THEODORE R. AND VIVIAN M. JOHNSON SCHOLARSHIP FOUNDATION, INC.

REPORT ON AUDITS OF FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

THEODORE R. AND VIVIAN M. JOHNSON SCHOLARSHIP FOUNDATION, INC.

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templeton
& COMPANY
Certified Public Accountants and Consultants

Report of Independent Auditors

To the Board of Directors of
Theodore R. and Vivian M. Johnson Scholarship Foundation, Inc.
West Palm Beach, Florida

We have audited the accompanying financial statements of Theodore R. and Vivian M. Johnson Scholarship Foundation, Inc. (a private foundation), which comprise the statements of net assets – modified cash basis as of December 31, 2019 and 2018, and the related statements of changes in net assets – modified cash basis, and cash flows – modified cash basis 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 the modified cash basis of accounting as described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the assets, liabilities, and net assets of Theodore R. and Vivian M. Johnson Scholarship Foundation, Inc. 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 the modified cash basis of accounting described in Note 1.

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Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Templeton & Company, LLP

West Palm Beach, Florida
November 2, 2020

THEODORE R. AND VIVIAN M. JOHNSON SCHOLARSHIP FOUNDATION, INC.

STATEMENTS OF NET ASSETS – MODIFIED CASH BASIS
December 31, 2019 and 2018

	2019	2018
ASSETS		
Cash and cash equivalents	$ 1,820,703	$ 1,660,009
Investments, at fair value	228,200,520	154,688,801
Total assets	$ 230,021,223	$ 156,348,810
LIABILITIES AND NET ASSETS		
Liabilities	$ -	$ -
Net assets - with donor restrictions	230,021,223	156,348,810
Total liabilities and net assets	$ 230,021,223	$ 156,348,810

See accompanying notes to financial statements.

THEODORE R. AND VIVIAN M. JOHNSON SCHOLARSHIP FOUNDATION, INC.

STATEMENTS OF CHANGES IN NET ASSETS – MODIFIED CASH BASIS
For the Years Ended December 31, 2019 and 2018

	2019	2018
With donor restrictions:		
Revenue and support, net:		
Contribution from CRUT	$ 48,701,920	$ -
Net investment return (loss):		
Net realized gain (loss) on sales of investments	4,165,941	(117,242)
Net unrealized appreciation (depreciation) on investments	26,146,904	(12,105,957)
Interest, dividends and distributions	3,695,415	3,530,779
Net investment return (loss)	34,008,260	(8,692,420)
Total revenue and support, net	82,710,180	(8,692,420)
Expenses:		
Scholarships and grants distributed and program costs	6,471,293	6,362,970
Management and general expenses	2,244,378	2,005,488
Federal excise and other taxes, net of refunds	322,096	362,318
Total expenses	9,037,767	8,730,776
Increase (decrease) in net assets with donor restrictions	73,672,413	(17,423,196)
Net assets, beginning of year	156,348,810	173,772,006
Net assets, end of year	$ 230,021,223	$ 156,348,810

See accompanying notes to financial statements.

THEODORE R. AND VIVIAN M. JOHNSON SCHOLARSHIP FOUNDATION, INC.

STATEMENTS OF CASH FLOWS –
MODIFIED CASH BASIS
For the Years Ended December 31, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Increase (decrease) in net assets with donor restrictions - modified cash basis	$ 73,672,413	$ (17,423,196)
Adjustments to reconcile increase (decrease) in net assets with donor restrictions to net cash used in operating activities:		
In-kind contribution of investments	(47,491,491)	-
Net realized (gain) loss on sales of investments	(4,165,941)	117,242
Net unrealized (appreciation) depreciation on investments	(26,146,904)	12,105,957
Net cash used in operating activities	(4,131,923)	(5,199,997)
Cash flows from investing activities:		
Purchases of investments	(58,001,392)	(13,518,384)
Proceeds from sales of investments	62,294,009	18,868,185
Net cash provided by investing activities	4,292,617	5,349,801
Increase in cash and cash equivalents	160,694	149,804
Cash and cash equivalents, beginning of year	1,660,009	1,510,205
Cash and cash equivalents, end of year	$ 1,820,703	$ 1,660,009

See accompanying notes to financial statements.

