

**JOHN SIMON GUGGENHEIM MEMORIAL FOUNDATION**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2018 AND 2017**



**LUTZ AND CARR**

CERTIFIED PUBLIC ACCOUNTANTS, LLP

551 FIFTH AVENUE - SUITE 400, NEW YORK, NY 10176

212-697-2299 FAX: 212-949-1768

## **INDEPENDENT AUDITORS' REPORT**

To the Board of Trustees of  
John Simon Guggenheim Memorial Foundation

We have audited the accompanying financial statements of John Simon Guggenheim Memorial Foundation (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, and the statement of functional expenses for the year ended December 31, 2018 with comparative totals for 2017, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of John Simon Guggenheim Memorial Foundation as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Lotz + Carr, LLP*

New York, New York  
October 1, 2019

## JOHN SIMON GUGGENHEIM MEMORIAL FOUNDATION

## STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<b>Assets</b>		
Cash and cash equivalents (Notes 2b and 12)	\$ 793,732	\$ 269,399
Investments (Notes 2c, 2d and 5)	254,838,701	289,056,267
Due from Broker	15,145,290	284,058
Pledges receivable - without donor restrictions (Notes 2e and 6)	185,552	99,959
Accrued interest and dividends receivable	21,131	163,123
Prepaid federal excise taxes (Note 10)	161,037	222,960
Prepaid expenses	-	106,552
Property and equipment, at cost, net of accumulated depreciation (Notes 2f and 7)	<u>579,987</u>	<u>636,391</u>
<b>Total Assets</b>	<u><u>\$271,725,430</u></u>	<u><u>\$290,838,709</u></u>
<b>Liabilities and Net Assets</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 509,418	\$ 192,898
Deferred lease incentive (Note 11)	1,030,442	1,037,381
Fellowship grant appropriations payable (Note 2g)	5,617,500	5,786,500
Unrelated business income tax payable (Note 10)	-	186,000
Federal excise tax payable - deferred (Note 10)	1,097,454	1,948,716
Postretirement benefit liability (Note 8)	3,678,945	3,874,519
Pension account liability (Note 8)	<u>2,483,944</u>	<u>1,892,604</u>
Total Liabilities	<u>14,417,703</u>	<u>14,918,618</u>
Commitments (Notes 5, 8 and 11)		
Net Assets		
Without donor restrictions	256,951,224	275,763,588
With donor restrictions (Note 4)	<u>356,503</u>	<u>156,503</u>
Total Net Assets	<u><u>257,307,727</u></u>	<u><u>275,920,091</u></u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$271,725,430</u></u>	<u><u>\$290,838,709</u></u>

See notes to financial statements.

## JOHN SIMON GUGGENHEIM MEMORIAL FOUNDATION

## STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<b>Changes in Net Assets Without Donor Restrictions</b>		
Revenue (Losses)		
Interest and dividends	\$ 1,892,623	\$ 1,363,283
Unrealized appreciation (depreciation) in fair value of investments and other nontaxable transactions, net of deferred federal excise (tax) benefit of \$851,262 in 2018 and (\$818,885) in 2017 (Note 10)	(41,711,873)	43,330,336
Realized net gain (loss) on sale of investments	33,844,171	(1,275,114)
Revenue from Limited Partnership investments, net of unrelated business income (tax) benefit of \$62,885 (2018) and (\$187,250) (2017) (Note 10)	1,439,641	7,999,554
Less: Investment management and custody fees	(463,083)	(154,007)
Less: Provision for current federal excise tax (Note 10)	<u>(401,923)</u>	<u>(67,060)</u>
Net Investment Income (Loss)	(5,400,444)	51,196,992
Contributions (Note 6)	<u>1,046,188</u>	<u>438,876</u>
Total Revenue (Losses)	<u>(4,354,256)</u>	<u>51,635,868</u>
Expenses (Note 2k)		
Program Activities		
Fellowship grants and expenses	11,937,925	11,690,980
Supporting Services		
Administration	810,509	781,365
Fundraising	<u>758,440</u>	<u>663,029</u>
Total Expenses	<u>13,506,874</u>	<u>13,135,374</u>
Increase (Decrease) in Net Assets Before Item Below	(17,861,130)	38,500,494
Pension and postretirement benefit related changes other than periodic benefits costs (Note 8)	<u>(951,234)</u>	<u>(676,968)</u>
Increase (Decrease) in Net Assets Without Donor Restrictions	(18,812,364)	37,823,526
<b>Changes in Net Assets With Donor Restrictions</b>		
Contributions	<u>200,000</u>	<u>-</u>
Increase (decrease) in net assets	(18,612,364)	37,823,526
Net assets, beginning of year	<u>275,920,091</u>	<u>238,096,565</u>
<b>Net Assets, End of Year</b>	<u><u>\$257,307,727</u></u>	<u><u>\$275,920,091</u></u>

See notes to financial statements.

