

S.H. COWELL
FOUNDATION

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

S. H. COWELL FOUNDATION

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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, a not-for-profit organization, which comprise the statements of financial position as of December 31, 2020 and 2019, 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 controls 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 audits 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 S. H. Cowell Foundation as of December 31, 2020 and 2019, 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 19, 2021

S. H. COWELL FOUNDATION

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2020 AND 2019

	2020	2019
Assets		
Cash	\$ 990,665	\$ 6,631,369
Investment income and other receivables	273,052	298,052
Investment proceeds receivable	8,322,989	3,667,828
Purchase of investments not yet settled	7,250,000	--
Prepaid expenses	30,379	29,479
Investments	108,113,961	109,009,617
Notes receivable, net	8,463,000	8,306,745
Property and equipment, net	<u>83,244</u>	<u>81,924</u>
Total Assets	<u>\$ 133,527,290</u>	<u>\$ 128,025,014</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 158,348	\$ 146,612
Deferred rent	33,216	62,124
Deferred excise tax	<u>574,000</u>	<u>766,000</u>
Total Liabilities	765,564	974,736
Net Assets		
Without donor restrictions	<u>132,761,726</u>	<u>127,050,278</u>
Total Liabilities and Net Assets	<u>\$ 133,527,290</u>	<u>\$ 128,025,014</u>

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, 2020 AND 2019

	2020	2019
Net Investment Income		
Net realized gain on investments	\$ 9,129,783	\$ 11,174,728
Net unrealized gain on investments	3,027,743	3,800,718
Dividends, net of investment and advisory fees of \$191,599 and \$197,959, for 2020 and 2019, respectively	349,497	434,039
Interest	466,884	528,233
Net Investment Income	<u>12,973,907</u>	<u>15,937,718</u>
Expenses		
Grant programs	6,425,662	6,274,126
Management and general	898,797	793,630
Total Expenses	<u>7,324,459</u>	<u>7,067,756</u>
Change in net assets before federal excise tax benefit (provision)	5,649,448	8,869,962
Federal Excise Tax Benefit (Provision)	<u>62,000</u>	<u>(256,000)</u>
Change in Net Assets	5,711,448	8,613,962
Net Assets - Beginning	<u>127,050,278</u>	<u>118,436,316</u>
Net Assets - Ending	<u>\$ 132,761,726</u>	<u>\$ 127,050,278</u>

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, 2020

	Grant Programs	Management & General	Total
Grants authorized-current year	\$ 4,956,477	\$ --	\$ 4,956,477
Personnel	1,195,066	584,120	1,779,186
Occupancy expenses	114,360	72,576	186,936
Legal and accounting	--	129,002	129,002
Professional fees	50,247	34,332	84,579
Materials, equipment and supplies	32,896	16,724	49,620
Meetings and other business expenses	43,083	357	43,440
Depreciation and amortization	--	33,139	33,139
Property and liability insurance	--	19,782	19,782
Taxes and licenses	16,165	1,861	18,026
Communication	11,498	6,326	17,824
Travel and auto	2,993	13	3,006
Dues and publications	2,398	219	2,617
Miscellaneous expenses	274	346	620
Printing and advertising	205	--	205
Total Expenses	<u>\$ 6,425,662</u>	<u>\$ 898,797</u>	<u>\$ 7,324,459</u>

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, 2019

	Grant Programs	Management & General	Total
Grants authorized-current year	\$ 4,963,840	\$ --	\$ 4,963,840
Grants cancelled	(40,520)	--	(40,520)
Personnel	996,587	497,572	1,494,159
Occupancy expenses	107,456	68,658	176,114
Meetings and other business expenses	149,464	5,791	155,255
Legal and accounting	--	129,300	129,300
Materials, equipment and supplies	40,712	15,375	56,087
Professional fees	17,245	36,689	53,934
Travel and auto	26,056	22	26,078
Depreciation and amortization	--	18,244	18,244
Communication	11,339	4,414	15,753
Property and liability insurance	--	14,752	14,752
Taxes and licenses	--	1,782	1,782
Dues and publications	1,423	189	1,612
Miscellaneous expenses	260	687	947
Printing and advertising	264	155	419
Total Expenses	<u>\$ 6,274,126</u>	<u>\$ 793,630</u>	<u>\$ 7,067,756</u>

