Public Welfare Foundation, Inc.

Financial Statements
Years Ended September 30, 2019 and 2018

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Contents

Tel: 301-354-2500
Fax: 301-354-2501
www.bdo.com

12505 Park Potomac Avenue
Suite 700
Potomac, MD 20854

Independent Auditor's Report

To the Board of Directors
Public Welfare Foundation, Inc.
Washington, D.C.

We have audited the accompanying financial statements of **Public Welfare Foundation, Inc.** (the Foundation), which comprise the statements of financial position as of September 30, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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.

Auditor's 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 auditor's 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 **Public Welfare Foundation, Inc.** as of September 30, 2019 and 2018, 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.

BDO USA, LLP

June 22, 2020

Financial Statements

Public Welfare Foundation, Inc.

Statements of Financial Position

September 30,	**2019**	2018
Assets		
Cash and cash equivalents	**$ 1,403,719**	$ 1,557,187
Due from stockbrokers for securities with settlements pending	**106,040,002**	8,232,609
Accrued interest and dividends receivable	**311,579**	236,673
Investments, at fair value:		
Short-term investments	**31,355,948**	16,262,607
Derivative instruments	**8,324,170**	-
Equity securities	**148,618,214**	241,410,920
Fixed income securities	**58,189,796**	65,216,798
Diversifying strategies	**37,616,780**	56,615,817
Other investments	**115,761,370**	127,232,572
Total investments	**399,866,278**	506,738,714
Prepaid expenses, taxes, and other assets	**191,746**	394,586
Property and equipment, net	**7,905,660**	8,188,409
Total assets	**$ 515,718,984**	$ 525,348,178
Liabilities and net assets		
Liabilities		
Accrued expenses, taxes, and other liabilities	**$ 491,679**	$ 344,051
Deferred federal excise and income tax liability	**234,830**	420,347
Grants payable	**1,691,300**	1,372,000
Bonds payable	**10,440,378**	10,409,444
Total liabilities	**12,858,187**	12,545,842
Commitments and contingencies		
Net assets without donor restrictions	**502,860,797**	512,802,336
Total liabilities and net assets	**$ 515,718,984**	$ 525,348,178

See accompanying notes to financial statements.

Public Welfare Foundation, Inc.

Statements of Activities

Years ended September 30,	**2019**	2018
Investment income and expense		
Interest and dividends	**$ 3,203,551**	$ 3,155,123
Other investment funds gain, net	**11,620,943**	37,999,035
Total net income	**14,824,494**	41,154,158
Realized gain on sale of derivative instruments, equity and fixed income securities, diversifying strategies, and other investments, net	**11,505,555**	10,927,655
Unrealized loss on derivative instruments, equity and fixed income securities, diversifying strategies, and other investments, net	**(7,536,621)**	(12,674,353)
Total net investment gain (loss)	**3,968,934**	(1,746,698)
Total investment income	**18,793,428**	39,407,460
Investment advisory, custodial fees and investment expenses	**(1,411,898)**	(835,048)
Net investment return	**17,381,530**	38,572,412
Expenses		
Program expenses:		
Grants approved, net of return	**21,759,596**	21,752,623
Administrative expenses:		
Salaries and fringe benefits	**2,346,003**	2,262,054
Professional and consulting fees	**605,723**	561,150
Other administrative expenses	**1,889,924**	1,640,447
	26,601,246	26,216,274
Provision for federal excise and other taxes	**932,175**	173,539
Total expenses	**27,533,421**	26,389,813
Net operating (loss) income	**(10,151,891)**	12,182,599
Other income		
Class action settlements	**24,466**	35,675
Rental and other miscellaneous income	**185,886**	197,624
Total other income	**210,352**	233,299
Change in net assets without donor restrictions	**(9,941,539)**	12,415,898
Net assets without donor restrictions, beginning of year	**512,802,336**	500,386,438
Net assets without donor restrictions, end of year	**$ 502,860,797**	$ 512,802,336

See accompanying notes to financial statements.

Public Welfare Foundation, Inc.

Statement of Functional Expenses

	2019					
Year ended September 30,		Grantmaking and Program Activities		Supporting Activities		Totals
Expenses:						
Wages and fringe benefits	$	1,327,335	$	1,018,668	$	2,346,003
Professional and consulting fees		414,508		191,215		605,723
Travel		47,586		4,204		51,790
Office operations		156,572		50,537		207,109
Meetings		17,424		-		17,424
Board expenses		37,712		82,662		120,374
Building expenses		826,803		266,866		1,093,669
Depreciation and amortization		302,061		97,497		399,558
Total before grants and provision for federal excise and other taxes		3,130,001		1,711,649		4,841,650
Grants		21,759,596		-		21,759,596
Provision for federal excise and other taxes		-		932,175		932,175
Total expenses	$	24,889,597	$	2,643,824	$	27,533,421

See accompanying notes to financial statements.

Public Welfare Foundation, Inc.

Statement of Functional Expenses

Year ended September 30,	2018		
	Grantmaking and Program Activities	**Supporting Activities**	**Totals**
Expenses:			
Wages and fringe benefits	$ 1,362,285	$ 899,769	$ 2,262,054
Professional and consulting fees	352,813	208,337	561,150
Travel	41,599	7,347	48,946
Office operations	154,371	52,340	206,711
Meetings	19,792	-	19,792
Board expenses	54,127	40,925	95,052
Building expenses	646,765	219,279	866,044
Depreciation and amortization	301,636	102,266	403,902
Total before grants and provision for federal excise and other taxes	2,933,388	1,530,263	4,463,651
Grants	21,752,623	-	21,752,623
Provision for federal excise and other taxes	-	173,539	173,539
Total expenses	$ 24,686,011	$ 1,703,802	$ 26,389,813

See accompanying notes to financial statements.