## JOHN SIMON GUGGENHEIM MEMORIAL FOUNDATION

## STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2018 WITH COMPARATIVE TOTALS FOR 2017

	Fellowship Grants and Program Activities	Supporting Services			2018	2017
		Administration	Fundraising	Total	Total Expenses	Total Expenses
Fellowship grants	\$ 9,019,000	\$ -	\$ -	\$ -	\$ 9,019,000	\$ 8,940,000
Salaries, payroll taxes and benefits	1,424,510	410,894	408,352	819,246	2,243,756	2,078,902
Travel, conferences and meetings	82,650	1,179	34,024	35,203	117,853	85,642
Honoraria	129,500	-	-	-	129,500	109,000
Professional fees and other consultants	71,924	63,132	3,883	67,015	138,939	72,832
Occupancy	805,440	232,978	225,018	457,996	1,263,436	1,256,575
Information technology services and equipment maintenance	240,780	60,195	20,065	80,260	321,040	327,167
Insurance	18,555	5,367	5,184	10,551	29,106	28,576
Office expense	33,243	9,392	25,009	34,401	67,644	60,661
Annuity payments	-	-	19,896	19,896	19,896	20,319
Publicity expense	58,824	-	-	-	58,824	61,212
Miscellaneous expenses	6,066	13,652	3,758	17,410	23,476	20,084
Total expenses before depreciation	11,890,492	796,789	745,189	1,541,978	13,432,470	13,060,970
Depreciation	47,433	13,720	13,251	26,971	74,404	74,404
Total Expenses, 2018	<u>\$11,937,925</u>	<u>\$ 810,509</u>	<u>\$ 758,440</u>	<u>\$1,568,949</u>	<u>\$13,506,874</u>	
Total Expenses, 2017	<u>\$11,690,980</u>	<u>\$ 781,365</u>	<u>\$ 663,029</u>	<u>\$1,444,394</u>		<u>\$13,135,374</u>

See notes to financial statements.

## JOHN SIMON GUGGENHEIM MEMORIAL FOUNDATION

## STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<b>Cash Flows From Operating Activities</b>		
Increase (decrease) in net assets	\$ (18,612,364)	\$ 37,823,526
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Unrealized (appreciation) depreciation in fair value of investments and other nontaxable transactions	42,563,135	(44,149,221)
Realized net (gain) loss on sale of investments	(33,844,171)	1,275,114
Deferred federal excise tax (benefit)	(851,262)	818,885
Deferred lease incentive	(6,939)	(6,939)
Depreciation	74,404	74,404
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Pledges receivable	(85,593)	8,592
Accrued interest and dividends receivable	141,992	(2,197)
Prepaid federal excise taxes	61,923	(26,940)
Prepaid expenses	106,552	(86,125)
Increase (decrease) in:		
Accounts payable and accrued expenses	316,520	(160,193)
Fellowship grant appropriations payable	(169,000)	(97,000)
Unrelated business income tax payable	(186,000)	186,000
Postretirement benefit liability	(195,574)	334,493
Pension account liability	591,340	(226,785)
Net Cash Used By Operating Activities	<u>(10,095,037)</u>	<u>(4,234,386)</u>
<b>Cash Flows From Investing Activities</b>		
Purchases of investments	(130,850,278)	(80,962,589)
Proceeds from sales of investments	141,487,648	84,151,667
Purchase of property and equipment	(18,000)	-
Net Cash Provided By Investing Activities	<u>10,619,370</u>	<u>3,189,078</u>
Net increase (decrease) in cash and cash equivalents	524,333	(1,045,308)
Cash and cash equivalents, beginning of year	<u>269,399</u>	<u>1,314,707</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 793,732</u>	<u>\$ 269,399</u>
<b>Supplemental Disclosure</b>		
Cash paid during the year for excise tax	<u>\$ 340,000</u>	<u>\$ 95,000</u>
Cash paid during the year for unrelated business income tax	<u>\$ 200,059</u>	<u>\$ 250</u>

See notes to financial statements.

