John S. and James L. Knight Foundation

Financial Statements
For the Years Ended December 31, 2019 and 2018
With the Independent Auditor's Report

John S. and James L. Knight Foundation

Financial Statements

Years Ended December 31, 2019 and 2018

Contents

Independent Auditor's Report

The Board of Trustees
John S. and James L. Knight Foundation

We have audited the accompanying financial statements of the John S. and James L. Knight Foundation (the foundation) which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities 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 foundation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the foundation as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

RSM US LLP

Miami, Florida
May 18, 2020

John S. and James L. Knight Foundation

Statements of Financial Position

	Dec. 31 2019	Dec. 31 2018
Assets		
Investments:		
Investment assets:		
Cash and cash equivalents	**$ 70,113,823**	**$ 23,605,255**
Interest, dividends and other investment receivables	**33,825,243**	**19,337,000**
U.S. government and agency obligations	**162,858,578**	**143,936,862**
Government-sponsored enterprises obligations	**37,204,662**	**20,604,864**
Corporate bonds and other obligations	**232,666,070**	**195,215,434**
Equity securities	**595,972,568**	**620,544,250**
Hedge fund investments	**510,204,958**	**447,683,349**
Alternative equity investments	**595,208,104**	**602,192,716**
Real estate investments	**41,310,409**	**41,631,711**
Total investments	**2,279,364,415**	**2,114,751,441**
Securities loaned under security lending agreement	**79,115,663**	**102,010,505**
Program-related investments, net	**1,375,135**	**1,471,225**
Beneficial interest in remainder trusts	**56,547,929**	**48,000,230**
Postretirement plan asset	**574,959**	**313,052**
Right-of-use asset	**4,661,977**	**1,847,379**
Other assets	**3,203,173**	**2,992,388**
Total assets	**$2,424,843,251**	**$2,271,386,220**
Liabilities and net assets		
Liabilities:		
Payable under securities lending agreement	**$ 81,432,001**	**$ 104,964,191**
Grants payable	**198,038,887**	**167,799,503**
Pension and postretirement benefits liability, net	**388,009**	**2,698,925**
Deferred taxes payable	**2,391,209**	**1,923,013**
Lease liability	**4,722,328**	**2,001,111**
Other liabilities	**3,336,232**	**4,390,608**
Total liabilities	**290,308,666**	**283,777,351**
Net assets:		
With donor restrictions:		
Beneficial interest in remainder trusts	**56,547,929**	**48,000,230**
Net assets without donor restrictions	**2,077,986,656**	**1,939,608,639**
Total net assets	**2,134,534,585**	**1,987,608,869**
Total liabilities and net assets	**$2,424,843,251**	**$2,271,386,220**

See accompanying notes.

John S. and James L. Knight Foundation

Statements of Activities

	Year Ended Dec. 31	
	2019	**2018**
Changes in the net assets without donor restrictions:		
Total investment income/(loss), net of expenses:	**$ 314,672,275**	**$ (86,868,442)**
Total investment activity	**314,672,275**	**(86,868,442)**
Release from restrictions – remainder trust assets received	**6,487,905**	**-**
Total investment activity and other support	**321,160,180**	**(86,868,442)**
Grants approved and expenses:		
Communities and National grants	**34,923,624**	**30,670,597**
Learning and Impact	**48,210,000**	**6,587,115**
Journalism grants	**20,032,794**	**84,683,860**
Arts grants	**43,520,691**	**23,214,846**
Other grants	**8,459,290**	**11,872,129**
Grant forfeitures and other	**(8,785,309)**	**(914,906)**
Change in grant payable discount	**(144,556)**	**(10,008,839)**
Direct charitable activities	**16,243,514**	**11,777,583**
General and administrative expenses	**17,158,492**	**15,585,671**
Investments administration and monitoring	**1,069,592**	**1,078,574**
Federal excise and other taxes, net	**3,066,615**	**(3,419,931)**
Total grants and expenses	**183,754,747**	**171,126,699**
Increase/(decrease) in unrestricted net assets from operating activities	**137,405,433**	**(257,995,141)**
Pension and postretirement changes other than net periodic pension and postretirement costs	**972,584**	**(597,988)**
Increase/(decrease) in net assets without donor restrictions	**138,378,017**	**(258,593,129)**
Changes in net assets with donor restrictions:		
Change in value of beneficial interest in remainder trusts	**15,035,604**	**(3,368,331)**
Assets released from restrictions	**(6,487,905)**	**-**
Increase/(decrease) in net assets with donor restrictions	**8,547,699**	**(3,368,331)**
Net change in net assets	**146,925,716**	**(261,961,460)**
Net assets at beginning of year	**1,987,608,869**	**2,249,570,329**
Net assets at end of year	**$ 2,134,534,585**	**$ 1,987,608,869**

