an Internal Revenue Service (IRS) application was in process to treat Masciantonio Foundation as a Type I supporting organization to TPF. Subsequently, the IRS approved the application in July 2020.

The accompanying consolidated financial statements include the accounts of TPF, TPF, Inc., SAF, Halloran Trust, DCA, and Masciantonio Foundation and are collectively referred to as the Foundation. All inter-company accounts have been eliminated.

**THE PHILADELPHIA FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Use of Estimates**

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Tax-Exempt Status**

TPF, TPF, Inc., SAF, Halloran Trust, and DCA (the Foundation) are exempt from federal income taxes under Section 501(c)(3) of the IRC. TPF is treated as a publicly supported, tax-exempt community foundation as defined in Sections 509(a)(1) and 170(b)(1)(A)(vi) of the IRC. In addition, the IRS has determined that TPF, Inc. is a component part of TPF and is exempt as such. SAF, the Halloran Trust and DCA are recognized as tax-exempt supporting organizations under section 509(a)(3) of the IRC. Certain unrelated business income is subject to federal income taxes. The Foundation follows the income tax standard for uncertain tax positions. The application of this standard has no impact on the Foundation's consolidated financial statements.

The Institute is a single-member LLC with SAF as the sole member. The Institute is a disregarded entity for tax purposes, and all activity will be reported under SAF.

The Foundation engages in investments that produce unrelated business income. The associated unrelated business income tax is generated primarily from earnings on leveraged investments (primarily hedge funds) as well as ownership of private company stock. As of December 31, 2019 and 2018, the Foundation had prepaid taxes of \$697,000 and \$202,966, respectively, which is included in prepaid expenses and other assets in the accompanying consolidated statements of financial position.

**Cash and Cash Equivalents**

Cash equivalents include liquid investments with initial maturities of three months or less. Such investments consist of short-term notes and are recorded at cost which approximates fair value. For purposes of the consolidated statements of cash flows, cash and cash equivalents do not include cash and cash equivalents included within endowment investments.

**Certificates of Deposit**

Certificates of deposit have maturities of up to one year and are valued in the consolidated statements of financial position at their original purchase price plus accrued interest.

**THE PHILADELPHIA FOUNDATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Investments**

Investments in equities and fixed income securities are carried at fair value based on quoted market prices. Cash and cash equivalents and temporary investments are carried at cost which approximates fair value. If quoted market prices are not available, fair values of certain investments are based on quoted market prices of comparable instruments. Life insurance contracts are valued at cash surrender value. The Foundation is the beneficiary of two life insurance policies.

In addition, the Foundation invests in alternative investments whose values are not readily available through an outside source. Alternative investments consist of limited partnerships, mutual funds and fund of funds and are recorded at approximate fair value as determined and approved by the managers or valuation committees of the alternative investments based upon judgments, which include, among other factors, restrictions affecting marketability, operating results, financial condition of the issuers and the price of the most recent financing transactions. These alternative investments are included among equities, fixed income securities and other. The role of alternative investments is to increase portfolio diversification through sources of return that are not generally correlated with traditional equity and fixed income markets. In addition, alternative investments can provide relatively consistent returns and principal protection in volatile market environments, thereby reducing overall return volatility of the portfolio. The underlying managers in fund of funds vehicles may engage in the use of derivatives (options/futures/forwards) as part of their investment strategy. Alternative investments are generally less liquid than their traditional equity counterparts, and the Foundation's fund of funds alternative managers may have entry/exit terms and capital lockup periods that range from one month to three years.

The Foundation has private company stock that has no readily available market value and is stated at cost (appraised value at the date of gift) and included in other nonendowment and endowment investments. Additionally, a partial interest in real estate is held in trust for the Foundation. This real estate has no readily available market value and is stated at cost (appraised value at date of gift) and included in other endowment investments. The aggregate carrying amount of the cost basis investments was \$33,050,675 at December 31, 2019 and 2018.

The net changes in fair value and the realized gains and losses on investments sold are reflected in the consolidated statements of activities as net unrealized and realized investment gains or losses. Investment transactions are recorded on the trade date.

Cash and cash equivalents in endowment investments consist of contributions received and temporarily invested and accumulation of cash through planned liquidation of equity and fixed income positions to meet distribution requirements in January of each year.

In general, investments are exposed to various risks, such as interest rate, credit, and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the investment balances and the amounts reported in the consolidated statements of financial position.

**THE PHILADELPHIA FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Split-Interest Agreements**

Split-interest agreements are recorded at the fair value of the related investments based on quoted market prices. The Foundation has an interest in one irrevocable perpetual trust which is recorded at fair value based on the Foundation's interest in the underlying assets.

**Liabilities Under Split-Interest Agreements**

Liabilities under split-interest agreements reflect discounted cash flows owed to the income beneficiaries based on their life expectancy.

**Property and Equipment**

Property and equipment are carried at cost. Depreciation is calculated primarily using the straight-line method over the following estimated useful lives:

Furniture	7 Years
Computer Equipment	5 Years

Depreciation for leasehold improvements is calculated over the life of the lease.

**Liabilities Under Agency Accounts**

Liabilities under agency accounts represent funds transferred to the Foundation by charitable organizations and held by the Foundation in separate funds for the benefit of such charities. The related assets are reflected as both nonendowed and endowed investments.

**Contributions**

Contribution revenue is recorded when a contribution (including verifiable unconditional promises to give) is received. Bequests are recorded as contribution revenue when the respective will has been declared valid. Other contributions are recorded as revenue when the conditions limiting the transfer of assets have been satisfied, typically when the promise becomes irrevocable. Donated securities and other property are recorded at fair value on the date of donation.

Contributions receivable that are not expected to be collected within one year are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using appropriate interest rates applicable to the years in which the promises are received. The rate used for contributions varies from approximately 1.7% to approximately 6.3%. The Foundation provides for uncollectible contributions receivable using the allowance method, which is based on management's judgment concerning historical collectability and analysis of individual contributions receivable. Past due receivables are individually analyzed for collectability and written off when all efforts at collection have been exhausted. As of December 31, 2019 and 2018, the allowance for uncollectible contributions was \$4,000,000 and \$-0-, respectively.

