

THE NATHAN CUMMINGS FOUNDATION

Financial Statements

For the Years Ended December 31, 2021 and 2020

Table of Contents

	Page
Independent Auditor's Report	1 - 2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7 - 16

Independent Auditor's Report

**To the Board of Directors
The Nathan Cummings Foundation
New York, New York**

Opinion

We have audited the financial statements of The Nathan Cummings Foundation (the Foundation), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.



T: 425-454-4919
T: 800-504-8747
F: 425-454-4620

10900 NE 4th St
Suite 1400
Bellevue WA
98004

clarknuber.com



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Clark Nuber P.S.

Certified Public Accountants
October 26, 2022

THE NATHAN CUMMINGS FOUNDATION

**Statements of Financial Position
December 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
Assets:		
Cash and cash equivalents	\$ 3,946,712	\$ 1,453,384
Prepaid expenses and deposits	469,521	424,013
Investment interest and dividends receivable	33,893	17,704
Investments (Note 3)	523,426,896	469,619,897
Program-related investments	200,000	
Property and equipment, net (Note 4)	1,707,647	1,080,987
Operating lease right-of-use asset, net (Note 7)	<u>8,491,040</u>	
Total Assets	<u>\$ 538,275,709</u>	<u>\$ 472,595,985</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 781,245	\$ 441,576
Grant commitments (Note 5)	9,001,400	5,250,000
Operating lease liability, net (Note 7)	8,992,846	
Postretirement benefits obligation (Note 8)	3,473,069	3,137,265
Excise tax liability (Note 2)	<u>609,399</u>	<u>2,009,871</u>
Total Liabilities	<u>22,857,959</u>	<u>10,838,712</u>
Net Assets:		
Without donor restrictions	<u>515,417,750</u>	<u>461,757,273</u>
Total Liabilities and Net Assets	<u>\$ 538,275,709</u>	<u>\$ 472,595,985</u>

See accompanying notes.

THE NATHAN CUMMINGS FOUNDATION

Statements of Activities and Changes in Net Assets
For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating Activity		
Return on investments, net	\$ 84,175,265	\$ 54,610,990
Expenses:		
Program-		
Grants	23,172,900	16,083,499
Other program	<u>2,672,736</u>	<u>2,896,236</u>
Total program	25,845,636	18,979,735
Management and general	<u>4,333,348</u>	<u>4,220,146</u>
Total Expenses	<u>30,178,984</u>	<u>23,199,881</u>
Change in Net Assets Without Donor Restrictions From Operations	53,996,281	31,411,109
Nonoperating Activity		
Postretirement benefit obligation adjustment	(335,804)	(462,473)
Loss on disposal of assets	<u>(22,259)</u>	<u>(22,259)</u>
Change in Net Assets Without Donor Restrictions	53,660,477	30,926,377
Net assets without donor restrictions, beginning of year	<u>461,757,273</u>	<u>430,830,896</u>
Net Assets Without Donor Restrictions, End of Year	<u><u>\$ 515,417,750</u></u>	<u><u>\$ 461,757,273</u></u>

See accompanying notes.

THE NATHAN CUMMINGS FOUNDATION

**Statements of Functional Expenses
For the Years Ended December 31, 2021 and 2020**

	<u>Program</u>	<u>Management and General</u>	<u>2021 Total</u>
Grants	\$ 23,172,900	\$ -	\$ 23,172,900
Salaries and benefits	1,918,451	2,777,471	4,695,922
Professional and consulting fees	327,298	720,239	1,047,537
Occupancy costs	383,320	417,910	801,230
Depreciation and amortization	13,807	194,732	208,539
Software, equipment and supplies	1,569	134,067	135,636
Meetings and engagement	28,291	88,929	117,220
Total Expenses	<u>\$ 25,845,636</u>	<u>\$ 4,333,348</u>	<u>\$ 30,178,984</u>