Note 1 – Nature of Operations and Summary of Significant Accounting Policies

Organization and purpose

The Theodore R. and Vivian M. Johnson Scholarship Foundation, Inc. (the Foundation) provides educational scholarships and grants.

The Foundation was incorporated in the State of Florida in 1998 and received all of the assets of the Theodore R. and Vivian M. Johnson Scholarship Foundation, a private foundation trust, (the Foundation Trust) on December 31, 2001 in a tax-free transfer and operates as its successor.

The Foundation was the sole beneficiary of the Theodore R. Johnson Charitable Remainder Unitrust (CRUT). In February 2019, the Foundation received legal title to the assets of the CRUT, which consisted of cash, cash equivalents and investments. The CRUT's contribution to the Foundation was recorded as a contribution with donor restrictions with the values of the investments contributed recorded at their fair value as of the date of transfer. For the year ended December 31, 2019, the CRUT's contribution to the Foundation totaled $48,701,920.

Donated assets of the Foundation are invested in accordance with donor intention, with earnings derived from such assets used for grant, reinvestment, and operating purposes.

Basis of accounting

The Foundation prepares its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States. Revenue is recognized when collected and expenses are recorded when paid, rather than when due or the commitment or obligation is incurred.

Assets and liabilities generally arise from cash transactions, except for non-cash contributions of investments, which are recorded, when received, at their fair values. Non-cash contributions of investments with a fair value of $47,491,491 were contributed to the Foundation during the year ended December 31, 2019. No such non-cash contributions occurred during the year ended December 31, 2018.

Classification of net assets

The Foundation records all income or losses from its investments as net assets with donor restrictions. These amounts are subject to donor-imposed restrictions that permit the Foundation to use or expend the assets for grant or operating purposes. The donor restrictions expire when payments are made for grant or operating purposes.

Net assets with donor restrictions of a permanent nature contain donor-imposed restrictions that stipulate the resources be maintained permanently, unless needed to meet the Internal Revenue Service (IRS) distribution requirements, but permit the Foundation to use or expend all of the income derived from the donated assets for grant or operating purposes. There were no net assets with donor restrictions of a permanent nature or such donations received during 2019 or 2018.

Cash and cash equivalents

The Foundation considers all highly-liquid investments with original maturity terms of three months or less to be cash equivalents. Cash and cash equivalents are carried at cost, which approximates fair value.

Investments

Equity securities with readily determinable fair market values and all debt securities are measured at fair value based on quoted market prices. The values of certain investments are estimated by management of the investee in the absence of readily determinable fair market values.

Note 1 – Nature of Operations and Summary of Significant Accounting Policies, Continued

Investments, continued

Investment gains or losses are recognized upon realization, or when the investment values are deemed to have been permanently impaired. The Foundation uses the specific identification method to determine its historical basis, which is based on the fair value at the beginning of the period, in computing realized gains and losses. Unrealized gains and losses are recognized based on changes in fair values during the period for those securities held at the end of the period. Interest, dividends, and distributions are recognized as income when received and are restricted for grant and operating purposes.

Income taxes

The Foundation is incorporated as a private foundation exempt from federal income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code (the Code) and is classified as a private foundation as defined under Section 509(a) of the Code. In accordance with the provisions of the Code, the Foundation is liable for excise tax of up to 2% on net investment income as defined by the Code and is taxed on unrelated business income for both federal and state income tax purposes. With regard to unrelated business income, for federal tax purposes, the Foundation is subject to federal corporate tax rates of up to 21% and, for state tax purposes, tax rates range from 4% to 9.8% of allocable taxable income.

