PUBLIC WELFARE FOUNDATION, INC.

FINANCIAL STATEMENTS

September 30, 2021 and 2020

PUBLIC WELFARE FOUNDATION, INC.
Washington D.C.

FINANCIAL STATEMENTS
September 30, 2021 and 2020

CONTENTS

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Public Welfare Foundation, Inc., which comprise the statements of financial position as of September 30, 2021 and 2020, 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.

(Continued)

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, 2021 and 2020, 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.

Crowe LLP

Crowe LLP

Indianapolis, Indiana
May 25, 2022

PUBLIC WELFARE FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
September 30, 2021 and 2020

	2021	2020
ASSETS		
Cash and cash equivalents	$ 683,184	$ 971,547
Bond proceeds held in trust	574,890	1,058,017
Accrued interest and dividends receivable	-	69,819
Investments	633,092,213	534,158,006
Prepaid expenses, taxes, and other assets	1,287,434	585,551
Property and equipment, net	8,074,258	7,842,748
Total assets	$ 643,711,979	$ 544,685,688
LIABILITIES AND NET ASSETS		
Liabilities		
Accrued expenses, taxes, and other liabilities	$ 864,332	$ 736,710
Deferred federal excise and income tax liability	1,325,715	256,829
Grants payable	1,230,000	1,171,000
Bonds payable	11,868,273	11,841,535
Total liabilities	15,288,320	14,006,074
Net assets without donor restrictions	628,423,659	530,679,614
Total liabilities and net assets	$ 643,711,979	$ 544,685,688

See accompanying notes to financial statements.

PUBLIC WELFARE FOUNDATION, INC.
STATEMENTS OF ACTIVITIES
Years ended September 30, 2021 and 2020

	2021	2020
INVESTMENT INCOME AND EXPENSE		
Interest and dividends	$ 3,459,883	$ 2,489,434
Other investment funds (loss) gain, net	(35,427)	16,748,289
Total net income	3,424,456	19,237,723
Realized gain on investments, net	23,527,102	22,612,952
Unrealized gain on investments, net	98,859,971	12,841,431
Total net investment gain	122,387,073	35,454,383
Total investment income	125,811,529	54,692,106
Investment advisory, custodial fees and Investment expenses	(1,968,373)	(1,769,133)
Net investment return	123,843,156	52,922,973
EXPENSES		
Program expenses:		
Grants approved, net of return	20,827,339	20,326,374
Administrative expenses:		
Salaries and fringe benefits	1,890,516	2,034,449
Professional and consulting fees	784,056	454,838
Other administrative expenses	1,386,929	1,663,375
	24,888,840	24,479,036
Provision for federal excise and other taxes	1,365,292	811,183
Total expenses	26,254,132	25,290,219
Net operating income	97,589,024	27,632,754
OTHER INCOME		
Class action settlements	137	3,388
Rental and other miscellaneous income	154,884	182,675
Total other income	155,021	186,063
Change in net assets without donor restrictions	97,744,045	27,818,817
Net assets without donor restrictions, beginning of year	530,679,614	502,860,797
Net assets without donor restrictions, end of year	$ 628,423,659	$ 530,679,614

See accompanying notes to financial statements.

PUBLIC WELFARE FOUNDATION, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
Years ended September 30, 2021 and 2020

	2021		
	Grantmaking And Program Activities	Supporting Activities	Total
EXPENSES:			
Wages and fringe benefits	$ 1,086,253	$ 804,263	$ 1,890,516
Professional and consulting fees	574,167	209,889	784,056
Travel	2,603	30	2,633
Office operations	66,720	49,172	115,892
Meetings	28,273	-	28,273
Board expenses	28,609	43,868	72,477
Building expenses	600,563	190,272	790,835
Depreciation and amortization	286,157	90,661	376,818
Total before grants and provision for federal excise and other taxes	2,673,345	1,388,155	4,061,500
Grants	20,827,340	-	20,827,340
Provision for federal excise and	-		
other taxes	-	1,365,292	1,365,292
Total expenses	$ 23,500,685	$ 2,753,447	$ 26,254,132

