

The William H. Donner Foundation, Inc.

Financial Statements

Year Ended October 31, 2020

Independent Auditors' Report

Board of Trustees The William H. Donner Foundation, Inc.

We have audited the accompanying financial statements of The William H. Donner Foundation, Inc. (the "Foundation") which comprise the statement of financial position as of October 31, 2020, and the related statements of activities, functional expenses and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The William H. Donner Foundation, Inc. as of October 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

As described in Note 2, certain of the Foundation's alternative investments as of October 31, 2020 have been valued by the Foundation's investment advisors using September 30, 2020 amounts. Management has adjusted the Foundation's records to reflect activity through October 31, 2020. Due to global market conditions, valuations may have material variances. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the Foundation's October 31, 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 7, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended October 31, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 16 - 24 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

PKF O'Connor Davies, LLP

June 16, 2021

The William H. Donner Foundation, Inc.

Statement of Financial Position
October 31, 2020
(with comparative amounts at October 31, 2019)

| | <u>2020</u> | <u>2019</u> |
|---|--------------------------|--------------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 527,869 | \$ 192,161 |
| Investments | 199,297,506 | 192,510,634 |
| Prepaid Federal excise and unrelated business income tax | 46,065 | 143,613 |
| Other assets | <u>32,985</u> | <u>55,742</u> |
| Total Assets | <u>\$199,904,425</u> | <u>\$192,902,150</u> |
| LIABILITIES AND NET ASSETS | | |
| Liabilities | | |
| Accounts payable and accrued expenses | \$ 166,859 | \$ 192,804 |
| Grants payable | 71,000 | 55,000 |
| Deferred Federal excise tax | <u>557,971</u> | <u>943,038</u> |
| Total Liabilities | <u>795,830</u> | <u>1,190,842</u> |
| Net Assets | | |
| Without donor restrictions | 189,326,423 | 181,929,136 |
| With donor restrictions | <u>9,782,172</u> | <u>9,782,172</u> |
| Total Net Assets | <u>199,108,595</u> | <u>191,711,308</u> |
| Total Liabilities and Net Assets | <u>\$199,904,425</u> | <u>\$192,902,150</u> |

See notes to financial statements

The William H. Donner Foundation, Inc.

Statement of Activities

Year Ended October 31, 2020

(with summarized totals for year ended October 31, 2019)

| | 2020 | | 2019 |
|--|-------------------------------|----------------------------|----------------|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| REVENUE | | | |
| Investment Return | | | |
| Interest and dividends | \$ 2,187,991 | \$ 102,195 | \$ 2,290,186 |
| Realized gain from investments | 22,151,509 | 1,034,635 | 23,186,144 |
| Unrealized (loss) gain on investments | (6,697,290) | (312,812) | (7,010,102) |
| Other partnership income | 1,965,131 | 91,786 | 2,056,917 |
| Direct investment expenses | (2,575,193) | - | (2,575,193) |
| Investment Return Before Taxes and Appropriations | 17,032,148 | 915,804 | 17,947,952 |
| Less: | | | |
| (Benefit) provision for deferred Federal excise tax | (385,067) | - | (385,067) |
| Provision for Federal excise and unrelated business income taxes | 247,548 | - | 247,548 |
| Investment Return Before Appropriations | 17,169,667 | 915,804 | 18,085,471 |
| Appropriated for expenditures | 915,804 | (915,804) | - |
| Total Investment Return | 18,085,471 | - | 18,085,471 |
| EXPENSES | | | |
| Grants | 9,553,697 | - | 9,553,697 |
| General administration and program management | 762,310 | - | 762,310 |
| Investment oversight | 372,177 | - | 372,177 |
| | 10,688,184 | - | 10,688,184 |
| Change in Net Assets | 7,397,287 | - | 7,397,287 |
| NET ASSETS | | | |
| Beginning of year | 181,929,136 | 9,782,172 | 191,711,308 |
| End of year | \$ 189,326,423 | \$ 9,782,172 | \$ 199,108,595 |

See notes to financial statements

The William H. Donner Foundation, Inc.