See accompanying notes.

John S. and James L. Knight Foundation

Statements of Cash Flows

	Year Ended Dec. 31 2019	Year Ended Dec. 31 2018
Operating activities		
Change in net assets	**$ 146,925,716**	**$ (261,961,460)**
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net realized gain on sale of investments	**(139,455,710)**	**(134,327,769)**
Other income	**(1,270,836)**	**(8,676,036)**
Net change in fair value of investments	**(156,791,820)**	**247,308,054**
Change in value of beneficial interest in remainder trusts	**(15,035,604)**	**3,368,332**
Remainder trusts received	**6,487,905**	**-**
Changes in operating assets and liabilities:		
Interest, dividends, other investment receivables and other assets	**(15,336,376)**	**49,108,375**
Disbursements for program-related investments	**(903,559)**	**(585,768)**
Program-related investments recoveries	**666,077**	**169,220**
Valuation allowance – program-related investments	**(86,713)**	**444,035**
Program-related investments write off due to dissolution	**420,285**	**-**
Conversion of program investment to grant, net of allowance	**-**	**343,750**
Grants payable	**30,239,384**	**52,844,964**
Deferred taxes payable	**468,196**	**(4,924,588)**
Pension and post-retirement liability	**(2,572,823)**	**1,146,034**
Right-of-use asset	**(2,814,598)**	**896,759**
Lease liability	**2,721,217**	**(931,236)**
Other liabilities	**(1,054,375)**	**684,631**
Net cash used in operating activities	**(147,393,634)**	**(55,092,703)**
Investing activities		
Proceeds from sale of investments	**875,531,514**	**644,819,923**
Purchases of investments	**(681,629,312)**	**(623,933,220)**
Net cash provided by investing activities	**193,902,202**	**20,886,703**
Net change in cash and cash equivalents	**46,508,568**	**(34,206,000)**
Cash and cash equivalents at beginning of year	**23,605,255**	**57,811,255**
Cash and cash equivalents at end of year	**$ 70,113,823**	**$ 23,605,255**
Supplemental data		
Federal and state taxes paid, net	**$ 4,465,700**	**$ 1,262,115**

See accompanying notes.

1. The Organization

The John S. and James L. Knight Foundation (the foundation), a nonprofit corporation, supports transformational ideas that promote quality journalism, advance media innovation, engage communities and foster the arts. The foundation believes that democracy thrives when people and communities are informed and engaged. A significant part of the foundation's activities focus on 26 communities in the United States where the Knight brothers owned newspapers.

2. Significant Accounting Policies

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. The results of Knight Enterprise's operations are consolidated with the foundation's financial statements and all inter-entity activities are eliminated.

2. Significant Accounting Policies (continued)

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 $666,000 and $169,000 in 2019 and 2018, 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 accounting principles generally accepted in the United States (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 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.

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.

Capitalization Policy

The foundation implemented the following policy during the year ended December 31, 2018: 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. The foundation expenses the full acquisition cost of furniture and equipment below these thresholds in the year of purchase.

2. Significant Accounting Policies (continued)

Subsequent Events

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 has enacted immediate changes in the manner in which it conducts its business in response to the known consequences of COVID-19. It is also examining longer term responses that may be needed to its operations due to both the significant declines and volatility in the investment markets and increased health and safety concerns. 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.

Reclassifications

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation.

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, 2019, and 2018, 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 will adopt ASU 2017-08 for its fiscal year ending December 31, 2020.

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 will adopt ASU 2018-08 for its fiscal year ending December 31, 2020.

