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# Max M. & Marjorie S. Fisher Foundation

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**Financial Report**  
**December 31, 2019**

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## Independent Auditor's Report

To the Board of Trustees  
Max M. & Marjorie S. Fisher Foundation

We have audited the accompanying financial statements of Max M. & Marjorie S. Fisher Foundation (the "Foundation"), which comprise the balance sheet as of December 31, 2019 and 2018 and the related statements of activities and changes in net assets 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Max M. & Marjorie S. Fisher 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.

### ***Emphasis of Matter***

As explained in Note 2, the financial statements include certain investments whose fair values have been estimated by management in the absence of readily determinable fair values. Management's estimates are based on information provided by the fund managers or the partnership general partners. These investments are valued at \$134,095,326 (48.0 percent of net assets) at December 31, 2019 and \$126,311,355 (48.2 percent of net assets) at December 31, 2018. Our opinion is not modified with respect to this matter.

A handwritten signature in black ink that reads "Plante & Moran, PLLC".

September 2, 2020

## Max M. & Marjorie S. Fisher Foundation

### Balance Sheet

December 31, 2019 and 2018

	2019	2018
<b>Assets</b>		
Cash and cash equivalents	\$ 313,009	\$ 678,325
Investments (Note 3)	279,649,442	265,956,260
Mission-related investments (Note 3)	1,424,554	1,297,225
Program-related investments - Net of allowance of \$650,000 and \$535,000 as of December 31, 2019 and 2018, respectively (Note 5)	2,701,550	2,564,409
Other receivables	1,087,073	970,081
Other assets	94,500	106,203
Property and equipment - Net (Note 6)	189,863	202,122
Total assets	<b>\$ 285,459,991</b>	<b>\$ 271,774,625</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accrued liabilities	\$ 336,563	\$ 221,759
Grants payable (Note 4)	5,692,500	9,634,320
Total liabilities	6,029,063	9,856,079
<b>Net Assets</b> - Without donor restrictions	279,430,928	261,918,546
Total liabilities and net assets	<b>\$ 285,459,991</b>	<b>\$ 271,774,625</b>

**Max M. & Marjorie S. Fisher Foundation****Statement of Activities and Changes in Net Assets****Years Ended December 31, 2019 and 2018**

	2019	2018
<b>Changes in Net Assets without Donor Restrictions</b>		
Income (loss):		
Contributions	\$ 512	\$ 702
Investment income (loss):		
Dividends and interest	1,175,822	1,312,124
Net realized and unrealized gains (losses) on investments	32,155,509	(11,215,586)
Other income	-	1,587
Investment expenses	(912,713)	(988,636)
Federal excise tax	(188,442)	(35,006)
Net investment income (loss)	32,230,176	(10,925,517)
Net income (loss)	32,230,688	(10,924,815)
Expenses:		
Program services:		
Grants	11,418,163	16,828,000
Program support expenses	1,506,045	1,383,605
Total program services	12,924,208	18,211,605
Management and general	1,794,098	1,367,906
Total expenses	14,718,306	19,579,511
<b>Increase (Decrease) in Net Assets</b>	17,512,382	(30,504,326)
<b>Net Assets - Beginning of year</b>	261,918,546	292,422,872
<b>Net Assets - End of year</b>	<b>\$ 279,430,928</b>	<b>\$ 261,918,546</b>

**Statement of Cash Flows****Years Ended December 31, 2019 and 2018**

	2019	2018
<b>Cash Flows from Operating Activities</b>		
Increase (decrease) in net assets	\$ 17,512,382	\$ (30,504,326)
Adjustments to reconcile increase (decrease) in net assets to net cash and cash equivalents from operating activities:		
Depreciation and amortization	23,391	20,429
Discount on grants payable	(76,944)	(2,594)
Discount on program-related investment loan receivable	(20,864)	(63,612)
Realized gain on sales of investments	(9,663,252)	(7,743,454)
Unrealized (gain) loss on investments	(22,492,257)	18,959,040
Changes in operating assets and liabilities that (used) provided cash and cash equivalents:		
Accounts receivable	(116,992)	(495,454)
Program-related investment loan receivables	(261,000)	(45,000)
Allowance for doubtful accounts	115,000	205,000
Other assets	11,703	(18,703)
Grants payable	(3,864,876)	2,691,747
Accrued liabilities	114,804	(19,318)
Net cash and cash equivalents used in operating activities	(18,718,905)	(17,016,245)
<b>Cash Flows from Investing Activities</b>		
Purchase of property and equipment	(11,132)	(21,240)
Net change in investment redemption receivable	-	282,999
Purchases of investments	(27,455,528)	(25,018,399)
Proceeds from sales and maturities of investments	45,820,249	42,327,514
Net cash and cash equivalents provided by investing activities	18,353,589	17,570,874
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	(365,316)	554,629
<b>Cash and Cash Equivalents - Beginning of year</b>	678,325	123,696
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 313,009</b>	<b>\$ 678,325</b>

