



THE WALLACE FOUNDATION

Financial Statements

December 31, 2020 and 2019

(With Independent Auditors' Report Thereon)



KPMG LLP
345 Park Avenue
New York, NY 10154-0102

Independent Auditors' Report

The Board of Directors
The Wallace Foundation:

We have audited the accompanying financial statements of The Wallace Foundation, which comprise the balance sheets as of December 31, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; 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.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Wallace Foundation as of December 31, 2020 and 2019, and changes in its net assets and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

KPMG LLP

June 16, 2021

THE WALLACE FOUNDATION

Balance Sheets

December 31, 2020 and 2019

Assets	2020	2019
Cash and cash equivalents	\$ 18,729,715	22,037,104
Investments (note 4)	1,787,539,237	1,600,501,155
Other assets and receivables	1,041,564	3,024,918
Fixed assets, net (note 5)	8,638,537	9,082,248
Total assets	<u>\$ 1,815,949,053</u>	<u>1,634,645,425</u>
Liabilities and Net Assets		
Liabilities:		
Accrued expenses and other payables	\$ 2,099,650	3,704,127
Grants payable (note 6)	16,278,471	24,508,307
Deferred liabilities (note 7)	9,956,970	7,931,144
Total liabilities	28,335,091	36,143,578
Net assets – without donor restrictions	<u>1,787,613,962</u>	<u>1,598,501,847</u>
Total liabilities and net assets	<u>\$ 1,815,949,053</u>	<u>1,634,645,425</u>

See accompanying notes to financial statements.

THE WALLACE FOUNDATION

Statements of Activities

Years ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Investment return:		
Investment income	\$ 262,676,072	250,668,525
Less: investment expenses	<u>(5,039,363)</u>	<u>(3,483,588)</u>
Total investment return, net	<u>257,636,709</u>	<u>247,184,937</u>
Expenses:		
Grants and related activities	54,071,662	54,127,030
Operating expenses	<u>14,452,932</u>	<u>15,512,612</u>
Total expenses	<u>68,524,594</u>	<u>69,639,642</u>
Change in net assets	189,112,115	177,545,295
Net assets – without donor restrictions:		
Beginning of year	<u>1,598,501,847</u>	<u>1,420,956,552</u>
End of year	<u>\$ 1,787,613,962</u>	<u>1,598,501,847</u>

See accompanying notes to financial statements.

THE WALLACE FOUNDATION
 Statements of Functional Expenses
 Years ended December 31, 2020 and 2019

	2020			2019		
	Program	Supporting services	Total	Program	Supporting services	Total
Grants and related activities:						
Grants	\$ 47,201,142	—	47,201,142	44,485,317	—	44,485,317
Direct charitable activities	6,870,520	—	6,870,520	9,641,713	—	9,641,713
Total grants and related activities	<u>54,071,662</u>	<u>—</u>	<u>54,071,662</u>	<u>54,127,030</u>	<u>—</u>	<u>54,127,030</u>
Operating expenses:						
Salaries	4,653,230	3,219,892	7,873,122	4,863,383	3,026,898	7,890,281
Benefits	1,549,123	1,105,751	2,654,874	1,463,139	1,034,279	2,497,418
Consultants	164,506	573,714	738,220	415,105	256,063	671,168
Rent, net of amortization	803,827	684,742	1,488,569	1,097,160	970,565	2,067,725
Other occupancy costs	159,559	135,920	295,479	280,555	248,183	528,738
Information technology	253,103	206,459	459,562	257,279	227,263	484,542
Insurance	64,387	54,848	119,235	59,033	52,222	111,255
Travel and meetings	100,936	24,828	125,764	409,681	133,833	543,514
Subscription, dues and fees	12,285	11,276	23,562	12,360	11,690	24,050
Depreciation	364,255	310,291	674,545	169,640	150,066	319,706
Loss on disposal	—	—	—	198,563	175,652	374,215
Total operating expenses	<u>8,125,211</u>	<u>6,327,721</u>	<u>14,452,932</u>	<u>9,225,898</u>	<u>6,286,714</u>	<u>15,512,612</u>
Total expenses	<u>\$ 62,196,873</u>	<u>6,327,721</u>	<u>68,524,594</u>	<u>63,352,928</u>	<u>6,286,714</u>	<u>69,639,642</u>

See accompanying notes to financial statements.

