The Annie E. Casey Foundation, Inc. and Subsidiaries

Consolidated Financial Statements as of and for the Years Ended December 31, 2019 and 2018, and Independent Auditors' Report

THE ANNIE E. CASEY FOUNDATION, INC. AND SUBSIDIARIES

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
The Annie E. Casey Foundation, Inc.
Baltimore, Maryland

We have audited the accompanying consolidated financial statements of The Annie E. Casey Foundation, Inc. and its subsidiaries (the "Foundation"), which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Foundation's preparation and fair presentation of the consolidated 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 Foundation'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Annie E. Casey Foundation, Inc. and its subsidiaries as of December 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

May 21, 2020

THE ANNIE E. CASEY FOUNDATION, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2019 AND 2018

	2019	2018
ASSETS		
CASH	$ 3,294,275	$ 12,458,076
RESTRICTED CASH	6,051,471	16,439,688
INVESTMENTS	2,738,083,704	2,485,504,638
PROGRAM RELATED INVESTMENTS, net	49,289,382	37,588,708
OTHER ASSETS:		
Collateral under securities lending program	11,043,399	9,552,093
Security sales receivable	18,152,850	8,244,948
Interest and dividends receivable	2,366,216	2,326,050
Note receivable	17,886,950	17,886,950
Property and equipment, net	36,979,334	28,496,319
Beneficial interest in charitable remainder trusts	23,184,691	32,835,196
Other assets	6,024,081	7,155,231
Total other assets	115,637,521	106,496,787
TOTAL	$ 2,912,356,353	$ 2,658,487,897
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and other liabilities	$ 6,231,778	$ 8,288,508
Debt	44,399,426	70,366,626
Payable under securities lending program	11,043,399	9,552,093
Security purchases payable	5,053,099	5,295
Deferred federal excise tax	12,661,487	12,503,501
Postretirement benefit obligation	95,494,000	102,551,000
Total liabilities	174,883,189	203,267,023
NET ASSETS:		
Without donor restrictions	2,714,288,473	2,422,385,678
With donor restrictions	23,184,691	32,835,196
Total net assets	2,737,473,164	2,455,220,874
TOTAL	$ 2,912,356,353	$ 2,658,487,897

See notes to consolidated financial statements.

THE ANNIE E. CASEY FOUNDATION, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:		
REVENUE AND SUPPORT:		
Donations and grants	$ 1,584,677	$ 4,237,477
Charitable remainder trusts released from restrictions	16,098,889	-
Investment return, net	420,933,711	(55,856,072)
Total revenue and support	438,617,277	(51,618,595)
GRANTS AND OTHER EXPENSES:		
Grants and direct charitable activities	101,600,194	109,117,099
Administrative and grants management expenses:		
General	48,057,994	47,651,357
Postretirement benefit service cost	1,796,000	2,197,000
Total administrative and grants management expenses	49,853,994	49,848,357
Other expenses:		
Other components of net periodic postretirement benefit cost	7,074,000	11,041,838
Postretirement changes other than net periodic benefit cost	(12,934,811)	(25,464,556)
Unrealized loss (gain) on swap	417,268	(174,473)
Interest and swap expense	703,837	475,103
Total grants and other expenses	146,714,482	144,843,368
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS	291,902,795	(196,461,963)
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS:		
Change in value of charitable remainder trusts	6,448,384	(2,555,232)
Charitable remainder trusts released from restrictions	(16,098,889)	-
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS:	(9,650,505)	(2,555,232)
CHANGES IN NET ASSETS	282,252,290	(199,017,195)
NET ASSETS—Beginning of year	2,455,220,874	2,654,238,069
NET ASSETS—End of year	$ 2,737,473,164	$ 2,455,220,874

See notes to consolidated financial statements.

THE ANNIE E. CASEY FOUNDATION, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	$ 282,252,290	$ (199,017,195)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation and amortization of fixed assets	2,951,120	3,137,600
Loss on disposal of assets	-	11,301
Net realized and unrealized (gain) loss on investments	(325,872,287)	179,199,217
Change in allowance for losses on program related investments	(741,468)	(1,617,634)
(Increase) decrease in interest and dividends receivable	(40,166)	89,768
Decrease in charitable remainder trusts	9,650,505	2,555,232
Decrease (increase) in other assets	1,131,150	(2,863,233)
Decrease in payables and other liabilities	(2,056,730)	(3,807,660)
Increase (decrease) in deferred federal excise tax	157,986	(3,947,214)
Increase (decrease) in postretirement benefit obligation	(7,057,000)	(15,768,000)
Net cash used in operating activities	(39,624,600)	(42,027,818)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of investments and cash distributions	440,329,570	575,181,039
Purchases of investments	(377,185,216)	(555,240,395)
Loans disbursed for program related investments	(8,263,255)	(4,624,554)
Repayments of program related investments	2,592,818	5,286,250
Capital expenditures	(11,434,135)	(7,196,917)
Net cash provided by investing activities	46,039,782	13,405,423
CASH FLOWS FROM FINANCING ACTIVITIES:		
Debt proceeds	-	32,000,000
Repayment of debt	(25,967,200)	(967,200)
Net cash (used in) provided by financing activities	(25,967,200)	31,032,800
NET (DECREASE) INCREASE IN CASH AND RESTRICTED CASH	(19,552,018)	2,410,405
CASH AND RESTRICTED CASH—Beginning of year	28,897,764	26,487,359
CASH AND RESTRICTED CASH—End of year	$ 9,345,746	$ 28,897,764

See notes to consolidated financial statements.