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

2. Significant Accounting Policies (continued)

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 will adopt ASU 2018-13 for its fiscal year ending December 31, 2020.

In August 2018, the FASB issued ASU 2018-14, *Compensation — 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 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.

3. Investments (continued)

Highly liquid investments with original maturities of three months or less are reported as cash equivalents.

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 which 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.

The foundation’s policy is to recognize transfers within the fair value hierarchy as of the date of the event or change in circumstances that caused the transfer. There were no significant transfers among Levels 1, 2 and 3 during the year.

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, 2019 and 2018:

			Fair Value Measurement at the end of Dec. 31, 2019 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		$ 48,681,781	$ -	$ 48,681,781	$ -
U.S. government and agency obligations	(a)	162,858,578	-	162,858,578	-
Government-sponsored enterprises obligations	(a)	37,204,662	-	37,204,662	-
Corporate bonds and other obligations	(a)	232,666,070	-	232,666,070	-
Equity securities	(a)(b)(c)	581,220,054	475,193,807	106,026,247	-
Equity securities[2]	(g)	14,752,514			
Hedge fund investments	(d)				
Multi-strategy and credit focused measured at NAV[2]	(e)	24,530,567	-	-	-
Open mandate measured at NAV[2]	(f)	63,574,234	-	-	-
Global and regional long/short measured at NAV[2]	(g)	422,100,157	-	-	-
Alternative equity investments	(h)				
Private equity[1]	(i)	3,614,308	-	-	3,614,308
Private equity measured at NAV[2]	(i)	491,803,204	-	-	-
Private natural resources measured at NAV[2]	(j)	99,790,592	-	-	-
Real estate investments measured at NAV[2]	(h)(k)	41,310,409	-	-	-
Total investments measured at fair value		2,224,107,130	$ 475,193,807	$ 587,437,338	$ 3,614,308
Cash (net, outstanding checks)		21,432,042			
Interest, dividends and other Investment receivables		33,825,243			
Total investments		$ 2,279,364,415			

[1] Excludes investments measured at NAV per share.

[2] In accordance with ASC Subtopic 820-10, 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, 2018 Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash equivalents		$ 11,753,858	$ -	$ 11,753,858	$ -
U.S. government and agency obligations	(a)	143,936,862	-	143,936,862	-
Government-sponsored enterprises obligations	(a)	20,604,864	-	20,604,864	-
Corporate bonds and other obligations	(a)	195,215,434	-	195,215,434	-
Equity securities	(a)(b)(c)	620,544,250	482,794,106	137,750,144	-
Hedge fund investments	(d)				
Multi-strategy and credit focused measured at NAV[2]	(e)	23,854,137	-	-	-
Open mandate measured at NAV[2]	(f)	91,286,579	-	-	-
long/short measured at NAV[2]	(g)	332,542,633	-	-	-
Alternative equity investments	(h)				
Private equity[1]	(i)	8,958,065	-	-	8,958,065
Private equity measured at NAV[2]	(i)	494,967,641	-	-	-
Private natural resources measured at NAV[2]	(j)	98,267,010	-	-	-
Real estate investments measured at NAV[2]	(h)(k)	41,631,711	-	-	-
Total investments measured at fair value		2,083,563,044	$ 482,794,106	$ 509,261,162	$ 8,958,065
Cash (net, outstanding checks)		11,851,397			
Interest, dividends and other Investment receivables		19,337,000			
Total investments		$ 2,114,751,441			

[1] Excludes investments measured at NAV per share.

[2] In accordance with ASC Subtopic 820-10, 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, 2019 and 2018, whose fair value is calculated using NAV per share:

Description		Fair Value 12/31/19	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Hedge fund investments	(d)				
Multi-strategy and credit focused	(e)	$ 24,530,567	N/A	Monthly-every 2 years	45-90 days
Open mandate	(f)	63,574,234	N/A	Monthly-every 2 years	60-180 days
Global and regional long/short	(g)	422,100,157	N/A	Monthly-every 2 years	30-184 days
Alternative equity investments	(h)				
Private equity	(i)	495,417,512	$142,090,206	N/A	N/A
Private natural resources	(j)	99,790,592	48,894,462	N/A	N/A
Real estate investments	(h) (k)	41,310,409	12,840,678	N/A	N/A
Total investments		$1,146,723,471	$203,825,346		