Statement of Functional Expenses
 Year Ended October 31, 2020
 (with summarized totals for the year ended October 31, 2019)

| | 2020 | | | | 2019 Total |
|---|---------------------|--|-------------------------|----------------------|---------------------|
| | Grants | General Administration and Program Management | Investment Oversight | Total | |
| Grants, net of refunds | \$ 9,553,697 | - | - | \$ 9,553,697 | \$ 8,176,849 |
| Management services | - | 476,925 | 256,805 | 733,730 | 693,730 |
| Professional fees | - | 167,807 | 64,508 | 232,315 | 289,711 |
| General office | - | 14,626 | 770 | 15,396 | 17,038 |
| Telephone | - | 1,172 | 62 | 1,234 | 653 |
| Postage | - | 7,753 | 408 | 8,161 | 10,075 |
| Membership dues and subscriptions | - | - | 22,457 | 22,457 | 21,226 |
| Travel and meeting | - | 63,572 | 3,346 | 66,918 | 30,645 |
| Investment committee meeting and travel | - | - | 22,843 | 22,843 | 44,783 |
| Insurance | - | 18,583 | 978 | 19,561 | 20,283 |
| Member reimbursement | - | 11,872 | - | 11,872 | 50,353 |
| | <u>\$ 9,553,697</u> | <u>\$ 762,310</u> | <u>\$ 372,177</u> | <u>\$ 10,688,184</u> | <u>\$ 9,355,346</u> |

See notes to financial statements

The William H. Donner Foundation, Inc.

Statement of Cash Flows
Year Ended October 31, 2020
(with comparative amounts for year ended October 31, 2019)

| | 2020 | 2019 |
|---|--------------|---------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 7,397,287 | \$ 19,788,274 |
| Adjustments to reconcile change in net assets to net cash from operating activities | | |
| Realized gain from investments | (23,186,144) | (6,259,155) |
| Unrealized loss (gain) on investments | 7,010,102 | (21,852,764) |
| Deferred Federal excise tax | (385,067) | 437,055 |
| Change in operating assets and liabilities | | |
| Prepaid Federal excise and unrelated business income tax | 97,548 | 74,539 |
| Other assets | 22,757 | 51,407 |
| Accounts payable and accrued expenses | (25,945) | (76,256) |
| Grants payable | 16,000 | 55,000 |
| Net Cash from Operating Activities | (9,053,462) | (7,781,900) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of investments | (97,908,067) | (83,149,254) |
| Proceeds from sales of investments | 107,297,237 | 90,921,737 |
| Net Cash from Investing Activities | 9,389,170 | 7,772,483 |
| Net Change in Cash and Cash Equivalents | 335,708 | (9,417) |
| CASH AND CASH EQUIVALENTS | | |
| Beginning of year | 192,161 | 201,578 |
| End of year | \$ 527,869 | \$ 192,161 |
| SUPPLEMENTAL CASH FLOW INFORMATION | | |
| Federal excise taxes paid | \$ 150,000 | \$ - |

See notes to financial statements

The William H. Donner Foundation, Inc.

Notes to Financial Statements

October 31, 2020

1. Organization

The William H. Donner Foundation, Inc. (the "Foundation") is a family foundation. The Foundation is exempt from Federal income taxes under Internal Revenue Code (IRC) Section 501(c)(3). The Foundation has a sister institution in Canada (Donner Canadian Foundation), also founded by the Foundation's donor, which operates independently with respect to governance, personnel, policies, and programmatic interests. Donner Canadian Foundation is not included in the accompanying financial statements. The source of revenue for the Foundation is primarily derived from investment activities.

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which 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. Accordingly, actual results could differ from those estimates.

Cash Equivalents

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

Fair Value Measurements

The Foundation follows U.S. GAAP guidance on Fair Value Measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

The Foundation follows U.S. GAAP guidance which removed the requirements to categorize within the fair value hierarchy alternative investments where fair value is measured using the Net Asset Value ("NAV") per share as a practical expedient.

The William H. Donner Foundation, Inc.