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, 2020 AND 2019

	2020	2019
Cash Flows From Operating Activities		
Change in net assets	\$ 5,711,448	\$ 8,613,962
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net realized gain on investments	(9,129,783)	(11,174,728)
Net unrealized gain on investments	(3,027,743)	(3,800,718)
Discount on notes receivable	(156,255)	(114,587)
Depreciation and amortization	33,139	18,244
Deferred federal excise tax	(192,000)	76,000
Changes in operating assets and liabilities:		
Investment income and other receivables	25,000	47,764
Prepaid expenses	(900)	(1,721)
Accounts payable and accrued expenses	11,736	10,116
Deferred rent	(28,908)	(24,600)
Net Cash Used in Operating Activities	<u>(6,754,266)</u>	<u>(6,350,268)</u>
Cash Flows From Investing Activities		
Proceeds from sale of investments	23,748,783	22,138,516
Purchase of investments	(16,745,142)	(16,593,294)
Pending purchase of investments not yet settled	(7,250,000)	--
Partnership distributions	1,394,380	1,702,092
Purchase of property and equipment	(34,459)	(67,229)
Net Cash Provided by Investing Activities	<u>1,113,562</u>	<u>7,180,085</u>
Net (Decrease) Increase in Cash	(5,640,704)	829,817
Cash - Beginning	<u>6,631,369</u>	<u>5,801,552</u>
Cash - Ending	<u>\$ 990,665</u>	<u>\$ 6,631,369</u>

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

S. H. COWELL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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 ACCOUNTING

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; (e) assets donated with stipulations by the donor that they 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, 2020 and 2019 and for the years then ended.

S. H. COWELL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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, receivables and accounts payable approximate fair value because of the short maturity of these instruments. The carrying amounts of long-term notes receivable 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 based on quoted market prices.

The Foundation also has investments in limited companies, limited liability companies, and limited partnerships (Notes 3 and 4) 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.

S. H. COWELL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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, 2020 and 2019, 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, 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, 2020 and 2019, deferred rent was \$33,216 and \$62,124, 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 (loss) 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.

S. H. COWELL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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. For the year, ended December 31, 2019, the Foundation was subject to either a 1% or 2% federal excise tax on its net investment income based upon the Foundation’s history of contributions paid. For tax years beginning after December 20, 2019, the federal excise tax on net investment income for private foundation’s is a flat 1.39% and there is no longer a 1% or 2% federal excise tax.

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

Financial instruments which potentially subject the Foundation to concentrations of credit risk consist principally of cash and investments.

Cash

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. The Foundation is exposed to credit risk in the event of default by its primary banking institution to the extent amounts exceed FDIC insured amounts.

S. H. COWELL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

CONCENTRATIONS OF RISK (CONTINUED)

Investments

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. The Foundation's Investment Committee attempts to minimize its exposure to these risks by closely monitoring all 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 expenses have been allocated among grant programs and management and general services based on an allocation of time, square footage, and estimates made by management.

RECLASSIFICATION

Certain reclassifications have been made to the 2019 financial statements in order for them to be in conformity with the current year's presentation. Investment proceeds receivable were reclassified from investment income and other receivables on the Statement of Financial Position and proceeds from sale of investments on the Statement of Cash Flows were decreased by the net uncollected proceeds of \$3,469,062, at December 31, 2019.

RECENT ACCOUNTING PRONOUNCEMENTS

In February 2016, the Financial Accounting Standards Board issued its new lease accounting guidance in Accounting Standards Update ("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. This ASU's effective date had two one-year delays and is now effective for fiscal years beginning after December 15, 2021. Early application is permitted. Management is evaluating the impact of this guidance.

S. H. COWELL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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.

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. Unobservable inputs reflect the Foundation's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

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, 2020 and 2019.

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.

