

Altman Foundation

Financial Statements

December 31, 2018 and 2017

Independent Auditors' Report

Board of Trustees Altman Foundation

We have audited the accompanying financial statements of the Altman Foundation, which comprise the statements of financial position as of December 31, 2018 and 2017, and 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Altman Foundation as of December 31, 2018 and 2017 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in note 2 to the financial statements, during the year ended December 31, 2018 the Altman Foundation adopted new accounting guidance resulting in a change in the manner in which it presents net assets and reports certain aspects of its financial statements. Our opinion is not modified with respect to this matter.

PKF O'Connor Davies, LLP

September 19, 2019

Altman Foundation

Statements of Financial Position

	December 31	
	<u>2018</u>	<u>2017</u>
ASSETS		
Cash in operating account	\$ 39,298	\$ 144,599
Prepaid taxes	3,254	3,504
Prepaid expenses and other assets	387,178	348,875
Investments (Note 4)	247,188,326	262,598,171
Program related investments (Note 5)	667,097	957,282
Furniture, equipment and leasehold improvements, net (Note 8)	<u>904,848</u>	<u>996,491</u>
	<u>\$ 249,190,001</u>	<u>\$ 265,048,922</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Grants payable (Note 9)	\$ 2,547,500	\$ 2,020,000
Accounts payable and accrued expenses	240,777	207,045
Investment payable	902,385	-
Current federal excise tax liability (Note 3)	118,501	57,972
Deferred federal excise tax liability (Note 3)	542,897	980,986
Deferred rent and landlord incentive (Note 7)	<u>594,996</u>	<u>597,021</u>
Total Liabilities	4,947,056	3,863,024
Net assets without donor restrictions	<u>244,242,945</u>	<u>261,185,898</u>
	<u>\$ 249,190,001</u>	<u>\$ 265,048,922</u>

See notes to financial statements

Altman Foundation

Statements of Activities

	Year Ended December 31	
	2018	2017
INVESTMENT RETURN		
Interest and dividends	\$ 2,863,085	\$ 2,615,431
Net partnership income	513,032	560,659
Net realized gain on sale of investments	18,556,968	19,464,653
Change in net unrealized (depreciation) appreciation on investments	(21,904,437)	16,773,319
Other (loss) income	(7,811)	(3,100)
Gross Investment Income	20,837	39,410,962
Less: external investment expenses	(3,077,544)	(2,828,643)
Less: direct internal investment expenses	(104,183)	(153,787)
Investment Return	(3,160,890)	36,428,532
EXPENSES		
Program grants	11,434,815	10,084,393
Other program	1,679,552	1,695,563
General and administration	570,438	630,149
Investment related taxes	(89,454)	706,179
Other investment	186,712	159,052
Total Expenses	13,782,063	13,275,336
Change in Net Assets	(16,942,953)	23,153,196
NET ASSETS, WITHOUT DONOR RESTRICTIONS		
Beginning of year	261,185,898	238,032,702
End of year	\$ 244,242,945	\$ 261,185,898

