



TIMKEN
MUSEUM
OF ART

THE PUTNAM FOUNDATION
FINANCIAL STATEMENTS
MARCH 31, 2020 AND 2019



Leaf & Cole, LLP
Certified Public Accountants

**THE PUTNAM FOUNDATION
FINANCIAL STATEMENTS
MARCH 31, 2020 AND 2019**

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Leaf & Cole, LLP
Certified Public Accountants
A Partnership of Professional Corporations

Independent Auditor's Report

To the Board of Directors
The Putnam Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of The Putnam Foundation, which comprise the statements of financial position as of March 31, 2020 and 2019, 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.

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.

To the Board of Directors
The Putnam Foundation

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Putnam Foundation as of March 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.

Leaf & Cole LLP

San Diego, California
October 26, 2020

THE PUTNAM FOUNDATION
STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2020 AND 2019

ASSETS

	<u>2020</u>	<u>2019</u>
<u>Current Assets:</u> (Notes 2 and 5)		
Cash and cash equivalents	\$ 391,021	\$ 280,789
Pledges receivable	1,402,000	20,000
Prepaid expenses and other assets	18,081	10,453
Inventory	30,464	34,195
Total Current Assets	<u>1,841,566</u>	<u>345,437</u>
<u>Noncurrent Assets:</u> (Notes 2, 4, 5, 6, 7 and 8)		
Pledges receivable, net	5,888,000	-
Investments and cash - restricted	5,228,737	6,187,520
Property and equipment, net	469,976	458,503
Collections - works of art	13,759,622	13,759,622
Investments - endowment	2,182,859	2,182,859
Perpetual trust held by third-party trustee	13,015,925	14,176,695
Total Noncurrent Assets	<u>40,545,119</u>	<u>36,765,199</u>
TOTAL ASSETS	<u>\$ 42,386,685</u>	<u>\$ 37,110,636</u>

LIABILITIES AND NET ASSETS

<u>Current Liabilities:</u> (Notes 2, 10 and 14)		
Accounts payable and accrued expenses	\$ 185,899	\$ 249,476
Current portion of note payable	9,788	9,789
Total Current Liabilities	<u>195,687</u>	<u>259,265</u>
<u>Noncurrent Liabilities:</u> (Note 10)		
Note payable, less current portion	<u>3,264</u>	<u>13,051</u>
Total Noncurrent Liabilities	<u>3,264</u>	<u>13,051</u>
Total Liabilities	<u>198,951</u>	<u>272,316</u>
<u>Commitments and Contingency</u> (Notes 9 and 14)		
<u>Net Assets:</u> (Notes 2, 11, 12 and 13)		
Without Donor Restrictions:		
Undesignated	14,073,951	13,962,804
Board designated funds	585,000	675,000
Total Without Donor Restrictions	<u>14,658,951</u>	<u>14,637,804</u>
With Donor Restrictions:		
Purpose restrictions	7,686,262	328,442
Time restrictions	4,643,737	5,512,520
Perpetual in nature	15,198,784	16,359,554
Total With Donor Restrictions	<u>27,528,783</u>	<u>22,200,516</u>
Total Net Assets	<u>42,187,734</u>	<u>36,838,320</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 42,386,685</u>	<u>\$ 37,110,636</u>

The accompanying notes are an integral part of the financial statements.

THE PUTNAM FOUNDATION
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED MARCH 31, 2020 AND 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<u>Support and Revenue:</u>						
Contributions	\$ 717,735	\$ 7,480,132	\$ 8,197,867	\$ 600,094	\$ 38,031	\$ 638,125
Other income	291,669	-	291,669	381,510	-	381,510
Government grants	150,275	-	150,275	164,256	-	164,256
Investment (loss) income	309	(550,318)	(550,009)	217	144,829	145,046
Net assets released from restrictions	1,135,307	(1,135,307)	-	1,857,306	(1,857,306)	-
Total Support and Revenue	<u>2,295,295</u>	<u>5,794,507</u>	<u>8,089,802</u>	<u>3,003,383</u>	<u>(1,674,446)</u>	<u>1,328,937</u>
<u>Expenses:</u>						
Program Services:						
Program and exhibits	1,959,793	-	1,959,793	1,963,137	-	1,963,137
Total Program Services	<u>1,959,793</u>	<u>-</u>	<u>1,959,793</u>	<u>1,963,137</u>	<u>-</u>	<u>1,963,137</u>
Supporting Services:						
Management and general	185,890	-	185,890	200,691	-	200,691
Fundraising	128,465	-	128,465	156,882	-	156,882
Total Supporting Services	<u>314,355</u>	<u>-</u>	<u>314,355</u>	<u>357,573</u>	<u>-</u>	<u>357,573</u>
Total Expenses	<u>2,274,148</u>	<u>-</u>	<u>2,274,148</u>	<u>2,320,710</u>	<u>-</u>	<u>2,320,710</u>
<u>Other Income:</u>						
Change in fair value of perpetual trust held by third-party trustee	-	(466,240)	(466,240)	-	392,893	392,893
Total Other Income	<u>-</u>	<u>(466,240)</u>	<u>(466,240)</u>	<u>-</u>	<u>392,893</u>	<u>392,893</u>
Change in Net Assets	21,147	5,328,267	5,349,414	682,673	(1,281,553)	(598,880)
Net Assets at Beginning of Year	<u>14,637,804</u>	<u>22,200,516</u>	<u>36,838,320</u>	<u>13,955,131</u>	<u>23,482,069</u>	<u>37,437,200</u>
NET ASSETS AT END OF YEAR	<u>\$ 14,658,951</u>	<u>\$ 27,528,783</u>	<u>\$ 42,187,734</u>	<u>\$ 14,637,804</u>	<u>\$ 22,200,516</u>	<u>\$ 36,838,320</u>

The accompanying notes are an integral part of the financial statements.