1. ORGANIZATION OF THE FOUNDATION

The Annie E. Casey Foundation, Inc. and subsidiaries' (the "Foundation") work focuses on strengthening families, building stronger communities and ensuring access to opportunity, because children need all three to succeed.

The Annie E. Casey Foundation, Inc. is a not-for-profit organization founded in 1948 devoted to developing a brighter future for children at risk of poor educational, economic, social and health outcomes across the country.

AECF Atlanta Realty LLC ("Atlanta Realty") is a limited liability company organized under the laws of the State of Georgia. Atlanta Realty was formed on November 12, 2005 and the Foundation is its sole member. Atlanta Realty maintains 31 acres of undeveloped real property in the Neighborhood Planning Unit V ("NPU-V") in the City of Atlanta, Georgia. On December 15, 2015, Atlanta Realty established a wholly owned nonprofit subsidiary, 352 University Avenue Associates LLC ("Atlanta 352"), a limited liability company organized under the laws of the State of Georgia. Atlanta 352 works to address the unemployment and underemployment within NPU-V. During 2017, Atlanta Realty established a wholly-owned nonprofit subsidiary, UA Associates I LLC ("UA"). UA's purpose is to develop 13.2 acres of the land transferred to it by Atlanta Realty. This development is financed with a New Market Tax Credit ("NMTC") transaction.

AECF Atlanta Homes LLC ("Atlanta Homes") is a limited liability company organized under the laws of the State of Georgia. Atlanta Homes was formed on December 6, 2012 and the Foundation is its sole member. Atlanta Homes was formed to own, hold and manage real property in NPU-V in the City of Atlanta, Georgia.

In 2017, AECF-ECLF Leverage Lender I LLC ("Leverage Lender") was established as a joint venture through total capital contributions of $10,000. The entity is owned 95% by the Foundation and 5% by Enterprise Community Loan Fund, a nonprofit organization. Leverage Lender's sole purpose is to provide a leveraged loan in the NMTC transaction. The joint venture is consolidated in the Foundation's consolidated financial statements. The non-controlling interest of $1,845 is not considered significant and is included in net assets without donor restrictions on the Consolidated Statements of Financial Position.

The Annie E. Casey Foundation's subsidiaries are included in the accompanying consolidated financial statements. These subsidiaries are engaged primarily to support program activities.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting — The Foundation's consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Principles of Consolidation — The accompanying consolidated financial statements include the accounts of the Foundation and its subsidiaries. All significant intercompany accounts and transactions have been eliminated.

Cash — Cash consists of funds held in commercial interest-bearing accounts for operating purposes.

Restricted Cash — Restricted cash consists of amounts set aside by contractual agreements as it relates to the NMTC transaction (as described in Note 7).

Investments — Investments are stated at fair value where a readily determinable fair value exists. Fair value is determined using the closing prices for investments traded on any global stock exchange. The Foundation utilizes a practical expedient for the estimation of the fair value of investments in limited partnerships and similar interests, with no readily determinable fair value. The practical expedient used by the Foundation to value private investments is the net asset value ("NAV") per share, or its equivalent. However, the recorded value could differ from the value that would have been used had a readily available market existed for such investments.

Realized gains and losses on sales of investments in United Parcel Service, Inc. ("UPS") common stock, if any, are calculated based on the specific identification method. The realized gains and losses for other investments are calculated based on the first-in, first-out method.

Realized gains or losses, unrealized gains or losses and interest income and dividends are reported in the consolidated statements of activities within investment return, net.

Program Related Investments — The Foundation makes program related investments ("PRIs") that advance philanthropic purposes. These investments consist of various partnerships, loans and bonds. The partnerships, loans and bonds are stated at estimated fair value. At December 31, 2019 and 2018, the partnerships were valued at $13,122,810 and $7,834,040 with unfunded commitments totaling $7,450,712 and $6,261,597, respectively. The total par value of bonds outstanding was $23,595,000, with a fair value of $5,898,750 at December 31, 2019 and 2018, respectively. The interest rate for the bonds is 9% and principal is scheduled to be paid in full to the Foundation at the maturity date of September 2039.

The total amount of loans outstanding was $31,998,155 and $26,327,719 with unfunded commitments of $4,151,478 and $3,546,854 as of December 31, 2019 and 2018, respectively. Interest rates range from 1% to 4.25% and principal is scheduled to be paid in full to the Foundation at the maturity dates ranging from December 2019 through November 2028. The Foundation records a reserve for potentially uncollectible loans based on an analysis of its historical experience, quarterly and annual financial reports received, and the entity's ability to meet financial covenants. Management has reviewed all program related investments and for the years ended December 31, 2019 and 2018, has recorded a reserve for potentially uncollectible loans in the amount of $1,730,333 and $2,471,801, respectively.