Management analyzes tax positions in jurisdictions where it is required to file income tax returns. Based on its evaluation, management did not identify any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly increase or decrease. The Foundation is no longer subject to income tax examinations for years prior to 2016.

On December 20, 2019, the U.S. Government enacted comprehensive tax legislation commonly referred to as the Taxpayer Continuity and Disaster Relief Act of 2019 (the Act). The Act simplifies the private foundations excise tax on investment income by replacing the two-tier system (1% and 2%) with a flat rate of 1.39% for tax years beginning after December 20, 2019.

Use of estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Estimates also affect the amounts of revenue and expenses recognized during the reporting period. Actual results could differ from those estimates.

Program-related investments (PRIs)

In accordance with Section 4944 of the Code, the Foundation is permitted to make investments that further some aspect of its charitable mission. In recent years, the Foundation began making PRIs. These types of investments count towards the Foundation's payment requirement in the year of distribution. Return of PRI principal affects the annual payment requirement in a similar manner as a grant refund.

Risks and uncertainties

The investments of the Foundation are exposed to various risks, such as market, geographic, interest rate, foreign currency, and credit risks. Due to the level of risk associated with the Foundation's investments and the level of uncertainty related to changes in the value of investments, it is at least reasonably possible that changes in risks in the near-term would materially affect the Foundation's investment balances and the amounts reported in the statements of changes in net assets – modified cash basis and the statements of net assets – modified cash basis.

Note 1 – Nature of Operations and Summary of Significant Accounting Policies, Continued

Risks and uncertainties, continued

The Foundation has significant investments in equities, fixed income securities, private equity partnerships, and mutual funds and is therefore subject to concentrations of investment risk. Investments are generally made by investment managers engaged by the Foundation and the investments are monitored on behalf of the Foundation by an independent investment adviser. Although the market value of investments is subject to fluctuations on a year-to-year basis, management believes the investment policy is prudent for the long-term welfare of the Foundation and its beneficiaries.

As of December 31, 2019, approximately 28% of the Foundation's investments are subject to foreign currency risk, with the remaining 72% of the portfolio being held in U.S. dollar-denominated investments. Economic pressures from numerous factors could contribute to significant foreign currency volatility across the globe. As a result, foreign currency risk could impact investment performance, both short-term and over time.

Published market quotations do not necessarily represent realizable values, particularly where sizable holdings of a fund's unit shares or a company's stock exist. In addition, certain private equity and venture capital fund investment agreements restrict the timing and amounts of fund shares that may be redeemed. Management frequently evaluates various risks related to the Foundation's investments.

Concentration of credit risk

Financial instruments that potentially subject the Foundation to a concentration of credit risk include the Foundation's cash and cash equivalent accounts. The Foundation maintains its cash deposits with a high credit-quality financial institution. Such balances may exceed the FDIC federally insured limits. The Foundation also maintains a money market account with a certain money market fund. The Foundation has an arrangement with the money market fund whereby the money market fund maintains a fully insured reciprocal depository arrangement with multiple financial institutions in order to maintain its cash balances within federally insured limits. There were no cash and cash equivalent balances that exceeded FDIC limits as of December 31, 2019 and 2018.

Investment concentrations

At December 31, 2019 and 2018, approximately 27% and 25%, respectively, of the Foundation's investments were invested in private funds, which are considered to be alternative investments. These alternative investment funds invest primarily in domestic and foreign private equity partnerships and other alternative investment funds. The fair values of alternative investment funds have been estimated by the Foundation's management in the absence of readily ascertainable market values. The Foundation may liquidate a portion or all of its investments in the private funds at the then net asset value in a manner provided for under the partnership or investment agreements. These agreements generally provide for exit fees and lock-up periods, as well as restrictions for liquidity positions of the alternative investment funds, thus making the investments non-marketable. Therefore, the values of such funds are not necessarily indicative of the amounts that could be realized in a current transaction.