THE PUTNAM FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2020

	Supporting Services				Total
	Programs and Exhibits	Management and General	Fundraising	Total Supporting Services	
<u>Salaries and Related Expenses:</u>					
Salaries and wages	\$ 767,841	\$ 85,316	\$ 20,720	\$ 106,036	\$ 873,877
Payroll taxes	59,730	8,204	1,556	9,760	69,490
Employee benefits	76,140	21,597	2,596	24,193	100,333
Total Salaries and Related Expenses	903,711	115,117	24,872	139,989	1,043,700
<u>Nonsalary Related Expenses:</u>					
Advertising	-	-	16,400	16,400	16,400
Bank fees and other charges	12,740	2,011	879	2,890	15,630
Cost of goods sold - Museum store	46,906	-	-	-	46,906
Depreciation	35,103	-	-	-	35,103
Events and donor recognition	61,706	-	-	-	61,706
Equipment expense	3,195	2,512	-	2,512	5,707
Exhibition costs	212,536	-	-	-	212,536
In-kind expenses	11,525	-	-	-	11,525
Insurance	63,472	2,222	410	2,632	66,104
Occupancy	205,272	14,655	6,260	20,915	226,187
Other expenses	91,352	19,896	9,719	29,615	120,967
Outside services	179,734	27,189	15,696	42,885	222,619
Program expenses	68,984	-	-	-	68,984
Repairs and maintenance	37,916	142	-	142	38,058
Special events	-	-	53,975	53,975	53,975
Supplies and materials	25,641	2,146	254	2,400	28,041
Total Nonsalary Related Expenses	1,056,082	70,773	103,593	174,366	1,230,448
Total Expenses	\$ 1,959,793	\$ 185,890	\$ 128,465	\$ 314,355	\$ 2,274,148

The accompanying notes are an integral part of the financial statements.

THE PUTNAM FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2019

	Supporting Services				Total
	Programs and Exhibits	Management and General	Fundraising	Total Supporting Services	
<u>Salaries and Related Expenses:</u>					
Salaries and wages	\$ 797,364	\$ 108,133	\$ 29,405	\$ 137,538	\$ 934,902
Payroll taxes	59,716	7,884	2,162	10,046	69,762
Employee benefits	73,919	20,408	4,903	25,311	99,230
Total Salaries and Related Expenses	930,999	136,425	36,470	172,895	1,103,894
<u>Nonsalary Related Expenses:</u>					
Advertising	-	-	11,716	11,716	11,716
Bank fees and other charges	7,768	1,228	537	1,765	9,533
Cost of goods sold - Museum store	26,018	-	-	-	26,018
Depreciation	34,958	-	-	-	34,958
Events and donor recognition	119,111	-	-	-	119,111
Equipment expense	2,820	492	-	492	3,312
Exhibition costs	226,514	-	-	-	226,514
In-kind expenses	7,060	-	2,984	2,984	10,044
Insurance	56,480	2,029	527	2,556	59,036
Occupancy	192,132	21,065	6,153	27,218	219,350
Other expenses	95,640	11,497	1,808	13,305	108,945
Outside services	92,325	26,479	4,209	30,688	123,013
Program expenses	111,687	-	-	-	111,687
Repairs and maintenance	34,922	198	-	198	35,120
Special events	-	-	92,116	92,116	92,116
Supplies and materials	24,703	1,278	362	1,640	26,343
Total Nonsalary Related Expenses	1,032,138	64,266	120,412	184,678	1,216,816
Total Expenses	\$ 1,963,137	\$ 200,691	\$ 156,882	\$ 357,573	\$ 2,320,710

The accompanying notes are an integral part of the financial statements.