Public Welfare Foundation, Inc.

Statements of Cash Flows

Years ended September 30,	**2019**	2018
Cash flows from operating activities		
Change in net assets without donor restrictions	**$ (9,941,539)**	$ 12,415,898
Adjustments to reconcile change in net assets without donor restrictions to net cash used in operating activities:		
Depreciation and amortization	**399,558**	403,902
Realized gain on sale of derivative instruments, equity and fixed income securities, diversifying strategies, and other investments, net	**(11,505,555)**	(10,927,655)
Unrealized loss on derivative instruments, equity and fixed income securities, diversifying strategies, and other investments, net	**7,536,621**	12,674,353
Other investment funds gain, net	**(11,620,943)**	(37,999,035)
(Increase) decrease in assets		
Due from stockbrokers for securities with settlements pending	**(97,807,393)**	2,351,891
Accrued interest and dividends receivable	**(74,906)**	(224,499)
Prepaid expenses, taxes, and other assets	**202,840**	924,369
Increase (decrease) in liabilities		
Accrued expenses, taxes, and other liabilities	**147,628**	42,796
Deferred federal excise and income tax asset/liability	**(185,517)**	(429,923)
Grants payable	**319,300**	(45,000)
Net cash used in operating activities	**(122,529,906)**	(20,812,903)
Cash flows from investing activities		
Acquisition of property and equipment	**(85,875)**	(35,829)
Proceeds from sale and distributions of investments	**252,143,202**	276,567,202
Purchases of investments	**(129,680,889)**	(257,605,398)
Net cash provided by investing activities	**122,376,438**	18,925,975
Net decrease in cash and cash equivalents	**(153,468)**	(1,886,928)
Cash and cash equivalents, beginning of year	**1,557,187**	3,444,115
Cash and cash equivalents, end of year	**$ 1,403,719**	$ 1,557,187

See accompanying notes to financial statements.

1. Organization

Public Welfare Foundation, Inc. (the Foundation) was established in 1947, incorporated in Texas and reincorporated in Delaware in 1951, for the purpose of supporting benevolent, charitable, educational or missionary organizations that advance justice and opportunity for people in need. These efforts honor the Foundation’s core values of racial equality, economic well-being, and fundamental fairness for all. The Foundation’s grantmaking is organized around Criminal Justice and Youth Justice. Funds for the Foundation’s operations and grant making are provided from the Foundation's investment portfolio.

2. Summary of Significant Accounting Policies

This summary of significant accounting policies of the Foundation is presented to assist in understanding the Foundation’s financial statements. The financial statements and notes are representations of the Foundation’s management who is responsible for their integrity and objectivity.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the 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. Significant accounting estimates reflected in the Foundation’s financial statements include the determination of fair value of investments. Actual values could differ from those estimates.

Basis of Accounting

The financial statements of the Foundation are presented in conformity with U.S. GAAP and have been prepared using the accrual basis of accounting, which includes recognition of revenue as earned and expenses as incurred.

Cash and Cash Equivalents

The Foundation considers all highly liquid instruments, which have an original maturity of three months or less, to be cash and cash equivalents except for the cash reserve portions of the long-term investment accounts which are recorded with short-term investments in the statements of financial position.

Financial Instruments and Credit Risk

Financial instruments which potentially subject the Foundation to concentrations of credit risk consist principally of cash and cash equivalents and investments held at creditworthy financial institutions. Throughout the year, the balances of the Foundation’s cash accounts at times have exceeded the federally insured limit. The Foundation has not experienced losses in these accounts. The Foundation believes it is not exposed to any significant credit risk on its cash and cash equivalents. By policy, investments are kept within limits designed to reduce risks caused by concentration.

Amounts Due From/To Stockbrokers for Securities with Settlements Pending

The amounts due from (to) stockbrokers for securities with settlements pending result from sales (purchases) of securities and other investments made prior to the end of the fiscal year but settled after the fiscal year-end.

Investments

Investments are comprised of short-term investments, derivative instruments, equity and fixed income securities, diversifying strategies, and other investments. Due to the inherent uncertainty of valuation, estimated values may differ significantly from values that would have been used had a ready market for investments existed, and the differences could be material.

Purchases and sales of securities are recorded on a trade-date basis. Realized gains or losses are determined using the proceeds from sales on a first-in, first-out basis. Unrealized gains or losses are determined using quoted market prices and fair values at the respective year-ends. Other investment funds' gains and losses are comprised of the return recognized from limited partnerships and other investment funds.

Derivative Financial Instruments and Hedging Activities

The Foundation invests in an overlay investment account that invests in various derivative futures contracts. Derivative instruments are held in the portfolio to provide exposure to markets or asset types not held to that degree directly by the Foundation. Derivatives are recorded at estimated fair value, and the resulting gains and losses are reflected as a component of investment return in the statements of activities.

Property and Equipment

Property and equipment is stated at cost. Depreciation and amortization is provided by the straight-line method over 3 to 40 years. Expenditures for maintenance, repairs and minor renewals are charged to expense as incurred. Expenditures for additions, improvements, and replacements are capitalized and property replaced is accounted for as retirements. The Foundation capitalizes purchases of property and equipment costing more than $1,000 with a useful life greater than one year or that result in the betterment of an existing capital asset.

Impairment of Long-Lived Assets

The Foundation reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. No assets of the Foundation were identified as impaired as of the dates of these financial statements. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell.