Charitable Remainder Trusts — The Foundation is the beneficiary of charitable remainder trusts that are administered by third parties and are donor restricted until the termination of the trust. At December 31, 2019 and 2018, the Foundation recognized these trusts at their net present value based upon actuarially determined calculations using a discount rate of 6%. The discount rate used is commensurate with the risks involved. As of December 31, 2019 and 2018, the Foundation recorded a beneficial interest in charitable remainder trusts of $23,184,691 and $32,835,196, respectively, on the consolidated statements of position. These amounts also comprise the net assets with donor restrictions on the consolidated statements of position.

Under the terms of these trusts, payments of income are made from the trusts to the donees or other specified parties over the terms of the trusts. Upon termination of the trusts, the remaining net assets will be transferred to the Foundation for its unrestricted use. For the years ended December 31, 2019 and 2018, $16,098,889 and $0 was transferred to the Foundation, respectively.

Property and Equipment — Property and equipment, which consists primarily of buildings and building improvements, is recorded at cost. Depreciation of property is calculated using straight-line methods over 10 to 25 years for buildings and improvements, 5 years for furniture and fixtures, and 3 years for computer and equipment. Leasehold improvements are depreciated over the shorter of their estimated useful lives or lease terms. Repairs and maintenance costs are expensed as incurred. Property and equipment is assessed annually for impairment. Gains and losses on disposals of property and equipment are recorded in the period incurred and are included in general administrative expenses.

Derivatives — At December 31, 2019, the Foundation was a counterparty to an interest rate swap to manage interest cost and risk. As a not-for-profit organization, the Foundation is not allowed to use cash flow hedge accounting. In accordance with authoritative guidance, the interest rate swap agreement was recorded in the consolidated statements of financial position at fair value with the related gains and losses reflected in the consolidated statements of activities in the period of change.

The Foundation could be exposed to losses in the future in the event of nonperformance by the counterparty in the interest rate swap agreement. The Foundation monitors the financial condition of the firm used for this contract in order to minimize the risk of loss. The Foundation does not expect to record any losses as a result of counterparty default.

Use of Estimates — The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Management made significant estimates and assumptions in the valuation of certain investments, postretirement benefit costs and valuation allowances. Actual results could differ from those estimates.

Recent Accounting Pronouncements — In March 2017, the FASB issued ASU 2017-07, Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost which is effective for fiscal years beginning after December 15, 2018. ASU 2017-07 requires entities to (1) disaggregate the current-service-cost component from the other components of net benefit cost ("other components") and present it with other current compensation costs for related employees in the income statement and (2) present the other components elsewhere in the income statement and outside of income from operations if such a subtotal is presented. The ASU also requires entities to disclose the income statement lines that contain the other components if they are not presented on appropriately described separate lines. Implementation of this guidance required the Foundation to report service cost of the postretirement benefit plan as an expense in the consolidated statements of activities; all other costs of the postretirement benefit plan are reported in the consolidated statements of activities as non-operating changes in net assets. Certain amounts from the prior year were reclassified to conform to current year presentation. These reclassifications had no effect on net assets as previously reported.

In June 2018, the FASB issued ASU 2018-08, Not for Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. This update clarifies the guidance about whether a transfer of assets (or the reduction, settlement or cancellation of liabilities) is a contribution or an exchange transaction. In addition, the guidance clarifies the determination of whether a transaction is conditional. For non-public entities that serve as a resource provider, this update is effective for contributions made in fiscal years beginning after December 15, 2020. The Foundation does not expect the new guidance to have a material impact on the consolidated financial statements.

In August 2018, the FASB issued ASU 2018-14, Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20): Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans, which makes minor changes to the disclosure requirements for employers that sponsor defined benefit pension and/or other postretirement benefit plans. Implementation of this guidance will result in the Foundation no longer being required to disclose the amounts in accumulated other comprehensive income expected to be recognized as components of net periodic benefit cost over the next fiscal year. Additionally, the Foundation will be required to provide an explanation of the reason for any significant gain and loss related to changes in the benefit obligation for the period. The new guidance is effective for the Foundation beginning January 1, 2022. The Foundation is currently evaluating the impact the new guidance will have on the financial statements.

3. INVESTMENTS

The investment goal of the Foundation is to maintain or grow its assets to support the Foundation's grant-making and operations. In order to achieve this goal, the Foundation's assets are invested in accordance with a long-term asset allocation policy with a level of risk that is appropriate to the Foundation's spending objectives. The Foundation's investments are diversified across multiple asset classes and investment strategies, with the majority of assets managed by external investment management firms selected by the Foundation. All investments are held in custody at BNY Mellon, except for assets invested with partnerships, LLCs and commingled funds, which have separate arrangements related to their legal structure.

The Foundation's custodian maintains a securities lending program on behalf of the Foundation and maintains collateral at all times in excess of the value of securities on loan. Under the terms of its securities lending agreement, the Foundation requires collateral of a value at least equal to 102% of the fair value of loaned investments. Securities lending is not subject to a master netting arrangement. Loaned investments consist of equity and exchange traded securities. Securities loaned are fully collateralized. Investment of this collateral is in accordance with specified guidelines and is part of a collateral pool that invests in high quality debt securities with a managed short-term duration. The Foundation maintains effective control of the loaned securities during the term of the arrangement wherein they may be recalled at any time. As of December 31, 2019 and 2018, the Foundation had loaned securities with a total market value of approximately $10,789,702 and $9,348,844, respectively and received related collateral of $11,043,399 and $9,552,093, respectively. In accordance with authoritative guidance, the collateral amount is shown as both an asset and a liability on the consolidated statements of financial position.

