THE LENFEST INSTITUTE FOR JOURNALISM, LLC

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

THE LENFEST INSTITUTE FOR JOURNALISM, LLC
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YEARS ENDED DECEMBER 31, 2020 AND 2019

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INDEPENDENT AUDITORS' REPORT

Board of Managers
The Lenfest Institute for Journalism, LLC
Philadelphia, Pennsylvania

We have audited the accompanying financial statements of The Lenfest Institute for Journalism, LLC (a nonprofit corporation), which comprise the statements of financial position as of December 31, 2020 and 2019, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Board of Managers
The Lenfest Institute for Journalism, LLC

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Lenfest Institute for Journalism, LLC, as of December 31, 2020 and 2019, 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.

Adoption of New Accounting Standard

As discussed in Note 1 to the financial statements, The Lenfest Institute for Journalism, LLC has adopted the resource provider portion of Financial Accounting Standards Board Accounting Standards Update 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* Our opinion is not modified with respect to this matter.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
June 21, 2021

THE LENFEST INSTITUTE FOR JOURNALISM, LLC
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019

	2020	2019
ASSETS		
Cash and Cash Equivalents	$ 9,387,508	$ 16,453,553
Contributions Receivable, Net	8,180,750	10,721,661
Prepaid Expenses and Other Assets	41,112	104,969
Total	17,609,370	27,280,183
Endowment Investments:		
Equities	-	30,752,361
Fixed Income	-	9,740,028
Cash Equivalents	696,638	2,669,571
Mutual Funds:		
Equity Funds	36,095,615	-
Fixed Income Funds	19,770,582	-
Other	23,223,750	34,635,597
Total Endowment Investments	79,786,585	77,797,557
Property and Equipment, Net	36,277	40,030
Total Assets	$ 97,432,232	$ 105,117,770
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Liabilities	$ 2,621,284	$ 1,526,778
Grants Payable	3,238,011	5,936,993
Total Liabilities	5,859,295	7,463,771
NET ASSETS		
Without Donor Restrictions	1,104,588	585,513
With Donor Restrictions	90,468,349	97,068,486
Total Net Assets	91,572,937	97,653,999
Total Liabilities and Net Assets	$ 97,432,232	$ 105,117,770

See accompanying Notes to Financial Statements.

THE LENFEST INSTITUTE FOR JOURNALISM, LLC
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Gifts and Grants	$ 290,583	$ 18,746,536	$ 19,037,119
Investment Income, Net	3,284	977,479	980,763
Net Unrealized and Realized Investment Gains	1,502	4,387,237	4,388,739
Other Income	246,076	-	246,076
Subtotal	541,445	24,111,252	24,652,697
Net Assets Released from Restrictions:			
Satisfaction of Program Restrictions	25,960,564	(25,960,564)	-
Satisfaction of Restrictions - Spending Policy	4,750,825	(4,750,825)	-
Total Revenue and Support	31,252,834	(6,600,137)	24,652,697
EXPENSES			
Grants	24,932,164	-	24,932,164
Program Expenses	3,953,452	-	3,953,452
Fundraising and Advancement	1,031,618	-	1,031,618
General and Administrative	816,525	-	816,525
Total Expenses	30,733,759	-	30,733,759
CHANGE IN NET ASSETS	519,075	(6,600,137)	(6,081,062)
Net Assets - Beginning of Year	585,513	97,068,486	97,653,999
NET ASSETS - END OF YEAR	$ 1,104,588	$ 90,468,349	$ 91,572,937

See accompanying Notes to Financial Statements.