Functional allocation of expenses

Expenditures incurred in connection with the Foundation's grants paid and expenditures made for operational and administrative purposes have been summarized on a functional basis in the statements of changes in net assets – modified cash basis.

Note 1 – Nature of Operations and Summary of Significant Accounting Policies, Continued

New accounting pronouncements

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 (ASU 2018-13).* The amendments in ASU 2018-13 modify the disclosure requirements in Topic 820 of the disclosure framework. The modifications include removing the requirement to disclose the amount of and reason for transfers between Level 1 and Level 2 of the fair value hierarchy, the policy for timing of transfers between levels, the valuation processes for Level 3 fair value measurements, and the changes in unrealized gains and losses for the period included in earnings for recurring Level 3 fair value measurements held at the end of the reporting period.

Also, in lieu of a roll forward for Level 3 fair value measurements, a nonpublic entity is required to disclose transfers into and out of Level 3 of the fair value hierarchy and purchases and issues of Level 3 assets and liabilities. Additionally, for certain entities that calculate net asset value, an entity is required to disclose the timing of an investee's assets and the date when restrictions from redemptions that lapse only if the investee has communicated the timing to the entity or announced the timing publicly. ASU 2018-13 is effective for fiscal years beginning on or after December 15, 2019 with early adoption permitted to any removed or modified disclosures of this update. The Foundation is evaluating the effect of ASU 2018-13 on its financial statements and related disclosures.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments (ASU 2016-13).* ASU 2016-13 introduced an expected credit loss methodology for the measurement and recognition of credit losses on most financial assets, including trade and financing receivables. The expected credit loss methodology under ASU 2016-13, which is based on historical experience, current conditions and reasonable and supportable forecasts, replaces the probable/incurred loss model for measuring and recognizing expected losses under current U.S. GAAP. ASU 2016-13 also requires enhanced disclosures pertaining to significant estimates and judgments used in estimating credit losses under the expected credit loss methodology. ASU 2016-13 and its related clarifying assumptions are effective for fiscal years, and for interim periods within those fiscal years, beginning on or after December 15, 2020, with early adoption permitted. The Foundation is currently evaluating the potential effect of this ASU on its financial statements, if any.

Note 2 – Liquidity and Availability

Financial assets available for general expenditure that is, without donor or other restrictions limiting their use, within one year of December 31, 2019 are:

Financial assets:	
Cash and cash equivalents	$ 1,820,703
Investments	228,200,520
Total financial assets	230,021,223
Less: financial assets held to meet donor-imposed restrictions	(230,021,223)
Excess amount	$ -

The Foundation must annually pay out a minimum of 5% of the average fair value of its investment assets for the preceding year for charitable and administrative purposes in accordance with private foundation Internal Revenue Code (the Code) requirements. The Foundation structures its financial assets to manage liquidity in a manner to meet this distribution requirement. The Foundation invests in various short-term investments, marketable securities and alternative investments which are available and liquid within one year.

Note 2 – Liquidity and Availability, Continued

The Foundation's Grant Committee meets three times annually, March, September, and December, to review and approve grant requests. After the meetings, as necessary, the Foundation sells sufficient investments to pay the grants approved and to meet near-term management and general expenditures.

The above table reflects the intent of the Foundation that donor-imposed restrictions are meant for the purpose of operating the Foundation to make grant awards to qualifying educational programs and supporting activity is meant to singularly support the Foundation's grant making programs.

