S.H. COWELL FOUNDATION

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

S. H. COWELL FOUNDATION

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MARCUM
ACCOUNTANTS ▲ ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
S. H. Cowell Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of S. H. Cowell Foundation, which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities and changes 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 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.

MARCUMGROUP
MEMBER

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of S. H. Cowell Foundation as of December 31, 2018 and 2017, 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.

Marcum LLP

San Francisco, California
August 29, 2019

S. H. COWELL FOUNDATION

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2018 AND 2017

	2018	2017
Assets		
Cash	$ 5,801,552	$ 5,038,057
Excise tax receivable	--	179,298
Interest and other receivables	544,582	298,052
Prepaid expenses	27,758	27,267
Investments	104,750,547	115,987,644
Notes receivable, net	8,192,158	8,251,014
Property and equipment, net	32,939	22,717
Total Assets	$ 119,349,536	$ 129,804,049
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	$ 136,496	$ 120,501
Deferred rent	86,724	107,004
Deferred excise tax	690,000	444,000
Total Liabilities	913,220	671,505
Net Assets		
Without donor restrictions	118,436,316	129,132,544
Total Liabilities and Net Assets	$ 119,349,536	$ 129,804,049

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

S. H. COWELL FOUNDATION

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
Net Investment (Loss) Income		
Net realized gain on investments	$ 5,930,762	$ 4,772,136
Net unrealized (loss) gain on investments	(9,949,245)	12,548,912
Dividends, net of investment and advisory fees of $204,069 and $223,301, for 2018 and 2017, respectively	334,894	209,965
Interest	236,194	170,906
Net Investment (Loss) Income	(3,447,395)	17,701,919
Expenses		
Grant programs	6,088,122	6,014,291
Management and general	792,711	745,598
Total Expenses	6,880,833	6,759,889
Change in net assets before federal excise tax provision	(10,328,228)	10,942,030
Federal Excise Tax Provision	(368,000)	(198,702)
Change in Net Assets	(10,696,228)	10,743,328
Net Assets - Beginning	129,132,544	118,389,216
Net Assets - Ending	$ 118,436,316	$ 129,132,544

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

S. H. COWELL FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2018

	Grant Programs	Management & General	Total
Grants authorized-current year	$ 5,039,242	$ --	$ 5,039,242
Grants cancelled	(46,856)	--	(46,856)
Personnel	870,398	496,673	1,367,071
Occupancy expenses	100,263	63,995	164,258
Legal and accounting	--	134,428	134,428
Meetings and other business expenses	57,412	5,830	63,242
Materials, equipment and supplies	40,870	14,482	55,352
Professional fees	237	46,224	46,461
Communication	11,608	5,145	16,753
Property and liability insurance	--	14,587	14,587
Travel and auto	13,568	--	13,568
Depreciation and amortization	--	9,653	9,653
Dues and publications	969	189	1,158
Miscellaneous expenses	278	661	939
Taxes and licenses	--	844	844
Printing and advertising	133	--	133
Total Expenses	$ 6,088,122	$ 792,711	$ 6,880,833

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

S. H. COWELL FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2017

	Grant Programs	Management & General	Total
Grants authorized-current year	$ 4,838,906	$ --	$ 4,838,906
Grants cancelled	(50,924)	--	(50,924)
Personnel	954,430	472,316	1,426,746
Occupancy expenses	98,425	62,947	161,372
Legal and accounting	--	120,250	120,250
Meetings and other business expenses	109,857	5,967	115,824
Materials, equipment and supplies	37,841	16,486	54,327
Professional fees	--	34,752	34,752
Property and liability insurance	--	18,294	18,294
Travel and auto	14,506	158	14,664
Communication	9,572	3,800	13,372
Depreciation and amortization	--	8,565	8,565
Dues and publications	898	199	1,097
Miscellaneous expenses	277	760	1,037
Taxes and licenses	--	836	836
Printing and advertising	503	268	771
Total Expenses	$ 6,014,291	$ 745,598	$ 6,759,889

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

S. H. COWELL FOUNDATION

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
Cash Flows From Operating Activities		
Change in net assets	$ (10,696,228)	$ 10,743,328
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net realized gain on investments	(5,930,762)	(4,772,136)
Net unrealized loss (gain) on investments	9,949,245	(12,548,912)
Discount on notes receivable	58,856	133,170
Depreciation and amortization	9,653	8,565
Deferred excise tax	246,000	125,000
Changes in operating assets and liabilities:		
Excise tax receivable	179,298	73,702
Interest and other receivables	(246,530)	107,424
Prepaid expenses	(491)	1,587
Accounts payable and accrued expenses	15,995	(15,755)
Grants payable	--	(125,000)
Deferred rent	(20,280)	(15,972)
Net Cash Used in Operating Activities	(6,435,244)	(6,284,999)
Cash Flows From Investing Activities		
Proceeds from sale of investments	11,099,965	31,777,968
Purchase of investments	(10,144,218)	(25,690,130)
Partnership distributions	6,262,867	3,473,930
Collection on notes receivable	--	418,015
Purchase of property and equipment	(19,875)	(1,225)
Net Cash Provided by Investing Activities	7,198,739	9,978,558
Net Increase in Cash	763,495	3,693,559
Cash - Beginning	5,038,057	1,344,498
Cash - Ending	$ 5,801,552	$ 5,038,057