Deferred Federal Excise and Income Tax

Deferred taxes arise due to differences between the reported value of investments and their tax basis. Deferred taxes also arise for the difference between the cash basis used for tax purposes and the accrual basis used for financial statement purposes for investment activities.

Grants Expense

Grants are expensed when they are approved by the Board of Directors or the President of the Foundation. Grants paid over more than one year are recorded at the net present value of the future payments. Grant refunds and cancellations are recorded as reductions of grant expense upon receipt of notification from the grantee.

Functional Expenses

The costs of providing the Foundation's program and other activities have been summarized on a functional basis in the accompanying statements of functional expenses. Specific expenses that are readily identifiable to a single program or activity are charged directly to that function. Certain categories of expenses, however, are attributable to both program and supporting activities. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Most administrative expenses incurred by the Foundation include shared costs. Office operations, building expenses, and depreciation and amortization are allocated based on square footage, while wages and fringe benefits and board expenses are allocated based on estimates of time and effort.

Tax-Exempt Status

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code) and is a private foundation under Section 509(a) of the Code. The Foundation is subject to federal excise tax as well as federal and state unrelated business income tax related to certain investments.

Reclassifications

Certain amounts in the 2018 financial statements have been reclassified to conform to the 2019 presentation. These reclassifications have no effect on the previously reported change in net assets.

Accounting Pronouncement Adopted

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities* (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct internal investment expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The adoption of this new standard impacted the presentation of the net asset classes and expanded the footnote disclosures as required. The total net assets and changes in net assets were not impacted.

Recent Accounting Pronouncements to be Adopted

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842), which is the leasing standard for both lessees and lessors. Under this update, a lessee will recognize lease assets and liabilities on the statement of financial position for all arrangements with terms longer than 12 months. Lessor accounting remains largely consistent with existing U.S. GAAP. The ASU will be effective for periods beginning after December 15, 2020. This guidance is effective for the Foundation's fiscal year 2022. Management is currently determining the impact of this ASU on the Foundation's financial statements.

In August 2016, the FASB issued ASU 2016-15, *Classification of Certain Cash Receipts and Cash Payments (Topic 230),* which clarifies how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The amendments are intended to reduce diversity in practice. This ASU contains additional guidance clarifying when an entity should separate cash receipts and cash payments and classify them into more than one class of cash flows (including when reasonable judgment is required to estimate and allocate cash flows) versus when an entity should classify the aggregate amount into one class of cash flows on the basis of predominance. The ASU is effective for the Foundation's fiscal year 2020, with early adoption permitted. Management is currently evaluating the impact of this ASU on the Foundation's financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. This ASU was issued to standardize how grants and other contracts received and made are classified across the sector, as either an exchange transaction or a contribution. The standard provides guidance to assist in the determination of whether a transaction is a contribution or an exchange transaction. If the transaction is deemed to be a contribution, the guidance provides factors to consider whether the contribution is conditional or unconditional. For contributions received, if determined to be an unconditional contribution, the determination will then need to be made as to whether the contribution is restricted. The ASU will assist in the determination of the nature of the transaction which will then govern the revenue and expense recognition methodology and timing of the transaction. The ASU is effective for transactions in which the Foundation serves as the resource provider in fiscal year 2021. Management is currently evaluating the impact of this ASU on the Foundation's financial statements.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement* (Topic 820): *Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*. The update modifies certain disclosure requirements in Topic 820, *Fair Value Measurement*. The ASU is effective for the Foundation's financial statements for fiscal year 2021. The Foundation's management is currently evaluating the impact of this ASU on the Foundation's financial statements.

3. Liquidity and Availability of Resources

The Public Welfare Foundation strives to maintain cash and cash equivalents sufficient to cover at least six months of general expenditures. The Foundation regularly monitors the availability of resources required to meet its operating needs, while also seeking to maximize the investment of unused funds. The Foundation has various sources of liquidity available, including cash and cash equivalents, marketable debt securities, and marketable equity securities. Financial assets in excess of monthly cash requirements are invested among these sources in compliance with the Foundation's investment policy.

The following table reflects the Public Welfare Foundation's financial assets as of September 30, 2019 and 2018, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of liquidity restrictions. Amounts not available include certain alternative investments with redemption limitations as more fully described in Note 5, Net Asset Value (NAV) Per Share.

	2019	2018
Cash and cash equivalents	**$ 1,403,719**	$ 1,557,187
Due from stockbrokers for settlements pending	**106,040,002**	8,232,609
Accrued interest and dividends receivable	**311,579**	236,673
Investments	**399,866,278**	506,738,714
Total financial assets	**507,621,578**	516,765,183
Less: amounts unavailable for general expenditures within one year due to investments with liquidity horizons greater than one year	**(115,761,370)**	(127,232,572)
Financial assets available to meet cash needs for general expenditures within one year	**$ 391,860,208**	$ 389,532,611

4. Investments

Investments held consist of the following as of September 30:

	2019	2018
Short-term investments	**$ 31,355,948**	$ 16,262,607
Derivative instruments	**8,324,170**	-
Equity securities:		
Adage Capital Partners, LP	**46,371,307**	50,994,495
Ariel International Fund	**32,406,596**	33,110,886
Blakeney, LP	**499,085**	1,134,063
Commonfund Emerging Markets Quantitative Focus Fund	**-**	25,320,779
Commonfund Select Equity Fund, LLC	**-**	21,987,602
Commonfund SSgA MSCI Australia Index Fund	**-**	1,199,341
Commonfund SSgA MSCI Canada Index Fund	**-**	7,045,728
Commonfund SSgA MSCI EAFE Index Non-Lending	**-**	13,679,751
Commonfund SSgA MSCI Japan Index Fund	**-**	4,489,944
Matarin Capital Management	**20,928,720**	23,623,947
SSgA S&P Global LargeMidCap Natural Resources Index Non-Lending	**-**	1,680,000
SSgA Tuckerman US REIT Index Non-Lending	**-**	7,561,812
T. Rowe Price European Equity Fund	**-**	11,654,863
Two Sigma U.S. All Cap Core Equity Fund, LP	**38,761,468**	37,927,709
Varadero International, Ltd.	**9,651,038**	-
	148,618,214	241,410,920
Fixed income securities:		
Garcia Hamilton & Associates	**35,816,168**	29,346,230
Income Research & Management (IRM) Core Bond Fund	**22,373,628**	35,870,568
	58,189,796	65,216,798
Diversifying strategies:		
Alphadyne International Fund, Ltd.	**14,844,266**	13,202,856
Atlas Enhanced Fund, Ltd.	**11,501,657**	15,498,283
Goldman Sachs Event Driven PLC	**34,761**	34,760
Waterfront CP Offshore Fund Ltd.	**11,236,096**	15,603,177
Western Asset Macro Opportunities Direct Feeder Fund	**-**	12,276,741
	37,616,780	56,615,817

	2019	2018
Other investments:		
Brightwood Capital Offshore Feeder Fund IV, LP	**5,712,759**	2,012,576
Carmel Partners Investment Fund II, LP	**1,702,905**	1,281,741
Carmel Partners Investment Fund III, LP	**1,826,324**	2,911,365
Cerberus Offshore Levered Loan Opportunities III, LP	**8,315,557**	5,221,606
Commonfund Capital International Partners IV, LP	**455,429**	635,427
Commonfund Capital International Partners VII, LP	**4,286,249**	4,811,853
Commonfund Capital Natural Resources IX, LP	**8,322,399**	9,750,854
Commonfund Capital Natural Resources X, LP	**6,579,420**	6,011,800
Commonfund Capital Private Equity V, LP	**382,058**	536,113
Commonfund Capital Private Equity VII, LP	**5,541,402**	6,955,153
Commonfund Capital Private Equity VIII, LP	**5,030,407**	5,195,744
Commonfund Capital Venture Partners IX, LP	**14,481,624**	14,370,320
Commonfund Capital Venture Partners X, LP	**8,213,350**	7,296,839
Commonfund Capital Venture Partners XI, LP	**6,350,203**	4,415,462
Commonfund Capital Venture Partners XII, LP	**2,489,220**	329,918
Commonfund Distressed Debt Partners II, LP	**185,148**	402,388
Commonfund Global Distressed Partners III, LP	**671,083**	914,876
Commonfund Global Distressed Investors IV, LP	**788,996**	917,629
Commonfund Strategic Solutions Core Real Estate, LP	**-**	10,001,332
Commonfund Strategic Solutions Real Estate Opportunities Fund 2011, LP	**4,883,421**	5,888,005
Commonfund Strategic Solutions Real Estate Opportunities Fund 2014, LP	**6,442,592**	8,140,917
Commonfund Capital Strategic Solutions Global Private Equity Fund, LP	**8,556,401**	7,242,542
Commonfund Capital Strategic Solutions Global Private Equity Fund II, LP	**4,334,425**	2,451,893
Harrison Street Core Property Fund	**3,325,071**	10,191,536
Liquid Realty Partners IV, LP	**176,361**	47,432
Liquid Realty Partners IV Tax Exempt AIV, LP	**218,755**	293,014
Merit Energy Partners C – II, LP	**173,991**	827,408
Merit Energy Partners D – II, LP	**161,837**	715,865
Merit Energy Partners F – II, LP	**632,815**	1,031,461
Merit Energy Canada, LP	**2,560,138**	2,585,623
TIFF Partners IV, LLC	**63,692**	281,984
TIFF Realty & Resources I, LLC	**157,309**	411,630
TIFF Partners V – US, LLC	**240,270**	316,958
TIFF Partners V – International, LLC	**90,767**	101,614
Tuckerbrook – Medley, LP	**536,083**	551,302
Tuckerbrook – Styx, LP	**8,458**	8,998
Tuckerbrook – Special Situations Fund, LP	**134,597**	134,597
Tuckerbrook SB Global Distressed Fund I, LP	**1,729,854**	2,036,797
	115,761,370	127,232,572
Total	**$399,866,278**	$ 506,738,714

Investment cost, net appreciation, and fair market value by investment type consist of the following as of September 30:

	2019		
	Cost	Net Appreciation	Fair Value
Short-term investments and derivative instruments	$ 39,676,270	$ 3,848	$ 39,680,118
Equity securities	132,987,088	15,631,126	148,618,214
Fixed income securities	54,678,066	3,511,730	58,189,796
Diversifying strategies	33,843,746	3,773,034	37,616,780
Other investments	116,081,607	(320,237)	115,761,370
Total	$ 377,266,777	$ 22,599,501	$ 399,866,278

	2018		
	Cost	Net Appreciation	Fair Value
Short-term investments	$ 16,262,607	$ -	$ 16,262,607
Equity securities	219,231,396	22,179,524	241,410,920
Fixed income securities	64,710,805	505,993	65,216,798
Diversifying strategies	53,188,602	3,427,215	56,615,817
Other investments	123,076,269	4,156,303	127,232,572
Total	$ 476,469,679	$ 30,269,035	$ 506,738,714

The Foundation has commitments to make additional investments of $42,557,224 in other investments as of September 30, 2019. The Foundation cannot withdraw from the partnership investments prior to their termination, pursuant to the partnership agreements, and there are restrictions on the transferability of the Foundation's interest in these partnerships. Some partnerships have exit dates pursuant to the partnership agreement. Due to restrictions on transferability and timing of withdrawals from the limited partnerships and corporate interests, the amounts ultimately realized upon liquidation could differ from reported values that are based on current conditions.