Description		Fair Value 12/31/18	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Hedge fund investments	(d)				
Multi-strategy and credit focused	(e)	$ 23,854,137	N/A	Monthly-every 2 years	45-90 days
Open mandate	(f)	91,286,579	N/A	Monthly-every 2 years	60-180 days
Global and regional long/short	(g)	332,542,633	N/A	Monthly-every 2 years	30-184 days
Alternative equity investments	(h)				
Private equity	(i)	503,925,706	$105,098,331	N/A	N/A
Private natural resources	(j)	98,267,010	50,032,767	N/A	N/A
Real estate investments	(h) (k)	41,631,711	11,756,709	N/A	N/A
Total investments		$1,091,507,776	$166,887,807		

(a) Approximately 45% and 46% of the foundation's total investments at December 31, 2019 and 2018, 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, 2019, 77.2% of corporate obligations were invested in domestic obligations and 22.8% were invested in international obligations. As of December 31, 2018, 53% of corporate obligations were invested in domestic obligations and 47% 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) These assets included an equity interest in a publicly traded investment management company valued at $39.7 million or 1.9% of the foundation's total investments as of December 31, 2018. The shares were valued using a lattice model that takes into account assumptions for volatility, availability of opportunity to convert and sell units, the closing price of publicly traded shares in the public market, and discounted growth rate and is classified as Level 2. Management of the investment management company had a right of first refusal on any stock sales as well as certain other contractual rights associated with any sale of stock. This investment gave rise to a significant portion of the foundation's unrelated business income tax liability. During 2019, the foundation has fully redeemed its holdings in this equity investment.

(c) 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, 2019, 88.6% of these assets were invested in international equities and 11.4% were invested in domestic equities. As of December 31, 2018, 85.3% of these assets were invested in international equities and 14.7% were invested in domestic equities.

(d) Approximately 22.4% and 21.2% of the foundation's total investments at December 31, 2019 and 2018, respectfully, 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 2019 and 2018, 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)

(e) 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.

(f) 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, the portfolio might consist entirely of debt, either distressed or stressed, or equities, long and short. 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%.

(g) 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)

(h) Approximately 28% and 30% of the foundation's total investments at December 31, 2019 and 2018, 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.

(i) 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 2019 average "debt multiple" of private equity companies (total debt on a company's balance sheet divided by that company's annual EBITDA) was 5.8x. 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.

Investments in buyout funds were $110,379,476 (22.3%) at December 31, 2019 and $107,491,494 (21.3%) at December 31, 2018. 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.

3. Investments (continued)

Investments in venture capital funds were $309,880,556 (62.6%) at December 31, 2019 and $329,166,399 (65.3%) at December 31, 2018. 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 $48,327,301 (9.8%) at December 31, 2019 and $34,686,326 (6.9%) at December 31, 2018. 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 $20,609,243 (4.2%) at December 31, 2019 and $19,922,792 (4.0%) at December 31, 2018. 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 $2,606,627 (.5%) at December 31, 2019 and $3,700,630 (0.7%) at December 31, 2018. 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.

Private equity also includes direct investments of $3,614,310 (1%) at December 31, 2019 and $8,958,065 (1.8%) at December 31, 2018, 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.

3. Investments (continued)

(j) 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.

(k) 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, 2019	$	8,958,065
Purchases		200,000
Sales and settlements		(4,811,248)
Total gains or losses for the period included in changes in net assets		(732,509)
Closing balance, Dec. 31, 2019	$	3,614,308
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	$	(1,060,277)

	Level 3 Reconciliation Fair Value Measurements Using Significant Unobservable Inputs Private Equity	
Opening balance, Jan. 1, 2018	$	9,422,517
Purchases		50,000
Sales and settlements		(408,051)
Total gains or losses for the period included in changes in net assets		(106,401)
Closing balance, Dec. 31, 2018	$	8,958,065
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	$	1,431,329

4. Securities Lending

The foundation lends certain securities to generate investment income. Selected securities are 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. As of December 31, 2019, the foundation reclassified gross assets loaned under “Securities loaned under security lending agreement” with a market value of approximately $79,116,000 and a corresponding gross liability under “Payable under securities lending agreement” of approximately $81,432,000 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, the net position would be a liability of $2,316,000 as of December 31, 2019 and $2,953,000 as of December 31, 2018. As of December 31, 2018, the asset for securities pledged was approximately $102,011,000 and the corresponding liability of approximately $104,964,000 for collateral received.