	<u>Program</u>	<u>Management and General</u>	<u>2020 Total</u>
Grants	\$ 16,083,499	\$ -	\$ 16,083,499
Salaries and benefits	2,000,758	2,271,741	4,272,499
Professional and consulting fees	260,487	1,251,978	1,512,465
Occupancy costs	543,919	342,062	885,981
Depreciation and amortization	13,807	89,835	103,642
Software, equipment and supplies	375	156,686	157,061
Meetings and engagement	76,890	107,844	184,734
Total Expenses	<u>\$ 18,979,735</u>	<u>\$ 4,220,146</u>	<u>\$ 23,199,881</u>

See accompanying notes.

THE NATHAN CUMMINGS FOUNDATION

**Statements of Cash Flows
For the Years Ended December 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities:		
Change in net assets without donor restrictions	\$ 53,660,477	\$ 30,926,377
Adjustments to reconcile change in net assets to net cash used in operating activities-		
Noncash transactions:		
Depreciation and amortization	208,539	103,642
Loss on disposal of property and equipment		22,258
Return on fair value investments, net	(7,440,476)	(4,058,690)
Change in value of investments held at NAV, net	(76,983,485)	(51,721,057)
Change in deferred excise tax	(939,932)	774,860
Change in post retirement benefit obligation	335,804	462,473
Change in operating lease right-of-use asset and liability, net	501,806	
Changes in assets and liabilities:		
Prepaid expenses and deposits	(45,508)	(108,519)
Investment interest and dividends receivable	(16,189)	9,315
Accounts payable and accrued expenses	298,863	(253,351)
Grant commitments	3,751,400	(3,525,000)
Excise tax liability	(460,540)	(145,192)
Net Cash Used in Operating Activities	(27,129,241)	(27,512,884)
Cash Flows From Investing Activities:		
Purchase of investments	(1,563,202)	(7,699,546)
Proceeds from sale of investments	31,980,164	34,683,601
Purchase of property and equipment	(794,393)	(790,192)
Net Cash Provided by Investing Activities	29,622,569	26,193,863
Net Change in Cash and Cash Equivalents	2,493,328	(1,319,021)
Cash and cash equivalents, beginning of year	1,453,384	2,772,405
Cash and Cash Equivalents, End of Year	\$ 3,946,712	\$ 1,453,384
Supplementary Disclosure of Cash Flow Information:		
Cash paid during the year for taxes	\$ 1,630,000	\$ 110,000
Noncash Investing and Financing Activity:		
Establishment of operating lease right-of-use asset	\$ 9,156,132	\$ -
Establishment of operating lease liability	\$ (9,156,132)	\$ -

See accompanying notes.

THE NATHAN CUMMINGS FOUNDATION

Notes to Financial Statements For the Years Ended December 31, 2021 and 2020

Note 1 - Organization and Summary of Significant Accounting Policies

The Nathan Cummings Foundation, Inc. (the "Foundation"), incorporated in Illinois on May 27, 1949, is a national private grant making organization rooted in the Jewish tradition of social justice and committed to creating a more just, vibrant, sustainable and democratic society. The Foundation makes grants to address inequality and climate change with approaches that focus on transitioning an economy to be more just, clean and inclusive; advancing racial and economic justice; increasing corporate and political accountability; and amplifying voice, creativity and culture to move people to act for social change. The Foundation's office is in New York City.

The Foundation was a beneficiary of the Estate of Nathan Cummings, the founder of Consolidated Foods Corporation, which changed its name to Sara Lee Corporation in 1985. The primary source of revenue for the Foundation is derived from investment activities.

Basis of Presentation - The Foundation has presented its financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Foundation has presented unclassified statements of financial position which sequence assets according to their nearness of conversion to cash and sequence liabilities according to the nearness of their maturity and resulting use of cash.

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

Net Assets Without Donor Restrictions - Net assets that are not subject to externally imposed restrictions.