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

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PURPOSE AND ORGANIZATION

S. H. Cowell Foundation (the "Foundation") is a nonprofit public benefit corporation established in 1956 through a bequest by Samuel H. Cowell. The mission of the Foundation is to improve the quality of life of children living in poverty in Northern and Central California by providing support that strengthens families and communities. The Foundation's grantmaking focuses on five complementary program areas: Families and Communities, Education, Youth Development, Leadership Development, and Opportunity Fund.

BASIS OF PRESENTATION

The Foundation prepares its financial statements in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which involves the application of the accrual method of accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred regardless of the timing of cash flows.

CLASSIFICATION OF NET ASSETS

U. S. GAAP requires that the Foundation report information regarding its financial position and activities according to two classes of net assets: without donor restriction and with donor restrictions. Accordingly, the net assets of the Foundation are classified and reported as described below:

Without Donor Restrictions
Those net assets and activities which represent the portion of expendable funds that are available to support the Foundation's operation. A portion of these net assets may be designated by the Board of Directors for specific purposes.

With Donor Restrictions
Donor restricted net assets represent those net assets which are donor-restricted for (a) support of specific operating activities; (b) investment for a specified term; (c) use in a specified future period; (d) acquisition of long-lived assets; or assets donated with stipulations by the donor that they (e) be used for a specified purpose, be preserved, not be sold; or (f) be invested to provide a permanent source of income. There were no net assets with donor restrictions as of December 31, 2018 and 2017 and for the years then ended.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ESTIMATES

The preparation of financial statements in conformity with U.S. GAAP 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.

FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The carrying amounts of cash and accounts payable approximate fair value because of the short maturity of these instruments. The carrying amounts of long-term receivables approximate fair value as these receivables earn interest based on the Foundation’s assessment of the borrower’s credit worthiness.

INVESTMENTS

Investments traded on national exchanges are recorded at fair value as determined by the exchanges’ quoted prices; unrealized gains and losses are included in the statements of activities and changes in net assets.

The Foundation also has investments in limited companies, limited liability companies, and limited partnerships (Notes 2 and 3) which are valued at their estimated fair value as reported to the Foundation by the general partners of the limited partnerships and investment managers under the supervision of the respective funds’ Boards or Managers of those entities. Because these investments are not readily marketable, the estimated fair value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investments existed, and such differences could be material. The estimated fair values are reviewed and evaluated by the Foundation’s Investment Committee, which is responsible for establishing investment criteria and overseeing the Foundation’s investments.

Certain mineral rights have been retained in property sold. Carrying values have been assigned to these interests based upon capitalization of estimated royalty income.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

NOTES RECEIVABLE

Notes receivable are stated at the principal amount or net present value if due beyond one accounting cycle. Interest on notes receivable is recognized over the term of the note and is calculated using the simple interest method on principal amounts outstanding. Management evaluates the collectability of notes receivable annually and at December 31, 2018 and 2017, no allowance was considered necessary.

PROPERTY AND EQUIPMENT

The Foundation capitalizes acquisitions of property and equipment with a cost or value in excess of $2,500 and with an estimated useful life beyond one year. Purchased assets are recorded at cost. Depreciation is calculated using the straight-line method based upon estimated useful lives ranging from 3 to 10 years. Leasehold improvements are amortized over the shorter of the asset's useful life or the lease term. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. The cost and accumulated depreciation of assets sold or retired are removed from the respective accounts and any gain or loss is reflected in the statements of activities and changes in net assets.

DEFERRED RENT

The Foundation leases office space under a lease agreement that is subject to scheduled rent increases. Rent expense is recognized on the straight-line basis over the term of the lease and the difference between the average rental amount charged and amount payable under the lease is included in deferred rent in the accompanying statements of financial position. At December 31, 2018 and 2017, deferred rent was $86,724 and $107,004, respectively.

REVENUE RECOGNITION

Revenue is recognized in the period in which it is earned. The Foundation derives its revenues from the interest and dividends earned from its investments, notes receivable, and from the change in fair value of its investments. Realized and unrealized gains (losses) and investment income (losses) derived from investment transactions are included as income in the year earned.

GRANT AWARDS

Grants are characterized as either conditional or unconditional. Conditional grants are those that depend upon the occurrence of a specified future and uncertain event to bind the Foundation. These grants are not reflected in the financial statements until the period in which the conditions upon which they depend are substantially met, that is, when they become unconditional.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GRANT AWARDS (CONTINUED)

Grant awards of $100,000 or more must be approved by the Board of Directors. Grant awards of less than $100,000 can be approved by the President of the Foundation.

