John S. and James L. Knight Foundation

Financial Statements
For the Years Ended December 31, 2021 and 2020
With the Independent Auditor's Report

John S. and James L. Knight Foundation

Financial Statements

Years Ended December 31, 2021 and 2020

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RSM US LLP

Independent Auditor's Report

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Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the John S. and James L. Knight Foundation (the foundation), which comprise the statement of financial position as of December 31, 2021 and 2020, the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the foundation as of December 31, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the foundation's ability to continue as a going concern for one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 foundation's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

RSM US LLP

Miami, Florida
May 20, 2022

John S. and James L. Knight Foundation

Statements of Financial Position

	Dec. 31 2021	Dec. 31 2020
Assets		
Investments:		
Investment assets:		
Cash and cash equivalents	$ 28,635,284	$ 83,103,251
Interest, dividends and other investment receivables	28,275,846	79,776,600
Futures contracts	690,778	904,306
U.S. government and agency obligations	319,974,605	154,800,763
Government-sponsored enterprises obligations	52,110,389	46,350,526
Corporate bonds and other obligations	132,765,961	132,713,345
Equity securities	665,940,968	670,682,553
Hedge fund investments	644,900,533	550,782,403
Alternative equity investments	1,063,732,709	763,521,381
Real estate investments	50,107,695	43,314,458
Total investments	2,987,134,768	2,525,949,586
Securities loaned under security lending agreement	-	74,351,249
Program-related investments, net	766,538	1,224,038
Beneficial interest in remainder trusts	73,693,188	63,175,205
Postretirement plan asset	1,266,561	766,734
Fixed assets	2,845,219	-
Right-of-use asset	22,096,501	4,035,517
Other assets	1,641,825	4,750,402
Total assets	$ 3,089,444,600	$ 2,674,252,731
Liabilities and net assets		
Liabilities:		
Payable under securities lending agreement	$ -	$ 76,222,445
Grants payable	149,034,995	169,607,686
Pension and postretirement benefits liability, net	176,256	1,102,621
Deferred taxes payable	10,464,824	5,012,244
Lease liability	23,392,373	3,829,859
Other liabilities	7,647,666	3,158,031
Total liabilities	190,716,114	258,932,886
Net assets:		
With donor restrictions:		
Beneficial interest in remainder trusts	73,693,188	63,175,205
Net assets without donor restrictions	2,825,035,298	2,352,144,640
Total net assets	2,898,728,486	2,415,319,845
Total liabilities and net assets	$ 3,089,444,600	$ 2,674,252,731

See accompanying notes.

John S. and James L. Knight Foundation

Statements of Activities

	Year Ended Dec. 31	
	2021	**2020**
Changes in the net assets without donor restrictions:		
Total investment income, net of expenses:	**$ 592,310,520**	**$ 387,214,761**
Total investment activity	**592,310,520**	**387,214,761**
Release from restrictions – remainder trust assets received	**-**	**29,069**
Total investment activity and other support	**592,310,520**	**387,243,830**
Grants approved and expenses:		
Communities and National grants	**33,850,759**	**34,975,152**
Learning and Impact grants	**8,865,758**	**4,607,200**
Journalism grants	**23,851,780**	**15,278,837**
Arts grants	**12,547,728**	**13,196,620**
Other grants	**4,142,790**	**3,674,080**
Grant forfeitures and other	**(1,777,086)**	**(2,554,502)**
Change in grant payable discount	**3,004,132**	**9,429,479**
Direct charitable activities	**10,059,191**	**15,158,427**
General and administrative expenses	**16,085,966**	**14,996,604**
Investments administration and monitoring	**871,171**	**867,038**
Federal excise and other taxes, net	**9,957,207**	**3,540,615**
Total grants and expenses	**121,459,396**	**113,169,550**
Increase in net assets without donor restrictions from operating activities	**470,851,124**	**274,074,280**
Pension and postretirement changes other than net periodic pension and postretirement costs	**2,039,534**	**83,704**
Increase in net assets without donor restrictions	**472,890,658**	**274,157,984**
Changes in net assets with donor restrictions:		
Change in value of beneficial interest in remainder trusts	**10,517,983**	**6,656,345**
Assets released from restrictions	**-**	**(29,069)**
Increase in net assets with donor restrictions	**10,517,983**	**6,627,276**
Net change in net assets	**483,408,641**	**280,785,260**
Net assets at beginning of year	**2,415,319,845**	**2,134,534,585**
Net assets at end of year	**$ 2,898,728,486**	**$ 2,415,319,845**

See accompanying notes.

John S. and James L. Knight Foundation

Statements of Cash Flows

	Year Ended Dec. 31	
	2021	**2020**
Operating activities		
Change in net assets	**$ 483,408,641**	**$ 280,785,260**
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net realized gain on sale of investments	**(234,766,020)**	**(167,641,530)**
Other income	**(6,272,215)**	**(1,840,844)**
Net change in fair value of investments	**(342,456,565)**	**(208,882,395)**
Change in value of beneficial interest in remainder trusts	**(10,517,982)**	**(6,656,345)**
Remainder trusts received	**-**	**29,069**
Changes in operating assets and liabilities:		
Interest, dividends, other investment receivables and other assets	**52,951,663**	**(48,848,034)**
Program-related investments recoveries	**945,139**	**504,007**
Valuation allowance – program-related investments	**(710,365)**	**(823,411)**
Program-related investments write-off due to dissolution	**222,727**	**470,500**
Grants payable	**(20,572,691)**	**(28,431,201)**
Deferred taxes payable	**5,452,580**	**2,621,035**
Pension and postretirement liability	**(1,426,192)**	**522,837**
Right-of-use asset	**(18,060,984)**	**626,460**
Lease liability	**19,562,514**	**(892,469)**
Other liabilities	**4,489,633**	**(178,201)**
Net cash used in operating activities	**(67,750,117)**	**(178,635,262)**
Investing activities		
Proceeds from sale of investments	**1,577,805,642**	**1,598,801,695**
Purchases of investments	**(1,561,678,273)**	**(1,407,177,005)**
Purchases of fixed assets	**(2,845,219)**	**-**
Net cash provided by investing activities	**13,282,150**	**191,624,690**
Net change in cash and cash equivalents	**(54,467,967)**	**12,989,428**
Cash and cash equivalents at beginning of year	**83,103,251**	**70,113,823**
Cash and cash equivalents at end of year	**$ 28,635,284**	**$ 83,103,251**
Supplemental data		
Federal and state taxes (refunded)/paid	**$ (699,317)**	**$ 2,604,408**

See accompanying notes.

1. The Organization

The John S. and James L. Knight Foundation (the foundation), a nonprofit corporation, is a national foundation with strong local roots. The foundation invests in journalism, in the arts, and in the success of cities where brothers John S. and James L. Knight once published newspapers. The foundation's goal is to foster informed and engaged communities, which it believes are essential for a healthy democracy.

2. Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting applicable to not-for profit organizations in accordance with accounting principles generally accepted in the United States of America (GAAP).

Cash and Cash Equivalents

Cash and cash equivalents are composed of various operating accounts and highly liquid investments with original maturities of three months or less.

Investments

The foundation's investments are stated at fair value. Certain of the foundation's investments are reported at net asset value (NAV) as provided by the investment managers and is used as a practical expedient to estimate fair value. Fair value is the price that would be received to sell an asset or transfer a liability in an orderly transaction between market participants at the measurement date. See Note 3 for discussion of fair value measurements. Realized and unrealized gains and losses are recognized as changes in net assets in the period in which they occur, and investment income is recognized as revenue in the period earned.