Net Assets With Donor Restrictions - Net assets subject to externally imposed restrictions that may or will be met either by actions of the Foundation and/or the passage of time. There were no net assets with donor restrictions at December 31, 2021 and 2020.

Revenue is reported as an increase in net assets without restrictions unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on net assets are reported as transfers between the applicable classes of net assets.

Estimates - The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results could differ from those estimates.

Adoption of New Accounting Standard - During the year ended December 31, 2021, the Foundation adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2018-11 - *Leases (Topic 842)*. This update increases transparency and comparability among organizations by recognizing leased assets and lease liabilities on the statements of financial position and disclosing key information about leasing arrangements. The Foundation has adopted *Topic 842* using a modified retrospective method, effective January 1, 2021, the year in which its new lease agreement commenced (Note 7). Implementation of *Topic 842* resulted in the Foundation recognizing an initial right-of-use (ROU) leased asset and corresponding lease liability of \$9,156,132 on the statements of financial position for its new lease. There was not a material effect to lease expense recognized on the statements of activities and changes in net assets.

THE NATHAN CUMMINGS FOUNDATION

Notes to Financial Statements For the Years Ended December 31, 2021 and 2020

Note 1 - Continued

Cash and Cash Equivalents - The Foundation considers all highly liquid investments purchased with an original maturity of three months or less, to be cash equivalents except for cash and cash equivalents held as part of the Foundation's investment portfolio.

Investments - Investments in debt and equity securities are stated at fair value, with both realized and unrealized gains and losses recorded in the statements of activities and changes in net assets as increases or decreases in net assets without donor restrictions, unless their use is restricted by explicit donor restrictions or law. Fair value of investments with readily determinable market values is based on quoted market prices. The estimated fair value of certain alternative investments for which quoted market prices are not available is based on valuations provided by the external investment managers and the management of the investees, generally on the basis of net asset value (NAV) per share, or its equivalent, as a practical expedient for measuring fair value. The Foundation reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions used in determining the NAV of the investments. The estimated fair value may differ significantly from the value that would have been used had a ready market for the investments existed.

Investment securities, in general, are exposed to various risks, including interest rate, credit, and overall market volatility. It is reasonably probable that changes in the values of these investments will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

Program-Related Investments - The Foundation seeks to align its investing activity with its mission. In 2021, the Foundation launched a program-related investment strategy where investments are made primarily for the purpose of advancing the Foundation's mission. Such investments include loans and equity investments with patient and/or flexible terms. Management reviews the collectability and/or fair value of the investments and determined an allowance for impairment was not necessary as of December 31, 2021.

Concentration of Credit Risk - Financial instruments that potentially subject the Foundation to concentrations of credit and market risk consist primarily of cash and investments. Cash and investments held by financial institutions exceed federally insured limits.

Property and Equipment - Property and equipment is stated at cost for purchased assets or estimated fair value at the date of receipt for donated assets. The Foundation capitalizes office equipment and furniture with a cost, if purchased, or fair value, if donated, greater than \$50,000. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets, ranging from two to seven years. Capitalized leasehold improvements are amortized using the straight-line method over the remaining term of the lease. Capitalized artwork acquired by the Foundation is not depreciated.

Leases - Effective January 1, 2021, the Foundation accounts for its leases under *Leases (Topic 842)*. The Foundation determines if an arrangement is a lease at its inception, including the classification of operating or finance. Operating leases are included in right-of-use (ROU) assets and lease liabilities on the statements of financial position (Note 7). ROU assets represent a right to use an underlying asset for the lease term, and lease liabilities represent the Foundation's obligation to make lease payments arising from the lease. Lease liabilities are recognized at commencement date based on the present value of lease payments over the lease term. ROU assets are recognized at commencement date based on the present value of lease payments over the term of the lease, reduced by leasehold improvement allowances. A right-of-use asset and lease liability is not recognized for leases with an initial term of 12 month or less, or when the total lease liability is immaterial.