	2020		
	Grantmaking And Program Activities	Supporting Activities	Totals
EXPENSES:			
Wages and fringe benefits	$ 1,104,409	$ 930,040	$ 2,034,449
Professional and consulting fees	213,575	241,263	454,838
Travel	20,402	1,984	22,386
Office operations	98,504	31,794	130,298
Meetings	3,666	-	3,666
Board expenses	27,580	52,654	80,234
Building expenses	676,559	252,472	929,031
Depreciation and amortization	402,079	95,681	497,760
Total before grants and provision for federal excise and other taxes	2,546,774	1,605,888	4,152,662
Grants	20,326,374	-	20,326,374
Provision for federal excise and other taxes	-	811,183	811,183
Total expenses	$ 22,873,148	$ 2,417,071	$ 25,290,219

See accompanying notes to financial statements.

PUBLIC WELFARE FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
Years ended September 30, 2021 and 2020

	2021	2020
Cash flows from operating activities		
Change in net assets without donor restrictions	$ 97,744,045	$ 27,818,817
Adjustments to reconcile change in net assets without donor restrictions to net cash used in operating activities		
Depreciation and amortization	376,818	497,760
Realized, unrealized and other gains on investments, net	(123,843,156)	(52,202,672)
(Increase) decrease in assets		
Accrued interest and dividends receivable	69,819	241,760
Prepaid expenses, taxes, and other assets	(701,883)	(393,805)
Increase (decrease) in liabilities		
Accrued expenses, taxes and other liabilities	127,622	245,031
Deferred federal excise and income tax asset/liability	1,068,886	21,999
Grants payable	59,000	(520,300)
Net cash used in operating activities	(25,098,849)	(24,291,410)
Cash flows from investing activities		
Acquisition of property and equipment	(581,590)	(66,314)
Proceeds from sale and distributions of investments	559,217,455	290,664,141
Purchases of investments	(534,308,506)	(266,713,195)
Net cash provided by investing activities	24,327,359	23,884,632
Cash flows from financing activities		
Proceeds from issuance of debt	-	1,032,623
Net cash provided by financing activities	-	1,032,623
Net (decrease) increase in cash and cash equivalents and restricted cash	(771,490)	625,845
Cash and cash equivalents and restricted cash, beginning of year	2,029,564	1,403,719
Cash and cash equivalents and restricted cash, end of year	$ 1,258,074	$ 2,029,564
Cash and cash equivalents	$ 683,184	$ 971,547
Bond proceeds held in trust	574,890	1,058,017
Cash and cash equivalents and restricted cash, end of year	$ 1,258,074	$ 2,029,564
Supplemental cash-flow disclosures		
Cash paid for interest	$ 176,499	$ 200,787
Cash paid for excise and other taxes	971,608	1,186,364
Non-cash refinancing of debt	-	10,800,000

See accompanying notes to financial statements.

NOTE 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.

NOTE 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.

Bond Proceeds Held in Trust: As of September 30, 2021 and 2020, the Foundation held proceeds from the 2020 bond issuance that were restricted for a capital project as described in Note 7.

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.

Investments: As described in Note 4, effective October 1, 2020, the Foundation transferred substantially all its investment assets to a newly formed limited partnership, PWF Fund, LP, of which the Foundation is the sole limited partner and the Foundation's investment advisor is the general partner. Accordingly, the Foundation's investments as of September 30, 2021, are comprised almost exclusively of the Foundation's limited partnership interest in PWF Fund, LP. In 2020, the Foundation's investments were 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.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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: During 2020, the Foundation invested in an overlay investment account that invested in various derivative futures contracts. Derivative instruments were 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 are 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 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.

Grants Expense: Grants are expensed when they are approved by the Board of Directors or the President and Chief Executive Officer 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: Certain categories of expenses, however, are attributable to both program and supporting functions. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Most administrative expenses incurred by the Foundation include shared costs. Wages and fringe benefits are allocated based on estimates of employee time and effort. Office operations expenses are allocated based on the nature of the expense; some are based on employee time and effort and others are based on square footage. Building expenses and depreciation are allocated based on square footage and board expenses are allocated based on estimates of time and effort.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. See Note 6.