See notes to financial statements

Altman Foundation

Statement of Functional Expenses For the Year Ended December 31,

	2018						Total
	Program Activities			Supporting Activities			
	Program Grants	Other Program	Total Program Expenses	General and Administration	Investment Related Taxes	Other Investment	
Grants authorized	\$ 11,434,815	\$ -	\$ 11,434,815	\$ -	\$ -	\$ -	\$ 11,434,815
Salary and wages	-	937,964	937,964	265,478	-	45,882	1,249,324
Payroll taxes and employee benefits	-	267,244	267,244	84,455	-	41,632	393,331
Occupancy	-	273,263	273,263	83,155	-	52,011	408,429
Depreciation and amortization	-	70,133	70,133	21,342	-	13,349	104,824
Technology and computer related	-	51,283	51,283	16,207	-	7,989	75,479
Professional fees	-	-	-	42,606	-	5,600	48,206
Office expense	-	31,270	31,270	9,516	-	5,952	46,738
Dues, memberships and subscriptions	-	36,401	36,401	2,939	-	2,391	41,731
Travel, conferences and meetings	-	11,994	11,994	25,705	-	1,548	39,247
Insurance	-	-	-	18,863	-	-	18,863
Miscellaneous	-	-	-	172	-	10,358	10,530
Total before investment related taxes	11,434,815	1,679,552	13,114,367	570,438	-	186,712	13,871,517
Federal excise tax-current	-	-	-	-	344,325	-	344,325
Federal excise tax-deferred	-	-	-	-	(438,089)	-	(438,089)
Unrelated business income tax	-	-	-	-	4,310	-	4,310
	<u>\$ 11,434,815</u>	<u>\$ 1,679,552</u>	<u>\$ 13,114,367</u>	<u>\$ 570,438</u>	<u>\$ (89,454)</u>	<u>\$ 186,712</u>	<u>\$ 13,782,063</u>

	2017						Total
	Program Activities			Supporting Activities			
	Program Grants	Other Program	Total Program Expenses	General and Administration	Investment Related Taxes	Other Investment	
Grants authorized	\$ 10,084,393	\$ -	\$ 10,084,393	\$ -	\$ -	\$ -	\$ 10,084,393
Salary and wages	-	928,234	928,234	302,290	-	20,994	1,251,518
Payroll taxes and employee benefits	-	313,160	313,160	98,966	-	48,787	460,913
Occupancy	-	265,750	265,750	80,869	-	50,581	397,200
Depreciation and amortization	-	68,873	68,873	20,958	-	13,108	102,939
Technology and computer related	-	49,468	49,468	15,633	-	7,707	72,808
Professional fees	-	-	-	61,842	-	176	62,018
Office expense	-	22,138	22,138	6,737	-	4,214	33,089
Dues, memberships and subscriptions	-	35,457	35,457	3,517	-	2,860	41,834
Travel, conferences and meetings	-	12,483	12,483	13,641	-	486	26,610
Insurance	-	-	-	20,339	-	-	20,339
Miscellaneous	-	-	-	5,357	-	10,139	15,496
Total before investment related taxes	10,084,393	1,695,563	11,779,956	630,149	-	159,052	12,569,157
Federal excise tax-current	-	-	-	-	370,475	-	370,475
Federal excise tax-deferred	-	-	-	-	335,454	-	335,454
Unrelated business income tax	-	-	-	-	250	-	250
	<u>\$ 10,084,393</u>	<u>\$ 1,695,563</u>	<u>\$ 11,779,956</u>	<u>\$ 630,149</u>	<u>\$ 706,179</u>	<u>\$ 159,052</u>	<u>\$ 13,275,336</u>

See notes to financial statements

Altman Foundation

Statements of Cash Flows

	Year Ended December 31	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest and dividends received	\$ 275,152	\$ 254,259
Other receipts	9,980	4,832
Payments for federal excise taxes	(275,000)	(131,000)
Payments to vendors	(931,653)	(927,143)
Payments for compensation and benefits	(1,687,572)	(2,297,859)
Payments for grants and matching gifts	(10,956,103)	(10,976,833)
Net Cash from Operating Activities	(13,565,196)	(14,073,744)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(13,181)	-
Partnership distributions	10,104,776	12,714,243
Partnership capital calls	(12,151,350)	(10,523,502)
Net change in money market funds	(9,633,620)	7,132,414
Disbursement of program related investment	(250,000)	(475,000)
Repayment of program related investment	531,356	155,592
Purchases of investments	(33,200,000)	(32,533,188)
Proceeds from redemptions of investments	58,071,914	37,365,403
Net Cash from Investing Activities	13,459,895	13,835,962
Net Change in Cash	(105,301)	(237,782)
 CASH		
Beginning of year	144,599	382,381
End of year	\$ 39,298	\$ 144,599

See notes to financial statements

Altman Foundation

Notes to Financial Statements
December 31, 2018 and 2017

1. Organization

The Altman Foundation (the "Foundation") was established and funded in 1913 by Benjamin Altman, the founder of B. Altman & Co. Under its charter, the Foundation is limited to grants to organizations in New York State. The Foundation supports programs and organizations within the five boroughs of New York City in four major areas: Education; Health; Strengthening Communities; and Cultural Engagement, Youth Development, and the Arts; and in the overarching area of Services to Not-for-Profits.