**THE PUTNAM FOUNDATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<u>Cash Flows From Operating Activities:</u>		
Change in net assets	\$ 5,349,414	\$ (598,880)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	35,103	34,958
Net realized and unrealized losses (gains) from investments	668,710	(29,235)
Distributions from perpetual trust held by third-party trustee	694,530	694,921
Change in fair value of perpetual trust held by third-party trustee	466,240	(392,893)
(Increase) Decrease in:		
Pledges receivable	(7,270,000)	(20,000)
Prepaid expenses and other assets	(7,628)	374
Inventory	3,731	(15,957)
Increase (Decrease) in:		
Accounts payable and accrued expenses	(52,663)	18,098
Net Cash Used in Operating Activities	<u>(112,563)</u>	<u>(308,614)</u>
<u>Cash Flows From Investing Activities:</u>		
Purchase of investments	(118,392)	(115,595)
Proceeds from sale of investments	436,629	364,562
Purchase of property and equipment	(57,490)	(79,348)
Change in perpetual trust held by third-party trustee, net	1,160,770	302,028
Net Cash Provided by Investing Activities	<u>1,421,517</u>	<u>471,647</u>
<u>Cash Flows From Financing Activities:</u>		
Distributions from perpetual trust held by third-party trustee	(694,530)	(694,921)
Change in fair value of perpetual trust held by third-party trustee	(466,240)	392,893
Payments on note payable	(9,788)	(9,789)
Net Cash Used in Provided by Financing Activities	<u>(1,170,558)</u>	<u>(311,817)</u>
Net Increase (Decrease) in Cash and Cash Equivalents and Restricted Cash	138,396	(148,784)
Cash and Cash Equivalents and Restricted Cash at Beginning of Year	<u>401,330</u>	<u>550,114</u>
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR	<u>\$ 539,726</u>	<u>\$ 401,330</u>

The accompanying notes are an integral part of the financial statements.

THE PUTNAM FOUNDATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020 AND 2019

Note 1 - Organization:

The Putnam Foundation (the “Foundation”) is a non-profit organization whose primary activity is the education of the public in fine arts, through the operation of the Timken Museum of Art (the “Museum”) located in Balboa Park in San Diego, California, and is the only fine art museum in San Diego that does not charge admission. Accessibility, whether through our free-admission policy or through outreach to underserved groups in the community, is at the heart of the Timken. In addition to contributions, the Foundation receives income from endowment funds and a perpetual trust, which provide restricted and unrestricted income. The Museum is open to the public free of charge.

Collections

The world-class Putnam Foundation collection of European old masters, 19th century American art, and Russian icons is on permanent display at the Museum. The Museum’s collection spans nearly 700 years of art history, from early Italian Renaissance devotional paintings to late nineteenth-century paintings from the United States, and includes important examples of French, Dutch, and Flemish paintings in addition to Italian and American. Notable works in the Timken’s collection include: Rembrandt’s *Saint Bartholomew*, the only oil painting by the Dutch master on display in San Diego; Pieter Bruegel the Elder’s *Parable of the Sower*; John Singleton Copley’s *Portrait of Mrs. Thomas Gage*; Eastman Johnson’s classic, *The Cranberry Harvest: Island of Nantucket*; and Jean-Baptiste-Camille Corot’s *View of Volterra*. A special feature of the Museum is the significant collection of Russian icons, many from the Moscow and Novgorod Schools, ranging from the fifteenth to the nineteenth century.

Note 2 - Significant Accounting Policies:

Accounting Method

The financial statements of the Foundation have been prepared on the accrual basis of accounting, which is in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), and, accordingly, reflect all significant receivables, payables, and other liabilities.

Financial Statement Presentation

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes thereon are classified and reported as follows:

- Net Assets Without Donor Restrictions - Net assets available for use in general operations, and not subject to donor (or certain grantor) restrictions. The governing board has designated net assets without donor restrictions, as described in Note 10.
- Net Assets With Donor Restrictions - Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires—that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

THE PUTNAM FOUNDATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020 AND 2019

Note 2 - Significant Accounting Policies: (Continued)

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Risks and Uncertainties

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

Fair Value Measurements

Fair value accounting standards define fair value, establish a framework for measuring fair value, outline a fair value hierarchy based on inputs used to measure fair value, and enhance disclosure requirements for fair value measurements. The fair value hierarchy distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Level 1 or 2 of the hierarchy), and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

- Level 1 inputs are quoted prices in active markets for identical investments that the investment manager has the ability to access at the measurement date.
- Level 2 inputs, are inputs other than quoted prices included within Level 1, that are observable for the investment, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the investment.

The Foundation's statements of financial position include the following financial instruments that are required to be measured at fair value on a recurring basis:

- Investments in equities and mutual funds are considered Level 1 assets, and are reported at fair value based on quoted prices in active markets for identical assets at the measurement date.
- Investments in corporate and government bonds are considered Level 2 assets, and are reported at fair value using matrix pricing or market corroborated pricing, and inputs such as yield curves and indices.

**THE PUTNAM FOUNDATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020 AND 2019**

Note 2 - Significant Accounting Policies: (Continued)

Fair Value Measurements (Continued)

- The beneficial interest in the perpetual trust held by a third-party trustee (the “Trust”) is considered a Level 3 asset, and is recorded at fair value based on the fair value of the underlying Trust assets, as determined by the third-party trustee and reported to the Foundation. The statements provided by the third-party trustee are reviewed monthly by the Foundation’s Controller, and quarterly by the Investment Committee, for reasonableness of reported values. The Trust assets are valued at fair value based on quoted market prices, except for investments in hedge funds, which are valued at the net asset value of the funds. The third-party trustee controls the investments in the Trust, and makes all management and investment decisions.

Inventory

Inventory of gift shop items are valued at the lower of average cost (first-in, first-out) or net realizable value.