THE NATHAN CUMMINGS FOUNDATION

Notes to Financial Statements For the Years Ended December 31, 2021 and 2020

Note 1 - Continued

Grant Commitments - Unconditional grants are recognized as expense in the statements of activities and changes in net assets at the time awarded. Conditional grants are recognized as expense when the conditions are satisfied by the grantee. The Foundation had no conditional grants outstanding as of December 31, 2021 and 2020.

Methods Used for Allocation of Expenses - The Foundation directly charges costs to the programs and general and administrative functions wherever practicable. For example, the cost of staff and field activities in direct service of programs, including communications, are directly attributed to the program function. The remaining staff, as well as technology expenditures, are attributed to the general and administrative function. Other costs, such as professional and consulting fees or meetings and engagement costs, are charged directly to the relevant category on an item-by-item basis. Expenses that are allocated between functions include the President's salary and benefits, which are allocated based on a time-use study, and occupancy costs and depreciation which are allocated based on headcount.

Operating and Nonoperating Activities - All activities are considered operating except for adjustments to the Foundation's postretirement benefit obligation and losses on disposal of assets.

Subsequent Events - The Foundation has evaluated subsequent events through October 26, 2022, the date on which the financial statements were available to be issued.

Note 2 - Federal Excise Taxes

The Foundation is classified as a private foundation as described in Section 509(a) of the Internal Revenue Code and is, therefore, subject to an excise tax on its net investment income and on net realized taxable gains. Deferred federal excise tax arises from timing differences between financial statement and tax reporting related to investment income and the difference between the cost basis and fair value of investments. The federal excise tax rate, effective starting January 1, 2020, is 1.39% and has been applied to both net investment income and net realized taxable gains, and the deferred federal excise tax. Additionally, the Foundation pays taxes on unrelated business income incurred through certain partnership investments.

The excise tax liability, reported on the statements of financial position, consisted of the following at December 31:

	<u>2021</u>	<u>2020</u>
Prepaid excise tax, net	\$ 565,478	\$ 104,938
Deferred excise tax liability	<u>(1,174,877)</u>	<u>(2,114,809)</u>
Total Excise Tax Liability	<u>\$ (609,399)</u>	<u>\$ (2,009,871)</u>

THE NATHAN CUMMINGS FOUNDATION

Notes to Financial Statements For the Years Ended December 31, 2021 and 2020

Note 2 - Federal Excise Taxes

Excise and unrelated business income tax expense is reported as a component of return on investments, net on the statements of activities and changes in net assets. The components of excise tax expense were as follows for the years ended December 31:

	<u>2021</u>	<u>2020</u>
Federal and state excise and unrelated business income tax expense	\$ 1,197,972	\$ 533,275
Change in deferred excise tax	<u>(939,932)</u>	<u>774,860</u>
Total Excise Tax Expense	<u>\$ 258,040</u>	<u>\$ 1,308,135</u>

The Foundation is also required under the Internal Revenue Code to make minimum charitable distributions based on the fair value of its assets. Charitable distributions made in excess of the required minimum in any year may be used to reduce the minimum distributions required in future years, subject to a five-year carryover limitation. Failure to make the minimum charitable distributions could result in additional taxes and possible loss of the Foundation's charitable organization status. The Foundation was in compliance with the minimum charitable distribution requirement for 2021 and 2020.

Note 3 - Fair Value Measurements and Investments

As noted in Note 1, investments in debt and equity securities are reported at fair value. U.S. GAAP for *Fair Value Measurements* has established a framework that requires fair value to be determined based on the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants.

U.S. GAAP uses a fair value hierarchy which prioritizes the inputs to valuation approaches into three broad levels. The hierarchy gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable inputs (Level 3).