5. Fair Value Measurements

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate the value:

Cash, short-term investments, and derivative instruments

The carrying value approximates fair value because of the short maturity of those instruments. Derivative instruments are considered short-term investments.

Long-term investments

The fair values for marketable investments, which include equity and fixed income securities that are traded on a national securities exchange are based on current quoted market prices. Investments in limited partnership and other investment funds that invest in marketable securities are valued based on market values of the underlying securities.

The fair values of investments in limited partnerships, diversifying strategies and other investments that invest in nonmarketable securities, real estate, and oil and gas interests are based upon audited partnership financial statements, adjusted for cash flows and significant unrealized gains and losses for the years ended September 30, 2019 and 2018.

Grants payable

The fair value of grants payable more than one year after the financial statement date is based on present value calculations using rates established for United States Treasury Bills with similar terms as the grants.

Bonds payable

The fair value of bonds payable is estimated based on current rates offered on long-term United States Treasury Bills. The discount rate utilized was 1.62% for 2019 and 3.01% for 2018.

The estimated value of the Foundation's financial instruments is as follows at September 30:

	2019		**2018**	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
Assets				
Cash, short-term investments, and derivative instruments	**$ 41,083,837**	**$ 41,083,837**	$ 17,819,794	$ 17,819,794
Long-term investments	**$ 360,186,160**	**$ 360,186,160**	$ 490,476,107	$ 490,476,107
Liabilities				
Grants payable	**$ 1,691,300**	**$ 1,691,300**	$ 1,372,000	$ 1,372,000
Bonds payable	**$ 10,800,000**	**$ 9,807,281**	$ 10,800,000	$ 8,775,423

The following methods and assumptions were used by the Foundation in estimating the fair value of financial instruments. The Foundation is subject to the provisions of FASB Accounting Standards Codification (ASC) 820-10, *Fair Value Measurement*. ASC 820-10 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. ASC 820-10 permits the Foundation, as a practical expedient, to estimate fair value of investments based on the net asset value ("NAV") per share, or its equivalent, if the NAV of such investments is calculated in a manner consistent with the measurement principles of ASC 946, *Financial Services - Investment Companies*. As defined in ASC 820-10, fair value is 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 (exit price). The Foundation utilizes market data or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable. The Foundation primarily applies the market approach for recurring fair value measurements and endeavors to utilize the best available information.

Accordingly, the Foundation utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. The Foundation is able to classify fair value balances based on the observability of those inputs.

The Foundation's assessment of the significance of a particular input to the fair value measurements requires judgment and may affect the determination of the fair value of assets and liabilities and their placement within the fair value hierarchy levels. Also, the time between inception and performance of a contract may affect the fair value. The determination of fair value may, therefore, affect the timing of recognition of revenues and the change in net assets without donor restrictions.

FASB ASC 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value and maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The categorization of an investment within the hierarchy is based on the pricing transparency of the investment and does not necessarily correspond to the Foundation's perceived risk of that investment. The three levels of fair value hierarchy are as follows:

Level 1 Inputs: Valuation based on quoted prices in active markets for identical assets or liabilities that a reporting entity has the ability to access at the measurement date, and where transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 Inputs: Valuation based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, that is markets in which there are few transactions, prices are not current, or prices vary substantially over time.

Level 3 Inputs: Valuation based on inputs that are unobservable for an asset or liability and shall be used to measure fair value to the extent that observable inputs are not available. This input therefore reflects the Foundation's assumptions about what market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The Foundation's other investments are held in limited partnerships and corporate interests which are valued based on NAV. Given the absence of market quotations, their fair value is estimated by management using information provided to the Foundation by the investment manager. The values are based on estimates that require varying degrees of judgments. Individual holdings within the limited partnerships and corporate interests may include investments in both nonmarketable and market-traded securities. Nonmarketable securities may include equity in private companies, real estate, and other investment vehicles. The investments may directly expose the Foundation to the effects of securities lending, short sales of securities, and trading in futures and forward contracts, options, swap contracts, and other derivative products. While these financial instruments contain varying degrees of risk, the Foundation's exposure with respect to each such investment is limited to its carrying amount (fair value as described above) in each investment.

The Foundation does not directly invest in the underlying securities of the investment funds and due to restrictions on transferability and timing of withdrawals from the limited partnerships and corporate interests, the amounts ultimately realized upon liquidation could differ from reported values that are based on current conditions.