THE LENFEST INSTITUTE FOR JOURNALISM, LLC
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Gifts and Grants	$ 1,069,272	$ 22,528,295	$ 23,597,567
Investment Income, Net	15,203	1,254,449	1,269,652
Net Unrealized and Realized Investment Gains	-	5,379,931	5,379,931
Other Income	169,202	-	169,202
Subtotal	1,253,677	29,162,675	30,416,352
Net Assets Released from Restrictions:			
Satisfaction of Program Restrictions	24,367,110	(24,367,110)	-
Satisfaction of Restrictions - Spending Policy	2,855,000	(2,855,000)	-
Total Revenue and Support	28,475,787	1,940,565	30,416,352
EXPENSES			
Grants	20,819,422	-	20,819,422
Program Expenses	6,042,931	-	6,042,931
Fundraising and Advancement	880,956	-	880,956
General and Administrative	716,281	-	716,281
Total Expenses	28,459,590	-	28,459,590
Loss on Endowment Pledge	-	(4,000,000)	(4,000,000)
CHANGE IN NET ASSETS	16,197	(2,059,435)	(2,043,238)
Net Assets - Beginning of Year	569,316	99,127,921	99,697,237
NET ASSETS - END OF YEAR	$ 585,513	$ 97,068,486	$ 97,653,999

See accompanying Notes to Financial Statements.

THE LENFEST INSTITUTE FOR JOURNALISM, LLC
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020

		Support Services			
	Program Services	Management and General	Fundraising	Total	Total
Grants	$ 24,932,164	$ -	$ -	$ -	$ 24,932,164
Salaries	1,059,429	318,106	664,092	982,198	2,041,627
Benefits	92,284	74,302	106,285	180,587	272,871
Taxes	62,125	21,150	37,016	58,166	120,291
Accounting Fees	-	41,250	-	41,250	41,250
Bank Fees	13,051	13,274	1,311	14,585	27,636
Computer Expense	12,126	9,731	10,602	20,333	32,459
Conferences, Conventions, and Meetings	66,663	4,001	28,046	32,047	98,710
Consultants	2,445,088	116,893	73,262	190,155	2,635,243
Depreciation	68	3,612	73	3,685	3,753
Legal Fees	-	137,975	-	137,975	137,975
Liability Insurance	-	27,129	-	27,129	27,129
Membership Dues	37,615	3,286	10,646	13,932	51,547
Occupancy	27,569	21,443	29,533	50,976	78,545
Office Supplies	8,557	5,163	9,901	15,064	23,621
Other Program Expenses	41,890	-	-	-	41,890
Postage and Shipping	425	351	2,176	2,527	2,952
Printing and Publications	20,666	7,401	18,931	26,332	46,998
Public Relations	31,929	5,390	23,797	29,187	61,116
Travel	33,967	6,068	15,947	22,015	55,982
Total Expenses	$ 28,885,616	$ 816,525	$ 1,031,618	$ 1,848,143	$ 30,733,759

See accompanying Notes to Financial Statements.

THE LENFEST INSTITUTE FOR JOURNALISM, LLC
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019

		Support Services			
	Program Services	Management and General	Fundraising	Total	Total
Grants	$ 20,819,422	$ -	$ -	$ -	$ 20,819,422
Salaries	854,877	216,999	591,015	808,014	1,662,891
Benefits	29,750	41,919	84,691	126,610	156,360
Taxes	59,763	15,308	36,841	52,149	111,912
Accounting Fees	-	145,595	-	145,595	145,595
Bank Fees	3,892	5,256	-	5,256	9,148
Computer Expense	15,767	6,995	9,635	16,630	32,397
Conferences, Conventions, and Meetings	132,644	9,644	13,478	23,122	155,766
Consultants	3,448,395	73,776	56,898	130,674	3,579,069
Depreciation	2,858	2,223	3,061	5,284	8,142
Legal Fees	-	134,560	-	134,560	134,560
Liability Insurance	176	13,434	-	13,434	13,610
Membership Dues	13,114	6,471	9,437	15,908	29,022
Occupancy	1,484	1,155	1,590	2,745	4,229
Office Supplies	3,665	2,851	3,926	6,777	10,442
Other Program Expenses	1,216,980	-	-	-	1,216,980
Postage and Shipping	708	495	682	1,177	1,885
Printing and Publications	29,209	15,592	29,891	45,483	74,692
Public Relations	40,677	-	6,623	6,623	47,300
Travel	188,972	24,008	33,188	57,196	246,168
Total Expenses	$ 26,862,353	$ 716,281	$ 880,956	$ 1,597,237	$ 28,459,590

See accompanying Notes to Financial Statements.