Valuation Techniques - Financial assets valued using Level 1 inputs are based on unadjusted quoted market prices for identical instruments in active markets. Financial assets valued using Level 2 inputs are based primarily on quoted prices for similar assets or liabilities in active or inactive markets. Financial assets using Level 3 inputs are primarily valued using management's judgment about the assumptions market participants would utilize in pricing the asset. Valuation techniques utilized to determine fair value are consistently applied.

Following is a description of the valuation methodologies used for assets measured at fair value.

Cash and Cash Equivalents - Valued at cost plus accrued interest, which approximates fair value.

Marketable Equity Securities - Valued at the closing price reported on the active market in which the securities are traded.

Investments Measured at NAV - Valued using the NAV provided by the investment's manager. The NAV is based on the fair value of the underlying assets owned by the fund, minus its liabilities.

THE NATHAN CUMMINGS FOUNDATION

Notes to Financial Statements
For the Years Ended December 31, 2021 and 2020

Note 3 - Continued

Fair Values Measured on a Recurring Basis - Fair values of the Foundation's assets measured on a recurring basis are as follows at December 31:

	December 31, 2021			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 327,470	\$ -	\$ -	\$ 327,470
Equity securities-				
Domestic	34,241,691			34,241,691
Foreign	1,021,002			1,021,002
Other	34,862			34,862
Total Investments in the Fair Value Hierarchy	\$ 35,625,025	\$ -	\$ -	35,625,025
Redemption receivable				216,500,000
Limited partnership measured at NAV ^(a)				271,301,871
Total Investments at December 31, 2021				\$ 523,426,896
	December 31, 2020			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 2,319,666	\$ -	\$ -	\$ 2,319,666
Equity securities-				
Domestic	26,633,289			26,633,289
Foreign	784,851			784,851
Other	25,268			25,268
Total Investments in the Fair Value Hierarchy	\$ 29,763,074	\$ -	\$ -	29,763,074
Redemption receivable				17,000,000
Limited partnership measured at NAV ^(a)				422,856,823
Total Investments at December 31, 2020				\$ 469,619,897

(a) In accordance with ASU 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent)*, certain investments that were measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The NAV amounts presented in these tables are intended to permit reconciliation of the fair value hierarchy to the line items in the statements of financial position.

THE NATHAN CUMMINGS FOUNDATION

Notes to Financial Statements For the Years Ended December 31, 2021 and 2020

Note 3 - Continued

The Foundation's investment in a limited partnership (LP) consists of a private investment limited partnership which offers an endowment style investment program. The Foundation is the limited partner, and GEF GP, LP, is the general partner. The LP invests with a long-term horizon, seeking varied and non-traditional investment opportunities in an effort to provide a diversified, single-portfolio investment strategy for the Foundation. The LP invests primarily in interests in public or private investment vehicles or pooled accounts managed by unaffiliated third parties, although it may invest directly in securities and other assets. The LP is subject to notice periods and withdrawal dates in which the Foundation has the legal right to receive redemptions of its investments. The LP's redemption provisions require a March 1 notification date to be effective as of June 30; and a September 1 notification date to be effective as of December 31. There are limitations of redemptions as further outlined in the partnership agreement. The Foundation, as limited partner, is allocated 100% of the profits and losses of the LP. The general partner is responsible for the liabilities of the LP.

During the year ended December 31, 2021, the Foundation conducted a market search and selected new advisers to implement its mission-aligned investing strategy. Consequently, and in accordance with its contractual obligations, the Foundation provided notice requesting a full redemption of its partnership interests from the previous advisers and subsequently transferred the general partnership of NCF IH LP from GEF GP, LP to NCF IH GP, LLC on January 31, 2022. Full liquidation is expected to take up to 10 years, with \$216.5 million reported as redemptions receivable and included in investments on the statements of financial position as of December 31, 2021. The initial redemption was received in good order on January 28, 2022, and subsequently reinvested in a managed portfolio.

