THE JAMES IRVINE FOUNDATION

FINANCIAL STATEMENTS
December 31, 2020 and 2019

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
The James Irvine Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of The James Irvine Foundation, which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 above present fairly, in all material respects, the financial position of The James Irvine Foundation as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the Foundation has adopted ASU 2018-13 - *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement.* Our opinion is not modified with respect to this matter.

Crowe LLP

Crowe LLP

San Francisco, California
June 23, 2021

THE JAMES IRVINE FOUNDATION
STATEMENTS OF FINANCIAL POSITION
December 31, 2020 and 2019

	2020	2019
ASSETS		
Cash – interest-bearing deposits	$ 10,027	$ 105,958
Collateral under securities lending program	17,543,442	26,889,138
Receivable from sales/redemptions of investments	8,565,673	72,892,721
Interest and dividends receivable	984,257	1,337,246
Investments	3,571,795,245	2,495,673,198
Property and equipment, net	2,543,928	3,163,542
Right of use – office leases	4,378,834	5,376,397
Other assets	1,529,497	1,523,783
Total assets	$ 3,607,350,903	$ 2,606,961,983
LIABILITIES AND NET ASSETS		
Liabilities		
Payable for purchases of securities	$ 13,843,688	$ 106,511
Accounts payable and other accrued liabilities	5,295,153	4,266,142
Payable under securities lending program	17,543,442	26,889,138
Payable on lines of credit	30,000,000	27,425,000
Deferred federal excise taxes	25,807,000	12,939,000
Lease liability for office leases	6,018,023	7,289,429
Grants payable, net	41,162,156	51,762,160
Total liabilities	139,669,462	130,677,380
Net assets without donor restrictions	3,467,681,441	2,476,284,603
Total liabilities and net assets	$ 3,607,350,903	$ 2,606,961,983

See accompanying notes to financial statements.

THE JAMES IRVINE FOUNDATION
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
Years Ended December 31, 2020 and 2019

	2020	2019
REVENUE		
Investment income:		
Interest	$ 10,145,424	$ 10,220,951
Dividends and other income	3,060,859	3,335,011
Securities lending income	44,350	70,336
Net realized and unrealized gains on investments	1,129,977,726	390,726,732
Less: External and direct internal investment expenses	(8,779,566)	(8,367,208)
Net investment income before excise and income taxes	1,134,448,793	395,985,822
Excise and income taxes expense	(16,910,404)	(2,127,834)
Net investment income	1,117,538,389	393,857,988
EXPENSES		
Grants approved by the Board of Directors	108,932,381	104,827,622
Conditional grant activity and other, net	1,641,728	2,286,122
Grant expense, net	110,574,109	107,113,744
Program administrative expenses	13,583,964	14,430,208
Supporting administrative expense	1,983,478	1,952,172
Total noninvestment expenses	126,141,551	123,496,124
Change in net assets without donor restrictions	991,396,838	270,361,864
Net assets, beginning of year	2,476,284,603	2,205,922,739
Net assets, end of year	$ 3,467,681,441	$ 2,476,284,603

See accompanying notes to financial statements.

THE JAMES IRVINE FOUNDATION
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	$ 991,396,838	$ 270,361,864
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	619,614	607,054
Loss on disposal of property and equipment	-	18,730
Net realized and unrealized gains on investments	(1,129,977,726)	(390,726,732)
Non-cash rent expense	(273,843)	631,064
Deferred federal excise taxes	12,868,000	273,000
Changes in operating assets and liabilities:		
Interest and dividends receivable	352,989	24,021
Other assets	(5,714)	45,752
Accounts payable and other accrued liabilities	1,029,011	448,152
Grants payable	(10,600,004)	1,583,459
Net cash used in operating activities	(134,590,835)	(116,733,636)
Cash flows from investing activities:		
Purchases of investments	(1,016,041,295)	(796,197,365)
Proceeds from sales, maturities, and distributions from investments	1,147,961,199	903,572,672
Change in collateral under securities lending program	9,345,696	12,520,733
Purchases of property and equipment	-	(1,071,356)
Net cash provided by investing activities	141,265,600	118,824,684
Cash flows from financing activities:		
Change in payable under securities lending program	(9,345,696)	(12,520,733)
Cash received from lines of credit	99,876,000	63,125,000
Cash paid on lines of credit	(97,301,000)	(52,700,000)
Net cash used in financing activities	(6,770,696)	(2,095,733)
Net change in cash	(95,931)	(4,685)
Cash, beginning of year	105,958	110,643
Cash, end of year	$ 10,027	$ 105,958
Supplemental disclosure of cash flow information:		
Excise and income taxes paid	$ 4,042,404	$ 1,854,834
Interest paid	$ 240,032	$ 217,300