INCOME TAXES

The Foundation is a qualified organization exempt from federal income and state franchise taxes under §501(c)(3) of the Internal Revenue Code ("IRC") and §23701d of the California Revenue and Taxation Code. The Foundation also qualifies as a private foundation under §509(a) of the IRC, and, as such, is subject to either a 1% or 2% federal excise tax on its net investment income based upon the Foundation's history of contributions paid.

Federal excise tax expense includes taxes currently payable and those deferred because of temporary differences between the estimated future tax effects of financial statement carrying amounts and the tax bases of existing assets and liabilities.

U.S. GAAP requires management to evaluate the tax positions taken and recognize a tax liability (or asset) if the Foundation has taken an uncertain position that more-likely-than-not would not be sustained upon examination by taxing authorities. Management evaluated the Foundation's tax positions and concluded that it maintained its tax-exempt status and had taken no uncertain tax positions that would require adjustment to the financial statements. Therefore, no provision or liability for unknown income taxes has been included in the financial statements. The Foundation's tax returns are subject to examination by federal and state taxing authorities. However, there are no examinations in progress nor are there any pending.

CONCENTRATIONS OF RISK

Financial instruments which potentially subject the Foundation to concentrations of credit risk consist principally of cash and investments. The Foundation maintains its cash in various bank deposit accounts which, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk related to this concentration.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONCENTRATIONS OF RISK (CONTINUED)

The Foundation invests in various investments that are not covered by federal insurance. These investments 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 Foundation's balances and the amounts reported in the statements of financial position. To minimize its exposure to these risks, the Foundation's Investment Committee closely monitors all its investments in accordance with the Foundation's policies.

FUNCTIONAL EXPENSE ALLOCATIONS

The costs of providing grant programs, and management and general services have been summarized on a functional basis in the statements of activities and changes in net assets and functional expenses. Accordingly, certain costs have been allocated among grant programs and management and general services benefited based on an allocation of time, square footage, and estimates made by management.

RECLASSIFICATION

Certain reclassifications have been made to the prior year financial statements in order for them to be in conformity with the current year's presentation. Investment and advisory fees were reclassified from expenses and have been offset against dividends.

ADOPTED ACCOUNTING PRONOUNCEMENT

On August 18, 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classifications, information about liquidity and availability of resources, the type of information provided about expenses, and investment return for nonprofit organizations. The Foundation adopted ASU 2016-14 as of January 1, 2018, and adjusted the presentation of these financial statements accordingly. The ASU has been applied retrospectively to all periods presented.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RECENT ACCOUNTING PRONOUNCEMENTS

In February 2016, the FASB issued its new lease accounting guidance in ASU 2016-02, *Leases (Topic 842)*. ASU 2016-02 will require lessees to recognize for all leases (with terms of more than 12 months) at the commencement date the following: a) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis, and b) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. The new lease guidance also simplified the accounting for sale and leaseback transactions primarily because lessees must recognize lease assets and lease liabilities.

On July 17, 2019, the FASB proposed to delay the effective date of this ASU by at least on year. ASU 2016-02 will be effective for fiscal years beginning after December 15, 2022 under the proposed delay. Early application is permitted. Management is evaluating the impact of this new guidance.

On June 21, 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958) Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 applies to all entities, including business entities that receive or make contributions of cash and other assets (except for transfers of assets from government entities to business entities). ASU 2018-08 provides guidance on determining whether a transaction should be accounted for as a contribution or as an exchange transaction. A primary aspect of this determination is whether the two parties receive and sacrifice commensurate value. Making this determination is important because distinguishing between contributions and exchange transactions determines which guidance is applied. For contributions, an entity should follow the guidance in FASB ASC 958-605, *Not-for-Profit Entities—Revenue Recognition*, whereas, for exchange transactions, an entity should follow other guidance (for example, FASB ASC 606, *Revenue from Contracts with Customers*).

ASU 2018-08 could result in more grants and contracts being accounted for as contributions (often-conditional contributions) than under current U.S. GAAP. Accounting for the grant or contract as a contribution is expected to be less costly than applying FASB ASC 606 (including the additional disclosure requirements). ASU 2018-08 also provides guidance on determining whether a contribution is conditional, helping entities better distinguish a donor-imposed condition from a donor-imposed restriction. The ASU requires entities to determine whether a contribution is conditional on the basis of whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RECENT ACCOUNTING PRONOUNCEMENTS (CONTINUED)

Additionally, ASU 2018-08 modifies the simultaneous release option currently in U.S. GAAP, which allows a not-for-profit organization to recognize a restricted contribution directly in unrestricted net assets/net assets without donor restrictions, if the restriction is met in the same period that the revenue is recognized. This election may now be made for all restricted contributions that were initially classified as conditional without having to elect it for all other restricted contributions and investment returns.

A not-for-profit organization that has issued, or is a conduit bond obligor for, securities that are traded, listed, or quoted on an exchange or an over-the-counter market would apply the new standard for transactions in which the entity serves as a resource recipient to annual reporting periods beginning after June 15, 2018, including interim periods within that annual period. Other organizations would apply the standard to annual reporting periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. Management is evaluating the impact of this new guidance.