Note 4 - Furniture and Equipment

Furniture and equipment are as follows at December 31:

	<u>2021</u>	<u>2020</u>
Leasehold improvements	\$ 1,154,891	\$ 607,664
Furniture	313,807	130,748
Grant database	273,816	273,816
Audio visual equipment	197,500	92,587
Website	69,035	69,035
Art	<u>23,799</u>	<u>23,799</u>
	2,032,848	1,197,649
Less accumulated depreciation	<u>(325,201)</u>	<u>(116,662)</u>
Furniture and Equipment, Net	<u><u>\$ 1,707,647</u></u>	<u><u>\$ 1,080,987</u></u>

THE NATHAN CUMMINGS FOUNDATION

Notes to Financial Statements For the Years Ended December 31, 2021 and 2020

Note 5 - Grant Commitments

Unconditional grants authorized to be paid in future years are payable as follows:

For the Year Ending December 31,

2022	\$ 8,126,400
2023	<u>875,000</u>
Total Grant Commitments	<u><u>\$ 9,001,400</u></u>

A present value discount on grant commitments was deemed immaterial at December 31, 2021.

Note 6 - Line of Credit

The Foundation has a \$10,000,000 line of credit with a bank. The line of credit expires March 2025, and bears interest at the greater of the bank's prime rate less 2.67%, or 2.40%. The line is secured by Foundation assets held at the bank. There were no borrowings against this line of credit at December 31, 2021 and 2020.

Note 7 - Leases

Expired Lease - The Foundation leased office space under an operating lease, which was terminated in November 2020. Under the terms of the expired lease, the Foundation was obligated to pay an additional amount based on its share of real estate taxes on the property.

New Lease - In 2020, the Foundation signed a lease agreement for new office space. The lease term is from February 8, 2021 through December 31, 2032 and allows an option to renew the lease for one five-year term. Rental payments increase every five years throughout the term of the lease. In addition, the lease agreement provides for a rent holiday and a leasehold improvement allowance.

The lease is classified as an operating lease in accordance with *Leases (Topic 842)*. The option to renew the lease for one five-year term was not considered in calculating the ROU asset and lease liability, as lease renewal is not reasonably certain. Rent expense is recognized on the straight-line method.

Both a lease liability and ROU asset are recognized on the statements of financial position. The lease liability represents the present value of future lease payments over the term of the lease. Since the implicit interest rate of the lease is not readily determinable, the Foundation elected to utilize the risk-free U.S. Treasury securities ten-year constant maturity rate at the date of the lease inception of 1.19%. The ROU asset is measured at the initial amount of the lease liability, adjusted for the leasehold improvement allowance. The ROU asset is reduced over the lease term by the straight-line lease expense, less the accretion of the lease liability present value discount.

THE NATHAN CUMMINGS FOUNDATION

Notes to Financial Statements For the Years Ended December 31, 2021 and 2020

Note 7 - Continued

Future minimum lease payments are as follows:

For the Year Ending December 31,

2022	\$ 768,910
2023	768,910
2024	838,811
2025	838,811
2026	896,107
Thereafter	<u>5,571,447</u>
Total Future Lease Payments	9,682,996
Less unamortized present value discount on lease liability	<u>(690,150)</u>
Operating Lease Liability, Net	<u>\$ 8,992,846</u>

Straight-line rent expense totaled approximately \$765,000 for the year ended December 31, 2021. Rent expense totaled approximately \$690,000 for the year ended December 31, 2020.

Note 8 - Post Employment Benefits

Pension Plans - The Foundation contributes to a defined contribution money purchase retirement plan on behalf of all eligible employees. Under the terms of the plan, employer contributions are fully vested upon contribution to the plan. Plan expense was approximately \$447,000 and \$435,000 for the years ended December 31, 2021 and 2020, respectively. In addition, the Foundation has a tax-deferred annuity plan under Section 403(b) of the Internal Revenue Code to which employees may contribute.

