THE MIAMI FOUNDATION, INC.

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

THE MIAMI FOUNDATION, INC.

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
The Miami Foundation, Inc.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of The Miami Foundation, Inc., which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 audits 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 the auditor's 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 entity'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 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 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 consolidated financial position of The Miami Foundation, Inc. as of December 31, 2019 and 2018, and the consolidated changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Coronavirus

As further discussed in Note 13, the Miami Foundation is subject to the current economic and health conditions in the United States, including the coronavirus which was designated as a global pandemic by the World Health Organization on March 11, 2020. Management is currently assessing the impact of these conditions and continues to explore various options to minimize the financial impact, however the ultimate outcome is not known as of the date these financial statements were available to be issued, and our opinion is not modified with respect to this matter.

Morrison, Brown, Argiz & Farra

Miami, Florida
May 21, 2020

1450 BRICKELL AVENUE, 18TH FLOOR, MIAMI FL 33131 • T 305 373 5500 • F 305 373 0056 • MBAFCPA.COM

THE MIAMI FOUNDATION, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31,

ASSETS	**2019**	**2018**
Cash and cash equivalents	$ 5,591,039	$ 4,781,147
Accounts receivable, prepaid expenses and other assets	545,160	377,837
Contributions receivable, net	3,788,347	2,371,329
Investments	355,013,989	322,374,466
Property and equipment, net	536,041	567,916
TOTAL ASSETS	**$ 365,474,576**	**$ 330,472,695**
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable, accrued expenses and other liabilities	$ 1,779,420	$ 1,892,215
Liabilities under annuity agreements	10,206,119	12,586,986
Funds held on behalf of others	22,057,011	18,300,763
TOTAL LIABILITIES	34,042,550	32,779,964
NET ASSETS		
Without donor restrictions	304,284,323	265,708,276
With donor restrictions	27,147,703	31,984,455
TOTAL NET ASSETS	331,432,026	297,692,731
TOTAL LIABILITIES AND NET ASSETS	**$ 365,474,576**	**$ 330,472,695**

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

THE MIAMI FOUNDATION, INC.

CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31,

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES						
Contributions	$ 32,751,637	$ 24,038,318	$ 56,789,955	$ 19,104,904	$ 40,672,330	$ 59,777,234
Change in value - annuities and remainder trust	(58,993)	1,521,723	1,462,730	-	7,823,961	7,823,961
Administration fees	696,108	-	696,108	773,000	-	773,000
Fundraising and other revenue	1,982,933	-	1,982,933	1,234,522	-	1,234,522
Dividends and interest	6,453,774	-	6,453,774	5,650,329	79,655	5,729,984
Net realized and unrealized gain (loss) on investments	33,863,151	-	33,863,151	(19,946,905)	-	(19,946,905)
Net assets released from restrictions	30,396,793	(30,396,793)	-	56,019,614	(56,019,614)	-
TOTAL REVENUES	106,085,403	(4,836,752)	101,248,651	62,835,464	(7,443,668)	55,391,796
EXPENSES						
Grants and services to beneficiaries	63,947,445	-	63,947,445	63,428,675	-	63,428,675
Management and general	2,158,037	-	2,158,037	2,383,964	-	2,383,964
Fundraising	1,018,612	-	1,018,612	1,002,125	-	1,002,125
TOTAL EXPENSES	67,124,094	-	67,124,094	66,814,764	-	66,814,764
CHANGES IN NET ASSETS	38,961,309	(4,836,752)	34,124,557	(3,979,300)	(7,443,668)	(11,422,968)
NET ASSETS - BEGINNING OF YEAR	265,708,276	31,984,455	297,692,731	269,687,576	39,428,123	309,115,699
ADJUSTMENT FOR ADOPTION OF ASC TOPIC 606	(385,262)	-	(385,262)	-	-	-
NET ASSETS - END OF YEAR	**$ 304,284,323**	**$ 27,147,703**	**$ 331,432,026**	**$ 265,708,276**	**$ 31,984,455**	**$ 297,692,731**

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

THE MIAMI FOUNDATION, INC.

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31,

	2019				2018			
	Grants and Services to Beneficiaries	**Management and General**	**Fundraising**	**Total**	**Grants and Services to Beneficiaries**	**Management and General**	**Fundraising**	**Total**
Wages and salaries	$ 515,090	$ 1,014,953	$ 608,157	$ 2,138,200	$ 525,077	$ 1,127,115	$ 579,693	$ 2,231,885
Employee benefits and taxes	169,573	207,872	145,644	523,089	159,306	395,167	119,137	673,610
TOTAL SALARIES AND BENEFITS	684,663	1,222,825	753,801	2,661,289	684,383	1,522,282	698,830	2,905,495
Audit and accounting services	-	76,214	-	76,214	-	62,000	-	62,000
Direct support payments	4,941,812	-	-	4,941,812	4,427,192	-	-	4,427,192
General administrative	20,681	7,096	-	27,777	20,804	1,064	-	21,868
Banking fees	9,820	13,436	-	23,256	15,296	21,647	-	36,943
Board meetings	-	3,156	-	3,156	-	4,650	-	4,650
Conferences and travel	15,429	30,999	-	46,428	61,375	41,704	-	103,079
Local meetings and travel	141,587	34,792	-	176,379	261,302	34,257	-	295,559
Consulting	774,948	133,576	-	908,524	2,074,217	97,908	-	2,172,125
Depreciation and amortization	-	104,268	-	104,268	-	109,370	-	109,370
Give Miami Day grants	2,919,798	-	-	2,919,798	2,284,600	-	-	2,284,600
Grants	53,927,922	-	-	53,927,922	53,477,238	-	-	53,477,238
Grants returned	(28,109)	-	-	(28,109)	(75,517)	-	-	(75,517)
Information technology	-	135,283	-	135,283	22,437	120,761	-	143,198
Insurance, interest and taxes	-	34,059	-	34,059	-	79,174	-	79,174
Legal fees	416,558	55,607	-	472,165	75,095	75,278	-	150,373
Marketing and advertising	-	-	195,707	195,707	-	-	256,304	256,304
Memberships	-	28,372	-	28,372	22,850	6,698	1,085	30,633
Newsletter and annual report expenses	-	-	-	-	-	4,313	-	4,313
Office supplies	5,815	21,425	-	27,240	2,950	35,936	-	38,886
Other program expenses	34,227	27,123	-	61,350	13,773	2,579	-	16,352
Postage and delivery	315	4,928	-	5,243	3,153	6,160	-	9,313
Printing and copying	15,663	63,502	-	79,165	-	28,744	-	28,744
Publications	12,622	16,498	-	29,120	13,276	6,544	-	19,820
Rent and occupancy	48,040	78,649	56,720	183,409	34,616	69,338	38,216	142,170
Special events	-	22,200	7,824	30,024	-	10,427	3,770	14,197
Taxes	-	7,550	-	7,550	-	-	-	-
Telephone	4,480	22,699	4,560	31,739	4,320	35,729	3,920	43,969
Website	1,174	13,780	-	14,954	5,315	7,401	-	12,716
TOTAL FUNCTIONAL EXPENSES	**$ 63,947,445**	**$ 2,158,037**	**$ 1,018,612**	**$ 67,124,094**	**$ 63,428,675**	**$ 2,383,964**	**$ 1,002,125**	**$ 66,814,764**