The following table presents the Foundation's assets that are measured at fair value on a recurring basis as of September 30, 2019:

	Level 1	Level 2	Level 3	Investments Measured at NAV*	Totals
Short-term investments	$ 31,355,948	$ -	$ -	$ -	$ 31,355,948
Derivative instruments	8,324,170	-	-	-	8,324,170
Equity securities:					
Diversifying strategies	-	-	-	9,651,038	9,651,038
Emerging markets equity	-	-	-	499,085	499,085
Global equity	32,406,596	-	-	-	32,406,596
U.S. equity	20,928,720	-	-	85,132,775	106,061,495
Fixed income securities	35,816,168	-	-	22,373,628	58,189,796
Diversifying strategies	-	-	-	37,616,780	37,616,780
Other investments:					
Diversifying strategies	-	-	-	8,458	8,458
Private equity	-	-	-	28,981,100	28,981,100
Private equity-venture	-	-	-	31,534,397	31,534,397
Private opportunistic	-	-	-	18,074,077	18,074,077
Private real assets	-	-	-	37,163,338	37,163,338
Total	$128,831,602	$ -	$ -	$ 271,034,676	$ 399,866,278

**Certain investments that are measured at fair value using net asset value per share (or its equivalent) practical expedient have not been categorized 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 amounts presented in the accompanying statements of financial position.*

The following table presents the Foundation's assets that are measured at fair value on a recurring basis as of September 30, 2018:

	Level 1	Level 2	Level 3	Investments Measured at NAV*	Totals
Short-term investments	$ 16,262,607	$ -	$ -	$ -	$ 16,262,607
Equity securities:					
Developed ex-U.S. equity	-	-	-	38,069,627	38,069,627
Emerging markets equity	-	-	-	26,454,842	26,454,842
Global equity	33,110,886	-	-	-	33,110,886
Private real assets	-	-	-	9,241,812	9,241,812
U.S. equity	23,623,947	-	-	110,909,806	134,533,753
Fixed income securities	29,346,230	-	-	35,870,568	65,216,798
Diversifying strategies	-	-	-	56,615,817	56,615,817
Other investments:					
Diversifying strategies	-	-	-	8,998	8,998
Private equity	-	-	-	28,529,281	28,529,281
Private equity-venture	-	-	-	26,412,539	26,412,539
Private opportunistic	-	-	-	12,191,770	12,191,770
Private real assets	-	-	-	60,089,984	60,089,984
Total	$ 102,343,670	$ -	$ -	$ 404,395,044	$ 506,738,714

**Certain investments that are measured at fair value using net asset value per share (or its equivalent) practical expedient have not been categorized 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 amounts presented in the accompanying statements of financial position.*

6. Net Asset Value (NAV) Per Share

In accordance with ASU 2009-12, *Fair Value Measurements and Disclosures (Topic 820) – Investment in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent),* the Foundation expanded disclosures to include the category, fair value, redemption frequency, and redemption notice period for those assets whose fair value is estimated using the net asset value per share or its equivalent for which fair value is not readily determinable, as of September 30, 2019. For the Foundation, such assets include the limited partnership investments and non-partnership investments.

The following table sets forth a summary of the Foundation's investments with a reported NAV as of September 30, 2019:

Investment Type	Fair Value	Unfunded Commitments	Redemption Frequency	Notice Period (Days)
Equity securities				
Diversifying strategies (a)	$ 9,651,038	$ -	Quarterly	90
Emerging markets equity (b)	499,085	-	Weekly	5
U.S. equity (c)	85,132,775	-	Quarterly	60
Fixed income securities (d)	22,373,628	-	Daily	2
Diversifying strategies (a)	37,616,780	-	Quarterly	90
Other investments				
Diversifying strategies (a)	8,458	-	No immediate liquidity*	n/a
Private equity (e)	28,981,100	10,944,689	No immediate liquidity*	n/a
Private equity-venture (e)	31,534,397	9,270,000	No immediate liquidity*	n/a
Private opportunistic (e)	18,074,077	10,964,230	No immediate liquidity*	n/a
Private real assets (e)	37,163,338	11,378,305	No immediate liquidity*	n/a
	$ 271,034,676	$42,557,224		

**Alternative investments listed above have varying withdrawal restrictions. The typical alternative investment fund cycle provides for an initial investment period of 1-5 years, a growth management phase of 2-7 years, and realization/distribution of investment returns over years 7-12.*

The following table sets forth a summary of the Foundation's investments with a reported NAV as of September 30, 2018:

Investment Type	Fair Value	Unfunded Commitments	Redemption Frequency	Notice Period (Days)
Equity securities				
Developed ex-U.S. equity (f)	$ 38,069,627	$ -	Monthly	5
Emerging markets equity (b)	26,454,842	-	Weekly	5
Private real assets (e)	9,241,812	-	Daily	2
U.S. equity (c)	110,909,806	-	Quarterly	60
Fixed income securities (d)	35,870,568	-	Daily	2
Diversifying strategies (a)	56,615,817	-	Quarterly	90
Other investments				
Diversifying strategies (a)	8,998	-	No immediate liquidity*	n/a
Private equity (e)	28,529,281	15,810,687	No immediate liquidity*	n/a
Private equity-venture (e)	26,412,539	12,517,500	No immediate liquidity*	n/a
Private opportunistic (e)	12,191,770	17,982,646	No immediate liquidity*	n/a
Private real assets (e)	60,089,984	14,878,305	No immediate liquidity*	n/a
	$ 404,395,044	$ 61,189,138		

**Alternative investments listed above have varying withdrawal restrictions. The typical alternative investment fund cycle provides for an initial investment period of 1-5 years, a growth management phase of 2-7 years, and realization/distribution of investment returns over years 7-12.*

(a) Diversifying Strategies may include long/short equity, distressed securities, long/short credit, multi-strategy, global macro, and long only credit, among others. These strategies are benchmarked against the HFRI Fund of Funds composite index and aim to mitigate equity risk by reducing volatility, preserving capital, and providing a differentiated source of return.

(b) The Emerging Market Equity program consists of managers who are benchmarked against the MSCI Emerging Markets Index (Net). Investments are made in companies based in emerging markets, including Asia, Latin America, Africa, and the Middle East, among others.

(c) The U.S. Equity program consists of managers who are benchmarked against the S&P 500 Index. These managers primarily trade diversified stocks and securities of U.S. publicly traded equities.