S. H. COWELL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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, 2020			
	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 22,029,917	\$ --	\$ --	\$ 22,029,917
Mineral rights	--	--	165,000	165,000
	<u>\$ 22,029,917</u>	<u>\$ --</u>	<u>\$ 165,000</u>	22,194,917
Investments valued at net asset value ⁽¹⁾				
Limited partnerships and limited liability companies				85,919,044
Total Investments at Fair Value				\$ 108,113,961

	Investments at Fair Value as of December 31, 2019			
	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 19,041,548	\$ --	\$ --	\$ 19,041,548
Mineral rights	--	--	165,000	165,000
	<u>\$ 19,041,548</u>	<u>\$ --</u>	<u>\$ 165,000</u>	19,206,548
Investments valued at net asset value ⁽¹⁾				
Limited partnerships and limited liability companies				89,803,069
Total Investments at Fair Value				\$ 109,009,617

⁽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.

S. H. COWELL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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, 2020:

	Total Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Equities:				
Generation IM Fund PLC	\$ 21,819,817	\$ --	Quarterly	30 days
Mission Value Global Fund, L.P.	8,440,804	--	Monthly	4 business days
Tybourne Long Opportunities (Offshore) Fund	8,403,476	--	Quarterly ^(a)	60 days ^(a)
Darlington Partners II L.P.	7,793,472	--	Quarterly ^(b)	45 days
WGI Emerging Markets Fund, LLC	4,984,690	--	Monthly	30 days
Cevian Capital II Ltd USD Class A	4,565,103	--	Quarterly ^(c)	90 days ^(c)
FPR Partners L.P.	<u>4,450,649</u>	--	Quarterly ^(d)	60 days
	<u>60,458,011</u>	--		
Absolute Return:				
Canyon Value Realization Fund (Cayman), Ltd.	4,922,105	--	Quarterly ^(e)	60 days ^(e)
Centerbridge Credit Partners TE, L.P.	676,562	--	Annually ^(f)	90 days ^(f)
Luxor Capital Partners Liquidity SPV, Ltd.	56,261	--	None	None ^(g)
Eton Park Overseas Fund, Ltd.	<u>1,969</u>	--	None ^(h)	None ^(h)
	5,656,897	--		
Equity Hedge:				
Steadfast International, Ltd.	6,767,550	--	Quarterly	60 days
Fosse Capital Fund Limited	3,431,780	--	Quarterly ⁽ⁱ⁾	60 days ⁽ⁱ⁾
Bayberry Offshore Ltd.	<u>2,021,061</u>	--	Quarterly ⁽ⁱ⁾	60 days ⁽ⁱ⁾
	<u>12,220,391</u>	--		
Hybrid:				
Fortress Credit Opportunities Fund II (B), L.P.	728,911	431,401	None	None
Mount Kellett Capital Partners (Cayman) II, L.P.	154,312	46,436	None	None
Mount Kellett Capital Partners (Cayman), L.P.	<u>51,307</u>	--	None	None
	<u>934,530</u>	<u>477,837</u>		
Private Equity Fund of Funds:				
HCP Private Equity Fund VI (Cayman), L.P.	<u>5,025,919</u>	<u>400,000</u>	None	None
Buyout/Growth:				
Oaktree European Principal Fund III (U.S.), L.P.	<u>1,623,296</u>	<u>673,769</u>	None	None
Total	<u>\$ 85,919,044</u>	<u>\$ 1,551,606</u>		