Knight Enterprise Fund LLC

In 2011, the foundation established Knight Enterprise Fund LLC (Knight Enterprise), a single member Delaware limited liability company, to assist in the execution of its mission through a small number of direct investments in innovative media/technology companies which represent less than .07% of investments. The results of Knight Enterprise's operations are consolidated with the foundation's financial statements and all inter-entity activities are eliminated.

Capitalization Policy

The foundation records all furniture and equipment with a useful life of more than one year and a unit acquisition cost of $5,000 or more is capitalized and depreciated over its useful life using the straight-line method of depreciation. When the foundation acquires a group of fixed assets to be

2. Significant Accounting Policies (continued)

used in one area/location and placed in service together and the total acquisition costs exceeds $5,000, then the total acquisition costs is capitalized. During 2021 the foundation capitalized leasehold improvements, furniture, fixtures and equipment for its new office space and will start recognizing depreciation and amortization expense during 2022 when the new offices are placed in service. The foundation expenses the full acquisition cost of furniture and equipment below these thresholds in the year of purchase.

Program-Related Investments (PRIs)

In accordance with Section 4944 of the Internal Revenue Code (the Code), the foundation is permitted to make Program Related Investments (PRIs) that are related to its philanthropic programs. A PRI is defined as an investment: (i) whose primary purpose is to further the exempt objectives of the foundation, (ii) where the production of income or appreciation in property is not a significant purpose, and (iii) which is not used to lobby or support lobbying. The foundation's PRIs consist of convertible promissory notes, limited partnership interests, and amortizing loans. These PRIs are anticipated to have a return lower than market. In the year of the investment, the foundation receives a credit toward its distribution requirement. To the extent the investment is recovered by the foundation, the recovery is recognized as a negative distribution, increasing its distribution requirement, in the year it is received. PRIs are recorded at their net realizable value on the Statements of Financial Position. Valuation allowances are recorded in the Statements of Activities as a reduction of "Investment income, net of expenses." Recoveries of the convertible promissory notes are reflected as an increase in "Investment income, net of expenses" in the Statements of Activities as their value is fully reserved. Recoveries of the limited partnership interests are reflected in the appropriate category of investment income in the Statements of Activities. Recoveries of the amortizing loans are reflected as a reduction of the principal and an increase of "Investment income, net of expenses" for that portion related to the valuation allowance. The foundation recovered approximately $945,000 and $504,000 in 2021 and 2020, respectively. Any costs associated with originating these investments are expensed in the year incurred. Management regularly reviews the collectability of these investments and determines any valuation allowance based on several factors including the borrower/investee's underlying business conditions and risks and performance of the investment. The foundation will discontinue the accrual of interest if interest payments are over 90 days past due.

Use of Estimates

The presentation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. The most significant estimate involves the determination of the fair value of the investments. Estimates also affect the reported amounts of investment activity and expenses during the reporting period. Actual results could differ from those estimates.

2. Significant Accounting Policies (continued)

Direct Charitable Activities (DCAs)

The foundation conducts certain activities, which are recorded as DCAs in the Statements of Activities. Those activities include holding conferences, such as the Knight Media Forum, which build the field and promote charitable issues and conducting challenges, such as the Knight Arts Challenges in Detroit, Akron and Miami, to deal with charitable topics, which promote its charitable purpose. DCAs also include educational activities such as research and evaluation studies and reports and technical assistance to foundation grantees, improving their ability to implement their projects. Foundation conferences and other convenings during 2020 were primarily held virtually and were exclusively held virtually in 2021 on digital platforms in response to the COVID-19 pandemic.

As recommended by the Internal Revenue Service, "compensation and travel expenses of employees and officers directly engaged in an activity" are accounted for as DCA. The foundation allocates a portion of its staff costs to DCA. The allocation is based on staff's estimate of actual time spent implementing a DCA initiative.

Income Taxes

The foundation follows the policy of providing for federal excise tax on the net appreciation (both realized and unrealized) of investments. The deferred federal excise tax in the accompanying financial statements represents tax provided on the net unrealized appreciation of investments. Tax on unrelated business income is recorded based on the best available estimates. No deferred taxes are provided for unrelated business income on unrealized appreciation as such amount cannot be estimated.

Grants and Grant Commitments

The foundation as a grantor records grants in full as expenses when approved unless there are donor-imposed conditions in accordance with Subtopic 958-605-25-5A of Topic 958, *Not-for-Profit Entities*. A donor-imposed condition must have both: a) One or more barriers that must be overcome before a recipient is entitled to the assets transferred or promised b) A right of return to the contributor for assets transferred or a right of release of the promisor from its obligation to transfer assets. Only grant payments with matching requirements are considered to have donor-imposed conditions. The payments subject to said restrictions are not included in grant payable until the condition has been met.

2. Significant Accounting Policies (continued)

Subsequent Events

The foundation has evaluated subsequent events through May 20, 2022 noting no impact on the foundation's financial statements.

COVID-19 Impact

Since early 2020, the spread of COVID-19, a novel strain of coronavirus, has been altering the behavior of businesses and people in a manner that is having negative effects on local, regional and global communities and their economies. This negative impact is being felt in both for-profit and non-profit organizations. The extent to which COVID-19 impacts the operations of the foundation in the future will depend on future developments, which are highly uncertain and cannot be predicted with confidence. The foundation enacted immediate changes in the manner it conducts its business in response to the known consequences of COVID-19 and continues to monitor and adjust its business practices as a result. Given the long-term nature of its investment strategy and the liquidity of the endowment discussed in Notes 3 and 6, respectively, we believe the foundation is still well positioned to meet its overall charitable mission.

Net Asset Accounting

The foundation reports information regarding its financial position and activities according to the following two classes of net assets:

- Net assets without donor restrictions were not subject to donor-imposed stipulations when donated or such restrictions have expired.

- Net assets with donor restrictions are subject to donor-imposed stipulations. As of December 31, 2021, and 2020, net assets with donor restrictions consist of the foundation's beneficial interest remainder trusts, which are discussed further in Note 12.

Leases

All of the foundation's leases are operating leases. The majority of those leases are for the use of office space. The foundation recognizes a lease liability for the obligation to make rental lease payments. The foundation also recognizes a right-of-use (ROU) asset for the corresponding right to use the leased assets. The foundation elected not to recognize ROU assets and lease liabilities for office space leases with a lease term of 12 months or less. As a practical expedient, the foundation elected to account for the nonlease components with the related lease components as a single lease unit.

2. Significant Accounting Policies (continued)

The lease liability is measured at the present value, using a risk-free discount rate, of the lease payments over the lease term. The ROU asset is measured at the lease liability amount, adjusted for lease prepayments or accruals.

Investment Income

The foundation presents investment returns net of external and direct internal expenses, and investment expenses allocated from general and administrative expenditures. Direct internal investment expenses include salaries, benefits, travel and other costs associated with the board, officer and staff responsible for the development and execution of investment strategy. Allocable investment costs, which include a percentage of salaries, benefits, travel and other costs, are based on the estimated time spent for investment management and monitoring of external investment management firm.