THE WALLACE FOUNDATION

Statements of Cash Flows

Years ended December 31, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 189,112,115	177,545,295
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Unrealized (gains) on investments	(150,200,561)	(173,931,475)
Realized (gains) on investments	(106,565,980)	(65,846,107)
Depreciation	674,545	319,706
Loss on disposal	—	374,215
Changes in operating assets and liabilities:		
Other assets and receivables	1,983,354	(2,010,982)
Accrued expenses and other payables	(1,604,477)	1,019,508
Grants payable	(8,229,836)	(7,506,121)
Deferred liabilities	2,025,826	1,514,382
Net cash used in operating activities	<u>(72,805,014)</u>	<u>(68,521,579)</u>
Cash flows from investing activities:		
Sales of investments	384,561,652	309,221,767
Purchases of investments	(314,833,193)	(235,530,660)
Purchases of fixed assets	(230,834)	(8,350,400)
Net cash provided by investing activities	<u>69,497,625</u>	<u>65,340,707</u>
Net (decrease) in cash equivalents and cash	(3,307,389)	(3,180,872)
Cash equivalents and cash at beginning of year	<u>22,037,104</u>	<u>25,217,976</u>
Cash equivalents and cash at end of year	<u>\$ 18,729,715</u>	<u>22,037,104</u>
Supplemental disclosure of noncash investing activities:		
Increase in accounts payable related to fixed assets	\$ —	390,977
Supplemental disclosure of cash flow information:		
Cash paid for excise taxes	\$ 1,266,000	760,000

See accompanying notes to financial statements.

THE WALLACE FOUNDATION

Notes to Financial Statements

December 31, 2020 and 2019

(1) Nature of Operations

The Wallace Foundation (the Foundation) is the philanthropic legacy of DeWitt and Lila Acheson Wallace, the co-founders of *Reader's Digest*. Our mission is to foster equity and improvements in learning and enrichment for young people, and in the arts for everyone. As stewards of limited resources, we seek to maximize the benefits derived from our grant dollars, so that they have an impact beyond the services we can fund directly. Our approach is to look for opportunities to develop important new insights and evidence in our areas of interest; fund real world tests of innovative concepts; and then disseminate what we have learned nationally to policymakers and those who work on the ground providing services. As a result, in addition to funding the direct delivery of services to the intended beneficiaries and capacity building for grantees, we gather and publish insights useful to policymakers and those who work in fields where we focus our philanthropy: afterschool, arts education, building audiences for the arts, school leadership, social and emotional learning, and summer learning.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The accounts of the Foundation are maintained on the accrual basis of accounting and in conformity with U.S. generally accepted accounting principles (GAAP).

The classification of the Foundation's revenue and gains (losses), is based on the existence or absence of donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restriction. U.S. GAAP requires that the amounts of each class of net assets, without donor restriction and with donor restriction, to be displayed in the balance sheets and that the amounts of change in each of those classes of net assets be displayed in the statements of activities.

These classes are defined as follows:

Net assets without donor restrictions – Net assets which are not subject to donor-imposed stipulations or the restrictions have expired and/or have been satisfied.

Net assets with donor restrictions – Net assets which are subject to donor-imposed stipulations that can be fulfilled by actions of the Foundation or that expire by the passage of time.

The Foundation does not have any donor restricted net assets as of December 31, 2020 or 2019.

(b) Income Taxes

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (the Code) and is a private foundation as defined in Section 509(a) of the Code. As required by the Code, the Foundation distributes annually at least 5% of the monthly average of the fair market value of its assets no later than the 12-month period following the end of its fiscal year.

The Foundation recognizes the effects of income tax positions only if those positions are more likely than not to be sustained in the future. The Foundation has concluded that there were no uncertainties to disclose.

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Notes to Financial Statements

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(c) Fair Value Measurements

Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The fair value hierarchy maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. The Foundation uses three levels of inputs to measure fair value:

Level 1: Quoted or published prices in active markets for identical assets. Level 1 assets include debt and equity securities that are traded or published in an active exchange market.