Note 3 – Investments

The cost, fair value, and unrealized appreciation or (depreciation) attributable to the Foundation's investments at December 31, 2019 and 2018 are presented below:

	Cost	Fair Value	Unrealized Appreciation (Depreciation)
December 31, 2019:			
United States equities	$ 57,658,990	$ 63,344,803	$ 5,685,813
Non-United States equities	64,659,400	74,796,616	10,137,216
Alternative non-marketable equity entities	37,372,055	35,621,810	(1,750,245)
Private equity entities and venture capital	17,343,233	27,298,776	9,955,543
Inflation protection managers	8,435,515	9,333,501	897,986
Fixed income	16,427,172	17,805,014	1,377,842
	$ 201,896,365	$ 228,200,520	$ 26,304,155

	Cost	Fair Value	Unrealized Appreciation (Depreciation)
December 31, 2018:			
United States equities	$ 32,073,645	$ 37,570,755	$ 5,497,110
Non-United States equities	42,989,679	36,848,021	(6,141,658)
Alternative non-marketable equity entities	20,730,562	17,618,427	(3,112,135)
Private equity entities and venture capital	13,877,749	21,522,190	7,644,441
Inflation protection managers	20,317,315	17,788,674	(2,528,641)
Fixed income	24,052,968	23,340,734	(712,234)
	$ 154,041,918	$ 154,688,801	$ 646,883

The cost presented above represents the historical cost basis for income tax purposes. Realized gains or losses for financial reporting purposes for securities sold are determined based on the fair value at the beginning of the period (see Note 1).

Investment advisory fees confirmed with certain investment advisors are recorded as reductions to the net unrealized (depreciation) appreciation on investments in the accompanying statements of changes in net assets – modified cash basis for the years ended December 31, 2019 and 2018.

Note 3 – Investments, Continued

The following is a list of investments representing more than 5% of the total fair value of investments at December 31, 2019:

Investment	2019	2018
Adage Capital Partners	$ 31,820,067	$ 23,755,928
Vanguard Intermediate-Term Treasury Shares	-	13,117,281
Silchester International Value Equity Trust	19,203,190	16,458,191
Other (under 5%)	177,177,263	101,357,401
	$ 228,200,520	$ 154,688,801

Note 4 – Fair Value Measurements

Accounting guidance provides a framework for measuring fair value and provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. 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 three levels of the fair value hierarchy are described as follows:

Level 1	Unadjusted quoted prices for identical, unrestricted assets or liabilities in active markets that a plan has the ability to access.
Level 2	Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means for substantially the full term of the assets or liabilities.
Level 3	Significant unobservable inputs.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Foundation's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgement and considers factors specific to the investment. Investments in private partnerships and companies are recorded at an estimate of fair value using metrics such as security prices of comparable public companies, discounted cash flow models, and original investment purchase price multiples, while also incorporating a portfolio company's financial performance and specific factors. Investments measured at fair value on a recurring basis consist of the following types of instruments as of December 31, 2019 and 2018:

	Fair Value Measurements as of December 31, 2019			
	Level 1:	Level 2:	Level 3:	Total
United States equities	$ 20,937,554	$ 42,407,249	$ -	$ 63,344,803
Non-United States equities	10,210,991	64,585,625	-	74,796,616
Alternative non-marketable equity entities	-	14,965,723	20,656,087	35,621,810
Private equity entities and venture capital	-	-	27,298,776	27,298,776
Inflation protection managers	-	-	9,333,501	9,333,501
Fixed income	17,805,014	-	-	17,805,014
	$ 48,953,559	$ 121,958,597	$ 57,288,364	$ 228,200,520

Note 4– Fair Value Measurements, Continued

	Fair Value Measurements as of December 31, 2018			
	Level 1:	Level 2:	Level 3:	Total
United States equities	$ 7,047,225	$ 30,523,530	$ -	$ 37,570,755
Non-United States equities	5,345,919	31,502,101	-	36,848,020
Alternative non-marketable equity entities	-	12,087,719	5,530,708	17,618,427
Private equity entities and venture capital	-	-	21,522,191	21,522,191
Inflation protection managers	-	5,168,969	12,619,705	17,788,674
Fixed income	19,345,185	3,995,549	-	23,340,734
	$ 31,738,329	$ 83,277,868	$ 39,672,604	$ 154,688,801