See accompanying notes to financial statements.

NOTE 1 - ORGANIZATION

The James Irvine Foundation (the "Foundation") is a private foundation dedicated to expanding opportunity for the people of California. Since 2016, the Foundation's grantmaking has been focused on the goal of a California where all low-income workers have the power to advance economically.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: The accompanying financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States (U.S. GAAP) and are presented on the basis of net assets with donor restrictions and net assets without donor restrictions. The statements of financial position are prepared using specialized accounting principles of Accounting Standards Codification (ASC) 958 *Not-for-Profit Entities.*

Net assets with donor restrictions: Net assets with donor restrictions are subject to donor-imposed stipulations. At December 31, 2020 and 2019, the Foundation did not have any net assets with donor restrictions.

Net assets without donor restrictions: Net assets without donor restrictions represent resources which do not have donor-imposed stipulations and are available to support the Foundation's operations.

Cash: Consists of interest-bearing deposits held in banks**.**

Investments: The Foundation maintains the following categories of investments:

- Short-term, fixed-income investments include cash, commercial paper, demand notes, foreign currency, and corporate and government bonds.

- Equity securities primarily consist of investments in both domestic and foreign corporate common stock securities as well as mutual funds.

- Fixed-income securities include holdings in corporate and municipal bonds, as well as U.S. government securities, various mortgage- and asset-backed bonds, and convertible corporate debentures.

- Alternative investments represent investments in limited partnerships, limited liability companies, onshore and offshore hedge funds, private real estate investment trusts, and other nonpublic investments.

- Derivatives are financial instruments or contracts whose values depend on or are derived from (in whole or in part) the variability of one or more underlying instruments and may include forward currency contracts, futures contracts, and total return swaps.

Derivatives: The Foundation does not designate any derivatives as hedges. Thus, the changes in fair value of derivative instruments are reported in net realized and unrealized gains (losses) on investments in the statements of activities and changes in net assets. There were no derivatives held for the years ended December 31, 2020 and 2019.

Property and Equipment: Property and equipment are stated at cost and depreciated using the straight-line method over the estimated useful lives of the assets ranging from three to seven years. Leasehold improvements are amortized over the lesser of the asset's useful life or the lease term.

(Continued)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants: Grants are expensed when the unconditional promise to give is approved by the Board of Directors. Such unconditional grants are made in support of the Foundation's mission in which the Foundation itself receives no commensurate value. The Foundation determines whether a grant is conditional on the basis of whether an agreement includes a barrier that must be overcome and either a right of return of grants made or a right of release from its obligation to make grants. Indicators of barriers include a measurable performance related barrier, limited discretion on the conduct of an activity, and barriers related to the purpose of the agreement. Conditional promises to give, consisting primarily of grants with matching requirements, are recognized as grant expense in the period in which the recipient meets the terms of the condition. Such conditions may include other requirements, such as the requirement for a newly formed organization to successfully obtain its 501(c)(3) status before the grant becomes unconditional. Grant refunds are recorded as a reduction of grant expense at the time the Foundation becomes aware the grant will be refunded.