Recent Accounting Pronouncements

In March 2017, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2017-08, *Receivables—Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities,* to amend the amortization period to the earliest call date for purchased callable debt securities held at a premium. Previous GAAP required an investor to amortize the premium on a callable debt security as a component of interest income over the contractual life of the instrument even when the issuer was certain to exercise the call option at an earlier date. The foundation adopted ASU 2017-08 for its fiscal year ended December 31, 2020 and it did not have a significant effect.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The FASB clarified that a contribution is conditional if the agreement includes both a barrier (or barriers) that must be overcome for the recipient to be entitled to the assets transferred and a right of return for the transferred assets or a right of release of the promisor's obligation to transfer assets. The amendments in this ASU are meant to assist entities in: (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance, and (2) determining whether a contribution is conditional. The foundation adopted ASU 2018-08 for its fiscal year ended December 31, 2020, as discussed further in Note 7.

2. Significant Accounting Policies (continued)

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*, which changes the fair value measurement disclosure requirements of ASC 820. The key provisions eliminate requirements to disclose the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy and the valuation process for Level 3 fair value measurements, and modifies, for entities that use NAVs as the practical expedient to measure the fair value of certain investments, requirements regarding the disclosure of the timing of an investment's liquidation and the date when redemption restrictions lapse. The foundation adopted the ASU 2018-13 for its fiscal year ended December 31, 2020 and it did not have a significant effect.

In August 2018, the FASB issued ASU 2018-14, Comp*ensation — Retirement Benefits — Defined Benefit Plans — General (Topic 715-20): Disclosure Framework — Changes to the Disclosure Requirements for Defined Benefit Plan*, to improve the effectiveness off disclosures for defined benefit pension and other postretirement plans. This ASU removes certain disclosure requirements, including amounts of components of net periodic benefit cost over the next fiscal year and reconciliation of plan assets measured in Level 3 of the fair value hierarchy. Several disclosure requirements were added, including the weighted-average interest crediting rates and an explanation of the reasons for significant gains and losses related to changes in the benefit obligation for the period. The foundation will adopt ASU 2018-14 for its fiscal year ending December 31, 2022.

3. Investments

The investment goal of the foundation is to invest its assets in a manner that will achieve, over the long-term, a total rate of return sufficient to replace the assets utilized for grants and expenses and to recoup any value lost due to inflation and to increase the spending power of the portfolio while adhering to the risk and asset allocation parameters established by the investment committee.

To achieve this goal, some investment risk must be taken. To minimize such risk, the foundation diversifies its investments among various financial instruments and asset categories and uses multiple investment strategies and investment managers. Key decisions in this regard are made by the foundation's investment committee, which has oversight responsibility for the foundation's investment program. The investment committee identifies appropriate asset categories for investments, determines the allocation of assets to each category and approves the investment strategies employed. The foundation has engaged Cambridge Associates LLC (Cambridge), an independent consulting firm, to execute the investment program, including the engagement of investment managers, legal advisers and to advise the foundation on strategic allocations to index funds and limited partnerships. All financial assets are held in custody for the foundation in

3. Investments (continued)

proprietary accounts by BNY Mellon, a major commercial bank, or are invested in limited partnerships, hedge funds or in certain products with multiple investors, such as index funds, all of which have separate custodial arrangements appropriate to their legal structure.

Highly liquid investments with original maturities of three months or less are reported as cash equivalents. Cash equivalents may include U.S. treasuries, repurchase and government-sponsored enterprise obligations.

As required by Accounting Standards Codification (ASC) 820, *Fair Value Measurements*, investments except for those that are valued using NAV as a practical expedient, are measured and reported at fair value in one of the following categories based on valuation inputs:

Level 1 – Quoted prices are available in active markets for identical investments as of the reporting date. The types of investments that are included in Level 1 include listed equity securities, commingled funds traded in active markets with daily pricing.

Level 2 – Pricing inputs are observable for the investment, either directly or indirectly, as of the reporting date but are not the same as those used in Level 1. Fair value is determined through the use of models or other valuation methodologies. The types of investments included in this category are all other commingled funds, publicly traded securities in less active markets or with restrictions on disposition, fixed income securities and cash equivalents such as cash management accounts custodied and traded by BNY Mellon.

Level 3 – Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment.

The foundation uses the NAV of the hedge funds and limited partnerships as a practical expedient for fair value except where certain conditions exist. Those conditions include, changes to key personnel, material amendments to key terms, material pending litigations, imposition of gates and redemption fees. Investments recorded at NAV are not classified in the fair value hierarchy.

3. Investments (continued)

The following tables summarize the levels in the ASC 820 fair value hierarchy into which the foundation's investments fall as of December 31, 2021 and 2020:

			Fair Value Measurement at the end of Dec. 31, 2021 Using		
		Total	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
Description			(Level 1)	(Level 2)	(Level 3)
Cash equivalents		$ 28,050,024	$ -	$ 28,050,024	$ -
Futures contracts		690,778	-	690,778	-
U.S. government and agency obligations	(a)	319,974,605	-	319,974,605	-
Government-sponsored enterprises obligations	(a)	52,110,389	-	52,110,389	-
Corporate bonds and other obligations	(a)	132,765,961	-	132,765,961	-
Equity securities	(a)(b)	648,123,641	323,405,239	324,718,402	-
Equity securities[2]	(a)(f)	17,817,327	-	-	-
Hedge fund investments	(c)				
Multi-strategy and credit focused measured at NAV[2]	(d)	55,997,201	-	-	-
Open mandate measured at NAV[2]	(e)	114,454,371	-	-	-
Global and regional long/short measured at NAV[2]	(f)	474,448,961	-	-	-
Alternative equity investments	(g)				
Private equity[1]	(h)	2,236,385	-	-	2,236,385
Private equity measured at NAV[2]	(h)	944,447,338	-	-	-
Private natural resources measured at NAV[2]	(i)	117,048,986	-	-	-
Real estate investments measured at NAV[2]	(g)(j)	50,107,695	-	-	-
Total investments measured at fair value		2,958,273,662	$ 323,405,239	$ 858,310,159	$ 2,236,385
Cash (net, outstanding checks)		585,260			
Interest, dividends and other Investment receivables		28,275,846			
Total investments		$ 2,987,134,768			

[1] Excludes investments measured at NAV per share.

[2] In accordance with ASC Subtopic 820-10, *Fair Value Measurements,* certain investments that are measured at fair value using the NAV per share practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

3. Investments (continued)

Description		Total	Fair Value Measurement at the end of Dec. 31, 2020 Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash equivalents		$ 57,706,036	$ -	$ 57,706,036	$ -
Futures contracts		904,306	-	904,306	-
U.S. government and agency obligations	(a)	154,800,763	-	154,800,763	-
Government-sponsored enterprises obligations	(a)	46,350,526	-	46,350,526	-
Corporate bonds and other obligations	(a)	132,713,345	-	132,713,345	-
Equity securities	(a)(b)	652,198,101	389,747,015	262,451,086	-
Equity securities[2]	(a)(f)	18,484,452			
<u>Hedge fund investments</u>	(c)				
Multi-strategy and credit focused measured at NAV[2]	(d)	53,138,137	-	-	-
Open mandate measured at NAV[2]	(e)	76,781,442	-	-	-
Global and regional long/short measured at NAV[2]	(f)	420,862,824	-	-	-
<u>Alternative equity investments</u>	(g)				
Private equity[1]	(h)	6,925,207	-	-	6,925,207
Private equity measured at NAV[2]	(h)	663,304,806	-	-	-
Private natural resources measured at NAV[2]	(i)	93,291,368	-	-	-
Real estate investments measured at NAV[2]	(g)(j)	43,314,458	-	-	-
Total investments measured at fair value		2,420,775,771	$ 389,747,015	$ 654,926,062	$ 6,925,207
Cash (net, outstanding checks)		25,397,215			
Interest, dividends and other Investment receivables		79,776,600			
Total investments		$ 2,525,949,586			

[1] Excludes investments measured at NAV per share.