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

THE MIAMI FOUNDATION, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	$ 34,124,557	$ (11,422,968)
Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization expense	104,268	109,370
Loss on sale of properties held for sale	-	99,000
Non-cash contribution - stock	(13,918,266)	(5,028,034)
Net unrealized gain from annuities and remainder trust	(1,462,730)	(7,823,961)
Net unrealized (gain) loss on investments	(29,397,803)	32,709,051
Pension adjustment	(27,392)	78,606
(Increase) decrease in operating assets:		
Accounts receivable, prepaid expenses and other assets	(167,323)	(85,115)
Contributions receivable	104,705	210,399
(Decrease) increase in operating liabilities:		
Accounts payable, accrued expenses and other liabilities	(470,665)	610,644
Funds held on behalf of others	3,756,248	(644,811)
TOTAL ADJUSTMENTS	(41,478,958)	20,235,149
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(7,354,401)	8,812,181
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(72,393)	(22,920)
Proceeds from properties held for sale	-	1,249,000
Purchases of investments	(200,425,584)	(196,182,369)
Proceeds from sale of investments	211,276,962	194,628,015
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	10,778,985	(328,274)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments to annuitants	(2,614,692)	(12,745,758)
Repayments on line of credit	-	(3,694,000)
NET CASH USED IN FINANCING ACTIVITIES	(2,614,692)	(16,439,758)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	809,892	(7,955,851)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	4,781,147	12,736,998
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 5,591,039**	**$ 4,781,147**
SUPPLEMENTAL CASH FLOW INFORMATION:		
Interest paid	**$ -**	**$ 55,627**
SUPPLEMENTAL DISCLOSURE OF NON-CASH OPERATING ACTIVITIES:		
Cumulative-effect adjustment to net assets and deferred revenue from adoption of ASC Topic 606	**$ 385,262**	**$ -**
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING ACTIVITIES:		
Contribution of stock	**$ 13,918,266**	**$ 5,028,034**

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

1. GENERAL

The Miami Foundation, Inc. is a community foundation created to build long term charitable support for Miami-Dade County. The Miami Foundation administers individual charitable funds, each established with an instrument of gift describing either the general or specific purposes for which grants are to be made.

The Miami Foundation supports arts and emerging charitable and social justice activities through fiscal sponsorships by acting as a sponsor for a project seeking support from individuals, foundations, corporations and/or government agencies. The Miami Foundation also actively manages a mature annuity program that it agreed to undertake in 2015.

The consolidated financial statements include the accounts of The Miami Foundation, Inc. and The College Assistance Program (“CAP”) of Miami-Dade County, Inc., as well as its supporting organization DadeFund, Inc. (collectively referred to as the "Foundation").

CAP seeks to assist the diverse multi-cultural, economically disadvantaged population of Miami-Dade County Public High School graduates, who have exhausted all available means of financial assistance (institutional, federal, and state) to attend the college of their choice through the award of grants.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Consolidation

The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). All significant intercompany accounts and transactions have been eliminated in the consolidated financial statements.

Financial Statement Presentation

Net assets and revenues, gains and losses are classified into two classes of net assets based on the existence or absence of donor-imposed restrictions. The two classes of net asset categories are as follows:

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 Foundation’s management and the 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 by the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity. Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the consolidated statements of activities.

Management Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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. The consolidated financial statements include certain amounts that are based on management’s best estimates and judgments. The most significant estimates include the fair value of financial instruments, the liabilities under annuity agreements and the discount on contributions receivable. These estimates may be adjusted as more current information becomes available, and any adjustments could significantly impact the consolidated financial statements. Actual results may differ from these estimates under different assumptions or conditions, and the differences may be material.

Concentrations

The majority of the Foundation’s donors are located in South Florida. Two donors accounted for 56% and one donor accounted for 43% of contributions during the years ended December 31, 2019 and 2018, respectively. A decrease in the contributions from these donors could have a significant impact on the Foundation’s consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Risks and Uncertainties

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist primarily of cash and cash equivalents and investments. The Foundation places its deposits with quality financial institutions and has not experienced losses in any such accounts. The Foundation places its investments in a variety of financial instruments and, by policy, limits the amount of credit exposure through diversification to achieve a balance that will enhance total return, while avoiding undue risk concentrations in any single asset or investment category. The Foundation's Investment Committee is responsible for oversight of the Foundation's investing activities.

Cash and Cash Equivalents

All highly liquid investments with a maturity of three months or less when acquired are considered cash equivalents. Cash and cash equivalents temporarily held by financial institutions for investment purposes are included within investments in the consolidated statements of financial position.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the consolidated statements of financial position. Investment income or loss (including gains and losses on investments, interest and dividends) is included in the consolidated statements of activities as increases or decreases in net assets without donor restrictions unless the income or loss is restricted by donor or law. Investments in alternative investments are valued using the most recent valuation available from the respective external fund manager.

Investments in commercial fixed annuity contracts are measured at contract value. Accumulated values are provided by insurance carriers on a periodic basis as reported by the insurance companies. The majority of the contracts have surrender charges. The Foundation expects to realize the accumulated value of these contracts. Additionally, changes in accumulated values are recorded annually in the statements of activities.