NOTE 2 - FAIR VALUE MEASUREMENTS

The Foundation's financial assets and liabilities that are carried at fair value have been classified, for disclosure purposes, based on a hierarchy that gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). An asset or a liability's classification is based on the lowest level input that is significant to its measurement.

NOTE 2 - FAIR VALUE MEASUREMENTS (CONTINUED)

Level 1
Inputs are unadjusted quoted prices for identical assets or liabilities in active markets accessible at the measurement date.

Level 2
Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities from those willing to trade in markets that are not active, or inputs that are derived principally from or corroborated by observable market data by correlation or other means for the term of the instrument.

Level 3
Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement.

Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2018 and 2017.

ALTERNATIVE INVESTMENTS

Alternative investments consist of investments in various funds, whose underlying investments are aggregated into equities, absolute return, equity hedge funds, hybrid, private equity fund of funds, and buyout/growth. The fair value of such investments is determined using the net asset value (“NAV”) per share as a practical expedient.

MUTUAL FUNDS

Direct investment in equity securities and mutual funds listed on a national market or exchange are valued at the last sales price, or if there is no sale and the market is still considered active, at the mean of the last bid and asked prices on such exchange. The Foundation’s interests in such investments are categorized as real assets, equity and fixed income funds. Such securities are classified within Level 1 of the fair value hierarchy.

NOTE 2 - FAIR VALUE MEASUREMENTS (CONTINUED)

MINERAL RIGHTS

The fair value of mineral rights are based on inputs that are not observable in the market; thus, the Foundation has categorized these investments as Level 3 in the fair value hierarchy. The otherwise required disclosures are not included due to the immateriality of mineral rights.

In accordance with the fair value hierarchy, investments at fair value are as follows:

	Investments at Fair Value as of December 31, 2018			
	Level 1	Level 2	Level 3	Total
Mutual funds	$ 23,502,505	$ --	$ --	$ 23,502,505
Mineral rights	--	--	165,000	165,000
Investments valued at net asset value (1)				
Limited partnerships and limited liability companies	--	--	--	81,083,042
Total Investments at Fair Value	$ 23,502,505	$ --	$ 165,000	$ 104,750,547

	Investments at Fair Value as of December 31, 2017			
	Level 1	Level 2	Level 3	Total
Mutual funds	$ 18,946,647	$ --	$ --	$ 18,946,647
Mineral rights	--	--	165,000	165,000
Investments valued at net asset value (1)				
Limited partnerships and limited liability companies	--	--	--	96,875,997
Total Investments at Fair Value	$ 18,946,647	$ --	$ 165,000	$ 115,987,644

(1) In accordance with Accounting Standards Codification Subtopic 820-10, certain investments measured at NAV per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statements of financial position.

NOTE 2 - FAIR VALUE MEASUREMENTS (CONTINUED)

The following table sets forth additional disclosures of the Foundation's investments whose fair value is estimated using NAV per share or ownership percentage as of December 31, 2018:

	Total Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Equities:				
Generation IM Fund PLC	$ 20,004,839	$ --	Quarterly [(a)]	30 days
Acacia Conservation Fund (Offshore), Ltd.	8,370,549	--	Semi-annually	30 days
Cevian Capital II Ltd USD Class A	3,612,960	--	Quarterly(b)	90 days
WGI Emerging Markets Fund, LLC	4,101,063	--	Monthly	30 days
	36,089,411	--		
Absolute Return:				
Canyon Value Realization Fund (Cayman), Ltd.	4,633,065	--	Quarterly [(c)]	60 days [(c)]
Fir Tree International Value Fund, Ltd.	3,856,494	--	Bi-annually [(d)]	60 days [(d)]
Aurelius Capital International, Ltd.	6,651,916	--	Semi-annually	65 days
Centerbridge Credit Partners TE, L.P.	2,217,773	--	Annually [(e)]	90 days
Eton Park Overseas Fund, Ltd.	13,210	--	None [(f)]	None [(f)]
Luxor Capital Partners Offshore, Ltd.	118,350	--	None	None [(g)]
Tybourne Long Opportunities (Offshore) Fund	4,804,999	--	Quarterly [(h)]	60 days [(h)]
	22,295,807	--		
Equity Hedge:				
Steadfast International, Ltd.	7,842,684	--	Quarterly	60 days
Mission Value Global Fund, L.P.	7,658,708	--	Monthly	4 days
	15,501,392	--		
Hybrid:				
Fortress Credit Opportunities Fund II (B), L.P.	1,060,331	464,417	None	None
Mount Kellett Capital Partners (Cayman), L.P.	240,889	--	None	None
Mount Kellett Capital Partners (Cayman) II, L.P.	331,133	46,436	None	None
	1,632,353	510,853		
Private Equity Fund of Funds:				
HCP Private Equity Fund VI (Cayman), L.P.	3,880,898	400,000	None	None
Buyout/Growth:				
Oaktree European Principal Fund III (U.S.), L.P.	1,683,181	673,769	None	None
Total	$ 81,083,042	$ 1,584,622		

NOTE 2 - FAIR VALUE MEASUREMENTS (CONTINUED)

(a) Redemption provision includes a 1% early withdrawal penalty prior to the third anniversary of contribution.