**JOHN SIMON GUGGENHEIM MEMORIAL FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2018 AND 2017**

**Note 1 - Organization**

The John Simon Guggenheim Memorial Foundation (the “Foundation”) was established in 1925 by United States Senator Simon Guggenheim and Mrs. Guggenheim as a memorial to a son who died in 1922. The Foundation offers Fellowship grants to further the development of scholars and artists by assisting them to engage in research in any field of knowledge and creation in any of the arts, under the freest possible conditions and irrespective of race, color, or creed.

**Note 2 - Summary of Significant Accounting Policies**

a - Financial Statement Presentation

The financial statements of the Foundation have been prepared in accordance with U.S. generally accepted accounting principles, which require the Foundation to report information regarding its 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 Foundation. These net assets may be used at the discretion of the Foundation’s management and board of trustees.

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 actions of the Foundation or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

b - Cash Equivalents

Cash equivalents represent short-term investments with original maturities of three months or less, except for those short-term investments managed by the Foundation's investment managers as part of their long-term investment strategies.

c - Investments

The Foundation reflects investments with determinable fair values at their fair value in the statement of financial position. Investment income, including unrealized gains and losses on investments, is reflected in the statement of activities.

Alternative investments, which do not have readily determinable fair values, are reported based upon the underlying net asset value per share or its equivalent as a practical expedient. Net asset value per share is estimated at fair value by the fund manager or general partner in a manner consistent with accounting principles generally accepted in the United States for investment companies. The Foundation reviews and evaluates the values provided by the fund managers and general partners and agrees with the valuation methods and assumptions used in determining the net asset values of these investments. These estimated fair values may differ significantly from the values that would have been used had a ready market for these investments existed.



**JOHN SIMON GUGGENHEIM MEMORIAL FOUNDATION****NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2018 AND 2017****Note 2 - Summary of Significant Accounting Policies (continued)****d - Fair Value Measurements**

Fair value is an estimate of the exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants (i.e., the exit price at the measurement date). Fair value measurements are not adjusted for transaction costs. The fair value hierarchy prioritizes inputs to valuation techniques used to measure fair value into three levels.

Unadjusted quoted prices in active markets for identical assets or liabilities are referred to as Level 1 inputs. Inputs other than quoted market prices that are observable, either directly or indirectly, and reasonably available are referred to as Level 2 inputs. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability and are developed based on market data obtained from sources independent of the Foundation. Unobservable inputs reflect the assumptions developed based on available information about what market participants would use in valuing the asset or liability and are referred to as Level 3. Reporting entities that measure the fair value of an investment using the net asset value per share or its equivalent as a practical expedient are not required to be categorized within the fair value hierarchy.

An asset or liability's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Availability of observable inputs can vary and is affected by a variety of factors. Level 3 assets and liabilities involve greater judgment than Level 1 or Level 2 assets or liabilities.

**e - Contributions and Pledges Receivable**

Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the calendar year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restriction. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

The Foundation uses the allowance method to determine uncollectible pledges receivable. The allowance, when necessary, is based on prior years' experience and management's analysis of specific promises made.

**f - Property and Equipment**

Additions to the property and equipment of the Foundation, consisting primarily of leasehold improvements, office furnishings, equipment and website, are recorded at cost and depreciated using the straight-line method over the estimated useful life of the asset.

**g - Fellowship Grants**

Fellowship grants are recognized as liabilities when awarded.