**THE PHILADELPHIA FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Classification of Net Assets**

The Foundation reports information regarding its financial position and activities according to two classes of net assets as follows:

Net Assets Without Donor Restrictions are not subject to donor-imposed stipulations or, if subject to such stipulations, are also subject to the variance power described below.

Net Assets With Donor Restrictions are subject to donor-imposed stipulations that will be met either by actions of the Foundation or the passage of time. These types of net assets include contributions receivable, life insurance policies, real estate, the Foundation's interest in charitable remainder trusts, the pooled income fund, and grants to be spent over a specific time period. Net assets with donor restrictions are also comprised of net assets subject to donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by the Foundation. These types of net assets must be maintained in perpetuity by the Foundation.

As explained below, most contributions with donor-imposed restrictions are classified as net assets without donor restrictions.

Substantially all contributions to component funds of TPF and TPF, Inc., including those with donor-imposed restrictions, are subject to the unilateral variance power established by the respective governing documents. The variance power gives the board of managers the ability to modify donor restrictions that are incapable of fulfillment.

In addition, absent contrary directions given in the transferring instrument regarding the use of principal, the TPF and TPF Inc.'s governing documents further provide all or part of the principal of any fund may be used subject to certain conditions, including approval of the board of managers and trustee holding each fund. Therefore, such contributions are reported as net assets without donor restrictions. However, this classification does not imply that such funds are available for claims of general creditors of the Foundation.

Restricted contributions are reported as increases in net assets without donor restrictions if the restrictions expire within the fiscal year in which the contributions are received. When a restriction expires, net assets with donor restrictions are transferred to net assets without donor restrictions. Generally, earnings and gains (losses) on restricted contributions are also considered to be with donor restrictions.

When a contribution is received from a nonprofit organization for the purpose of establishing an endowment fund for the benefit of that organization, it is not considered to be a contribution for financial statement purposes. Such amounts are reflected in the consolidated statements of financial position as liabilities under agency accounts.

**THE PHILADELPHIA FOUNDATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Advertising**

The Foundation charges the cost of advertising to expense when incurred. Advertising expense was \$2,506 and \$23,862 for the years ended December 31, 2019 and 2018, respectively.

**Uniform Prudent Management of Institutional Funds Act**

The Uniform Prudent Management of Institutional Funds Act (UPMIFA) provides guidance on the classification of endowment fund net assets for states that have enacted versions of the UPMIFA, and enhances disclosures for endowment funds. Because UPMIFA has not become law in the Commonwealth of Pennsylvania, possible reclassifications of net assets are not required to be made. Disclosure of prevailing law in the Commonwealth of Pennsylvania has been included in Note 5.

**Fair Value Measurement**

The Financial Accounting Standards Board (FASB) standards provide the framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value, and defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e. the exit price) in an orderly transaction between market participants.

In determining fair value, the Foundation uses various valuation approaches, including market, income, and/or cost approaches. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements), and the lowest priority to unobservable inputs (Level 3 measurements). The financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The valuation levels are not necessarily an indication of the risk or liquidity associated with the underlying assets and liabilities. The three levels of the fair value hierarchy are described below:

*Level 1* – Quoted prices for identical assets or liabilities in active markets.

*Level 2* – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

*Level 3* – Significant inputs to the valuation model are unobservable.



**THE PHILADELPHIA FOUNDATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fair Value of Financial Instruments**

The fair value of cash and cash equivalents, grants payable, liabilities under split-interest agreements, and liabilities under agency accounts approximate their respective carrying amounts.

The fair value of contributions receivable is estimated by discounting the future cash flows using risk adjusted interest rates applicable to the years in which the promises are received.

The Foundation's endowment and nonendowment investments and split-interest agreements recorded at fair value on a recurring basis are included in Note 6. Determination of the fair value of private company stock and the Foundation's partial interest in real estate could not be made without incurring excessive cost. These investments are valued at cost (appraised value at the date of gift).

**Adoption of New Accounting Standard**

As of January 1, 2019, the Foundation adopted the recipient portion of FASB Accounting Standards Update (ASU) No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, using the modified prospective method of transition. The new guidance is intended to clarify and improve accounting guidance for contributions received and contributions made. The amendments of this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The Foundation's consolidated financial statements reflect the application of this guidance for the year ended December 31, 2019. No cumulative-effect adjustment to net assets was recorded because the adoption did not impact the Foundation's previously reported contributions.

The resource provider portion of ASU No. 2018-08 is effective for the year ended December 31, 2020.

**Subsequent Events**

In preparing these consolidated financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through July 15, 2021, the date the consolidated financial statements were available to be issued.

In March 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Management believes the Foundation is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events occurred subsequent to year-end and are still developing.

**THE PHILADELPHIA FOUNDATION  
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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Subsequent Events (Continued)**

On April 20, 2020, the Foundation received a loan in the amount of \$819,300 to fund payroll, rent and utilities through the Federal Paycheck Protection Program, an initiative of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, passed by Congress in response to COVID-19. On June 12, 2020, \$122,433 of this amount was returned to the lender by the Foundation. This loan may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program.

On December 18, 2020, Wells Fargo Regional Foundation and Wells Fargo Regional Community Development Corporation (collectively Wells Fargo regional foundations) announced they would transfer their programmatic activities and \$100 million in charitable assets into a new Regional Foundation, LLC, operated as a component of the Foundation. A memorandum of understanding was signed between the Foundation and Wells Fargo regional foundations documenting the arrangement and the assets were received by the Foundation in January 2021.

**NOTE 2 CONCENTRATION OF CREDIT RISK**

Cash and cash equivalents potentially subject the Foundation to a concentration of credit risk. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. At times, cash in bank deposit accounts and certificates of deposit may exceed FDIC insurable limits.

