

JOHN SIMON GUGGENHEIM MEMORIAL FOUNDATION

FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018



LUTZ AND CARR

CERTIFIED PUBLIC ACCOUNTANTS, LLP

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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, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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, 2019 and 2018, 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.

Emphasis of Matter

As discussed in Note 14 to the financial statements, in March 2020, the United States declared the global pandemic novel coronavirus COVID-19 outbreak a national emergency. Our opinion is not modified with respect to this matter.

Lotz + Carr, LLP

New York, New York
November 9 , 2020

JOHN SIMON GUGGENHEIM MEMORIAL FOUNDATION

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Assets		
Cash and cash equivalents (Notes 2b and 12)	\$ 8,136,892	\$ 793,732
Investments (Notes 2c, 2d and 5)	269,879,637	254,838,701
Due from broker	37,786,454	15,145,290
Pledges receivable (Notes 2e and 6)		
Without donor restrictions	157,287	185,552
With donor restrictions	126,269	-
Accrued interest and dividends receivable	106,626	21,131
Prepaid federal excise taxes (Note 10)	-	161,037
Prepaid expenses	7,047	-
Property and equipment, at cost, net of accumulated depreciation (Notes 2f and 7)	<u>504,882</u>	<u>579,987</u>
Total Assets	<u><u>\$316,705,094</u></u>	<u><u>\$271,725,430</u></u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 584,682	\$ 509,418
Deferred lease incentive (Note 11)	1,023,503	1,030,442
Fellowship grant appropriations payable (Note 2g)	5,572,750	5,617,500
Federal excise tax payable - current (Note 10)	438,115	-
- deferred (Note 10)	827,831	1,097,454
Postretirement benefit liability (Note 8)	3,798,674	3,678,945
Pension account liability (Note 8)	<u>2,872,236</u>	<u>2,483,944</u>
Total Liabilities	<u>15,117,791</u>	<u>14,417,703</u>
Commitments and Contingencies (Notes 5, 8, 11, 13 and 14)		
Net Assets		
Without donor restrictions	301,015,031	256,951,224
With donor restrictions (Note 4)	<u>572,272</u>	<u>356,503</u>
Total Net Assets	<u>301,587,303</u>	<u>257,307,727</u>
Total Liabilities and Net Assets	<u><u>\$316,705,094</u></u>	<u><u>\$271,725,430</u></u>

See notes to financial statements.

JOHN SIMON GUGGENHEIM MEMORIAL FOUNDATION

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Changes in Net Assets Without Donor Restrictions		
Revenue (Losses)		
Interest and dividends	\$ 1,078,919	\$ 1,892,623
Unrealized appreciation (depreciation) in fair value of investments and other nontaxable transactions, net of deferred federal excise tax benefit of \$269,623 in 2019 and \$851,262 in 2018 (Note 10)	4,953,086	(41,711,873)
Realized net gain on sale of investments	54,052,312	33,844,171
Revenue from Limited Partnership investments, net of unrelated business income tax benefit of \$62,885 (2018) (Note 10)	29,755	1,439,641
Less: Investment management and custody fees	(1,325,149)	(463,083)
Less: Provision for current federal excise tax (Note 10)	<u>(1,069,152)</u>	<u>(401,923)</u>
Net Investment Income (Loss)	57,719,771	(5,400,444)
Contributions (Note 6)	<u>1,483,735</u>	<u>1,046,188</u>
Total Revenue (Losses)	<u>59,203,506</u>	<u>(4,354,256)</u>
Expenses		
Program Activities		
Fellowship grants and expenses	12,406,916	11,937,925
Supporting Services		
Administration	987,998	810,509
Fundraising	<u>732,750</u>	<u>758,440</u>
Total Expenses	<u>14,127,664</u>	<u>13,506,874</u>
Increase (Decrease) in Net Assets Before Item Below	45,075,842	(17,861,130)
Pension and postretirement benefit related changes other than periodic benefits costs (Note 8)	<u>(1,012,035)</u>	<u>(951,234)</u>
Increase (Decrease) in Net Assets Without Donor Restrictions	44,063,807	(18,812,364)
Changes in Net Assets With Donor Restrictions		
Contributions	<u>215,769</u>	<u>200,000</u>
Increase (decrease) in net assets	44,279,576	(18,612,364)
Net assets, beginning of year	<u>257,307,727</u>	<u>275,920,091</u>
Net Assets, End of Year	<u>\$301,587,303</u>	<u>\$257,307,727</u>

See notes to financial statements.