The Foundation also actively conducts direct charitable activities. The direct charitable activities, including honoraria to individuals, cost of materials, supplies, travel and conferences, and fees paid to external parties in connection with the specific charitable activity, are included in grant expense, net on the statements of activities and changes in net assets.

Investment Income: Investment income represents investment return net of external and direct internal expenses. Direct internal expenses include salaries, benefits, travel, and other costs associated with the officer and staff responsible for the development and execution of the investment strategy. External costs include outside investment manager fees, and custodial and other service fees related to investment activities.

Retirement Plan: The Foundation provides a defined contribution plan for all its employees, funded by the Foundation and maintained by an independent trustee. The Foundation's contributions to this plan were approximately $1,362,000 and $1,215,000 in 2020 and 2019, respectively.

The Foundation also has an unfunded deferred compensation plan for a select group of highly compensated or management employees under Internal Revenue Code (the "Code") Section 457(b). Subject to statutory limits, the Foundation contributes to the plan on behalf of eligible employees who did not receive their full contributions to the defined contribution plan due to the Internal Revenue Service limits covering that plan. At December 31, 2020 and 2019, the Foundation held approximately $1,338,000 and $1,081,000, respectively, in other assets that are designated to pay future deferred compensation liabilities under the plan of approximately $1,338,000 and $1,081,000, respectively, that are included in the accounts payable and other accrued liabilities within the statements of financial position.

Estimated Fair Value of Financial Instruments: The carrying amounts of cash, receivable from sales/redemptions of investments, interest and dividends receivable, accounts payable and other accrued liabilities, and payable for purchases of securities approximate fair value because of the short maturity of these financial instruments. The carrying amount of grants payable approximates fair value because such liabilities are recorded at estimated net present value based on anticipated future cash flows and a risk-adjusted discount rate.

Investments are held at estimated fair value. In general, where available and appropriate, alternative investments, which generally do not have a readily determinable fair value, are valued using fund-provided net asset values per share or ownership interest (NAVs) as allowed under *Fair Value Measurements and Disclosures (Topic 820): Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*. Fair value is discussed further in Note 3.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentration of Risks: In the ordinary course of business, the Foundation manages a variety of risks, including market risk and credit risk. Market conditions such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in law, and trade barriers may affect the level and volatility of the prices of financial instruments and the liquidity of the Foundation's investments. Market risk is a risk of potential adverse changes to the value of financial instruments because of changes in market conditions such as interest and currency rate movements and volatility in commodity or security prices. The Foundation is also subject to credit and counterparty risks when entering into transactions, including cash, cash equivalents, investments and derivatives. The Foundation maintains cash and cash equivalents with major financial institutions. At times, such amounts may exceed Federal Deposit Insurance Corporation limits.

Tax Exempt Status: The Foundation is a private foundation and is exempt from federal income taxes under Section 501(c)(3) of the Code and from California franchise and/or income taxes under Section 23701(d) of the Revenue and Taxation Code.

Income Taxes: The Foundation recognizes and measures its unrecognized tax benefits in accordance with ASC 740-10, which requires the Foundation to determine whether tax positions of the Foundation are "more likely than not" to be sustained upon examination by the applicable taxing authority based on the technical merits of the positions. As of December 31, 2020, the Foundation has analyzed the inventory of tax positions taken with respect to all applicable income tax issues for all open tax years (in each respective jurisdiction) and has concluded that no reserve for uncertain tax positions is required.

Leases: The Foundation, as a lessee, has the right to obtain substantially all of the economic benefits from use of the underlying assets over the lease term. The lease liabilities represent the obligation to make lease payments arising from the lease. Right of use ("ROU") assets and liabilities are recognized at commencement date based on the present value of the lease payments over the lease term. The lease agreements did not provide an implicit rate, thus the Foundation uses a risk-free discount rate established at the commencement date of the leases. The lease credits or allowances were applied against the lease payments and included in the ROU assets. Lease expense related to lease payments is recognized on a straight-line basis over the lease term.