Notes to Financial Statements
October 31, 2020

2. Summary of Significant Accounting Policies (*continued*)

Investments Valuation

Investments, other than temporary cash investments, are carried at fair value. Temporary cash investments are valued at cost plus accrued interest. Certain of the Foundation's alternative investments have been valued by the Foundation's investment advisors using September 30, 2020 amounts. Management has adjusted the Foundation's records to reflect activity through October 31, 2020. The Foundation believes the carrying amount of these investments is a reasonable estimate of fair value. Due to global market conditions, valuations may have material variances.

Investment Income Recognition

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses are included in the determination of the change in net assets.

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to general administration and program management and investment oversight. Certain categories of expenses are attributable to more than one supporting function and are allocated on a reasonable basis that is consistently applied. The Foundation allocates these expenses based on estimates of time and effort of the management company and other Foundation resources utilized on investment activities as compared to management of the Foundation.

Presentation of Net Assets

Net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the Foundation's net assets and changes therein are classified as net assets without donor restrictions and net assets with donor restrictions. Support is reported as increases in net assets without donor restrictions unless its use is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of net assets with donor restrictions that are time or purpose restricted, if any (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions. Net assets with donor restrictions that are to be held in perpetuity contain donor-imposed restrictions that stipulate that resources be maintained permanently, but permit the Foundation to use or expend part or all of the income derived from the donated amounts for a specified purpose.

The William H. Donner Foundation, Inc.

Notes to Financial Statements

October 31, 2020

2. Summary of Significant Accounting Policies (continued)

Grant Expense

The Foundation recognizes grant expense upon approval of the grant by the Board of Trustees and communication to the grantee.

Investment Objectives and Spending Policy

The Foundation follows a total return investing concept, seeking to maintain a prudent balance between current income and future growth for its investment assets, while maintaining a suitable level of asset valuation volatility. Under this concept, the investment committee of the Board of Trustees seeks diversification among asset classes, markets and maturities. The investment committee also recommends a distribution and spending amount to the Board of Trustees based on a percentage of total net assets, including the endowment funds, and to comply with IRC payout requirements.

Accounting for Uncertainty in Income Taxes

The Foundation recognizes the effect of tax positions only if they are more likely than not to be sustained. Management has determined that the Foundation has no uncertain tax positions that would require financial statement disclosure and/or recognition. The Foundation is no longer subject to examinations by applicable taxing jurisdictions for periods prior to October 31, 2017.

Prior Year Summarized Comparative Information

Information as of and for the year ended October 31, 2019 is presented for comparative purposes only. Certain activity by net asset classification is not included in these financial statements. Accordingly, such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Foundation's financial statements as of and for the year ended October 31, 2019, from which the summarized comparative information was derived.

Subsequent Events

The Foundation evaluated subsequent events through June 16, 2021 which was the date the financial statements were available to be issued.

Concentrations of Credit Risk

The Foundation's financial instruments that are potentially exposed to concentration of credit risk consist of cash, cash equivalents and investments. The Foundation places its cash and cash equivalents with quality financial institutions. At times, cash balances may be in excess of FDIC insurance limit. The Foundation routinely assesses the financial strength of its cash, cash equivalents and investment portfolio. As a consequence, concentrations of credit risk are limited.

The William H. Donner Foundation, Inc.

Notes to Financial Statements
October 31, 2020

3. Tax on Income

The Foundation is liable for Federal excise tax of 2% on its net investment income, as defined. However, this tax is reduced to 1% if certain conditions are met. The Federal excise tax rate on net investment income for the year ended October 31, 2020 is estimated at 1%. The Foundation paid a Federal excise tax rate of 1% on net investment income for the year ended October 31, 2019.

Effective for tax year ending October 31, 2021, the Foundation's excise tax rate will be 1.39% in accordance with the amendment to section 4940(a) of the Internal Revenue Code. The deferred Federal excise tax is calculated at 1.39% and 2% of the unrealized appreciation on fair value of investments at October 31, 2020 and 2019, respectively.

The Foundation invests in partnerships that generate unrelated business income tax (UBIT), which is subject to Federal and New York State income taxes at for-profit corporate rates. During 2020, these investments generated a loss totaling approximately \$148,200. Due to the loss, the Foundation has recorded the minimum New York State tax expense of \$250. During 2019, these investments generated income totaling approximately \$4,700 subject to UBIT. Due to the carryover losses from the prior year, the Foundation did not record Federal tax expense. The Foundation has recorded estimated New York State tax expense of approximately \$300 in 2019.

