NORTHWEST AREA FOUNDATION
(A MINNESOTA PRIVATE NONPROFIT CORPORATION)

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

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(A MINNESOTA PRIVATE NONPROFIT CORPORATION)
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CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Northwest Area Foundation
St. Paul, Minnesota

We have audited the accompanying financial statements of Northwest Area Foundation (the Foundation), a Minnesota nonprofit corporation, which comprise the statements of financial position as of December 31, 2020 and 2019, the related statements of activities and change in net assets, 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.

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 Foundation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

CliftonLarsonAllen LLP

Minneapolis, Minnesota
August 11, 2021

NORTHWEST AREA FOUNDATION
(A MINNESOTA PRIVATE NONPROFIT CORPORATION)
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019

	2020	2019
ASSETS		
Grants Receivable	$ 150,000	$ 200,000
Receivable for Securities with Settlements Pending	5,000,000	4,083,631
Accrued Investment Income	2,052	426,466
Investments	494,844,177	460,651,311
Program-Related Investments	12,284,612	10,262,908
Other Assets	184,836	186,825
Prepaid Excise Tax	-	252,776
Fixed Assets	289,330	385,299
Total Assets	$ 512,755,007	$ 476,449,216
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Other Liabilities	$ 438,223	$ 529,451
Payables for Securities with Settlements Pending	7,630	442,241
Unpaid Grant Commitments	6,793,614	6,397,110
Leasehold Incentives	86,157	117,488
Deferred Taxes	2,053,991	1,607,033
Total Liabilities	9,379,615	9,093,323
NET ASSETS		
Without Donor Restrictions	493,051,098	457,031,599
With Donor Restrictions	10,324,294	10,324,294
Total Net Assets	503,375,392	467,355,893
Total Liabilities and Net Assets	$ 512,755,007	$ 476,449,216

See accompanying Notes to Financial Statements.

NORTHWEST AREA FOUNDATION
(A MINNESOTA PRIVATE NONPROFIT CORPORATION)
STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS
YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES						
Contribution Revenue	$ 633,000	$ -	$ 633,000	$ 617,000	$ -	$ 617,000
Dividends and Interest	4,096,770	-	4,096,770	6,625,359	-	6,625,359
Realized Gains on Investments	33,365,046	-	33,365,046	7,826,902	-	7,826,902
Unrealized Gains on Investments	31,753,481	-	31,753,481	60,567,625	-	60,567,625
Less: Investment and Related Fees	(8,192,194)	-	(8,192,194)	(6,642,771)	-	(6,642,771)
Other	50,000	-	50,000	-	-	-
Total Revenues	61,706,103	-	61,706,103	68,994,115	-	68,994,115
EXPENSES						
Program:						
Grants Appropriated, Net of Cancellations and Refunds	19,293,752	-	19,293,752	16,261,417	-	16,261,417
Other Program Expenses	2,703,965	-	2,703,965	3,164,707	-	3,164,707
Administrative:						
Management and General Expenses	2,878,830	-	2,878,830	3,101,156	-	3,101,156
Federal Excise Tax and UBIT Provision	810,057	-	810,057	935,935	-	935,935
Total Expenses	25,686,604	-	25,686,604	23,463,215	-	23,463,215
CHANGE IN NET ASSETS	36,019,499	-	36,019,499	45,530,900	-	45,530,900
Net Assets - Beginning of Year	457,031,599	10,324,294	467,355,893	411,500,699	10,324,294	421,824,993
NET ASSETS - END OF YEAR	$ 493,051,098	$ 10,324,294	$ 503,375,392	$ 457,031,599	$ 10,324,294	$ 467,355,893

See accompanying Notes to Financial Statements.