2. Summary of Significant Accounting Policies

Basis of Presentation

The financial statements of the Foundation have been prepared in conformity with accounting principles generally accepted in the United States of America ("US GAAP"). Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. At December 31, 2018 and 2017, the net assets of the Foundation were without donor restrictions.

Use of Estimates

The preparation of financial statements in conformity with US GAAP 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 and expenses during the reporting period. Actual results could differ from those estimates.

Change in Accounting Principle

On January 1, 2018, the Foundation adopted new guidance regarding the Presentation of Financial Statements for Not-for-Profit Entities. This guidance requires the Foundation to collapse the three-category (unrestricted, temporarily restricted, and permanently restricted) classification of net assets into two categories: with donor restrictions and without donor restrictions. In addition, the new guidance requires the Foundation to make certain expanded disclosures relating to (1) the liquidity of financial assets, and (2) expenses by both their natural and functional classification in one location in the financial statements.

Fair Value Measurements

The Foundation follows US GAAP guidance on fair value measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

Altman Foundation

Notes to Financial Statements
December 31, 2018 and 2017

2. Summary of Significant Accounting Policies (*continued*)

Fair Value Measurements (continued)

The Foundation follows US GAAP guidance which removed the requirements to categorize within the fair value hierarchy all investments for which fair value is measured using the Net Asset Value (“NAV”) per share as a practical expedient.

Cash and Cash Equivalents

Cash and cash equivalents represent short-term investments with maturities of three months or less at time of purchase, except for those short-term investments managed by the Foundation’s investment managers as part of their long-term investment strategies.

Investments Valuation

Investments are carried at fair value.

Investment Income Recognition

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses are included in the determination of the change in net assets.

Program Related Investments

The Foundation makes Program Related Investments (“PRIs”) to other organizations to achieve charitable purposes in alignment with the Foundation’s strategies. These investments are comprised of either direct loans or via participation in a PRI loan portfolio as part of a limited partnership interest.

Direct loan PRIs bear a below-market interest rate. These loans are initially measured at fair value at inception to determine if a contribution element exists. Loans are then recorded on a net basis to reflect a discount on loan receivable if such discount is material to the Foundation’s financial statements and the discount is amortized to grant expense over the term of the loan. In addition, a loss reserve estimate is reviewed on an annual basis and adjusted if collectability risk has significantly changed based on the Foundation’s understanding of the borrower’s financial health and/or payment history.

Investment in loan PRIs as part of a limited partnership interest are recorded at the amount the partnership expects to collect for the Foundation’s interest. Any loss reserve is recorded at the partnership level, and the Foundation’s interest is adjusted accordingly.

Altman Foundation

Notes to Financial Statements
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2. Summary of Significant Accounting Policies (*continued*)

Furniture, Equipment and Leasehold Improvements, Net

Furniture and equipment, including computer hardware and software, are recorded at cost and depreciated using the straight-line method over periods ranging from five to ten years. Leasehold improvements are recorded at cost and amortized over the term of the lease. The Foundation capitalizes all property and equipment items over \$10,000.

Grants

Grants are recorded when authorized by the Board of Trustees.

Concentration of Credit Risk

The Foundation invests its cash and cash equivalents with a quality financial institution. Throughout the year, balances in this account exceeded the Federal insured limits. The Foundation has a diversified portfolio of investments across multiple asset classes, and routinely assesses the diversification and financial strength of its cash and investment portfolio to limit concentration of credit risk.