S. H. COWELL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 2 - FAIR VALUE MEASUREMENTS (CONTINUED)

- (a) Redemptions within the commitment period of three years rolling, are subject to a 2% redemption fee.
- (b) As of March 31, 2020, redemption is quarterly at 25% per quarter.
- (c) Redemption frequency is quarterly, with three-year rolling restrictions and a three-year initial lock-up. Investments have four liquidity dates based on initial purchase dates, December 31, 2021 and 2022, and June 30, 2022 and 2023.
- (d) Redemption frequency is quarterly, as of fiscal quarter end, with a 33%, three-year investor-level gate and a 3% early withdrawal fee for off-schedule redemptions.
- (e) 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.
- (f) Full redemption is in process, with a two-year lock-up on 50% of investment with a rolling two-year lock-up thereafter. There is a three-year lock-up on remaining 50% with a two-year rolling lock-up thereafter. The eligible tranche payout will be withdrawn as it becomes eligible over time.
- (g) The Foundation requested full liquidation of its investment in this fund and currently only holds side pocket classes.
- (h) The fund is currently in full liquidation. Partial balance reflects holdbacks and reserves associated with Class S shares.
- (i) Redemption frequency is quarterly with a 25% investor gate. Full redemption will take four quarters of maximum withdrawal requests. Quarterly liquidations were allowed as of September 30, 2020.
- (j) Redemption frequency is quarterly with a 16.7% investor gate. Full redemption will take six quarters of maximum withdrawal requests. Fund has a one-year soft lock-up that expired July 31, 2020. Quarterly liquidations were allowed as of September 30, 2020.

S. H. COWELL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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, 2019:

	Total Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Equities:				
Generation IM Fund PLC	\$ 18,094,421	\$ --	Quarterly	30 days
Mission Value Global Fund, L.P.	8,821,983	--	Monthly	4 business days
Acacia Conservation Fund (Offshore), Ltd.	6,436,962	--	Semi-annually	30 days ^(a)
Tybourne Long Opportunities (Offshore) Fund	5,633,480	--	Quarterly ^(b)	60 days ^(b)
Darlington Partners II L.P.	6,759,916	--	Quarterly ^(c)	45 days
WGI Emerging Markets Fund, LLC	4,540,951	--	Monthly	30 days
Cevian Capital II Ltd USD Class A	4,252,329	--	Quarterly ^(d)	90 days ^(d)
FPR Partners L.P.	<u>5,322,724</u>	<u>--</u>	Quarterly ^(e)	60 days
	<u>59,862,766</u>	<u>--</u>		
Absolute Return:				
Canyon Value Realization Fund (Cayman), Ltd.	5,069,456	--	Quarterly ^(f)	60 days ^(f)
Aurelius Capital International, Ltd.	5,023,275	--	Semi-annually	65 days ^(g)
Centerbridge Credit Partners TE, L.P.	1,032,746	--	Annually ^(h)	90 days ^(h)
Luxor Capital Partners Liquidity SPV, Ltd.	87,199	--	None	None ⁽ⁱ⁾
Eton Park Overseas Fund, Ltd.	<u>7,684</u>	<u>--</u>	None ⁽ⁱ⁾	None ⁽ⁱ⁾
	<u>11,220,360</u>	<u>--</u>		
Equity Hedge:				
Steadfast International, Ltd.	6,097,090	--	Quarterly	60 days
Fosse Capital Fund Limited	3,071,214	--	Quarterly ^(k)	60 days ^(k)
Bayberry Offshore Ltd.	<u>1,808,933</u>	<u>--</u>	Quarterly ^(l)	60 days ^(l)
	<u>10,977,237</u>	<u>--</u>		
Hybrid:				
Fortress Credit Opportunities Fund II (B), L.P.	1,035,964	445,891	None	None
Mount Kellett Capital Partners (Cayman) II, L.P.	206,752	46,436	None	None
Mount Kellett Capital Partners (Cayman), L.P.	<u>120,715</u>	<u>--</u>	None	None
	<u>1,363,431</u>	<u>492,327</u>		
Private Equity Fund of Funds:				
HCP Private Equity Fund VI (Cayman), L.P.	<u>4,754,634</u>	<u>400,000</u>	None	None
Buyout/Growth:				
Oaktree European Principal Fund III (U.S.), L.P.	<u>1,624,641</u>	<u>673,769</u>	None	None
Total	<u>\$ 89,803,069</u>	<u>\$ 1,566,096</u>		