(d) The Core Bonds program consists of managers who are benchmarked against the Bloomberg Barclays Aggregate Bond Index. These managers target investments in investment grade fixed income securities including corporate, mortgages, treasuries, and agencies.

(e) Private Equity consists of several strategies including Venture Capital/Growth Equity, Buyout, Opportunistic (i.e. secondaries, credit, royalties, etc.), and Real Assets (i.e. private natural resources, real estate, infrastructure, etc.), among others. These strategies generally seek to invest directly in operating companies, or in other limited partnerships that are not normally accessible through traditional public markets.

(f) Developed ex-U.S. equity investments consist of exposures to international equities that provide a primary source of return in the form of capital appreciation and income, with the recognition that this asset class carries with it the assumption of greater market volatility and increased risk of loss. This component may include index funds, international common stocks, American Depository Receipts (ADRs), preferred stocks, and convertible stocks traded on the world's stock exchanges or over-the-counter markets.

7. Property and Equipment

Property and equipment consist of the following as of September 30:

		2019		2018
Building and building improvements	$	**11,708,306**	$	11,694,949
Land and land improvements		**1,690,863**		1,690,863
Furniture, fixture and equipment		**1,373,214**		1,300,696
		14,772,383		14,686,508
Less: accumulated depreciation and amortization		**(6,866,723)**		(6,498,099)
Total	$	**7,905,660**	$	8,188,409

8. Federal Excise and Other Taxes

In accordance with applicable provisions of the Code, the Foundation is subject to federal excise tax imposed on private foundations at 2%, or 1% if certain conditions are met, and is subject to corporate income tax on its unrelated business income. The excise tax is imposed on net investment income, excluding unrealized gains, as defined under federal law.

The provision for tax expense consists of the following components for the years ended September 30:

	2019	2018
Current	$ 1,117,692	$ 603,462
Deferred	(185,517)	(429,923)
Total provision for federal excise and other tax expense	$ 932,175	$ 173,539

Current taxes for the years ended September 30, 2019 and 2018 were $1,117,692 and $603,462, respectively. The Foundation has recorded its federal excise tax liability utilizing a rate of 2% for the years ended September 30, 2019 and 2018. Current taxes are related primarily to federal excise tax and unrelated business income generated as a result of the Foundation's investment income in various states. No provisional estimates for income taxes on the state level have been made as the amounts were deemed to be immaterial in 2019 and 2018.

The Foundation recorded a deferred federal excise tax liability for the years ended September 30, 2019 and 2018, at a rate of 2% of net unrealized investment gains in the amount of $454,214 and $605,381, respectively. The Foundation recorded a deferred federal tax asset for the years ended September 30, 2019 and 2018, of $219,384 and $185,034, respectively, at a rate of 21% of the Net Operating Loss (NOL) carryforward to each such year. The Foundation had a net deferred federal excise tax liability for the years ended September 30, 2019 and 2018, of $234,830 and $420,347, respectively.

In addition, the Code requires private foundations to make certain minimum distributions. The Foundation has made the required minimum distributions as of September 30, 2019 and 2018. Under FASB ASC 740-10, *Accounting for Uncertainty in Income Taxes*, an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more-likely than not that the position will be sustained. The Foundation believes that it has appropriate support for the excise and unrelated business income tax positions taken and, as such, does not have any uncertain tax positions that result in a material impact on the Foundation’s financial position or statements of activities.

The Foundation is still open to examination by U.S. tax authorities from fiscal year 2016 forward. The Foundation is also open to examination by state tax authorities for various tax years. For the years ended September 30, 2019 and 2018, no interest or penalties were recorded in the statements of activities that related to amended tax returns.

9. Bonds Payable

On March 30, 2000, the Foundation issued $11,000,000 in variable interest rate District of Columbia Revenue Series Revenue Bonds, maturing on March 1, 2025.

Effective November 1, 2010, the Foundation entered into a new bond agreement with TD Bank who would be the new bond holder of the District of Columbia Revenue Series 2000 Revenue Bonds. Pursuant to the new loan agreement with TD Bank, the bond agreement will mature on November 1, 2025. As part of the agreement, the lender does not have the right to call the principal before the maturity date. However, on July 12, 2011, the Foundation directed the Trustee, on behalf of the District of Columbia, to optionally redeem $200,000 of the bonds, resulting in an outstanding obligation of $10,800,000 as of September 30, 2019 and 2018.

Additionally, effective November 1, 2010, the Foundation amended and restated the Indenture of Trust to revise the term of the District of Columbia Revenue Series 2000 Revenue Bonds, to mature on October 31, 2035.

The interest rate as of September 30, 2019 and 2018, was 2.94% and 2.85%, respectively. Bond interest expense included in other administrative expenses for the years ended September 30, 2019 and 2018 was $334,321 and $279,344, respectively. The agreement contains certain financial and nonfinancial covenants with which the Foundation complied in 2019 and 2018.

The financial statements reflect the liability for bonds payable as of September 30, offset by related debt issuance costs. Amortization of capitalized interest and refinancing costs of $30,934 and $30,932, were recognized in 2019 and 2018, respectively. Net bonds payable as of September 30:

	2019	2018
Bonds payable	**$ 10,800,000**	$ 10,800,000
Less: capitalized interest refinancing costs (net)	**(359,622)**	(390,556)
Net bonds payable	**$ 10,440,378**	$ 10,409,444

On May 27, 2020, the Foundation issued new tax-exempt bonds to an affiliate of JPMorgan Chase in the principal amount of $12,100,000. The new bonds bear a fixed rate of interest at 1.57% per annum and are due 10 years following their issuance. The proceeds of the new bonds were used to retire the outstanding $10,800,000 of bonds held by TD Bank, to pay the costs of issuance of the new bonds, and to provide $1,058,000 to be used for the cost of replacing windows at the Foundation's headquarters building.