**December 31, 2019 and 2018**

**Note 1 - Nature of the Organization**

Max M. & Marjorie S. Fisher Foundation (the "Foundation"), located in Southfield, Michigan, established in 1955, and endowed following the death of Max M. Fisher in 2005, is a private family foundation that was organized to make grants to charitable organizations, which are described in Section 501(c)(3) of the Internal Revenue Code. The primary activity of the Foundation is to receive and administer funds in order to support charitable, educational, religious, cultural, and other organizations. The Foundation aims to enrich humanity by strengthening and empowering children and families in need. The Foundation was funded through the Max M. Fisher Estate and contributions by family members.

**Note 2 - Significant Accounting Policies**

***Cash Equivalents***

The Foundation considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents.

***Investments***

Money market investment funds are under the custody of fund managers and represent temporarily uninvested monies and short-term investments consisting of funds collected.

Investments in common and preferred stocks, bonds, U.S. Treasury bills, and mutual funds are carried at quoted fair market value. The change in unrealized market appreciation is included in the statement of activities and changes in net assets. Realized gains and losses are recorded using specific identification of the assets sold.

The alternative investments, composed primarily of funds of funds, multiasset funds, private equity funds, alternative/hedge funds, and real estate funds, a significant amount of which are not readily marketable, are carried at estimated fair values, as provided by the various fund managers. Foundation management reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and significant assumptions used in determining fair value. Those estimated fair values are subject to uncertainty and may differ significantly from the values that would have been used had a ready market for these securities existed. The estimated fair values of the Foundation's alternative investments totaled \$134,095,326 and \$126,311,355 at December 31, 2019 and 2018, respectively.

***Allowance for Doubtful Accounts***

An allowance for doubtful accounts on program-related investments is established based on a specific assessment of all receivables that remain unpaid following agreed-upon payment periods. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period that determination is made.

***Risk and Uncertainties***

The Foundation invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market, currency, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the balance sheet.

***Property and Equipment***

Property and equipment are recorded at cost when purchased and at estimated fair market value when donated. Depreciation on property and equipment is provided on a straight-line basis over the estimated useful lives of the assets. Donated collections that include works of art, historical treasures, or similar assets are not capitalized or recognized as revenue or gains. In 2015, the widow of Max M. Fisher donated the Max M. Fisher Archives to the Foundation. The archives consist of political memorabilia, autographs, and photos. The archives are housed at Wayne State University.

**December 31, 2019 and 2018**

**Note 2 - Significant Accounting Policies (Continued)**

***Grants Payable***

Unconditional promises to give are recognized as an expense once the grant agreement is fully executed. Discretionary promises to give are recognized as an expense at the time of formal approval by the full board of trustees. Conditional promises to give, if any, are expensed when such conditions are substantially met.

***Tax Status***

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the United States Internal Revenue Code. As a private family foundation, the Foundation is subject to an excise tax on net investment income, including realized gains, as defined in the Tax Reform Act of 1969.

***Contributions***

Contributions of cash and other assets are reported as revenue when received, measured at fair value. All contributions received by the Foundation are without donor restrictions.

***Classification of Net Assets***

Net assets of the Foundation are classified based on the presence or absence of donor-imposed restrictions. All net assets of the Foundation are without donor restrictions.

***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 revenue, expenses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

***Upcoming Accounting Pronouncement***

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which provides enhanced guidance to assist entities in determining whether a contribution is conditional. The accounting guidance may delay revenue recognition for certain grants and contributions that no longer meet the definition of unconditional. The new guidance will be effective for the Foundation's year ending December 31, 2020 and will be applied on a modified prospective basis. The Foundation has not yet determined the impact on the timing of recognition of individual grants made.

***Subsequent Events***

The financial statements and related disclosures include evaluation of events up through and including September 2, 2020, which is the date the financial statements were available to be issued.