At December 31, 2019, the securities loaned consisted of approximately $25,053,000 in U.S. government obligations, approximately $2,867,000 in government-sponsored enterprises obligations and approximately $11,759,000 in corporate bonds, all of which are considered Level 2 in the fair value hierarchy, and approximately $39,437,000 in equity securities, which are considered Level 1 in the fair value hierarchy. At December 31, 2018, the securities loaned consisted of approximately $13,334,000 in U.S. government obligations, approximately $11,937,000 in government-sponsored enterprises obligations and approximately $24,933,000 in corporate bonds, all of which are considered Level 2 in the fair value hierarchy, and approximately $51,807,000 in equity securities, which are considered Level 1 in the fair value hierarchy.

At December 31, 2019, the liability for collateral received by the foundation, consisted of $69,542,000 in cash and $11,890,000 in short-term government obligations which are considered Level 2 in the fair value hierarchy; and $88,740,000 in cash and $16,224,000 in short-term government obligations which are considered Level 2 in the fair value hierarchy as of December 31, 2018. Of the cash collateral received, $14,152,000 was invested in securities with maturities of 3 months or less and $55,390,000 was invested in corporate obligations which were considered Level 2 in fair value hierarchy as of December 31, 2019; and $9,841,000 was invested in securities with maturities of 3 months or less and $78,899,000 was invested in corporate obligations which were considered Level 2 in fair value hierarchy as of December 31, 2018.

4. Securities Lending (continued)

At December 31, 2019, the fair market value of the reinvested collateral was $81,432,000 of which $14,152,000 was included in cash and cash equivalents, $11,890,000 was included in U.S. government and agency obligations and $55,390,000 was included in corporate bonds and other obligations in the Statements of Financial Position and were considered Level 2 in fair value hierarchy. At December 31, 2018, the fair market value of the reinvested collateral was $104,964,000 of which $9,841,000 was included in cash and cash equivalents, $16,224,000 was included in U.S. government and agency obligations and $78,881,000 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 gain of approximately $19,000 and unrealized loss of approximately $23,000 for the years ended December 31, 2019 and 2018, respectively, 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 18 hedge fund managers, who manage investments totaling $510,204,958.

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.

5. Derivative Financial Instruments (continued)

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 certificate of deposits 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.

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

Financial assets at year end:	2019	2018
Cash and cash equivalents	$ 70,113,823	$ 23,605,255
Interest, dividends and other investment receivables	33,825,243	19,337,000
Investments	2,175,425,349	2,071,809,186
Program-related investments, net	1,375,135	1,471,225
Securities loaned under security lending agreement	79,115,663	102,010,505
Other assets	3,203,173	2,992,388
Beneficial interest in remainder trusts	56,547,929	48,000,230
Total financial assets	2,419,606,315	2,269,225,789
Less amounts not available to be used within one year:		
Non-liquid investments	(766,579,163)	(740,172,148)
Program-related investments, net	(1,375,135)	(1,471,225)
Securities loaned under security lending agreement	(79,115,663)	(102,010,505)
Beneficial interest in remainder trusts	(56,547,929)	(48,000,230)
Financial assets not available to be used within one year	(903,617,890)	(891,654,108)
Financial assets available to meet general expenditures within one year	$ 1,515,988,425	$ 1,377,571,681

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 $133,711,354 and $105,335,420 in 2019 and 2018, 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, 2019 and 2018, represent the present value of multiyear grants using a 4.75% and 5.50% discount rate, respectively, based on the U.S. prime rate as of the financial statement date. The foundation made grant payments of $116,433,170 and $92,622,681 in 2019 and 2018, respectively.