Concentration of Risk — The Foundation is a holder of Class A and B UPS stock. The price per share of the Class A stock is equal to Class B stock. As of December 31, 2019, the market value of UPS Class B common stock was $117.06 per share. UPS stock represented approximately 14.5% and 13.4% of the market value of the Foundation's investment portfolio at December 31, 2019 and 2018, respectively.

4. FAIR VALUE MEASUREMENTS

The Foundation accounts for assets and liabilities measured at fair value using ASC Topic 820, *Fair Value Measurements and Disclosures*. Under ASC Topic 820, fair value refers to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The guidance enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. Investments with readily available actively quoted prices, or for which fair value can be measured from actively quoted prices, generally, will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. In the absence of actively quoted prices and observable inputs, the Foundation estimates prices based on available historical data and near-term future pricing information that reflects its market assumptions. The guidance requires that assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

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

Level 2 – Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3 – Unobservable inputs that are not corroborated by market data.

Level 1 investments include equities and UPS common stock. The value is based on quoted market prices in active markets.

Level 2 investments include short-term investments such as certificates of deposits, fixed income securities, and repurchase agreements. The fair value is estimated using third-party quotations. Level 2 investments also include interest rate swaps that are valued by referencing yield curves derived from observable interest rates and spreads to project and discount swap cash flows to present value.

Level 3 investments include bonds for which quoted market prices are not readily available.

For investments with little or no market data available, the determination of fair value is based on the best information available in the circumstances and incorporates management's own assumptions, including appropriate risk adjustments. Due to the fact that a quoted market exchange does not exist for the Level 2 and Level 3 investments, the fair value is generally based on management's estimate of fair value in the most advantageous exit market.

ASC Topic 820 permits the estimation of the fair value of an investment using net asset value per share (or its equivalent) for certain investments that do not have readily determinable fair values. The inputs to value these investments may include the Foundation's capital accounts for its partnership interests in various alternative investments, including hedge funds, public equity, private equity, real estate and commodities. The various partnerships are investment companies, which record their underlying investments at fair value based on fair value policies established by management of the underlying fund. Fair value policies at the underlying fund generally require the fund to utilize pricing/valuation information from third-party sources, including independent appraisals. However, in some instances, current valuation information for illiquid securities or securities in markets that are not active may not be available from any third-party source or fund management may conclude that the valuations that are available from third-party sources are not reliable. In these instances, fund management may perform model-based analytical valuation that may be used as an input to value these investments. As disclosed in Note 2, *Significant Accounting Policies*, these investments are measured at fair value using NAV (or its equivalent) as a practical expedient and are not included in the fair value hierarchy.

At December 31, 2019, the redemption frequency for hedge funds is: quarterly (62%), semiannually (8%), annually (25%) and other (5%). With redemption notice periods ranging from 30 to 90 days, the Foundation has the ability to redeem 90% of these funds through the end of 2020, 2% through the end of 2021 and 3% through the end of 2022. An additional 5% are held in side pockets or restricted assets with no redemption rights. The hedge funds had additional unfunded capital commitments to various partnerships of $42,159,959 as of December 31, 2019.

At December 31, 2018, the redemption frequency for hedge funds is: quarterly (45%), semiannually (7%), monthly (9%), annually (30%) and other (9%). With redemption notice periods ranging from 30 to 90 days, the Foundation has the ability to redeem 91% of these funds through the end of 2019, 2% through the end of 2021 and 2% through the end of 2022. An additional 5% are held in side pockets or restricted assets with no redemption rights. The hedge funds had additional unfunded capital commitments to various partnerships of $48,700,898 as of December 31, 2018.

At December 31, 2019, the redemption frequency for public securities measured at NAV is: daily (7%), monthly (39%), quarterly (36%), annually (2%) and other (16%). With redemption notice periods ranging from 1 to 120 days, the Foundation has the ability to redeem 90% of these funds through the end of 2020, 7% through the end of 2021 and 4% through the end of 2022.

At December 31, 2018, the redemption frequency for public securities measured at NAV is: daily (8%), monthly (41%), quarterly (44%) and annually (7%). With redemption notice periods ranging from 1 to 120 days, the Foundation has the ability to redeem 87% of these funds through the end of 2019 and 13% through the end of 2020.

The private securities are not subject to redemption, however certain funds may be sold or transferred with general partner approval. Due to the nature of these investments, the fund values are reduced through distributions that are received from liquidation of the underlying assets. For the years ended December 31, 2019 and 2018, it is estimated that the underlying assets of these funds will be liquidated over a period of approximately 14 years. As of December 31, 2019 and 2018, the private securities had unfunded capital commitments to various partnerships of $293,756,168 and $315,329,680, respectively.