(b) Redemption frequency is quarterly, with up to 5% on their Applicable Anniversary date or one of the four quarterly redemption days occurring during each 12 month period.

(c) Redemption frequency is quarterly, with maximum 25% withdrawal per quarter. The investment requires 60 days' notice for withdrawals of up to 10% of outstanding shares and 75 days' notice for withdrawals of more than 10% of outstanding shares.

(d) Investment includes two tiers: redemption frequency on the first tier is as of each two-year anniversary of contribution with 60 days' notice. The redemption frequency on the second tier is as of each two-year anniversary of contribution with 90 days' notice. Ten percent of the capital available on December 31 of the previous year is available with 90 days' notice. The 10% redemption can be withdrawn at end of the calendar quarter and can be split across more than one quarter. Full liquidation was requested subsequent to year end on June 30, 2019.

(e) Redemption frequency is annually on the anniversary of contribution. The redemption provision includes a two-year lock on 50% of the investment with a rolling two-year lock thereafter, with a 90 days' notice. There is also a three-year lock on the remaining 50% with a two-year rolling lock thereafter. Full redemption is in process, with final tranche requested on June 30, 2019.

(f) The fund is currently in full liquidation.

(g) The Foundation requested full liquidation of its investment in this fund during the last notification period.

(h) Redemptions within the commitment period of three years are subject to a 2% redemption fee.

NOTE 2 - FAIR VALUE MEASUREMENTS (CONTINUED)

The following table sets forth additional disclosures of the Foundation's investments whose fair value is estimated using NAV per share or ownership percentage as of December 31, 2017:

	Total Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Equities:				
Generation IM Fund PLC	$ 23,412,970	$ --	Quarterly [(a)]	30 days
Acacia Conservation Fund (Offshore), Ltd.	9,723,196	--	Semi-annually	30 days
WGI Emerging Markets Fund, LLC	4,572,187	--	Monthly	30 days
	37,708,353	--		
Absolute Return:				
Canyon Value Realization Fund (Cayman), Ltd.	6,233,248	--	Quarterly (b)	60 days (b)
Fir Tree International Value Fund, Ltd.	4,650,098	--	Bi-annually [(c)]	60 days [(c)]
Aurelius Capital International, Ltd.	6,365,128	--	Semi-annually	65 days
Centerbridge Credit Partners TE, L.P.	5,595,812	--	Annually [(d)]	90 days
Eton Park Overseas Fund, Ltd.	230,366	--	None [(e)]	None [(e)]
Luxor Capital Partners Offshore, Ltd.	597,650	--	Biennial	None (f)
Tybourne Long Opportunities (Offshore) Fund	5,437,536	--	Quarterly [(g)]	60 days [(g)]
Pelham Long/Short Fund Ltd.	3,516,359	--	Monthly [(h)]	180 days [(h)]
	32,626,197	--		
Equity Hedge:				
Steadfast International, Ltd.	9,106,984	--	Quarterly	60 days
Mission Value Global Fund, L.P.	8,511,821	--	Monthly	4 days
	17,618,805	--		
Hybrid:				
Fortress Credit Opportunities Fund II (B), L.P.	1,531,625	477,326	None	None
Mount Kellett Capital Partners (Cayman), L.P.	455,361	--	None	None
Mount Kellett Capital Partners (Cayman) II, L.P.	435,655	46,436	None	None
	2,422,641	523,762		
Private Equity Fund of Funds:				
HCP Private Equity Fund VI (Cayman), L.P.	3,381,270	740,000	None	None
Legacy Venture II, LLC	740,730	90,000	None	None
	4,122,000	830,000		
Buyout/Growth:				
Oaktree European Principal Fund III (U.S.), L.P.	2,378,001	673,769	None	None
Total	$ 96,875,997	$ 2,027,531		

NOTE 2 - FAIR VALUE MEASUREMENTS (CONTINUED)

(a) Redemption provision includes a 1% early withdrawal penalty prior to the third anniversary of contribution.

(b) Redemption frequency is quarterly, with maximum 25% withdrawal per quarter. The investment requires 60 days' notice for withdrawals of up to 10% of outstanding shares and 75 days' notice for withdrawals of more than 10% of outstanding shares.

(c) Investment includes two tiers: redemption frequency on the first tier is as of each two-year anniversary of contribution with 60 days' notice. The redemption frequency on the second tier is as of each two-year anniversary of contribution with 90 days' notice. Ten percent of the capital available on December 31 of the previous year is available with 90 days' notice. The 10% redemption can be withdrawn at end of the calendar quarter and can be split across more than one quarter.

(d) Redemption frequency is annually on the anniversary of contribution. The redemption provision includes a two-year lock on 50% of the investment with a rolling two-year lock thereafter. There is also a three-year lock on the remaining 50% with a two-year rolling lock thereafter.

