
CERGE-EI FOUNDATION

FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
CERGE-EI Foundation
Newark, New Jersey

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CERGE-EI 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.

Respectfully,

Bennett & Associates, CPAs PLLC

Ann Arbor, Michigan
August 1, 2020

CERGE-EI FOUNDATION
STATEMENTS OF FINANCIAL POSITION
December 31,

	2019	2018
ASSETS		
Cash and cash equivalents	\$ 2,352,979	\$ 2,124,661
Accounts receivable	2,704	-
Grants receivable	34,276	156,649
Prepaid expenses	66,155	3,354
Investments		
Investments held for non-endowment	4,187,644	4,888,033
Investments held for endowment purposes	6,115,910	5,098,430
	10,303,554	9,986,463
TOTAL ASSETS	\$ 12,759,668	\$ 12,271,127
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 19,634	\$ 342,614
Promises to give	135,600	-
Deferred tuition revenue	317,867	303,650
	473,101	646,264
TOTAL LIABILITIES	473,101	646,264
NET ASSETS		
Without donor restrictions		
Undesignated	5,087,378	5,619,450
Board designated	188,480	172,810
With donor restrictions	7,010,709	5,832,603
	12,286,567	11,624,863
TOTAL NET ASSETS	12,286,567	11,624,863
TOTAL LIABILITIES AND NET ASSETS	\$ 12,759,668	\$ 12,271,127

CERGE-EI FOUNDATION
STATEMENTS OF ACTIVITIES
For the years ended December 31,

	2019	2018
NET ASSETS WITHOUT DONOR RESTRICTIONS		
SUPPORT AND REVENUE		
Grants and contributions	\$ 72,497	\$ 108,026
Tuition income	1,076,042	1,488,517
Net investment return	53,589	38,395
Net assets released from restriction	3,635,559	2,180,818
TOTAL SUPPORT AND REVENUE	4,837,687	3,815,756
EXPENSES		
Program services		
Teaching and research	5,189,452	3,354,702
Supporting services		
Management and general	120,785	136,863
Fundraising	43,852	55,363
TOTAL EXPENSES	5,354,089	3,546,928
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(516,402)	268,828
NET ASSETS WITH DONOR RESTRICTIONS		
Grants and contributions	3,796,185	2,384,102
Endowment contributions	-	1,050
Net investment return on endowment funds	1,017,480	(719,889)
Net assets released from restriction	(3,635,559)	(2,180,818)
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	1,178,106	(515,555)
CHANGE IN NET ASSETS	661,704	(246,727)
NET ASSETS AT BEGINNING OF YEAR	11,624,863	11,871,590
NET ASSETS AT END OF YEAR	\$ 12,286,567	\$ 11,624,863

CERGE-EI FOUNDATION
STATEMENTS OF FUNCTIONAL EXPENSES
For the year ended December 31, 2019 with comparative totals for 2018

	Program Services			Supporting Services	
	Teaching and Research	Management and General	Fund- Raising	2019 Total	2018 Total
Grants and Other Support					
Grants to CERGE-EI and other organizations	\$ 2,213,292	\$ -	\$ -	\$ 2,213,292	\$ 651,548
Grants to individuals	915,333	-	-	915,333	818,212
CERGE-EI faculty and administrative support	851,569	36,391	19,477	907,437	852,078
	<u>3,980,194</u>	<u>36,391</u>	<u>19,477</u>	<u>4,036,062</u>	<u>2,321,838</u>
Other Expenses					
Compensation of officers and directors	121,266	23,592	7,864	152,722	86,684
Accounting fees	-	15,529	-	15,529	14,562
Legal fees	-	7,779	-	7,779	850
Office expenses	8,265	15,662	278	24,205	25,995
Travel	40,841	1,193	-	42,034	31,912
Conferences and meetings	60,655	8,063	-	68,718	73,175
Insurance	-	4,433	-	4,433	4,454
UPCES administration, faculty, and other expenses	837,055	-	-	837,055	793,848
MAE administration, faculty, and other expenses	141,176	-	-	141,176	136,894
Other	-	8,143	16,233	24,376	56,716
Total Expenses	<u>\$ 5,189,452</u>	<u>\$ 120,785</u>	<u>\$ 43,852</u>	<u>\$ 5,354,089</u>	<u>\$ 3,546,928</u>