**NOTE 3 CONTRIBUTIONS RECEIVABLE**

Contributions receivable include unconditional promises to give at December 31:

	<u>2019</u>	<u>2018</u>
Receivable in Less Than One Year	\$ 11,792,194	\$ 19,410,992
Receivable in One to Five Years	16,300,000	19,509,999
Thereafter	<u>15,000,000</u>	<u>17,000,000</u>
Total	43,092,194	55,920,991
Less: Discounts to Present Value	9,360,466	10,775,558
Less: Allowance For Uncollectible Pledges	<u>4,000,000</u>	-
Net Contribution Receivable	<u><u>\$ 29,731,728</u></u>	<u><u>\$ 45,145,433</u></u>

As of December 31, 2019 and 2018, contributions receivable included approximately \$8,824,000 and \$9,256,000 (\$13,000,000 and \$14,000,000 undiscounted) from the Philadelphia Eagles, respectively, due under the terms of a sublease and development agreement between the Eagles and the Philadelphia Authority for Industrial Development (PAID). Under this agreement, the Eagles are to make an annual payment of \$1,000,000 to the Foundation's Fund for Children through 2032.

**THE PHILADELPHIA FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

**NOTE 3 CONTRIBUTIONS RECEIVABLE (CONTINUED)**

As of December 31, 2019 and 2018, contributions receivable included approximately \$9,165,000 and \$9,563,000 (\$14,000,000 and \$15,000,000 undiscounted) from the Philadelphia Phillies, respectively, due under the terms of a sublease and development agreement between the Phillies and PAID. Under this agreement, the Phillies are to make an annual payment of \$1,000,000 to the Foundation's Fund for Children through 2033.

As of December 31, 2019, contributions receivable included approximately \$14,722,000 (\$15,071,000 undiscounted) of pledges to fund the Institute. As of December 31, 2018, contributions receivable included approximately \$25,743,000 (\$26,338,000 undiscounted) of pledges to fund the Institute.

**NOTE 4 OTHER ENDOWMENT INVESTMENTS**

Other endowment investments consist of the following at December 31:

	<u>2019</u>	<u>2018</u>
Hedge Funds	\$ 41,579,765	\$ 36,990,226
Private Equity Funds	10,013,034	6,619,941
Real Asset Funds	7,553,122	8,698,842
Real Property	8,224,988	637,501
Private Company Stock	13,858,614	13,858,614
Total	<u>\$ 81,229,523</u>	<u>\$ 66,805,124</u>

Hedge funds invest primarily in long/short equity strategies and event driven equity and debt arbitrage strategies, corporate actions, and special situations.

The Foundation had uncalled commitments of approximately \$5.0 million and \$4.1 million at December 31, 2019 and 2018, respectively. Such commitments are generally called over a number of years and contain fixed expiration dates or other termination clauses.

**NOTE 5 ENDOWMENT ACTIVITY**

An endowment is an established fund of cash, securities, or other assets to provide income for the maintenance of the Foundation. The use of the assets of the fund may be with or without donor restrictions. Endowment funds are generally established by donor-restricted gifts or bequests to provide a permanent source of income, or a term endowment, which is to provide income for a specific period. A board-designated endowment, which results from an internal designation, is not donor restricted and is classified as net assets without donor restrictions.

The mission of the Foundation's investment funds is to support current operations through a total return investment strategy and a spending policy set to maintain, and ideally increase, the purchasing power of the endowment, without putting the principal value of these funds at imprudent risk.

**THE PHILADELPHIA FOUNDATION**  
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**NOTE 5 ENDOWMENT ACTIVITY (CONTINUED)**

The general policy is to diversify investments to provide a balance that will enhance total return while avoiding undue risk concentration in any single asset class or investment category. The investment goals for all investment funds of the Foundation, including both trust and corporate assets, are to: (1) meet payout requirements of endowment funds, (2) provide sufficient liquidity to meet distribution requirements, (3) earn a total return of 5% in excess of inflation as measured by the Consumer Price Index over a five-year time horizon, and (4) earn competitive returns relative to capital market measures. Investment goals and performance are to be computed net of investment management and independent investment consultant fees. The Foundation is guided in its total return policy by Commonwealth of Pennsylvania Act 141, which dictates the amount of allowable distributions to be made from a restricted endowment.

For the years ended December 31, 2019 and 2018, TPF and TPF, Inc. endowment distributions (cash payout) were 5% of the average market value, using a 20-quarter trailing average. The payout rate is established by the board of managers annually, for the following year. The cash payout includes cash required for grant making and for administrative costs.

Distributions of the Institute's endowment are made in accordance with the gift agreement. On an annual basis, up to 6% of the fair market value of the endowment fund may be spent based on a moving average of the fair market value of the endowment fund as determined by the board of managers of the Institute. The board of managers may from time-to-time adjust the 6% maximum annual draw on the endowment fund for extraordinary circumstances as determined by two-thirds vote of its board of managers, but in no event shall the annual draw exceed 10%. For the years ended December 31, 2019 and 2018, the distribution was 5.4% and 6%, respectively, of the market value of the endowment fund.

Endowment activity by net asset class for the year ended December 31, 2019 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Assets - Beginning of Year	\$ 311,734,471	\$ 59,450,914	\$ 371,185,385
Investment Return:			
Interest and Dividends, Net of Investment Expense	7,046,851	968,309	8,015,160
Net Realized and Unrealized Gains	50,462,849	6,803,037	57,265,886
Total Investment Return	<u>57,509,700</u>	<u>7,771,346</u>	<u>65,281,046</u>
Contributions	12,445,872	8,743,531	21,189,403
Distributions of Endowment Income	<u>(16,904,122)</u>	<u>(2,855,000)</u>	<u>(19,759,122)</u>
Endowment Assets - End of Year	<u>\$ 364,785,921</u>	<u>\$ 73,110,791</u>	<u>\$ 437,896,712</u>