The following tables present the fair value of the Foundation's financial instruments for each level at December 31, 2019 and 2018:

	Fair Value Measurement at December 31, 2019				
	Level 1	Level 2	Level 3	Investments Measured at NAV[1]	Total
ASSETS:					
Public Securities:					
U.S. Securities:					
Large Cap	$ 405,088,471	$ -	$ -	$ 168,151,603	$ 573,240,074
Fixed Income Fund	-	151,569,996	-	-	151,569,996
Small Cap	84,452,512	-	-	-	84,452,512
Natural Resources	-	-	-	39,695,179	39,695,179
Foreign Securities:					
Emerging Markets	-	-	-	251,187,509	251,187,509
Developed Countries	113,707,481	-	-	37,693,410	151,400,891
Global Securities:					
Developed Countries	-	-	-	109,994,716	109,994,716
Natural Resources	-	-	-	-	-
	603,248,464	151,569,996	-	606,722,417	1,361,540,877
Private Securities:					
Venture	-	-	-	550,821,939	550,821,939
Real Estate	-	-	-	49,094,639	49,094,639
Buyout	-	-	-	111,582,549	111,582,549
Natural Resources	-	-	-	71,123,859	71,123,859
Private Credit	-	-	-	35,827,780	35,827,780
Opportunistic	-	-	-	23,457,106	23,457,106
Secondary	-	-	-	2,183,563	2,183,563
	-	-	-	844,091,435	844,091,435
Hedge Funds:					
Long/Short	-	-	-	289,222,749	289,222,749
Opportunistic	-	-	-	37,772,796	37,772,796
Diversified Arbitrage	-	-	-	60,475,769	60,475,769
Tactical Trading	-	-	-	32,966,559	32,966,559
Distressed/Credit	-	-	-	44,576,064	44,576,064
	-	-	-	465,013,937	465,013,937
Short-Term Investments	-	67,437,455	-	-	67,437,455
Total Investments	603,248,464	219,007,451	-	1,915,827,789	2,738,083,704
Program Related Investments:					
Bonds	-	-	5,898,750	-	5,898,750
Private Securities:					
Venture Cap	-	-	-	10,787,495	10,787,495
Private Credit	-	-	-	2,335,315	2,335,315
	-	-	5,898,750	13,122,810	19,021,560
TOTAL ASSETS	$ 603,248,464	$ 219,007,451	$ 5,898,750	$ 1,928,950,599	$ 2,757,105,264
LIABILITIES:					
Notes Payable	$ -	$ 44,399,426	$ -	$ -	$ 44,399,426
Interest Rate Swap	-	316,509	-	-	316,509
TOTAL LIABILITIES	$ -	$ 44,715,935	$ -	$ -	$ 44,715,935

[1] Amounts are comprised of certain investments measured at fair value using NAV (or its equivalent) as a practical expedient. These investments have not been classified in the fair value hierarchy.

	Fair Value Measurement at December 31, 2018				
	Level 1	Level 2	Level 3	Investments Measured at NAV[1]	Total
ASSETS:					
Public Securities:					
U.S. Securities:					
Large Cap	$ 337,504,516	$ -	$ -	$ 142,013,569	$ 479,518,085
Fixed Income Fund	-	132,074,597	-	-	132,074,597
Small Cap	52,704,834	-	-	-	52,704,834
Natural Resources	-	-	-	39,895,342	39,895,342
Real Estate	-	-	-	-	-
Foreign Securities:					
Emerging Markets	-	-	-	228,864,148	228,864,148
Developed Countries	109,384,856	-	-	87,843,103	197,227,959
Global Securities:					
Developed Countries	-	-	-	27,261,035	27,261,035
Natural Resources	17,133,314	-	-	-	17,133,314
	516,727,520	132,074,597	-	525,877,197	1,174,679,314
Private Securities:					
Venture	-	-	-	459,986,556	459,986,556
Real Estate	-	-	-	43,700,124	43,700,124
Buyout	-	-	-	94,149,881	94,149,881
Natural Resources	-	-	-	83,177,316	83,177,316
Private Credit	-	-	-	38,823,571	38,823,571
Opportunistic	-	-	-	25,325,623	25,325,623
Secondary	-	-	-	2,620,613	2,620,613
	-	-	-	747,783,684	747,783,684
Hedge Funds:					
Long/Short	-	-	-	223,707,153	223,707,153
Opportunistic	-	-	-	60,103,153	60,103,153
Diversified Arbitrage	-	-	-	56,242,429	56,242,429
Tactical Trading	-	-	-	41,820,932	41,820,932
Distressed/Credit	-	-	-	68,389,982	68,389,982
	-	-	-	450,263,649	450,263,649
Short-Term Investments	-	112,777,991	-	-	112,777,991
Total Investments	516,727,520	244,852,588	-	1,723,924,530	2,485,504,638
Program Related Investments:					
Bonds	-	-	5,898,750	-	5,898,750
Private Securities:					
Venture Cap	-	-	-	5,657,769	5,657,769
Private Credit	-	-	-	2,176,271	2,176,271
	-	-	5,898,750	7,834,040	13,732,790
Interest Rate Swap	-	100,759	-	-	100,759
TOTAL ASSETS	$ 516,727,520	$ 244,953,347	$ 5,898,750	$ 1,731,758,570	$ 2,499,338,187
LIABILITIES:					
Notes Payable	$ -	$ 70,366,626	$ -	$ -	$ 70,366,626
TOTAL LIABILITIES	$ -	$ 70,366,626	$ -	$ -	$ 70,366,626

[1] Amounts are comprised of certain investments measured at fair value using NAV (or its equivalent) as a practical expedient. These investments have not been classified in the fair value hierarchy.