CERGE-EI FOUNDATION
STATEMENTS OF FUNCTIONAL EXPENSES
For the year ended December 31, 2018

	<u>Program Services</u>	<u>Supporting Services</u>		2018 Total
	<u>Teaching and Research</u>	<u>Management and General</u>	<u>Fund- Raising</u>	
Grants and Other Support				
Grants to CERGE-EI and other organizations	\$ 651,548	\$ -	\$ -	\$ 651,548
Grants to individuals	818,212	-	-	818,212
CERGE-EI faculty and administrative support	785,454	43,949	22,675	852,078
	<u>2,255,214</u>	<u>43,949</u>	<u>22,675</u>	<u>2,321,838</u>
Other Expenses				
Compensation of officers & directors	55,561	23,342	7,781	86,684
Accounting fees	-	14,562	-	14,562
Legal fees	-	850	-	850
Office expenses	10,002	15,594	399	25,995
Travel	30,626	1,286	-	31,912
Conferences and meetings	45,560	27,615	-	73,175
Insurance	-	4,454	-	4,454
UPCES administration, faculty, and other expenses	793,848	-	-	793,848
MAE administration, faculty, and other expenses	136,894	-	-	136,894
Other	26,997	5,211	24,508	56,716
Total Expenses	<u>\$ 3,354,702</u>	<u>\$ 136,863</u>	<u>\$ 55,363</u>	<u>\$ 3,546,928</u>

CERGE-EI FOUNDATION
STATEMENTS OF CASH FLOWS
For the years ended December 31,

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 661,704	\$ (246,727)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Realized and unrealized (gains)/losses on investments	(763,305)	1,076,198
Change in accounts receivable	(2,704)	-
Change in grants receivable	122,373	(72,791)
Change in prepaid expenses	(62,801)	269,450
Change in accounts payable	(322,980)	318,333
Change in promises to give (outgoing)	135,600	-
Change in deferred revenue	14,217	182,292
Contributions restricted for long-term purposes	-	(1,050)
Net cash from (used for) operating activities	(217,896)	1,525,705
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	1,265,000	2,019,795
Purchases of investments	(818,786)	(3,651,691)
Net cash from (used for) investing activities	446,214	(1,631,896)
CASH FLOWS FROM FINANCING ACTIVITIES		
Collection of endowment fund contributions	-	1,050
Net cash from financing activities	-	1,050
NET CHANGE IN CASH AND CASH EQUIVALENTS	228,318	(105,141)
Cash and cash equivalents at beginning of year	2,124,661	2,229,802
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 2,352,979	\$ 2,124,661

NOTE A - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

CERGE-EI Foundation (the Foundation) was founded with the purpose of raising funds to support CERGE-EI, a joint workplace in the field of economics, associated with two highly respected institutions, Charles University in Prague and the Academy of Sciences of the Czech Republic. It also supports similar institutions and individuals engaged in modern economics in transition societies. Funding is derived from endowment funds, corporate and foundation grants, contributions, and tuition income.

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net assets with donor restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and Cash Equivalents

The Foundation considers all highly liquid investments with an original maturity of three months or less and money market mutual funds to be cash, except for money market funds held as a portion of the Foundation's endowment portfolio, in which case they are classified as long-term investments and are not considered to be cash equivalents for purpose of the statement of cash flows.

Office Equipment

Acquisitions of equipment in excess of \$2,000 are capitalized. Equipment is carried at cost. Depreciation is computed using the straight-line method.

Investments

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Grants Receivable

Grants receivable consists of unconditional promises to give due within one year, and are considered fully collectible.