S. H. COWELL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 2 - FAIR VALUE MEASUREMENTS (CONTINUED)

- (a) Fully liquidated as of December 31, 2020. Other receivables include proceeds from the sale of Acacia in the amount of \$8,322,989, of which \$7,490,690 was received on January 22, 2021. The balance of \$832,299 is a hold-back to be distributed subsequent to year end.
- (b) Redemptions within the commitment period of three years rolling, are subject to a 2% redemption fee.
- (c) As of March 31, 2020, redemption frequency is quarterly at 25% per quarter.
- (d) Redemption frequency is quarterly, with three-year rolling restrictions and a three-year initial lock-up. Investments have four liquidity dates based on initial purchase dates, December 31, 2021 and 2022, and June 30, 2022 and 2023.
- (e) Redemption frequency is quarterly, as of fiscal quarter end, with a 33%, three-year investor-level gate and a 3% early withdrawal fee for off-schedule redemptions.
- (f) 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.
- (g) Fully liquidated as of December 31, 2020.
- (h) Full redemption is in process, with a two-year lock-up on 50% of investment with a rolling two-year lock-up thereafter. There is a three-year lock-up on remaining 50% with a two-year rolling lock-up thereafter. The eligible tranche payout will be withdrawn as it becomes eligible over time.
- (i) The Foundation requested full liquidation of its investment in this fund and currently only holds side pocket classes.
- (j) The fund is currently in full liquidation. Partial balance reflects holdbacks and reserves associated with Class S shares.
- (k) Redemption frequency is quarterly with a 25% investor gate. Full redemption will take four quarters of maximum withdrawal requests. Quarterly liquidations were allowed as of September 30, 2020.
- (l) Redemption frequency is quarterly with a 16.7% investor gate. Full redemption will take six quarters of maximum withdrawal requests. Fund has a one-year soft lock-up that expired July 31, 2020. Quarterly liquidations were allowed as of September 30, 2020.

S. H. COWELL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 3 - INVESTMENTS

Investments consist of the following at December 31:

	2020	2019
Equities:		
Generation IM Fund PLC	\$ 21,819,817	\$ 18,094,421
Mission Value Global Fund, L.P.	8,440,804	8,821,983
Acacia Conservation Fund (Offshore), Ltd.	--	6,436,962
Tybourne Long Opportunities (Offshore) Fund	8,403,476	5,633,480
Darlington Partners II L.P.	7,793,472	6,759,916
Dodge & Cox Global Stock Fund	5,074,746	4,786,625
WGI Emerging Markets Fund, LLC	4,984,690	4,540,951
Cevian Capital II Ltd USD Class A	4,565,103	4,252,329
FPR Partners L.P.	4,450,649	5,322,724
	65,532,757	64,649,391
Absolute Return:		
Canyon Value Realization Fund (Cayman), Ltd.	4,922,105	5,069,456
Aurelius Capital International, Ltd.	--	5,023,275
Centerbridge Credit Partners TE, L.P.	676,562	1,032,746
Luxor Capital Partners Liquidity SPV, Ltd.	56,261	87,199
Eton Park Overseas Fund, Ltd.	1,969	7,684
	5,656,897	11,220,360
Fixed Income Funds:		
Vanguard Short-Term Federal Fund	9,500,123	--
Vanguard Total Bond Market Index	7,455,048	9,162,969
Vanguard Short-Term Investment-Grade Fund	--	5,091,954
	16,955,171	14,254,923
Equity Hedge:		
Steadfast International, Ltd.	6,767,550	6,097,090
Fosse Capital Fund Limited	3,431,780	3,071,214
Bayberry Offshore Ltd.	2,021,061	1,808,933
	12,220,391	10,977,237
Hybrid:		
Fortress Credit Opportunities Fund II (B), L.P.	728,911	1,035,964
Mount Kellett Capital Partners (Cayman) II, L.P.	154,312	206,752
Mount Kellett Capital Partners (Cayman), L.P.	51,307	120,715
	934,530	1,363,431

S. H. COWELL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 3 - INVESTMENTS (CONTINUED)

	<u>2020</u>	<u>2019</u>
Private Equity Fund of Funds:		
HCP Private Equity Fund VI (Cayman), L.P.	<u>\$ 5,025,919</u>	<u>\$ 4,754,634</u>
Buyout/Growth:		
Oaktree European Principal Fund III (U.S.), L.P.	<u>1,623,296</u>	<u>1,624,641</u>
Mineral Rights	<u>165,000</u>	<u>165,000</u>
Total	<u><u>\$ 108,113,961</u></u>	<u><u>\$ 109,009,617</u></u>