The IRC requires that certain minimum distributions be made in accordance with a specified formula. The Foundation had approximately \$1,724,000 and \$2,767,000 of undistributed income as of October 31, 2020 and 2019.

4. Investments

The following are major categories of investments measured at fair value on a recurring basis at October 31, grouped by the fair value hierarchy, for those investments subject to categorization within such hierarchy:

| | 2020 | | |
|-----------------------------------|---------------|---|----------------|
| | Level 1 | Investments Measured at Net Asset Value (*) | Total |
| Equities | | | |
| Consumer discretionary | \$ 3,168,635 | \$ - | \$ 3,168,635 |
| Financial industry | 3,617,333 | - | 3,617,333 |
| Industrial | 9,296,090 | - | 9,296,090 |
| Information technology | 8,478,463 | - | 8,478,463 |
| Healthcare | 7,379,071 | - | 7,379,071 |
| Real estate | 1,408,452 | - | 1,408,452 |
| Other | 3,738,619 | - | 3,738,619 |
| US and international equity funds | - | 20,472,539 | 20,472,539 |
| Real estate funds | - | 9,126,205 | 9,126,205 |
| Specialized and distressed debt | - | 24,587,596 | 24,587,596 |
| Private equity | - | 9,836,865 | 9,836,865 |
| Venture capital | - | 37,920,949 | 37,920,949 |
| Total Investments at Fair Value | \$ 37,086,663 | \$ 101,944,154 | 139,030,817 |
| Money market funds, at cost | | | 60,266,689 |
| Total Investments | | | \$ 199,297,506 |

The William H. Donner Foundation, Inc.

Notes to Financial Statements
October 31, 2020

4. Investments (continued)

| | 2019 | | |
|-----------------------------------|----------------------|---|-----------------------|
| | Level 1 | Investments Measured at Net Asset Value (*) | Total |
| Equities | | | |
| Consumer discretionary | \$ 4,704,905 | \$ - | \$ 4,704,905 |
| Financial industry | 6,181,910 | - | 6,181,910 |
| Industrial | 7,127,803 | - | 7,127,803 |
| Information technology | 11,616,187 | - | 11,616,187 |
| Healthcare | 7,997,470 | - | 7,997,470 |
| Real estate | 1,518,647 | - | 1,518,647 |
| Other | 9,180,562 | - | 9,180,562 |
| US and international equity funds | - | 33,468,605 | 33,468,605 |
| Real estate funds | - | 9,083,822 | 9,083,822 |
| Specialized and distressed debt | - | 24,507,034 | 24,507,034 |
| Private equity | - | 9,954,774 | 9,954,774 |
| Venture capital | - | 31,062,381 | 31,062,381 |
| Total Investments at Fair Value | <u>\$ 48,327,484</u> | <u>\$ 108,076,616</u> | 156,404,100 |
| Money market funds, at cost | | | 36,106,534 |
| Total Investments | | | <u>\$ 192,510,634</u> |

(*) As discussed in Note 2, investments that are measured using the practical expedient are not classified within the fair value hierarchy.

Information regarding alternative investments valued at NAV using the practical expedient at October 31, 2020 is as follows:

| | Fair Value | Unfunded Commitment | Redemption Frequency (if currently eligible) | Redemption Notice Period |
|--|----------------------|------------------------|---|--------------------------------|
| US and international equity funds (see "a" below) | \$ 20,472,539 | \$ - | Monthly | 15 - 30 days |
| Real estate funds (see "b" below) | 9,126,205 | 6,802,639 | N/A | N/A** |
| Specialized and distressed debt (see "c" below) | 24,587,596 | 23,899,591 | N/A | N/A** |
| Private equity (see "d" below) | 9,836,865 | 1,120,000 | N/A | N/A** |
| Venture capital (see "e" below) | 37,920,949 | 37,239,201 | N/A | N/A** |
| | <u>\$101,944,154</u> | <u>\$69,061,431</u> | | |

(**) These investments can never be redeemed with the funds. Instead, the nature of the investments in this category is that distributions are received through liquidation of the underlying assets of the fund.