NORTHWEST AREA FOUNDATION
(A MINNESOTA PRIVATE NONPROFIT CORPORATION)
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020			2019		
	Program Activities	Management and General	Total	Program Activities	Management and General	Total
Grants	$ 19,293,752	$ -	$ 19,293,752	$ 16,261,417	$ -	$ 16,261,417
Salaries and Benefits	2,060,995	1,947,368	4,008,363	2,090,948	1,889,384	3,980,332
Professional Services	336,979	390,707	727,686	674,741	372,543	1,047,284
Excise and Income Taxes	-	810,057	810,057	-	935,935	935,935
Depreciation	-	106,449	106,449	-	100,153	100,153
Occupancy and Other Office Expenses	287,678	385,403	673,081	295,609	390,855	686,464
Travel and Meeting Expenses	17,415	35,313	52,728	101,960	181,938	283,898
Miscellaneous Expense	898	13,590	14,488	1,449	166,283	167,732
Total Expenses	$ 21,997,717	$ 3,688,887	$ 25,686,604	$ 19,426,124	$ 4,037,091	$ 23,463,215

See accompanying Notes to Financial Statements.

NORTHWEST AREA FOUNDATION
(A MINNESOTA PRIVATE NONPROFIT CORPORATION)
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Contributions	$ 683,000	$ 992,000
Cash Received from Dividends and Interest	4,235,182	6,124,984
Cash Received from Program Related Investments	14,298	151,332
Cash Received from Insurance Proceeds	50,000	-
Cash Paid for Grants	(18,897,248)	(16,390,518)
Cash Paid for Program Related Investments	(1,750,000)	(4,075,000)
Cash Paid to Vendors and Employees	(5,590,752)	(5,969,533)
Cash Paid for Investment Fees and Related Expenses	(1,171,108)	(1,885,216)
Cash Paid for Excise and Income Taxes	(110,323)	(707,991)
Net Cash Used by Operating Activities	(22,536,951)	(21,759,942)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales of Investments	220,857,127	189,651,260
Purchases of Investments	(198,278,365)	(168,146,139)
Purchases of Leasehold Improvements, Furniture, and Equipment	(41,811)	(61,413)
Net Cash Provided by Investing Activities	22,536,951	21,443,708
DECREASE IN CASH	-	(316,234)
Cash - Beginning of Year	-	316,234
CASH - END OF YEAR	$ -	$ -
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Supplemental Disclosure of Noncash Investing Transactions:		
Change in Receivable for Securities with Settlements Pending	$ 916,369	$ 1,363,086
Change in Payable for Securities with Settlements Pending	$ (434,611)	$ 442,241

See accompanying Notes to Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Northwest Area Foundation (the Foundation) is a private foundation incorporated under the laws of the state of Minnesota. Founded in 1934 and based in St. Paul, Minnesota, the Foundation supports organizations building equitable economies, where prosperity is defined by local communities and shared by all – with good jobs, thriving businesses, and vibrant cultures. Its grantees are resourceful problem solvers working in resilient communities that have a wealth of wisdom, passion, and expertise – Native Americans, communities of color, immigrants and refugees, and people in rural areas. The Foundation's region includes the eight states of Minnesota, Iowa, North Dakota, South Dakota, Montana, Idaho, Washington, and Oregon, and more than 76 Native nations. For more information, please visit www.nwaf.org.

The Foundation was formed beginning in 1934 through the donation of three gifts totaling $10,324,294. The amount is preserved in net assets with donor restrictions. As a result, the Foundation as a whole functions as an endowment.

Basis of Presentation

In the financial statements, net assets that have similar characteristics have been combined into categories as follows:

Net Assets without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations.

Net Assets with Donor Restrictions – Net assets subject to donor-imposed stipulations to be held in perpetuity by the Foundation. The donors of these assets permit the Foundation to use all of the income earned on these investments.

