

Financial Statements for the five months ending May 31, 2019:

- Investment market value experienced an unrealized loss of \$7.7 million in May. On a year-to-date basis, the total portfolio is 7% or \$11.4 million higher at \$174.6 million at May 31, 2019 compared to December 31, 2018. Equity/Fixed Ratio was 71.6/28.4% at May 31, 2019 compared to 69.8/30.2% at yearend. (See exhibit A for comparative investment portfolio balances and A-1 for a detailed list of all holdings, in alphabetical order – new schedule in May package.)
- Revenues:
 - Interest and dividends of \$1.7 million is \$388k higher than the prior year and \$416k higher than budget.
 - Realized net loss of (\$41k) in 2019 compared to \$2.4 million net gain in 2018. (The budget amount of \$3.3 million gain is calculated as 5/12 of the annual \$7.9 million total fiscal year budget.) Realized losses of (\$216k) in May included (\$131k) from WCM and (\$80k) from Dana SMID.
 - Other investment income includes distributions for Portfolio Advisors Funds IV, V and the Secondary Fund.
 - The endowment value decreased \$7.7 million in May for a total unrealized net gain of \$12.5 million in the first five months of 2019 compared to a net unrealized loss of (\$0.9 million) in 2018 for a year over year variance of \$13.4 million.
- Expenses:
 - Grants paid of \$1.6 million are \$43k less than prior year and \$14k less than budget.
 - Starting in 2019, we are also recording grants that have been approved, but not yet paid, \$327k as of May 31, 2019. Total grant activity (payments, approvals and payables) agrees with Lisa's monthly analysis.
 - Investment management expenses of \$207k in 2019 appear to be \$196k less than the prior year. 2018 monthly amounts were not corrected for the change to accrual accounting and represents fees for 2017. 2019 expenses are \$22k less than budget. An analysis of investment fees will be forthcoming in a future month.
 - General and administrative expenses of \$732k are \$32k higher than the prior year and \$18k more than budget. Compared to the prior year: 2019 includes accounting consulting and Kittleman fees that were not spent in 2018, higher office rent per lease terms and timing of business insurance payments made in May compared to June in prior year and budget, offset by reduced program support spending, movement of Directors fees from May to June in 2019 and 2018 retreat expenses that did not recur in 2019. The budget variance can be attributed to higher accounting consulting, unbudgeted Kittleman project, RSM tax bill, and timing of business insurance payment. Wages and health insurance are favorable to the budget attributed to the mid-May retirement of the CFO and his movement to Medicare health coverage starting in March (and away from the Foundation's plan). Overall, the CFO savings nearly offset the increased accounting consulting. The \$18k office supplies budget does include \$10k for new furniture, of which \$3k was spent in January and capitalized as a fixed asset leaving a \$7k difference. (See exhibit C for detail.)
 - Consistent with the latest accounting rules (Accounting Standards Update 2016-14) adopted by the Foundation for the 12/31/18 audited financial statements, costs are allocated on a functional basis and allocated among investment, program services and management/general. Management determines a reasonable allocation methodology. Time and effort is estimated to allocate: salaries and benefits, director expenses and program support. Square footage is used to allocate occupancy. The 2019 YTD expense allocation is shown on Exhibit C.
- Minimum Distribution Analysis (Ex. D) and Analysis of Charitable Spending Requirements (Ex. E):
 - The budgeted 2019 spending assumes an **average** net asset value of \$170.6 million by 12/31/19. (FYI - The 12/31/18 actual net asset value was \$164.5 million.) Based on this assumption, the Foundation would need to have qualifying distributions of \$8.3 million to qualify for the 1% excise tax. The estimated undistributed income from the prior year is \$7.5 million. Total budgeted distributions (including grant payments, administrative expenses and capital spending) are \$8.5 million.

- The 12 month rolling average net asset value as of 5/31/19 is \$176.7 million. Based on this ytd average, the Foundation would need to have qualifying distributions of \$8.7 million to qualify for the 1% excise tax, which is \$235k more than total budgeted spending. We will monitor this situation going forward.
- As of May 31, 2019, the Foundation has \$4.7 million of charitable spending required for the balance of 2019 to reach budget. This represents 56% of the full year budget and it seems reasonable to conclude the Foundation is on –track to meet the targeted charitable spending requirement. This includes \$3.4 million additional grants to be approved and paid in 2019. This amount could increase by \$235k based on the Foundation's investment balance (see Exhibit E).