Properties Held for Sale

During the year ended December 31, 2017, the Foundation received two properties located in Miami, Florida as noncash gifts, which were recorded at their fair market value of $1,348,000. The properties were listed for sale and both of the properties were sold in 2018.

Property and Equipment, Net

Property and equipment are stated at cost, if purchased, or at the estimated market value at date of receipt if acquired by donation. Fixed assets with a value in excess of $1,000 and with a useful life in excess of one year are capitalized. Depreciation and amortization is calculated using the straight-line method over the estimated useful lives of the respective assets.

The estimated useful lives of the assets are as follows:

Computer and office equipment	3 years
Furniture	5 years
Leasehold improvements	Shorter of useful life or lease term

Funds Held on Behalf of Others

The Foundation accepts funds from unrelated nonprofit organizations who desire to have the Foundation provide efficient investment management. A liability is recorded at the estimated fair value of the assets deposited with the Foundation. The nonprofit organization may request a partial or total distribution at any time. Assets are invested in investment pools offered by the Foundation. U.S. GAAP requires that a recipient organization recognize the fair value of the assets as a liability. Balances under the Foundation's fiscal agency program are included in "Funds held on behalf of others" in the consolidated statements of financial position.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition – Contributions

Transfers of cash or other assets or settlement of liabilities that are both voluntary and nonreciprocal are recognized as contributions. Contributions may either be conditional or unconditional. A contribution is considered conditional when the donor imposes both a barrier and a right of return. Conditional contributions are recognized as revenue on the date all donor-imposed barriers are overcome or explicitly waived by the donor. Barriers may include specific and measurable outcomes, limitations on the performance of an activity and other stipulations related to the contribution. A donor has a right of return of any assets transferred or a right of release of its obligation to transfer any assets in the event the Foundation fails to overcome one or more barriers. Assets received before the barrier is overcome are accounted for as refundable advances.

Unconditional contributions may or may not be subject to donor-imposed restrictions. Donor-imposed restrictions limit the use of the donated assets but are less specific than donor-imposed conditions. Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations about the use of the donated assets, or if they are designated as support for future periods.

When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as “Net assets released from restrictions.” Donor-restricted contributions whose restrictions are met in the same reporting period in which received are reported as net assets without donor restrictions.

The Foundation receives donations from several sources including private foundations and other donors. Donations are evaluated as to whether they qualify as exchange transactions or contributions as defined by U.S. GAAP.

Fundraising and Other Revenue

Fundraising and other revenue is recognized in the period the event occurs, or cash is received from fiscal agents.

Give Miami Day

The Foundation sponsors a 24-hour online donation event annually, in which the Foundation matches, on a percentage basis, the total donations made during the donation period. Donations received by the Foundation for Give Miami Day are designated for other beneficiaries and are not recognized in the consolidated statements of activities. Total contributions raised on behalf of others under this program totaled approximately $13,744,000 and $11,317,000 during the years ended December 31, 2019 and 2018, respectively.

Variance Power

U.S. GAAP provides that if the governing body of an organization has the unilateral power to redirect the use of donor contributions to another beneficiary, such contribution must be classified as net assets without donor restrictions.

Pursuant to the Foundation’s By-laws, the Board of Trustees of the Foundation (“Board”) has the ability known as variance power, however, the Board would generally intend to exercise this authority only if the stated purpose of a contribution becomes no longer applicable and incapable of fulfillment. Accordingly, the Foundation's consolidated financial statements classify the majority of funds, including the corpus of certain donor advised, field of interest and designated funds, as net assets without donor restrictions. Net assets encumbered by a time stipulation are classified as net assets with donor restrictions and released to net assets without donor restrictions when the time restriction expires.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition – Contributions (Continued)

Variance Power (Continued)

The Financial Accounting Standards Board ("FASB"), Accounting Standards Codification ("ASC") Topic 958 provides guidance for the classification of donor-restricted endowment funds that are subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). The subtopic also provides for enhanced disclosures about endowment funds (both donor-restricted endowment funds and board designated endowment funds). The Foundation has determined its net assets do not meet the definition of an endowment under UPMIFA. However, the Foundation manages funds established by donors as endowed funds in accordance with terms set forth in the individual agreements and the Foundation's internal spending policy.

Revenue Recognition – Exchange Transactions

Reciprocal transfers in which each party receives and sacrifices goods or services with approximate commensurate value are recognized as exchange transactions. The Foundation adopted ASC Topic 606, *Revenue from Contracts with Customers* ("Topic 606") on January 1, 2019 using the modified retrospective method applied to all contracts not completed as of the date of the adoption. The core principle is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, an entity should apply the following steps: (i) identify the contract(s) with a customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract and (v) recognize revenue when (or as) the entity satisfies a performance obligation.

The Foundation applies Topic 606 to exchange transactions in which it receives consideration from constituents for grant administration services associated with fiscal sponsorships and fiscal agency funds. Under U.S. GAAP, these arrangements are exchange transactions between the Foundation and the constituents using their services.

The modified retrospective adoption method requires the Foundation to record a transition adjustment for the new revenue standard, if any, as a cumulative effect adjustment to beginning net assets as of the date of adoption. Therefore, comparative information has not been adjusted. Prior to adopting Topic 606, administration services fees were recognized when cash was received. As a result of adopting Topic 606, the Foundation's beginning net assets as of January 1, 2019 were adjusted by approximately $385,000, with a corresponding increase to deferred revenue, and is reflected within "Accounts payable, accrued expenses and other liabilities" in the consolidated statements of financial position.

Administration Services

The Foundation operates as a fiscal agent for certain grants by providing fiscal expenditure responsibility services for the organization making the grant. Revenue under these arrangements is based on a percentage of receipts. Revenue related to grant administration is recognized on a pro-rata basis over the periods to which the fees relate. Fees collected in advance of a grant program's start date are recognized as deferred revenue. The Foundation's administrative services are performed over the life of various projects and administrative fee income is allocated over the period on a percentage of completion basis as the performance obligation is met.