Deferred Rent and Landlord Incentive

Rent expense is being recognized on a straight-line basis over the life of the lease. The difference between rent expense recognized and rental payments, as stipulated in the lease, is included in deferred rent and landlord incentive on the statements of financial position. In addition, deferred rent and landlord incentive includes a period of free rent provided by the lease and landlord incentive on a portion of the leasehold improvement cost, both of which are being amortized over the life of the lease.

Functional Expenses

The financial statements report expenses by function as either program or supporting activities. This requires expenses to be allocated on a reasonable basis that is consistently applied. The majority of expenses can be identified and charged directly to either program or supporting activities. Other natural expense categories have been allocated to functions on the basis of either office square footage or management's estimate of time and effort.

Reclassifications

Certain amounts in the 2017 financial statements have been reclassified to conform to the 2018 presentation.

Accounting for Uncertainty in Income Taxes

The Foundation recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Management has determined that the Foundation had no uncertain tax positions that would require financial statement recognition or disclosure. The Foundation is no longer subject to examinations by the applicable taxing jurisdictions for periods prior to 2015.

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Notes to Financial Statements
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2. Summary of Significant Accounting Policies (*continued*)

Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02, Leases (Topic 842). Under this ASU, a lessee should report at present value a right-of-use asset and a liability for the obligation to make payments under such leases. (For leases with a term of 12 months or less, the lessee has an option not to record such leases as assets and liabilities). A single lease expense, consisting of interest on the obligation and amortization of the asset, will be calculated so that the lease cost is allocated over the lease term on a straight-line basis. For the Foundation, the effective implementation date is for the 2020 fiscal year, with early application permitted. Although the Foundation has several small equipment leases, the most significant effect will be recording an asset and liability relating to its office space (Note 7).

In June 2018, the FASB issued ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958-605). This ASU addresses diversity in practice among nonprofits in two key areas: (i) characterizing grants and similar contracts with government agencies and others as either an exchange transaction or a contribution, and (ii) distinguishing between conditional and unconditional contributions. The new guidance also attempts to clarify and simplify the determination of when a contribution is conditional, establishing that, for a donor-imposed condition to exist, it must have both: (i) a right of return of the gift to the donor or a release from the donor's promise to give, and (ii) a measurable performance barrier or other barrier that must be overcome. ASU 2018-08 also eliminates the need to consider whether the likelihood of not satisfying a donor-imposed condition is remote. The Foundation, as a donor/resource provider, will need to consider whether stipulations in its grant agreements, such as objectives and milestones, are measurable performance barriers or simply guidelines and mutually-agreed-upon goals. In addition, it will need to review its grant agreements and address any issues over the right of return of a grant payment or a release from any future payment obligation. The effective date for this ASU for the Foundation will be for the year ending December 31, 2020.

In May 2014, the FASB issued ASU 2014-09, Revenue for Contracts with Customers (Topic 606), which is effective for calendar year 2019. This standard establishes criteria that an entity must meet or follow before recognizing revenue. This ASU is not expected to be applicable to the Foundation's revenue sources.

3. Federal Excise Taxes

The Foundation is a nonprofit organization exempt from Federal income taxes under the provisions of Sections 501(c)(3) of the Internal Revenue Code (the Code) and is a private foundation as defined in Section 509(a) of the Code. The Foundation is subject to a Federal excise tax of 2% on its net investment income, as defined, for tax purposes. However, the excise tax is reduced to 1% if certain conditions are met. For 2018 and 2017 the Foundation's rate was 2%. The Foundation has met its minimum distribution requirement for both years.

Altman Foundation

Notes to Financial Statements December 31, 2018 and 2017

3. Federal Excise Taxes *(continued)*

Deferred taxes arise from unrealized appreciation of investments held at year end and are recorded using the 2% rate for 2018 and 2017.

