

The California Endowment and Subsidiary

(A California Nonprofit Public Benefit Corporation)

Consolidated Financial Statements as of and for
the Years Ended March 31, 2021 and 2020, and
Independent Auditors' Report

THE CALIFORNIA ENDOWMENT AND SUBSIDIARY
(A California Nonprofit Public Benefit Corporation)

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of The California Endowment:

We have audited the accompanying consolidated financial statements of The California Endowment (the "Endowment") and its subsidiary, which comprise the consolidated statement of financial position as of March 31, 2021, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Endowment's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Endowment's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Endowment as of March 31, 2021, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Predecessor Auditors' Opinion on 2020 Consolidated Financial Statements

The consolidated financial statements of the Endowment as of and for the year ended March 31, 2020, were audited by other auditors whose report, dated August 14, 2020, expressed an unmodified opinion on those statements.

Deloitte & Touche LLP

September 29, 2021

THE CALIFORNIA ENDOWMENT AND SUBSIDIARY
(A California Nonprofit Public Benefit Corporation)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF MARCH 31, 2021 AND 2020
(In thousands of dollars)

	2021	2020
ASSETS		
CASH AND CASH EQUIVALENTS	\$ 329,603	\$ 18,528
INVESTMENTS	4,155,569	3,248,626
PROGRAM-RELATED INVESTMENTS—Net	62,158	51,908
OTHER ASSETS	5,552	1,733
DEFERRED TAX ASSET	12,733	18,659
PROPERTY AND EQUIPMENT—Net	<u>80,817</u>	<u>82,917</u>
TOTAL ASSETS	<u>\$ 4,646,432</u>	<u>\$ 3,422,371</u>
 LIABILITIES AND NET ASSETS WITHOUT DONOR RESTRICTIONS		
LIABILITIES:		
Accounts payable and other liabilities	\$ 13,464	\$ 8,195
Grants payable—net	33,503	76,909
Long-term debt	298,613	
Accrued postretirement obligation	<u>2,811</u>	<u>6,746</u>
Total liabilities	348,391	91,850
COMMITMENTS AND CONTINGENCIES (Note 9)		
NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>4,298,041</u>	<u>3,330,521</u>
TOTAL LIABILITIES AND NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>\$ 4,646,432</u>	<u>\$ 3,422,371</u>

The accompanying notes are an integral part of these consolidated financial statements.

THE CALIFORNIA ENDOWMENT AND SUBSIDIARY
(A California Nonprofit Public Benefit Corporation)

CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED MARCH 31, 2021 AND 2020
(In thousands of dollars)

	2021	2020
INVESTMENT RETURN:		
Net gain (loss) on investments	\$ 1,162,527	\$ (191,190)
Program-related investment interest and other income	<u>3,745</u>	<u>4,262</u>
Total income	<u>1,166,272</u>	<u>(186,928)</u>
EXPENSES:		
Grants awarded	138,652	136,974
Direct charitable expenses	18,423	18,237
Program operating expenses	25,931	25,596
General and administrative expenses	6,323	7,357
Program-related investment expenses	4,101	1,826
Interest expense	1,317	100
Tax provision:		
Current	1,640	4,597
Deferred	<u>5,984</u>	<u>(21,494)</u>
Total expenses	<u>202,371</u>	<u>173,193</u>
EXCESS (DEFICIENCY) OF INCOME OVER EXPENSES	963,901	(360,121)
PENSION-RELATED CHANGES OTHER THAN NET PERIODIC PENSION COST	<u>3,619</u>	<u>(4,500)</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	967,520	(364,621)
NET ASSETS WITHOUT DONOR RESTRICTIONS:		
Beginning of year	<u>3,330,521</u>	<u>3,695,142</u>
End of year	<u>\$ 4,298,041</u>	<u>\$ 3,330,521</u>

The accompanying notes are an integral part of these consolidated financial statements.

THE CALIFORNIA ENDOWMENT AND SUBSIDIARY
(A California Nonprofit Public Benefit Corporation)

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2021 AND 2020
(In thousands of dollars)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets without donor restrictions	\$ 967,520	\$(364,621)
Adjustments to reconcile change in net assets without donor restrictions to net cash used in operating activities:		
Net realized and unrealized (gain) loss on investments	(1,153,511)	214,657
Dividends, interest, and other investment income—net of fees	(1,068)	(27,810)
Amortization of program-related investment discount	(2,431)	(2,035)
Depreciation on property and equipment	3,313	3,383
Provision on program-related investments	3,734	1,582
Net periodic pension cost	1,684	1,176
Change in operating assets and liabilities:		
Program-related investments	(11,553)	(1,964)
Other assets	(3,878)	(114)
Contributions into postretirement plan	(2,000)	(750)
Accrued postretirement obligation	(3,619)	4,500
Accounts payable and other liabilities	307	(1,170)
Grants payable	(43,407)	(20,462)
Deferred taxes	5,984	(21,495)
Net cash used in operating activities	<u>(238,925)</u>	<u>(215,123)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(1,205)	(892)
Purchases of investments	(1,086,100)	(305,578)
Proceeds from sales of investments	1,338,698	507,214
Net cash provided by investing activities	<u>251,393</u>	<u>200,744</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from bond issuance	300,000	
Payments of debt issue costs	(1,393)	
Proceeds from line-of-credit borrowing		20,000
Repayment of line-of-credit borrowing		(20,000)
Net cash provided by financing activities	<u>298,607</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	311,075	(14,379)
CASH AND CASH EQUIVALENTS:		
Beginning of year	18,528	32,907
End of year	<u>\$ 329,603</u>	<u>\$ 18,528</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the year for federal excise taxes	<u>\$ 5,547</u>	<u>\$ 7,999</u>
Cash paid during the year for interest	<u>\$ 1,317</u>	<u>\$ 100</u>
Noncash investing activities—pending investment trades	<u>\$ (13,628)</u>	<u>\$ 10,890</u>

The accompanying notes are an integral part of these consolidated financial statements.