Level 2: Observable inputs other than Level 1 prices such as quoted or published prices for similar assets; prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset. Level 3 assets include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

The classification of investments in the fair value hierarchy is not necessarily an indication of the risks, liquidity, or degree of difficulty in estimating the fair value of each investment's underlying assets and liabilities.

Fair value estimates are made at a specific point in time, based on available market information and judgments about the financial instrument, including estimates of timing, amount of expected future cash flows, and the credit standing of the issuer. In some cases, the fair value estimates cannot be substantiated by comparison to independent markets. In addition, the disclosed fair value may not be realized in the immediate settlement of the financial asset. The disclosed fair values do not reflect any premium or discount that could result from offering for sale at one time an entire holding of a particular financial asset.

Potential taxes and other expenses that would be incurred in an actual sale or settlement are not reflected in amounts disclosed.

(d) Investments

Investments in equity securities with readily determinable fair values are reported at fair value based on quoted market prices or published net asset value (NAV). Investments in debt securities are measured using quoted market prices where available. If quoted market prices for debt securities are not available, the fair value is determined using an income approach valuation technique that considers, among other things, rates currently observed in publicly traded markets for debt of similar terms to companies with comparable credit risk, the issuer's credit spread, and illiquidity by sector and maturity.

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The Foundation follows the accounting standards of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Subtopic 820-10-35-59, *Fair Value Measurement and Disclosures – Fair Value Measurements of Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*. This allows for the estimation of the fair value of investments in investment companies for which the investment does not have a readily determinable fair value using NAV per share or its equivalent. Those estimated fair values may differ significantly from the values that would have been used had a ready market for these securities existed.

(e) Fixed Assets

Fixed assets consist of furniture, fixtures, equipment, and leasehold improvements. All assets are depreciated on a straight-line basis over the estimated useful lives of the assets. Computers are depreciated over 3 years, office equipment is depreciated over 5 years, and furniture and fixtures are depreciated over 15 years. Leasehold improvements are depreciated over the life of the lease or the estimated life of the leasehold improvement, whichever is shorter.

(f) Grants

Grant expense are reported as an expense and liability of the Foundation when approved by the Foundation's board of directors or the president, under authority delegated by the board of directors, and upon receipt of an acknowledgement of terms, provided the grant is not subject to future conditions. Grants payable that are expected to be paid in future years are recorded at the present value of expected future payments. A grant is conditional if the agreement includes both a barrier that must be overcome for the recipient to be entitled to the assets transferred and a right of return for the transferred assets or a right of release of the promisor's obligation to transfer assets. Conditional grants are recognized as grant expense and as a grant payable in the period in which the grantee meets the terms of the barriers.

(g) Cash Equivalents

Cash equivalents represent short-term investments with original maturities of three months or less at the time of purchase, except for those short-term investments managed by the Foundation's investment managers as part of their long-term investment strategies.

(h) Use of Estimates

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

(i) Natural and Functional Classifications of Expenses

Program expenses pertain to grant making activities such as program design, proposal review, awarding and monitoring, evaluation, and knowledge dissemination. Direct charitable expenses pertain to charitable activities for the benefit of others initiated and conducted, in whole or in part, by the Foundation. Supporting service expenses include costs related to managing the Foundation. Investment expenses reported on the statements of activities excludes certain investment manager fees which are recorded net of investment income on the statements of activities. Investment expenses

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that are not directly attributable to investment strategy, including staff costs for investment recordkeeping and office costs, are included within supporting services. Certain operating costs have been allocated, based on headcount, among the program and supporting services benefited.

(j) New Accounting Pronouncements

In 2020, the Foundation adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities - Clarifying the Scope of the Accounting Guidance for Contributions Received and Contributions Made*. This update helps an entity evaluate whether it should account for a grant (or similar transaction) as a contribution or as an exchange transaction. The update also clarifies and expands the criteria for determining whether a contribution is conditional, which may delay recognition of contribution revenue (recipient) or expenses (resource provider). This adoption did not have a significant impact on the financial statements.