Recent Accounting Pronouncements to be Adopted: In February 2016, the FASB issued Accounting Standards Update ("ASU") 2016-02, "Leases" (Topic 842). Under the standard, an entity is required to recognize lease assets and lease liabilities on the statement of financial position. The ASU also requires additional disclosure, both quantitative and qualitative, including pertinent information about the leasing arrangement, and the amount, timing, and uncertainty of cash flows arising from leases. This ASU is effective to the Foundation for fiscal year ending September 30, 2023. Management is currently evaluating the impact of this ASU on the Foundation's financial statements.

In September 2020, the FASB issued ASU 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. Under the standard, contributed nonfinancial assets should be presented as a separate line item in the statement of activities. Additionally, the entity should disclose a disaggregation by category of nonfinancial asset and for each category, information about how the assets are used (or monetized), including any associated donor or grantor restrictions, and how they are valued (at initial recognition), should be disclosed. This ASU is effective to the Foundation for fiscal year ending September 30, 2022. Management is currently evaluating the impact of this ASU on the Foundation's financial statements.

Subsequent Events: The Foundation evaluated its September 30, 2021 financial statements for subsequent events through May 25, 2022, the date these statements were available to be issued.

NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES

The Foundation strives to maintain, either directly or through its interest in PWF Fund, LP, 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 and marketable debt securities and marketable equity securities held by PWF Fund, LP. Financial assets in excess of monthly cash requirements are invested among these sources in compliance with the Foundation's investment policy.

NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES (Continued)

The following table reflects the Foundation's financial assets as of September 30, 2021 and 2020, 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.

	2021	2020
Cash and cash equivalents	$ 683,184	$ 971,547
Accrued interest and dividends receivable	-	69,819
Investments	633,092,213	534,158,006
Total financial assets	633,775,397	535,199,372
Less: Amounts unavailable for general expenditures within one year due to investments with liquidity horizons greater than one year	(432,562,005)	(126,493,891)
Financial assets available to meet cash needs for general expenditures within one year	$ 201,213,392	$ 408,705,481

NOTE 4 - FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received for an asset or paid to transfer a liability (an exit price) in the Foundation's principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

GAAP establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. GAAP describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy.

Certain investments are valued using the net asset value (NAV) (or its equivalent) provided by the fund as a practical expedient. Those investments are excluded from the valuation hierarchy.

(Continued)

NOTE 4 - FAIR VALUE MEASUREMENTS (Continued)

The following table presents the Foundation's assets that are measured at fair value on a recurring basis as of September 30, 2021:

	Level 1	Level 2	Level 3	Investments Measured at NAV	Totals
Short-term investments	$ 467,055	$ -	$ -	$ -	$ 467,055
Other investments:					
Private equity	-	-	-	48,546	48,546
PWF Fund LP	-	-	-	632,576,612	632,576,612
Total	$ 467,055	$ -	$ -	$ 632,625,158	$ 633,092,213

The following table presents the Foundation's assets that are measured at fair value on a recurring basis as of September 30, 2020:

	Level 1	Level 2	Level 3	Investments Measured at NAV	Totals
Short-term investments	$ 51,865,866	$ -	$ -	$ -	$ 51,865,866
Derivative instruments	36,841,389	-	-	-	36,841,389
Equity securities:					
Diversifying strategies	-	-	-	9,495,884	9,495,884
Emerging markets equity	-	-	-	112,250	112,250
Global equity	29,078,508	-	-	73,310,213	102,388,721
U.S. equity	12,994,778	-	-	92,926,091	105,920,869
Fixed income securities	50,872,746	13,713,597	-	-	64,586,343
Diversifying strategies	-	-	-	36,452,793	36,452,793
Other investments:					
Diversifying strategies	-	-	-	23,384	23,384
Private equity	-	-	-	31,832,561	31,832,561
Private equity-venture	-	-	-	42,571,436	42,571,436
Private opportunistic	-	-	-	24,973,117	24,973,117
Private real assets	-	-	-	27,093,393	27,093,393
Total	$ 181,653,287	$ 13,713,597	$ -	$ 338,791,122	$ 534,158,006

Inputs and Valuation Techniques:

Short-term Investments and Derivative Instruments: The carrying value approximates fair value because of the short maturity of those instruments. Derivative instruments are publicly traded futures contracts which the Foundation may close out at any time. As such, derivative investments are considered short-term investments (Level 1 inputs).