Subsequent to year end, the Foundation's investment portfolio has experienced significant fluctuations in fair value, consistent with the volatility in the overall financial markets due to the COVID-19 pandemic. However, because the values of individual investments fluctuate with market conditions, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined.



## Notes to Financial Statements

**December 31, 2019 and 2018**

### Note 3 - Investments and Mission-related Investments

Investments and mission-related investments consisted of the following at December 31:

	2019		2018	
	Cost	Fair Value	Cost	Fair Value
Short-term cash pool	\$ 2,439,618	\$ 2,439,618	\$ 2,031,517	\$ 2,031,517
Fixed-income securities	40,067,180	47,385,630	40,220,765	45,305,731
Equity securities	43,819,048	93,096,518	53,134,852	87,468,052
Asset allocation funds	2,755,394	3,034,746	5,228,232	5,144,537
Real estate funds	12,700,760	18,646,387	10,716,057	18,372,404
Private equity funds and distressed credit	36,373,391	59,539,256	32,574,152	55,068,616
Hedge funds	35,147,998	55,507,287	33,747,998	52,565,403
Mission-related investments	1,391,431	1,424,554	1,391,431	1,297,225
Total	<u>\$ 174,694,820</u>	<u>\$ 281,073,996</u>	<u>\$ 179,045,004</u>	<u>\$ 267,253,485</u>

### Note 4 - Grants for Charitable, Educational, and Other Authorized Purposes

The following summarizes the changes in grants payable as of December 31, 2019 and 2018:

	2019	2018
Grants payable - Beginning of year	\$ 9,634,320	\$ 6,945,167
Grants approved	11,159,490	16,637,662
Payments made	(15,178,254)	(13,951,103)
Change in present value discount	76,944	2,594
Grants payable - End of year	<u>\$ 5,692,500</u>	<u>\$ 9,634,320</u>

The discount rate used in the December 31, 2019 and 2018 present value calculations was 1.62 percent and 2.49 percent, respectively, and is based on daily treasury yield curve rates.

Grants payable at December 31, 2019 are scheduled to be disbursed as follows: \$4,906,565, \$674,572, and \$111,363 for 2020, 2021, and 2022, respectively.

As of December 31, 2019 and 2018, there were conditional grant commitments totaling \$1,750,000 and \$2,025,000, respectively, for which the grantee had not yet satisfied the condition.

### Note 5 - Program-related Investments

The Foundation has funded 10 program-related investments. These investments are in addition to the 5 percent grant budget.

In 2019, the Foundation completed the loan of \$200,000 to Hebrew Free Loan that was approved in 2012. As of December 31, 2018, the Foundation valued the asset at \$180,952. The loan was paid in full on December 31, 2019.

The P3E, L3C, changed its name to Artesian Farms, L3C in 2016. On September 28, 2016, the Foundation converted the promissory note into a 7.35 percent membership interest in Artesian Farms, L3C. As of December 31, 2019 and 2018, the Foundation valued the asset at \$30,575 and \$60,298, respectively.

In 2016, the Foundation completed the loan of \$250,000 to Capital Impact Partners (the Michigan Good Food Fund) that was approved in 2015. As of December 31, 2017, the Foundation valued the asset at \$233,250. This loan was paid in full on September 19, 2018.

**December 31, 2019 and 2018****Note 5 - Program-related Investments (Continued)**

A loan of \$400,000 was made to Recovery Park in 2016. This loan bears 2 percent interest and will mature on September 30, 2023. As of December 31, 2019 and 2018, the Foundation valued the asset at \$0 to reflect the collectibility of the final payment due in 2023.

A loan of \$250,000 was made to Dualis Social Investment Fund in 2016. This loan bears 3 percent interest and will mature on December 20, 2023. As of December 31, 2019 and 2018, the Foundation valued the asset at \$0 and \$114,492, respectively, to reflect the collectibility of the final payment due in 2023.

In 2017, the Foundation completed two loans, which total \$2,000,000, to the Detroit Community Loan Fund. One loan for \$1 million bears 2 percent interest, and the other \$1 million note bears 0 percent interest. Both will mature on September 15, 2025. As of December 31, 2019 and 2018, the Foundation valued the asset at \$1,786,169 and \$1,751,146, respectively, to reflect the collectibility of the final payment due in 2025.