4. Assets Measured at Fair Value

The following are major categories of investments measured at fair value on a recurring basis at December 31, grouped by the fair value hierarchy, for those investments subject to categorization within such hierarchy:

Description	2018			Total
	Level 1	Level 2	Investments measured at net asset value per share (*)	
Investments				
Directional hedge	\$ -	\$ -	\$ 23,559,320	\$ 23,559,320
Diversifying hedge	-	-	23,691,752	23,691,752
Domestic equity	36,806,587	-	-	36,806,587
Fixed income	11,645,951	-	11,688,879	23,334,830
Global equity	-	-	14,408,128	14,408,128
International equity	164,498	-	31,399,616	31,564,114
Money market	10,850,698	-	-	10,850,698
Private credit	-	-	3,528,470	3,528,470
Private equity	-	-	44,791,695	44,791,695
Real assets	8,652,862	-	11,727,569	20,380,431
Real estate	-	-	13,254,901	13,254,901
Total Investments at fair value	<u>\$ 68,120,596</u>	<u>\$ -</u>	<u>\$ 178,050,330</u>	246,170,926
Certificate of deposits				1,017,400
Total Investments				<u>\$ 247,188,326</u>

Description	2017			Total
	Level 1	Level 2	Investments measured at net asset value per share (*)	
Investments				
Directional hedge	\$ -	\$ -	\$ 25,211,837	\$ 25,211,837
Diversifying hedge	-	-	13,406,452	13,406,452
Domestic equity	55,063,430	-	-	55,063,430
Fixed income	8,688,888	-	21,344,582	30,033,470
Global equity	-	-	15,201,128	15,201,128
International equity	4,764,471	-	40,396,969	45,161,440
Money market	1,221,291	-	-	1,221,291
Private credit	-	-	980,277	980,277
Private equity	-	-	41,630,410	41,630,410
Real assets	10,032,771	-	12,067,276	22,100,047
Real estate	-	-	10,752,328	10,752,328
Total Investments at fair value	<u>\$ 79,770,851</u>	<u>\$ -</u>	<u>\$ 180,991,259</u>	260,762,110
Certificate of deposits				1,009,785
Unsettled security trades, net				826,276
Total Investments				<u>\$ 262,598,171</u>

(*) As discussed in Note 2, investments that are measured using the practical expedient are not classified within the fair value hierarchy.

Altman Foundation

Notes to Financial Statements
December 31, 2018 and 2017

4. Assets Measured at Fair Value (*continued*)

At December 31, 2018 and 2017 approximately 64% and 73%, respectively, of the Foundation's investment portfolio was invested with certain managers that provided equity or equity-like exposure. Management does not anticipate that losses, if any, resulting from such market concentration would materially affect the financial position and operations of the Foundation.

Information regarding investments valued at NAV using the practical expedient at December 31, 2018 is as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Global equity (see "a" below)	\$ 14,408,128	\$ -	Quarterly	30 days
Directional hedge funds (see "b" below)	23,559,320	-	Quarterly	45-60 days
Fixed income (see "c" below)	11,688,879	-	Monthly	10 days
Diversifying hedge funds (see "d" below)	23,691,752	-	Weekly/Monthly/Quarterly	3-60 days
International equity (see "e" below)	31,399,616	-	Monthly	5-10 days
Private equity (see "f" below)	44,791,695	20,015,115	Locked	Not applicable
Real assets (see "g" below)	11,727,569	2,835,823	Locked	Not applicable
Real estate (see "h" below)	13,254,901	8,327,193	Quarterly / Locked	45 days / Not applicable
Private credit (see "i" below)	3,528,470	4,471,425	Locked	Not applicable
	<u>\$ 178,050,330</u>	<u>\$ 35,649,556</u>		

- a.) This fund's objective is to provide annual long-term returns exceeding the MSCI World Index, investing in primarily equity and equity-related securities of companies with minimum average daily trading volumes of at least approximately \$20 million. Investments may also include over the counter and exchange-traded instruments (including derivative instruments such as options, swaps and futures on equities and equity indices, and other derivatives). This investment is in a commingled fund.
- b.) Two managers are represented in this asset class: (i) One manager invests in a combination of long/short funds, with a combination of multi-sector and sector specific funds. This strategy seeks to maintain pace with long only public strategies while offering better protection in down-markets and is implemented through a limited partnership structure. Although this manager has a one-year lockup, currently none of the Foundation's balances are subject to lockup. (ii) The second manager is a long/short credit fund investing throughout the capital structure of U.S. and international leveraged companies. Its primary strategies include long/short high yield, distressed, capital structure arbitrage and long/short leveraged equities.
- c.) This category includes a manager who seeks to add 60 basis points over the Bloomberg Barclays Capital Aggregate Index, with a strategy that maintains a consistent duration, no non-dollar emerging markets exposure, and limited high yield exposure. The strategy is implemented seeking modest value from small bets on multiple sources; such as sector allocation, security selection and modest duration/yield curve positioning.