**THE PHILADELPHIA FOUNDATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 5 ENDOWMENT ACTIVITY (CONTINUED)**

Endowment activity by net asset class for the year ended December 31, 2018 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment Assets - Beginning of Year	\$ 310,857,679	\$ 38,602,919	\$ 349,460,598
Investment Return:			
Interest and Dividends, Net of Investment Expense	7,683,932	838,189	8,522,121
Net Realized and Unrealized Losses	<u>(24,726,967)</u>	<u>(3,198,437)</u>	<u>(27,925,404)</u>
Total Investment Return	(17,043,035)	(2,360,248)	(19,403,283)
Contributions	33,402,834	24,910,243	58,313,077
Distributions of Endowment Income	<u>(15,483,007)</u>	<u>(1,702,000)</u>	<u>(17,185,007)</u>
Endowment Assets - End of Year	<u>\$ 311,734,471</u>	<u>\$ 59,450,914</u>	<u>\$ 371,185,385</u>

The above endowment activity does not include \$26,216,898 and \$24,187,482 of endowment assets shown on the consolidated statements of financial position including agency endowments, cash surrender value of life insurance, real estate, and private company stock at December 31, 2019 and 2018, respectively.

**NOTE 6 FAIR VALUE MEASUREMENTS**

The Foundation uses fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures. For additional information on how the Foundation values all other assets refer to Note 1 – Summary of Significant Accounting Policies.

	Carrying Value at December 31, 2019			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Nonendowment Investments:				
Equities	\$ 19,763,308	\$ -	\$ -	\$ 19,763,308
Fixed Income	48,614,055	-	-	48,614,055
Other	471,845	-	-	471,845
Endowment Investments:				
Equities	200,017,557	-	-	200,017,557
Fixed Income	89,511,223	-	-	89,511,223
Real Asset Funds	9,152,538	-	-	9,152,538
Split-Interest Agreements	8,382,775	-	1,203,058	9,585,833
Total	<u>\$ 375,913,301</u>	<u>\$ -</u>	<u>\$ 1,203,058</u>	377,116,359
Investments Measured at Fair Value Using Net Asset Value per Share				129,278,479
Total				<u>\$ 506,394,838</u>

**THE PHILADELPHIA FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 6 FAIR VALUE MEASUREMENTS (CONTINUED)**

	Carrying Value at December 31, 2018			
	Level 1	Level 2	Level 3	Total
Nonendowment Investments:				
Equities	\$ 12,298,214	\$ -	\$ -	\$ 12,298,214
Fixed Income	30,786,093	-	-	30,786,093
Other	10,192	-	-	10,192
Endowment Investments:				
Equities	152,820,999	-	-	152,820,999
Fixed Income	90,510,400	-	-	90,510,400
Real Asset Funds	7,851,405	-	-	7,851,405
Split-Interest Agreements	8,084,075	-	938,688	9,022,763
Total	<u>\$ 302,361,378</u>	<u>\$ -</u>	<u>\$ 938,688</u>	303,300,066
Investments Measured at Fair Value Using Net Asset Value per Share				103,357,379
Total				<u>\$ 406,657,445</u>

The following table provides a summary of changes in recurring and nonrecurring fair value of the Foundation's Level 3 financial assets for the year ended December 31, 2019:

	Split-Interest Agreements
Balance - January 1, 2019	\$ 938,688
Change in Value of Trusts	264,370
Balance - December 31, 2019	<u>\$ 1,203,058</u>

The following table provides a summary of changes in recurring and nonrecurring fair value of the Foundation's Level 3 financial assets for the year ended December 31, 2018:

	Split-Interest Agreements
Balance - January 1, 2018	\$ 1,041,468
Change in Value of Trusts	(102,780)
Balance - December 31, 2018	<u>\$ 938,688</u>

**THE PHILADELPHIA FOUNDATION**  
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**NOTE 6 FAIR VALUE MEASUREMENTS (CONTINUED)**

Fair value measurements of investments in certain entities that calculate net asset value per share (or its equivalent) as of December 31, 2019:

	Net Asset Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
International Equity Funds	\$ 23,851,841	\$ -	Monthly	5 to 90 Days
International Equity Funds	5,938,354	-	1 Year	90 Days
International Equity Funds	6,148,325	-	Quarterly	180 Days
Large Cap Equity Funds	15,835,251	-	Monthly	30 Days
Small Cap Equity Funds	6,410,052	-	3 Years	90 Days
Global Bond Funds	6,551,169	-	Monthly	10 Days
High Yield Bond Funds	21,466,733	-	Monthly to Quarterly	6 Months to 180 Days
Equity Long/Short Hedge Funds	13,938,965	-	1 to 3 Years	95 Days
Multi-Strategy Hedge Funds	23,356,017	-	Monthly to Semi-Annually	45 to 92 Days
Private Equity Funds and Stock	4,334,555	4,081,557	N/A	N/A
Real Asset Funds	1,447,217	878,097	N/A	N/A
Total	<u>\$ 129,278,479</u>	<u>\$ 4,959,654</u>		

Fair value measurements of investments in certain entities that calculate net asset value per share (or its equivalent) as of December 31, 2018:

	Net Asset Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
International Equity Funds	\$ 17,261,432	\$ -	Monthly	5 to 90 Days
International Equity Funds	5,015,790	-	1 Year	90 Days
International Equity Funds	4,717,617	-	Quarterly	180 Days
Large Cap Equity Funds	12,390,090	-	Monthly	30 Days
Small Cap Equity Funds	5,115,084	-	3 Years	90 Days
Global Bond Funds	6,101,494	-	Monthly	10 Days
High Yield Bond Funds	14,454,223	-	Monthly to Quarterly	6 Months to 180 Days
Equity Long/Short Hedge Funds	11,670,508	-	1 to 3 Years	95 Days
Multi-Strategy Hedge Funds	21,105,323	-	Monthly to Semi-Annually	45 to 92 Days
Private Equity Funds and Stock	4,279,410	2,831,401	N/A	N/A
Real Asset Funds	1,246,408	1,249,547	N/A	N/A
Total	<u>\$ 103,357,379</u>	<u>\$ 4,080,948</u>		

International Equity Funds include investments in funds that are invested in domestic and international common stock. The unobservable inputs used to determine the fair value of the investments is based on quoted market prices for the underlying securities which comprise the net asset value of the collective fund. The funds provide full disclosure of the underlying holdings, whereby the Foundation is able to verify its account balances.