Uniform Prudent Management of Institutional Funds Act

Background

In August 2008, the state of Minnesota enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) replacing the previous Uniform Management of Institutional Funds Act (UMIFA). Under UMIFA, spending below the historic-dollar-value of an endowment was not permitted. Under UPMIFA, the historic-dollar-value threshold is eliminated, and the governing board has discretion to continue a prudent payout amount of a donor-restricted endowment even if the market value of the fund is below historic dollar value, with the expectation that, over time, the donor-restricted amount will remain intact.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Uniform Prudent Management of Institutional Funds Act (Continued)

Interpretation of Relevant Law

In approving endowment, spending, and related policies, as part of the prudent and diligent discharge of its duties, the board of directors of the Northwest Area Foundation has relied upon the actions, reports, information, advice, and counsel taken or provided by its duly constituted committees, the duly appointed officers of the Northwest Area Foundation, and legal counsel, and in doing so has interpreted the law to require the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor direction to the contrary.

As a result of this interpretation, the Foundation classifies as net assets with donor restrictions (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made to the fund in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Return Objectives and Risk Parameters and Strategies

The Foundation's Investment Policy Statement indicates that the Foundation will invest its portfolio in a diverse set of asset classes, aiming to achieve a rate of return sufficient to provide for charitable distribution and operating expenses. The portfolio also aims to maintain its purchasing power over time as measured by the Consumer Price Index (CPI). In order to do so and to meet its obligation to exist in perpetuity, the total return of the fund is targeted to be at least 6% plus CPI over a rolling 10-year period.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a spending policy that states each fiscal year annual budget shall be no more than 5% of the historic, rolling average value of total assets as calculated on a quarterly basis over the most recent five-year period of time. The purpose of this policy is to ensure that the Foundation is spending its assets in a fiscally responsible manner and one that will allow it to fulfill the mission of the organization. The spending policy does allow the Foundation to exceed the 5% policy amount if needed in order to meet qualified minimum distribution requirements. The spending policy also addresses other goals of the Foundation including assuring that the Foundation will exist in perpetuity as required by the Last Will and Testament of Louis W. Hill and complying with the requirements of the Uniform Prudent Management of Institutional Funds Act (UPMIFA).

Cash

Cash represents funds held for use in the operations of the Foundation. As of December 31, 2020 and 2019, the Foundation's cash consisted entirely of temporary cash investments held by investment managers, which are classified as a component of investments on the statements of financial position. At times, cash at financial institutions may be in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limit.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

The Foundation's investment portfolio is structured to provide a sufficient level of investment return while maintaining prudent levels of risk, liquidity, and diversification. Investments are stated at fair value. The fair value of publicly traded securities is based upon quoted market prices and net asset values. For other securities, for which no such quotations or valuations are readily available, fair value is estimated using values provided by external investment managers. These funds 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 and operating results.

The Foundation may also be invested in fixed income securities that are not actively traded and as such quoted market prices may not be available. These investments are priced using the estimates provided by investment managers. The Foundation believes that these valuations are a reasonable estimate of fair value as of December 31, 2020 and 2019, but are subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investments existed.

Receivables and payables with settlements pending arise out of the ordinary course of purchases and sales within the Foundation's investment portfolio. These items are short-term in nature and are settled in the next year.

The Foundation invests in a variety of investment vehicles. 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 amounts reported in the statements of financial position.

Changes in fair value are recorded as unrealized gains or losses in the period of change. Realized gains and losses on sales of securities are generally determined using the average cost method.

Derivative Financial Instruments

The Foundation uses derivatives principally to manage portfolio exposures and risk in the Foundation's investment holdings. As part of the Foundation's liquidity and risk management strategy the Foundation may use derivatives to protect the fair value of investments in the portfolio or the anticipated cash flows associated with the forecasted purchases and sales of certain investments. Derivatives may also be used to maintain targeted asset allocation.

Derivative instruments are measured at fair value and reported as assets or liabilities in the statements of financial position. Changes in the fair value of derivatives during the year are reported in the statements of activities.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derivative Financial Instruments (Continued)

As of December 31, 2020, the Foundation had 217 contracts outstanding and contract exposure amounts of $27,082,717 of long positions in equity index futures, 60 contracts outstanding and contract exposure amounts of $8,846,203 of long positions in fixed income futures, two contracts outstanding and contract exposure amounts of $156,680 of long positions in currency futures, and 10 contracts outstanding and contract exposure amounts of $1,023,125 of short positions in commodity futures.