THE CALIFORNIA ENDOWMENT AND SUBSIDIARY (A California Nonprofit Public Benefit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED MARCH 31, 2021 AND 2020

1. ORGANIZATION

The California Endowment (“The Endowment”), a California nonprofit public benefit corporation, is a private foundation that began operations in May 1996. The Endowment’s mission is to expand access to affordable, quality health care for underserved individuals and communities and to promote fundamental improvements in the health status of all Californians.

In May 2009, 800 N. Main LLC (the “LLC”) was organized and operates for charitable purposes described in Section 501(c)(3) of the Internal Revenue Code (IRC) of 1986 and Sections 214 and 23701h of the California Revenue and Taxation Code. The LLC operates exclusively for the benefit of The Endowment, with The Endowment as the sole member of the LLC. The LLC holds title to land located adjacent to The Endowment’s premises.

In January 2021, The Endowment issued \$300 million of Social Bonds, Series 2021 (see Note 11). A not-for-profit entity that has issued, or is a conduit bond obligor for securities that are traded, listed, or quoted on an exchange or an over-the-counter market, is considered a Public Business Entity for purposes of implementation of new accounting pronouncements. This may result in the accelerated implementation of new accounting pronouncements.

The Endowment and the LLC are consolidated for financial statement presentation. All intercompany balances and transactions have been eliminated in the consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation—The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP), which require The Endowment to report information regarding its consolidated statements of financial position and activities according to the following net asset classifications:

Net Assets without Donor Restrictions—Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of The Endowment’s management and the board of directors consistent with The Endowment’s mission.

Net Assets with Donor Restrictions—Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

The Endowment has no net assets with donor restrictions as of March 31, 2021 and 2020.

Cash and Cash Equivalents—Cash and cash equivalents consist of funds held in a commercial checking account and money market funds used for operating expenses. At March 31, 2021, the balance consists

primarily of undistributed proceeds from The Endowment's social bond offering as discussed in Note 11. Cash also includes \$423,000 of restricted use funds as of March 31, 2021 and 2020, in connection with certain agency transactions as discussed in Note 9.

Investments—Investments in publicly traded securities are valued using quoted market prices. Investments in fixed-income securities are valued based on relevant broker quotes, observable market prices for similar securities, or discounted cash flows. Investments in mutual funds are valued using net asset value (NAV) per share. Derivatives are used to hedge risks of (or gain exposure to) interest rates, foreign currencies, equities, or commodities and are recorded at fair value using quoted market prices or relevant broker quotes. Changes in fair value are recorded in the consolidated statements of activities.

Long-only commingled funds, hedge funds, buyout/growth funds, venture capital, and other limited partnership interests are typically illiquid and not publicly listed or traded and are valued using NAV per share. The NAV is used as a practical expedient for fair value of all investments which do not have readily determinable fair values. Such valuations are generally determined by the partnerships' general partners, who must follow the valuation guidelines, such as appraisals and comparable public company trade data, stipulated in the respective limited partnership agreements. The Endowment reviews and evaluates the values provided by the investments' managers and assesses the valuation methods and assumptions used. Management may make specific or general valuation reserves based on portfolio analysis. Investment sales and purchases are recorded on trade date, which may result in receivables and payables on trades that have not yet settled at the consolidated financial statement date. Unsettled trade purchases and sales are reported in the investment category in the consolidated statements of financial position.

Dividend income is recorded on the ex-dividend date and interest income is recorded as earned on an accrual basis. Unrealized gains and losses are recorded for changes in the difference between the recorded costs of the investments and the fair value of the investments at the consolidated financial statement date.

Cash equivalents categorized as investments include short-term investment funds, commercial paper, and US Treasury bills that may be used by managers for collateral and pending trades with original or remaining maturities of three months or less at time of purchase and not immediately available for the operating expense of The Endowment.

Property and Equipment—Property and equipment consist of buildings, land, leasehold improvements, furnishings, equipment, and software for The Endowment's offices and are carried at cost, less accumulated depreciation. Depreciation is computed using the straight-line method over estimated useful lives of individual assets ranging from 3 to 7 years for furnishings, equipment, and software; 15 years for machinery; 39 years for buildings; and the shorter of 10 years or the related lease term for leasehold improvements. When items are retired or otherwise disposed of, the cost and accumulated depreciation and amortization are removed from the accounts and any profit or loss on such retirements or disposal is recognized in the year of disposal.

Grants Awarded—Unconditional grants awarded are recognized as an expense in the period in which they are approved. Grants payable in future years are discounted to present value using 0.15% for 2021 and ranging between 1.57% to 2.70% for 2020. Grants awarded that are conditioned on future uncertain events are expensed when those conditions are substantially met. There were no conditional grants outstanding at March 31, 2021 and 2020.

Direct Charitable and Program Operating Expenses—Direct charitable expenses pertain to charitable activities for the benefit of others initiated and conducted in whole or in part by The Endowment. The Endowment’s direct charitable activities consist of the administration and operation of conference centers in Los Angeles, Oakland, and Sacramento in addition to program evaluation, content creation, and marketing on health issues; policy and advocacy work; and health-related research, publishing, and dissemination of research. Program operating expenses pertain to the general grantmaking activities of The Endowment, such as reviewing grant applications, awarding, monitoring, and evaluating grants. Certain program operating expenses are allocated based on employee ratios and estimates made by management.

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

The COVID-19 pandemic continues to have a broad and profound impact on commerce and financial markets around the world. The extent of the impact of COVID-19 on The Endowment’s operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impact on our investment portfolio, grantees, employees, and vendors, all of which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact The Endowment’s financial position and changes in net assets and cash flows is uncertain and the accompanying financial statements include no adjustments relating to the effects of this pandemic.