As of December 31, 2019, the foundation had grant commitments, which are scheduled for payment in future years as follows:

2020	$ 80,892,973
2021	52,997,545
2022	37,645,458
2023	27,178,389
2024	10,230,580
Thereafter	14,500,000
	223,444,945
Discounted to present value	(25,406,058)
Grants payable	$ 198,038,887

The foundation made DCA payments of $15,831,489 and $11,729,835 in 2019 and 2018, respectively, of which $1,731,369 and $1,714,616, respectively, were allocated from general and administrative expenditures.

PRIs in the Statements of Financial Position consist of two amortizing loans with principal amounts of $175,000 and $1,011,875, one limited partnership interest with a cost basis of $1,893,013 and 12 convertible promissory notes representing a maximum potential investment and outstanding principal of $4,248,706.

The first amortizing loan is a 10-year loan that began in 2013, bearing interest at 1% per annum. The loan terms provide for interest and principal payments during the life of a loan. The foundation intends to hold this loan to maturity.

7. Charitable Distributions (continued)

For the first amortizing loan the foundation has recovered $50,000 in 2019 and recognized a valuation allowance of $87,500 against this loan and as a result it is reflected net on the Statements of Financial Position at $87,500.

The second amortizing loan is a 7-year loan that began in 2014, bearing interest at 1% per annum. The foundation has signed an amendment in 2019 and has made an additional payment of $350,000. The loan terms have not changed and provide for interest payments only during the first 3 years and principal amortization in years 4 through 7. The foundation has recovered $162,500 in 2019 and recognized a valuation allowance of $505,938 against this loan and as a result it is reflected net on the Statements of Financial position at $505,938.

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, and it is reflected net on the Statements of Financial Position at $785,274.

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.

The foundation made $903,559 and $585,768 PRI payments in 2019 and 2018, respectively.

8. Natural and Functional Expenses

ASU No. 2016-14 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 2019.

	Grants	Direct Charitable Activities	Program Administration	Total Programs	General Administration	Investment Administration	Total Grants and Expenses
Grants	$ 155,146,399	$ -	$ -	$ 155,146,399	$ -	$ -	$ 155,146,399
Forfeitures and Discounts	(8,929,865)	-	-	(8,929,865)	-	-	(8,929,865)
Staff Costs (Salaries, Taxes and Benefits)		1,731,369	5,533,128	7,264,497	4,867,313	345,733	12,477,543
Travel and Entertainment	-	1,107,898	383,376	1,491,274	167,710	4,808	1,663,792
Meetings	-	1,701,350		1,701,350	-	-	1,701,350
Sponsorships	-	920,404	673,654	1,594,058	-	-	1,594,058
Technology	-	-	580,516	580,516	501,635	34,226	1,116,377
Rent and Furniture	-	-	538,541	538,541	506,846	35,116	1,080,503
Professional Services	-	10,712,493	1,117,881	11,830,374	962,163	453,374	13,245,911
Trustee Fees and Board Costs	-	-	206,277	206,277	586,343	182,979	975,599
Other	-	70,000	295,456	365,456	237,653	13,356	616,465
Total	$ 146,216,534	$ 16,243,514	$ 9,328,829	$ 171,788,877	$ 7,829,663	$ 1,069,592	$ 180,688,132

The above schedule does not include an allocation of federal excise and other taxes, net, which totals $3,066,615.

8. Natural and Functional Expenses (continued)

The table below presents expenses by both their nature and their function for fiscal year 2018.

	Grants	Direct Charitable Activities	Program Administration	Total Programs	General Administration	Investment Administration	Total Grants and Expenses
Grants	$ 157,028,547	$ -	$ -	$ 157,028,547	$ -	$ -	$ 157,028,547
Forfeitures and Discounts	(10,923,745)	-	-	(10,923,745)	-	-	(10,923,745)
Staff Costs (Salaries, Taxes and Benefits)	-	1,714,616	6,162,350	7,876,966	3,619,781	402,179	11,898,926
Travel and Entertainment	-	662,013	287,999	950,012	174,033	4,732	1,128,777
Meetings	-	1,878,290	-	1,878,290	-	-	1,878,290
Sponsorships	-	659,231	548,000	1,207,231	-	-	1,207,231
Technology	-	-	585,385	585,385	484,502	34,613	1,104,500
Rent and Furniture	-	-	607,396	607,396	674,284	44,310	1,325,990
Professional Services	-	6,839,433	589,248	7,428,681	551,418	393,502	8,373,601
Trustee Fees and Board Costs	-	-	255,664	255,664	529,922	187,456	973,042
Other	-	24,000	287,078	311,078	228,611	11,782	551,471
Total	$ 146,104,802	$ 11,777,583	$ 9,323,120	$ 167,205,505	$ 6,262,551	$ 1,078,574	$ 174,546,630