NOTE 4 - FAIR VALUE MEASUREMENTS (Continued)

Equity and Fixed Income Securities: 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 (Level 1 inputs). Government bonds and agency bonds, corporate bonds, and asset backed securities are valued without relying exclusively on quoted prices for the specific securities but rather by relying on the securities' relationship to the benchmark quoted securities or on models using market information (Level 2 inputs). Certain equity securities are valued using Net Asset Value (NAV) per share as described below.

Investments Measured at NAV: As a practical expedient, ASC 820-10 permits the Foundation to estimate fair value of investments based on the NAV, 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. Given the absence of market quotations, their fair value is estimated by management using information provided to the Foundation by the investment managers. 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.

Effective October 1, 2020, the Foundation transferred nearly all investment assets into a newly formed limited partnership, PWF Fund LP, of which the Foundation is the sole limited partner and the Foundation's investment advisor is the general partner.

The following table sets forth a summary of the Foundation's 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, 2021 and 2020:

	2021			
Investment Type	Fair Value	Unfunded Commitments	Redemption Frequency	Notice Period (Days)
Other investments:				
Private equity	$ 48,546	$ -	No immediate liquidity*	N/A
PWF Fund LP	632,576,612	-	No immediate liquidity**	N/A
	$ 632,625,158	$ -		

(Continued)

NOTE 4 - FAIR VALUE MEASUREMENTS (Continued)

** The Foundation has the right under the PWF Fund, LP, limited partnership agreement to request withdrawals from the fund upon 30 days' notice or such shorter notice period as permitted by the General Partner. The Foundation routinely withdraws cash as needed for its operations on notice of one week or less. The assets of PWF Fund, LP, are invested according to an Investment Policy Statement that specifies the policy asset allocation guidelines for the fund. The asset allocation guidelines are designed to cause PWF Fund, LP, to be invested in a diversified portfolio of assets with sufficient liquidity so that, at any time, 20% of the fund's total assets are liquid within one month, 35% of total assets are liquid within six months, and 45% of total assets are liquid within one year of notice to the fund. The fund regularly exceeds these requirements.

	2020			
Investment Type	Fair Value	Unfunded Commitments	Redemption Frequency	Notice Period (Days)
Equity securities				
Diversifying strategies (a)	$ 9,495,884	$ -	Quarterly	90
Emerging markets equity (b)	112,250	-	Weekly	5
U.S. equity (c)	92,926,091	-	Quarterly	60
Global equity (d)	73,310,213	-	Weekly-Quarterly	3-60
Diversifying strategies (a)	36,452,793	-	Quarterly	90
Other investments				
Diversifying strategies (a)	23,384	-	No immediate liquidity*	N/A
Private equity (e)	31,832,561	41,104,050	No immediate liquidity*	N/A
Private equity-venture (e)	42,571,436	28,327,779	No immediate liquidity*	N/A
Private opportunistic (e)	24,973,117	15,261,805	No immediate liquidity*	N/A
Private real assets (e)	27,093,393	20,056,268	No immediate liquidity*	N/A
	$ 338,791,122	$ 104,749,902		

* Other 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 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.

(a) Diversifying Strategies may include long/short equity, distressed securities, long/short credit, multi-strategy, global macro, commodities, 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.

NOTE 4 - FAIR VALUE MEASUREMENTS (Continued)

(d) The Global Equity program consists of managers who are benchmarked against the All Country World Index. These managers primarily trade diversified stocks and securities of non-U.S. publicly traded equities.

(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.

NOTE 5 - PROPERTY AND EQUIPMENT

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

	2021	2020
Building and building improvements	$ 12,743,618	$ 12,182,859
Land and land improvements	1,690,863	1,690,863
Furniture, fixture and equipment	1,431,566	1,410,737
	15,866,047	15,284,459
Less: accumulated depreciation and amortization	(7,791,789)	(7,441,711)
Total	$ 8,074,258	$ 7,842,748

Depreciation expense was $350,078 and $370,206 for the years ended September 30, 2021 and 2020, respectively. Amortization expense was $26,740 and $127,554 for the years ended September 30, 2021 and 2020, respectively.