Fair Value—Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Investments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1—Quoted prices are available in active markets for identical investments as of the reporting date. The type of investments in Level 1 includes listed equities held in the name of The Endowment.

Level 2—Pricing inputs, including broker quotes, are generally those other than exchange quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through models or other valuation methodologies.

Level 3—Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation.

The following are descriptions of valuation inputs and techniques that The Endowment utilize to determine fair value of each major category of assets:

Cash Equivalents—Cash equivalents primarily consist of cash on deposit with banks and amounts held in interest-bearing money market accounts. Cash equivalents are carried at cost, which approximates their fair market value. The values of cash and cash equivalents are categorized as Level 1.

Equity Securities (Domestic and International/Global)—Equity securities actively traded on a securities exchange are valued based on quoted prices from the applicable exchange. To the extent valuation adjustments are not applied to these securities, the values are categorized as Level 1.

US Government and Agency Obligations—US government and agency obligations include US Treasury notes and government bonds. US Treasury notes are valued based on prices provided by third-party vendors that obtain feeds from a number of live data sources, including active market makers and interdealer brokers. To the extent that the values are actively quoted, they are categorized as Level 1. To the extent the values are not actively quoted, the securities are categorized as Level 2. Government bonds are valued using inputs and techniques, which include identification of similar issues and bond market activity. Prices are determined taking into account the bond's terms and conditions, including any features specific to that issue, which may influence risk and, thus, marketability. The values of government bonds are categorized as Level 2.

Corporate Debt (Domestic and International)—The estimated fair values are based on quoted market prices and/or other market data for the same or comparable instruments and transactions in establishing the prices. Due to the nature of pricing of fixed-income securities, management classifies the majority of corporate debt securities as Level 2.

The Endowment considers unobservable inputs to be those for which market data is not available and that are developed using the best information available to us about the assumptions that market participants would use when pricing the asset or liability. Relevant inputs vary depending on the nature of the instrument being measured at fair value. For those securities that management classifies as Level 3, significant unobservable inputs include the following: industry multiples (primarily based on revenue or earnings before income tax, depreciation, and amortization, EBITDA), public comparables, transactions in similar instruments, discounted cash flow techniques, and third-party appraisals. Managers also consider changes in the outlook for relevant industry and financial performance of the issuer as compared to projected performance. Significant inputs include market and transaction multiples, discount rates, long-term growth rates, and capitalization rates.

Mortgage- and Asset-Backed Securities—Mortgage- and asset-backed securities include US government agency issues and mortgage- and asset-backed securities, which are valued using price quotes from pricing services. To the extent that these inputs are observable and timely, the values of US government agency issues and mortgage- and asset-backed securities are categorized as Level 2.

Hedge Funds, Private Equity, Real Estate, and Real Assets—The Endowment uses NAV to determine the fair value of all the investments, which do not have a readily determinable fair value. Such value generally represents the limited partner's proportionate share of the investment partnerships as reported by their general partners. Accordingly, the value of the investment in these limited partnerships is generally increased by additional contributions and the limited partner's share of net earnings from the underlying investments and decreased by distributions and the limited partner's share of net losses from the underlying investments.

Recently Adopted Accounting Pronouncements—In February 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, as amended. The new guidance requires the recognition of lease assets and lease liabilities by lessees for those leases otherwise classified as operating leases under previous US GAAP. The Endowment adopted ASU No. 2016-02 as of and for the year ended March 31, 2021. The provisions of ASU No. 2016-02 did not have a material impact on the consolidated financial statements.

3. CONCENTRATIONS OF CREDIT RISK

Credit risk is the potential failure of another party to perform in accordance with the contract terms. Financial instruments, which potentially subject The Endowment to concentrations of credit risk, consist primarily of cash and cash equivalents; investments; and program-related investments.

The Endowment maintains its cash and cash equivalents primarily with its custodian bank, Bank of New York Mellon (“BNY Mellon”). The cash and cash equivalent balances are generally not federally insured; however, The Endowment has not experienced any losses in such positions and believes that they do not represent significant credit risk.

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. The Endowment will be exposed to credit risk to parties with whom it trades and will also bear the risk of settlement default. The Endowment minimizes concentrations of credit risk by undertaking transactions with a large number of investment managers and counterparties on recognized and reputable exchanges, where applicable. The Endowment could lose money if the issuer or guarantor of an investment is unable or unwilling to make timely payments or to otherwise honor its obligations. Securities are subject to varying degrees of credit risk, which are often reflected in credit ratings. Due to the level of risk associated with certain investment securities, it is possible that changes in the value of investment securities will occur in the near term and that such changes could materially affect the value of The Endowment’s investments and total net assets balance.

With respect to program-related investments, The Endowment routinely assesses the financial strength of its debtors and believes that the related credit risk exposure is limited and appropriately reserved for.

4. INVESTMENTS

At March 31, 2021 and 2020, investments consist of the following at fair value (in thousands of dollars):

	2021	2020
Cash equivalents	\$ 16,606	\$ 27,325
Fixed income	315,674	314,430
Equities	1,530,627	1,028,534
Private equity, real assets, real estate, and hedge funds	<u>2,292,662</u>	<u>1,878,337</u>
Total investments	<u>\$ 4,155,569</u>	<u>\$ 3,248,626</u>

Net realized and unrealized gains and losses on investments are included in net gain (loss) on investments in the consolidated statements of activities. The net gain (loss) on The Endowment’s investment portfolio for the years ended March 31, 2021 and 2020, consists of the following (in thousands of dollars):

	2021	2020
Net realized gain	\$ 280,454	\$ 223,083
Net unrealized gain (loss)	<u>873,057</u>	<u>(437,740)</u>
Total gains (losses)	<u>\$ 1,153,511</u>	<u>\$ (214,657)</u>

The Endowment has entered into certain agreements with various investment funds to make future investments in such funds. As of March 31, 2021, the unfunded commitments related to these investments totaled \$503,257,000.