Large/Small Cap Equity Funds include investments in funds that are invested in domestic common stock. The unobservable inputs used to determine the fair value of the investments is based on quoted market prices for the underlying securities which comprise the net asset value of the collective fund. The funds provide full disclosure of the underlying holdings, whereby the Foundation is able to verify its account balances.

**THE PHILADELPHIA FOUNDATION**  
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**NOTE 6 FAIR VALUE MEASUREMENTS (CONTINUED)**

Global Bond Funds include investments in funds that are invested primarily in publicly traded debt obligations. The unobservable inputs used to determine the fair value of the investments is based on quoted market prices for the underlying securities which comprise the net asset value of the collective fund. The funds provide full disclosure of the underlying holdings, whereby the Foundation is able to verify its account balances.

High Yield Bond Funds include investments in funds that are diversified and invested primarily in liquid, dollar-denominated bond securities. The unobservable inputs used to determine the fair value of the investments is based on quoted market prices for the underlying securities which comprise the net asset value of the collective fund. The funds provide full disclosure of the underlying holdings, whereby the Foundation is able to verify its account balances.

Equity Long/Short Hedge Funds is invested primarily in long/short equity managers along with distressed debt managers. The unobservable inputs used to determine the fair value of the fund of hedge funds in this category has been estimated using the net asset value per share of the investments.

Multi-Strategy Hedge Funds are invested primarily in a diversified portfolio of directly originated loan investments, distressed corporate and mortgage bonds and long/short credit. The unobservable inputs used to determine the fair value of the fund of hedge funds in this category has been estimated using the net asset value per share of the investments.

Private Equity Funds include investments in funds that are invested in venture capital, buy-outs, distressed securities, special situation funds, and direct investments in securities of companies. The unobservable inputs used to determine the fair value of the funds of private equity funds and direct investments has been estimated based on the capital account balances reported by the underlying partnerships subject to the capital fund of funds management review and judgment.

Real Asset Funds include investments in funds that are primarily invested in certain real estate funds formed as limited partnerships, limited liability companies, private real estate investment trusts, or similar entities. The unobservable inputs used to determine the fair value of real asset funds is estimated based on the capital account balance reported by the underlying partnerships which estimate the fair value of an investment in an investment company using the net asset value per share of the investments without further adjustment.



**THE PHILADELPHIA FOUNDATION  
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**NOTE 7 SPLIT-INTEREST AGREEMENTS**

During the years ended December 31, 2019 and 2018, contributions of \$0- and \$58,833, respectively, were received related to split-interest agreements. Additionally, investment income for the years ended December 31, 2019 and 2018 totaled \$283,038 and \$224,478, respectively. Net unrealized and realized gains of \$300,032 and \$2,614,938 related to split-interest agreements were recorded for the years ended December 31, 2019 and 2018, respectively.

The Foundation has interests in split-interest agreements as follows at December 31:

	2019	2018
(a) Charitable Remainder Trusts	\$ 1,621,712	\$ 1,437,636
(b) Irrevocable Perpetual Trust	1,203,058	937,261
(c) Pooled Life Income Fund	2,733,554	2,462,385
(d) Charitable Gift Annuities	2,297,755	2,748,832
(e) Charitable Lead Trust	1,729,754	1,436,649
Total	<u>\$ 9,585,833</u>	<u>\$ 9,022,763</u>

- (a) The Foundation is the trustee of several charitable remainder trusts. Under these trust agreements, third-party beneficiaries receive 5% to 8% of the fair market value of the trust's assets, payable quarterly.
- (b) The Foundation is a beneficiary of an irrevocable perpetual trust. The trust assets are held by an outside trustee. Each year, the Foundation records income received from the trust as unrestricted income.
- (c) The Foundation's pooled life income fund allows donors to make tax-deductible gifts to the Foundation while the donor retains the right to either receive income from the donated property for life or grant such right to another individual or individuals.
- (d) The Foundation's charitable gift annuities program allows donors or their designated beneficiaries to receive periodic payments (annuities) for life with the transfer of the remaining assets to the Foundation upon death of the annuitant.
- (e) The Foundation is the trustee and beneficiary of a charitable lead annuity trust. The Foundation receives annual distributions over the 18-year term of the trust.

Liabilities under split-interest agreements amount to \$3,594,122 and \$2,291,339 at December 31, 2019 and 2018, respectively, which equals the estimated share of the split-interest agreements which will go to beneficiaries other than the Foundation.

**THE PHILADELPHIA FOUNDATION**  
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**NOTE 8 PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at December 31:

	2019	2018
Leasehold Improvements	\$ 660,630	\$ 714,229
Furniture and Equipment	327,617	277,418
Computers	8,546	8,546
Total	<u>996,793</u>	<u>1,000,193</u>
Less: Accumulated Depreciation	127,556	89,500
Total Property and Equipment	<u>\$ 869,237</u>	<u>\$ 910,693</u>

Depreciation expense for the years ended December 31, 2019 and 2018 was \$41,456 and \$38,742, respectively.

**NOTE 9 GRANTS PAYABLE**

Generally, grants are recorded when approved by the board of managers. The following is a summary of grants authorized and payable at December 31:

<u>Years Ending December 31.</u>	2019	2018
To be Paid in Less than One Year	\$ 4,357,238	\$ 2,810,177
To be Paid in One to Five Years	4,029,196	540,300
Total	<u>8,386,434</u>	<u>3,350,477</u>
Less: Discounts to Present Value	44,394	-
Net Grants Payable	<u>\$ 8,430,828</u>	<u>\$ 3,350,477</u>

As of December 31, 2019 and 2018, the Foundation had no unrecorded grants in which conditions placed on these grants had not been met.

**NOTE 10 DEFINED CONTRIBUTION RETIREMENT PLAN**

The Foundation has a defined contribution plan which covers all eligible employees. For the years ended December 31, 2019 and 2018, the Foundation contributed 10% of salaries, as defined, for a total contribution of \$258,246 and \$226,000, respectively.