**JOHN SIMON GUGGENHEIM MEMORIAL FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2018 AND 2017**

**Note 2 - Summary of Significant Accounting Policies (continued)**

h - Estimates

The Foundation makes estimates and assumptions in preparing financial statements in conformity with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

i - Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Expenses are applied directly to programs where applicable or allocated on a reasonable and consistent basis. A substantial portion of the Foundation's expenses are directly related to its fellowship grant program. The expenses that are allocated include depreciation, salaries, payroll taxes and benefits, insurance, miscellaneous expenses, and occupancy costs, which are allocated on the basis of time and effort.

j - Subsequent Events

The Foundation has evaluated subsequent events through October 1, 2019, the date that the financial statements are considered available to be issued.

k - Comparative Financial Information

For comparability, certain 2017 amounts have been reclassified, where appropriate, to conform to the financial statement presentation used in 2018.

l - Recent Accounting Pronouncements

In 2018, the Foundation adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958), Presentation of Financial Statements of Not-for-Profit Entities*. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions"; (b) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources; (c) requiring that all nonprofits present an analysis of expenses by function and nature and disclose the methods used to allocate costs; and (d) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. As permitted under the ASU in the year of adoption, the Foundation opted to not to present an analysis of expenses by both natural and functional classification for 2017 and not to disclose liquidity and availability information for 2017.

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)." The core principles of ASU 2016-02 change the way organizations will account for their leases by recognizing lease assets and related liabilities on the statements of financial position for all leases with terms longer than twelve months and disclosing key information about leasing arrangements. ASU 2016-02 is effective for fiscal years beginning after December 15, 2019. The Foundation is currently evaluating the impact of ASU 2016-02 on its financial statements.

**JOHN SIMON GUGGENHEIM MEMORIAL FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2018 AND 2017**

**Note 3 - Information Regarding Liquidity and Availability**

The Foundation operates with a balanced budget for each year based on the revenues expected to be available to fund anticipated expenses. A substantial portion of annual revenue is comprised of investment income earned during the current year. The Foundation considers general expenditures to consist of all expenses related to its ongoing program activities, and the expenses related to general and administrative and fundraising activities undertaken to support those services.

The Foundation regularly monitors liquidity to meet its operating needs and other commitments and obligations, while seeking to maximize the investment of its available funds. Management prepares regular cash flow projections to determine liquidity needs and has a policy to maintain liquid financial assets on an ongoing basis sufficient to cover 90 days of general expenditures. Financial assets in excess of daily cash requirements are invested in money market funds.

The Foundation's financial assets as of December 31, 2018 and those available within one year to meet cash needs for general expenditures are summarized as follows:

Financial Assets at Year End:	
Cash and cash equivalents	\$ 793,732
Investments	254,838,701
Due from broker	15,145,290
Pledges receivable	185,522
Accrued interest and dividends receivable	<u>21,131</u>
Total Financial Assets	270,984,376
Less: Amounts not available to be used within one year:	
Nets assets with donor restrictions, subject to expenditure for specific purposes or passage of time	(356,503)
Investments which cannot be redeemed within one year	<u>(36,907,621)</u>
Financial Assets Available to Meet General Expenditures within One Year	<u>\$233,720,252</u>

**Note 4 - Net Assets With Donor Restrictions**

Net assets with donor restrictions as of December 31 are restricted for the following purpose and periods:

	<u>2018</u>	<u>2017</u>
Operating:		
Subject to expenditure for specified purpose	\$200,000	\$ -
Charitable gift annuity agreements (Note 9)	<u>156,503</u>	<u>156,503</u>
	<u>\$356,503</u>	<u>\$156,503</u>

## JOHN SIMON GUGGENHEIM MEMORIAL FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

**Note 5 - Investments**

Equity securities and mutual funds are reported on the basis of quoted market values. Alternative investments are reported at fair value as determined by the general partners or fund managers. Capital commitment limited partnership investments are recorded at adjusted cost since a fair value cannot be readily determined. Losses are recognized for impairment in value that is not considered temporary.

At December 31, 2018 and 2017, investments consisted of the following:

	2018		2017	
	Carrying Value	Cost	Carrying Value	Cost
Short-term investments	\$ 16,120	\$ 16,120	\$ 218,901	\$ 218,901
Cash waiting to be invested *	23,000,000	23,000,000	-	-
Equities - Domestic	-	-	17,892,108	16,954,866
Mutual funds and exchange traded funds	17,775,337	18,552,846	58,321,124	47,852,598
Alternative Investments:				
Credit Opportunity	20,078,612	7,868,117	36,156,414	14,355,166
Absolute Return	5,926,629	6,000,000	-	-
Hedged Equities	99,674,083	65,890,521	108,731,276	63,739,507
Global Equities	77,888,743	68,322,550	61,474,837	42,237,793
Fixed Income - Other	7,163,324	7,000,000	-	-
	<u>251,522,848</u>	<u>196,650,154</u>	<u>282,794,660</u>	<u>185,358,831</u>
Capital commitment limited partnership investments, valued at adjusted cost basis	<u>3,315,853</u>	<u>3,315,853</u>	<u>6,261,607</u>	<u>6,261,607</u>
Total Investments	<u>\$254,838,701</u>	<u>\$199,966,007</u>	<u>\$289,056,267</u>	<u>\$191,620,438</u>

\* At December 31, 2018, cash waiting to be invested represented amounts transferred to two alternative investments as of January 1, 2019.