Postretirement Healthcare Benefits - In addition to providing pension plans, the Foundation provides certain postretirement healthcare for eligible retired employees. The Foundation currently offers continuing participation in the Foundation's medical plans to eligible employees who retire. The Foundation may modify or terminate these plans at any time.

To be eligible for this program, at the time of retirement the employee must have attained the age of 55 and have been a full-time employee of the Foundation for at least 10 years. Upon leaving the Foundation for any reason, other than termination for cause, the retiree may continue to participate in the Foundation's medical insurance programs on the same basis as full-time employees, including family coverage. As with full-time employees, the retiree is required to reimburse the Foundation in an amount equal to premium contributions she/he would have paid as an employee.

Upon becoming eligible for Medicare, the retiree must apply for Medicare. When Medicare benefits are available, the medical insurance provided by the Foundation will become secondary, supplemental coverage. Similarly, if the retiree's spouse is covered by the Foundation's insurance, she/he must apply for Medicare at the applicable age and at that time the medical insurance provided by the Foundation will become secondary, supplemental coverage. If the retiree and/or spouse become eligible to receive medical coverage from another employer, medical insurance provided by the Foundation will become secondary, supplemental coverage.

THE NATHAN CUMMINGS FOUNDATION

Notes to Financial Statements
For the Years Ended December 31, 2021 and 2020

Note 8 - Continued

The Foundation recognizes the postretirement benefit obligation in accordance with the accounting standards for pension plans, which requires organizations to recognize the over-funded or under-funded status of a postretirement benefit plan as an asset or liability in its statements of financial position.

The benefit obligation, plan assets, contributions, payments, and funded status for the postretirement benefit program as of and for the years ended December 31 are summarized as follows:

	<u>2021</u>	<u>2020</u>
Benefit obligation	\$ (3,473,069)	\$ (3,137,265)
Fair value of plan assets		
Funded Status	<u>\$ (3,473,069)</u>	<u>\$ (3,137,265)</u>
Items not yet recognized as a component of net periodic benefit cost-		
Prior service costs	\$ (1,208,294)	\$ (1,300,955)
Net loss	<u>495,708</u>	<u>579,413</u>
	<u>\$ (712,586)</u>	<u>\$ (721,542)</u>

The estimated net loss and prior service cost for the post-retirement benefits program that will be amortized from net assets without donor restrictions into net periodic benefit cost over the next year totals \$92,661.

	<u>2021</u>	<u>2020</u>
Net periodic benefit cost	\$ 397,959	\$ 262,433
Employer contributions	71,111	75,818
Benefits paid	(71,111)	(75,818)
	<u>2021</u>	<u>2020</u>
Discount rate (benefit obligation)	2.8%	3.3%
Discount rate (benefit costs)	2.8%	3.3%

The healthcare cost trend rate was assumed to be 5.0% for the year ended December 31, 2021.

THE NATHAN CUMMINGS FOUNDATION

**Notes to Financial Statements
For the Years Ended December 31, 2021 and 2020**

Note 8 - Continued

Expected benefit payments for the postretirement healthcare benefits are summarized as follows:

For the Year Ending December 31,

2022	\$	69,696
2023		71,576
2024		73,361
2025		75,030
2026		76,559
2027 - 2031		399,227

Note 9 - Liquidity and Availability of Financial Assets

The Foundation structures its financial assets to be available and liquid as its general expenditures, liabilities, and other obligations become due. Distributions from the investment in a limited partnership with limited liquidity generally are at the sole discretion of the general partner; however, distributions can be obtained if necessary, as described in Note 3.

The Foundation's financial assets available to meet general expenditures within one year of December 31, are as follows:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 3,946,712	\$ 1,453,384
Interest and dividends receivable	33,893	17,704
Investments	523,426,896	469,619,897
Less investments at NAV with limited liquidity	<u>(271,301,871)</u>	<u>(422,818,386)</u>
Financial Assets Available Within One Year to Meet General Expenditures	<u>\$ 256,105,630</u>	<u>\$ 48,272,599</u>