The investment goal of The Endowment is to maintain or grow its asset size and spending power in real (inflation adjusted) terms with risk at a level appropriate to The Endowment's program objectives. The Endowment diversifies its investments among various financial instruments and asset categories and uses multiple investment strategies. As a general practice, financial assets of The Endowment are managed by external investment management firms selected by The Endowment. All financial assets of The Endowment are held in custody by BNY Mellon, except for assets invested with partnerships and commingled funds, which have separate arrangements related to their legal structure.

Derivative Instruments—The Endowment transacts in a variety of derivative instruments, including futures, swaps, and options primarily for trading purposes with each instrument's primary risk exposure being interest rate, credit, currency, equity, or commodity risk. The fair value of these derivative instruments is included in the investments line item in the consolidated statements of financial position with changes in fair value included in as net realized and unrealized gain (loss) on investments within the consolidated statements of activities.

The use of financial derivative instruments in its investment program is appropriate and customary for the investment strategies employed by The Endowment. These instruments do involve investment and counterparty risk in amounts greater than what are reflected in The Endowment's consolidated financial statements; however, management does not anticipate that losses, if any, from such instruments would materially affect the consolidated statements of financial position of The Endowment.

As of March 31, 2021 and 2020, The Endowment held derivative positions with notional amounts of \$8,014,000 and \$8,073,000, respectively. The Endowment records the assets or liabilities associated with derivative instruments at fair value based on Level 1 inputs in the consolidated statement of financial position. The Endowment had a related payable of \$193,000 and \$9,000 as of March 31, 2021 and 2020, respectively. The Endowment recognized a realized loss of \$39,000 and \$214,000 on foreign exchange contract derivatives for the years ended March 31, 2021 and 2020, respectively. Such amounts are included in the net realized and unrealized gain (loss) on investments in the consolidated statements of activities.

5. FAIR VALUE

The following table summarizes the valuation of The Endowment's investments by Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, fair value hierarchy levels as of March 31, 2021 (in thousands of dollars):

	Level 1	Level 2	Level 3	NAV as Practical Expedient	Total
Cash equivalents	\$ 16,606	\$ -	\$ -	\$ -	\$ 16,606
Equities:					
Domestic	124,787			60,665	185,452
International	82,511			162,525	245,036
Emerging markets				323,800	323,800
Global	134,855			641,484	776,339
Fixed income:					
Corporates	1,190	135,150	11,448		147,788
Mortgage-/asset-backed securities		98,091			98,091
Government related	34,249	6,698			40,947
Municipal bonds		28,848			28,848
Hedge funds:					
Relative value				294,124	294,124
Long/short				305,258	305,258
Event driven				153,676	153,676
Private equity:					
Venture capital				292,489	292,489
Buyout/growth				671,327	671,327
Real estate				289,025	289,025
Real assets				<u>286,763</u>	<u>286,763</u>
Total Investment Valuation	<u>\$394,198</u>	<u>\$268,787</u>	<u>\$11,448</u>	<u>\$3,481,136</u>	<u>\$4,155,569</u>

The following table summarizes The Endowment's Level 3 reconciliation by ASC 820 standards as of March 31, 2021 (in thousands of dollars):

	Beginning Balances— April 1, 2020	Realized Gains	Change in Unrealized Gains	Purchase and Other Acquisitions	Sales and Other Dispositions	Transfers into Level 3	Transfers (Out) of Level 3	Ending Balances— March 31, 2021
Fixed income—corporates	<u>\$324</u>	<u>\$64</u>	<u>\$195</u>	<u>\$14,066</u>	<u>\$(3,201)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$11,448</u>
Total fixed income—corporates	<u>\$324</u>	<u>\$64</u>	<u>\$195</u>	<u>\$14,066</u>	<u>\$(3,201)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$11,448</u>

The following table summarizes the valuation of The Endowment's investments by ASC 820 fair value hierarchy levels as of March 31, 2020 (in thousands of dollars):

	Level 1	Level 2	Level 3	NAV as Practical Expedient	Total
Cash equivalents	\$ 27,325	\$ -	\$ -	\$ -	\$ 27,325
Equities:					
Domestic	102,282			46,279	148,561
International	54,481			138,590	193,071
Emerging markets	15			193,459	193,474
Global	79,916			413,512	493,428
Fixed income:					
Corporates		28,728	324		29,052
Mortgage-/asset-backed securities		148,302			148,302
Government related	104,360	13,222			117,582
Commingled funds	10,077				10,077
Municipal bonds		9,417			9,417
Hedge funds:					
Relative value				259,454	259,454
Long/short				263,545	263,545
Event driven				97,389	97,389
Global macro				62,037	62,037
Private equity:					
Venture capital				207,672	207,672
Buyout/growth				481,130	481,130
Real estate				263,230	263,230
Real assets				243,880	243,880
Total Investment Valuation	<u>\$378,456</u>	<u>\$199,669</u>	<u>\$324</u>	<u>\$2,670,177</u>	<u>\$3,248,626</u>

The following tables summarizes The Endowment's Level 3 reconciliation by ASC 820 standards as of March 31, 2020 (in thousands of dollars):

	Beginning Balances— April 1, 2019	Realized (Losses)	Change in Unrealized Gains	Purchase and Other Acquisitions	Sales and Other Dispositions	Transfers into Level 3	Transfers (Out) of Level 3	Ending Balances— March 31, 2020
Fixed income—corporates	<u>\$1,332</u>	<u>\$(54)</u>	<u>\$10</u>	<u>\$200</u>	<u>\$(1,164)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$324</u>
Total fixed income—corporates	<u>\$1,332</u>	<u>\$(54)</u>	<u>\$10</u>	<u>\$200</u>	<u>\$(1,164)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$324</u>

There were no transfers in or out of Level 3. The unrealized gains (losses) related to Level 3 investments held at March 31, 2021 and 2020, were \$187,000 and \$(21,000), respectively.