Use of Estimates: The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions. These estimates and assumptions 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. Significant accounting estimates reflected in the Foundation's financial statements include the determination of the fair value of investments (including alternative investments), the discount on grants payable, the calculation of federal excise tax expense, and the functional expense allocation. Actual results could differ from those estimates.

Changes in Accounting Principles: In August 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2018-13 - *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. ASU 2018-13 modifies and improves certain disclosure requirements for fair value measurements. This guidance is effective for the Foundation beginning January 1, 2020 and early adoption is permitted. The Foundation adopted this ASU effective January 1, 2020, and certain changes were made to the ASC 820 Fair Value disclosures in Note 3.

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NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Coronavirus Implications: On March 11, 2020, the World Health Organization declared the novel coronavirus outbreak (COVID-19) a pandemic. COVID-19 is adversely impacting global commercial activity and has contributed to significant volatility in financial markets. This could materially and adversely impact the value and performance of the Foundation's investments in the future; management continues to monitor conditions.

Subsequent Events: The Foundation has evaluated subsequent events through June 23, 2021, the date the financial statements were available to be issued, and believes no additional disclosures are required in the financial statements, except as discussed in Note 6.

NOTE 3 – INVESTMENTS

Fair Value Measurements - The Foundation is subject to the provisions of ASC 820, *Fair Value Measurement*. ASC 820 defines fair value, establishes a framework for measuring fair value and requires disclosures about fair value measurements. ASC 820 permits the Foundation, as a practical expedient, to estimate the fair value of certain investments based on NAV per share, or its equivalent, if the NAV of such investments is calculated in a manner consistent with the measurement principles of ASC 946, *Financial Services—Investment Companies* in arriving at their reported NAV.

ASC 820 also establishes a hierarchal disclosure framework that prioritizes and ranks the level of market price observability used in measuring investments at fair value. Market price observability is affected by a number of factors, including the type of investment and the characteristics specific to the investment. Investments with readily available active 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. Investments measured and reported at fair value are classified and disclosed in one of the following categories.

The categorization of an investment within the hierarchy is based on the pricing transparency of the investment and does not necessarily correspond to the Foundation's perceived risk of that investment.

Level I – Quoted prices are available in active markets for identical investments as of the reporting date. This category includes active exchange traded money market funds, equity securities and U.S. Treasury securities.

Level II – Pricing inputs for assets held as collateral under securities lending programs and fixed income securities are other than quoted prices in active markets for identical instruments. Fair value for these investments is primarily determined using models or other valuation methodologies that utilize market prices of similar securities as inputs to determine fair value. These inputs are either directly or indirectly observable as of the reporting date.

Level III – Pricing inputs are unobservable and include situations where there is little, if any, market activity for the investment. Investments that are included in this category generally include privately held securities with little to no market activity. Reported valuations of Level III securities may differ materially from the values that would have been used had a ready market for these investments existed.

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 judgment and considers factors specific to the investment.

(Continued)

NOTE 3 - INVESTMENTS (Continued)

The financial assets carried in the statements of financial position by level within the valuation hierarchy as of December 31, 2020, are as follows:

	Fair Value Measurements 2020				
	Level I	Level II	Level III	Other[1]	Total
Assets:					
Collateral under securities lending program:					
Cash fund	$ -	$ 407,331	$ -	$ -	$ 407,331
Non-cash	-	17,136,111	-	-	17,136,111
Total collateral under securities lending program	-	17,543,442	-	-	17,543,442
Short-term, fixed-income investments	-	48,755,560	-	-	48,755,560
Equity securities	192,974,040	-	5,344,487	698,485,190 [2]	896,803,717
Fixed-income securities	17,539,024	147,299,759	-	-	164,838,783
Alternative investments:					
Private investments	-	-	-	1,616,441,336	1,616,441,336
Multi-strategy investments	-	-	-	844,955,849	844,955,849
Total investments	210,513,064	196,055,319	5,344,487	3,159,882,375	3,571,795,245
Total assets	$ 210,513,064	$ 213,598,761	$ 5,344,487	$ 3,159,882,375	$ 3,589,338,687