Support and Revenue Recognition

On January 1, 2019 the Foundation adopted ASU 2014-09, "Revenue from Contracts with Customers" (Topic 606). The ASU and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance in U.S. GAAP. The ASU also required expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Foundation adopted the new standard effective January 1, 2019, the first day of the Foundation's fiscal year, using the modified retrospective method. The standard's core principle is that an entity will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration in which the entity expects to be entitled in exchange for those goods or services. No changes were required to previously reported revenues as a result of the adoption.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *continued*

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as restricted until the payment is due, unless the contribution is clearly intended to support activities of the current fiscal year. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

Tuition for the UPCES and MAE programs are recognized over the academic semester to which it relates. Spring and Fall semesters begin and end within the calendar year. Tuition for the following Spring semester is due by December of the preceding year, and when received is recorded as deferred revenue. Accounts receivable are recorded for any tuition not yet received by the end of the semester.

Contract liabilities are shown as deferred revenue on the statement of financial position.

Promises to Give

Promises to give (outgoing) consists of a grant commitment to an organization under the Teaching Fellows program and is payable within one year.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses are summarized and categorized based upon their functional classification as either program or supporting services. Specific expenses that are readily identifiable to a single program or activity are charged directly to that function. Certain categories of expenses are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include compensation of officers and directors and CERGE-EI faculty and administrative support services, which are allocated on the basis of estimates of time and effort.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Tax Status

The Foundation is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code, as an organization described in Section 501(c)(3). The Foundation is not a private operating foundation.

Reclassifications

Certain items in the 2018 financial statements have been reclassified to conform to the 2019 presentation. Such reclassifications have no effect on the previously reported changes in net assets.

Subsequent Events

Subsequent events have been evaluated through August 1, 2020, the date the financial statements were available to be issued.

NOTE B - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2019 and 2018, comprise the following:

	2019	2018
Financial assets:		
Cash and cash equivalents	\$ 2,352,979	\$ 2,124,661
Accounts receivable	2,704	-
Grants receivable	34,276	156,649
Investments held for non-endowment	4,187,644	4,888,033
Investments held for endowment purposes	6,115,910	5,098,430
Total financial assets	12,693,513	12,267,773
Less financial assets held to meet donor-imposed restrictions:		
Purpose-restricted net assets	(894,799)	(734,173)
Donor-restricted endowment funds	(6,115,910)	(5,098,430)
Less board-designated funds	(188,480)	(172,810)
Available for general expenditures within one year	\$ 5,494,324	\$ 6,262,360

The above table reflects donor-restricted endowment funds as unavailable because it is the Foundation's intention to invest those resources for the long-term support of the Foundation. However, in the case of need, the Board of Directors could appropriate resources from the donor-restricted funds (\$6,115,910, of which \$3,862,330 is the original gift). Note G provides more information about those funds and about the spending policies for the endowment funds.

As part of its liquidity management plan, it invests cash in excess of daily requirements in certificates of deposit, mutual funds, and money market funds. Occasionally, the Board designates a portion of any operating surplus to its staff replacement reserve and video facility fund, which was \$188,480 and \$172,810 as of December 31, 2019 and 2018, respectively.

NOTE C - INVESTMENTS

FASB ASC 820 provides 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. 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 three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 – quoted prices in active markets for identical investments

Level 2 – other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)

Level 3 – significant unobservable inputs (including the Foundation's own assumptions in determining the fair value of investments)

NOTE C - INVESTMENTS, *continued*

Investments at December 31, 2019 and 2018 are classified in the following tables:

	2019			
	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Total
<u>Equity securities:</u>				
Mutual fund - foreign large cap value	\$ 2,054,044	\$ -	\$ -	\$ 2,054,044
Mutual fund - mid cap value	1,109,382	-	-	1,109,382
<u>Fixed income securities:</u>				
Mutual fund - corporate bond	2,014,164	-	-	2,014,164
<u>Money market funds:</u>				
US Money Market	3,133,149	-	-	3,133,149
Total assets in the fair value hierarchy	<u>\$ 8,310,739</u>	<u>\$ -</u>	<u>\$ -</u>	8,310,739
Investments measured at net asset value				<u>1,291,534</u>
Investments at fair value				9,602,273
Other investments - certificates of deposit				<u>701,281</u>
Total investments				<u>\$ 10,303,554</u>