Capitalization and Depreciation

The Foundation capitalizes all expenditures in excess of \$2,000 for property and equipment at cost, while donations of property and equipment are recorded at their estimated fair values. Such donations are reported as ‘support without donor restrictions’ unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use, and contributions of cash that must be used to acquire property and equipment, are reported as support with donor restrictions. Absent donor stipulations regarding how those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Foundation reclassifies net assets with donor restrictions to ‘net assets without donor restrictions’ at that time. Property is depreciated using the straight-line method over the estimated useful asset lives as follows:

Building improvements	11 - 15 years
Equipment	5 - 7 years

Depreciation totaled \$35,103 and \$34,958 for the years ended March 31, 2020 and 2019, respectively.

Maintenance and repairs are charged to operations as incurred. Upon sale or disposition of property, the asset account is relieved of the cost, and the accumulated depreciation account is charged with depreciation taken prior to the sale. Any resultant gain or loss is credited or charged to earnings.

Valuation of Long-Lived Assets

The Foundation reviews its long-lived assets for impairment at least annually. Whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable, recoverability of the asset to be held and used is measured by a comparison of the carrying amount of the asset to the future net undiscounted cash flows expected to be generated by the asset. If such asset is considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Based on an evaluation of existing long-lived assets, the Foundation believes no impairment exists at March 31, 2020 and 2019.

**THE PUTNAM FOUNDATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020 AND 2019**

Note 2 - Significant Accounting Policies: (Continued)

Collections - Works of Art

The Foundation has capitalized its works of art since its inception. If purchased, items accessioned into the works of art are capitalized at cost and, if donated, they are capitalized at their appraised or fair value on the accession date, the date on which the item is accepted by the Board of Directors (the "Board"). Gains or losses on the deaccession of works of art are classified in the statements of activities as 'with donor restrictions' or 'without donor restrictions' depending on donor restrictions, if any, placed on the item at the time of accession. There were no accession or deaccessions of works of art for the years ended March 31, 2020 and 2019. Costs incurred in connection with the acquisition and conservation of works of art are expensed in the period incurred. The collection totaled \$13,759,622 at March 31, 2020 and 2019.

An independent appraisal made during 2015, adjusted for accessions and deaccessions at cost, valued the works of art held by the Foundation at \$275,283,000. Subsequent to the issuance of the appraisal report, the museum made acquisitions and received donated works of art totaling in the amount of \$1,844,599. Management believes that the value at March 31, 2020 has not declined since the 2015 appraisal.

Compensated Absences

Accumulated unpaid vacation and other employee benefit amounts totaling \$24,747 and \$16,221 at March 31, 2020 and 2019, respectively, are accrued when incurred, and included in accounts payable and accrued expenses.

Revenue Recognition

Contributions are recognized when the donor makes a promise to give to the Foundation that is in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Contributions to be received in future periods are discounted at an appropriate discount rate. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Donated Services and Materials

The Foundation utilizes the services of many volunteers throughout the year. This contribution of services by the volunteers is not recognized in the financial statements unless the services received (a) create or enhance nonfinancial assets, or (b) require specialized skills which are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The donated services by volunteers for the years ended March 31, 2020 and 2019 did not meet the requirements above; therefore, no amounts were recognized in the financial statements for volunteer time.

**THE PUTNAM FOUNDATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020 AND 2019**

Note 2 - Significant Accounting Policies: (Continued)

Donated Services and Materials (Continued)

In-kind contributions, which consist primarily of donated entertainment, advertising, lighting, and travel used for fundraising events and program services with an estimated fair value of \$-0- and \$7,060, and donated food, supplies, and artwork used for fundraising events with an estimated value of \$-0- and \$2,984, for the years ended March 31, 2020 and 2019, respectively, are included in contributions and also included in expenses in the accompanying statements of activities.

The Foundation received donated security consulting services. The donated consulting services are recorded at fair value, and totaled \$11,525 and \$-0- for the years ended March 31, 2020 and 2019, respectively, and have been included in contributions and also included in expenses in the accompanying statements of activities.

Functional Allocation of Expenses

The statements of functional expenses present expenses by function and natural classification. The Foundation allocates its expenses on a functional basis among its various programs and supporting services. Expenditures which can be identified with a specific program or support services are allocated directly, according to their natural expenditure classification. Costs that are common to several functions are allocated among the program and supporting services on the basis of time records, space utilized, and estimates made by the Foundation's management.

Income Taxes

The Foundation is a public charity, and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code, except on net income derived from unrelated business activities. The Foundation's unrelated business activity did not generate taxable income, and no tax liability has been recorded at March 31, 2020 and 2019. The Foundation believes that it has appropriate support for any tax positions taken, and, as such, does not have any uncertain tax positions that are material to the financial statements. The Foundation is not a private foundation.

The Foundation's Return of Organization Exempt from Income Tax and Exempt Organization Business Income Tax Returns for Tax for the years ended March 31, 2020, 2019, 2018 and 2017 are subject to examination by Internal Revenue Service and State taxing authorities, generally three to four years after the returns were filed.