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following is a schedule of Level 3 investment activity for the years ended December 31, 2019 and 2018 measured on a recurring basis using significant unobservable inputs:

	For the Year Ended December 31, 2019			
	Alternative Non-Marketable Equity Entities	Private Equity Entities and Venture Capital	Inflation Protection Managers	Total
Balance as of January 1, 2019	$ 5,530,708	$ 21,522,191	$ 12,619,705	$ 39,672,604
Net unrealized appreciation (depreciation), in fair value	1,185,439	1,374,258	(289,925)	2,269,772
Net realized gains (losses)	741,978	332,157	(251,271)	822,864
Transfer to Level 2	-	-	(2,665,006)	(2,665,006)
Sales and return of capital	(9,273,427)	(709,708)	(4,215,664)	(14,198,799)
Purchases	22,471,389	4,779,878	4,135,662	31,386,929
Balance as of December 31, 2019	$ 20,656,087	$ 27,298,776	$ 9,333,501	$ 57,288,364

	For the Year Ended December 31, 2018			
	Alternative Non-Marketable Equity Entities	Private Equity Entities and Venture Capital	Inflation Protection Managers	Total
Balance as of January 1, 2018	$ 6,046,098	$ 19,934,127	$ 13,325,870	$ 39,306,095
Net unrealized appreciation (depreciation) in fair value	18,889	(635,268)	(760,787)	(1,377,166)
Net realized (losses)	(300,091)	-	(13,720)	(313,811)
Sales and return of capital	(1,171,688)	(865,010)	(1,614,158)	(3,650,856)
Purchases	937,500	3,088,342	1,682,500	5,708,342
Balance as of December 31, 2018	$ 5,530,708	$ 21,522,191	$ 12,619,705	$ 39,672,604

Note 4– Fair Value Measurements, Continued

The Foundation's investments in United States equities consist of publicly traded United States equities with no unfunded commitments to United States equity managers as of December 31, 2019 and 2018.

The Foundation's investments in non-United States equities consist of publicly traded funds, comingled funds, and limited partnerships with redemption restrictions ranging from 30 to 60 days in applicable lock-up periods. The Foundation had no unfunded commitments with respect to its non-United States equity managers as of December 31, 2019 and 2018. The commingled funds calculate net asset value per share in accordance with near term guidance.

The Foundation's investments in alternative non-marketable equity entities consist of investments in hedge funds, primarily limited partnerships and fund of fund investments that invest in multi-strategy funds. The alternative non-marketable equity entities require a sixty to ninety-day notice in order to redeem the investment balances with redemption restrictions in place at year-end. Certain of these fund of fund and limited partnership redemptions are at the discretion of the fund managers. The Foundation had unfunded commitments totaling $1,490,000 and $2,112,500 to alternative non-marketable equity entities as of December 31, 2019 and 2018, respectively.

The Foundation's investments in private equity entities and venture capital consist of limited partnership interests and interests in closed-end funds that primarily invest in United States and non-United States fund of fund investments in venture capital and private equity capital. The Foundation had $14,215,813 and $15,388,752 in related unfunded commitments as of December 31, 2019 and 2018, respectively.

The Foundation's investments in inflation protection managers consist primarily of limited partnership interests that invest in fund of fund energy and real estate securities as well as other direct investments in real estate and energy related ventures. Fair value is managed by the information provided by the administrators of each underlying fund. Natural resources, private equity, nature capital and real estate limited partnerships are accounted for using pricing models that are both observable and unobservable inputs. The Foundation had $4,010,000 and $1,273,501 in related unfunded commitments as of December 31, 2019 and 2018, respectively.