THE LENFEST INSTITUTE FOR JOURNALISM, LLC
STATEMENTS OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ (6,081,062)	$ (2,043,238)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	3,755	8,142
Loss on Endowment Pledge	-	4,000,000
Amortization of Discount on Contributions Receivable	(174,392)	(245,585)
Amortization of Discount on Grants Payable	42,202	(44,394)
Unrealized Gain on Investments	(3,077,681)	(5,519,027)
Realized (Gain) Loss on Investments	(1,311,058)	139,096
(Increase) Decrease in Assets:		
Contributions Receivable	2,715,303	11,002,491
Prepaid Expenses and Other Assets	63,857	(91,740)
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Liabilities	1,094,504	861,218
Grants Payable	(2,741,184)	5,746,387
Net Cash Provided (Used) by Operating Activities	(9,465,756)	13,813,350
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Endowment Investments	(51,096,366)	(16,302,127)
Proceeds from Sale of Endowment Investments	53,496,077	9,304,707
Net Cash Provided (Used) by Investing Activities	2,399,711	(6,997,420)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(7,066,045)	6,815,930
Cash and Cash Equivalents - Beginning of Year	16,453,553	9,637,623
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 9,387,508	$ 16,453,553

See accompanying Notes to Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Lenfest Institute for Journalism, LLC (the Institute) was formed on December 17, 2015, by philanthropist H.F. “Gerry” Lenfest (Lenfest). The Institute is a single member LLC whose sole member is the TPF Special Assets Fund (SAF). SAF is a nonprofit corporation incorporated on December 17, 2002, as a Type I supporting organization to The Philadelphia Foundation (TPF). SAF’s mission is to receive, manage, and distribute assets in support of TPF. The Institute was organized solely and exclusively for educational and other tax-exempt purposes of SAF in accordance with Section 501(c)(3) of the Internal Revenue Code. SAF is recognized as a tax-exempt supporting organization under Section 509(a)(3) of the code. The Institute is a disregarded entity for tax purposes.

The Institute is a unique organization whose mission is to build sustainable business models for local journalism. The Institute’s goal is to transform the news industry in the digital age to ensure that high-quality local journalism remains a cornerstone of our democracy. Lenfest gifted to the Institute an initial endowment of $20 million and a subsequent $40 million challenge gift for investment in high-impact journalism, initiatives that serve diverse, growing audiences, and news technology and innovation. Lenfest also gifted to the Institute his ownership of nonvoting shares of The Philadelphia Inquirer Public Benefit Corporation (PIPBC), which is one of the Philadelphia region’s largest media networks, parent company of Philly.com and publishes The Philadelphia Inquirer and the Philadelphia Daily News. The Philadelphia Inquirer is operated as a for-profit public benefit corporation, and it serves as a live lab for the Institute’s innovation efforts and a primary focus of its grant making.

Within its mission, the Institute has three key priorities:

High-Impact Journalism: Quality, in-depth reporting remains the fundamental value proposition between local news organizations and their audiences. The Institute invests in indispensable, public-benefit journalism for the communities it serves.

News Technology & Innovation: To survive and to thrive, local news enterprises must be nimble, tech-enabled, and committed to constant innovation. Investing in the technical muscle of news organizations and introducing new tools improve customer experience, audience engagement, and operational efficiency, all of which are key to business sustainability.

Diverse, Growing Audiences: Diverse and inclusive newsrooms produce content that better reflects the communities they serve, and attract diverse and growing audiences. The Institute’s investments in newsroom diversity, community listening projects, and multi-cultural news media address one of journalism’s biggest challenges and one of its greatest opportunities.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash equivalents include liquid investments with initial maturities of three months or less. For purposes of the statement of cash flows, cash and cash equivalents do not include cash and cash equivalents included within endowment investments.

Investments

Investments in mutual funds, equities and fixed income securities are carried at fair value based on quoted market prices. Cash and cash equivalents are carried at cost which approximates fair value. If quoted market prices are not available, fair values of certain investments are based on quoted market prices of comparable instruments.