The Foundation is committed to invest \$63,880,000 in limited partnerships which make periodic capital calls. As of December 31, 2018, the Foundation had made investments as required by the partnerships of approximately \$51,715,000, leaving outstanding commitments of approximately \$12,165,000.

The following summarizes the Foundation's investments carried at fair value by the levels within the fair value hierarchy used to measure their respective fair values at December 31, where applicable:

	2018		2017	
	Total	Level 1	Total	Level 1
Short-term investments	\$ 16,120	\$ 16,120	\$ 218,901	\$ 218,901
Cash waiting to be invested	23,000,000	23,000,000	-	-
Equities - Domestic	-	-	17,892,108	17,892,108
Mutual funds and exchange traded funds	<u>17,775,337</u>	<u>17,775,337</u>	<u>58,321,124</u>	<u>58,321,124</u>
Total Assets in Fair Value Hierarchy	40,791,457	<u>\$40,791,457</u>	76,432,133	<u>\$76,432,133</u>
Investments measured at net asset value	<u>210,731,391</u>		<u>206,362,527</u>	
Total Investments, Carried at Fair Value	<u>\$251,522,848</u>		<u>\$282,794,660</u>	

**JOHN SIMON GUGGENHEIM MEMORIAL FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2018 AND 2017**

**Note 5 - Investments (continued)**

The alternative investments included in the Foundation's investment portfolio, valued using the net asset value, are redeemable based on the following terms and conditions at December 31, 2018:

Monthly redemption with up to 45 days' notice	\$ 16,573,302
Quarterly redemption with up to 90 days' notice	86,644,739
Annual redemption with up to 90 days' notice	70,605,729
Two-year lockup; quarterly redemption with 90 days' notice	10,610,082
Three-year rolling lockup; quarterly redemption with 60 days' notice	7,420,497
Rolling 3-year Lockup; annual redemption with 90 days' notice	8,620,485
Five-year lockup; annual redemption with 90 days' notice	<u>10,256,557</u>
	<u>\$210,731,391</u>

Note: Some earlier redemptions are permitted upon payment of a fee.

The following are descriptions of the investment strategies of these investments:

Credit Opportunity

These funds have strategies that include more complex trades involving credit derivatives or illiquid strategies such as direct lending and mezzanine financing.

Absolute Return

These funds invest long or short in multiple asset classes including equities, interest rates, credit, currency, and commodities, and generally have a flexible geographic mandate.

Hedged Equities

These funds invest long and short in publicly listed shares of companies in both developed and emerging markets, and may include sector or regionally focused funds.

Global Equities

These funds invest long only or with a long bias in publicly listed shares of companies in both developed and emerging markets, and may include sector or regionally focused funds.

Fixed Income - Other

These funds invest in nominal bonds or funds that invest in bonds issued by sovereign governments, including inflation linked bonds.

At December 31, 2018, the Foundation's approximate ownership share of these investments ranges from .05% to 4.85%.

**JOHN SIMON GUGGENHEIM MEMORIAL FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2018 AND 2017**

**Note 6 - Contributions and Pledges Receivable**

During the year ended December 31, 2018, approximately 54% of contributions was from a single donor.

Pledges receivable are due within one year. Uncollectible pledges are expected to be insignificant.

**Note 7 - Property and Equipment**

Property and equipment consists of the following:

	<u>Life</u>	<u>2018</u>	<u>2017</u>
Leasehold improvements	Life of lease	\$ 588,709	\$ 588,709
Computer equipment, office equipment and furniture	3-7 years	396,232	396,232
Website development costs	3 years	<u>828,172</u>	<u>810,172</u>
		1,813,113	1,795,113
Less: Accumulated depreciation		<u>(1,233,126)</u>	<u>(1,158,722)</u>
Net Book Value		<u>\$ 579,987</u>	<u>\$ 636,391</u>

**Note 8 - Employee Benefit Plans**

The Foundation has a noncontributory defined benefit pension plan (the "Pension Plan") which provides retirement, disability and death benefits to all employees based on their credited service and final average pay. The Foundation no longer offers current employees with life insurance upon retirement. The Foundation's policy is to contribute the minimum amount required under ERISA.