[2] In accordance with ASC Subtopic 820-10, *Fair Value Measurements,* certain investments that are measured at fair value using the NAV per share practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

3. Investments (continued)

The following tables summarize the foundation's investments as of December 31, 2021 and 2020, whose fair value is calculated using NAV per share:

Description		Fair Value December 31, 2021	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Hedge fund investments	(d)				
Multi-strategy and credit focused	(e)	$ 55,997,201	N/A	Monthly-every 2 years	45-90 days
Open mandate	(f)	114,454,371	N/A	Monthly-every 2 years	60-180 days
Global and regional long/short	(g)	474,448,961	N/A	Monthly-every 2 years	30-184 days
Alternative equity investments	(h)				
Private equity	(i)	946,683,723	$145,396,455	N/A	N/A
Private natural resources	(j)	117,048,986	31,018,017	N/A	N/A
Real estate investments	(h) (k)	50,107,695	13,909,139	N/A	N/A
Total investments		$ 1,758,740,937	$190,323,611		

Description		Fair Value December 31, 2020	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Hedge fund investments	(d)				
Multi-strategy and credit focused	(e)	$ 53,138,137	N/A	Monthly-every 2 years	45-90 days
Open mandate	(f)	76,781,442	N/A	Monthly-every 2 years	60-180 days
Global and regional long/short	(g)	420,862,824	N/A	Monthly-every 2 years	30-184 days
Alternative equity investments	(h)				
Private equity	(i)	670,230,013	$126,354,318	N/A	N/A
Private natural resources	(j)	93,291,368	36,338,686	N/A	N/A
Real estate investments	(h) (k)	43,314,458	23,405,978	N/A	N/A
Total investments		$ 1,357,618,242	$186,098,982		

(a) Approximately 39% and 40% of the foundation's total investments at December 31, 2021 and 2020, respectively, were invested in institutional mutual funds or publicly traded securities that are listed on national and international exchanges, treasury and agency bonds of the U.S. government, and investment and non-investment grade corporate bonds for which trading markets exist. Investment in U.S. government and agency obligations and government-sponsored enterprises obligations are 100% domestic. As of December 31, 2021, 97.7% of corporate obligations were invested in domestic obligations and 2.3% were invested in international obligations. As of December 31, 2020, 77.2% of corporate obligations were invested in domestic obligations and 22.8% were invested in international obligations. Such assets are valued at quoted closing prices at year-end in accordance with GAAP and are classified as Level 1 or Level 2. Realized gains and losses and increases and decreases in fair value on such investments are reflected in the Statements of Activities as part of investment income, net of expenses.

3. Investments (continued)

(b) The class consists of publicly traded equity securities that are listed on national and international exchanges including amounts in less active markets which are classified as Level 2. On the basis of its analysis of the nature, characteristics, and risks of the securities, the foundation has determined that presenting them as a single class is appropriate. As of December 31, 2021, 63.7 % of these assets were invested in international equities and 36.3 % were invested in domestic equities. As of December 31, 2020, 65.7% of these assets were invested in international equities and 34.3% were invested in domestic equities.

(c) Approximately 21.6 % and 21.8% of the foundation's total investments at December 31, 2021 and 2020, respectively, were invested in hedge funds. These investments are not publicly listed or traded and are not liquid investments. Investments in hedge funds are generally subject to a lock up period of between 12 and 36 months from the date of investment. During that period, funds may not be withdrawn from the fund. The redemption terms of hedge funds may vary, but in general terms after the lock up period, redemption requests may be made by the foundation on a pre-set basis as specified in each hedge fund's operating agreement. As of year-end 2021 and 2020, no additional restrictions on redemptions were implemented by hedge funds within the foundation's portfolio. Each fund's investment manager calculates the fair value of investments on a monthly basis using the valuation guidelines stipulated in the respective investment agreement in accordance with fair value methods accepted under GAAP less related liabilities.

The NAV, as provided by the investment manager is used as a practical expedient to estimating fair value. This practical expedient is not used when it is determined to be probable that the fund will sell the investment for an amount different than the reported NAV. All hedge funds are audited annually by independent certified public accounting firms. Realized gains and losses and increases and decreases in fair value on the investments in hedge funds and derivative instruments are reflected in the Statements of Activities as part of total investment income, net of expenses.

3. Investments (continued)

(d) Multi-strategy funds generally invest in event-driven securities (both debt and equity) which seek to exploit situations in which announced or anticipated events have inefficiencies in the pricing of securities. These funds invest in the securities of companies involved in mergers, agreed upon and unsolicited, spin-offs, recapitalizations, etc. Also included are securities of companies experiencing financial distress that are attempting to complete an out-of-court restructuring, are involved in a bankruptcy or similar proceeding, and/or are involved in substantial litigation. Some multi-strategy funds also invest in value equities where there is a perceived mispricing that will be corrected in a defined period of time. The value equity book in these funds generally has very low net exposure, with shorts offsetting most of the longs. These funds employ leverage in that longs plus shorts generally exceed more than 100% of capital.

Credit focused funds generally attempt to generate equity-like returns while taking fixed income-type risk. Focus is generally on long/short credit, and event-driven opportunities, including distressed, stressed, and out-of-favor situations, capital structure trades, shorting investment grade or high yield debt, etc. These funds can invest in a range of credit instruments at any level of an issuer's capital structure including bank debt, corporate bonds, trade claims, credit-default swaps, equities, options and other derivative instruments. These funds employ leverage in that longs plus shorts generally exceed more than 100% of capital.

(e) Open mandate funds take an opportunistic approach seeking to invest in investment opportunities that provide the best risk-adjusted returns. While these funds may focus principally on debt or equity investments, at any given point in time, they might consist entirely of debt, either distressed or stressed, long or short equities or new asset classes, such as carbon credits. Balance sheets are generally levered in that longs and shorts total more than 100% of capital. When equities are in the portfolio, net exposure is generally less than 50%.

(f) Global and regional long/short funds invest primarily in publicly traded equity securities. Longs consist of investing in companies that appear to be trading at a discount to their intrinsic value and shorts consist of selling companies that appear to be trading at a premium to their intrinsic value. Longs and shorts are generally not paired, and net exposures range from 30% to 60% net long. Global funds will search for equity securities around the world, while regional fund will focus on securities of a specific geographic region (e.g., Asia, Europe, etc.). These funds frequently employ leverage in that longs plus shorts exceed more than 100% of capital.