The financial assets carried in the statements of financial position by level within the valuation hierarchy as of December 31, 2019, are as follows:

	Fair Value Measurements 2019				
	Level I	Level II	Level III	Other[1]	Total
Assets:					
Collateral under securities lending program:					
Cash fund	$ -	$ 12,339,059	$ -	$ -	$ 12,339,059
Non-cash	-	14,550,079	-	-	14,550,079
Total collateral under securities lending program	-	26,889,138	-	-	26,889,138
Short-term, fixed-income investments	-	18,754,169	-	-	18,754,169
Equity securities	169,918,983	-	1,440,409	543,715,174 [2]	715,074,566
Fixed-income securities	27,319,491	115,985,455	-	-	143,304,946
Alternative investments:					
Private investments	-	-	-	879,123,849	879,123,849
Multi-strategy investments	-	-	-	739,415,668	739,415,668
Total investments	197,238,474	134,739,624	1,440,409	2,162,254,691	2,495,673,198
Total assets	$ 197,238,474	$ 161,628,762	$ 1,440,409	$ 2,162,254,691	$ 2,522,562,336

[1] Investments using NAV as a practical expedient are not included in the fair value hierarchy.

[2] These investments represent holdings in commingled trust funds that invest primarily in U.S and international equity securities. The Foundation's ability to redeem these investments ranges from daily to quarterly.

NOTE 3 – INVESTMENTS (Continued)

At December 31, 2020 and 2019, the Foundation held a total of $5,344,487 and $1,440,409, respectively, in investments classified as Level III investments in equity securities, whose values have been estimated by the Foundation in the absence of readily ascertainable market values. These securities have been distributed to the Foundation by one of the Foundation's alternative investment funds. The Foundation's estimate of fair value is based on the fair value of the security on the date it was distributed to the Foundation. Management believes the distribution price approximates fair value.

Quantitative information regarding unobservable inputs used in determining fair value of certain investments classified as Level III as of December 31, 2020 is presented as follows:

Asset	Fair Value	Valuation Technique	Unobservable Input	Range
Equity securities	$ 5,344,487	Distribution price	Distribution price	N/A

Quantitative information regarding unobservable inputs used in determining fair value of certain investments classified as Level III as of December 31, 2019 is presented as follows:

Asset	Fair Value	Valuation Technique	Unobservable Input	Range
Equity securities	$ 1,440,409	Distribution price	Distribution price	N/A

Total realized and unrealized gains and losses recorded for Level III investments, if any, are reported in "Net realized and unrealized gains (losses) on investments" in both the statements of activities and changes in net assets and the statements of cash flows.

There were no significant transfers in or out of Level III of the fair value hierarchy during 2020 or 2019.

At December 31, 2020 and 2019, the Foundation held a total of $2,461,397,185 and $1,618,539,517, respectively, in investments in private equity funds, hedge funds, venture capital funds, multi-strategy portfolio and other alternatives, which are collectively referred to as "alternative investments", whose values have been estimated by the Foundation in the absence of readily ascertainable market values. The Foundation's estimate of fair value is generally based on the NAV provided to the Foundation by each alternative investment fund, supported by the independently audited financial statements of the alternative investment fund, when available. For those alternative investment funds for which independently audited financial statements in accordance with U.S. GAAP are not provided, the Foundation bases its estimate of fair value on the unaudited information calculated by the respective alternative investment fund's management and reported to the Foundation.