Concentration of Credit Risk

The Foundation's policy is to place cash and cash equivalents with high-credit-quality financial institutions. Amounts placed with FDIC and SIPC insured institutions and covered by insurance may at times exceed the insured deposit limit. The Foundation has not experienced any losses in such accounts

**THE PUTNAM FOUNDATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020 AND 2019**

Note 2 - Significant Accounting Policies: (Continued)

Cash and Cash Equivalents and Restricted Cash

For purposes of the statements of cash flows, the Foundation considers all highly liquid investment instruments purchased with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents and restricted cash consist of the following at March 31:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents - operations	\$ 391,021	\$ 280,789
Investments and cash - restricted	148,705	120,541
Total Cash and Cash Equivalents and Restricted Cash	\$ 539,726	\$ 401,330

Accounting Pronouncements Adopted

In June 2018, the Financial Accounting Standards Board (FASB) issued ASU 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarifies and improves guidance for contributions received and contributions made, and provides guidance to organizations on how to account for certain exchange transactions. This change is preferable in that it clarifies whether to account for transactions as contributions, or as exchange transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among not-for-profit entities. The change in accounting principle was adopted on a modified prospective basis in 2020. As a result, there was no cumulative-effect adjustment to opening net assets without donor restrictions, or opening net assets with donor restrictions, as of April 1, 2019. There was no effect of adopting the new accounting principles on contributions in 2020.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). ASU 2014-09 outlines a single, comprehensive model for companies to use in accounting for revenue arising from contracts with customers. The core principle of the revenue model is that revenue is recognized when a customer obtains control of a good or service. The change in accounting principle was adopted on the retrospective basis, which resulted in no change to revenue previously reported and also had no effect on the revenue reported for the year ended March 31, 2020.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows*. ASU 2016-18 requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The adoption of ASU 2016-18 for the year ended March 31, 2020 had no effect on cash and cash equivalents for March 31, 2019 and 2018. Amounts generally described as restricted cash and restricted cash equivalents have been included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statements of cash flows.

Subsequent Events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through October 26, 2020, the date the financial statements were available to be issued, except as described in Note 15.

**THE PUTNAM FOUNDATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020 AND 2019**

Note 3 - Liquidity and Availability:

The Foundation regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Foundation considers investment income without donor restrictions, appropriated earnings from donor-restricted endowments, contributions without donor restrictions, and contributions with donor restrictions for use in current programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Foundation considers all expenditures related to its ongoing activities, as well as the conduct of services undertaken to support those activities, to be general expenditures.

The table below presents financial assets available for general expenditures within one year at March 31:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 391,021	\$ 280,789
Pledges receivable	2,000	20,000
Appropriation of operating reserve and endowment earnings	400,000	400,000
Distributions from perpetual trust	<u>690,000</u>	<u>690,000</u>
Financial assets available for general expenditures within one year	<u>\$ 1,483,021</u>	<u>\$ 1,390,789</u>

In addition to financial assets available to meet general expenditures over the next 12 months, the Foundation operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures.

The Foundation's governing board has designated a portion of its resources without donor restrictions for an operating reserve, as described in Note 11. These funds are invested for long-term appreciation and current income, but remain available and may be spent at the discretion of the Board of Directors. The earnings from the operating reserve expected to be used within one year are identified in the table above.

Endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is restricted for available for general use. Appropriations of endowment fund earnings are made in accordance with the spending policy, as described in Note 13. Donor-restricted endowment funds are not available for general expenditure.

The beneficial interest in the Putnam Foundation Trust is a perpetual trust (Note 8). Income from the perpetual trust is available for general use, and is distributed to the Foundation based on a spending policy established by the trustee.

THE PUTNAM FOUNDATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020 AND 2019

Note 4 - Fair Value Measurements:

The following table summarizes assets measured at fair value by classification within the fair value hierarchy at March 31:

	2020			Balance at March 31, 2020
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Equities:				
Domestic	\$ 3,344,058	\$ -	\$ -	\$ 3,344,058
International	704,540	-	-	704,540
Fixed Income:				
Domestic	755,133	2,167,020	-	2,922,153
International	292,140	-	-	292,140
Perpetual trust held by third-party trustee (Note 8)	-	-	13,015,925	13,015,925
	<u>\$ 5,095,871</u>	<u>\$ 2,167,020</u>	<u>\$ 13,015,925</u>	<u>\$ 20,278,816</u>
	2019			Balance at March 31, 2019
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Equities:				
Domestic	\$ 4,325,302	\$ -	\$ -	\$ 4,325,302
International	1,001,619	-	-	1,001,619
Fixed Income:				
Domestic	706,413	1,590,217	-	2,296,630
International	260,471	365,816	-	626,287
Perpetual trust held by third-party trustee (Note 8)	-	-	14,176,695	14,176,695
	<u>\$ 6,293,805</u>	<u>\$ 1,956,033</u>	<u>\$ 14,176,695</u>	<u>\$ 22,426,533</u>

The reconciliation for financial instruments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) are included in Note 8, as indicated above.