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4. Assets Measured at Fair Value (*continued*)

- d.) This category includes investments with three hedge fund managers: (i) the first manager is a multi-strategy fund with an event-driven focus, seeking to exploit situations in which announced or anticipated events create opportunities to invest in securities and other financial instruments at a discount to their exit values. The Fund also invests in a long/short equities portfolio of securities that can be readily valued and trade at a discount or premium to the fair value of the underlying assets; (ii) the second manager deploys a liquid and transparent market neutral strategy with underlying risk premia including momentum, carry, equity value, equity size and low beta, and (iii) the third manager is a diversified fund, focused on liquid strategies in global equity, futures and foreign exchange markets. It aims to deliver uncorrelated alpha, with controlled volatility, across a wide range of market conditions through the systematic application of fundamental, technical, event and alpha capture strategies.
- e.) This category includes two fund managers who invest in international, non-United States equities. The strategy of the predominantly developed markets manager aims to deliver long-term capital gains and income from a diversified portfolio of equity securities using a value-oriented style. The strategy of the emerging markets manager is to invest in equities of all capitalizations, with a bias towards small and mid-cap stocks. Both strategies are implemented through a commingled fund vehicle.
- f.) This category includes 15 funds that make control investments in private, non-listed small and medium-sized companies primarily in the U.S/North America and Europe. The stage allocations of these funds are spread predominantly among buyout (56%), venture (23%), and growth (16%). Vintage years range from 2001 to 2018. These investments cannot be redeemed. Distributions from investments in this category are received through the liquidation of the underlying assets of the fund. For ten funds, management has estimated that the underlying assets of will be liquidated over 15-107 months, with the proceeds from liquidation returned to the limited partners. The other five investment funds, representing 19% of this category's total fair value, are currently in the final stages of asset liquidation and either have no set liquidation date or have reached the partnership termination date and are continuing until the last investment has been disposed.
- g.) This category includes four partnerships that invest in the energy markets. Two of these partnerships invest primarily in other investment funds, which in turn, make oil, gas and other natural resource related investments with the objective of long-term growth of capital. These two partnerships also may invest in operating companies as direct investment or co-investment opportunities. A third partnership's investment objective is to capitalize on investment opportunities specifically in oil and gas, oilfield service, midstream, transportation and other energy-related assets and companies. This partnership makes investments in senior and junior secured debt investments and may also invest in unsecured debt and equity structures. The fourth partnership was established to focus on energy sector credit opportunities, purchases of secondary market first lien and second lien debt, stressed and distressed loans and bonds, and conveyances of oil and gas real property interests.

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4. Assets Measured at Fair Value (*continued*)

- h.) This category includes six real estate funds, of which three invest primarily in U.S. commercial real estate. A fourth fund seeks to purchase portfolios of non-performing loans and non-core assets sold by European financial institutions. Another fund makes equity investments in workforce, affordable and mixed income multi-family assets located in the New York City metropolitan area. The sixth manager's strategy is to structure and purchase net lease real estate of primarily non-investment grade tenants with a focus on companies with potential to improve credit. This sixth manager, a real estate investment trust representing 43% of this category's total fair value, permits redemptions with 45 days advance notice prior to the end of a quarter. The other five managers are partnerships which return invested capital as distributions resulting from liquidation of the underlying assets and have partnership dissolution dates over the next 19-84 months.
- i.) This category includes one fund that invests primarily in senior secured corporate debt instruments, mainly in companies based in North America. This manager returns invested capital as distributions resulting from liquidation of the underlying assets and the partnership is expected to dissolve over the next 83 months.