(e) The fund is currently in full liquidation.

(f) The Foundation requested full liquidation of its investment in this fund during the last notification period.

(g) Redemptions within the commitment period of three years are subject to a 2% redemption fee.

(h) Redemption frequency provision includes a one-year lock-out and redemption frequency is monthly after expiration of the initial lock-out period. Lock-out period expired April 1, 2017.

S. H. COWELL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 3 - INVESTMENTS

Investments consist of the following at December 31:

	2018	2017
Equities:		
Generation IM Fund PLC	$ 20,004,839	$ 23,412,970
Dodge & Cox Global Stock Fund	3,864,978	4,424,580
Acacia Conservation Fund (Offshore), Ltd.	8,370,549	9,723,196
Cevian Capital II Ltd USD Class A	3,612,960	--
WGI Emerging Markets Fund, LLC	4,101,063	4,572,187
	39,954,389	42,132,933
Absolute Return:		
Canyon Value Realization Fund (Cayman), Ltd.	4,633,065	6,233,248
Fir Tree International Value Fund, Ltd.	3,856,494	4,650,098
Aurelius Capital International, Ltd.	6,651,916	6,365,128
Centerbridge Credit Partners TE, L.P.	2,217,773	5,595,812
Eton Park Overseas Fund, Ltd.	13,210	230,366
Luxor Capital Partners Offshore, Ltd.	118,350	597,650
Tybourne Long Opportunities (Offshore) Fund	4,804,999	5,437,536
Pelham Long/Short Fund Ltd.	--	3,516,359
	22,295,807	32,626,197
Fixed Income Funds:		
Vanguard Total Bond Market Index	10,034,117	8,009,032
Vanguard Short-Term Investment-Grade Fund	9,603,410	6,513,035
	19,637,527	14,522,067
Equity Hedge:		
Steadfast International, Ltd.	7,842,684	9,106,984
Mission Value Global Fund, L.P.	7,658,708	8,511,821
	15,501,392	17,618,805
Hybrid:		
Fortress Credit Opportunities Fund II (B), L.P.	1,060,331	1,531,625
Mount Kellett Capital Partners (Cayman), L.P.	240,889	455,361
Mount Kellett Capital Partners (Cayman) II, L.P.	331,133	435,655
	1,632,353	2,422,641

NOTE 3 - INVESTMENTS (CONTINUED)

	2018	2017
Private Equity Fund of Funds:		
HCP Private Equity Fund VI (Cayman), L.P.	$ 3,880,898	$ 3,381,270
Legacy Venture II, LLC	--	740,730
	3,880,898	4,122,000
Buyout/Growth:		
Oaktree European Principal Fund III (U.S.), L.P.	1,683,181	2,378,001
Mineral Rights	165,000	165,000
Total	$ 104,750,547	$ 115,987,644

At December 31, 2018 and 2017, the Foundation had commitments outstanding to the following security investments, for which the Foundation had yet to be called upon for its full commitment at and through December 31, 2018 and 2017:

- Fortress Credit Opportunities Fund II (B), L.P., a limited partnership, invests in a range of distressed and undervalued credit investments primarily in North America and Western Europe. The Foundation is committed to invest $3,500,000 to be called upon by the limited partnership, and through December 31, 2018 and 2017 had invested $3,035,583 and $3,022,674 respectively.

- Mount Kellett Capital Partners (Cayman) II, L.P., a limited partnership, focuses on making opportunistic investments in the debt and equity of private and public companies, bank loans and bonds, distressed and stressed investments, including control positions, portfolios of consumer receivables, mortgage loans, real estate and real estate related securities. The Foundation is committed to invest $2,000,000 to be called upon by the limited partnership, and through December 31, 2018 and 2017 had invested $1,953,564.

NOTE 3 - INVESTMENTS (CONTINUED)

- HCP Private Equity Fund VI (Cayman), L.P., a limited partnership, invests substantially all of its assets in, and conducts its operations through, HCP Private Equity Fund VI, L.P., a private equity fund that has the same investment objective, which is to realize long-term capital appreciation in excess of the long-term returns by investing in portfolio funds, direct investments, and secondary investments. The Foundation is committed to invest $4,000,000 to be called upon by the limited partnership, and through December 31, 2018 and 2017 had invested $3,600,000 and $3,260,000, respectively.

- Legacy Venture II, LLC, a limited liability company, which was formed to provide superior long-term investment returns and to encourage its members to give all of the proceeds to their designated charities. Through December 31, 2017, the Foundation invested $2,910,000 of a total commitment of $3,000,000. This fund was fully liquidated during the year ended December 31, 2018.

- Oaktree European Principal Fund III (U.S.), L.P., a limited partnership, which operates solely as a "feeder fund" to the "master fund" which invests in publicly traded or privately placed debt securities and other obligations such as bank loans and participations, equipment trust certificates and trade credits, equity securities, and options and warrants. The Foundation is committed to invest $2,330,000 to be called upon by the limited partnership, and through December 31, 2018 and 2017 had invested $1,656,231.