JOHN SIMON GUGGENHEIM MEMORIAL FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2019 WITH COMPARATIVE TOTALS FOR 2018

	Fellowship Grants and Program Activities	Supporting Services			2019	2018
		Administration	Fundraising	Total	Total Expenses	Total Expenses
Fellowship grants	\$ 9,525,000	\$ -	\$ -	\$ -	\$ 9,525,000	\$ 9,019,000
Salaries, payroll taxes and benefits	1,416,419	423,369	403,007	826,376	2,242,795	2,243,756
Travel, conferences and meetings	83,772	25,022	23,946	48,968	132,740	117,853
Honoraria	119,500	-	-	-	119,500	129,500
Professional fees and other consultants	-	196,593	-	196,593	196,593	138,939
Occupancy	794,368	237,266	227,070	464,336	1,258,704	1,263,436
Information technology services and equipment maintenance	287,010	71,753	23,918	95,671	382,681	321,040
Insurance	18,444	5,509	5,272	10,781	29,225	29,106
Office expense	26,174	7,818	7,481	15,299	41,473	67,644
Annuity payments	-	-	27,360	27,360	27,360	19,896
Publicity expense	58,824	-	-	-	58,824	58,824
Miscellaneous expenses	25,994	5,312	-	5,312	31,306	23,476
Total expenses before depreciation	12,355,505	972,642	718,054	1,690,696	14,046,201	13,432,470
Depreciation	51,411	15,356	14,696	30,052	81,463	74,404
Total Expenses, 2019	<u>\$12,406,916</u>	<u>\$ 987,998</u>	<u>\$ 732,750</u>	<u>\$1,720,748</u>	<u>\$14,127,664</u>	
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>

See notes to financial statements.

JOHN SIMON GUGGENHEIM MEMORIAL FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2018

	Fellowship Grants and Program Activities	Supporting Services			Total Expenses
		Administration	Fundraising	Total	
Fellowship grants	\$ 9,019,000	\$ -	\$ -	\$ -	\$ 9,019,000
Salaries, payroll taxes and benefits	1,424,510	410,894	408,352	819,246	2,243,756
Travel, conferences and meetings	82,650	1,179	34,024	35,203	117,853
Honoraria	129,500	-	-	-	129,500
Professional fees and other consultants	71,924	63,132	3,883	67,015	138,939
Occupancy	805,440	232,978	225,018	457,996	1,263,436
Information technology services and equipment maintenance	240,780	60,195	20,065	80,260	321,040
Insurance	18,555	5,367	5,184	10,551	29,106
Office expense	33,243	9,392	25,009	34,401	67,644
Annuity payments	-	-	19,896	19,896	19,896
Publicity expense	58,824	-	-	-	58,824
Miscellaneous expenses	6,066	13,652	3,758	17,410	23,476
Total expenses before depreciation	11,890,492	796,789	745,189	1,541,978	13,432,470
Depreciation	47,433	13,720	13,251	26,971	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>

See notes to financial statements.

JOHN SIMON GUGGENHEIM MEMORIAL FOUNDATION

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ 44,279,576	\$ (18,612,364)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Unrealized (appreciation) depreciation in fair value of investments	(4,683,463)	42,563,136
Realized net gain on sale of investments	(54,052,312)	(33,844,171)
Deferred federal excise tax benefit	(269,623)	(851,263)
Deferred lease incentive	(6,939)	(6,939)
Depreciation	81,463	74,404
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Pledges receivable	(98,004)	(85,593)
Accrued interest and dividends receivable	(85,495)	141,992
Prepaid federal excise taxes	161,037	61,923
Prepaid expenses	(7,047)	106,552
Increase (decrease) in:		
Accounts payable and accrued expenses	75,264	316,520
Fellowship grant appropriations payable	(44,750)	(169,000)
Federal excise tax payable	438,115	(186,000)
Postretirement benefit liability	119,729	(195,574)
Pension account liability	388,292	591,340
Net Cash Used By Operating Activities	<u>(13,704,157)</u>	<u>(10,095,037)</u>
Cash Flows From Investing Activities		
Purchases of investments	(151,188,077)	(130,850,278)
Proceeds from sales of investments	172,643,952	141,487,648
Purchase of property and equipment	(6,358)	(18,000)
Net Cash Provided By Investing Activities	<u>21,449,517</u>	<u>10,619,370</u>
Net increase in cash and cash equivalents	7,745,360	524,333
Cash and cash equivalents, beginning of year	<u>793,732</u>	<u>269,399</u>
Cash and Cash Equivalents, End of Year	<u>\$ 8,539,092</u>	<u>\$ 793,732</u>
Supplemental Disclosure		
Cash paid during the year for excise tax	<u>\$ 470,000</u>	<u>\$ 340,000</u>
Cash paid during the year for unrelated business income tax	<u>\$ -</u>	<u>\$ 200,059</u>

See notes to financial statements.