The Foundation holds funds and invests on behalf of other unrelated organizations (NOTE 9) and earns a fee for investment services. The Foundation manages monies as a trustee or as an investment agent through the use of third party portfolio advisors/managers. The Foundation does not provide investment brokerage services. Performance obligations, which are transactional in nature, are satisfied at the time of the transaction and are charged monthly on the fund balance. There was no impact to the accounting policy as a result of Topic 606.

The Foundation's revenue from administration services was approximately $696,000 and $773,000 for the years ended December 31, 2019 and 2018, respectively, and is included in the consolidated statements of activities as "Administration fees." Deferred revenue related to administration services was approximately $517,000 as of December 31, 2019.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition – Exchange Transactions (Continued)

Impacts on the consolidated financial statements as of December 31, 2019

The following table compares the reported consolidated statement of financial position as of December 31, 2019 to the pro-forma amounts had the previous revenue recognition guidance been in effect:

As of December 31, 2019	As reported	Adjustments	Balances without adoption of Topic 606
Accounts payable, accrued expenses and other liabilities	$ 1,779,420	$ (517,797)	$ 1,261,623
Total liabilities	$ 34,042,550	$ (517,797)	$ 33,524,753
Net assets - without donor restrictions	$ 304,284,323	$ 517,797	$ 304,802,120
Total net assets	$ 331,432,026	$ 517,797	$ 331,949,823
Total liabilities and net assets	$ 365,474,576	$ -	$ 365,474,576

The following table compares the reported consolidated statement of activities for the year ended December 31, 2019 to the pro-forma amounts had the previous revenue recognition guidance been in effect:

Year ended December 31, 2019	As reported	Adjustments	Balances without adoption of Topic 606
Administration fees	$ 696,108	$ 132,535	$ 828,643
Total revenues without donor restrictions	$ 106,085,403	$ 132,535	$ 106,217,938
Total revenues	$ 101,248,651	$ 132,535	$ 101,381,186
Changes in net assets without donor restrictions	$ 38,961,309	$ 517,797	$ 39,479,106
Changes in net assets	$ 34,124,557	$ 517,797	$ 34,642,354

The adoption of the standard did not have a material impact to the Foundation's consolidated statement of functional expenses and the consolidated statement of cash flows for the year ended December 31, 2019.

Liabilities Under Annuity Programs

The Foundation records a liability for the present value of the annuities payable using a discount rate of 4.5%. An adjustment is made to the liability to record the gain or loss due to recomputation of the liability based upon the revised life expectancy and amounts due to beneficiaries. These are reflected in the accompanying consolidated statements of activities as "Change in value - annuities." Upon the occurrence of certain events, including the death of annuitants or early termination of a contract, the Foundation records an adjustment for the remaining liability and resulting gain.

Split-Interest Agreements

Charitable lead trusts and charitable remainder trusts, in which the Foundation is not the trustee, are recorded in the net assets with donor restrictions class as a receivable at the present value of the expected future cash inflows and contribution revenue is recognized for the same amount. In the event that the trust has an income beneficiary other than the Foundation, the contribution revenue is reduced by the amount of the present value of the estimated liability due to the income beneficiary.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants and Services to Beneficiaries

Grants are recognized when all significant conditions are met by grantees, all due diligence has been completed and the grants are approved by the Foundation's staff or Board Committee. Grant refunds are recorded as a reduction of grant expense at the time the Foundation receives or is notified of the refund. Services to beneficiaries represent expenses associated with fiscal sponsorships and are recognized when service is performed.

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statements of functional expenses. Accordingly, certain costs have been allocated among the programs and support services benefited. Expenses that can be directly identified with the program or supporting service are reported as expenses of those functional areas. Other expenses are allocated among program and supporting services based on a reasonable basis that is consistently applied. Personnel expenses are allocated on the basis of estimated time and effort.

Advertising Costs

Advertising costs are charged to expense as incurred. Advertising costs incurred were $136,545 and $94,536 for the years ended December 31, 2019 and 2018, respectively.

Income Taxes

The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation recognizes and measures tax positions based on their technical merit and assesses the likelihood that the positions will be sustained upon examination based on the facts, circumstances and information available at the end of each period. Interest and penalties on tax liabilities, if any, would be recorded in interest expense and other non-interest expense, respectively. The Foundation is subject to unrelated business income tax on net income from certain investment activities. There is no material unrelated business income for the years ended December 31, 2019 and 2018. The U.S. Federal jurisdiction and Florida are the major tax jurisdictions where the Foundation files income tax returns. The Foundation is generally no longer subject to U.S. Federal or state examinations by tax authorities for years before 2016.

Adopted Accounting Pronouncements

<u>Revenue From Contracts With Customers</u>

The Foundation adopted Topic 606 beginning January 1, 2019, using the modified retrospective approach. Refer to the paragraph "Revenue Recognition – Exchange Transactions" in Note 2 for more information.

<u>Accounting Guidance for Contributions Received and Contributions Made</u>

During the year ended December 31, 2019, the Foundation adopted Accounting Standards Update 2018-08, *Not-for-Profit Entities* (Topic 958) – *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The update provides guidance in evaluating whether transactions should be accounted for as contributions or as an exchange transaction and determining whether a contribution is conditional or not. The adoption of this update had no effect on the Foundation's consolidated financial position and changes in net assets.

<u>Classification of Certain Cash Receipts and Cash Payments</u>

In August 2016, the FASB issued an accounting standard update to reduce diversity in practice on eight specific statement of cash flows issues. The update is effective retrospectively for financial statements issued for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019, with early adoption permitted. The Foundation adopted this accounting standard update during the year ended December 31, 2019. As a result, there was no effect the update had on its consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements

Lease Accounting

In February 2016, the FASB issued an accounting standard update which amends existing lease guidance. The update requires lessees to recognize a right-of-use asset and related lease liability for many operating leases now currently off-balance sheet under current U.S. GAAP. Also, the FASB has issued amendments to the update with practical expedients related to land easements, lessor accounting, and disclosures related to accounting changes and error corrections. The Foundation is currently evaluating the effect the update will have on its consolidated financial statements but expects upon adoption that the update will have a material effect on the Foundation's financial condition due to the recognition of a right-of-use asset and related lease liability. The Foundation does not anticipate the update having a material effect on its results of operations or cash flows, though such an effect is possible. The Foundation is currently evaluating the effect the update will have on its consolidated financial statements.