NOTE 6 - FEDERAL EXCISE AND OTHER TAXES

In accordance with applicable provisions of the Code, effective for tax years beginning after January 1, 2020, the Foundation is subject to federal excise tax imposed on private foundations at 1.39% of its net investment income. The excise tax is imposed on net investment income, excluding unrealized gains, as defined under federal law. The Foundation is also subject to corporate income tax on its unrelated business income. The components of tax expense were as follows for the years ended September 30:

	2021	2020
Current tax expense	$ 363,205	$ 789,184
Deferred tax expense	1,002,087	21,999
Total provision for federal excise and other tax expense	$ 1,365,292	$ 811,183

(Continued)

NOTE 6 - FEDERAL EXCISE AND OTHER TAXES (Continued)

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 2021 and 2020.

As of September 30, 2021 and 2020, the Foundation recorded a net deferred federal excise tax liability at a rate of 1.39%, of net unrealized investment, which is offset by a deferred federal tax asset at a rate of 21% of the Net Operating Loss (NOL) carryforward to each such year. The components of the deferred federal excise tax liability were as follows for the years ended September 30:

	2021	2020
Deferred federal excise tax liability	$ 1,374,241	$ 492,254
Deferred federal tax asset	(48,526)	(235,425)
Deferred federal excise tax liability, net	$ 1,325,715	$ 256,829

In addition, the Code requires private foundations to make certain minimum distributions. The Foundation has made the required minimum distributions as of September 30, 2021 and 2020.

At September 30, 2021, the Foundation had excess distributions that can be carried over to fiscal year 2022 of approximately $1,900,000. These carryover distributions can be applied towards the fiscal year 2022 minimum distribution requirement.

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 2018 forward. The Foundation is also open to examination by state tax authorities for various tax years. For the years ended September 30, 2021 and 2020, no interest or penalties were recorded in the statements of activities that related to amended tax returns.

NOTE 7 - 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 bond agreement with TD Bank to be the new bond holder of the District of Columbia Revenue Series 2000 Revenue Bonds. 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 to mature on October 31, 2035.

(Continued)

NOTE 7 - BONDS PAYABLE (Continued)

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.

The interest rate as of September 30, 2021 and 2020, was 1.57%. Bond interest expense included in other administrative expenses for the years ended September 30, 2021 and 2020 was $174,059 and $263,326, respectively.

The agreements contain certain financial and nonfinancial covenants with which the Foundation complied in 2021 and 2020.

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 $26,738 and $33,334, were recognized in 2021 and 2020, respectively.

Net bonds payable as of September 30:

	2021	2020
Bonds payable	$ 12,100,000	$ 12,100,000
Less: unamortized bond issuance costs	(231,727)	(258,465)
Net bonds payable	$ 11,868,273	$ 11,841,535

NOTE 8 - 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 2021 and 2020, the Foundation's contributions to the 401(k) plan and related expenses totaled $147,449 and $149,255, respectively. Participants are fully vested in all contributions.

(Continued)

NOTE 8 - RETIREMENT PLANS (Continued)

457(b) Plan

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, 2021 and 2020, 457(b) Plan assets totaled $142,458 and $114,466, 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 $14,943 and $12,609 for the years ended September 30, 2021 and 2020, respectively.

NOTE 9 - GRANTS

Grants consisted of the following as of September 30:

	2021	2020
Current year:		
Grants approved	$ 20,754,000	$ 20,143,700
Contributed rental space	154,811	182,674
	20,908,811	20,326,374
Prior years:		
Returned grants	(81,472)	-
Net grants	$ 20,827,339	$ 20,326,374

Grants payable were $1,230,000 and $1,171,000 at September 30, 2021 and 2020, respectively, that are payable within a year.

NOTE 10 - LEASING ARRANGEMENTS

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, 2021. 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.

NOTE 10 - LEASING ARRANGEMENTS (Continued)

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, as amended effective July 1, 2020. The amendment extended the term of the lease through February 28, 2021, and the lease continued a month-to-month basis after that time through the end of the fiscal year. CHF provides no remuneration for the space.
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 these agreements included in the statement of activities was as follows for the year ended September 30:

	2021	2020
WLCH	$ 152,201	$ 153,091
CHF	2,610	25,963
JFMC	-	3,620
Total	$ 154,811	$ 182,674