The Endowment uses NAV as a practical expedient to determine the fair value of all the underlying investments, which (a) do not have readily determinable fair values and (b) prepare their consolidated financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. The following table lists investments in other investment companies by major category as of March 31, 2021 (in millions of dollars):

	Strategy	Fair Value	Remaining Life	Unfunded Commitment	Redemption Terms	Redemption Restrictions
Private equity*	Venture and buyout/growth, in the United States and international	\$ 963.8	1 to 15 years	\$ 189.2	N/A	N/A
Real estate*	Real estate primarily in the United States	289.0	1 to 15 years	187.7	N/A	N/A
Real assets*	Natural resources primarily in the United States	286.8	1 to 15 years	126.4	N/A	N/A
Hedge funds	Relative value, Long-/short-, event-driven, and global macro hedge funds	753.1	N/A		Ranges between monthly redemption to a redemption with a three-year lock-up period	Some funds limit redemption to 16.7% capital per period
Commingled funds—equities	Long-only equities	<u>1,188.5</u>	N/A	—	Ranges between daily redemption to a redemption every three years	1 fund limits redemption to a maximum of 33% of capital per year
Total partnership and commingled fund investments		<u>\$3,481.2</u>		<u>\$503.3</u>		

* These investments are in private fund structures with no ability to be redeemed.

The Endowment uses NAV as a practical expedient to determine the fair value of all the underlying investments, which (a) do not have readily determinable fair values and (b) prepare their consolidated financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. The following table lists investments in other investment companies by major category as of March 31, 2020 (in millions of dollars):

	Strategy	Fair Value	Remaining Life	Unfunded Commitment	Redemption Terms	Redemption Restrictions
Private equity*	Venture and buyout/growth, in the United States and international	\$ 689	1 to 15 years	\$ 237	N/A	N/A
Real estate*	Real estate primarily in the United States	263	1 to 15 years	219	N/A	N/A
Real assets*	Natural resources primarily in the United States	244	1 to 15 years	153	N/A	N/A
Hedge funds	Relative value, Long-/short-, event-driven, and global macro hedge funds	682	N/A		Ranges between monthly redemption to a redemption with a three-year lock up period	Some funds limit redemption to 16.7% capital per period
Commingled funds—equities	Long-only equities	<u>792</u>	N/A	<u> </u>	Ranges between daily redemption to a redemption every three years	1 fund limits redemption to a maximum of 33% of capital per year
Total partnership and commingled fund investments		<u>\$2,670</u>		<u>\$ 609</u>		

* These investments are in private fund structures with no ability to be redeemed.

6. PROGRAM-RELATED INVESTMENTS

The Endowment invests a portion of its funds in projects that advance its philanthropic purposes by providing non-interest-bearing or low-interest-bearing loans and guarantees to organizations with proceeds to be expended by the recipients in furtherance of The Endowment's charitable purpose. Loans are either in the form of direct loans or loan participations. At March 31, 2021 and 2020, these loans, including interest receivables, totaled \$62,158,000 and \$51,908,000, respectively, and have been recorded net of potentially uncollectible amounts of \$4,281,000 and \$3,231,000 at March 31, 2021 and 2020, respectively, and net of discount of \$11,490,000 and \$11,238,000 at March 31, 2021 and 2020, respectively. The loans have stated rates of 0%–6.8% with effective rates of 2%–11.0% based on the credit risks of these organizations. The loans have maturities ranging from March 2022 through July 2035 and are expected to be repaid in various installments over their terms. Loans are individually monitored to determine net realizable value based on an evaluation of recoverability. Net realizable value approximates fair value. The table below represents the expected future loan repayments from these organizations as of March 31, 2021 (in thousands of dollars):

Years Ending March 31	
2022	\$ 7,582
2023	3,002
2024	3,617
2025	4,508
2026	10,780
Thereafter	<u>46,827</u>
Program-related investments receivable	76,316
Interest receivable	1,613
Less discount and reserves for uncollectible amounts	<u>(15,771)</u>
Program-related investments—net	<u>\$ 62,158</u>

As of March 31, 2021 and 2020, The Endowment had unfunded loan commitments of \$9,121,655 and \$5,671,000, respectively, related to certain program-related investments.

The Endowment's guarantee commitments were \$5,000,000 as of March 31, 2021 and 2020. In December 2019, The Endowment entered into a third-party loan guarantee agreement with a 15-year term totaling \$5,000,000, of which loss exposure related to the guarantee was \$750,000 as of March 31, 2021 and 2020. No losses were incurred on guarantee commitments for the years ended March 31, 2021 and 2020. The Endowment recorded a contingent liability at the larger of the net present value of the guarantee or the minimum amount of probable loss. These contingencies amounted to \$69,478 and \$74,403 as of March 31, 2021 and 2020, respectively.

7. PROPERTY AND EQUIPMENT

At March 31, 2021 and 2020, property and equipment consist of the following (in thousands of dollars):

	2021	2020
Building, easement, and leasehold improvements	\$ 86,288	\$ 86,336
Land	23,599	23,599
Furnishings and equipment	12,344	12,133
Software	904	991
Construction in progress	<u>1,302</u>	<u>1,111</u>
Total property and equipment	124,437	124,170
Less accumulated depreciation	<u>(43,620)</u>	<u>(41,253)</u>
Total property and equipment—net	<u>\$ 80,817</u>	<u>\$ 82,917</u>

Depreciation expense was \$3,313,000 and \$3,383,000 for the years ended March 31, 2021 and 2020, respectively.

8. GRANTS PAYABLE

At March 31, 2021 and 2020, grants payable are as follows (in thousands of dollars):

	2021	2020
Amounts due in:		
Less than one year	\$ 32,505	\$ 68,379
One year to five years	<u>1,000</u>	<u>8,931</u>
Gross grants payable	33,505	77,310
Less discount to present value	<u>(2)</u>	<u>(401)</u>
Grants payable—net	<u>\$ 33,503</u>	<u>\$ 76,909</u>

The Endowment made grant payments of \$181,025,000 and \$156,679,000 for the years ended March 31, 2021 and 2020, respectively.