There were no transfers between levels for the years ended December 31, 2019 and 2018. There was no Level 3 activity for the years ended December 31, 2019 and 2018.

The tables above do not reflect the data associated with the securities lending program as there is no net impact on fair value. The collateral and securities on loan under this program are classified as Level 1 assets under ASC Topic 820.

5. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

	2019	2018
Land	$ 3,572,697	$ 3,572,697
Buildings and improvements	33,973,038	33,893,788
Leasehold improvements	248,775	214,274
Furniture and fixtures	752,657	771,508
Computer and office equipment	5,862,088	5,329,287
Capital projects in process	18,645,949	8,060,191
	63,055,204	51,841,745
Less accumulated depreciation, amortization and impairment	(26,075,870)	(23,345,426)
Total property and equipment, net	$ 36,979,334	$ 28,496,319

6. DEBT AND DERIVATIVE

On November 19, 2018, the Foundation entered into a line of credit agreement with BNY Mellon. The agreement has a credit limit of $80 million and bases the interest payable on the highest of the federal funds effective rate, overnight LIBOR, or one-month LIBOR, plus 85 basis points (2.61% and 3.37% at December 31, 2019 and 2018, respectively). There were $0 and $25,000,000 in borrowings outstanding on the line of credit at December 31, 2019 and December 31, 2018, respectively. Interest expense related to the line of credit was $236,371 and $11,412 at December 31, 2019 and 2018, respectively.

On June 1, 2017, the Foundation entered into a note payable agreement (the "note") with Compass Mortgage Corporation. The debt proceeds were used solely to finance the renovation of the Foundation's two office buildings in Baltimore, Maryland. The note had a principal balance of $12,009,426 and $12,976,626 at December 31, 2019 and 2018, respectively, and matures on June 1, 2032. Interest is payable based on 1.12% plus 65% of the one-month LIBOR (2.26% and 2.76% at December 31, 2019 and 2018, respectively).

As of December 31, 2019, scheduled annual principal payments on the note are as follows:

	Amount
2020	967,202
2021	967,202
2022	967,202
2023	967,202
2024	967,202
Thereafter	7,173,416
	$ 12,009,426

The Foundation manages its interest rate exposure on the note with an interest rate swap agreement (the "swap"). The Foundation's swap with BBVA Compass Bank exchanges the one-month LIBOR for the fixed rate of 2.66% and expires June 1, 2032. Interest and swap expense related to this note was $342,621 and $367,136 at December 31, 2019 and 2018, respectively.

For the years ended December 31, 2019 and 2018, the outstanding notional amount of the swap was $12,090,023 and $13,057,225, respectively. As of December 31, 2019, the Foundation recorded a swap liability of $316,509. This liability was included in accounts payable and other liabilities. As of December 31, 2018, the Foundation recorded a swap asset of $100,759. This asset was included in other assets. The Foundation's two buildings located in Baltimore, MD are pledged as collateral for the note payable and related swap.

On July 24, 2018, the Foundation entered into two note payable agreements ("Northern notes") with The Northern Trust Company for $4,000,000 ("Northern A") and $3,000,000 ("Northern B"), respectively. The debt proceeds were used solely to assist in financing UA's development in Atlanta (as described in Note 1). There are no scheduled principal payments due on the Northern notes until the scheduled maturity date of June 30, 2025. Interest on the Northern A note is payable based on 5.16%. Interest on the Northern B note is payable based on 0.5%. Interest expense related to the Northern notes was $124,845 and $96,555 at December 31, 2019 and December 31, 2018, respectively.

7. NEW MARKET TAX CREDIT TRANSACTION

During 2017, the Foundation entered into a debt transaction to make additional funds available to it through the New Market Tax Credit (NMTC) Program. As part of this transaction, the Foundation created a new entity named UA Associates I LLC (as described in Note 1). The NMTC Program permits taxpayers to claim a credit against federal incomes taxes for Qualified Equity Investments ("QEIs") in designated Community Development Entities ("CDEs"). These designated CDEs must use substantially all (85%) of the proceeds to make Qualified Low-Income Community Investments ("QLICIs"). The investor is provided with a tax credit, which is claimed over a seven-year period. The credit is equal to 5% of the total amount paid for the capital investment over the first three years and 6% annually for the final four years.

On December 21, 2017, the Foundation loaned $17,876,950 to AECF-ECLF Leverage Lender I LLC (the "Fund")(as described in Note 1). The Fund then made QEIs, totaling $17,886,950, in ENMP 73 LP ("Enterprise"), Brownfield Revitalization 50 ("Brownfield"), LLC and AEMI Fund XVIII, LLC ("AEMI")(collectively, "CDEs"). Finally, the CDEs made loans in the form of notes payable to UA Associates I LLC in the amount of $25,390,000.