(k) Implications of COVID-19 on Operations

The Foundation has continued its operations, including its grantmaking programs, while working remotely due to the mandated economic shutdown instituted during 2020.

(3) Liquidity and Availability of Resources

The Foundation monitors the liquidity required to meet its grants, committed contracts and operating expenses on a regular basis while also seeking to generate favorable risk-adjusted returns from its investments. The Foundation's liquidity monitoring focuses on ensuring that sufficient liquidity, including cash and cash equivalents and investments convertible to cash in the next 12 months, is available to meet projected spending based on the Foundation's projected payouts for grants and operating expenses. Despite the large amount of available liquid assets, the Foundation anticipates expenditures to remain consistent and not exceed what is required to support and meet its mandated distribution requirements.

The following table represents the Foundation's financial assets available for general expenditure, without restrictions limiting their use, within one year of the balance sheet date of December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 18,729,715	22,037,104
Investments convertible to cash in the next 12 months	1,313,467,766	1,222,173,181
Receivables for investments sold, net	<u>2,852,809</u>	<u>1,426,584</u>
	<u>\$ 1,335,050,290</u>	<u>1,245,636,869</u>

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Notes to Financial Statements

December 31, 2020 and 2019

(4) Investments

(a) Fair Value Hierarchy

The following tables present the Foundation's fair value hierarchy for investments, the only financial instruments measured at fair value on an annual basis, as of December 31, 2020 and 2019. Investments measured using the NAV per share practical expedient are included in the total fair value column only and are not disclosed within the fair value hierarchy levels:

	2020			
	Total fair value	Level 1	Level 2	Level 3
Market stocks:				
Commingled stock funds				
United States	\$ 170,255,939	170,255,939	—	—
Global	152,826,685	152,826,685	—	—
Developed market	58,137,738	58,137,738	—	—
Emerging market	77,584,180	77,584,180	—	—
	<u>458,804,542</u>	<u>458,804,542</u>	<u>—</u>	<u>—</u>
Market stock total	<u>458,804,542</u>	<u>458,804,542</u>	<u>—</u>	<u>—</u>
Fixed income:				
Direct ownership				
United States government/agency	85,113,465	—	85,113,465	—
Mutual funds:				
Global credit	65,008,581	65,008,581	—	—
Cash equivalent	5,098,974	5,098,974	—	—
	<u>155,221,020</u>	<u>70,107,555</u>	<u>85,113,465</u>	<u>—</u>

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Notes to Financial Statements

December 31, 2020 and 2019

	2020			
	<u>Total fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Other:				
Short-term investments	\$ 8,166,646	8,166,646	—	—
Equity holdings	3,279,251	3,279,251	—	—
Receivables for investments sold, net	2,852,809	2,852,809	—	—
Total	<u>628,324,268</u>	<u>543,210,803</u>	<u>85,113,465</u>	<u>—</u>
Investments measured using net asset value (or its equivalent):				
Market stocks:				
United States	129,949,498			
Global	61,187,734			
Developed market	77,882,455			
Emerging market	55,107,279			
Special equity:				
Biotech	68,012,266			
Public energy fund	20,704,657			
Hedge funds:				
Multistrategy	37,250,226			
Long/short equity	200,879,075			
Credit	53,015,498			
Private assets	380,100,795			
Stable return:				
Global macro systematic	27,441,788			
Relative value	<u>47,683,698</u>			
Total investments using net asset value	<u>1,159,214,969</u>			
Total investments	<u>\$ 1,787,539,237</u>			

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Notes to Financial Statements