Investment Risks and Uncertainties

Investments consist of non-traditional, not readily marketable investments. The underlying investments of such funds, whether invested in stock or other securities, are generally not currently traded in a public market and typically are subject to restrictions on resale. Values determined by investment managers and general partners of underlying securities that are thinly traded or not traded in an active market may be based on historical cost, appraisals, a review of the investees' financial results, financial condition and prospects, together with comparisons to similar companies for which quoted market prices are available or other estimates that require varying degrees of judgment.

Because of the inherent uncertainty of valuations, the estimated fair values may differ significantly from the values that would have been used had a ready market for such investments existed or had such investments been liquidated, and those differences could be material.

5. Program Related Investments (PRIs)

PRIs, defined in IRC 4944(c), have a primary purpose of advancing the mission of the Foundation without a significant purpose of the production of income or appreciation of investment. PRIs are treated as charitable distributions on Internal Revenue Service form 990-PF, the tax and information return filed by private foundations for minimum-distribution requirement purposes.

At December 31, 2017, the Foundation had a PRI loan outstanding with a below-market interest rate of 2%, which was fully repaid during 2018. PRI loans are individually monitored and allowances for collectability are recorded if necessary. At December 31, 2018 and 2017, there were no allowances deemed necessary.

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Notes to Financial Statements
December 31, 2018 and 2017

5. Program Related Investments (PRIs) (continued)

At December 31, 2017, the Foundation maintained an interest in a PRI loan portfolio that contained five investments as part of a limited partnership interest. At December 31, 2018, such portfolio contained four investments. These investments are expected to be redeemed between 2019 and 2026. There is an unfunded commitment of \$1,239,901 to the partnership at December 31, 2018. Allowances for collectability of this PRI loan portfolio are performed at the partnership level and the Foundation's interest is adjusted accordingly.

Expected repayments are as follows:

2019	\$	152,075
2020		52,075
2021		52,075
2022		52,075
2023		126,075
2024 - thereafter		<u>232,722</u>
	\$	<u>667,097</u>

6. Retirement Plans

The Foundation provides a defined contribution plan to eligible employees. Under the 401(k) provisions, employee contributions are permitted with the Foundation matching 100% of basic contributions up to a maximum of 5% of salary per employee in 2018 and 2017. Employer matching was \$62,804 and \$66,560 for 2018 and 2017, respectively.

Under the profit sharing provisions, discretionary employer contributions are also permitted and are determined by the managing body of the Foundation. For 2018 and 2017, the Foundation's contribution was 8% of salary for all staff and amounted to \$97,179 and \$106,585, respectively.

The Foundation has a non-qualified Section 457(b) retirement plan for a select group of employees. Employee contributions are on a pre-tax basis in amounts not to exceed Internal Revenue Code limits. The Foundation may make contributions on behalf of participants. In 2018 and 2017 there were no employer contributions.

The Foundation had a non-qualified retirement plan for a select group of management determined by the Board of Trustees, to which contributions to qualified pension plans were limited. In 2017, assets associated with this plan payable to the sole participant were distributed in accordance with the plan document.

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Notes to Financial Statements
December 31, 2018 and 2017

7. Commitments and Contingencies

Office Leases

The Foundation has a non-cancellable operating lease through December 2030 for office space in New York City. In lieu of a security deposit, the Foundation maintains an open letter of credit in the amount of \$346,864, which has automatic annual extensions. This lease requires minimum annual rental payments with escalations through the lease expiration date. In addition, the lease requires payment of utilities, real estate taxes and other expenses. Rent expense for this lease was \$382,580 and \$371,194 for 2018 and 2017, respectively.

At December 31, 2018, the liability for deferred rent and landlord incentive of \$594,996 included unamortized amounts for deferred rent of \$286,959 and landlord incentive of \$308,037. At December 31, 2017, such liability was \$597,021 and consisted of unamortized deferred rent of \$263,314 and landlord incentive of \$333,707.