(Continued)

NOTE 3 – INVESTMENTS (Continued)

Alternative Investment Capital Contributions: The Foundation made capital contributions to alternative investments as called for by the investment agreements in 2020 and 2019, as follows:

	2020	2019
Private investments	$ 95,500,715	$ 74,789,103
Multi-strategy investments	60,939,998	100,288,333
Total	$ 156,440,713	$ 175,077,436

Alternative Investment Strategy and Redemption Information**:** The investment strategy types, commitments to additional capital contributions, and various features of the alternative investment portfolio as of December 31, 2020, are as follows:

	Fair Value	Unfunded Commitments
Private investments (a)	$ 1,616,441,336	$ 287,064,362
Multi-strategy investments (b)	844,955,849	142,036,127
Total	$ 2,461,397,185	$ 429,100,489

(a) These funds invest in various public and private companies, both domestic and international and in U.S. and international commercial real estate, private debt and natural resources. These investments can never be redeemed. Rather, except for two funds, proceeds will be received when the funds' assets are liquidated. It is estimated that the underlying assets of all but those two funds will be liquidated over the next 1 - 10 years (by the year 2021 through 2030), including likely extension agreements. Of the two remaining funds, one extends until the year 2039 and the other indefinitely. One of these two funds resets every four years, at which time the Foundation can opt out with proper notice.

(b) These funds primarily invest both long and short in U.S. and international equity or credit securities, as well as in various timberland holdings, both domestic and international, along with other types of investments. Management of the hedge funds has the ability to shift investment strategies. Some of these investments contain withdrawal restrictions up to three years. Some of the funds in partnership formats do not allow for redemption. Rather, proceeds will be received when the funds' assets are liquidated. For the funds that are eligible for redemption, the redemption frequency varies from monthly to annually, with a required redemption notice period between 45 days and 180 days.

(Continued)

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2020 and 2019, consist of the following:

	2020	2019
Office furniture and equipment	$ 1,669,761	$ 1,663,761
Leasehold improvements	4,861,576	4,861,576
Improvements in progress	-	6,000
Total	6,531,337	6,531,337
Accumulated depreciation and amortization	(3,987,409)	(3,367,795)
Property and equipment, net	$ 2,543,928	$ 3,163,542

NOTE 5 – GRANTS

The Foundation's grant activity for the years ended December 31, 2020 and 2019, is summarized as follows:

	2020	2019
Grants approved by the Board of Directors	$ 108,932,381	$ 104,827,622
(Deduct) add conditional grant activity and other:		
Conditional grants made	(2,700,000)	(960,000)
Conditions met on conditional grants made in current and prior years	3,730,000	2,460,000
Change in discounts on multi-year grants - net	68,781	286,042
Matching gifts program	542,947	500,080
Conditional grant activity and other, net	1,641,728	2,286,122
Grant expense, net	$ 110,574,109	$ 107,113,744

Future minimum grant disbursements as of December 31, 2020, are scheduled as follows:

	Unconditional	Conditional
2021	$ 31,766,300	$ -
2022	9,433,502	-
Total	41,199,802	-
Less discounts on multi-year grants	(37,646)	-
Grants payable, net	$ 41,162,156	$ -

(Continued)

NOTE 6 - LINES OF CREDIT

In June 2018, the Foundation entered into a $40,000,000 line of credit agreement with a major commercial bank. The line bears interest based on London Interbank Offered Rate ("LIBOR") as adjusted under the terms of the agreement as well as non-usage fees ranging from 0.15% to 0.25% per annum depending on the outstanding funded balance. In June 2019, the revolving line was amended to $50,000,000 and renewed in June 2020 with a revised non-usage fee of 0.375% per annum. In June 2021, this line was amended for $75,000,000 and bears interest based on Bloomberg Short-Term Bank Yield Index rate as adjusted under the terms of the agreement as well as non-usage fees of 0.2% per annum. The revolving line expires in October 2024 and is subject to standard renewal practices and covenants over financial reporting, use of assets, and customary corporate governance matters. The outstanding balance of $20,000,000 and $27,425,000 at December 31, 2020 and 2019, respectively, is included in the statements of financial position.

In March 2020, the Foundation entered into a $75,000,000 line of credit agreement with another major commercial bank. This new line bears interest based on LIBOR or the Prime Rate as adjusted under the terms of the agreement as well as non-usage fees of 0.13% per annum. This new line expires on March 2023 and is subject to standard renewal practices and covenants over financial reporting, liquidity, use of assets, and customary corporate governance matters. The outstanding balance of $10,000,000 and $0 at December 31, 2020 and 2019, respectively, is included in the statements of financial position.