December 31, 2020 and 2019

	2019			
	<u>Total fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Market stocks:				
Commingled stock funds				
United States	\$ 167,031,298	167,031,298	—	—
Global	125,318,137	125,318,137	—	—
Developed market	71,612,423	71,612,423	—	—
Emerging market	65,754,735	65,754,735	—	—
	<u>429,716,593</u>	<u>429,716,593</u>	<u>—</u>	<u>—</u>
Market stock total	<u>429,716,593</u>	<u>429,716,593</u>	<u>—</u>	<u>—</u>
Fixed income:				
Direct ownership				
United States government/agency	79,262,799	—	79,262,799	—
Mutual funds:				
Global credit	92,849,668	92,849,668	—	—
Cash equivalent	39,297,422	39,297,422	—	—
Fixed income total	<u>211,409,889</u>	<u>132,147,090</u>	<u>79,262,799</u>	<u>—</u>
Other:				
Short-term investments	10,759,190	10,759,190	—	—
Receivables for investments sold, net	1,426,584	1,426,584	—	—
Total	<u>653,312,256</u>	<u>\$ 574,049,457</u>	<u>79,262,799</u>	<u>—</u>
Investments measured using net asset value (or its equivalent):				
Market stocks:				
United States	26,326,006			
Global	50,826,724			
Developed market	79,237,661			
Emerging market	67,096,369			
Special equity:				
Biotech	45,643,677			
Public energy fund	24,898,528			
Hedge funds:				
Multistrategy	37,612,741			
Long/short equity	181,667,031			
Credit	63,141,983			

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Notes to Financial Statements

December 31, 2020 and 2019

	2019			
	<u>Total fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Private assets	\$ 303,324,498			
Stable return:				
Global macro systematic	26,413,472			
Relative value	<u>41,000,209</u>			
Total investments using net asset value	<u>947,188,899</u>			
Total investments	<u>\$ 1,600,501,155</u>			

Short-term investments include money market funds and U.S. government securities managed by the Foundation's investment managers as part of their long-term investment strategies.

The Foundation did not have any Level 3 investments in 2020 or 2019.

The Foundation recognizes transfers between levels of the fair value hierarchy on the date of the event or change in circumstance that caused the transfer. There were no transfers among Levels 1, 2 or 3 during the years ended December 31, 2020 and 2019.

(b) Strategies of Commingled Stock, Hedge Fund, and Private Asset Funds

The following tables list the investment strategies, redemption terms, and assets for market stocks, special equity, hedge, and private asset funds measured at fair value using net asset value (or its equivalents) as of December 31, 2020 and 2019:

	2020			
	<u>Total fair value</u>	<u>Unfunded commitments</u>	<u>Redemption dates per year</u>	<u>Redemption notice period</u>
Market stocks:				
Commingled funds:				
United States	\$ 129,949,498	—	Quarterly	60 days
Global	61,187,734	—	Quarterly	30 days
Developed market	77,882,455	—	Quarterly/Annually (with lock-up until September 2021)	30/90 days
Emerging market	55,107,279	19,195,557	Bi-Annually (with lock-up until June 2023) Daily	60 days 30 days
Total	<u>324,126,966</u>	<u>19,195,557</u>		

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	2020			
	<u>Total fair value</u>	<u>Unfunded commitments</u>	<u>Redemption dates per year</u>	<u>Redemption notice period</u>
Special equity:				
Biotech funds	\$ 68,012,266	2,143,882	Biennial	90 days
Public energy funds	<u>20,704,657</u>	<u>—</u>	Quarterly	60 days
Total	<u>88,716,923</u>	<u>2,143,882</u>		
Hedge funds:				
Multistrategy	37,250,226	—	Semi-Annually	60/90 days
Long/short equity	200,879,075	—	Quarterly/Annually	45 days
Credit	<u>53,015,498</u>	<u>10,000,000</u>	None	N/A
Total	<u>291,144,799</u>	<u>10,000,000</u>		
Private assets:				
Private equity funds	334,744,659	156,308,842	None	N/A
Private energy funds	39,631,287	19,322,235	None	N/A
Private real estate funds	<u>5,724,849</u>	<u>1,943,573</u>	None	N/A
Total	<u>380,100,795</u>	<u>177,574,650</u>		
Stable return:				
Global macro systematic	27,441,788	—	Monthly	5 days
Relative value	<u>47,683,698</u>	<u>—</u>	Quarterly	65 days
Total	<u>75,125,486</u>	<u>—</u>		
Total	<u>\$ 1,159,214,969</u>	<u>208,914,089</u>		