At December 31, 2020 and 2019, the Foundation had commitments outstanding to the following investments, for which the Foundation had yet to be called upon for its full commitment at and through December 31, 2020 and 2019:

- 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, 2020 and 2019, had invested \$3,068,599 and \$3,054,109, 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, 2020 and 2019, had invested \$1,953,564.
- 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, 2020 and 2019, had invested \$3,600,000.

S. H. COWELL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 3 - INVESTMENTS (CONTINUED)

- 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, 2020 and 2019, had invested \$1,656,231.

During the years ended December 31, 2020 and 2019, 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 10th amendment, dated June 23, 2019, extended the note two years and calls for repayment of principal due June 23, 2021 with interest payable quarterly at 5.00% per annum with all other terms unchanged.

Subsequent to year end, the 11th amendment, effective April 1, 2021, extended the note four years and calls for principal due June 23, 2025. The 11th amendment also changed the interest rate from 5.00% to a variable rate of the five year United States Treasury Rate, as reported by the Department of Labor, plus 2.70%. The effective rate will be adjusted annually on March 1st, with a minimum interest rate of 3.50% and maximum of 5.50%.

- 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% per annum. 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, 2020 and 2019, net of unamortized discount of \$14,833 at 0.75% per annum, and \$64,572 at 2.25% per annum, respectively, was \$985,167 and \$935,428, respectively.

S. H. COWELL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 4 - NOTES RECEIVABLE (CONTINUED)

- 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% per annum. The principal amount outstanding at December 31, 2020 and 2019, net of unamortized discount of \$22,167 at 0.75% per annum, and \$85,157 at 2.25% per annum, respectively, was \$977,833 and \$914,843, respectively.
- 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% per annum. The principal amount outstanding at December 31, 2019, net of unamortized discount of \$43,526 at 2.25% per annum was \$956,474. The principal amount outstanding at December 31, 2020, was \$1,000,000, with no unamortized discount. During the year ended December 31, 2020, the Foundation issued a \$25,000 grant to forgive this notes annual loan payment.

Payments on notes receivable are due as follows:

For the Years Ending December 31,	Amount
2021	\$ 1,000,000
2022	1,000,000
2023	1,000,000
2024	--
2025	<u>5,500,000</u>
	8,500,000
Present value discount, based on applicable Federal Reserve rate of 0.75%	<u>(37,000)</u>
Notes Receivable, Net	<u><u>\$ 8,463,000</u></u>

S. H. COWELL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	2020	2019
Office furniture and equipment	\$ 164,847	\$ 164,847
Computer equipment and software	107,854	89,772
Leasehold improvements	<u>32,609</u>	<u>32,609</u>
	305,310	287,228
Less: accumulated depreciation and amortization	<u>(222,066)</u>	<u>(205,304)</u>
Property and Equipment, Net	<u>\$ 83,244</u>	<u>\$ 81,924</u>

Depreciation and amortization expense for the years ended December 31, 2020 and 2019, was \$33,139 and \$18,244, respectively.

NOTE 6 - FEDERAL EXCISE TAX BENEFIT (PROVISION)

The Foundation is subject to federal excise taxes at a rate of 1.39% and 2.00% for the years ended December 31, 2020 and 2019, 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 a rate of 1.39% and 2.00% for the years ended December 31, 2020 and 2019, respectively.