In addition, the Institute invests in alternative investments whose values are not readily available through an outside source. Alternative investments consist of limited partnerships, mutual funds and fund of funds and are recorded at approximate fair value as determined and approved by the managers or valuation committees of the alternative investments based upon judgments, which include, among other factors, restrictions affecting marketability, operating results, financial condition of the issuers and the price of the most recent financing transactions. The role of alternative investments is to increase portfolio diversification through sources of return that are not generally correlated with traditional equity and fixed income markets. In addition, alternative investments can provide relatively consistent returns and principal protection in volatile market environments, thereby reducing overall return volatility of the portfolio. Alternative investments are generally less liquid than their traditional equity counterparts, and the Institute’s fund of funds alternative managers may have entry/exit terms and capital lockup periods that range from one to six months. During 2020, the Institute began the process to divest all alternative investment holdings.

The Institute has private company stock that has no readily available market value and is stated at cost (appraised value at the date of gift) and included in other endowment investments. The carrying amount of the cost basis investment was $13,858,614 at December 31, 2020 and 2019.

The net changes in fair value and the realized gains and losses on investments sold are reflected in the statement of activities as net unrealized and realized investment gains. Investment transactions are recorded on the trade date.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments (Continued)

In general, investments are exposed to various risks, such as interest rate, credit, and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the investment balances and the amounts reported in the statements of financial position.

Property and Equipment

Property and equipment are carried at cost. Depreciation is calculated primarily using the straight-line method over the following estimated useful lives:

Furniture	7 Years
Computer Equipment	5 Years

Contributions

Contribution revenue is recorded when a contribution (including verifiable unconditional promises to give) is received. Other contributions are recorded as revenue when the conditions limiting the transfer of assets have been satisfied, typically when the promise becomes irrevocable. Donated securities and other property are recorded at fair value on the date of donation.

Contributions receivable that are not expected to be collected within one year are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using appropriate interest rates applicable to the years in which the promises are received. The Institute provides for uncollectible contributions receivable using the allowance method, which is based on management's judgment concerning historical collectability and analysis of individual contributions receivable. Past due receivables are individually analyzed for collectability and written off when all efforts at collection have been exhausted.

Classification of Net Assets

The Institute reports information regarding its financial position and activities according to two classes of net assets as follows:

Net Assets Without Donor Restrictions are not subject to donor-imposed stipulations.

Net Assets With Donor Restrictions are subject to donor-imposed stipulations that will be met either by actions of the Institute or the passage of time. These types of net assets primarily include contributions receivable and grants to be spent over a specific time period or for a specific purpose. Net assets with donor restrictions are also comprised of net assets subject to donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by the Institute. These types of net assets must be maintained in perpetuity by the Institute.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Classification of Net Assets (Continued)

When a restriction expires, net assets with donor restrictions are transferred to net assets without donor restrictions. Generally, earnings and gains (losses) on restricted contributions are also considered to be with donor restrictions.

When a contribution is received by the Institute for another nonprofit organization, it is not considered to be a contribution for financial statement purposes. Such amounts are reflected in the statements of financial position in accounts payable and accrued liabilities and was $-0- and $221,250 at December 31, 2020 and 2019, respectively.

Uniform Prudent Management of Institutional Funds Act

The Uniform Prudent Management of Institutional Funds Act (UPMIFA) provides guidance on the classification of endowment fund net assets for states that have enacted versions of the UPMIFA and enhances disclosures for endowment funds. Because UPMIFA has not become law in the Commonwealth of Pennsylvania, possible reclassifications of net assets are not required to be made. Disclosure of prevailing law in the Commonwealth of Pennsylvania has been included in Note 5.

Fair Value Measurement

The Financial Accounting Standards Board (FASB) standards provide the framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value, and defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e. the exit price) in an orderly transaction between market participants.

In determining fair value, the Institute uses various valuation approaches, including market, income, and/or cost approaches. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements), and the lowest priority to unobservable inputs (Level 3 measurements). The financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The valuation levels are not necessarily an indication of the risk or liquidity associated with the underlying assets and liabilities. The three levels of the fair value hierarchy are described below:

Level 1 – Quoted prices for identical assets or liabilities in active markets.

Level 2 – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3 – Significant inputs to the valuation model are unobservable.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value of Financial Instruments

The fair value of cash and cash equivalents and grants payable approximate their respective carrying amounts.