(a) This category includes three investments in domestic and international equity funds.

The William H. Donner Foundation, Inc.

Notes to Financial Statements

October 31, 2020

4. Investments (*continued*)

- (b) The real estate funds consist of four limited partnerships and one REIT. Two of these funds invest in real estate that is distressed, undervalued or mispriced in the U.S. in pursuit of long term investment return. Three of the investment partnerships focus on investing in properties that rent to U.S. government offices which provides a steady stream of income through long term leases.
- (c) Specialized and distressed debt investments consist of thirteen investment partnerships. Three of these investments focus primarily on mezzanine debt and equity investments while seeking to earn high current returns and long term capital appreciation without subjecting principal to undue risk. The other ten partnerships focus on investing in companies experiencing financial difficulties that have either gone through reorganization after bankruptcy, debt restructuring, reorganization or liquidation. These ten partnerships also invest in "non-distressed debt" of companies believed to be undervalued seeking to balance out the investment return over the long term.
- (d) Private equity funds consist of three investment partnerships that invest in both late stage private companies and smaller capitalization public companies to promote growth and expansion.
- (e) Venture capital investments consist of eight investment partnerships which seek long-term capital appreciation through investments in a diversified selection of top tier venture funds and growth equity funds.

The Foundation has made commitments to invest up to a total of approximately \$209,367,000 in 39 limited partnerships. At October 31, 2020, approximately \$138,968,000 had been invested and approximately \$1,337,000 had been forfeited leaving unfunded commitments of approximately \$69,062,000.

Investments Risks and Uncertainties

Alternative investments consist of non-traditional, not readily marketable investments, some of which may be structured as offshore limited partnerships, venture capital funds, hedge funds, private equity funds and common trust funds. The underlying investments of such funds, whether invested in stock or other securities, are generally not currently traded in a public market and typically are subject to restrictions on resale. Values determined by investment managers and general partners of underlying securities that are thinly traded or not traded in an active market may be based on historical cost, appraisals, a review of the investees' financial results, financial condition and prospects, together with comparisons to similar companies for which quoted market prices are available or other estimates that require varying degrees of judgment.

Because of the inherent uncertainty of valuations, the estimated fair values may differ significantly from the values that would have been used had a ready market for such investments existed or had such investments been liquidated, and those differences could be material.

The William H. Donner Foundation, Inc.

Notes to Financial Statements

October 31, 2020

5. Note Receivable

The Foundation made a \$2,000,000 loan to the corporate managers of an investment firm. Under a modification to the loan terms, the investment management firm may pay back the principal of the loan through assignment of profit sharing percentages to the Foundation in newly developed real estate investments. Profit sharing interests in twelve investments have been assigned to the Foundation as of October 31, 2020. The Foundation will continue to receive 2.61% interest compounded quarterly on the principal of the loan and the maturity date has been extended to December 31, 2021.

Interest was paid to the Foundation on a quarterly basis along with 5% of the gross revenue of the investment firm. The 5% gross revenue ended as of June 30, 2019 since the investment firm is no longer obtaining management fees. The fixed interest has been guaranteed by another investment firm. Based on the collectability risk of the note, management deemed it necessary to continue to provide an allowance of \$2,000,000 against the principal and future profit sharing interests as of October 31, 2020 and 2019.

6. Management Agreement

The Foundation has a management agreement with FIDES to perform administrative, management, and advisory services with regard to the Foundation's operations and activities. For fiscal 2020 the agreement called for the Foundation to pay FIDES for its services an annual fee of \$693,730 payable quarterly in installments on November 1, February 1, May 1 and August 1. A fee of \$40,000 was also paid in October 2020 for additional services provided. Effective November 1, 2020 the agreement has been extended for one year for a fee of \$693,730. In 2019 the Foundation paid fees of \$693,730.

In April 2021, the Foundation and FIDES extended the fiscal year 2021 management agreement for an additional three months from November 1, 2021 through January 31, 2022, upon which the management relationship will terminate thereafter. The Foundation will pay a fee of \$174,000 during this three-month period. In April 2021, the Foundation and FIDES also entered into a consulting agreement to assist with the transition of new management from February 1, 2022 through April 30, 2022. The Foundation will pay a fee of \$129,000 during this three-month period.