Pursuant to the agreements, the Foundation is subject to certain financial covenants and other requirements. At December 31, 2020 and 2019, management believes the Foundation is in compliance with all covenants.

Interest expense and non-usage fees totaled approximately $436,000 and $286,000 for the years ended December 31, 2020 and 2019, respectively.

NOTE 7 - EXCISE AND INCOME TAXES

In accordance with the applicable provisions of the Code, the Foundation was subject to an excise tax of 2% (1% if minimum payout requirements prescribed by the Code were met) on its net investment income, excluding unrealized gains, as defined, through December 31, 2019, and is subject to corporate income tax rates on unrelated business income. The Foundation was subject to the 1% rate for the year ending December 31, 2019. In addition, the Code requires that certain minimum distributions be made in accordance with a specified formula.

Effective December 20, 2019, the Further Consolidated Appropriations Act of 2020 ("the Act") was signed, simplifying the excise tax rate on net investment income by repealing the reduced tax provisions of §4940 when certain distribution requirements are met. The Act replaces the previous two-tiered system (1% or 2% rates) with a flat rate of 1.39% for tax years starting after December 20, 2019. The Foundation was subject to the 1.39% rate for the year ended December 31, 2020. Deferred excise taxes arise primarily from unrealized gains on investments. At December 31, 2020, deferred federal excise tax is estimated at 1.39%.

(Continued)

NOTE 7 - EXCISE AND INCOME TAXES (Continued)

The provision for current and deferred federal excise and income taxes for the years ended December 31, 2020 and 2019, are as follows:

	2020	2019
Current	$ 4,042,404	$ 1,854,834
Deferred	12,868,000	273,000
Excise and income tax expense	$ 16,910,404	$ 2,127,834

NOTE 8 - LEASE COMMITMENTS

The Foundation leases its facilities under long-term non-cancelable operating leases in San Francisco and Los Angeles. The San Francisco lease was executed in 2012 and expires in 2023. The Los Angeles lease was executed in 2009 and expired in 2019. In 2018, the Foundation terminated its lease expiring in February 2019 and executed a new lease for office space in Los Angeles that expires in 2029.

The Foundation used a discount rate of 2.47% and 3.33% to compute the net present value of the remaining future minimum lease payments, which was the risk-free rate for the 10-year U.S. Treasury at the initial commencement date for the offices in San Francisco and Los Angeles, respectively. The Foundation has recorded a ROU asset of $4,378,834 and $5,376,397 as of December 31, 2020 and 2019, respectively. The Foundation has recorded a lease liability of $6,018,023 and $7,289,429 as of December 31, 2020 and 2019, respectively.

Approximate future minimum lease payments, subject to adjustments based on changes in real property taxes and maintenance expenses, as of December 31, 2020, are as follows:

Years Ending December 31,	Total
2021	$ 1,480,000
2022	1,511,000
2023	646,000
2024	484,000
2025	499,000
2026 and thereafter	1,944,000
Total cash payments	6,564,000
Less: discounts	(546,000)
Lease liability for office lease	$ 6,018,000

Rental expense was approximately $1,632,000 and $1,295,000 in 2020 and 2019, respectively.

(Continued)

NOTE 9 – FUNCTIONAL EXPENSE ALLOCATIONS

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function, which therefore require allocation on a reasonable basis that is consistently applied. Expenses such as salaries and benefits, travel and meeting expenses, depreciation and amortization, and rent, are allocated among supporting administrative and program administrative expenses based on employee ratios and estimates of time and effort as evaluated by Foundation management.