As of December 31, 2019, the Foundation had 94 contracts outstanding and contract exposure amounts of $10,718,845 of long positions in equity index futures, 35 contracts outstanding and contract exposure amounts of $4,850,266 of long positions in fixed income futures, and 39 contracts outstanding and contract exposure amounts of $4,249,538 of short positions in commodity futures.

Net realized and unrealized gains of approximately $9,890,885 and $4,901,078 were recognized for the years ending December 31, 2020 and 2019, respectively.

Program-Related Investments

Program-related investments consist of debt and equity positions in organizations that conduct activities that fulfill the charitable purposes of the Foundation. Program-related investments are initially recorded on the statements of financial position at cost when approved. Uncollected interest earned on program-related investments with a debt position is recorded as earned and included in the investment account. These investments are recoverable over periods ranging up to 15 years. Should the borrower fail to make progress toward their program goals, the Foundation can require repayment. In the event that a program-related investment is subsequently determined to be uncollectible or the value is permanently impaired, the Foundation may record the uncollectible amount as a grant appropriation or record an impairment reserve.

Accrued Investment Income

Accrued investment income includes interest and declared dividends not yet received. Interest income is recorded in the period in which it is earned, and dividend income is recorded on the ex-dividend date.

Leasehold Improvements, Furniture, and Equipment

Leasehold improvements, furniture, and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation is provided on a straight-line basis over the estimated useful lives of the respective assets ranging from three to five years. Assets are capitalized over $5,000. Amortization of leasehold improvements is recorded on a straight-line basis over the shorter of the lease term or the estimated useful life of the improvement.

Leasehold Incentives

During 2012, the Foundation received $336,800 from its landlord for leasehold improvements completed in December of 2012. This amount has been deferred and is being amortized over the remaining lease term of 10 years and 9 months beginning in January 2013.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants

Grant appropriations are charged to net assets without donor restrictions at the time the grant agreements are executed, subject to the approval guidelines set forth by the board of directors. Conditional grants are recognized as grant appropriations in the statements of activities and change in net assets when the conditions are met. Cancellations of grants occur when the grantees do not meet the grant terms. Grants are refunded when grant program needs are less than the appropriated amount.

Federal Taxes

The Foundation qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (IRC) and is not subject to federal income taxes except for income from its unrelated business activities.

Under Section 4940 of the IRC, the Foundation is subject to an excise tax on its taxable investment income received, which principally includes income from investments plus net realized capital gains. Net capital losses, however, are not deductible. In 2020 the excise tax rate changed from 2.0% – with the opportunity to qualify for a reduced 1.0% tax rate under certain circumstances – to a flat 1.39% rate. For the year ended December 31, 2020, the Foundation applied the new 1.39% excise tax rate as an estimate of the current tax provision. For the year ended December 31, 2019, the Foundation applied the 1.0% excise tax rate as an estimate of the current tax provision, consistent with it qualifying for the lower excise tax rate in 2019.

Deferred taxes result from certain income and expense items being accounted for in different time periods for financial statement purposes than for federal excise and income tax purposes. Deferred excise tax expense (benefit) arises from the change in unrealized appreciation (depreciation) in fair value of investments and accrued investment income. The deferred excise tax provision (benefit) is calculated utilizing a 1.39% excise tax rate.

The Foundation files as a tax-exempt organization. Should that status be challenged in the future, all years since inception would be subject to review by the Internal Revenue Service (IRS).

Fair Value Measurement

Fair value measurement establishes a framework for measuring fair value, a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements.

The Foundation accounts for its investments at fair value. The Foundation has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurement (Continued)

Financial assets and liabilities recorded on the statements of financial position are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities. The inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets.