3. Investments (continued)

(g) Approximately 37 % and 32% of the foundation's total investments at December 31, 2021 and 2020, respectively, were invested in alternative equity investments including private equity, private natural resources and real estate with numerous partnerships, in which the foundation is a limited partner. Following the investment period, the general partner will generally attempt to sell the assets of the partnership over the partnership's remaining term and distribute funds to the partners as mandated in the partnership agreements. The value of such investments is determined by the partnerships' general partners, who must follow the valuation guidelines, such as appraisals and comparable public company trade data, stipulated in the respective limited partnership agreements and in accordance with fair value methods prescribed under GAAP less related liabilities (the NAV). The NAV, as provided by the investment manager, is used as a practical expedient in estimating fair value. This practical expedient is not used when it is determined to be probable that the foundation will sell the investment for an amount different than the reported NAV. The fair values of the investments in this class have been estimated using the net asset value of the foundation's ownership interest in partners' capital. The foundation's interests in the fund are not redeemable. Instead, distributions from each fund will be received as the underlying investments of the funds are disposed and liquidated by the fund management.

Realized gains and losses and increases and decreases in fair value on the investments in limited partnerships and direct investment are reflected in the Statements of Activities. All limited partnerships are audited annually by independent certified public accounting firms.

(h) Private equity includes a number of investment strategies, primarily described as buyout, venture capital, growth equity, credit/distressed and secondary funds that invest in U.S. and international companies.

Leverage is often used by private equity managers to help finance the acquisition of a company. Typically, a private equity manager employs leverage to buy mature, cash-flowing businesses. According to information compiled by Standard & Poors, the 2021 average "debt multiple" of private equity companies (total debt on a company's balance sheet divided by that company's annual EBITDA) was 5.9x. Individual companies can have higher or lower levels of leverage depending on the specific situation and the health / cash-flow characteristics of the underlying business. For venture capital and growth equity transactions, leverage is typically much lower (often no debt at all for venture companies, or certainly below the industry averages for high-growth companies sought by growth equity managers). The average leverage level described for each strategy below is based on this average debt multiple.

3. Investments (continued)

Investments in buyout funds were $151,297,414 (16%) at December 31, 2021 and $131,646,878 (19.6%) at December 31, 2020. Buyout includes illiquid opportunistic funds that typically take majority and/or control-oriented equity ownership of companies. A buyout fund can employ leverage ranging in level from minimal to high, depending on its specific strategy. If these funds were held, it is estimated that the underlying assets of the funds would be liquidated over 3 to 10 years.

Investments in venture capital funds were $660,810,163 (70%) at December 31, 2021 and $419,594,063 (62.6%) at December 31, 2020. Venture capital includes illiquid funds that invest in equity securities of companies typically in the early stage of their lifecycle (pre-revenue, pre-profitability or post-profitability but still small in scale relative to the majority of other private and public companies). These funds and the underlying companies generally employ no or minimal leverage. If these funds were held, it is estimated that the underlying assets of the funds would be liquidated over 3 to 10 years.

Investments in growth capital funds (growth equity) were $97,316,660 (10.3%) at December 31, 2021 and $79,895,665 (11.9%) at December 31, 2020. Growth equity includes illiquid funds that invest in equity securities of private companies typically with established business models, products, and customers, and are still positioned for meaningful growth. These funds primarily seek to acquire minority equity ownership of companies that have typically not raised institutional capital previously. At the initial investment date, growth equity funds generally employ no leverage or low leverage. If these funds were held, it is estimated that the underlying assets of the funds would be liquidated over 3 to 10 years.

Investments in credit/distressed funds were $29,018,122 (3.1%) at December 31, 2021 and $25,790,233 (3.9%) at December 31, 2020. Credit/distressed includes opportunistic funds that typically invest in debt and/or equity securities. A credit/distressed fund can employ leverage ranging in level from minimal to high, depending on its specific strategy. If these funds were held, it is estimated that the underlying assets of the funds would be liquidated over 1 to 7 years.

Secondaries include illiquid opportunistic funds that primarily purchase Limited Partner interests of illiquid partnership funds and/or side-pocket investments. Investments in secondaries were $6,004,980 (.7%) at December 31, 2021 and $6,377,967 (1.0%) at December 31, 2020. These funds may also occasionally make direct commitments to illiquid funds or invest directly in securities. Secondary funds typically employ minimal leverage. If these funds were held, it is estimated that the underlying assets of the funds would be liquidated over 1 to 10 years.

3. Investments (continued)

Private equity also includes direct investments of $ 2,236,385 (.2 %) at December 31, 2021 and $6,925,207 (1%) at December 31, 2020, respectively, in private companies that are typically in the early stages of their lifecycle (pre-revenue, pre-profitability, or post-profitability but still small in scale relative to the majority of other private and public companies). Direct investments are held at cost rather than NAV. Valuations are adjusted based on information received from investors and as a result of subsequent financing events. Due to the nature of the investments, an estimated liquidation period cannot be provided.

(i) Private natural resources includes funds that invest in U.S. and international (with the primary focus in the U.S.) upstream oil and gas assets and royalties, midstream energy companies, oilfield service companies, mining and metals companies, power generation assets and companies, and timber and infrastructure assets. A private natural resources fund can employ leverage ranging in level from minimal to high, depending on its specific strategy. It is estimated that the underlying assets of the fund will be liquidated over 3 to 10 years.

(j) Private real estate includes funds that invest in equity and/or debt securities of U.S. and international (primarily in the U.S.) real estate. A private real estate fund can employ leverage ranging in level from moderate to high, depending on its specific strategy. It is estimated that the underlying assets of the fund will be liquidated over 3 to 10 years.

	Level 3 Reconciliation Fair Value Measurements Using Significant Unobservable Inputs Private Equity	
Opening balance, Jan. 1, 2021	$	6,925,207
Purchases		-
Sales and settlements		(5,147,787)
Total gains or losses for the period included in changes in net assets		458,965
Closing balance, Dec. 31, 2021	$	2,236,385
Change in unrealized gains or (losses) for the period included in changes in net assets for assets held at the end of the reporting period	$	211,688

3. Investments (continued)

		Level 3 Reconciliation Fair Value Measurements Using Significant Unobservable Inputs Private Equity
Opening balance, Jan. 1, 2020	$	3,614,308
Purchases		-
Sales and settlements		(183,114)
Total gains or losses for the period included in changes in net assets		3,494,013
Closing balance, Dec. 31, 2020	$	6,925,207
Change in unrealized gains or (losses) for the period included in changes in net assets for assets held at the end of the reporting period	$	3,859,414

4. Securities Lending

The foundation lent certain securities to generate investment income in prior years. Selected securities were loaned and securitized primarily by collateral in the form of cash or cash equivalents equal to at least 102% of the fair market value of the securities. During 2021, the foundation has terminated its Securities Lending program. As of December 31, 2020, the foundation reclassified gross assets loaned under “Securities loaned under security lending agreement” with a market value of approximately $74,351,000 and a corresponding gross liability under “Payable under securities lending agreement” of approximately $76,222,000 was recognized for collateral received on the Statements of Financial Position. The amounts in the accompanying Statements of Financial Position have not been offset. If the foundation terminated the securities lending program in 2020, the net position would be a liability of $1,871,000 as of December 31, 2020.

At December 31, 2020, the securities loaned consisted of approximately $41,643,000 in U.S. government obligations, approximately $2,941,000 in government-sponsored enterprises obligations and approximately $20,638,000 in corporate bonds, all of which are considered Level 2 in the fair value hierarchy, and approximately $9,129,000 in equity securities, which are considered Level 1 in the fair value hierarchy.

At December 31, 2020, the liability for collateral received by the foundation consisted of $50,998,000 in cash and $25,224,000 in short-term government obligations, which are considered Level 2 in the fair value hierarchy. Of the cash collateral received, $19,508,000 was invested in

4. Securities Lending (continued)

securities with maturities of 3 months or less and $31,490,000 was invested in corporate obligations which were considered Level 2 in fair value hierarchy as of December 31, 2020.