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2019				
	<u>Total fair value</u>	<u>Unfunded commitments</u>	<u>Redemption dates per year</u>	<u>Redemption notice period</u>
Market stocks:				
Commingled funds:				
United States	\$ 26,326,006	—	Quarterly	60 days
Global	50,826,724	—	Quarterly (with lock-up until December 2020)	30 days
Developed market	79,237,661	—	Monthly	6 days
Emerging market	67,096,369	—	Daily	30 days
Total	<u>223,486,760</u>	<u>—</u>		
Special equity:				
Biotech funds	45,643,677	—	Biennial	90 days
Public energy funds	24,898,528	—	Quarterly	60 days
Total	<u>70,542,205</u>	<u>—</u>		
Hedge funds:				
Multistrategy	37,612,741	—	Semi-Annually	60/90 days
Long/short equity	181,667,031	—	Quarterly/Annually	45 days
Credit	63,141,983	18,000,000	None	N/A
Total	<u>282,421,755</u>	<u>18,000,000</u>		
Private assets:				
Private equity funds	246,706,796	122,430,436	None	N/A
Private energy funds	50,008,774	22,306,483	None	N/A
Private real estate funds	6,608,928	1,943,573	None	N/A
Total	<u>303,324,498</u>	<u>146,680,492</u>		
Stable return:				
Global macro systematic	26,413,472	—	Monthly	5 days
Relative value	41,000,209	—	Quarterly	65 days
Total	<u>67,413,681</u>	<u>—</u>		
Total	<u>\$ 947,188,899</u>	<u>164,680,492</u>		

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Notes to Financial Statements

December 31, 2020 and 2019

The following provides details for the investment strategies as of December 31, 2020 listed above:

(i) *Market Stocks*

Commingled Stock Funds

This includes \$324.1 million invested in eight funds that invest in publicly traded common stock.

(ii) *Special Equity*

Biotech

This includes \$68 million invested in a fund that invests on a global basis in the publicly traded common stock of biotech and life science companies.

Public Energy Fund

This includes \$20.7 million invested in a fund that invests on a global basis in the publicly traded common stock of energy companies.

(iii) *Hedge Funds*

Multistrategy

This consists of \$37.3 million invested in two hedge funds, of which \$28.8 million is redeemable by the Foundation semi-annually and the remaining \$8.5 million is invested in several mature private partnership interests that are expected to be sold by the managers as opportunities arise over the next five years and the proceeds will be distributed to the Foundation and other investors. The Foundation does not invest in new private partnership investments offered by these managers. These hedge funds invest in equity, fixed income, and derivative investments and vary their investment strategies in response to changing market opportunities. As of December 31, 2020, the Foundation's combined investments in these funds included 7.6% equity strategies, 12.7% credit strategies, 26.4% private investments and 53.3% cash.

Long/Short Equity

This includes \$200.9 million invested in four hedge funds that invest in publicly traded equity securities using a combination of long and short positions.

Credit

This consists of \$53 million invested in four hedge funds with structures similar to private equity that make distributions to investors at the manager's discretion and are expected to fully distribute their assets over the next four to eight years approximately. These funds invest in publicly traded and private debt securities purchased at discounts to par value.

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(iv) *Private Assets*

Private Equity Funds

This includes \$334.7 million invested in 50 funds that make distributions to investors at the managers' discretion and are expected to fully distribute their assets over the next 10 years approximately. As of December 31, 2020, the Foundation's combined investments in these funds includes 3% in six primary funds of funds that invest in a diversified portfolio of buyout and venture capital funds, 16% in thirteen secondary funds of funds that purchase interests in buyout and venture capital funds on a secondary basis at discounts to NAV, 26% in thirteen venture capital funds that invest directly in technology and media companies, and 55% in eighteen buyout funds that invest in specific sectors.

Private Energy Funds

This consists of \$39.6 million in twelve funds that make distributions to investors at the managers' discretion and are expected to fully distribute their assets over the next 10 years approximately. As of December 31, 2020, the Foundation's combined investments in these funds included 6% in three private energy funds of funds that invest in diversified portfolios of direct private energy funds and 94% in eight direct private energy funds that invest in companies that acquire or develop natural resource reserves, power generation facilities, and energy infrastructure assets.

Private Real Estate Funds

This includes \$5.7 million invested in two funds that make distributions to investors at the managers' discretion and are expected to fully distribute their assets over the next 10 years approximately. These funds invest directly in real estate properties that are not traded on public markets.