Rebel Nell L3C was provided a \$195,000 loan by the Foundation at the end of 2017. This loan bears 2 percent interest and will mature on November 15, 2023. In 2019, a principal payment of \$38,025 was made. As of December 31, 2019 and 2018, the Foundation valued the asset at \$148,577 and \$183,899, respectively, to reflect the collectibility of the final payment due in 2023.

In 2018, Rebel Nell L3C was provided a second \$195,000 loan by the Foundation. This loan bears 2 percent interest and will mature on December 31, 2024. As of December 31, 2019 and 2018, the Foundation valued the asset at \$183,824 and \$180,220, respectively, to reflect the collectibility of the final payment due in 2024.

In 2018, a loan of \$100,000 was made to Future Build Construction. This loan bears 2 percent interest and will mature on October 29, 2023. As of December 31, 2019 and 2018, the Foundation valued the asset at \$95,270 and \$93,402, respectively, to reflect the collectibility of the final payment due in 2023.

Michigan Women's Foundation was provided a \$500,000 loan by the Foundation in 2019. This loan bears 1 percent interest and will mature on December 31, 2028. As of December 31, 2019, the Foundation valued the asset at \$457,135 to reflect the collectibility of the final payment in 2028.

**Note 6 - Property and Equipment**

Property and equipment are summarized as follows:

	2019	2018
Office equipment	\$ 55,882	\$ 55,882
Computer equipment and software	98,552	91,730
Leasehold improvements	254,851	250,541
Total cost	409,285	398,153
Accumulated depreciation	219,422	196,031
Net property and equipment	<u>\$ 189,863</u>	<u>\$ 202,122</u>

Depreciation and amortization expense for 2019 and 2018 was \$23,391 and \$20,429, respectively. Depreciation is calculated on a straight-line basis over useful lives ranging from 3 to 39 years.

**December 31, 2019 and 2018**

**Note 7 - Fair Value Measurements**

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

The following tables present information about the Foundation's assets measured at fair value on a recurring basis at December 31, 2019 and 2018 and the valuation techniques used by the Foundation to determine those fair values.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Foundation has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Foundation's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

The Foundation's policy is to recognize transfers in and out of Level 1, 2, and 3 fair value classifications as of the actual date of the event of change in circumstances that caused the transfer. There were no significant transfers between levels during the years ended December 31, 2019 and 2018.

## Notes to Financial Statements

**December 31, 2019 and 2018**

### Note 7 - Fair Value Measurements (Continued)

Assets Measured at Fair Value on a Recurring Basis at December 31, 2019*			
	Quoted Prices in Active Markets for Identical Assets (Level 1)		Balance at December 31, 2019
		Net Asset Value	
Investments:			
Equity securities - U.S.	\$ 22,527	\$ 36,416,353	\$ 36,438,880
Equity securities - International and emerging markets funds	-	49,995,983	49,995,983
Equity mutual funds	6,661,655	-	6,661,655
Fixed-income mutual funds	24,345,688	-	24,345,688
Fixed-income institutional funds	-	23,039,942	23,039,942
Global asset allocation funds	3,034,746	-	3,034,746
Real estate funds	-	18,646,387	18,646,387
Private equity funds	-	58,190,148	58,190,148
Distressed credit funds	-	1,349,108	1,349,108
Hedge fund instruments	-	55,507,287	55,507,287
Total investments	34,064,616	243,145,208	277,209,824
Mission-related investments:			
Fixed-income mutual funds	1,022,158	-	1,022,158
Private equity funds	-	402,396	402,396
Total mission-related investments	1,022,158	402,396	1,424,554
Total assets	\$ 35,086,774	\$ 243,547,604	\$ 278,634,378

\*Excludes the short-term cash pool totaling \$2,439,618, which is not required to be disclosed under this accounting standard.

# Notes to Financial Statements

**December 31, 2019 and 2018**

## Note 7 - Fair Value Measurements (Continued)

	Assets Measured at Fair Value on a Recurring Basis at December 31, 2018*		
	Quoted Prices in Active Markets for Identical Assets (Level 1)		Balance at December 31, 2018
		Net Asset Value	
Investments:			
Equity securities - U.S.	\$ -	\$ 28,209,845	\$ 28,209,845
Equity securities - International and emerging markets funds	-	59,258,207	59,258,207
Fixed-income mutual funds	20,502,630	-	20,502,630
Fixed-income institutional funds	-	24,803,101	24,803,101
Global asset allocation funds	5,144,537	-	5,144,537
Real estate funds	-	18,372,404	18,372,404
Private equity funds	-	53,335,586	53,335,586
Distressed credit funds	-	1,733,030	1,733,030
Hedge fund instruments	-	52,565,403	52,565,403
Total investments	25,647,167	238,277,576	263,924,743
Mission-related investments:			
Fixed-income mutual funds	992,293	-	992,293
Private equity funds	-	304,932	304,932
Total mission-related investments	992,293	304,932	1,297,225
Total assets	\$ 26,639,460	\$ 238,582,508	\$ 265,221,968