At December 31, 2020, the fair market value of the reinvested collateral was $76,222,000, of which $19,508,000 was included in cash and cash equivalents, $25,225,000 was included in U.S. government and agency obligations and $31,489,000 was included in corporate bonds and other obligations in the Statements of Financial Position and were considered Level 2 in fair value hierarchy.

The foundation recognized an unrealized loss of approximately $3,000 for the year ended December 31, 2020, included in “Net change in fair value of investments” in the Statements of Activities related to the changes in the value of collateral investments related to corporate obligations.

5. Derivative Financial Instruments

Some investment managers retained by the foundation have been authorized to use certain derivative financial instruments in a manner set forth by the foundation’s written investment policy, specific manager guidelines or partnership/fund agreement documents. Specifically, derivative financial instruments may be used for the following purposes: (1) currency forward contracts and options may be used to hedge non-U.S. dollar exposure in foreign investments; (2) covered call options may be sold to enhance yield on major equity positions; (3) futures contracts may be used to equitize excess cash positions, rebalance asset categories within the portfolio, adjust risk exposures within the portfolio, or to rapidly increase or decrease exposure to specific investment positions in anticipation of subsequent cash trades; and (4) futures contracts and options may be used by hedge fund managers to hedge or leverage positions in portfolios in their respective funds. Authorization to use these derivative financial instruments currently is restricted to 21 hedge fund managers, who manage investments totaling $644,900,533.

Cambridge is also authorized to use derivatives to execute certain investment strategies. Derivative financial instruments are recorded at fair value in the Statements of Financial Position with changes in fair value reflected in the Statements of Activities.

During 2020, the foundation entered into an overlay program with an outside investment manager to utilizes exchange-traded futures to equitize excess cash positions, thereby efficiently rebalancing asset categories to meet the foundation’s investment target allocation objectives. The overlay program requires the foundation to maintain a pool of cash equal to at least 15% of the mark-to-market market value of the exchange-traded futures.

5. Derivative Financial Instruments (continued)

The foundation recorded a receivable of approximately $691,000 and $904,000 at December 31, 2021 and 2020, respectively, representing the fair value of outstanding futures contracts in the Statements of Financial Positions. The pool of cash held related to the overlay program was approximately $19,224,000 and $15,120,000 in relation to nominal mark-to-market value of exchange-traded futures contracts of approximately $145,000,000 and $100,000,000 at December 31, 2021 and 2020, respectively.

In Cambridge's opinion, the use of derivative financial instruments in its investment program is appropriate and customary for the investment strategies employed. The foundation's management concurs with this opinion. Using those instruments reduces certain investment risks and generally adds value to the portfolio. The instruments themselves, however, do involve some investment and counterparty risk not fully reflected in the foundation's financial statements. Cambridge does not anticipate that losses, if any, from such instruments would materially affect the financial position of the foundation and the foundation's management concurs.

6. Liquidity

The foundation structures its financial assets to be available as its grants, general expenditures, liabilities, and other obligations come due. To achieve this, the foundation forecasts its future cash flows and monitors its liquidity on a monthly basis. In addition, as part of its liquidity management, the foundation invests cash in excess of daily requirements in various short-term investments, including certificates of deposit and short-term treasury instruments.

The foundation's investment policy states that an amount equal to at least one year's worth of anticipated expenditures including grant disbursements will be invested in a combination of separately managed accounts and vehicles that can be redeemed within 40 days.

6. Liquidity (continued)

The following table summarizes the foundation's financial assets available for general expenditure and grant obligations within one year after December 31.

Financial assets at year-end:	2021	2020
Cash and cash equivalents	$ 28,635,284	$ 83,103,251
Interest, dividends and other investment receivables	28,966,624	80,680,906
Investments	2,929,532,860	2,362,165,429
Program-related investments, net	766,538	1,224,038
Securities loaned under security lending agreement	-	74,351,249
Other assets	1,641,825	4,750,402
Beneficial interest in remainder trusts	73,693,188	63,175,205
Total financial assets	3,063,236,319	2,669,450,480
Less amounts not available to be used within one year:		
Non-liquid investments	(1,275,257,245)	(964,115,622)
Program-related investments, net	(766,538)	(1,224,038)
Securities loaned under security lending agreement	-	(74,351,249)
Beneficial interest in remainder trusts	(73,693,188)	(63,175,205)
Financial assets not available to be used within one year	(1,349,716,971)	(1,102,866,114)
Financial assets available to meet general expenditures within one year	$ 1,713,519,348	$ 1,566,584,366

7. Charitable Distributions

Charitable distributions include grants, DCAs and PRIs. All charitable distributions are made to promote the charitable purpose of the foundation and are "qualifying distributions" as defined by the IRS. The foundation made charitable distributions of $114,231,066 and $123,809,334 in 2021 and 2020, respectively.

The foundation records grants in full as expenses when approved. With the exception of one grant that is discounted at the grantee's estimated internal borrowing rate, grants payable at December 31, 2021 and 2020, represent the present value of multiyear grants using a 3.25% discount rate based on the U.S. prime rate as of the financial statement date. The foundation made grant payments of $105,048,890 and $107,213,444 in 2021 and 2020, respectively.

As the result of adopting ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made,* the foundation had conditional commitments of $17,240,000 and $5,390,000 at December 31, 2021 and 2020, respectively, that will be due and payable when the conditions are satisfied.

7. Charitable Distributions (continued)

As of December 31, 2021, the foundation had grant commitments, which are scheduled for payment in future years as follows:

2022	$ 68,744,281
2023	45,822,401
2024	22,541,272
2025	9,799,486
2026	3,600,000
Thereafter	11,500,000
	162,007,440
Discounted to present value	(12,972,445)
Grants payable	$ 149,034,995

The foundation made DCA payments of $8,788,593 and $16,000,647 in 2021 and 2020, respectively, of which $1,682,800 and $1,391,348, respectively, were allocated from general and administrative expenditures.

PRIs in the Statements of Financial Position consist of one limited partnership interest with a cost basis of $1,893,013 and 10 convertible promissory notes representing a maximum potential investment and outstanding principal of $3,293,207.

The limited partnership represents an ownership interest in a public media business incubator that is meant to be a demonstration project for the field. The general partner makes capital calls specified under the terms of the partnership agreement. As a reflection of the below-market return expected on this investment, the foundation has 50% reserve on this investment's market valuation, and it is reflected net on the Statements of Financial Position at $766,538 as a component of program-related investments, net.

The convertible promissory notes have a five-year term and do not bear interest. The notes are convertible to equity at a premium to the company valuation established by a third-party investor as part of a qualifying future round of investment. The premium declines over the term of the note. The foundation has fully reserved the value of these notes and as a result they have a zero value on the Statements of Financial Position.

During 2021, the foundation recovered the full outstanding balance of $915,000 on an amortizing loan which was outstanding at December 31, 2020.

7. Charitable Distributions (continued)

During 2020, the foundation recovered the full outstanding balance of $175,000 on another amortizing loan outstanding which was outstanding at December 31, 2019.

The foundation made no new PRI payments in 2021 and 2020.