9. COMMITMENTS AND CONTINGENCIES

The Endowment leases its regional office facilities under various agreements. Rental expense was \$697,000 and \$723,000 for the years ended March 31, 2021 and 2020, respectively. Future minimum rental payments related to noncancelable operating leases as of March 31, 2021, are as follows (in thousands of dollars):

Years Ending March 31	
2022	\$ 637
2023	650
2024	664
2025	654
2026	259
Thereafter	_____
Total minimum future rentals	<u>\$2,864</u>

The Endowment is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of such matters will not have a material adverse effect on the consolidated statements of financial position of The Endowment.

In September 2011, The Endowment and members of a coalition of nonprofit organizations (the "Coalition") reached an agreement whereby The Endowment agreed to receive proceeds from a settlement benefiting the Coalition to be used towards supporting a community-serving health and wellness center, community health promotion, affordable housing, small business support, and jobs training opportunities for local residents and at-risk youth. The Coalition is composed of various nonprofit corporations. Under the terms of the agreement, The Endowment agreed to receive the settlement proceeds and then distribute such funds as directed by the members of the Coalition.

Since the inception of the agreement through March 31, 2021, The Endowment has received from the Coalition \$4,253,000 in cash of which \$3,830,000 has been expended. At March 31, 2021, The Endowment's obligation under the terms of the agreement was \$423,000.

10. CREDIT FACILITY

The Endowment has an unsecured line of credit (LOC) totaling \$20,000,000 as of March 31, 2021 and 2020. Drawdowns on the LOC incur an interest rate either at London InterBank Offered Rate, plus 100 basis points or at a reference rate as announced by the lender, at The Endowment's option. The LOC contains no unused commitment fee and expires November 2022.

In the current fiscal year, there were no amounts drawn against the LOC.

As of March 31, 2021, The Endowment was in compliance with all covenants related to the LOC.

11. BONDS PAYABLE

On January 27, 2021, the Endowment issued \$300 million of Social Bonds, Series 2021 (taxable). The Endowment intends to use the proceeds to fund grants to stabilize and strength the infrastructure and capacity of nonprofit organizations within six priority areas: powerbuilding, health coverage, health and wellness, health workforce, resilient communities, and research and evaluation. The bonds were sold at

par with a coupon rate of 2.498%, payable semiannually on April 1 and October 1, and a balloon payment of the principal at maturity date of April 1, 2051. Bonds payable as of March 31, 2021 consists of principal of \$300 million less \$1.4 million of debt issuance costs. The fair value of the bonds payable, based on quoted broker prices, which are considered Level 2 inputs, is \$275 million as of March 31, 2021.

Future maturities of bonds payable are as follows:

Years Ending March 31	
2022	\$ 7,494
2023	7,494
2024	7,494
2025	7,494
2026	7,494
Thereafter	<u>487,350</u>
 Total	 <u>\$ 524,820</u>

12. TAXES

The Endowment is exempt from federal income taxes under IRC Section 501(c)(3). For the years prior to the current year, The Endowment was subject to federal excise taxes imposed on private foundations at 2% or at 1% if certain conditions were met. The excise tax is imposed on net investment income, as defined under federal tax law, which includes interest and dividend income, and realized gains, net of investment expenses, among other items. Deferred excise taxes arise primarily from unrealized gains on investments and are calculated at the effective rate expected to be paid by The Endowment.

In December 2019, the US government enacted comprehensive tax legislation titled the Taxpayer Certainty and Disaster Tax Relief Act of 2019 (the "Act"). The Act simplifies the private foundation excise tax calculation on investment income by eliminating the two-tiered 1% or 2% tax rate with a flat rate of 1.39% for tax years beginning after December 20, 2019. The Endowment has modified its tax positions as of April 1, 2020, to reflect the flat tax rate.

The Endowment is also subject to income tax on unrelated business income. An operating loss carryforward of approximately \$103,166,000 is available to offset future taxable income of The Endowment.

The components of the deferred tax asset and liability recognized in the consolidated statements of financial position were as follows as of March 31, 2021 and 2020 (in thousands of dollars):

	2021	2020
Deferred tax asset	\$ 30,843	\$ 24,595
Deferred excise taxes payable	<u>(18,110)</u>	<u>(5,936)</u>
 Total deferred taxes	 <u>\$ 12,733</u>	 <u>\$ 18,659</u>

The components of the provision (benefit) for federal and state income taxes recognized in the consolidated statements of activities for the years ended March 31, 2021 and 2020, were as follows (in thousands of dollars):

	2021	2020
Current excise tax provision	\$ 1,640	\$ 4,597
Deferred excise tax provision (benefit)	12,173	(11,414)
Deferred income tax benefit	<u>(6,189)</u>	<u>(10,080)</u>
 Total tax provision (benefit)	 <u>\$ 7,624</u>	 <u>\$ (16,897)</u>

The Endowment believes that it has appropriate support for tax positions taken and, as such, does not have any uncertain tax positions that result in a material impact on The Endowment's consolidated statements of financial position or consolidated statements of activities.

The federal income tax return has a three-year statute of limitation and the California return has a four-year statute of limitation from the latter of a) the due date of the return or b) the date the return is filed. During this time period, the income tax returns could be subject to examination. The federal income tax returns are subject to examination from 2017 through 2020 and state income tax returns are subject to limitation from 2016 through 2020.

13. DISTRIBUTION REQUIREMENTS

The Endowment is subject to the distribution requirements of the IRC. Accordingly, it must distribute within one year after the end of each fiscal year, a minimum of 5% of the net value of non-charitable-use assets, as defined. The assets that are to be included in the 5% distribution requirement are based on average monthly balances and are exclusive of those assets deemed to be held for charitable activities or program-related investments. In determining qualifying distributions, grant payments are considered on a cash basis and certain expenses are considered as qualifying distributions.