\*Excludes the short-term cash pool totaling \$2,031,517, which is not required to be disclosed under this accounting standard.

### Investments in Entities That Calculate Net Asset Value per Share

The Foundation holds shares or interests in investment companies whereby the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

At year end, the fair value, unfunded commitments, and redemption rules of those investments are as follows (in thousands):

	December 31, 2019	December 31, 2018	December 31, 2019		
	Fair Value	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Equity securities - U.S. (a)	\$ 36,416	\$ 28,210	\$ -	Monthly	30 days
Equity securities - International and emerging markets funds (b)	49,996	59,258	-	Monthly	30 days
Fixed-income institutional funds (c)	23,040	24,803	-	Monthly	30 days
Real estate (d)	18,646	18,373	9,036	N/A*	N/A
Private equity (e)	58,190	53,336	46,455	N/A*	N/A
Distressed credit (f)	1,349	1,733	316	N/A*	N/A
Hedge funds (g)	55,507	52,565	-	Semiannually	105 days
Mission-related investments (h)	403	305	-	N/A*	N/A
Total	\$ 243,547	\$ 238,583	\$ 55,807		

**December 31, 2019 and 2018****Note 7 - Fair Value Measurements (Continued)**

\*These funds are in private equity structures with no rights to redemption. Liquidity is based on the timing of the fund's ability to distribute proceeds as available.

The unfunded commitments noted above are not considered liabilities of the Foundation at December 31, 2019 and 2018 and have not been recorded in the balance sheet.

(a) Equity securities - U.S. include an actively managed portfolio of individual stocks and index funds benchmarked to three stock indexes.

(b) Equity securities - International and emerging markets funds include investments in diversified institutional funds.

(c) Fixed-income institutional funds include investments in diversified institutional funds. The underlying investments include U.S. corporate bonds (both investment grade and high yield), bank loans, sovereign debt of both established international and emerging market countries, U.S. master limited partnerships, and U.S. Treasury and agency bonds.

(d) The real estate funds category includes several real estate funds invested in a variety of real property types, including multifamily, office, retail, and hotel, primarily in North America.

(e) The private equity funds category includes investments in large and small company buyouts, venture capital, growth equity, and distressed situations. The investment managers invest directly or through secondary market purchases globally.

(f) The distressed credit category includes investments in a variety of debt instruments purchased at discounts to intrinsic value globally.

(g) The hedge fund category includes global investments in stocks, bonds, commodities, and currencies. Such managers are provided broad latitude to invest long or short, directly or synthetically, and can employ leverage.

(h) The mission-related investments category includes investments in a venture capital fund for a social or environmental impact.

**Note 8 - Liquidity and Availability of Financial Assets**

The following reflects the Foundation's financial assets available to meet cash needs for general expenditures within one year as of December 31:

	2019	2018
Cash and cash equivalents	\$ 313,009	\$ 678,325
Short-term investments	146,978,669	140,942,130
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 147,291,678</u>	<u>\$ 141,620,455</u>

None of the financial assets disclosed above are subject to contractual restrictions that make them unavailable for general expenditures within one year of the balance sheet date. The Foundation has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 60 days of normal operating expenses, which are, on average approximately \$2,900,000. The Foundation has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, as part of its liquidity management, the Foundation invests cash in excess of daily requirements in various short-term investments.

**December 31, 2019 and 2018**

**Note 9 - Excise Taxes**

The Foundation's current excise tax expense for the years ended December 31, 2019 and 2018 was \$188,442 and \$35,006, respectively. The unrealized gain on contributed securities at December 31, 2019 and 2018 was \$1,709,110. There are deferred taxes of \$17,091 related to this unrealized gain at December 31, 2019 and 2018, which are included within accrued liabilities on the balance sheet.