JOHN SIMON GUGGENHEIM MEMORIAL FOUNDATION**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2019 AND 2018****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, 2019 AND 2018

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. Conditional promises to give, that have a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. 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, 2019 AND 2018****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 November 9, 2020, the date that the financial statements are considered available to be issued.

k - Recent Accounting Pronouncements

For 2019, the Foundation has adopted Accounting Standards Update (ASU) ASU 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605)*. The adoption of this standards resulted in no significant changes in the way the Foundation recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis.

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, 2021. The Foundation is currently evaluating the impact of ASU 2016-02 on its financial statements.

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.

JOHN SIMON GUGGENHEIM MEMORIAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 3 - Information Regarding Liquidity and Availability (continued)

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, 2019 and 2018, and those available within one year to meet cash needs for general expenditures within one year are summarized as follows:

	<u>2019</u>	<u>2018</u>
Financial Assets at Year End:		
Cash and cash equivalents	\$ 8,136,892	\$ 793,732
Investments	269,879,637	254,838,701
Due from broker	37,786,454	15,145,290
Pledges receivable	283,556	185,522
Accrued interest and dividends receivable	<u>106,626</u>	<u>21,131</u>
Total Financial Assets	316,193,165	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	(572,272)	(356,503)
Plus: Net assets with donor restrictions expected to be met in less than one year	141,098	-
Investments which cannot be redeemed within one year	<u>(49,796,865)</u>	<u>(36,907,621)</u>
Financial Assets Available to Meet General Expenditures within One Year	<u>\$265,965,126</u>	<u>\$233,720,252</u>

Note 4 - Net Assets With Donor Restrictions

Net assets with donor restrictions as of December 31 are restricted as follows:

	<u>2019</u>	<u>2018</u>
Operating:		
Subject to expenditure for specified purpose	\$415,769	\$200,000
Charitable gift annuity agreements (Note 9)	<u>156,503</u>	<u>156,503</u>
	<u>\$572,272</u>	<u>\$356,503</u>

JOHN SIMON GUGGENHEIM MEMORIAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

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, 2019 and 2018, investments consisted of the following:

	2019		2018	
	Carrying Value	Cost	Carrying Value	Cost
Short-term investments	\$ 392,993	\$ 392,993	\$ 16,120	\$ 16,120
Cash waiting to be invested *	-	-	23,000,000	23,000,000
Equities - Domestic	20,931,960	18,414,715	-	-
Mutual funds and exchange traded funds	21,185,115	17,875,984	17,775,337	18,552,846
Alternative Investments:				
Credit Opportunity	21,908,137	20,511,288	20,078,612	7,868,117
Absolute Return	20,108,485	19,000,000	5,926,629	6,000,000
Hedged Equities	71,379,366	51,603,763	99,674,083	65,890,521
Global Equities	111,579,182	80,130,338	77,888,743	68,322,550
Fixed Income - Other	-	-	7,163,324	7,000,000
	267,485,238	207,929,081	251,522,848	196,650,154
Capital commitment limited partnership investments, valued at adjusted cost basis	2,394,399	2,394,399	3,315,853	3,315,853
Total Investments	<u>\$269,879,637</u>	<u>\$210,323,480</u>	<u>\$254,838,701</u>	<u>\$199,966,007</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 approximately \$87,500,000 in limited partnerships which make periodic capital calls. As of December 31, 2019, the Foundation had made investments as required by the partnerships of approximately \$68,500,000 leaving outstanding commitments of approximately \$19,000,000.