**NOTE 11 LEASE COMMITMENTS**

The Foundation has an operating lease agreement for its office space. The rent commencement date of the lease was June 1, 2017, and the lease term expires May 31, 2029. The lease agreement includes a tenant improvement allowance for property and equipment, and the related unamortized assets and liabilities are recorded under property and equipment and deferred rent and lease liability on the consolidated statements of financial position.

**THE PHILADELPHIA FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

**NOTE 11 LEASE COMMITMENTS (CONTINUED)**

Rent expense was \$272,177 and \$302,491 for the years ended December 31, 2019 and 2018, respectively. The Foundation records periodic rental expense over the life of the lease. Deferred rent was \$311,150 and \$304,013 as of December 31, 2019 and 2018, respectively.

The Foundation also leases equipment under operating leases. Rental expense on leased equipment was \$15,633 and \$13,232 for the years ended December 31, 2019 and 2018, respectively.

At December 31, 2019, minimum rental payments for all operating leases are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2020	\$ 314,820
2021	319,594
2022	319,643
2023	317,579
2024	322,909
Thereafter	1,489,291
Total	<u>\$ 3,083,836</u>

**NOTE 12 NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with time or purpose restrictions were as follows at December 31:

	<u>2019</u>	<u>2018</u>
Grants for Donor Restricted Activities	\$ 23,790,109	\$ 37,539,264
S Corporation Stock, Restricted by Terms of the Stock Donation Agreement	18,554,560	18,554,560
Use in Future Periods, Includes Pledges to the Foundation that are Expected to be Received in Subsequent Years and are Usually Considered to be Time Restricted	34,628,533	25,166,139
Total	<u>\$ 76,973,202</u>	<u>\$ 81,259,963</u>

**THE PHILADELPHIA FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

**NOTE 12 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)**

Net assets to be held in perpetuity were as follows at December 31:

	<u>2019</u>	<u>2018</u>
Investments, Held Indefinitely at Historical Cost: Related Income and Gains are Expendable for Scholarship Grants and Reflected in Net Assets without Donor Restrictions	\$ 50,000	\$ 50,000
Partial Interest in a Perpetual Trust, Held by a Third-Party Trustee and Recorded at Fair Value	1,203,058	938,689
Permanent Endowment for the Institute	53,759,750	40,422,472
Contribution Receivable to Fund a Permanent Endowment for the Institute	1,000,000	11,884,046
Private Company Stock, Restricted for Permanent Endowment of the Institute	13,858,614	13,858,614
Masciantonio Foundation	9,258,957	7,807,151
Total	<u>\$ 79,130,379</u>	<u>\$ 74,960,972</u>

**NOTE 13 FUNCTIONAL EXPENSES**

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function of The Foundation. These expenses require allocation on a reasonable basis that is consistently applied and are allocated on the basis of estimates of department time and usage. Expenses include depreciation and amortization, the president's office, insurance, audit and legal fees, office and occupancy, and information technology department. Also included are salaries and benefits, which are allocated on the basis of estimates of time and effort.

Functional expenses for the years ended December 31:

	<u>2019</u>	<u>2018</u>
Program Services	\$ 57,474,665	\$ 40,078,360
Management and General	2,452,589	4,590,735
Fundraising	1,589,857	1,605,740
Total	<u>\$ 61,517,111</u>	<u>\$ 46,274,835</u>

**NOTE 14 LIQUIDITY AND AVAILABILITY OF RESOURCES**

The following reflects The Foundation's financial assets available for expenditure within one year of the balance sheet date. The Foundation's funds consist of endowment and quasi-endowment funds. Income from endowments are restricted for specific purposes and, therefore, not available for general expenditure. Quasi-endowment amounts not available include amounts subject to certain conditions, including approval of the trustee holding each fund and the Foundation's board of managers.

**THE PHILADELPHIA FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

**NOTE 14 LIQUIDITY AND AVAILABILITY OF RESOURCES (CONTINUED)**

Although the Foundation does not intend to spend from its Board Designated endowments other than amounts appropriated for general expenditure as part of its annual budget approval, amounts could be made available if necessary.

	<u>2019</u>	<u>2018</u>
Financial Assets	\$ 631,179,936	\$ 542,151,971
Less:		
Contractual or Donor-Imposed Restrictions Making Financial Assets Unavailable for General Expenditure	(183,394,197)	(174,321,122)
Quasi Endowment Fund, Primarily for Long-Term Investing	(413,537,038)	(334,994,130)
Board Designated Financial Assets Available Within One Year to Meet Cash Needs for General Expenditures Within One Year	<u>(32,439,557)</u>	<u>(31,138,443)</u>
	<u>\$ 1,809,144</u>	<u>\$ 1,698,276</u>

**THE PHILADELPHIA FOUNDATION**  
**SCHEDULE OF CONSOLIDATED NET ASSETS**  
**DECEMBER 31, 2019**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	Without Donor Restrictions				With Donor Restrictions	Total Net Assets
	Administrative Endowment and Operations	Grantmaking	Grant Endowments	Total		
Funds:						
Designated	\$ -	\$ 5,071,405	\$ 93,000,985	\$ 98,072,390	\$ 937,071	\$ 99,009,461
Field of Interest	-	2,982,434	141,390,991	144,373,425	21,833,637	166,207,062
Undesignated	-	2,857,396	27,163,076	30,020,472	7,143,854	37,164,326
Scholarship	-	1,152,038	21,590,761	22,742,799	136,875	22,879,674
Donor Advised	-	78,969,948	68,134,718	147,104,666	1,033,907	148,138,573
Operating Program	-	(180,139)	480,942	300,803	103,065	403,868
Administrative Endowment	2,370,909	-	-	2,370,909	-	2,370,909
Subtotal	2,370,909	90,853,082	351,761,473	444,985,464	31,188,409	476,173,873
Operating Fund and Reserve	1,988,448	205,462	38,872	2,232,782	-	2,232,782
Total	4,359,357	91,058,544	351,800,345	447,218,246	31,188,409	478,406,655
Other	690,914	3,311,595	-	4,002,509	124,915,172	128,917,681
Total Consolidated Net Assets	<u>\$ 5,050,271</u>	<u>\$ 94,370,139</u>	<u>\$ 351,800,345</u>	<u>\$ 451,220,755</u>	<u>\$ 156,103,581</u>	<u>\$ 607,324,336</u>

See accompanying Notes to Schedule of Consolidated Net Assets.