The fair value of contributions receivable is estimated by discounting the future cash flows using risk adjusted interest rates applicable to the years in which the promises are received.

The Institute's endowment investments recorded at fair value on a recurring basis are included in Note 6. Determination of the fair value of private company stock could not be made without incurring excessive cost. This investment is valued at cost (appraised value at the date of gift). The Institute had an independent valuation performed of the private company stock for the years ended December 31, 2020 and 2019, and no impairment was noted.

Adoption of New Accounting Standard

As of January 1, 2020, the Institute adopted the accounting guidance in FASB Accounting Standards Update (ASU) No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* The new guidance is intended to clarify and improve accounting guidance for contributions received and contributions made. The amendments of this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The Institute's financial statements reflect the application of this guidance as a resource provider for the year ended December 31, 2020. No cumulative-effect adjustment to net assets was recorded because the adoption did not impact the Institute's previously reported grant expense.

Risks and Uncertainties

In March 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Institute, management is monitoring the pandemic in order to minimize the impact. COVID-19 may impact various parts of the Institute's 2021 operations and financial results. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events continue to develop.

Subsequent Events

In preparing these financial statements, the Institute has evaluated events and transactions for potential recognition or disclosure through June 21, 2021, the date the financial statements were available to be issued.

NOTE 2 CONCENTRATION OF CREDIT RISK

Cash and cash equivalents potentially subject the Institute to a concentration of credit risk. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. At times, cash in bank deposit accounts may exceed FDIC insurable limits.

NOTE 3 CONTRIBUTIONS RECEIVABLE

Contributions receivable include unconditional promises to give at December 31:

	2020	2019
Receivable in Less Than One Year	$ 4,105,365	$ 8,770,668
Receivable in One to Five Years	4,250,000	6,300,000
Total	8,355,365	15,070,668
Less: Discounts to Present Value	(174,615)	(349,007)
Less: Allowance for Uncollectible Pledges	-	(4,000,000)
Net Contribution Receivable	$ 8,180,750	$ 10,721,661

Receivables due in one to five years represent multi-year commitments received in 2020 and years prior. These commitments were discounted using interest rates ranging from 0.63% to 2.98%.

NOTE 4 OTHER ENDOWMENT INVESTMENTS

Other endowment investments consist of the following at December 31:

	2020	2019
Hedge Funds	$ 5,512,930	$ 9,316,036
Private Credit Funds	3,852,206	6,922,236
Ultra Short Duration Bond Funds	-	4,538,711
Private Company Stock	13,858,614	13,858,614
Total	$ 23,223,750	$ 34,635,597

Hedge funds invest primarily in long/short equity strategies and event driven equity and debt arbitrage strategies, corporate actions, and special situations.

NOTE 5 ENDOWMENT ACTIVITY

An endowment is an established fund of cash, securities, or other assets to provide income for the maintenance of the Institute. Endowment funds are generally established by donor-restricted gifts or bequests to provide a permanent source of income, or a term endowment, which is to provide income for a specific period.

NOTE 5 ENDOWMENT ACTIVITY (CONTINUED)

The mission of the Institute’s investment funds is to support current operations through a total return investment strategy and a spending policy set to maintain, and ideally increase, the purchasing power of the endowment, without putting the principal value of these funds at imprudent risk.

The Institute has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to support operating expenses while maintaining the purchase power of the endowment. Under this policy assets are invested in a manner that is intended to yield a long-term average annual rate of return of 5% above inflation on a net of fees basis assuming a moderate level of investment risk. Results may vary from stated goals in a given year. To satisfy objectives, the Institute relies on a total return strategy in which investment returns are realized through both capital appreciation (realized and unrealized gains) and current yield (dividends and interest). The Institute targets a diversified asset allocation that places a greater emphasis and equity-based investments to achieve long-term goals.

Distributions of the Institute’s endowment are made in accordance with the gift agreements. On an annual basis, up to 6% of the fair market value of the endowment fund may be spent based on a moving average of the fair market value of the endowment fund as determined by the board of managers of the Institute. The board of managers may from time-to-time adjust the 6% maximum annual draw on the endowment fund for extraordinary circumstances as determined by two-thirds vote of its board of managers, but in no event shall the annual draw exceed 10%. For the years ended December 31, 2020 and 2019, the distribution was a blended 8.2% and 5.4%, respectively, of the market value of the endowment fund. The additional draw was utilized for grantmaking purposes consistent with the Institute’s mission.