8. Natural and Functional Expenses

ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities,* requires the foundation to provide an analysis of expenses by both natural and functional classification. Natural expenses are defined by their nature, such as salaries, rent, supplies, etc. Functional expenses are classified by the type of activity for which expenses were incurred, for example, management and oversight and direct program costs. Program administration includes costs directly attributable to the implementation and monitoring of the foundation's programmatic strategy and charitable mission. Investment administration and monitoring include costs that are not directly attributable to investment strategy or oversight, but needed to support investment functions (for example, staff and office costs for investment recordkeeping and financial reporting). Expenses were allocated by function using a reasonable and consistent approach that was primarily based on the percentage of staffing costs directly attributable by function.

8. Natural and Functional Expenses (continued)

The table below presents expenses by both their nature and their function for fiscal year 2021.

	Grants	Direct Charitable Activities	Program Administration	Total Programs	General Administration	Investment Administration	Total Grants and Expenses
Grants	$ 83,258,815	$ -	$ -	$ 83,258,815	$ -	$ -	$ 83,258,815
Forfeitures and Discounts	1,227,046	-	-	1,227,046	-	-	1,227,046
Staff costs (salaries, taxes and benefits)	-	1,682,800	5,623,693	7,306,493	4,901,569	327,722	12,535,784
Travel and Entertainment	-	17,971	31,142	49,113	13,527	343	62,983
Meetings	-	533,955	-	533,955	-	-	533,955
Sponsorships	-	394,000	535,000	929,000	-	-	929,000
Technology	-	-	422,176	422,176	353,939	29,779	805,894
Rent and Furniture	-	-	854,816	854,816	1,548,437	89,241	2,492,494
Professional Services	-	7,247,965	592,212	7,840,177	504,762	363,507	8,708,446
Trustee fees and board costs	-	-	96,846	96,846	177,326	49,933	324,105
Other	-	182,500	259,550	442,050	170,971	10,646	623,667
Total	$ 84,485,861	$ 10,059,191	$ 8,415,435	$ 102,960,487	$ 7,670,531	$ 871,171	$ 111,502,189

The above schedule does not include an allocation of federal excise and other taxes, net, which totals $9,957,207.

8. Natural and Functional Expenses (continued)

The table below presents expenses by both their nature and their function for fiscal year 2020.

	Grants	Direct Charitable Activities	Program Administration	Total Programs	General Administration	Investment Administration	Total Grants and Expenses
Grants	$ 71,731,889	$ -	$ -	$ 71,731,889	$ -	$ -	$ 71,731,889
Forfeitures and Discounts	6,874,977	-	-	6,874,977	-	-	6,874,977
Staff Costs (Salaries, Taxes and Benefits)	-	1,391,347	6,051,029	7,442,376	4,874,668	391,346	12,708,390
Travel and Entertainment	-	787,071	75,960	863,031	7,875	206	871,112
Meetings	-	350,229	-	350,229	-	-	350,229
Sponsorships	-	303,000	629,833	932,833	-	-	932,833
Technology	-	-	514,891	514,891	390,008	31,266	936,165
Rent and Furniture	-	-	397,429	397,429	476,906	28,997	903,332
Professional Services	-	12,199,280	568,451	12,767,731	274,982	346,105	13,388,818
Trustee Fees and Board Costs	-	-	111,102	111,102	203,062	59,563	373,727
Other	-	127,500	219,135	346,635	201,273	9,555	557,463
Total	$ 78,606,866	$ 15,158,427	$ 8,567,830	$ 102,333,123	$ 6,428,774	$ 867,038	$ 109,628,935

The above schedule does not include an allocation of federal excise and other taxes, net, which totals $3,540,615.

9. Federal Excise Taxes and Other Taxes, net

The foundation qualifies as a tax-exempt organization under Section 501(c)(3) of the Code and, with the exception of unrelated business income from debt-financed, passive investments, is not subject to federal or state income tax. However, as a private foundation, the foundation is subject to a federal excise tax. In 2020 a flat tax rate of 1.39% was adopted.

For the year ended December 31, 2021, the foundation received net refunds, net of estimated excise and other taxes payments, of approximately $699,000. For the year ended December 31, 2020, the foundation made estimated excise and other taxes payments, net of refunds, of approximately $1,799,000. The foundation recognized an increase of approximately $5,453,000 and $2,621,000 in its deferred tax liability in 2021 and 2020, respectively. The deferred tax liability is recorded using 1.39% excise tax rate at December 31, 2021 and December 31, 2020. No deferred taxes are

9. Federal Excise Taxes and Other Taxes, net (continued)

provided for unrelated business income on unrealized appreciation as such amount cannot be estimated.

The foundation recorded net tax liabilities of approximately $2,668,000 and prepaid taxes of approximately $2,535,000 at December 31, 2021 and 2020, respectively.

10. Employee Pension Plan and Other Postretirement Benefit Plans

The foundation sponsors a pension plan with defined benefit and cash balance features for its eligible employees. The pension benefits for all employees hired prior to January 1, 2000, will be the greater of the benefits as determined under the defined benefit feature of the pension plan or the cash balance feature of the pension plan. The pension benefits for all employees hired on or subsequent to January 1, 2000, will be determined under the cash balance feature of the pension plan. The foundation also sponsors postretirement medical and life insurance benefit plans. During 2016, the foundation amended its postretirement medical and life insurance benefit plans, restricting access for certain future retirees.

The following table sets forth the pension and other postretirement benefits plans' funded status and amounts recognized in the foundation's Statements of Activities and Financial Position:

	Pension Plan Year Ended December 31		Other Postretirement Benefit Plan Year Ended December 31	
	2021	**2020**	**2021**	**2020**
Funded status				
Fair value of plan assets	$ 16,772,693	$ 16,463,242	$ 3,073,828	$ 2,728,807
Benefit obligation	(16,948,949)	(17,565,863)	(1,807,267)	(1,962,073)
Funded status of the plan	$ (176,256)	$ (1,102,621)	$ 1,266,561	$ 766,734
Prior service credit	$ -	$ -	$ 108,973	$ 163,461
Accumulated (loss) gain	(2,605,996)	(4,152,326)	826,286	494,801
Pension and postretirement changes other than net periodic pension and postretirement costs	(2,605,996)	(4,152,326)	935,259	658,262
Cumulative employer contribution in excess (deficiency) of net periodic benefit costs	2,429,740	3,049,705	331,302	108,472
Accrued (liability) benefit recognized in the Statements of Financial Position	$ (176,256)	$ (1,102,621)	$ 1,266,561	$ 766,734

10. Employee Pension Plan and Other Postretirement Benefit Plans (continued)

	Pension Plan Year Ended December 31		Other Postretirement Benefit Plan Year Ended December 31	
	2021	**2020**	**2021**	**2020**
Components of net periodic benefit cost				
Service cost	$ 654,946	$ 654,764	$ 7,744	$ 5,536
Interest cost	413,778	504,569	46,915	58,208
Expected return on plan assets	(961,777)	(917,160)	(167,257)	(153,289)
Amortization of prior service cost	-	-	(54,488)	(54,488)
Recognized actuarial loss/(gain)	513,018	484,498	(6,396)	(37,264)
Net periodic benefit cost	$ 619,965	$ 726,671	$ (173,482)	$ (181,297)
Actual return on plan assets	$ 1,714,527	$ 1,949,662	$ 374,006	$ 332,844
Employer contributions	-	-	49,348	53,760
Employee contributions	-	-	14,716	19,475
Benefits paid	1,405,074	636,903	93,048	101,631
Actuarial assumptions				
Discount rate	2.81%	2.43%	2.84%	2.47%
Expected return on plan assets	6.75%	6.75%	6.75%	6.75%
Rate of compensation increase	3.00%	3.00%	3.00%	3.00%
Health care cost trend rate assumptions				
Initial trend rate	N/A	N/A	5.50%	5.80%
Ultimate trend rate	N/A	N/A	4.50%	4.50%
Year ultimate trend is reached	N/A	N/A	2038	2038

The expected long-term rate of return on plan assets for determining net periodic pension cost is chosen by the foundation from a best estimate range determined by the actuary by applying anticipated long-term returns and long-term volatility for various asset categories to the target asset allocation of the plan.