THE PUTNAM FOUNDATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020 AND 2019

Note 4 - Fair Value Measurements: (Continued)

The following table represents the Foundation's Level 3 financial instrument, the valuation techniques used to measure the fair value of the financial instrument, and the significant unobservable inputs and the range of values for those inputs for the years ended March 31:

2020				
Instrument	Fair Value	Principal Valuation Technique	Unobservable Inputs	Significant Input Values
Perpetual trust held by third party trustee	\$ 13,015,925	Valuation of underlying assets as provided by the third-party trustee	Base price	N/A

2019				
Instrument	Fair Value	Principal Valuation Technique	Unobservable Inputs	Significant Input Values
Perpetual trust held by third party trustee	\$ 14,176,695	Valuation of underlying assets as provided by the third-party trustee	Base price	N/A

Note 5 - Pledges Receivable:

Pledges receivable consist of the following at March 31:

	<u>2020</u>	<u>2019</u>
Receivables due in less than one year - operating	\$ 2,000	\$ 20,000
Receivables due in less than one year - capital campaign	<u>1,400,000</u>	<u>-</u>
Total Pledges Receivable - Current	<u>1,402,000</u>	<u>20,000</u>
Receivables due in one-to-five years - capital campaign	6,400,000	-
Less: Discount to present value	<u>(512,000)</u>	<u>-</u>
Total Pledges Receivable, Net – Noncurrent	<u>5,888,000</u>	<u>-</u>
Total Pledges Receivable, Net	<u>\$ 7,290,000</u>	<u>\$ 20,000</u>

Pledges receivable have been discounted to their present value using a discount rate of 3% for the year ended March 31, 2020.

THE PUTNAM FOUNDATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020 AND 2019

Note 6 - Investments:

Investments consist of the following at March 31:

	<u>2020</u>	<u>2019</u>
Equities	\$ 4,048,598	\$ 5,326,921
Fixed income	3,214,293	2,922,917
Total Investments	<u>\$ 7,262,891</u>	<u>\$ 8,249,838</u>

Investments are classified as follows:

	<u>2020</u>	<u>2019</u>
Investments and cash - restricted	\$ 5,080,032	\$ 6,066,979
Investments - endowment	2,182,859	2,182,859
Total Investments	<u>\$ 7,262,891</u>	<u>\$ 8,249,838</u>

The following schedule summarizes the investment income (loss) for the years ended March 31:

	<u>2020</u>		
	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Interest and dividend income	\$ 309	\$ 224,238	\$ 224,547
Net realized and unrealized losses	-	(668,710)	(668,710)
Investment management fees	-	(105,846)	(105,846)
Net Investment Loss	<u>\$ 309</u>	<u>\$ (550,318)</u>	<u>\$ (550,009)</u>
	<u>2019</u>		
	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Interest and dividend income	\$ 217	\$ 222,338	\$ 222,555
Net realized and unrealized gains	-	29,235	29,235
Investment management fees	-	(106,744)	(106,744)
Net Investment Income	<u>\$ 217</u>	<u>\$ 144,829</u>	<u>\$ 145,046</u>

**THE PUTNAM FOUNDATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020 AND 2019**

Note 7 - Property and Equipment:

Property and equipment consist of the following at March 31:

	<u>2020</u>	<u>2019</u>
Building improvements	\$ 1,368,381	\$ 1,368,381
Equipment	132,065	132,065
Construction in progress	105,065	58,489
Subtotal	<u>1,605,511</u>	<u>1,558,935</u>
Less: Accumulated depreciation	<u>(1,135,535)</u>	<u>(1,100,432)</u>
Property and Equipment, Net	<u>\$ 469,976</u>	<u>\$ 458,503</u>

Note 8 - Perpetual Trust Held by Third-Party Trustee:

The Foundation has a beneficial interest in the Putnam Foundation Trust, a perpetual trust, which is held by JP Morgan and is classified as with donor restrictions, as these investments must be maintained in perpetuity. The assets held in the Putnam Foundation Trust consists of 49% publicly traded U.S. and International equities traded on the open markets, 38% U.S. and International fixed income mutual funds traded on open markets, 12% alternative investments consisting of two hedge funds, and 1% cash and cash equivalents at March 31, 2020.

The activity in the beneficial interest in the Putnam Foundation Trust consisted of the following for the years ended March 31:

	<u>2020</u>	<u>2019</u>
Balance at Beginning of Year	\$ 14,176,695	\$ 14,478,723
Distributions to the Foundation	(694,530)	(694,921)
Change in fair value	<u>(466,240)</u>	<u>392,893</u>
Balance at End of Year	<u>\$ 13,015,925</u>	<u>\$ 14,176,695</u>

Note 9 - Line-of-Credit:

The Foundation has a line-of-credit with Torrey Pines Bank in the amount of \$200,000, with interest at the Wall Street Journal prime rate plus .50%, with a minimum rate of 5.75%. The line-of-credit matures on August 27, 2021. There were no outstanding advances under the line-of-credit at March 31, 2020 and 2019.