The update originally required transition to the new lease guidance using a modified retrospective approach which would reflect the application of the update as of the beginning of the earliest comparative period presented. A subsequent amendment to the update provides an optional transition method that allows entities to initially apply the new lease guidance with a cumulative-effect adjustment to the opening balance of equity in the period of adoption. If this optional transition method is elected, after the adoption of the new lease guidance, the Foundation's presentation of comparative periods in the consolidated financial statements will continue to be in accordance with current lease accounting. The Foundation is evaluating the method of adoption it will elect. The update is effective for fiscal years beginning after December 15, 2020, and for interim periods within fiscal years beginning after December 15, 2021, with early application permitted. The FASB has proposed deferring the effective date of this standard.

Fair Value Measurement

In August 2018, the FASB issued an accounting standard update that removes certain disclosures related to transfers between hierarchy levels and adds certain disclosures related to Level 3 investments. The update also changes certain disclosure requirements. The update is effective for fiscal years beginning after December 15, 2019 and interim periods within those fiscal years. Early application is permitted. The Foundation is currently evaluating the potential accounting and disclosure effects the update will have on its consolidated financial statements.

Reclassification

Certain amounts in the 2018 consolidated financial statements have been reclassified to conform with the 2019 presentation.

Subsequent Events

The Foundation has evaluated subsequent events through May 21, 2020, which is the date the consolidated financial statements were available to be issued.

3. LIQUIDITY MANAGEMENT AND AVAILABILITY OF RESOURCES

The Foundation maintains an informal policy of structuring its financial assets to be available as general expenditures, liabilities and other obligations come due. The Foundation engages qualified third-party investment advisors to invest excess cash net of working capital in instruments as stipulated under the investment policy. The policy is reviewed quarterly by the Investment Committee. Market performance is monitored continuously including review of quarterly reports and watch list of invested funds. Furthermore, the Executive Committee as well as the Board review the consolidated statements of financial position and consolidated statements of activities results periodically.

The Foundation's financial assets available within one year of the consolidated statements of financial position date for general expenditures as of December 31, 2019 and 2018 are as follows:

	2019	2018
Cash and cash equivalents	$ 5,591,039	$ 4,781,147
Accounts receivable	240,610	253,155
Contributions receivable, net	3,788,347	2,371,329
Investments	355,013,989	322,374,466
Financial assets	364,633,985	329,780,097
Less: Board designated funds	140,755,907	121,729,915
Available financial assets	223,878,078	208,050,182
Less: Investments held for others	22,057,011	18,300,763
Split-interest receivables	3,788,347	2,371,329
Investments not immediately redeemable	833,713	871,351
Total financial assets available within one year	**$ 197,199,007**	**$ 186,506,739**

In managing its liquidity needs and in accordance with policies established by the Board, the Foundation's investment managers invest largely in mutual funds, equities and fixed income securities which are considered highly liquid as there are no preventative lockups or restrictions and can be readily liquidated to cover operating needs.

4. CONTRIBUTIONS RECEIVABLE, NET

Contributions receivable, net consist of the following as of December 31,:

	2019	2018
Charitable remainder trust	$ 3,361,965	$ 1,858,045
Contributions receivable	716,439	803,341
Present value discount	(290,057)	(290,057)
Contributions receivable, net	**$ 3,788,347**	**$ 2,371,329**

Under the terms of the charitable remainder trust, the Foundation will receive a 28.5% remainder interest in a residence in Coconut Grove, Florida, upon termination of the grantors life estate in the residence. The amount reflected in the consolidated financial statements is 28.5% of management's estimate of the fair value of the property as of December 31, 2019 and 2018.

Contributions receivable consist of three unitrusts, a charitable lead trust and the net cash surrender value of three life insurance policies, which named the Foundation as a remainder beneficiary. Under the terms of the unitrusts, the Foundation is to receive 50% of the trust's assets upon the death of the last surviving beneficiary. The present value discount of future distributions has been estimated using a single life and last survivor expectancy and totaled approximately $290,000 as of December 31, 2019 and 2018. The Foundation has not set up reserves for these contributions receivable as management anticipates they are fully collectible.

5. INVESTMENTS

The Investment Committee of the Foundation has the responsibility to ensure that the assets of the Foundation's various funds are managed in a manner consistent with its policies and objectives. The Investment Committee has established five investment pools for the investment management of the Foundation's assets. Donors that establish funds with the Foundation recommend one of the investment pools based on their investment objectives and risk tolerance level. The Investment Committee will permit the investment pools to experience an overall level of risk consistent with the risk generally associated with the Investment Committee's policy asset allocation and similar to that of the market opportunity available to institutional investors with similar return objectives. The Foundation permits the establishment of externally managed funds for donors meeting certain criteria. Under this program, the donor may recommend a financial advisor.

The Foundation’s general investment philosophy is as follows:

> Asset allocation is a crucial factor in the ongoing management of risks facing the investment funds. In the allocation of assets, diversification of investments among asset classes that are not similarly affected by economic, political, or social developments is expected. Therefore, the general policy is to diversify investments to achieve a balance that will enhance total return, while avoiding undue risk concentrations in any single asset class or investment category. The diversification does not necessarily depend upon the number of industries or companies in a portfolio or their particular location, but rather upon the broad nature of such investments and the factors that influence them. A globally diversified portfolio, with uncorrelated returns from various asset classes, should reduce the variability of returns over time. In determining the appropriate asset allocation, the inclusion or exclusion of asset classes and investments within each class is based on the impact on the funds, rather than judging asset classes and investments on a standalone basis. At all times, liquidity within the pools will be maintained at a level that will minimize the possibility of a loss occasioned by the sale of an investment vehicle forced by the need to meet a required distribution.