Pursuant to ASU 2017-07, *Compensation—Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, the foundation recognized service cost component of net benefit cost in the same line as other compensation costs for employee services. The components of net periodic benefit cost other than the service cost component of $216,207 and $114,926 is included in general and administrative expense line on the Statements of Activities for the years ended December 31, 2021 and 2020, respectively.

10. Employee Pension Plan and Other Postretirement Benefit Plans (continued)

The calculations related to other postretirement benefit plans do not anticipate any savings from the Medicare Prescription Drug, Improvement and Modernization Act of 2003.

Expected benefit payments are as follows:

	Pension Plan	Other Postretirement Benefit Plan
2022	$ 935,346	$ 82,698
2023	1,042,518	83,411
2024	1,065,469	87,047
2025	1,140,189	92,147
2026	1,043,000	95,205
2027-2031	5,591,738	504,004

During 2021, the foundation did not make a contribution to the pension plan. The foundation will be required to make a contribution of $82,698 to the other postretirement benefit plan and may choose to make additional contributions to either plan during 2022.

The investment goal for plan assets is to provide sufficient liquidity to meet payout requirements while maintaining safety of principal through prudent diversification. During 2021, asset allocation targets for the pension plan were domestic equities, 35%; international equities, 28%; emerging market equities, 7%; fixed income, 30%. During 2021, asset allocation targets for the postretirement benefit plan were domestic equities, 32.5%; international equities, 27.5%; emerging market equities, 5%; fixed income, 25%; commodities, 10%. During 2020, asset allocation targets for the pension plan and other postretirement benefit plan were domestic equities, 35%; international equities, 28%; emerging market equities, 7%; fixed income, 30%. At the beginning of 2022, the following asset allocation targets for the postretirement benefit plan were adopted: domestic equities, 55%; international equities, 25%; emerging market equities, 10%; fixed income, 10%.

10. Employee Pension Plan and Other Postretirement Benefit Plans (continued)

A detail of the fair value of plan assets by investment class follows:

	Pension Plan December 31				Other Postretirement Benefit Plan December 31			
	2021	%	2020	%	2021	%	2020	%
Cash and cash equivalents	$ 70,500	-	$ 53,568	-	$ 9,944	-	$ 10,360	-
Interest, dividends and other investment receivables	-	-	-	-	-	-	-	-
U.S. government and agency obligations	1,596,490	10	1,585,113	10	530,743	17	464,768	17
Corporate bonds and other obligations	3,324,548	20	3,287,322	20	232,385	8	204,497	8
Equity securities	11,781,155	70	11,537,239	70	2,002,788	65	1,776,671	65
Commodities	-	-	-	-	297,968	10	272,511	10
Total	$ 16,772,693	100	$ 16,463,242	100	$ 3,073,828	100	$ 2,728,807	100

The pension plan and other postretirement benefit plan invest principally in collective trust investments of a major bank which are categorized as Level 2 within the fair value hierarchy of ASC 820, Fair Value Measurements.

In addition, the foundation sponsors a defined contribution plan for its eligible employees for which it has no fixed liabilities. Effective January 1, 2002, the foundation's defined contribution plan was amended to add an employer matching contribution component. The foundation made contributions to the defined contribution plan of approximately $311,000 and $330,000 during 2021 and 2020, respectively.

11. Leases

Rental expense for office leases for 2021 and 2020, was approximately $2,433,000 and $807,000, respectively. The foundation leases offices in Miami, Florida and other U.S. cities. During 2020, the foundation entered into a lease agreement for new office space of approximately 22,000 in Miami, Florida with the lease commencement date in 2021. In 2019, the foundation signed an amendment to the lease of its prior Miami office space of approximately 22,800 extending the lease term until 2026. Pursuant to ASU No. 2016-02, *Leases*, the foundation has recorded a ROU asset of $22,096,500 and lease liabilities of $23,392,373 as of December 31, 2021 and ROU assets of $4,035,517 and lease liabilities of $3,829,859 as of December 31, 2020. Future minimum lease payments were discounted at U.S. Treasury note rates of 1.63% and 1.134% and are as follows:

2022	$ 1,209,635
2023	2,147,602
2024	2,207,583
2025	2,269,255
2026	1,647,459
Thereafter	16,081,004
Discounted to present value	(2,170,165)
	$ 23,392,373

The foundation intends to sublease its prior Miami office space and will offset the rental expense with any sublease income.

12. Beneficial Interest in Remainder Trusts

The foundation has a beneficial interest in charitable remainder trusts established by John S. Knight. Under the terms of the trusts, distributions are made from the trusts to designated beneficiaries for the remainder of their lives. The remainder of the assets in the trusts will be transferred to the foundation. All of the assets of the trusts are administered and held in the custody of Northern Trust. The trusts were established in 1975 and became irrevocable in 1981.

The foundation values its interest in the trusts using the methodology described in the *Financial Reporting Whitepaper: Measurement of Fair Value for Certain Transactions of Not-for Profit Entities,* issued by the American Institute of Certified Public Accountants. This methodology is a two-step process starting with the fair market value of the assets. The first step uses a 5% payout rate, life expectancy based on IRS Mortality Tables and assumed investment returns to determine the value of the interest at its projected termination. The second step discounts this future value

12. Beneficial Interest in Remainder Trusts (continued)

using an estimated investment return rate of 6.75% for the years ended 2021 and 2020. As of December 31, 2021 and 2020, the value of the foundation's estimated interest in the remainder trusts reported on the Statements of Financial Position was approximately $73,693,000 and $63,175,000, respectively. This compares to a current fair market value of the trusts of approximately $108,472,000 and $95,314,000 in December 31, 2021 and 2020, respectively.

During 2020, the foundation received a distribution of approximately $29,000 which represents fair market value of the distributed trust assets received. Distribution was due to the termination of one of the charitable remainder trusts.

For the purposes of applying ASC 820, *Fair Value Measurements*, all beneficial interest in remainder trust assets are classified as Level 3 for the years ended December 31, 2021 and 2020. The changes in beneficial interest in remainder trust assets classified as Level 3 are as follows for the years ended December 31, 2021 and 2020:

Level 3 Reconciliation

	Remainder Trust
Beginning Balance, January 1, 2020	$ 56,547,929
Distributions	(29,049)
Change in value of beneficial interest in remainder trusts	6,656,325
Ending Balance, December 31, 2020	$ 63,175,205
Beginning Balance, January 1, 2021	$ 63,175,205
Distributions	
Change in value of beneficial interest in remainder trusts	10,517,983
Ending Balance, December 31, 2021	$ 73,693,188

Change in value of beneficial interest in remainder trusts are included in "Changes in net assets with donor restrictions" in Statements of Activities for the years ended December 31, 2021 and 2020.