The Foundation also sponsors a defined benefit health care plan that provides postretirement medical insurance benefits to those employees hired before January 1, 2012, and who meet other eligibility requirements under the pension plan of the Foundation. The Foundation funds its post-retirement medical benefits cost on a pay-as-you-go basis.

The funded status of the defined benefit pension and other postretirement plans must be fully recognized in the statements of financial position.

Obligations and funded status at December 31 are as follows:

	<u>Pension Benefits</u>		<u>Medical Benefits</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Benefit obligation	\$(13,840,503)	\$(14,288,225)	\$(3,678,945)	\$(3,874,519)
Plan assets at fair value	<u>11,356,559</u>	<u>12,395,621</u>	<u>-</u>	<u>-</u>
Funded Status	<u>\$ (2,483,944)</u>	<u>\$ (1,892,604)</u>	<u>\$(3,678,945)</u>	<u>\$(3,874,519)</u>
Accumulated benefit obligation	<u>\$(12,759,293)</u>	<u>\$(12,998,802)</u>	<u>\$(3,678,945)</u>	<u>\$(3,874,519)</u>
Employer contributions	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 127,409</u>	<u>\$ 136,496</u>
Benefits paid	<u>\$ 729,028</u>	<u>\$ 729,028</u>	<u>\$ 127,409</u>	<u>\$ 136,496</u>

## JOHN SIMON GUGGENHEIM MEMORIAL FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

Note 8 - Employee Benefit Plans (continued)

The amounts recognized in the Statements of Financial Position at December 31, 2018 and 2017 consist of:

	<u>Pension Benefits</u>		<u>Medical Benefits</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Pension liability - noncurrent	<u>\$2,483,944</u>	<u>\$1,892,604</u>		
Postretirement Benefit Liability				
- Current liability			<u>\$ (147,420)</u>	<u>\$ (154,605)</u>
- Noncurrent liability			<u>\$( 3,531,525)</u>	<u>\$(3,719,914)</u>

Amounts recognized in the statements of activities for the years ended December 31, 2018 and 2017 consist of:

	<u>Pension Benefits</u>		<u>Medical Benefits</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Net loss (gain)	\$623,869	\$(214,118)	\$ (799,076)	\$ (235,355)
Prior service cost (credit)	<u>-</u>	<u>-</u>	<u>1,126,441</u>	<u>1,126,441</u>
Total pension and post-retirement benefit related changes other than periodic benefit cost	623,869	(214,118)	327,365	891,086
Net periodic benefit cost (benefit)	<u>(32,529)</u>	<u>(12,667)</u>	<u>(395,530)</u>	<u>(420,097)</u>
	<u>\$591,340</u>	<u>\$(226,785)</u>	<u>\$ (68,165)</u>	<u>\$ 470,989</u>

Other changes in plan assets and benefit obligations previously recognized in changes in unrestricted net assets as of December 31, 2018 and 2017 are as follows:

	<u>Pension Benefits</u>		<u>Medical Benefits</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Net loss	\$2,617,129	\$1,993,260	\$ 3,667,702	\$ 4,466,778
Prior service cost (credit)	<u>-</u>	<u>-</u>	<u>(5,910,393)</u>	<u>(7,036,834)</u>

Amounts Previously Recognized in Net Assets Without Donor Restrictions, Not Yet Reclassified as Components of Net Periodic Benefit Cost at December 31

	<u>\$2,617,129</u>	<u>\$1,993,260</u>	<u>\$(2,242,691)</u>	<u>\$(2,570,056)</u>
--	--------------------	--------------------	----------------------	----------------------

**JOHN SIMON GUGGENHEIM MEMORIAL FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2018 AND 2017**

**Note 8 - Employee Benefit Plans (continued)**

The following weighted-average assumptions were used to determine benefit obligations at December 31:

	<u>Pension Benefits</u>		<u>Medical Benefits</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Discount rate	4.25%	3.75%	4.50%	3.75%
Rate of compensation increase	3.00%	3.00%	N/A	N/A

The following weighted-average assumptions were used to determine net periodic benefit cost for the years ended December 31:

	<u>Pension Benefits</u>		<u>Medical Benefits</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Discount rate	3.75%	4.00%	3.75%	4.25%
Expect return on plan assets	8.00%	8.00%	N/A	N/A
Rate of compensation increase	3.00%	3.00%	N/A	N/A

For the years ended December 31, 2018 and 2017, the Pension Plan assets were invested in money market funds (6%) and the American Balanced Fund (94%), a mutual fund and a Level 1 asset. American Balanced Fund, managed by Capital Research and Management Company, seeks conservation of capital, current income and long-term growth of both capital and income by investing in stocks and fixed-income securities. The fund approaches the management of its investments as if they constituted the complete investment program of the prudent investor. The overall expected long-term rate of return on assets was determined as a result of an extensive survey of major U.S commercial banks.

No plan assets are expected to be returned to the Foundation during the year ending December 31, 2019.

As of December 31, 2018, the amount of benefits expected to be paid are as follows:

<u>Year Ended December 31,</u>	<u>Pension Benefits</u>	<u>Medical Benefits</u>
2019	\$1,113,055	\$ 151,000
2020	1,253,511	172,000
2021	1,354,301	183,000
2022	1,021,136	192,000
2023	996,316	200,000
2024-2028	4,802,975	1,097,000

As of December 31, 2018, no contributions are expected to be made to the pension plan during the year ended December 31, 2019.



**JOHN SIMON GUGGENHEIM MEMORIAL FOUNDATION****NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2018 AND 2017****Note 8 - Employee Benefit Plans (continued)**

For medical benefits, the assumed health care cost trend rate is 6.5 % for 2018 and is assumed to decrease to 4.5% by 2027 and remain at that level thereafter. This health care cost trend rate assumption has a significant effect on the amounts reported.

The "Thrift Plan for Employees of John Simon Guggenheim Memorial Foundation" (the "Thrift Plan"), a defined contribution plan, was established for eligible employees effective January 1, 1983. According to plan rules, participants electing to make voluntary contributions to the Thrift Plan are matched by the Foundation up to 3% of base compensation for the plan year. Additionally, the Foundation contributes 5% of participants' base compensation for the plan year to the Pension Mirror Fund, as specified in the Thrift Plan. The total amount contributed to the Thrift Plan was \$141,365 and \$135,936 in 2018 and 2017, respectively.

**Note 9 - Charitable Gift Annuity Agreements**

In past years, the Foundation received contributions under charitable gift annuity agreements, which provided for the payment of distributions to each donor over the donor's lifetime. At the end of the term of each annuity, the remaining assets are available for the Foundation's general purposes. The portion of the assets received under each agreement attributable to the present value of the future benefits to be received by the Foundation is included in net assets with donor restrictions.

**Note 10 - Tax Status**

The Foundation is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code, but is subject to a 1% or 2% Federal excise tax on net investment income, as defined, which includes gains realized on the sale of investments. Deferred taxes represent 2% on the unrealized appreciation in market value of investments. Also, certain investments held by the Foundation can generate unrelated business income. This income is taxed at regular corporate tax rates.

The Tax Reform Act of 1969 and subsequent amendments require that certain minimum distributions be made in accordance with a specified formula. As of December 31, 2018, the Foundation has distributed approximately \$2,900,000 more than the required minimum. Such excess distributions can be applied against future years' required distributions.

**JOHN SIMON GUGGENHEIM MEMORIAL FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2018 AND 2017**

**Note 11 - Lease Commitment**

The Foundation entered into a lease agreement for its existing office space which will expire on April 30, 2031. The Foundation will make minimum annual payments, excluding escalations for operating charges, as follows:

<u>Year Ended December 31,</u>	
2019	\$ 1,151,874
2020	1,151,874
2021	1,203,917
2022	1,221,264
2023	1,221,264
Thereafter, through April 30, 2031	9,201,114

Rent expense was \$1,176,119 (2018) and \$1,179,585 (2017).

**Note 12 - Concentration of Credit Risk**

The Foundation maintains its cash balances in a financial institution located in New York, New York, which at times exceeds federally insured limits.