The following is a description of the Foundation’s investment pools as of December 31, 2019 and 2018:

> *The Long-Term Pool* – This pool is the most broadly diversified. It is designed to accept more downside short-term risk to achieve a higher level of long-term growth. The primary financial objective is to preserve the purchasing power of the investments after withdrawals are taken. The pool has adopted a total return investment approach including capital appreciation, dividends and interest income. The objective is based on a ten-year time horizon.
>
> *The Balanced Pool* – This pool is designed to achieve moderate risk adjusted returns with an emphasis on total returns, which is the aggregate return from capital appreciation, dividend and interest income.
>
> *The Social Impact Pool* – The investment strategy for the Social Impact Pool is similar to the Balanced Pool. The Social Impact concept is intimately linked to responsible investing and is designed to invest in companies that strive to have a positive societal impact, including, but not limited to, mitigating climate change, reducing waste, using clean energy and employing sound corporate governance and labor practices.
>
> *The Income Pool* – The objective of the Income Pool is to achieve low to moderate risk adjusted returns, with an emphasis on total returns. As such, investment parameters will be limited to short and intermediate term, high-quality, fixed-income instruments or cash equivalents. The Income Pool may invest in other types of securities, including stocks, provided that the corporation is organized under U.S. laws and is publicly traded.
>
> *The Cash Pool* – The objective of the Cash Pool is to preserve principal value and maintain a high degree of liquidity while providing current income.

5. INVESTMENTS (CONTINUED)

Cash and cash equivalents subject to investment management direction are reported as investments rather than cash equivalents. Investments are presented in the consolidated financial statements at fair market values. The Foundation invests in marketable equity securities which, inherent in the fair market value determination, include the risk factor of credit worthiness for each individual equity security.

Investments consist of the following as of December 31,:

	2019	2018
Fixed income	$ 52,643,927	$ 38,579,998
Domestic equity	86,506,922	63,458,928
International equity	74,131,814	59,538,429
Alternative investments	38,916,136	38,283,651
Cash equivalents	46,552,498	55,048,256
Diversified mutual funds	28,890,421	31,407,481
Mutual funds	5,006,494	7,572,706
Private equity	440,891	524,778
Investments, at fair value	333,089,103	294,414,227
Insurance contracts	21,924,886	27,960,239
Total investments	**$ 355,013,989**	**$ 322,374,466**

Investment income (loss) consists of the following for the years ended December 31,:

	2019	2018
Dividends and interest	$ 6,453,774	$ 5,729,984
Net realized and unrealized gain (loss) on investments	34,990,317	(18,865,929)
Investment management and consulting fees	(1,127,166)	(1,080,976)
Total investment income (loss)	**$ 40,316,925**	**$ (14,216,921)**

Investment earnings from annuity assets were approximately $563,000 and $500,000 during the years ended December 31, 2019 and 2018, respectively, and are included in the consolidated statements of activities within the caption “Change in value – annuities and remainder trust”.

6. FAIR VALUE MEASUREMENTS

The FASB Accounting Standards Codification established a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs of valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described as follows:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.
- Level 2 Inputs to the valuation methodology include:
  - quoted prices for similar assets or liabilities in active markets;
  - quoted prices for identical or similar assets or liabilities in inactive markets;
  - inputs other than quoted prices that are observable for the asset or liability;
  - inputs that are derived principally from or corroborated by observable market data by correlation or other means.

  If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of December 31, 2019 and 2018.

Fixed income, domestic equity and international equity: Valued at the closing price reported in the active market in which the individual securities are traded.

Alternative investments (hedge funds) and private equity: Valued at net asset value ("NAV") per share on a monthly or quarterly basis by the investment managers. These investments include private capital limited partnerships, which are illiquid, and hedge fund limited partnerships, which can be withdrawn in accordance with the funds redemption notice period. These investments are funded not just by an initial contribution but also by periodic capital calls.

Cash equivalents: Valued at cost, which approximates fair value.

Diversified mutual funds: Valued at the closing price reported in the active market in which the individual securities are traded.

Mutual funds: Valued at the closing price reported in the active market in which the individual securities are traded.

6. FAIR VALUE MEASUREMENTS (CONTINUED)

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. The values assigned to certain investments are based upon currently available information and do not necessarily represent amounts that may ultimately be realized. Because of the inherent uncertainty of valuation, those estimated fair values may differ significantly from the values that would have been used had a ready market for the investments existed and the differences could be material.

The following tables represent the Foundation's financial instruments measured at fair value on a recurring basis as of December 31, for each of the fair value hierarchy levels:

		Fair Value Measurements at Reporting Date Using:		
Description	**Fair Value 12/31/2019**	**Quoted Prices In Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Other Unobservable Inputs (Level 3)**
Assets:				
Fixed income	$ 52,643,927	$ 52,643,927	$ -	$ -
Domestic equity	86,506,922	86,506,922	-	-
International equity	74,131,814	74,131,814	-	-
Cash equivalents	46,552,498	46,552,498	-	-
Diversified mutual funds	28,890,421	28,890,421	-	-
Mutual funds	5,006,494	5,006,494	-	-
Total assets in the fair value heirarchy	293,732,076	293,732,076	-	-
Assets measured at NAV	39,357,027	-	-	-
Total assets at fair value	**$ 333,089,103**	**$ 293,732,076**	**$ -**	**$ -**

		Fair Value Measurements at Reporting Date Using:		
Description	**Fair Value 12/31/2018**	**Quoted Prices In Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Other Unobservable Inputs (Level 3)**
Assets:				
Fixed income	$ 38,579,998	$ 38,579,998	$ -	$ -
Domestic equity	63,458,928	63,458,928	-	-
International equity	59,538,429	59,538,429	-	-
Cash equivalents	55,048,256	55,048,256	-	-
Diversified mutual funds	31,407,481	31,407,481	-	-
Mutual funds	7,572,706	7,572,706	-	-
Total assets in the fair value heirarchy	255,605,798	255,605,798	-	-
Assets measured at NAV	38,808,429	-	-	-
Total assets at fair value	**$ 294,414,227**	**$ 255,605,798**	**$ -**	**$ -**

6. FAIR VALUE MEASUREMENTS (CONTINUED)

Alternative Investments

Alternative investments include investments in hedge funds and limited partnerships where the Foundation has the right to withdraw its investments after the expiration of "lock-up" periods of one to three years pursuant to the respective offering memorandums. The underlying investments of the funds are valued at fair value on a monthly or quarterly basis by the partnership or fund. As part of the private equity investment structure, initial capital call commitments are required.