Note 10 - Note Payable:

Note payable consists of the following at March 31:

	<u>2020</u>	<u>2019</u>
Note payable to San Diego Gas & Electric in the original amount of \$93,523, for energy-efficient upgrades that will lower energy levels and counteract the planned rate increases. The note is noninterest-bearing, and requires a monthly payment of \$1,695, due June 30, 2021.		
Unsecured.	13,052	22,840
Less: Current Portion	<u>(9,788)</u>	<u>(9,789)</u>
Note Payable, Net	<u>\$ 3,264</u>	<u>\$ 13,051</u>

**THE PUTNAM FOUNDATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020 AND 2019**

Note 10 - Note Payable: (Continued)

Future principal payments on the note payable are as follows:

Years Ended March 31		
2021	\$	9,788
2022		3,264
	\$	13,052

Note 11 - Board-Designated Funds:

The Foundation's governing board has designated a portion of funds without donor restrictions as an operating reserve fund. The operating reserve fund target minimum is equal to three months of average operating costs, adjusted annually based on the annual budget. The funds are available in cash or cash equivalents, and are held in the general cash and investment accounts of the Foundation. The operating reserve policy governs the use and replenishment of the operating reserve funds. The operating reserve totaled \$585,000 and \$675,000 at March 31, 2020 and 2019, respectively.

Note 12 - Net Assets With Donor Restrictions:

Net assets with donor restrictions represent contributions received or receivable by the Foundation, which are limited in their use by time or donor-imposed restrictions. Net assets with donor restrictions are available for the following purpose at March 31:

	2020	2019
Subject to Expenditure for Specified Purpose:		
Capital improvements	\$ 7,288,000	\$ -
Acquisition fund	298,738	298,738
Curatorial fellowship	-	15,000
Exhibits and educational programs	99,524	14,704
Total Subject to Expenditure For Specified Purpose	7,686,262	328,442
Subject to the Passage of Time:		
Accumulated earnings on endowment assets	4,643,737	5,512,520
Perpetual in Nature:		
Endowments (Note 12)	15,198,784	16,359,554
Total Net Assets with Donor Restrictions	\$ 27,528,783	\$ 22,200,516

**THE PUTNAM FOUNDATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020 AND 2019**

Note 12 - Net Assets With Donor Restrictions: (Continued)

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose, or by the occurrence of the passage of time or other events specified by the donors, are as follows for the years ended March 31:

	<u>2020</u>	<u>2019</u>
Purpose Restrictions Accomplished:		
Exhibits and educational programs	\$ 107,312	\$ 55,826
Curatorial fellowship	15,000	17,500
Time Restrictions Fulfilled:		
Perpetual trust distributions	694,530	694,921
Appropriation of accumulated earnings on endowment assets	408,465	414,059
Accumulated earnings transferred to (from) operating reserve	(90,000)	675,000
Total Net Assets Released From Restrictions	<u>\$ 1,135,307</u>	<u>\$ 1,857,306</u>

Note 13 - Endowment Net Assets:

The Foundation's endowment was established for a general purpose. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions.

The Board of Directors of the Foundation has interpreted the enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies donor-restricted net assets of a perpetual nature as (1) the original value of gifts donated to the permanent endowment; (2) the original value of subsequent gifts donated to the permanent endowment; (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in 'donor-restricted net assets of a perpetual nature' is classified as 'donor-restricted net assets with time restriction' until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation.

**THE PUTNAM FOUNDATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020 AND 2019**

Note 13 - Endowment Net Assets: (Continued)

The Foundation considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund, and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Foundation has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. The Foundation has no underwater endowment funds at March 31, 2020 and 2019.

The Foundation has investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for operations. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity. Under the Foundation's investment policy, as approved by the Board, the endowment assets are invested in a manner which attempts to achieve a pre-tax absolute real return, in excess of inflation and after fees and expenses, of 5% for all endowment assets of a perpetual nature. To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation has a spending policy of appropriating for distribution 5% of its endowment fund's three-year, moving-average fair value as of the most recent fiscal year end.

The Foundation targets a diversified asset allocation, primarily focused on equity and fixed-income-based investments, to achieve its long-term return objectives within prudent risk constraints. If the accumulated gains/losses fund has a debit balance, the endowment is "underwater" and no endowment appropriations are allowed until the endowment value has returned to a credit balance, unless this limitation is waived by the Board.

Endowment composition by type of fund at March 31:

	2020		
	With Donor Restrictions	With Donor Restrictions - Perpetual	Total
Perpetual trust held by third-party trustee	\$ -	\$ 13,015,925	\$ 13,015,925
Timken Ames Endowment	4,642,658	612,341	5,254,999
Roon Endowment	1,079	760,518	761,597
Walter Fitch Education Endowment	-	750,000	750,000
Outreach Español Endowment	-	60,000	60,000
Total Endowment Net Assets	<u>\$ 4,643,737</u>	<u>\$ 15,198,784</u>	<u>\$ 19,842,521</u>
	2019		
	With Donor Restrictions	With Donor Restrictions - Perpetual	Total
Perpetual trust held by third-party trustee	\$ -	\$ 14,176,695	\$ 14,176,695
Timken Ames Endowment	5,511,441	612,341	6,123,782
Roon Endowment	1,079	760,518	761,597
Walter Fitch Education Endowment	-	750,000	750,000
Outreach Español Endowment	-	60,000	60,000
Total Endowment Net Assets	<u>\$ 5,512,520</u>	<u>\$ 16,359,554</u>	<u>\$ 21,872,074</u>