For the years ended December 31, 2020 and 2019, the change in deferred excise taxes is due to the net market changes in investments and change in the excise tax rate from 2.00% to 1.39%. The deferred excise tax liability represents the tax outcome should all the investments be sold. The components of the federal excise benefit (tax provision) are as follows:

	2020	2019
Current federal excise taxes	\$ (130,000)	\$ (180,000)
Change in deferred federal excise taxes	<u>192,000</u>	<u>(76,000)</u>
Total Federal Excise Tax Benefit (Provision)	<u>\$ 62,000</u>	<u>\$ (256,000)</u>

S. H. COWELL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 6 - FEDERAL EXCISE TAX BENEFIT (PROVISION) (CONTINUED)

The Tax Reform Act of 1984 requires that certain minimum distributions be made in accordance with a specified formula. As of December 31, 2020, the Foundation has estimated distribution carryforwards to meet future charitable distribution requirements, which expire as follows:

For the Years Ending December 31,	Amount
2021	\$ 918,000
2022	733,000
2023	366,000
2024	980,000
2025	<u>959,000</u>
Total	<u>\$ 3,956,000</u>

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.

During the year ended December 31, 2020, the Plan adopted the provisions of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”). Among other changes, the CARES Act allows for early withdrawal of funds, increases to amounts participants are allowed to borrow, and waives required minimum distributions during calendar year 2020 for participants impacted by the COVID-19 virus. The CARES Act allowed the Plan to adopt the provisions immediately as long as a formal amendment to the Plan is made on or before the last day of the 2022 Plan year, or a later date if determined by the Department of Treasury.

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, 2020 and 2019, the Foundation contributed \$181,650 and \$143,157, respectively, to the money purchase pension plan.

S. H. COWELL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 8 - NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions at December 31, 2020 and 2019, are comprised of the following:

	<u>2020</u>	<u>2019</u>
Undesignated accumulated earnings and corpus	\$ 132,678,482	\$ 126,968,354
Net investment in property and equipment	<u>83,244</u>	<u>81,924</u>
Total	<u>\$ 132,761,726</u>	<u>\$ 127,050,278</u>

NOTE 9 - CONDITIONAL GRANTS

Conditional grants, which have not been recorded at December 31, 2020 and 2019, amounted to \$835,000 and \$1,490,000 respectively. The conditions associated with the conditional grants at December 31, 2020 and 2019, are anticipated to be satisfied and paid during the year ending December 31, 2021.

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, 2020 and 2019, the Foundation paid \$75,000 each year, to an organization, 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.

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.

S. H. COWELL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 10 - RELATED PARTY TRANSACTIONS (CONTINUED)

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 each of the years ended December 31, 2020 and 2019, for each individual. For the year ended December 31, 2019, the board approved an increase to \$30,000 in matching grants for the president. For the years ended December 31, 2020 and 2019, the Foundation made matching grants of \$151,487 and \$144,090, 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 Year Ending December 31,	Amount
2021	\$ 176,915

For the years ended December 31, 2020 and 2019, rent expense was \$186,891 and 173,940, 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.

S. H. COWELL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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 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:

	<u>2020</u>	<u>2019</u>
Cash	\$ 990,665	\$ 6,631,369
Investment income and other receivables	273,052	298,052
Investments	<u>22,029,917</u>	<u>24,064,823</u>
Total	<u>\$ 23,293,634</u>	<u>\$ 30,994,244</u>

The Foundation has more than \$900,000 in cash, other inflows of \$8,300,000, and over \$22,000,000 in investments, which are available for general expenditures, payment of 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

	<u>2020</u>	<u>2019</u>
Cash paid for federal excise taxes	<u>\$ 130,000</u>	<u>\$ 180,000</u>

S. H. COWELL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 14 - RISK AND UNCERTAINTY

In March 2020, the World Health Organization declared the outbreak of COVID-19 virus as a pandemic, which continues to spread throughout the United States. The Foundation has been actively evaluating the impact of the COVID-19 virus as it relates to the Foundation's operations and does not yet know the full extent of the impact, if any, that this may have on the Foundation. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

The CARES Act was enacted on March 27, 2020. Among the business provisions, the CARES Act provided for changes to provisions within employee benefit plans.

NOTE 15 - SUBSEQUENT EVENTS

The Foundation has evaluated all subsequent events through August 19, 2021, the date the financial statements were available to be issued. There are no events identified requiring recognition or disclosure in the financial statements, except the proceeds received from the sale of an investment at Note 2 and the amendments made to the note receivable at Note 4.