Notes payable balances as December 31, 2019 and 2018, consisted of the following:

	2019	**2018**
AEMI Note A	$ 4,474,550	$ 4,474,550
AEMI Note B	1,895,450	1,895,450
Brownfield Note A	7,464,369	7,464,369
Brownfield Note B	2,825,631	2,825,631
Enterprise Note A	5,948,031	5,948,031
Enterprise Note B	2,781,969	2,781,969
Total notes payable	$25,390,000	$25,390,000

The loans between UA Associates I LLC and the CDEs require interest to be paid at the rate of 1% per annum, commencing on December 22, 2017. The full amount of the unpaid principal is required to be paid on December

1, 2047. There are no scheduled principal payments due on the notes payable balances until December 1, 2025. The Foundation is the guarantor of these debt obligations.

Capitalized interest on the loans was included in capital projects in process for the years ended December 31, 2019 and 2018 and totaled $253,900 and $254,143, respectively. Total interest income on the loan totaled $248,875 for both years ended December 31, 2019 and 2018, respectively, and was classified in investment income.

The Foundation has recorded the above loans receivable and payable in the consolidated financial statements of the Foundation at the face value of the notes, which is the amount of cash that was exchanged. The Foundation is recording interest income and capitalized interest as incurred.

As a part of the loan agreements, the Foundation is required to obtain approval from the CDEs prior to the payment of any costs, fees and other expenses. In 2019 and 2018, the Foundation obtained approval to expend a portion of the debt proceeds for related project costs. The remaining debt proceeds of $6,051,471 and $16,439,688 comprise the restricted cash presented on the balance sheet as of December 31, 2019 and 2018, respectively.

8. FEDERAL EXCISE TAX

The Foundation qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, accordingly, is not subject to federal income tax. However, the Foundation is classified as a private foundation and is subject to a federal excise tax of 1% or 2% on investment income less investment expenses, and on net realized taxable gains on capital transactions. For the years ended December 31, 2019 and 2018, the Foundation's federal excise tax rate was 2%. The total amount of cash paid for excise taxes was $2,280,000 and $4,330,000 for the years ended December 31, 2019 and 2018, respectively. In addition, during 2019 and 2018, the Foundation paid taxes on unrelated business income incurred through certain partnership investments. These taxes were not material to the consolidated financial statements as a whole.

Deferred federal excise tax arises from timing differences between consolidated financial statement and tax reporting related to investment income and the difference between the cost basis and market value of investments. Current income tax expense was $2,463,395 and $2,780,634, respectively, for the years ended December 31, 2019 and 2018. The deferred income tax expense was $157,986 for 2019 and the deferred income tax benefit was $3,947,214 for 2018. Income tax expense is included in investment return, net on the consolidated statements of activities.

In December 2019, the Further Consolidated Appropriations Act ("FCAA") was enacted. FCAA created a flat net investment income excise tax rate of 1.39% for private foundations with tax years beginning after December 20, 2019. At December 31, 2019, deferred federal excise tax was calculated based upon a rate of 1.39%.

9. DEFINED CONTRIBUTION AND OTHER POSTRETIREMENT PLANS

The Foundation maintains defined contribution plans for its employees. The Foundation recorded $3,049,800 and $2,784,063 in expense for the years ended December 31, 2019 and 2018, respectively.

In addition, the Foundation provides postretirement medical and dental benefits to all eligible employees. The benefit obligation for 2019 and 2018 is summarized as follows:

	2019	2018
Benefit obligation at December 31	$ 95,494,000	$ 102,551,000
Fair value of plan assets at December 31	-	-
Funded status and accrued benefit cost recognized in the consolidated statements of financial position	$ (95,494,000)	$ (102,551,000)

The following amounts not yet reflected in net periodic benefit cost are included in net assets as of December 31, 2019 and 2018:

	2019	2018
Net prior service cost	$ (2,750,894)	$ (6,093,894)
Accumulated loss	(9,938,002)	(19,611,998)
Change in net assets	$ (12,688,896)	$ (25,705,892)

Assumptions used to determine the postretirement benefit obligation as of December 31, 2019 and 2018, are as follows:

	2019	2018
Weighted-average assumptions		
Discount rate (benefit obligation)	3.1 %	4.1 %
Discount rate (net periodic costs)	4.1 %	3.5 %
Expected return on plan assets	N/A	N/A
Health care cost trend rate assumptions		
Initial trend rate	8.0 %	7.0 %
Ultimate trend rate	5.0 %	5.0 %
Year ultimate trend rate is reached	2030	2029

The initial trend rate gradually grades down to the ultimate trend rate.

Benefit information for the years ended December 31, 2019 and 2018, is summarized as follows:

	2019	2018
Benefit cost	$ 8,870,000	$ 13,238,838
Employer contributions	$ 2,737,037	$ 3,283,920
Plan participants' contributions	234,571	228,290
Total benefits paid	$ 2,971,608	$ 3,512,210

The Foundation expects to make the following benefit disbursements:

2020	$ 3,456,000
2021	3,467,000
2022	3,664,000
2023	3,810,000
2024	3,970,000
2025 - 2029	21,739,000

10. LEASES

The Foundation leases office facilities at various locations. As of December 31, 2019, future minimum annual lease payments required are as follows:

December 31	
2020	193,947
2021	181,411
2022	185,947
2023	190,595
2024	195,360
Thereafter	1,052,549
	$ 1,999,809

Rent expense for 2019 and 2018 was $385,488 and $602,638, respectively.