**THE PHILADELPHIA FOUNDATION  
NOTES TO SCHEDULE OF CONSOLIDATED NET ASSETS  
DECEMBER 31, 2019**

As discussed in Note 1 to the consolidated financial statements, most contributions are subject to the Foundation's unilateral variance power and are recorded as net assets without donor restrictions. However, the Foundation's intent is to use these funds as a permanent endowment to meet community needs based on the interest of the donors.

**NOTE A FUNDS**

The schedule of net assets identifies the fund categories reflected in the gift instruments:

**Designated**

Donors may choose at the time the fund is established, one or more specific organizations to share the income from their funds.

**Field of Interest**

Donors may specify a broad area of charitable interest, such as arts and culture, human services or education and have the Foundation select specific grantee organizations.

**Undesignated**

Donors may establish general purpose funds that give the Foundation the greatest flexibility to meet the region's emerging and changing needs over time.

**Scholarship**

Donors may establish scholarship funds to benefit a certain type of student or a specific institution or to encourage study of a particular subject.

**Donor Advised**

Donors who wish to remain actively involved with their philanthropy may make grant recommendations to the board of managers, which must retain final responsibility for all distributions made by the Foundation.

**Administrative Endowment**

The administrative endowment reflects funds that have been board or donor designated to act as an endowment for the benefit of the Foundation. Funds are drawn down each year for Foundation operations using the Foundation's spending policy.

**For Administrative Endowment and Operations**

Funds available for the general operations of the Foundation.

**For Grantmaking**

Includes the funds available for distribution, including funds released from the endowment for distribution under the spending policy and nonendowed gifts and grants available for distribution.

**For Grant Endowments**

Includes all unrestricted funds currently invested with either TPF, Inc. or the trustee institutions including: Wells Fargo, Mellon, PNC, Glenmede Trust Company, Bryn Mawr Trust Company, and Pitcairn Trust Company.

**THE PHILADELPHIA FOUNDATION**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2019**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	TPF and TPF, Inc.	TPF Special Assets	Harry R. Halloran, Jr. Charitable Trust	Masciantonio Foundation	Eliminations	Total
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ 16,075,146	\$ 16,453,553	\$ 1,511,095	\$ 226,504	\$ -	\$ 34,266,298
Certificates of Deposits	4,834,942	-	-	-	-	4,834,942
Contributions Receivable	18,862,824	10,721,661	235,440	-	(88,197)	29,731,728
Due from Institute	1,103,736	-	-	-	(1,103,736)	-
Prepaid Expenses and Other Assets	71,573	104,969	697,000	-	-	873,542
Total	<u>40,948,221</u>	<u>27,280,183</u>	<u>2,443,535</u>	<u>226,504</u>	<u>(1,191,933)</u>	<u>69,706,510</u>
Nonendowment Investments:						
Equities	19,763,308	-	-	-	-	19,763,308
Fixed Income	48,614,055	-	-	-	-	48,614,055
Other	470,845	1,000	19,798,317	-	-	20,270,162
Total Nonendowment Investments	<u>68,848,208</u>	<u>1,000</u>	<u>19,798,317</u>	<u>-</u>	<u>-</u>	<u>88,647,525</u>
Endowment Investments:						
Equities	221,398,813	30,752,361	-	6,050,207	-	258,201,381
Fixed Income	89,555,140	9,740,028	-	2,488,227	-	101,783,395
Cash Surrender Value of Life Insurance	333,823	-	-	-	-	333,823
Cash Equivalents	19,312,504	2,669,571	-	583,413	-	22,565,488
Other	46,593,926	34,635,597	-	-	-	81,229,523
Total Endowment Investments	<u>377,194,206</u>	<u>77,797,557</u>	<u>-</u>	<u>9,121,847</u>	<u>-</u>	<u>464,113,610</u>
Split-Interest Agreements	9,585,833	-	-	-	-	9,585,833
Property and Equipment	829,207	40,030	-	-	-	869,237
Total Assets	<u>\$ 497,405,675</u>	<u>\$ 105,118,770</u>	<u>\$ 22,241,852</u>	<u>\$ 9,348,351</u>	<u>\$ (1,191,933)</u>	<u>\$ 632,922,715</u>
<b>LIABILITIES AND NET ASSETS</b>						
<b>LIABILITIES</b>						
Accounts Payable and Accrued Liabilities	\$ 347,631	\$ 1,526,778	\$ 88,197	\$ -	\$ (1,191,933)	\$ 770,673
Grants Payable	2,206,335	5,936,993	287,500	-	-	8,430,828
Liabilities Under Split-Interest Agreements	3,594,122	-	-	-	-	3,594,122
Liabilities Under Agency Accounts	11,832,389	-	-	-	-	11,832,389
Deferred Rent and Lease Incentive Liability	970,367	-	-	-	-	970,367
Total Liabilities	<u>18,950,844</u>	<u>7,463,771</u>	<u>375,697</u>	<u>-</u>	<u>(1,191,933)</u>	<u>25,598,379</u>
<b>NET ASSETS</b>						
Without Donor Restrictions:						
For Grant Endowments	351,800,345	-	-	-	-	351,800,345
For Grantmaking	91,058,544	-	3,311,595	-	-	94,370,139
For Administrative Endowment and Operations	4,407,533	585,513	-	57,225	-	5,050,271
Total Unrestricted	<u>447,266,422</u>	<u>585,513</u>	<u>3,311,595</u>	<u>57,225</u>	<u>-</u>	<u>451,220,755</u>
With Donor Restrictions	31,188,409	97,069,486	18,554,560	9,291,126	-	156,103,581
Total Net Assets	<u>478,454,831</u>	<u>97,654,999</u>	<u>21,866,155</u>	<u>9,348,351</u>	<u>-</u>	<u>607,324,336</u>
Total Liabilities and Net Assets	<u>\$ 497,405,675</u>	<u>\$ 105,118,770</u>	<u>\$ 22,241,852</u>	<u>\$ 9,348,351</u>	<u>\$ (1,191,933)</u>	<u>\$ 632,922,715</u>