Endowment activity by net asset class for the year ended December 31, 2020 is as follows:

	With Donor Restrictions
Endowment Assets - Beginning of Year	$ 77,797,557
Investment Return:	
Interest and Dividends, Net of Investment Expense of $175,938	952,616
Net Realized and Unrealized Gains	4,387,237
Total Investment Return	5,339,853
Contributions	1,400,000
Distributions of Endowment Income	(4,750,825)
Endowment Assets - End of Year	$ 79,786,585

NOTE 5 ENDOWMENT ACTIVITY (CONTINUED)

Endowment activity by net asset class for the year ended December 31, 2019 is as follows:

	With Donor Restrictions
Endowment Assets - Beginning of Year	$ 65,420,206
Investment Return:	
Interest and Dividends, Net of Investment Expense of $228,608	1,108,889
Net Realized and Unrealized Gains	5,379,931
Total Investment Return	6,488,820
Contributions	8,743,531
Distributions of Endowment Income	(2,855,000)
Endowment Assets - End of Year	$ 77,797,557

NOTE 6 FAIR VALUE MEASUREMENTS

The Institute uses fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures. For additional information on how the Institute values all other assets refer to Note 1 – Summary of Significant Accounting Policies.

	Carrying Value at December 31, 2020			
	Level 1	Level 2	Level 3	Total
Mutual Funds:				
Equity Funds	$ 36,095,615	$ -	$ -	$ 36,095,615
Fixed Income Funds	19,770,582	-	-	19,770,582
Total	$ 55,866,197	$ -	$ -	55,866,197
Investments Measured at Fair Value Using Net Asset Value per Share				9,365,136
Cash and Cash Equivalents				696,638
Total				$ 65,927,971

NOTE 6 FAIR VALUE MEASUREMENTS (CONTINUED)

	Carrying Value at December 31, 2019			
	Level 1	Level 2	Level 3	Total
Endowment Investments:				
U.S. Treasury Securities	$ 1,241,499	$ -	$ -	$ 1,241,499
Corporate Bonds	1,166,288	-	-	1,166,288
Real Estate Investment Trusts	319,108	-	-	319,108
Exchange Traded Funds:				
Equities	17,668,578	-	-	17,668,578
Bonds	3,163,209	-	-	3,163,209
Mutual Funds:				
Equities	7,332,241	-	-	7,332,241
Bonds	8,110,963	-	-	8,110,963
Equities	1,490,503	-	-	1,490,503
Total	$ 40,492,389	$ -	$ -	40,492,389
Investments Measured at Fair Value Using Net Asset Value per Share				20,776,983
Cash and Cash Equivalents				2,669,571
Total				$ 63,938,943

Assets measured at fair value on a nonrecurring basis include private company stock. Fair value was determined based on multiple valuation methodologies including the discounted cash flow and guideline public company methods. Management periodically obtains an independent third-party valuation to ensure no impairment of cost basis.

Fair value measurements of investments in certain entities that calculate net asset value per share (or its equivalent) as of December 31, 2020:

	Net Asset Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Hedge Funds	$ 5,512,930	$ -	June 30 or December 31	90 Days
Private Credit Funds	3,852,206	-	Quarterly	180 Days
Total	$ 9,365,136	$ -		

NOTE 6 FAIR VALUE MEASUREMENTS (CONTINUED)

Fair value measurements of investments in certain entities that calculate net asset value per share (or its equivalent) as of December 31, 2019:

	Net Asset Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Hedge Funds	$ 5,031,253	$ -	June 30 or December 31	90 Days
Hedge Funds	4,284,783	-	Monthly	90 days
Private Credit Funds	6,922,236	-	Quarterly	180 Days
Ultra Short Duration Bond Funds	4,538,711	-	Monthly	30 Days
Total	$ 20,776,983	$ -		

Hedge Funds are invested primarily in a diversified portfolio of multi-strategy and long/short credit, niche credit, and merger arbitrage investments. The unobservable inputs used to determine the fair value of the fund of hedge funds in this category has been estimated using the net asset value per share of the investments.