For the period March 2015 through March 2019, The Endowment exceeded the minimum distribution requirements by \$172 million. The IRC allows The Endowment to utilize all or some of this excess to meet future years' distribution requirements. Each fiscal year's excess distributions carryover expires after five years.

14. RETIREMENT PLAN

The Endowment maintains a qualified 401(k) Employee Investment Plan that provides for uniform employer contributions of one dollar for every dollar contributed by a participant up to 7% of the participant's salary deferral contribution. The Endowment's contributions to this plan for the years ended March 31, 2021 and 2020, were \$1,158,000 and \$1,163,000, respectively.

The Endowment has a defined benefit cash balance plan (the "Plan") covering all employees with one year of service. The Plan is entirely funded by The Endowment. Each employee's account is credited with 8% of eligible wages for each year in which employees work more than 1,000 hours, with additional credits based on age. The employees are vested 20% each year for the first two years after entering the Plan, with full vesting at the end of three years or upon reaching the age of 65 while employed by The Endowment. In addition, each employee's account is credited each year with an interest factor equal to the annual interest on 20-year Treasury bonds as of the last day of the previous

Plan year, or 5%, if higher. At retirement, employees are paid their accumulated vested amount in the Plan, either as an annuity or lump sum, at their election. Upon termination of service, participants may withdraw or roll over their vested accumulated cash balance.

The benefit cost for the fiscal year ending March 31, 2022, is estimated to be \$1,144,000. The Endowment's funding policy is to contribute amounts to the Plan sufficient to meet the minimum funding requirements of the Employee Retirement Income Security Act of 1974 (ERISA), plus additional amounts as deemed to be appropriate. The Plan had a total ERISA funding shortfall as of January 1, 2020, of \$1,018,000, thereby requiring quarterly contributions for the 2021 Plan year of \$345,000. The Endowment may fulfill the quarterly contribution requirements either through cash contributions or the use of its ERISA prefunding balance.

In order to determine the expected long-term rate of return for the Plan's assets, The Endowment considered historical performance of various asset classes, investment community forecasts, and current economic and market conditions.

The Plan's investment policy allows assets to be allocated to various asset classes, which include cash and liquid investments, income and equity investments, balanced investments, real estate and real estate trusts, sector-based, and alternative investments. The Plan's assets are invested with the goal of providing both a reasonable level of income and long-term growth of capital and income, along with achieving a broadly diversified holding of stocks and bonds.

The Plan's assets are fully invested in a variety of equity and fixed-income mutual funds as of March 31, 2021, composed of 49% fixed income, 50% equities, and 1% cash and cash equivalents. The Plan's assets as of March 31, 2020, were composed of 65% fixed income, 34% equities, and 1% cash and cash equivalents.

The changes in accumulated postretirement benefit obligation, Plan's assets, and the amounts recognized in the consolidated statements of financial statements are as follows as of and for the years ended March 31, 2021 and 2020 (in thousands of dollars):

	2021	2020
Projected benefit obligation—beginning of the year	\$ 25,156	\$ 20,178
Service cost	1,632	1,401
Interest cost	724	734
Other assumption changes	(175)	2,192
Actuarial loss	491	974
Benefits paid by employer	<u>(723)</u>	<u>(323)</u>
Projected benefit obligation—end of the year	<u>\$ 27,105</u>	<u>\$ 25,156</u>

	2021	2020
Fair value of Plan's assets—beginning of the year	\$ 18,410	\$ 18,358
Actual return on Plan's assets	4,607	(375)
Employer contributions	2,000	750
Benefits paid	<u>(723)</u>	<u>(323)</u>
Fair value of Plan's assets—end of the year	<u>\$ 24,294</u>	<u>\$ 18,410</u>
Unfunded status of the Plan	<u>\$ (2,811)</u>	<u>\$ (6,746)</u>
	2021	2020
Amounts recognized in the consolidated statements of financial position—liability	<u>\$ (2,811)</u>	<u>\$ (6,746)</u>
Net liability	<u>\$ (2,811)</u>	<u>\$ (6,746)</u>
	2021	2020
Amounts recognized in net assets without donor restrictions:		
Prior-service credit	\$ (330)	\$ (358)
Net actuarial loss	<u>5,425</u>	<u>9,071</u>
Net amounts recognized in net assets without donor restrictions	<u>\$ 5,095</u>	<u>\$ 8,713</u>
	2021	2020
Net periodic pension cost and amounts recognized in the change in net assets without donor restrictions:		
Service cost	\$ 1,632	\$ 1,401
Interest cost	724	734
Expected return on Plan's assets	(1,105)	(1,115)
Amortization of prior-service cost	(28)	(28)
Amortization of net loss	<u>461</u>	<u>183</u>
Net periodic pension cost	<u>\$ 1,684</u>	<u>\$ 1,175</u>
	2021	2020
Pension-related changes other than net periodic pension cost		
Net (gain) loss	\$ (3,647)	\$ 4,472
Amortization of prior-service cost	<u>28</u>	<u>28</u>
Total pension-related changes other than net periodic pension cost	<u>\$ (3,619)</u>	<u>\$ 4,500</u>

The estimated prior-service cost and actuarial loss for the Plan that will be amortized from net assets without donor restrictions into net periodic benefit cost during the following fiscal year are \$186,917 and \$(27,659), respectively.