Liquidity

The Foundation has a liquidity policy intended to ensure that the Foundation's investment portfolio remains sufficiently liquid regardless of market conditions. The Foundation's management and investment committee regularly review the policy to incorporate the Foundation's changing liquidity needs, level of private investments, and the overall liquidity profile of the investment portfolio. As part of its liquidity management the Foundation invests cash in excess of daily requirements in short-term investments.

The following reflects the Foundation's financial assets available to meet general expenditures within one year of the balance sheet date.

	2020	2019
Grants Receivable	$ 150,000	$ 200,000
Program-Related Investments	1,043,757	28,739
Investments Appropriated for Current Use	24,200,000	24,100,000
Financial Assets Available Within One Year to Meet Cash Needs for General Expenditures Within One Year	$ 25,393,757	$ 24,328,739

The Foundation's maximum annual budget is limited by a spending policy of no more than 5% of the historic, rolling average value of total assets as calculated on a quarterly basis over the most recent five-year period. For the fiscal years 2020 and 2021, the Foundation's board of directors approved an additional $2 million per year over and above the spending policy calculation as part of its response to the economic and social crises in the Foundation's priority communities resulting from the COVID-19 pandemic. As a result of this policy, $24.2 million of appropriations will be available for general expenditures within the next 12 months.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through August 11, 2021, the date the financial statements were approved to be issued.

NOTE 2 INVESTMENTS

Investments consist of the following at December 31:

	2020	2019
Investments, at Fair Value (Cost Value: December 31, 2020 and 2019 - $354,471,614 and $345,047,521, Respectively):		
Temporary Cash Investments	$ 10,033,311	$ 585,770
Public Fixed Income	35,801,887	31,662,077
Private Credit	50,730,748	40,329,104
Public Equities	247,875,049	239,833,584
Private Equities	45,467,012	36,795,826
Real Assets	53,795,323	58,966,175
Diversifying Strategies	51,140,847	52,478,775
Total Investments	$ 494,844,177	$ 460,651,311

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

NOTE 3 FAIR VALUE MEASUREMENTS

Assets measured at fair value on a recurring basis as of December 31:

	2020			
	Level 1	Level 2	Level 3	Total
Public Equities	$ 33,791,643	$ -	$ -	$ 33,791,643
Total	$ 33,791,643	$ -	$ -	33,791,643
Temporary Cash Investments				10,033,311
Investments Measured at Net Asset Value Per Share or its Equivalent				451,019,223
Total Investments				$ 494,844,177

	2019			
	Level 1	Level 2	Level 3	Total
Public Equities	$ 33,795,278	$ -	$ -	$ 33,795,278
Total	$ 33,795,278	$ -	$ -	33,795,278
Temporary Cash Investments				585,770
Investments Measured at Net Asset Value Per Share or its Equivalent				426,270,263
Total Investments				$ 460,651,311

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

	2020 Net Asset Value	2019 Net Asset Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Public Fixed Income	$ 18,393,556	$ 15,739,363	$ -	Daily	3 days
Public Fixed Income	17,408,331	13,800,649	-	Monthly	8 days
Private Credit	50,730,748	2,122,065	15,924,216	N/A	N/A
Public Equities	82,221,426	40,329,104	-	Quarterly	60 Days
Public Equities	44,720,673	77,517,700	-	Monthly	5 - 30 Days
Public Equities	32,013,370	83,232,045	-	Weekly	3 days
Public Equities	44,282,021	33,096,775	-	Daily	3 days
Public Equities	10,845,916	12,191,786	-	N/A	N/A
Private Equities	45,467,012	36,795,826	23,786,537	N/A	N/A
Real Assets	43,812,957	46,034,120	15,678,050	N/A	N/A
Real Assets	5,398,275	6,461,722	-	Quarterly	30 Days
Real Assets	4,584,091	6,470,333	-	Daily	15 Days
Diversifying Strategies	33,956,097	28,078,711	-	Quarterly	60 - 90 Days
Diversifying Strategies	7,614,797	9,996,691	-	Monthly	7 Days
Diversifying Strategies	6,373,652	11,571,794	-	Monthly	30 Days
Diversifying Strategies	3,196,301	2,831,579	3,925,564	N/A	N/A
Total	$ 451,019,223	$ 426,270,263	$ 59,314,367		

The Foundation’s investment portfolio includes individual securities, mutual funds, commingled vehicles, collective trusts, limited partnerships and non-U.S. corporations.

NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

Public fixed income seeks to generate regular, reasonably predictable income. The most common type of fixed income instrument is the bond. Bonds are issued by governments and corporations and offer the investor a defined schedule of obligatory interest payments. Investing in fixed income securities provides diversification, interest income, lower risk and stability to the overall portfolio.

Private credit strategies invest in a variety of debt instruments. Distributions from funds are received when the underlying investments in the funds generate distributable cash flows or when the investments are liquidated. Private credit investments provide diversification, interest income, and growth potential to the overall portfolio.

Public equities represent an ownership interest in a company. Investing in equity securities provides diversification, dividend income, and growth potential.

Private equities includes a variety of strategies including venture capital, buyouts, secondary funds, and direct investments. This exposure is obtained primarily through investments in long dated limited partnership vehicles and is considered illiquid. The unobservable inputs used to determine the fair value have been estimated based on the capital account balances reported by the fund managers subject to management review and judgment. Investing in private equity offers diversification, growth potential and accessibility to a broader range of companies.

Real assets include physical or identifiable assets that have intrinsic utility. Investments in this category may include minerals, metals, land, and other natural resources as well as infrastructure, aircraft and real estate. Real asset strategies provide diversification, inflation hedging and risk reduction benefits to the overall portfolio.

Diversifying strategies include a variety of investments (derivatives, equities, fixed income, and unconventional assets). The unobservable inputs used to determine the fair value have been estimated based on the capital account balances reported by the fund managers subject to management review and judgment. Diversifying strategies provide diversification and risk reduction benefits to the overall portfolio.

NOTE 4 PROGRAM-RELATED INVESTMENTS

Program-related investments consist of the following at December 31:

Regional Focus	Type	Maturity	2020	2019
Rural	Debt	2021-2026	$ 5,400,000	$ 4,400,000
Reservation	Debt	2021-2027	1,325,000	1,325,000
Urban	Debt	2021-2027	3,058,227	2,572,525
Urban	Equity	N/A	500,000	500,000
Multiple	Debt	2021-2025	2,500,000	2,250,000
Subtotal			12,783,227	11,047,525
Less: Discount on Program Related Investments			(510,039)	(854,694)
Interest Receivable (at Varying Rates up to 3.25% and Maturities through 2027)			11,424	70,077
Total			$ 12,284,612	$ 10,262,908

During the year ended December 31, 2020, the Foundation distributed three new program-related investments totaling $1,750,000, and during the year ended December 31, 2019, the Foundation distributed five new program-related investments totaling $4,075,000.

No program related investments were past due as of December 31, 2020 and 2019, and no allowance for credit losses has been created for any potential uncollectible program-related investments as of December 31, 2020 and 2019. The Foundation discounted loans that were made at below-market-rate interest rates. The discount as of December 31, 2020 and 2019 was $510,039 and $854,694.

NOTE 5 FIXED ASSETS

Fixed assets consist of the following at December 31:

	2020	2019
Leasehold Improvements	$ 2,265,826	$ 2,255,346
Furniture and Equipment	702,270	702,270
Computer Hardware and Software	414,155	416,672
Total	3,382,251	3,374,288
Less: Accumulated Depreciation	(3,092,921)	(2,988,989)
Total Fixed Assets	$ 289,330	$ 385,299

NOTE 6 GRANTS

Grant activity for the years ended December 31 is summarized as follows:

	2020	2019
Unpaid Commitments - Beginning of Year	$ 6,397,110	$ 7,026,432
Grant Appropriations, Net of Cancellations and Refunds (*)	19,293,752	16,261,417
Less: Imputed Interest on PRIs	-	(500,221)
Payments (*)	(18,897,248)	(16,390,518)
Unpaid Commitments - End of Year	$ 6,793,614	$ 6,397,110

(*) Does not include program-related investments

Conditional grants made where conditions have not yet been met totaled $230,000 and $120,000 at December 31, 2020 and 2019, respectively.