The following summary represents the funds reported at NAV as of December 31,:

	2019	Unfunded Commitments as of 12/31/2019	2018	Unfunded Commitments as of 12/31/2018	Redemption Frequency	Redemption Notice Period
SEI Structured Credit (a)	$ 8,641,435	$ -	$ 8,560,580	$ -	Bi-annually	95 days
SEI Core Property Fund (b)	9,671,834	-	9,030,653	-	Quarterly	65 days
Portfolio Advisors Private Equity Fund IV (c)	105,204	48,255	140,787	113,353	Illiquid	None
Portfolio Advisors Private Equity Fund VI (c)	335,687	136,445	383,991	237,245	Illiquid	None
Vintage European Opportunity Fund (d)	392,822	-	346,573	-	Illiquid	None
SEI Energy Fund (e)	7,011,353	-	8,429,275	-	Bi-annually	95 days
SEI Hedge Fund (f)	13,198,692	-	11,916,570	-	Monthly, quarterly, annually - subject to restrictions	30 to 180 days
Total	**$ 39,357,027**	**$ 184,700**	**$ 38,808,429**	**$ 350,598**		

The following is a summary of the investment strategies of the investments valued at net asset value:

(a) The fund's objective is to seek to generate high total returns by investing in a portfolio of collateralized debt obligations. The fund primarily invests in collateralized debt, limited partnerships and asset backed securities.
(b) The objective of the fund is to seek to generate income and capital appreciation through a diversified strategy of property funds.
(c) The fund's objective is to achieve long-term returns through investments in a diversified portfolio of private equity limited partnerships.
(d) The fund seeks to provide aggregate long-term compounded returns in excess of those available from a portfolio of conventional investments in the public equity.
(e) The fund seeks to generate high total returns.
(f) The fund seeks to produce returns comparable to those of the equity markets over a full market cycle targeting substantially less volatility than equities by investing in a diversified portfolio of hedge funds.

7. ANNUITIES

In 2015, the Foundation agreed to take over an established annuity program with assets primarily related to commercial fixed annuity contracts and liabilities for payments due to annuitants. The Foundation manages the assets and makes distributions to the annuitants under the terms of the original and any subsequent agreements. The assets are held as general assets of the Foundation.

The following presents the fair value of the annuity assets and present value of the liabilities as of December 31,:

	2019	2018
Cash and cash equivalents	$ 979,437	$ 213,278
Investments including insurance contracts and other assets	22,609,885	28,034,919
Total assets	**$ 23,589,322**	**$ 28,248,197**
Payments due to annuitants	$ 10,206,119	$ 12,586,986
Accrued expenses	12,996	1,895,479
Total liabilities	**$ 10,219,115**	**$ 14,482,465**
Net assets	**$ 13,370,207**	**$ 13,765,732**

During the years ended December 31, 2019 and 2018, the net change in value of annuity assets and liabilities was ($58,993) and $7,823,961, respectively, and is shown in the consolidated statements of activities as “Change in value – annuities and remainder trust” and in the consolidated statements of cash flows as “Net unrealized gain from annuities and remainder trust.” In 2018, the non-cash benefit included a gain of approximately $8,600,000 due to early settlement of annuity liability contracts.

8. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consists of the following as of December 31,:

	2019	2018
Computer and office equipment	$ 261,961	$ 225,744
Furniture	174,276	174,276
Leasehold improvements	699,955	699,955
Construction in progress	36,176	-
	1,172,368	1,099,975
Accumulated depreciation and amortization	(636,327)	(532,059)
	$ 536,041	**$ 567,916**

Depreciation and amortization expense for the years ended December 31, 2019 and 2018 totaled $104,268 and $109,370, respectively.

9. FUNDS HELD ON BEHALF OF OTHERS

Funds held on behalf of others are comprised of cash and investments held at financial institutions and amounted to $22,057,011 and $18,300,763 as of December 31, 2019 and 2018, respectively.

10. NET ASSETS

Net assets without donor restrictions consist of the following as of December 31,:

	2019	2018
Administration	$ 11,329,007	$ 9,710,969
Supporting organizations	6,799,455	6,150,530
Undesignated	145,399,954	132,148,123
Designated funds	140,755,907	117,698,654
	$ 304,284,323	**$ 265,708,276**

Net assets without donor restrictions are used to support the operating activities of the Foundation. Of these funds, the Board of the Foundation designated $140,755,907 and $117,698,654 as of December 31, 2019 and 2018, respectively. The major fund categories are as follows:

Administration: Operating assets used to cover administrative costs and support services of the Foundation.

Supporting organizations: Component funds for CAP and DadeFund described in Note 1.

Undesignated: General funds geared towards the overall mission and needs of Miami-Dade County through grant making and other community projects.

Designated: Funds designated for specific donor fields of interests and other initiatives. Some funds are operated as endowments with the intention of preserving the fund value in perpetuity. The Foundation follows spending policies per agreements or applies an internal spending policy maintained by the Board.

Net assets with donor restrictions consist of the following as of December 31,:

	2019	2018
Restricted by donors with specific purpose/time restrictions		
General programs	$ 23,576,017	$ 29,812,069
Charitable remainder and lead trusts	3,571,686	2,172,386
	$ 27,147,703	**$ 31,984,455**

Net assets with donor restrictions consist of the fiscal sponsorship funds, four charitable trusts and three life insurance policies in which the Foundation is beneficiary (NOTE 4).

Net assets released from restrictions due to time and purpose is as follows during the years ended December 31,:

	2019	2018
General programs	$ 30,396,793	$ 40,275,063
Annuities	-	15,744,551
	$ 30,396,793	**$ 56,019,614**

11. RETIREMENT PLANS

Pension Plan

The Foundation sponsors a non-contributory defined benefit pension plan for all full-time employees. In November 2010, the Foundation froze this plan. During each of the years ended December 31, 2019 and 2018, the Foundation contributed $35,000. The Foundation's best estimate of contribution for the next fiscal year is $35,000.

Information related to the Foundation's obligation, which is included within "Accounts payable, accrued expenses and other liabilities" in the consolidated statements of financial position is as follows as of December 31,:

	2019	2018
Fair value of plan assets	$ 1,023,552	$ 869,791
Projected benefit obligation*	(1,050,968)	(959,599)
Unfunded projected benefit obligation	**$ (27,416)**	**$ (89,808)**

*The projected benefit obligation is the amount that the pension plan needs now to cover future pension obligations to its participants.