During the years ended December 31, 2018 and 2017, there were no investments for which the Foundation was fully called upon for its commitment.

NOTE 4 - NOTES RECEIVABLE

Notes receivable are comprised of the following:

- A $5,500,000 note issued in August 2001 secured by a first deed of trust relating to the sale of real property. The 9th amendment, dated June 23, 2017, extended the note two years and calls for repayment of principal due June 23, 2019 with interest payable quarterly at 4.00%. Effective June 23, 2019, the note was extended another two years and is due June 23, 2021. The extension also increased the interest rate from 4.00% to 5.00% with all other terms unchanged. The payment schedule below reflects the due date based on the amendment signed subsequent to year end.

NOTE 4 - NOTES RECEIVABLE (CONTINUED)

- A $1,000,000 program-related investment loan, issued in September 2005, drawn down in three stages with the final draw in February 2008. The latest note amendment, dated November 2, 2017, calls for repayment of principal and accrued interest on October 31, 2022, with interest accrued at 2.50%. In addition, interest payments of $25,000 are due annually beginning October 31, 2018. The proceeds of a construction loan for the development of low income housing on the real property will be used to repay the note. The note is secured by real property. The principal amount outstanding at December 31, 2018 and 2017, net of unamortized discount of $102,834 and $83,087 at 2.75% and 1.75%, respectively, was $897,166 and $916,913, respectively.

- A $1,000,000 unsecured recoverable grant (a note receivable) issued in December 2006. The note receivable was renewed in December 2016, and calls for repayment of principal due December 31, 2023, with interest payable annually at 2.50%. The principal amount outstanding at December 31, 2018 and 2017, net of unamortized discount of $126,846 and $98,858 at 2.75% and 1.75%, respectively, was $873,154 and $901,142, respectively.

- A $1,045,037 secured installment note issued in February 2014 that calls for quarterly principal payments of $52,252 plus interest at 2.50% due November 1, 2018. On November 30, 2017, the Foundation received an early payoff of the balance due on this promissory note, arising out of a sale of the Foundation's economic participation in the commercially-zoned portion of property located in Contra Costa, California. During the year ended December 31, 2017, the note's principal balance of $418,015 plus interest was repaid in full.

- A $1,000,000 unsecured recoverable grant (a note receivable) issued in December 2014 that calls for repayment of principal due December 23, 2021, with interest payable annually at 2.50%. The principal amount outstanding at December 31, 2018 and 2017, net of unamortized discount of $78,162 and $67,041 at 2.75% and 1.75%, respectively, was $921,838 and $932,959 respectively.

NOTE 4 - NOTES RECEIVABLE (CONTINUED)

Payments on notes receivable are due as follows:

For the Years Ending December 31,	Amount
2019	$ --
2020	--
2021	6,500,000
2022	1,000,000
2023	1,000,000
	8,500,000
Present value discount, based on applicable Federal Reserve rate of 2.75%	(307,842)
Notes Receivable, Net	$ 8,192,158

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	2018	2017
Office furniture and equipment	$ 150,781	$ 134,630
Computer equipment and software	59,741	56,017
Leasehold improvements	22,259	22,259
	232,781	212,906
Less: accumulated depreciation and amortization	(199,842)	(190,189)
Property and Equipment, Net	$ 32,939	$ 22,717

Depreciation and amortization expense for the years ended December 31, 2018 and 2017, was $9,653 and $8,565, respectively.

NOTE 6 - FEDERAL EXCISE TAX PROVISION

The Foundation is subject to federal excise taxes at a rate of 2% and 1% for the years ended December 31, 2018 and 2017, respectively, on its net investment income. Deferred excise taxes arise primarily from the difference in the book and tax accounting bases of investments and this temporary difference is provided at the 2% and 1% tax rate, for the years ended December 31, 2018 and 2017, respectively.

NOTE 6 - FEDERAL EXCISE TAX PROVISION (CONTINUED)

For the years ended December 31, 2018 and 2017, the change in deferred excise taxes is due to the net market changes in investments. The deferred excise tax liability represents the tax outcome should all the investments be sold. The components of the federal excise tax expense (benefit) are as follows:

	2018	2017
Current federal excise taxes	$ 132,000	$ 75,000
Adjustments to federal excise taxes	(10,000)	(1,298)
Deferred federal excise taxes	246,000	125,000
Total	$ 368,000	$ 198,702

The Tax Reform Act of 1984 requires that certain minimum distributions be made in accordance with a specified formula. For the years ended December 31, 2018 and 2017, the Foundation made charitable distributions in excess of the required minimum. As of December 31, 2018, the Foundation has estimated distribution carryforwards to meet future charitable distribution requirements, which expire as follows:

For the Years Ending December 31,	Amount
2019	$ 141,000
2020	819,000
2021	918,000
2022	732,000
Total	$ 2,610,000

NOTE 7 - RETIREMENT PLANS

The Foundation has a defined contribution retirement plan (the "Plan") established under IRC §403(b). All employees are eligible to participate in the Plan and make voluntary contributions by salary reductions to the Plan up to the limit allowed by the IRC.