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:

	2019		2018	
	Total	Level 1	Total	Level 1
Short-term investments	\$ 392,993	\$ 392,993	\$ 16,120	\$ 16,120
Cash waiting to be invested	-	-	23,000,000	23,000,000
Equities - Domestic	20,931,960	20,931,960	-	-
Mutual funds and exchange traded funds	21,185,115	21,185,115	17,775,337	17,775,337
Total Assets in Fair Value Hierarchy	42,510,068	<u>\$42,510,068</u>	40,791,457	<u>\$40,791,457</u>
Investments measured at net asset value	224,975,170		210,731,391	
Total Investments, Carried at Fair Value	<u>\$267,485,238</u>		<u>\$251,522,848</u>	

JOHN SIMON GUGGENHEIM MEMORIAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

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, 2019:

Monthly redemption with up to 45 days' notice	\$ 17,696,349
Quarterly redemption with up to 90 days' notice	115,605,769
Annual redemption with up to 90 days' notice	41,876,187
Two-year lockup; quarterly redemption with 90 days' notice	13,521,800
Three-year rolling lockup; quarterly redemption with 60 days' notice	9,980,024
Rolling 3-year Lockup; annual redemption with 90 days' notice	11,338,082
Five-year lockup; annual redemption with 90 days' notice	13,879,635
No opportunity for redemption: distributions made at each fund's discretion	<u>1,077,324</u>
	<u>\$224,975,170</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, 2019, the Foundation's approximate ownership share of these investments ranges from 0.01% to 5.64%.

JOHN SIMON GUGGENHEIM MEMORIAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 6 - Contributions and Pledges Receivable

Pledges receivable are due as follows:

	2019	2018
Due within one year	\$ 222,287	\$185,552
Due within one to five years	<u>65,000</u>	<u>-</u>
	287,287	185,522
Less: Discount to present value	<u>(3,731)</u>	<u>-</u>
	<u>\$ 283,556</u>	<u>\$185,522</u>

Pledges receivable due after one year are reflected at present value of estimated future cash flows using a discount rate of 3%. Uncollectible pledges are expected to be insignificant.

During the years ended December 31, 2019 and 2018, approximately 54% of contributions were from a single donor in each year.

Note 7 - Property and Equipment

Property and equipment consist of the following:

	Life	2019	2018
Leasehold improvements	Life of lease	\$ 588,709	\$ 588,709
Computer equipment, office equipment and furniture	3-7 years	402,590	396,232
Website development costs	3 years	<u>828,172</u>	<u>828,172</u>
		1,819,471	1,813,113
Less: Accumulated depreciation		<u>(1,314,589)</u>	<u>(1,233,126)</u>
Net Book Value		<u>\$ 504,882</u>	<u>\$ 579,987</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.

JOHN SIMON GUGGENHEIM MEMORIAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 8 - Employee Benefit Plans (continued)

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>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Benefit obligation	\$(15,504,731)	\$(13,840,503)	\$(3,798,674)	\$(3,678,945)
Plan assets at fair value	<u>12,632,495</u>	<u>11,356,559</u>	<u>-</u>	<u>-</u>
Funded Status	<u>\$ (2,872,236)</u>	<u>\$ (2,483,944)</u>	<u>\$(3,798,674)</u>	<u>\$(3,678,945)</u>
Accumulated benefit obligation	<u>\$(14,489,853)</u>	<u>\$(12,759,293)</u>	<u>\$(3,798,674)</u>	<u>\$(3,678,945)</u>
Employer contributions	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 121,243</u>	<u>\$ 127,409</u>
Benefits paid	<u>\$ 732,478</u>	<u>\$ 729,028</u>	<u>\$ 121,243</u>	<u>\$ 127,409</u>

The amounts recognized in the Statements of Financial Position at December 31, 2019 and 2018 consist of:

	<u>Pension Benefits</u>		<u>Medical Benefits</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Pension liability - noncurrent	<u>\$2,872,236</u>	<u>\$2,483,944</u>		
Postretirement Benefit Liability				
- Current liability			<u>\$ (165,837)</u>	<u>\$ (147,420)</u>
- Noncurrent liability			<u>\$(3,632,837)</u>	<u>\$(3,531,525)</u>

Amounts recognized in the statements of activities for the years ended December 31, 2019 and 2018 consist of:

	<u>Pension Benefits</u>		<u>Medical Benefits</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Net loss (gain)	\$416,195	\$623,869	\$(686,468)	\$(799,076)
Prior service cost (credit)	<u>-</u>	<u>-</u>	<u>1,282,308</u>	<u>1,126,441</u>
Total pension and post-retirement benefit related changes other than periodic benefit cost	416,195	623,869	595,840	327,365
Net periodic benefit cost (benefit)	<u>(27,903)</u>	<u>(32,529)</u>	<u>(354,868)</u>	<u>(395,530)</u>
	<u>\$388,292</u>	<u>\$591,340</u>	<u>\$ 240,972</u>	<u>\$ (68,165)</u>

JOHN SIMON GUGGENHEIM MEMORIAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 8 - Employee Benefit Plans (continued)

Other changes in plan assets and benefit obligations previously recognized in changes in net assets without donor restrictions as of December 31, 2019 and 2018 are as follows:

	<u>Pension Benefits</u>		<u>Medical Benefits</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Net loss	\$3,033,324	\$2,617,129	\$ 2,981,234	\$ 3,667,702
Prior service cost (credit)	-	-	(4,628,085)	(5,910,393)
Amounts Previously Recognized in Net Assets Without Donor Restrictions, Not Yet Reclassified as Components of Net Periodic Benefit Cost at December 31	<u>\$3,033,324</u>	<u>\$2,617,129</u>	<u>\$(1,646,851)</u>	<u>\$(2,242,691)</u>

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

	<u>Pension Benefits</u>		<u>Medical Benefits</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Discount rate	3.25%	4.25%	3.50%	4.50%
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>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Discount rate	4.25%	3.75%	4.50%	3.75%
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, 2019 and 2018, the Pension Plan assets were invested in money market funds (5%) and the American Balanced Fund (95%), 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.

JOHN SIMON GUGGENHEIM MEMORIAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 8 - Employee Benefit Plans (continued)

No plan assets are expected to be returned to the Foundation during the year ending December 31, 2020.

As of December 31, 2019, 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>
2020	\$2,103,619	\$ 169,000
2021	1,499,772	172,000
2022	1,041,005	179,000
2023	1,007,883	185,000
2024	996,189	183,000
2025-2029	4,691,625	1,030,000

As of December 31, 2019, contributions in the amount of \$250,000 are expected to be made to the pension plan during the year ended December 31, 2020.

For medical benefits, the assumed health care cost trend rate is 6 % for 2019 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 \$141,771 and \$141,365 in 2019 and 2018, 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 as a private foundation. Through December 31, 2019, the Foundation was subject to a 1% or 2% Federal excise tax on net investment income, as defined, which includes gains realized on the sale of investments. Effective in 2020, the federal excise tax rate was modified to a flat rate of 1.39%. Due to the tax rate change, deferred federal excise tax payable represents 1.39% at December 31, 2019 and 2% at December 31, 2018, of the unrealized appreciation in market value of investments.

JOHN SIMON GUGGENHEIM MEMORIAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 10 - Tax Status (continued)

For 2019, the components of deferred tax benefit for the year are as follows:

Reduction of deferred tax liability due to tax rate change	\$(334,723)
Deferred tax on 2019 unrealized appreciation	<u>65,100</u>
Deferred Federal Excise Tax Benefit for 2019	<u>\$(269,623)</u>

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, 2019, the Foundation has distributed approximately \$1,900,000 more than the required minimum. Such excess distributions can be applied against future years' required distributions.

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>	
2020	\$1,151,874
2021	1,203,917
2022	1,221,264
2023	1,221,264
2024	1,221,264
Thereafter, through April 30, 2031	7,979,850

Rent expense was \$1,174,288 (2019) and \$1,176,119 (2018).

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.

Note 13 - Contingency

In 2018, the Foundation received notice that it was one of the beneficiaries of the estate of a former Fellow. In addition to cash, the bequest includes the rights to the future royalties of the deceased Fellow's published works. The settlement of the estate and the legal form of ownership of the royalties has not yet been finalized so only the cash portion of the bequest has been recorded as revenue. During the years ended December 31, 2019 and 2018, approximately \$920,000 and \$670,000, respectively, was received from the estate and included in contribution revenue.

JOHN SIMON GUGGENHEIM MEMORIAL FOUNDATION**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2019 AND 2018****Note 14 - Subsequent Event**

In March 2020, the United States declared the global pandemic novel coronavirus COVID-19 outbreak a national emergency. While management is currently evaluating the potential impact that the resulting economic uncertainties may have on the Foundation, it believes that its current financial assets are sufficient to support the Foundation's operations on an ongoing basis.