**THE PUTNAM FOUNDATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020 AND 2019**

Note 13 - Endowment Net Assets: (Continued)

Endowment composition by type of fund and changes in endowment net assets as of, and for, the years ended March 31:

	<u>With Donor Restrictions</u>	<u>With Donor Restrictions - Perpetual</u>	<u>Total</u>
Endowment net assets, March 31, 2018	\$ 6,456,750	\$ 16,661,582	\$ 23,118,332
Investment income	144,829	392,893	537,722
Appropriation of accumulated earnings on endowment assets	(414,059)	(694,921)	(1,108,980)
Transfer to operating reserve	<u>(675,000)</u>	<u>-</u>	<u>(675,000)</u>
Endowment net assets, March 31, 2019	5,512,520	16,359,554	21,872,074
Investment loss	(550,318)	(466,240)	(1,016,558)
Appropriation of accumulated earnings on endowment assets	(408,465)	(694,530)	(1,102,995)
Transfer from operating reserve	90,000	-	90,000
Endowment net assets, March 31, 2020	<u>\$ 4,643,737</u>	<u>\$ 15,198,784</u>	<u>\$ 19,842,521</u>

Note 14 - Commitments and Contingency:

Leases

The Foundation leases office space under an operating lease that expires in January 2023. Rent expense totaled \$78,447 and \$79,551 for the years ended March 31, 2020 and 2019, respectively.

The Foundation leases equipment and storage space under operating leases that expire in February 2024 and May 2022, respectively. Rent expense totaled \$28,261 and \$22,616 for the years ended March 31, 2020 and 2019, respectively.

The building and land where the Foundation is located are owned by the City of San Diego (the “City”) and leased to the Foundation, and therefore are not assets of the Foundation and are not reflected in the accompanying financial statements. Additions and renovations to the original building are assets of the Foundation, and are reflected as leasehold improvements in the accompanying financial statements. The Foundation operates the museum under a 20-year lease with the City through June 30, 2039. In addition, the Foundation has the option to extend the term of the lease for two periods of five years each. As part of this agreement, the Foundation is to make the premises available to the public, without charge, one day per month. Under the agreement, the Foundation pays annual rent of \$3,598, increasing by the CPI annually, as well as provides for the continuous operation, development, and maintenance of the premises.

**THE PUTNAM FOUNDATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020 AND 2019**

Note 14 - Commitments and Contingency (Continued):

Leases (Continued)

Future minimum lease payments are as follows:

<u>Years Ended March 31</u>	
2021	\$ 110,541
2022	113,073
2023	85,387
2024	7,725
2025	3,598
Thereafter	<u>50,365</u>
Total	<u>\$ 370,689</u>

Pension Plan

The Foundation sponsors a 401(k) pension plan (the “Plan”) covering employees over 21 years of age after they have six months of service. Each employee’s total contribution may not exceed the maximum allowable under current regulations. The Foundation also pays all administrative costs of the Plan. All beneficiaries of the Plan are responsible for their own investment decisions. The Foundation’s matching contributions to the Plan totaled \$8,743 and \$9,619 for the years ended March 31, 2020 and 2019, respectively.

Retirement Agreement

The Foundation had a retirement agreement with a retired employee to provide for an annual pension payment of \$28,800. The annual measurement date was March 31 for the retirement agreement. The agreement terminated on March 31, 2020. The following provides further information about the Foundation’s retirement agreement for the years ended March 31:

	<u>2020</u>	<u>2019</u>
<u>Obligation and Funded Status:</u>		
Retirement agreement payable at March 31	\$ 33,008	\$ 33,008
Benefit payments	(28,800)	(28,800)
Actuarial change in retirement obligation	<u>(4,208)</u>	<u>28,800</u>
Retirement Agreement Payable at March 31, included in accounts payable and accrued expenses	<u>\$ -</u>	<u>\$ 33,008</u>

THE PUTNAM FOUNDATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020 AND 2019

Note 14 - Commitments and Contingency (Continued):

Coronavirus Pandemic Contingency

On March 11, 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic. On March 19, 2020, the Governor of California declared a health emergency and issued an order to close all nonessential businesses until further notice. The Foundation, as a nonessential business, was required to close the museum and cease operations. The potential impacts to the Foundation include disruptions or restrictions on employees' ability to work, suspension of programs, closure of the museum, and reduction in contributions from donors. In addition, there has been significant volatility in the financial markets, which may have an impact on the Foundation's valuation of investments and investment income. Changes to the operating environment may also be impacted, and may have an impact on operating costs. The future effects of these issues are unknown.

Note 15 - Subsequent Event:

On May 4, 2020, the Foundation obtained a loan totaling \$115,500 from the U.S. Small Business Administration, under the CARES Act Paycheck Protection Program ("PPP"). The loan is forgivable to the extent that the Foundation meets the terms and conditions of the PPP. Any portion of the loan that is not forgiven bears interest at 1%, and is due in May 2022.