	2020			
	Grantmaking Expense	Program Administrative	Supporting Administrative	Total
Salaries and benefits	$ -	$ 9,414,395	$ 1,160,152	$ 10,574,547
Professional services	-	1,071,621	170,033	1,241,654
Occupancy	-	1,114,918	278,729	1,393,647
Depreciation and amortization	-	495,691	123,923	619,614
Travel, conferences and meetings	-	175,796	28,144	203,940
Office expense	-	55,978	13,566	69,544
Information technology	-	577,194	159,115	736,309
Interest and non-usage fees	-	435,544	-	435,544
Other	-	242,827	49,816	292,643
Grants	106,990,379	-	-	106,990,379
Direct charitable activities	3,583,730	-	-	3,583,730
Total noninvestment expense	$ 110,574,109	$ 13,583,964	$ 1,983,478	$ 126,141,551

	2019			
	Grantmaking Expense	Program Administrative	Supporting Administrative	Total
Salaries and benefits	$ -	$ 8,448,062	$ 1,042,810	$ 9,490,872
Professional services	-	2,412,409	199,157	2,611,566
Occupancy	-	1,100,814	275,204	1,376,018
Depreciation and amortization	-	485,644	121,410	607,054
Travel, conferences and meetings	-	715,827	90,927	806,754
Office expense	-	168,797	18,694	187,491
Information technology	-	518,227	142,895	661,122
Interest and non-usage fees	-	285,521	-	285,521
Other	-	294,907	61,075	355,982
Grants	102,390,368	-	-	102,390,368
Direct charitable activities	4,723,376	-	-	4,723,376
Total noninvestment expense	$ 107,113,744	$ 14,430,208	$ 1,952,172	$ 123,496,124

(Continued)

NOTE 10 – LIQUIDITY

The Foundation's financial assets, available to meet general expenditures within one year of the Statement of Financial Position date, are approximately as follows:

Financial assets at December 31:

	2020	2019
Cash	$ 10,000	$ 106,000
Receivable from sales/redemptions of investments	8,566,000	72,893,000
Interest and dividends receivable	984,000	1,337,000
Short-term, fixed-income investments	48,756,000	18,754,000
Equity, fixed-income and alternative investments	3,523,040,000	2,476,919,000
Total financial assets	3,581,356,000	2,570,009,000
Less: amounts unavailable for general expenditures within one year:		
Subject to the Foundation's appropriations and spending policy	(137,000,000)	(129,000,000)
Redemption restrictions on alternative investments	(1,692,668,000)	(955,690,000)
Financial assets not available to be used within one year	(1,829,668,000)	(1,084,690,000)
Financial assets available to meet cash needs for general expenditures within one year	$ 1,751,688,000	$ 1,485,319,000

The Foundation structures its financial assets to be available for general expenditures, grant disbursements, and other operational obligations as they arise. Foundation financial assets are subject to an annual spending policy of 5.5 percent calculated using the average monthly financial asset value over a multi-year period, with annual appropriated expenditures approved by the Board of Directors. Available financial assets include cash, short-term investments such as marketable equity securities, fixed income instruments, redeemable private equity funds, and real asset holdings. In addition, the Foundation has lines of credit as described in detail in Note 6.

NOTE 11 - SECURITIES LENDING

Through a securities lending program managed by its investment custodian, the Foundation loans certain marketable securities included in its investment portfolio, for which the investment custodian has indemnified the Foundation against any counterparty risk. The custodian's loan agreements require the borrowers to maintain collateral in the form of cash or securities equal to 102% to 105% of the fair value of the securities loaned. The Foundation maintains control over the collateral and continues to receive interest or dividends on the securities loaned. Gain or loss in the fair value of the securities loaned that may occur during the term of the loan will be for the account of the Foundation. The Foundation has the right under the lending agreement to recover the securities from the borrower on demand. The principal risks to the Foundation of securities lending are that the yield earned on the collateral may be insufficient to cover the rebate owed to the borrower and that an investment purchased via the collateral reinvestment process may become impaired.

The value of securities on loan at December 31, 2020 and 2019, was approximately $17,125,000 and $25,900,000, respectively. The value of collateral received at December 31, 2020 and 2019, was approximately $17,543,000 and $26,889,000, respectively.