**THE PHILADELPHIA FOUNDATION  
CONSOLIDATING STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2019  
(SEE INDEPENDENT AUDITORS' REPORT)**

	TPF and TPF, Inc.			TPF Special Assets		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND SUPPORT</b>						
Gifts, Grants, and Bequests	\$ 48,157,740	\$ 1,699,709	\$ 49,857,449	\$ 1,238,474	\$ 22,528,295	\$ 23,766,769
Investment Income	9,623,443	313,752	9,937,195	15,203	1,254,449	1,269,652
Net Unrealized and Realized Investment Gains	52,266,708	1,389,796	53,656,504	-	5,379,931	5,379,931
Change in Value of Perpetual Trust	-	264,370	264,370	-	-	-
Subtotal	<u>110,047,891</u>	<u>3,667,627</u>	<u>113,715,518</u>	<u>1,253,677</u>	<u>29,162,675</u>	<u>30,416,352</u>
Net Assets Released from Restrictions:						
Satisfaction of Program Restrictions	922,712	(922,712)	-	24,367,110	(24,367,110)	-
Satisfaction of Time Restrictions	2,254,640	(2,254,640)	-	2,855,000	(2,855,000)	-
Total Revenue and Support	<u>113,225,243</u>	<u>490,275</u>	<u>113,715,518</u>	<u>28,475,787</u>	<u>1,940,565</u>	<u>30,416,352</u>
<b>EXPENSES</b>						
Grants	27,496,956	-	27,496,956	20,819,422	-	20,819,422
Grantmaking	598,443	-	598,443	6,042,931	-	6,042,931
Special Program Expenses	1,860,756	-	1,860,756	-	-	-
Development and Donor Services	1,078,911	-	1,078,911	880,956	-	880,956
Financial Management	2,095,983	-	2,095,983	716,281	-	716,281
Marketing	408,046	-	408,046	-	-	-
Total Expenses	<u>33,539,095</u>	<u>-</u>	<u>33,539,095</u>	<u>28,459,590</u>	<u>-</u>	<u>28,459,590</u>
<b>CHANGE IN NET ASSETS BEFORE INCOME TAXES AND OTHER LOSSES</b>	79,686,148	490,275	80,176,423	16,197	1,940,565	1,956,762
Loss on Endowment Pledge	-	-	-	-	4,000,000	4,000,000
Unrelated Business Income Tax Benefit	-	-	-	-	-	-
<b>CHANGE IN NET ASSETS</b>	79,686,148	490,275	80,176,423	16,197	(2,059,435)	(2,043,238)
Net Assets - Beginning of Year	<u>367,580,274</u>	<u>30,698,134</u>	<u>398,278,408</u>	<u>569,316</u>	<u>99,128,921</u>	<u>99,698,237</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 447,266,422</u>	<u>\$ 31,188,409</u>	<u>\$ 478,454,831</u>	<u>\$ 585,513</u>	<u>\$ 97,069,486</u>	<u>\$ 97,654,999</u>

**THE PHILADELPHIA FOUNDATION**  
**CONSOLIDATING STATEMENT OF ACTIVITIES (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2019**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	Harry R Halloran Charitable Trust			Masciantonio Foundation			Eliminations	
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Unrestricted	Total
<b>REVENUE AND SUPPORT</b>								
Gifts, Grants, and Bequests	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (178,197)	\$ 73,446,021
Investment Income	1,426,901	-	1,426,901	-	245,570	245,570	-	12,879,318
Net Unrealized and Realized Investment Gains	83,847	-	83,847	-	1,206,236	1,206,236	-	60,326,518
Change in Value of Perpetual Trust	-	-	-	-	-	-	-	264,370
Subtotal	1,510,748	-	1,510,748	-	1,451,806	1,451,806	(178,197)	146,916,227
Net Assets Released from Restrictions:								
Satisfaction of Program Restrictions	-	-	-	-	-	-	-	-
Satisfaction of Time Restrictions	-	-	-	-	-	-	-	-
Total Revenue and Support	1,510,748	-	1,510,748	-	1,451,806	1,451,806	(178,197)	146,916,227
<b>EXPENSES</b>								
Grants	330,500	-	330,500	-	-	-	-	48,646,878
Grantmaking	-	-	-	-	-	-	-	6,641,374
Special Program Expenses	-	-	-	-	-	-	-	1,860,756
Development and Donor Services	-	-	-	-	-	-	-	1,959,867
Financial Management	95,797	-	95,797	-	-	-	(178,197)	2,729,864
Marketing	-	-	-	-	-	-	-	408,046
Total Expenses	426,297	-	426,297	-	-	-	(178,197)	62,246,785
<b>CHANGE IN NET ASSETS BEFORE INCOME TAXES AND OTHER LOSSES</b>	1,084,451	-	1,084,451	-	1,451,806	1,451,806	-	84,669,442
Loss on Endowment Pledge	-	-	-	-	-	-	-	4,000,000
Unrelated Business Income Tax Benefit	(729,674)	-	(729,674)	-	-	-	-	(729,674)
<b>CHANGE IN NET ASSETS</b>	1,814,125	-	1,814,125	-	1,451,806	1,451,806	-	81,399,116
Net Assets - Beginning of Year	1,497,470	18,554,560	20,052,030	57,225	7,839,320	7,896,545	-	525,925,220
<b>NET ASSETS - END OF YEAR</b>	\$ 3,311,595	\$ 18,554,560	\$ 21,866,155	\$ 57,225	\$ 9,291,126	\$ 9,348,351	\$ -	\$ 607,324,336

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