	2018			
	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Total
<u>Equity securities:</u>				
Mutual fund - foreign large cap value	\$ 1,706,138	\$ -	\$ -	\$ 1,706,138
Mutual fund - mid cap value	856,429	-	-	856,429
<u>Fixed income securities:</u>				
Mutual fund - corporate bond	1,823,037	-	-	1,823,037
<u>Money market funds:</u>				
US Money Market	2,512,220	-	-	2,512,220
Total assets in the fair value hierarchy	<u>\$ 6,897,824</u>	<u>\$ -</u>	<u>\$ -</u>	6,897,824
Investments measured at net asset value				<u>1,135,794</u>
Investments at fair value				8,033,618
Other investments - certificates of deposit				<u>1,952,845</u>
Total investments				<u>\$ 9,986,463</u>

Investments Measured at Net Asset Value

Investments measured at net asset value consist entirely of the MLM US Focused Equity Fund, LLC at December 31, 2019 and 2018. Fair value of the MLM US Focused Equity Fund, LLC at December 31, 2019 and 2018 is calculated based on the value of the Foundation's Class C member capital account, as provided by the investment manager. The Foundation's investment in this LLC has certain redemption restrictions. A member may require the LLC to redeem his interest (in whole or in part) as of the last day of any month if written notice has been given to the managing member at least 30 days prior to the redemption date. There are no unfunded commitments in this investment.

MLM US Focused Equity Fund, LLC is a Delaware limited liability company with an investment objective of appreciation of its assets through trading. The LLC will trade pursuant to Mount Lucas Management Corporation's proprietary MLM Focused Equity Trading Program. The MLM US Focused Equity Trading Program is a concentrated equity model developed by Mount Lucas that selects stocks from the S&P 500. The model chooses stocks based on a combination of value fundamentals and price momentum criteria. The portfolio seeks to achieve returns over and above the S&P 500 with low trading costs.

NOTE C - INVESTMENTS, *continued*

Net Investment Return

The following schedules summarize the net investment return and its classification in the statements of activities for the years ended December 31:

	2019	
	Without Donor Restrictions	With Donor Restrictions
Dividends and interest	\$ 39,860	\$ 267,904
Unrealized gains / (losses)	13,729	749,576
Realized gains / (losses)	-	-
Total net investment return	\$ 53,589	\$ 1,017,480

	2018	
	Without Donor Restrictions	With Donor Restrictions
Dividends and interest	\$ 43,967	\$ 350,737
Unrealized gains / (losses)	(5,572)	(1,301,942)
Realized gains / (losses)	-	231,316
Total net investment return	\$ 38,395	\$ (719,889)

NOTE D - RISKS AND UNCERTAINTIES

The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of activities. The Foundation's investments other than marketable Certificates of Deposit are not covered by FDIC insurance.

NOTE E - BOARD DESIGNATED NET ASSETS

Board designated net assets at December 31 consist of the following designations:

	2019	2018
Staff replacement reserve	\$ 150,000	\$ 150,000
Video facility	38,480	22,810
Totals	\$ 188,480	\$ 172,810

NOTE F - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods:

	December 31,	
	2019	2018
Subject to expenditure for specified purpose:		
Regional Research Competition	\$ 87,515	\$ 87,515
Institute for Democracy & Economic Analysis	81,264	45,152
Teaching Fellows	716,558	592,126
USAID ASHA grant program	1,684	-
Other	7,778	9,380
	894,799	734,173
 Endowments:		
Subject to NFP endowment spending policy and appropriation:		
Citigroup Professorship Endowment	1,500,000	1,500,000
Citigroup Scholarship Endowment	1,000,000	1,000,000
Mellon Associate Professorship Endowment	1,000,000	1,000,000
Vannerson Scholarship Endowment	300,000	300,000
Svejnar-Terrell (teaching prize)	28,500	28,500
Jan Kmenta Library Fund	33,830	33,830
Accumulated investment return	3,085,580	2,068,100
Appropriation of endowment assets	(832,000)	(832,000)
Total endowments	6,115,910	5,098,430
	\$ 7,010,709	\$ 5,832,603

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended December 31, 2019 and 2018:

	2019	2018
Satisfaction of purpose restrictions		
Teaching Fellows	\$ 2,166,467	\$ 1,961,020
USAID ASHA grant program	215,788	210,700
Common Sense Economics project	1,250,000	-
Other	3,304	9,098
	\$ 3,635,559	\$ 2,180,818