7. Endowment Funds

Net assets with donor restrictions-endowment funds consist of donations received for which the donors stipulated they be held in perpetuity. All income earned on the funds are classified as net assets with donor restrictions-time or purpose restricted and released upon appropriation.

The William H. Donner Foundation, Inc.

Notes to Financial Statements
October 31, 2020

7. Endowment Funds (continued)

The following is a reconciliation of the investment activity in the endowment funds as of and for the years ended October 31:

| | Net Assets with Donor Restrictions <u>(Time or Purpose)</u> | Net Assets with Donor Restrictions <u>(Perpetual)</u> |
|-------------------------------|---|---|
| Balance at November 1, 2018 | \$ - | \$ 9,782,172 |
| Net investment income | 1,687,353 | - |
| Appropriated for expenditures | <u>(1,687,353)</u> | <u>-</u> |
| Balance at October 31, 2019 | - | 9,782,172 |
| Net investment income | 915,804 | - |
| Appropriated for expenditures | <u>(915,804)</u> | <u>-</u> |
| Balance at October 31, 2020 | <u>\$ -</u> | <u>\$ 9,782,172</u> |

The Foundation follows the policy of pooling its invested funds. Investment income and appreciation are allocated annually based upon a sharing percentage adjusted for additions to and withdrawals from the pooled fund. The endowment fund is allocated from a percentage of the total pooled funds based on the cost basis of the portfolio at year end.

Interpretation of Relevant Law

In September 2010, New York State enacted New York Prudent Management of Institutional Funds Act ("NYPMIFA"), the terms of which are applicable to the Foundation. NYPMIFA principally addresses the management and investment of all not-for-profit entity "institutional funds" (which are mainly the financial assets of the entity and which exclude programmatic assets such as buildings or operating facilities) as well as the appropriations by the governing board of earnings derived from both donor-restricted and board-designated endowment funds. In essence, NYPMIFA requires all of the financial resources of the entity to be used in a "prudent" fashion with the express approval and action of the governing board. The Foundation's Board of Trustees will continue to adhere to NYPMIFA's requirements relating to the Foundation's permanent endowment funds.

8. Line of Credit

The Foundation has a \$5,000,000 revolving line of credit agreement with a bank that was renewed on November 1, 2019 and expires November 1, 2022. Borrowings will bear optional interest at the LIBOR rate plus 100 basis points, 2%, the prime rate less 75 basis points or a bank offered rate at the time the Foundation draws funds. No borrowings were made on this line of credit during 2020 and 2019.

The William H. Donner Foundation, Inc.

Notes to Financial Statements
October 31, 2020

9. Liquidity and Availability of Financial Assets

The Foundation's financial assets and resources available to meet cash needs for general expenditures within one year of the date of the statement of financial position were as follows as of October 31:

| | <u>2020</u> | <u>2019</u> |
|--|----------------------|----------------------|
| Financial Assets: | | |
| Cash and cash equivalents | \$ 527,869 | \$ 192,161 |
| Investments | 199,297,506 | 192,510,634 |
| Accrued income and loan interest receivable (recorded in other assets) | <u>9,976</u> | <u>50,067</u> |
| Total financial assets | 199,835,351 | 192,752,862 |
| Less: Contractual or donor imposed restriction amounts | | |
| Net assets with donor restrictions | 9,782,172 | 9,782,172 |
| Illiquid investments | <u>81,471,615</u> | <u>74,608,011</u> |
| Financial Assets Available to Meet General Expenditures Over the Next Twelve Months | <u>\$108,581,564</u> | <u>\$108,362,679</u> |

Cash flow is monitored regularly and investments are redeemed as needed in accordance with the Foundation's investment policy. In addition, the Foundation has a line of credit available, if needed, as described in Note 8.

10. COVID-19

The COVID-19 pandemic has resulted in substantial volatility in the global financial markets. The Foundation's individual investments will fluctuate in response to changing market conditions. The amount of losses, if any, that will be recognized in subsequent periods, cannot be determined.

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