NOTE 7 FEDERAL EXCISE TAX PROVISION AND DISTRIBUTION REQUIREMENTS

Federal excise taxes for the years ended December 31 consisted of the following:

	2020	2019
Provision:		
Current Expense	$ 466,867	$ 237,036
Deferred	343,190	698,899
Total	$ 810,057	$ 935,935
Liability:		
Current	$ 103,768	$ -
Deferred	1,950,223	1,607,033
Total	$ 2,053,991	$ 1,607,033

For the years ended December 31, 2020 and 2019, the provision also includes UBIT expense of $10,323 and $5,634, respectively.

The Foundation is subject to the distribution requirements of the IRC. Accordingly, it must make qualified distributions within one year after the end of each fiscal year of at least 5% of the average market value of its assets as defined to avoid an additional excise tax. The Foundation has complied with these distribution requirements for the years ended December 31, 2020 and 2019.

NOTE 8 CAPITAL STOCK

Included in net assets without donor restrictions are 10 shares of capital stock. Under the terms established in the Foundation's by-laws, these 10 shares of capital stock have a zero par value. The trustees hold all 10 shares as a unit, and individuals do not hold separate identifiable shares. No dividends are paid on these shares, nor do any net earnings of the Foundation benefit any stockholder.

NOTE 9 RELATED PARTY TRANSACTIONS

The Foundation compensates its board of directors for their governance responsibilities, and for the grant portfolio oversight responsibilities they assume as directors of the Foundation. For the years ended December 31, 2020 and 2019, this compensation totaled $243,350 and $253,475, respectively.

During the year, grants may have been approved and disbursed to organizations in which board members are involved through board or other advisory relationships. It is the Foundation's policy to require all board members to disclose any conflicts of interest. These board members are prohibited from voting on grants to those organizations for which a conflict may exist.

NOTE 10 FUNCTIONAL ALLOCATION OF EXPENSES

Program expenses include grants, the cost of direct program services, and an allocation of costs required to run the programs. Management and general expenses include all expenses incidental to operating the Foundation. The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Foundation. Those expenses include occupancy, building maintenance, insurance, salaries and benefits, and the information technology department. Occupancy, building maintenance and insurance are allocated based on square footage, while salaries and benefits are allocated based on estimates of time and effort. The information technology department is allocated based on estimates of time and costs of specific technology utilized.

NOTE 11 EMPLOYEE PENSION PLAN

The Foundation has an employee pension plan operated as a self-funded money purchase plan. This is a defined noncontributory plan available to all employees who work a minimum of 1,000 hours per year, following one full year of service. The plan provides for an annual contribution of 11% of each eligible participant's earned compensation up to the IRS permissible maximum of $285,000 for 2020 and $280,000 for 2019. Contributions to the plan for the years ended December 31, 2020 and 2019 were $292,619 and $308,864, respectively.

NOTE 12 LEASE COMMITMENTS

In March 2001, the Foundation entered into a 10-year noncancelable operating lease for office space, which commenced on May 6, 2002. Under this lease agreement, the Foundation pays operating costs for the leased property. This lease agreement has renewal options for up to 10 additional years. In June 2011, the Foundation exercised the renewal option on its current office space lease. This lease amendment commenced on October 1, 2011 and is for the 12-year period from October 1, 2011 through September 30, 2023. Under this amendment, the Foundation will continue to pay operating costs (prorated share of utilities, property taxes, maintenance of common areas, etc.) for the leased space in addition to rent. Total rent expense was $229,840 for each of the years ended December 31, 2020 and 2019.

Future minimum rental payments at December 31, 2020 are as follows:

Year Ending December 31,	Amount
2021	$ 261,170
2022	261,170
2023	195,878
Total	$ 718,218