Weighted-average assumptions used to determine benefit obligations at March 31, 2021 and 2020, are as follows:

	2021	2020
Discounts	3.11 %	3.05 %
Expected return on Plan's assets	6.50	6.50
Rate of compensation increase	5.00	5.00

Weighted-average assumptions used to determine net periodic pension costs at March 31, 2021 and 2020, are as follows:

	2021	2020
Discounts	3.05 %	3.87 %
Expected return on Plan's assets	6.50	6.50
Rate of compensation increase	5.00	5.00

The estimated future benefit payments as of March 31, 2021, are as follows (in thousands of dollars):

**Years Ending
March 31**

2022	\$ 925
2023	891
2024	1,018
2025	1,217
2026	1,378
Years 2027 through 2031	8,741

The following table sets forth, by level, within the fair value hierarchy, the Plan's assets at fair value as of March 31, 2021 (in thousands of dollars):

	Level 1	Level 2	Level 3	NAV as Practical Expedient	Total
Equities	\$ -	\$ 12,155	\$ -	\$ -	\$ 12,155
Fixed income		11,896			11,896
Cash and cash equivalents	<u>243</u>	<u> </u>	<u> </u>	<u> </u>	<u>243</u>
Total Plan's Assets	<u>\$ 243</u>	<u>\$ 24,051</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,294</u>

The following table sets forth, by level, within the fair value hierarchy, the Plan's assets at fair value as of March 31, 2020 (dollars in thousands):

	Level 1	Level 2	Level 3	NAV as Practical Expedient	Total
Equities	\$ -	\$ 6,223	\$ -	\$ -	\$ 6,223
Fixed income		11,997			11,997
Cash and cash equivalents	<u>190</u>				<u>190</u>
Total Plan's Assets	<u>\$ 190</u>	<u>\$ 18,220</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,410</u>

15. ANALYSIS OF EXPENSES

The Endowment's expenses have been allocated between grantmaking, direct charitable, and operational support activities, based on estimates made by The Endowment's management of time spent by employees on various activities. Grantmaking expenses pertain to the general grantmaking activities of the Endowment, such as reviewing proposals and awarding, monitoring, and evaluating grants. Direct charitable activities represent expenses incurred for the charitable benefit of others, initiated and conducted in whole or in part by The Endowment. Operational support expenses include costs related to managing The Endowment.

The Endowment's functional expenses, displayed by natural and functional expense classification, for the year ended March 31, 2021, were as follows (in thousands of dollars):

	Grantmaking Program	Direct Charitable Activities	General and Administrative	Total
Grants and contracts for program activities	\$138,652	\$13,043	\$ -	\$151,695
Salaries, benefits, and payroll taxes	18,960	2,139	4,049	25,148
Legal and accounting fees	447	188	78	713
Consulting and other professional fees	1,392	35	437	1,864
Depreciation	2,149	434	730	3,313
Occupancy	1,393	1,140	515	3,048
Travel, conference, and meetings	503	85	182	770
Information Technology (IT) equip, online services, and software	416	690	154	1,260
Other expenses	<u>671</u>	<u>669</u>	<u>178</u>	<u>1,518</u>
Total functional expenses	<u>\$164,583</u>	<u>\$18,423</u>	<u>\$6,323</u>	<u>\$189,329</u>

The Endowment's functional expenses, displayed by natural and functional expense classification, for the year ended March 31, 2020, were as follows (dollars in thousands):

	Grantmaking Program	Direct Charitable Activities	General and Administrative	Total
Grants and contracts for program activities	\$ 136,974	\$ 12,593	\$ -	\$ 149,567
Salaries, benefits, and payroll taxes	18,497	1,917	4,804	25,218
Legal and accounting fees	463		97	560
Consulting and other professional fees	1,447	39	550	2,036
Depreciation	1,912	536	771	3,219
Occupancy	1,395	1,281	562	3,238
Travel, conference, and meetings	1,011	428	358	1,797
Information Technology (IT) equip, online services, and software	392	1,077	158	1,627
Other expenses	<u>479</u>	<u>366</u>	<u>57</u>	<u>902</u>
Total functional expenses	<u>\$ 162,570</u>	<u>\$ 18,237</u>	<u>\$ 7,357</u>	<u>\$ 188,164</u>

16. LIQUIDITY

The Endowment structures its financial assets to be available and liquid as its grants, general expenditures, liabilities, and other obligations become due. In addition to the available financial assets listed below, The Endowment has a line-of-credit agreement of \$20 million, which can be drawn upon to meet near-term liquidity needs. There are likely to be additional components of The Endowment's investments that may be available and liquid within one year, which is not included in the table below. These components include certain portions of investments, including cash equivalents categorized as investments, as well as return of capital from private equity, real estate, and real asset holdings. Although The Endowment does not intend to spend from these investments in the normal course of business, the amounts listed below could be made available if necessary.

The following table summarizes The Endowment's financial assets available for general expenditure and grant obligations within one year of March 31, 2021 and 2020 (in thousands of dollars):

	2021	2020
Cash and cash equivalents	\$ 329,180	\$ 18,105
Interest and dividends receivable	3,077	2,033
Investment sales receivable	369	11,016
Equities	1,268,046	896,429
Fixed income	317,796	324,169
Hedge funds	<u>567,657</u>	<u>578,124</u>
Total available financial assets	<u>\$ 2,486,125</u>	<u>\$ 1,829,876</u>

17. RELATED PARTIES

In September 2009, the LLC engaged The Endowment to provide various management and administrative services, equipment, supplies, and other goods and services on its behalf under an administrative services agreement. Under the terms of the agreement, The Endowment shall be compensated annually by the LLC for \$1 and the agreement shall have a term of one year, with an

automatic annual renewal, unless otherwise terminated by either party for cause. All intercompany balances and transactions have been eliminated in the consolidated financial statements.

The Endowment leases office space in its main building to certain tax-exempt organizations that may also be recipients of various grants awarded by The Endowment. Receivables from such leasing arrangements are not considered material and are not separately disclosed in the consolidated financial statements.

18. SUBSEQUENT EVENTS

The Endowment has evaluated subsequent events to assess the need for potential recognition or disclosure in the consolidated financial statements through September 29, 2021, the date the consolidated financial statements were issued, and believes no additional disclosures are required in the consolidated financial statements.

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