Ultra Short Duration Bond Funds include investments in corporate and convertible bonds with attractive yields, high credit quality (regardless of actual credit ratings), and an average term to maturity of about one year. The unobservable inputs used to determine the fair value of the investments is based on quoted market prices for the underlying securities which comprise the net asset value of the collective fund.

Private Credit Funds invest in asset-backed financing to private businesses. The funds are mainly comprised of a small number of credit facilities structured as special purpose vehicles where the fund has a senior secured position. The unobservable inputs used to determine the fair value of the investments is based on quoted market prices for the underlying securities which comprise the net asset value of the collective fund.

NOTE 7 PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	2020	2019
Furniture and Equipment	$ 50,207	$ 50,207
Less: Accumulated Depreciation	13,930	10,177
Total Property and Equipment	$ 36,277	$ 40,030

Depreciation expense for the years ended December 31, 2020 and 2019 was $3,753 and $8,142, respectively.

NOTE 8 GRANTS PAYABLE

Generally, grants are recorded when approved by the board of managers. The following is a summary of grants authorized and payable at December 31:

	2020	2019
To Be Paid in Less Than One Year	$ 2,890,202	$ 2,178,702
To Be Paid in One to Five Years	350,000	3,802,685
Total	3,240,202	5,981,387
Less: Discounts to Present Value	2,191	44,394
Net Grants Payable	$ 3,238,011	$ 5,936,993

Grants to be paid in one to five years were discounted at a rate of 0.63% in 2020 and 2.1% 2019. As of December 31, 2020 and 2019, the Institute had no unrecorded grants in which conditions placed on these grants had not been met.

NOTE 9 DEFINED CONTRIBUTION RETIREMENT PLAN

The Institute's employees are leased from TPF. TPF has a defined contribution plan which covers all eligible employees, including those leased to the Institute. For the years ended December 31, 2020 and 2019, TPF contributed 10% of salaries, as defined, for a total contribution of $145,890 and $93,306, respectively.

NOTE 10 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with time or purpose restrictions were as follows at December 31:

	2020	2019
Grants for Donor Restricted Activities, Includes Pledges that are Expected to be Received in Subsequent Years and are Usually Considered to be Purpose Restricted	$ 9,381,764	$ 18,270,929
Endowment Funds Whereby the Annual Spending Policy is Purpose Restricted	10,152,687	10,179,193
Total	$ 19,534,451	$ 28,450,122

Net assets to be held in perpetuity were as follows at December 31:

	2020	2019
Endowment Corpus	$ 55,775,284	$ 53,759,750
Cash Due to Endowment	1,300,000	-
Contribution Receivable to Fund Endowment	-	1,000,000
Private Company Stock, Restricted for Endowment	13,858,614	13,858,614
Total	$ 70,933,898	$ 68,618,364

NOTE 11 FUNCTIONAL EXPENSES

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function of the Institute. These expenses require allocation on a reasonable basis that is consistently applied and are allocated on the basis of estimates of department time and usage. Expenses include depreciation and amortization, the CEO's office, occupancy, and communication. Also included are salaries and benefits, which are allocated on the basis of estimates of time and effort.

Functional expenses for the years ended December 31 were as follows:

	2020	2019
Program Services	$ 28,885,616	$ 26,862,353
Management and General	816,525	716,281
Fundraising	1,031,618	880,956
Total	$ 30,733,759	$ 28,459,590

NOTE 12 LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Institute's financial assets available for expenditure within one year of the statement of financial position date. The Institute's funds consist primarily of endowment and grant funds. Income from endowments and grants are restricted for specific purposes and, therefore, not available for general expenditure.

	2020	2019
Financial Assets, as of December 31	$ 97,354,843	$ 104,972,771
Less:		
Contractual or Donor-Imposed Restrictions Making Financial Assets Unavailable for General Expenditure	(14,662,323)	(19,270,929)
Endowment Funds	(79,786,585)	(77,797,557)
Financial Assets Available Within One Year to Meet Cash Needs for General Expenditures Within One Year	$ 2,905,935	$ 7,904,285