The Foundation also has a money purchase pension plan and contributes up to 15% of each eligible employee's annual compensation following three months of service. For the years ended December 31, 2018 and 2017, the Foundation contributed $133,998 and $145,325, respectively, to the money purchase pension plan.

NOTE 8 - NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions at December 31, 2018 and 2017 are comprised of the following:

	2018	2017
Undesignated accumulated earnings and corpus	$ 118,403,377	$ 129,109,827
Net investment in property and equipment	32,939	22,717
Total	$ 118,436,316	$ 129,132,544

NOTE 9 - CONDITIONAL GRANTS

Conditional grants, which have not been recorded at December 31, 2018 and 2017, amounted to $1,080,000 and $1,587,500 respectively.

The conditions associated with these grants are anticipated to be satisfied and paid in the following years:

For the Years Ending December 31,	Amount
2019	$ 900,000
2020	180,000
Total	$ 1,080,000

NOTE 10 - RELATED PARTY TRANSACTIONS

Various members of the Board of Directors and employees of the Foundation are also board members or officers of organizations that have been awarded grants from the Foundation. For the years ended December 31, 2018 and 2017, the Foundation paid $75,000 to one organization and $200,000 to two organizations, respectively, of which a Foundation board member or employee was also a board member or officer of the grantee. The Foundation's board members and employees do not receive any compensation from grantees when serving as a board member or officer of the grantee. The Foundation's board members also recuse themselves from decisions to award grants to organizations on whose boards they serve. The Foundation's board members are not compensated for their services.

NOTE 10 - RELATED PARTY TRANSACTIONS (CONTINUED)

The Foundation has a Conflict of Interest Policy, whereby directors and employees are expected to make full disclosure whenever a prospective grantee is one with which they have a close professional or family relationship, and they are expected to abstain from making decisions relating to that grantee. All members of the Board of Directors are prohibited from benefiting from any grants awarded by the Foundation.

The Foundation also has a matching grant policy that will match up to $3 for every $1 donated by directors or employees, up to a maximum of $20,000 for the years ended December 31, 2018 and 2017, for each individual. For the years ended December 31, 2018 and 2017, the Foundation made matching grants of $164,492 and $237,056, respectively.

NOTE 11 - COMMITMENTS

Beginning on December 31, 2011, the Foundation entered into a lease agreement for office space in San Francisco, California, with a monthly base rent ranging from $11,506 to $14,743. This lease expires in December 2021.

The minimum lease commitments are as follows:

For the Years Ending December 31,	Amount
2019	$ 168,285
2020	172,600
2021	176,915
Total	$ 517,800

For the years ended December 31, 2018 and 2017, rent expense was $161,089 and $160,636, respectively.

The Foundation is also committed under various equipment lease agreements and contracts covering future periods, which collectively are not material to its financial position or change in net assets.

NOTE 12 - LIQUIDITY AND AVAILABILITY OF RESOURCES

The Foundation regularly monitors liquidity to meet its annual operating needs and other contractual commitments, while also striving to preserve the principal and return on the investment of its funds. The Foundation's financial assets available within one year of the statement of financial position date for general expenditures were as follows:

	2018	2017
Cash	$ 5,801,552	$ 5,038,057
Interest and other receivables	544,582	298,052
Investments	29,576,772	18,946,647
Total	$ 35,922,906	$ 24,282,756

The Foundation has more than $5,000,000 in cash and over $29,000,000 in investments, which are available for general expenditures, liabilities and other obligations as they come due. Management is focused on sustaining the financial liquidity of the Foundation throughout the year. This is done through monitoring and reviewing the Foundation's cash flow needs on a weekly basis. As part of its liquidity plan, the Foundation maintains enough cash to cover annual grants and operating costs. The investments in the table above are available to meet cash flow needs, because they are either scheduled to liquidate within the year or can be liquidated at any time.

NOTE 13 - SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	2018	2017
Cash paid for federal excise taxes	$ 122,000	$ --

Noncash investing transactions for the year ended December 31, 2018, consist of a transfer of 507 Class A Series 03-17-2 shares of Canyon Value Realization Fund (Cayman), Ltd. valued at $4,758,481 for 508 shares of Canyon Class A Series Initial shares.

NOTE 14 - SUBSEQUENT EVENTS

The Foundation has evaluated all subsequent events through August 29, 2019, the date the financial statements were available to be issued. No events requiring recognition or disclosure in the financial statements have been identified, except the following:

- Effective June 23, 2019, the Foundation extended the $5,500,000 note receivable for two years and increased the interest rate on this note, from 4.00% to 5.00% (Note 4).

- On June 30, 2019, the Foundation requested full liquidation of the Fir Tree International Value Fund, Ltd. and the final tranche payout of the Centerbridge Credit Partners TE, L.P (Note 2 and 3).