**Note 10 - Related Party Transactions**

The following is a description of transactions between the Foundation and related parties:

The Fisher Group (TFG) provides the majority of financial services for the Foundation. The terms of these services are covered under a service agreement signed by both parties. Four trustees for the Foundation are also owners of TFG. For the years ended December 31, 2019 and 2018, the Foundation incurred expenses related to TFG service provider fees in the amount of \$1,362,460 and \$1,476,764, respectively.

The Foundation has entered into a commitment to invest \$8 million in a TFG-sponsored LLC, which has, in turn, committed the Foundation to invest in Ram Realty Partners II LP and Ram Realty Investors II LLC (collectively, the "Ram Funds"). The Foundation has also entered into a commitment to invest \$2.5 million directly in Ram Realty Partners III, \$1.7 million in Ram Realty Partners IV, and \$1.35 million in The Boulevard f/k/a Third & Grand LLC. In 2018, the Foundation entered into a commitment to invest \$1 million in Platform Neighborhood Fund I and \$800,000 in Ram Realty Partners V LP. The above-mentioned funds are sponsored and managed by entities co-owned by a foundation board of trustees member.

**Note 11 - Defined Contribution Plan**

The Foundation sponsors a defined contribution 403(b) plan for all eligible full-time employees. Employees may make elective contributions to the 403(b) plan in accordance with IRS regulations. The Foundation may make contributions to the 403(b) plan up to 5 percent of the employees' base salaries. During the years ended December 31, 2019 and 2018, the Foundation contributed \$40,374 and \$35,735, respectively, to the plan.

## Notes to Financial Statements

**December 31, 2019 and 2018**

### Note 12 - Functional Expenses

Expenses are functionally allocated as follows for the year ended December 31, 2019:

	Program Services	Management and General	Total
Grants	\$ 11,418,163	\$ -	\$ 11,418,163
Salaries and wages	764,050	499,974	1,264,024
Contract and professional fees	440,238	316,493	756,731
Employee benefits	174,066	105,921	279,987
Travel	33,300	43,183	76,483
Payroll taxes	44,946	29,412	74,358
Rent and utilities	32,127	24,565	56,692
Depreciation and amortization	13,256	10,135	23,391
Telephone	4,062	3,144	7,206
Miscellaneous	-	23,629	23,629
Convenings	-	11,562	11,562
Employee relations and training	-	44,416	44,416
Insurance	-	12,630	12,630
Postage and shipping	-	2,588	2,588
TFG service provider fee	-	476,861	476,861
Supplies, printing, and subscriptions	-	14,842	14,842
Interest expense	-	329	329
Other taxes (recovery)*	-	(43,547)	(43,547)
Information systems	-	12,062	12,062
Retreat	-	205,899	205,899
<b>Total</b>	<b>\$ 12,924,208</b>	<b>\$ 1,794,098</b>	<b>\$ 14,718,306</b>

Expenses are functionally allocated as follows for the year ended December 31, 2018:

	Program Services	Management and General	Total
Grants	\$ 16,828,000	\$ -	\$ 16,828,000
Salaries and wages	758,974	373,167	1,132,141
Contract and professional fees	336,466	233,343	569,809
Employee benefits	119,808	67,222	187,030
Travel	61,479	44,140	105,619
Payroll taxes	44,265	21,763	66,028
Rent and utilities	36,513	18,452	54,965
Depreciation and amortization	13,571	6,858	20,429
Telephone	9,401	4,843	14,244
Miscellaneous	3,128	17,408	20,536
Convenings	-	12,706	12,706
Employee relations and training	-	32,437	32,437
Insurance	-	13,293	13,293
Postage and shipping	-	2,903	2,903
TFG service provider fee	-	516,867	516,867
Supplies, printing, and subscriptions	-	15,793	15,793
Interest expense	-	252	252
Other taxes (recovery)*	-	(26,371)	(26,371)
Information systems	-	12,830	12,830
<b>Total</b>	<b>\$ 18,211,605</b>	<b>\$ 1,367,906</b>	<b>\$ 19,579,511</b>

\*Other taxes (recovery) includes federal and state income tax on unrelated business taxable income generated from investment gains.



**December 31, 2019 and 2018**

**Note 12 - Functional Expenses (Continued)**

Costs have been allocated between program and management and general based on estimates, as determined by management. Salaries and wages, employee benefits, and payroll taxes are allocated on the basis of the actual employee time and effort devoted to these activities. Other expenses are allocated on the basis of the program or support service that used the related asset or service. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.