Note 5 – Foundation Funds

The Foundation's funds are established for the purposes expressed in the Foundation's charter. The Foundation's funds consist of donor-restricted funds and funds designated by the Board of Directors to function as restricted funds. The Foundation's net assets are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law

The Board of Directors have interpreted the current law, Uniform Prudent Management of Institutional Funds Act (UPMIFA), as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. Endowment balances are classified as net assets with donor restrictions and consist solely of accumulated investment return that has yet to be expended in accordance with the terms of the donor agreement. Due to the purpose of the Foundation, all endowment balances are classified as net assets with donor restrictions.

Funds with deficiencies

From time to time, the fair value of assets associated with individual donor-restricted funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. There were no such funds with deficiencies as of December 31, 2019.

Note 5 – Foundation Funds, Continued

Return objectives and risk parameters

The Foundation has adopted investment and spending policies for fund assets that attempt to provide a predictable stream of funding to grant programs supported by its funds while seeking to maintain purchasing power of the assets. Under this policy, as approved by the Board of Directors, the assets are invested in a manner that is intended to produce results that exceed the price and yield results of multiple benchmarks based on the type of investment while assuming a moderate level of investment risk. The Foundation expects that its funds, over time, will provide an average rate of return of approximately 5% annually after adjusting for inflation. Actual returns in any given year may vary from this amount.

Strategies employed to achieve objectives

To satisfy its long-term rate of return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified allocation to achieve its long-term return objectives within prudent risk constraints.

Spending policy

The Foundation's policy is to appropriate for distribution each year such amounts as are determined by the Foundation's calculation for disbursements as determined by Section 509(a) of the Code. Accordingly, over the long-term, the Foundation expects the current spending policy to allow its assets to grow at an annual rate that is equal to or greater than the rate of inflation. This is consistent with the Foundation's objective to maintain the purchasing power of the assets.

Changes in net assets for the year ended December 31, 2019 follow:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance as of January 1, 2019	$ -	$ 156,348,810	$ 156,348,810
Contribution from CRUT	-	48,701,920	48,701,920
Investment return:			
Interest, dividends, and distributions	-	3,695,415	3,695,415
Net appreciation (realized and unrealized)	-	30,312,845	30,312,845
Total investment return	-	34,008,260	34,008,260
Appropriations for distributions and expenditures	-	(9,037,767)	(9,037,767)
Balance as of December 31, 2019	$ -	$ 230,021,223	$ 230,021,223

Note 6 – Expenses

Expenses for the years ended December 31, 2019 and 2018 are presented as follows:

	2019	2018
Scholarships and grants distributed:		
Palm Beach Atlantic University	$ 1,380,000	$ 1,205,000
Scholarship America	1,100,000	1,151,875
Florida School for the Deaf and the Blind	500,000	500,000
Gallaudet University	500,000	500,000
Florida State University System	475,000	475,000
Florida Agricultural & Mechanical University Foundation	220,900	16,000
Gonzaga University	200,000	200,000
College for Kids	175,000	175,000
Marriott Foundation for People with Disabilities	152,000	150,000
Dalhousie Foundation	148,870	155,423
Pathways to Education Canada	131,000	240,000
The School District of Palm Beach County	110,350	110,350
University of North Florida Foundation	108,500	12,250
Lakota Funds	100,000	-
Landmark College	100,000	100,000
Northern Arizona University Foundation	97,910	29,875
Northwest Indian College	90,000	80,000
American Indian Business Leaders	77,000	75,100
Groves Academy	75,000	-
Perkins	75,000	75,000
Fort Lewis College	57,500	-
United Way of Palm Beach County	52,000	500
Southwestern Indian Polytechnic Institute	51,000	-
Ulster Community College Foundation	50,400	-
Nativity Boston	50,000	50,000
Olmsted Center	50,000	60,000
Sonoma State University	50,000	-
Heritage University	-	547,475
Providence St. Mel School	-	100,000
Blackfeet Community College	-	50,000
Other	293,863	304,122
Total scholarship and grants distributed	6,471,293	6,362,970
Management and general expenses:		
Salaries and benefits	858,829	903,857
Scholarship administrative expenses	482,862	335,914
Investment consultant fees and expenses	379,792	342,917
Office expenses	158,344	148,984
Professional fees	113,450	59,324
Directors’ consulting fees	86,101	104,492
Directors’ fees	165,000	110,000
Total management and general expenses	2,244,378	2,005,488
Federal excise and other taxes:		
Federal excise tax	319,571	358,946
Various other state excise tax, net of refunds	2,525	3,372
Total federal excise and other taxes	322,096	362,318
Total expenses	$ 9,037,767	$ 8,730,776