(v) *Stable Return*

Global Macro Systematic

This includes \$27.4 million invested in a hedge fund that invests in strategies that rely on mathematical, algorithmic models that analyze movements in global economic variables or prices. Some of these models seek to predict the impact of these variables on equity, fixed income, currency and commodity markets. Other models seek to identify trends in prices.

Relative Value

This includes \$47.7 million invested in a hedge fund that invests in a range of strategies that analyze spreads between securities that share financial and economic characteristics to identify deviations from historical relationships. These investments benefit when discrepancies in these spreads are recognized by the market.

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(5) Fixed Assets, Net

At December 31, 2020 and 2019, fixed assets are comprised of the following:

	2020	2019
Furniture and fixtures	\$ 1,000,993	1,000,993
Computer hardware	291,121	291,445
Equipment	50,289	50,289
Leasehold improvements	7,927,762	7,706,922
Artwork	104,613	104,613
	9,374,778	9,154,262
Less: accumulated depreciation	(736,241)	(72,014)
	\$ 8,638,537	9,082,248

Depreciation expense for fixed assets for the years ended December 31, 2020 and 2019 was \$674,545 and \$319,706, respectively.

(6) Grants Payable

At December 31, 2020 and 2019, non-conditional grants scheduled to be paid in future years are as follows:

	2020	2019
Year:		
2020	\$ —	19,590,381
2021	11,105,349	3,780,753
2022	4,876,188	1,400,000
2023	384,763	—
	16,366,300	24,771,134
Discount to present value (based on interest rates from 0.10% to 2.66% and 1.18% to 2.66% for 2020 and 2019, respectively)	(87,829)	(262,827)
	\$ 16,278,471	24,508,307

At December 31, 2020, the value of conditional grants totaled \$4,564,102, which have not been recorded in the financial statements as they have not met the criteria for expense recognition at December 31, 2020. The Foundation expects such amounts to be recognized as grant when the expense recognition criteria is met.

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(7) Deferred Liabilities

At December 31, 2020 and 2019, deferred liabilities consisted of the following:

	2020	2019
Federal excise tax (note 8)	\$ 8,595,690	6,535,720
Landlord incentives	1,361,280	1,395,424
	\$ 9,956,970	7,931,144

(8) Federal Excise Tax

Due to recent changes in tax law, under Section 4940(a) of the Code, as a private foundation, the Foundation is subject to a federal excise tax equal to 1.39% of its net investment income for tax purposes. The Foundation's current federal excise taxes for the year ended December 31, 2020 and December 31, 2019 were \$1,033,950 and \$523,717, respectively.

The Foundation records a liability for deferred federal excise tax at the 1.39% rate on the total unrealized appreciation in the fair value of investments. The federal excise tax will be paid as realized gains are reported for tax purposes. The unrealized gains/(losses) on investments are reported net of the deferred federal excise tax expense of \$2,059,970 and \$780,930 for the years ended December 31, 2020 and 2019, respectively, on the statements of activities.

(9) Lease Commitments

In December 2018, the Foundation entered into a lease agreement, expiring in 2035, for new office space.

The Foundation's contractual lease commitments are as follows:

Year:		
2021	\$	1,588,000
2022		1,588,000
2023		1,588,000
2024		1,642,000
2025		1,719,000
2026 and beyond		16,334,000
	\$	24,459,000

During the years ended December 31, 2020 and 2019, rent expense, including escalations, was \$1,488,569 and \$2,067,725, respectively.

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(10) Pension Plans

The Foundation provides a defined-contribution retirement plan for all eligible employees, whereby the Foundation contributes 15% of a participant's eligible earnings on an annual basis. In addition, the Foundation provides a supplemental executive retirement plan for the benefit of certain eligible employees. Total pension expense for the years ended December 31, 2020 and 2019 was \$1,479,588 and \$1,318,567, respectively.

(11) Subsequent Events

The Foundation evaluated events subsequent to the balance sheet date of December 31, 2020 through June 16, 2021, which was the date the financial statements were available to be issued. There were no subsequent events of which management is aware, that would require recognition or additional disclosure in the Foundation's financial statements.