Minimum lease payments by fiscal year are as follows:

2019	\$	346,684
2020		380,819
2021		380,819
2022		380,819
2023		380,819
Thereafter		<u>2,860,943</u>
		<u>\$ 4,730,903</u>

Lines of Credit

The Foundation had an unsecured revolving line of credit agreement with a bank for \$1,000,000, which expired February 2019 and was not renewed. There were no borrowings against the line during 2018 and 2017. At December 31, 2018 and 2017, the interest rates on the line were 6.50% and 5.50%, respectively.

The Foundation has a secured revolving line of credit agreement with a bank for \$10,000,000, which expired on June 25, 2019 and was renewed for an additional year. There were no borrowings against the line during 2018 and 2017. The line bears interest as defined in the agreement. Any borrowings are secured by certain assets of the Foundation.

Unfunded Investment and PRI Commitments

As described in Note 4 to the financial statements, the Foundation has unfunded commitments to certain investment managers of approximately \$35.6 million as of December 31, 2018. As described in Note 5 to the financial statements, the Foundation has unfunded PRI commitments of approximately \$1.2 million as of December 31, 2018.

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Notes to Financial Statements
December 31, 2018 and 2017

8. Furniture, Equipment and Leasehold Improvements, Net

At December 31, 2018 and 2017, furniture, equipment and leasehold improvements, net at the Foundation were as follows:

	<u>2018</u>	<u>2017</u>
Leasehold improvements	\$ 973,821	\$ 973,821
Furniture and equipment	195,809	195,809
Computer hardware and software	148,854	135,673
	<u>1,318,484</u>	<u>1,305,303</u>
Less accumulated depreciation and amortization	413,636	308,812
	<u>\$ 904,848</u>	<u>\$ 996,491</u>

Depreciation and amortization expense for 2018 and 2017 was \$104,824 and \$102,939 respectively.

9. Grants Payable

The Foundation has entered into grant commitments to certain organizations. Payments to these organizations at December 31, 2018 and 2017 are to be made as follows:

	<u>2018</u>	<u>2017</u>
Less than one year	\$ 2,447,500	\$ 1,945,000
One to two years	100,000	75,000
Total Grants Payable	<u>\$ 2,547,500</u>	<u>\$ 2,020,000</u>

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Notes to Financial Statements
December 31, 2018 and 2017

10. Liquidity and Availability of Financial Assets

The Foundation's financial assets and resources available to meet general operating cash needs within one year of the dates of the statement of financial position were as follows:

	<u>2018</u>	<u>2017</u>
Financial Assets		
Cash	\$ 39,298	\$ 144,599
Investments	247,188,326	262,598,171
Program related investments	<u>667,097</u>	<u>957,282</u>
Total Financial Assets	247,894,721	263,700,052
Less:		
Illiquid investments	67,553,724	60,904,486
Program related investments	<u>667,097</u>	<u>957,282</u>
Financial assets available to meet general operating cash needs	<u>\$ 179,673,900</u>	<u>\$ 201,838,284</u>

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its grants, operating disbursements, program related investment and limited partnership capital calls come due. Sources of liquidity throughout the year include (i) interest and dividends, (ii) proceeds from planned redemption of investments every six months, and (iii) cash distributions from its various limited partnership investments.

In the event of unanticipated liquidity needs, the Foundation can draw upon a committed \$10 million line of credit. In addition, the Foundation aims to maintain a balance of cash equivalents and other short-term investments to be used in conjunction with a portion of the committed line of credit to fund one year's worth of grants and operating expenses. Lastly, there is a minimum liquidity requirement to maintain at least three years of grants and operating expenses in investments that can be redeemed within one month.

Included in the 2019 general operating cash needs of the Foundation is the Internal Revenue Service regulation to distribute a minimum amount for charitable purposes which approximates 5% of its assets, with certain adjustments, as of December 31, 2018.

11. Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which is September 19, 2019.

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