Note 6 – Expenses, Continued

During 2019 and 2018, the Foundation received refunds of certain federal and state excise taxes paid in prior years. Such refunds offset against tax expenses in 2019 and 2018 under the modified cash basis of accounting.

Note 7 – Lease Agreement

The Foundation leases its premises located in West Palm Beach, Florida pursuant to a non-cancelable operating lease. The following table presents future minimum base rent payments due under the operating lease as of December 31, 2019:

Year Ending December 31,	Amount
2020	$ 63,490
2021	37,676
Total	$ 101,166

Rent expense for the years ended December 31, 2019 and 2018 totaled $61,775 and $60,370, respectively.

Note 8 – Defined Contribution Plan and Deferred Compensation Agreement

The Foundation has established a qualified cash or deferred compensation plan (the Plan) under Section 401(k) of the Code for the benefit of qualified employees. Under the terms of the Plan, qualified employees may elect to defer a portion of their salary, subject to Internal Revenue Service limits or may elect to make after tax contributions to their Roth 401(k). The Foundation makes a discretionary match as well as a discretionary contribution. The Foundation's contributions for the years ended December 31, 2019 and 2018 totaled $52,207 and $88,068, respectively.

The Foundation has established a deferred compensation agreement under which an employee is due to receive earned compensation in future years. Deferred compensation payable amounted to $575,815 and $402,482 as of December 31, 2019 and 2018, respectively. Per the executed deferred compensation agreement, payment to the CEO and President of any amount accrued after December 31, 2014 is contingent upon the Foundation's total assets being at least $150 million at the time of his retirement. Such obligation has not been recorded on the Foundation's statement of financial position-modified cash basis. The first of five (5) annual payments will begin in December 2020.

Note 9 – Grants

The Board of Directors grants awards, contingent on the Foundation's financial performance, to recipient organizations on both a single-year and long-term basis. Such grants are recorded as an expense when the award is disbursed to the recipient in the accompanying financial statements under the modified cash basis of accounting.

The minimum future grant award commitments in each of the five years subsequent to December 31, 2019 based on the projected rate of return of 5% per year are as follows:

Years Ending December 31,	Amount
2020	$ 7,074,061
2021	$ 8,286,184
2022	$ 7,857,610
2023	$ 7,060,610
2024	$ 6,810,610

Note 10 – Subsequent Events

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of corona virus originating in Wuhan, China (the COVID-19 outbreak) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a global pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the magnitude the pandemic will have on the Foundation's financial condition, investments, liquidity, and operational results. Management is actively monitoring the global situation impact on its financial condition, investments, liquidity, and business operations. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Foundation is not able to estimate the effects of the COVID-19 outbreak on the results of its operations, financial condition, or liquidity for fiscal year 2020.

The Foundation is dependent on its long-term investment strategy in which investment returns are achieved through capital appreciation and current yield that will provide a predictable stream of funding for the Foundation's granting programs. Developments such as economic disruptions, volatility in financial markets, and shelter-in-place directives have significantly impacted the global economy. While expected to be temporary, prolonged disruptions of this nature may negatively impact the market values of the Foundation's investments and thus the financial commitments of the Foundation to its granting programs.

Management evaluated the activity of the Foundation subsequent to December 31, 2019 through November 2, 2020, the date on which the financial statements were available to be issued, for events that require recognition in the financial statements or disclosure in the notes thereto.