NOTE G - ENDOWMENT

The Foundation’s endowment (the Endowment) consists of multiple individual funds established for a variety of purposes. Its endowment includes donor-restricted endowment funds to function as endowments. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Foundation has interpreted the relevant Pennsylvania and New Jersey law as requiring the preservation of the historical dollar value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At December 31, 2019 and 2018, there were no such donor stipulations. As a result of this interpretation, the Foundation retains in perpetuity (a) the original value of initial and subsequent gift amounts donated to the Endowment and (b) any accumulations to the Endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Foundation in a manner consistent with its spending policy. The Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

Endowment Composition by Type of Fund

The following schedule summarizes the endowment net asset composition by type of fund as of December 31, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 3,862,330	\$ 3,862,330
Accumulated investment gains	-	2,253,580	2,253,580
	\$ -	\$ 6,115,910	\$ 6,115,910

The following schedule summarizes the endowment net asset composition by type of fund as of December 31, 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 3,862,330	\$ 3,862,330
Accumulated investment gains	-	1,236,100	1,236,100
	\$ -	\$ 5,098,430	\$ 5,098,430

NOTE G - ENDOWMENT, *continued*

Change in Endowment Net Assets

The changes in endowment net assets for the year ended December 31, 2019 are presented in the following schedule:

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, beginning of year	\$ -	\$ 5,098,430	\$ 5,098,430
Contributions	-	-	-
Appropriation of endowment assets for expenditure	-	-	-
Dividends and interest	-	267,904	267,904
Net appreciation / (depreciation) (realized and unrealized)	-	749,576	749,576
Other changes	-	-	-
Net assets, end of year	<u>\$ -</u>	<u>\$ 6,115,910</u>	<u>\$ 6,115,910</u>

The changes in endowment net assets for the year ended December 31, 2018 are presented in the following schedule:

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, beginning of year	\$ -	\$ 5,817,269	\$ 5,817,269
Contributions	-	1,050	1,050
Appropriation of endowment assets for expenditure	-	-	-
Dividends and interest	-	350,737	350,737
Net appreciation / (depreciation) (realized and unrealized)	-	(1,070,626)	(1,070,626)
Other changes	-	-	-
Net assets, end of year	<u>\$ -</u>	<u>\$ 5,098,430</u>	<u>\$ 5,098,430</u>

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity.

Under this policy, as approved by the Board of Directors, the Foundation's goal is to earn a stable and predictable amount of current income from the endowment, while reinvesting additional interest in years when the Foundation's investments do well.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Pursuant to Board instructions, the Foundation reviews investment allocation annually or more often as conditions warrant.

NOTE G - ENDOWMENT, *continued*

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation annually transfers funds from its endowment to its general fund in an amount equal to 5% of at least the monthly average balance for the prior year. Transfers will not be made if doing so would bring the account value below the original endowment investment amount unless allowed under the terms of the gift. Also, the Board may reduce or increase this annual transfer if such a change is deemed to be in the best interests of the Foundation. No transfers were made in 2019 or 2018.

NOTE H - CONCENTRATIONS

Concentrations of Credit Risk

The Foundation maintains its cash balances in various banks. Cash and cash equivalents exceeding federally insured limits totaled approximately \$1,140,979 at December 31, 2019.

Promises to give (outgoing) at December 31, 2019 consists of a grant commitment to one nonprofit organization under the Teaching Fellows program.

Concentration of Funders

In 2019 and 2018, the Foundation received approximately 87% of its total grants and contributions from one donor.

NOTE I - RELATED PARTY TRANSACTIONS

In 2019 and 2018, some board members participated in the Foundation's grant-funded programs and received payment for these services. Payments to board members in 2019 and 2018 totaled \$152,722 and \$86,684, respectively.

Contributions from board members totaled \$58,769 and \$51,523 in 2019 and 2018, respectively.

NOTE J - SUBSEQUENT EVENTS

At the date of issuance of these financial statements, financial markets have experienced declines due to the coronavirus pandemic, affecting the value of the Foundation's investment portfolio. The ultimate effects of the pandemic on the Foundation's investments and revenue sources cannot be predicted.