10. Retirement Plans

401(k) Plan

Included in salaries and fringe benefits are contributions to a qualified defined contribution 401(k) plan. The Foundation maintains this plan, established under Section 401(k) of the Code, for all of its employees. Upon the start of employment, employees may defer a portion of their salary up to the maximum amount allowable under section 415 of the Code. Employees become eligible for employer contributions upon the completion of one year of service, at which time the Foundation is required to contribute 12% of eligible employees' total compensation to the plan. During 2019 and 2018, the Foundation's contributions to the 401(k) plan and related expenses totaled $173,550 and $169,998, respectively. Participants are fully vested in all contributions.

457(b) Plans

The Foundation also maintains two separate defined contribution retirement plans under Section 457(b) of the Code (the 457(b) Plans) for certain eligible employees. Eligibility to participate in the 457(b) Plans is reviewed by an internal sub-committee that reports to the Finance Committee of the Board of Directors. The Plans are unfunded plans maintained primarily for the purpose of providing deferred compensation benefits for a select group of management employees. Under the 457(b) Plans, all employer contributions and any investment earnings are solely the property and rights of the Foundation and are subject to claims of the Foundation's general creditors until such amounts are paid or made available to the participant or beneficiary. Accordingly, participants' rights under these 457(b) Plans are equal to those of a general creditor of the Foundation until such amounts are paid or made available to the participant or beneficiary. As of September 30, 2019 and 2018, 457(b) Plan assets totaled $104,661 and $102,352, respectively, and were included in prepaid expenses, taxes and other assets with an equivalent offset in accrued expenses, taxes, and other liabilities in the accompanying statements of financial position.

Included in salaries and fringe benefits are contributions to the 457(b) Plan and related expenses of $5,422 and $40,078 for the years ended September 30, 2019 and 2018, respectively.

11. Grants

Grants consisted of the following as of September 30:

	2019	2018
Current year:		
Grants approved	$ 21,574,928	$ 21,588,603
Contributed rental space	185,635	197,624
	21,760,563	21,786,227
Prior years:		
Returned grants	(967)	(33,604)
Net grants	$ 21,759,596	$ 21,752,623

Grants payable were $1,691,300 and $1,372,000 at September 30, 2019 and 2018, respectively.

12. Minimum Distribution Requirement

The Code requires that qualifying distributions be paid in accordance with a specified formula. At September 30, 2019, the Foundation had excess distributions that can be carried over to fiscal year 2020 of approximately $5,900,000. These carryover distributions can be applied towards the fiscal year 2020 minimum distribution requirement.

13. Supplemental Disclosure of Cash Flow Information

Cash paid for interest and taxes was as follows for the year ended September 30:

	2019	2018
Interest expense paid	$ 334,321	$ 279,344
Excise and other taxes paid	$ 811,927	$ 559,260

14. Commitments

The Foundation and the Washington Legal Clinic for the Homeless (WLCH), a non-profit corporation, are committed under a lease agreement effective through September 30, 2020. The lease is renewable for additional consecutive one-year periods at WLCH's election. WLCH is required to pay the Foundation an annual Fixed Use Fee of One Dollar per year and has exercised its option to renew on a year-to-year basis.

The fair market value of the rental income and grant expense related to the agreement was $175,119 and $197,624 for the years ended September 30, 2019 and 2018 respectively and is included in the statements of activities.

The Foundation and the Consumer Health Foundation (CHF), a non-profit corporation, entered into a non-renewable lease agreement effective July 1, 2019 through June 30, 2020. CHF provides no remuneration for the space. The fair market value of the rental income and grant expense related to the agreement was $6,751 for the year ended September 30, 2019 and is included in the statements of activities.

The Foundation and the Justice for Muslims Collective (JFMC) entered into a non-renewable lease agreement effective April 1, 2019 through March 31, 2020. JFMC provides no remuneration for the space. The fair market value of the rental income and grant expense related to the agreement was $3,765 for the year ended September 30, 2019 and is included in the statements of activities.

15. Subsequent Events

The Foundation evaluated subsequent events through June 22, 2020, which is the date the financial statements were available to be issued. Other than as described below and Note 9, the Foundation is not aware of any subsequent events that require adjustments to or disclosure in the financial statements for the year ended September 30, 2019.

On March 11, 2020, the World Health Organization declared the novel coronavirus (COVID-19) a global pandemic. As of the date of issuance of these financial statements, this public health emergency has had a substantial negative impact on the global economy and has resulted in significant volatility in the financial markets. The Foundation cannot reasonably estimate the length or severity of this pandemic or its impact on the economy or the financial markets. Management is continually monitoring the impact of the pandemic on its operations and on the value of its investment portfolio. To date the Foundation has suffered no significant negative impact on its operations. As of May 31, 2020, the value of the Foundation's investment assets had declined from their September 30, 2019 aggregate value by only $6.4 million, or 1.25 percent. Management believes that the Foundation has sufficient reserves and liquidity to effectively manage through this uncertainty consistent with the long-term objectives of its investment and spending policies. The Foundation has not made any changes to budgeted expenditures for fiscal year 2020.

On March 27, 2020, the "Coronavirus Aid, Relief, and Economic Security Act", (CARES Act) was signed into law in response to the coronavirus pandemic. The Foundation is still evaluating potential impacts of the CARES Act on their 2020 operations.