11. GRANT ALLOCATIONS

As of December 31, 2019, the Foundation has approved grant funds for payments to various organizations and projects of up to approximately $110 million, contingent upon the organizations' performance of obligations specified in the grant agreements. Accordingly, grant expense is recorded when the obligations are substantially met and the resulting payments made. These grant funds are not considered board-designated and are a part of the normal business operations of the Foundation. Such payments are expected to be made during the period January 1, 2020 through December 31, 2020.

12. ANALYSIS OF EXPENSES

The Foundation allocates its expenses on a functional basis among grants awarded, program-related expenses, direct charitable activities and general & administrative expenses. Expenditures which can be identified with a specific function are allocated directly, according to their natural expenditure. Costs that are common to several functions are allocated among program-related expenses and general & administrative expenses on the basis of overall number of staff in the various functional categories, space utilized and estimates made by the Foundation's management. Program-related expenses pertain to the general grant-making activities of the Foundation, such as monitoring and evaluating grants. Direct charitable activities pertain to charitable activities for the benefit of others initiated and conducted in whole or in part by the Foundation. General & administrative expenses include costs related to overhead and managing the Foundation and are not directly identifiable with other categories. The Foundation's functional expenses, displayed by natural expense classification, for the years ended December 31, 2019 and December 31, 2018 were as follows:

	Analysis of Expenses at December 31, 2019				
	Grants awarded	Program-related expenses	Direct charitable activities	General & administrative expenses	Total
Grants awarded	$ 87,006,279	$ -	$ -	$ -	$ 87,006,279
Salaries and benefits	-	23,517,070	-	11,333,449	34,850,519
Office and occupancy	-	2,967,338	-	2,003,187	4,970,525
Services and professional fees	-	-	10,706,159	3,790,493	14,496,652
Travel, conferences and meetings	-	1,475,034	3,887,756	804,827	6,167,617
Depreciation	-	1,798,989	-	1,152,131	2,951,120
Other expenses	-	609,862	-	401,614	1,011,476
Interest and swap expense	-	-	-	703,837	703,837
Postretirement benefit cost - interest and amortization	-	4,270,394	-	2,803,606	7,074,000
	$ 87,006,279	$ 34,638,687	$ 14,593,915	$ 22,993,144	$ 159,232,025

	Analysis of Expenses at December 31, 2018				
	Grants awarded	Program-related expenses	Direct charitable activities	General & administrative expenses	Total
Grants awarded	$ 90,860,255	$ -	$ -	$ -	$ 90,860,255
Salaries and benefits	-	21,331,611	-	12,926,515	34,258,126
Office and occupancy	-	2,646,550	-	1,584,006	4,230,556
Services and professional fees	-	-	14,409,001	4,682,050	19,091,051
Travel, conferences and meetings	-	1,677,989	3,847,843	910,792	6,436,624
Depreciation	-	1,912,666	-	1,224,934	3,137,600
Other expenses	-	582,735	-	368,509	951,244
Interest and swap expense	-	-	-	475,103	475,103
Postretirement benefit cost - interest and amortization	-	6,514,688	-	4,527,150	11,041,838
	$ 90,860,255	$ 34,666,239	$ 18,256,844	$ 26,699,059	$ 170,482,397

13. LIQUIDITY

The Foundation's financial assets available within one year of December 31, 2019 to meet general expenditures include:

Cash	$ 3,294,275
Restricted cash	6,051,471
Interest and dividends receivable	2,366,216
Security sales receivable	18,152,850
Short-term investments	67,437,455
Public market equities	603,248,464
Fixed income securities	151,569,996
Available financial assets	$ 852,120,727

The Foundation endeavors to structure its financial assets to be available and liquid as its general expenditures, liabilities and other obligations become due. The restricted cash (as described in Note 7) is restricted for the purposes of construction costs incurred in UA Associates I LLC. These constructions costs are considered to be the general expenditures for UA Associates I LLC and are available and liquid to meet those obligations in the next year. In addition to the available financial assets listed above, the Foundation has a line of credit of $80 million (as described in Note 6) which can be drawn upon to reinforce liquidity and cash position. Furthermore, there are likely to be additional components of the Foundation's investments that may be available and liquid within one year. These components include return of capital, income and realized gains from certain portions of the Foundation's alternative investment holdings.

14. SUBSEQUENT EVENTS

The Foundation has evaluated the impact of significant subsequent events through May 21, 2020, the date that the Foundation's consolidated financial statements were available to be issued. Since the beginning of 2020, the Coronavirus pandemic has led to economic deterioration worldwide. This pandemic is evolving rapidly, and as such, both the duration and severity of the impact are extremely difficult to predict. In response to the pandemic, the Foundation has taken significant measures to safeguard employees' health and safety, though all operations continue to occur remotely. The Foundation is monitoring the situation on a daily basis. On March 18, 2020, the Foundation borrowed $80 million on the line of credit (as described in Note 6) to reinforce liquidity and cash position. The Foundation repaid $43 million on the line of credit on April 22, 2020. No other subsequent events were identified that require recognition or disclosure.

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