The above schedule does not include an allocation of federal excise and other taxes, net, which totals ($3,419,931).

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, the foundation is classified as a private foundation and is subject to a federal excise tax of 2% (or 1% under certain circumstances) on net investment income and net realized gains, as defined by the code. The foundation expects to be subject to 1% tax rate in 2019 and was subject to the 2% tax rate in 2018.

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

The foundation files tax returns in the U.S. federal jurisdiction. The foundation is generally only subject to U.S. federal tax examinations by tax authorities for all years since 2016. The foundation's management analyzed its tax positions and determined that no additional income tax adjustment related to the ASC 740, *Income Taxes*, is necessary for the fiscal years ended December 31, 2019 and 2018.

For the year ended December 31, 2019, the foundation made estimated excise and other taxes payments, net of refunds, of approximately $4,466,000. For the year ended December 31, 2018, the foundation made estimated excise and other taxes payments, net of refunds, of approximately $1,262,000. The foundation recognized an increase of approximately $468,000 and a decrease of approximately $4,925,000 in its deferred tax liability in 2019 and 2018, respectively. The deferred tax liability is recorded using 1% excise tax rate at December 31, 2019 and 2% excise tax rate at December 31, 2018. No deferred taxes are provided for unrelated business income on unrealized appreciation as such amount cannot be estimated.

The foundation recorded prepaid taxes in other assets in the Statements of Financial Position of $375,000 and $750,000 at December 31, 2019 and 2018, 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.

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

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	
	2019	2018	2019	2018
Funded status				
Fair value of plan assets	$ 15,150,482	$ 11,968,710	$ 2,424,359	$ 2,010,219
Benefit obligation	(15,538,491)	(14,667,635)	(1,849,400)	(1,697,167)
Funded status of the plan	$ (388,009)	$ (2,698,925)	$ 574,959	$ 313,052
Prior service credit	$ -	$ -	$ 217,949	$ 335,998
Accumulated (loss) gain	(4,164,386)	(4,940,116)	483,595	405,184
Pension and postretirement changes other than net periodic pension and postretirement costs	(4,164,386)	(4,940,116)	701,544	741,182
Cumulative employer contribution in excess (deficiency) of net periodic benefit costs	3,776,377	2,241,191	(126,585)	(428,130)
Accrued (liability) benefit recognized in the Statements of Financial Position	$ (388,009)	$ (2,698,925)	$ 574,959	$ 313,052

10. Employee Pension Plan and Other Post-retirement Benefit Plans (continued)

	Pension Plan Year Ended December 31		Other Postretirement Benefit Plan Year Ended December 31	
	2019	2018	2019	2018
Components of net periodic benefit cost				
Service cost	$ 541,201	$ 593,662	$ 14,883	$ 15,150
Interest cost	614,639	559,490	70,342	66,726
Expected return on plan assets	(926,713)	(882,456)	(146,126)	(143,136)
Amortization of prior service cost	-	-	(118,049)	(118,052)
Recognized actuarial loss/(gain)	335,688	439,528	(66,814)	(55,490)
Net periodic benefit cost	$ 564,815	$ 710,224	$ (245,764)	$ (234,802)
Actual return on plan assets	$ 2,724,467	$ (995,741)	$ 441,640	$ (166,035)
Employer contributions	2,100,000	-	55,783	60,766
Employee contributions	-	-	28,278	35,049
Benefits paid	1,642,694	1,190,681	111,561	122,356
Actuarial assumptions				
Discount rate	3.32%	4.36%	3.35%	4.37%
Expected return on plan assets	6.75%	6.75%	6.75%	6.75%
Rate of compensation increase	3.50%	3.50%	3.50%	3.50%
Health care cost trend rate assumptions				
Initial trend rate	N/A	N/A	6.10%	6.30%
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 Post-retirement 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 $236,492 and $113,390 is included in general and administrative expense line on the Statements of Activities for the years ended December 31, 2019 and 2018, 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
2020	$ 974,728	$ 91,408
2021	1,036,921	93,538
2022	858,826	93,946
2023	1,317,437	93,265
2024	983,140	97,358
2025-2029	4,996,952	527,952

During 2019, the foundation made a $2.1 million contribution to the pension plan. The foundation will be required to make a contribution of $91,408 to the other postretirement benefit plan and may choose to make additional contributions to either plan during 2019.

The investment goal for plan assets is to provide sufficient liquidity to meet payout requirements while maintaining safety of principal through prudent diversification. During 2019, asset allocation targets for the pension plan and other postretirement benefit plan were domestic equities, 32.5%; international equities, 27.5%; emerging market equities, 5%; fixed income, 25%; and commodities, 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			
	2019	%	2018	%	2019	%	2018	%
Cash and cash equivalents	$ 112,820	1	$ 191,548	2	$ 19,401	1	$ 22,502	1
Interest, dividends and other investment receivables	48,418	0	464	0	5,229	0	46	0
U.S. government and agency obligations	2,648,315	17	2,075,733	17	423,834	17	355,209	18
Corporate bonds and other obligations	1,134,224	8	881,313	7	181,508	8	153,699	8
Equity securities	9,846,116	65	7,793,211	65	1,576,315	65	1,334,431	66
Commodities	1,360,589	9	1,026,441	9	218,072	9	144,332	7
Total	$ 15,150,482	100	$ 11,968,710	100	$ 2,424,359	100	$ 2,010,219	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.

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 $318,000 and $294,000 during 2019 and 2018, respectively.

11. Leases

Rental expense for office leases for 2019 and 2018, was approximately $1,071,000 and $1,140,000, respectively. The foundation leases offices in Miami, Florida and other U.S. cities. During 2019, the foundation signed an amendment to its Miami lease of approximately 22,800 square feet of office space. The amendment modifies an existing lease and extends lease terms until 2026. Pursuant to ASU No. 2016-02, *Leases*, the foundation will not account for a modification to a contract as a separate contract and has recorded a ROU asset and lease liabilities of $4,661,977 and $4,722,328, respectively, as of December 31, 2019 and $1,847,379 and $2,001,111, respectively, as of December 31, 2018. Future minimum lease payments were discounted at U.S. Treasury note rate of 1.63% and are as follows:

2020	$ 969,443
2021	526,468
2022	763,132
2023	801,244
2024	840,498
2025-2026	1,111,557
Discounted to present value	(290,013)
	$ 4,722,329

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 using an estimated investment return rate of 6.75% for the year 2019 and 2018. As of December 31, 2019, and 2018, the value of the foundation's estimated interest in the remainder trusts reported on the Statements of Financial Position was approximately $56,548,000 and $48,000,000, respectively. This compares to a current fair market value of the trusts of approximately $87,432,000 and $78,134,000 in December 31, 2019 and 2018, respectively.

12. Beneficial Interest in Remainder Trusts (continued)

During 2019, the foundation received a distribution of approximately $6,488,000 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, all beneficial interest in remainder trust assets are classified as Level 3 for the years ended December 31, 2019 and 2018. The changes in beneficial interest in remainder trust assets classified as Level 3 are as follows for the years ended December 31, 2019 and 2018:

Level 3 Reconciliation

	Remainder Trust
Beginning Balance, January 1, 2018	$ 51,368,561
Distributions	-
Change in value of beneficial interest in remainder trusts	(3,368,331)
Ending Balance, December 31, 2018	$ 48,000,230
Beginning Balance, January 1, 2019	$ 48,000,230
Distributions	(6,487,905)
Change in value of beneficial interest in remainder trusts	15,035,604
Ending Balance, December 31, 2019	$ 56,547,929

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, 2019 and 2018.