Net periodic pension benefit under the plan was $(11,515) and $(28,543) for the years ended December 31, 2019 and 2018, respectively. The components of the net periodic pension benefit are as follows for the years ended December 31,:

	2019	2018
Service cost	$ 5,646	$ 5,203
Interest cost	40,039	33,538
Expected return on plan assets	(60,885)	(68,032)
Amount of recognized actuarial loss	3,685	748
Net periodic pension benefit	**$ (11,515)**	**$ (28,543)**

Changes in plan assets as of the actuarial valuation date of December 31,:

	2019	2018
Fair value of plan assets at beginning of the year	$ 869,791	$ 907,089
Actual return (loss) on plan assets	141,134	(50,368)
Contributions	35,000	35,000
Annuities purchased or benefits paid, including expense charges	(22,373)	(21,930)
Fair value of plan assets at the end of the year	**$ 1,023,552**	**$ 869,791**

11. RETIREMENT PLANS (CONTINUED)

Pension Plan (Continued)

Changes in the plan benefit obligation as of the actuarial valuation date of December 31,:

	2019	2018
Benefit obligation at the beginning of the year	$ 959,599	$ 953,291
Service cost	5,646	5,203
Interest cost	40,039	33,538
Assumption changes	70,727	(9,734)
Actuarial gain	(2,670)	(769)
Expense charges	(5,646)	(5,203)
Annuities purchased or benefits paid	(16,727)	(16,727)
Benefit obligation at the end of the year	**$ 1,050,968**	**$ 959,599**

The assumptions used in the accounting for the defined benefit plan for the years ended December 31, 2019 and 2018 were 3.15% and 4.15% for the discount rate, respectively, 7.0% for expected long-term return on assets, and no increase in compensation levels.

Pension assets were allocated in the following manner as of December 31,:

	2019		2018	
	Amount	Percent	Amount	Percent
Equity	$ 497,985	49%	$ 381,806	44%
Fixed income and other	524,416	51%	487,773	56%
General account	1,151	0%	212	0%
Plan assets	**$ 1,023,552**	**100%**	**$ 869,791**	**100%**

As of December 31, 2019, the expected payout of pension benefits is approximately as follows for the years ending December 31,:

2020	$ 17,000
2021	130,000
2022	16,000
2023	16,000
2024	16,000
2025 - 2029	556,000
	$ 751,000

The Foundation's expected long-term return on plan assets assumption of 7.0% was selected using the "building block" approach described by the Actuarial Standards Board in Actuarial Standards of Practice No. 27 – Selection Economic Assumptions for Measuring Pension Obligations. Based upon the investment policy for the pension plan in effect as of the beginning of the fiscal year, a best estimate range was determined for both the real rate of return (net of inflation) and for inflation based on historical 30 year period rolling averages. An average inflation rate within the range equal to 3.15% was selected and added to the real rate of return range to arrive at a best estimate range of 6.74% - 9.40%. A rate within the best estimate range of 7.0% was selected.

11. RETIREMENT PLANS (CONTINUED)

Pension Plan (Continued)

The Foundation's investment policy includes various guidelines and procedures designed to ensure assets are invested in a manner necessary to meet expected future benefits earned by participants. The investment guidelines consider a broad range of economic conditions. Central to the policy are target allocation ranges by major asset categories. The objectives of the target allocations are to maintain investment portfolios that diversify risk through prudent asset allocation parameters, achieve asset returns that meet or exceed the plan's actuarial assumptions and achieve asset returns that are competitive with like institutions employing similar investment strategies.

The Foundation's overall investment strategy is to achieve a mix of approximately 65-75% of investments for long-term growth and 25-35% for near-term benefit payments with a wide diversification of asset types, fund strategies, and fund managers. The target allocations for plan assets are between 30-70% equity securities, 30-70% corporate bonds, with a long-term asset mix guideline of 50% equity and 50% fixed income. Equity securities primarily include investments in large-cap and small-cap companies primarily located in the United States of America and developing and emerging international markets. Fixed income securities include corporate bonds with various durations. The investment policy is periodically reviewed by the Foundation. All funds are publicly traded Level 1 investments. The policy is established and administered in a manner so as to comply at all times with applicable government regulations.

Defined Contribution Plan

In December 2010, the Foundation started a 403(b) contributory retirement plan. The Foundation contributes 1% of an employee's salary once the employee has completed one year of service with the Foundation. The Foundation will also match up to an additional 4% of a qualified employee's voluntary contribution to the plan. Total employer contributions to this plan were approximately $100,000 and $102,000 for the years ended December 31, 2019 and 2018, respectively.

12. OPERATING LEASE

In January 2015, the Foundation entered into an operating lease agreement for office space. The lease expires on December 31, 2024 and the Foundation has the option to renew the lease for an additional term of five years. Monthly rent payments are approximately $12,400, subject to an annual increase of 3%. The Foundation records rent expense on a straight-line basis over the lease term. As part of the agreement, the Foundation received an allowance of approximately $485,000 in consideration for the improvements made to the new office space. Tenant allowances received are deferred when received and amortized on a straight-line basis over the life of the lease term. As of December 31, 2019 and 2018, the deferred rent liability balance was approximately $318,000 and $366,000, respectively, and is reflected within the caption "Accounts payable, accrued expenses and other liabilities" in the consolidated statements of financial position. During December 2018, the Foundation executed an amendment to the original lease agreement for the remainder of the term. Additional monthly payments are approximately $5,800, and are also subject to an annual increase of 3%. The amendment has a provision for a tenant allowance of approximately $201,000 in consideration for the improvements made to the new office space once construction begins.

Rent expense amounted to $157,629 and $119,515 during the years ended December 31, 2019 and 2018, respectively.

Future minimum payments under the operating lease are as follows for the years ending December 31,:

2020	$ 244,880
2021	252,226
2022	259,793
2023	267,587
2024	275,614
	$ 1,300,100

13. SUBSEQUENT EVENTS

COVID-19

Since January 2020, the coronavirus (COVID-19) outbreak has caused substantial disruption in international and U.S. economies and markets, which intensified in recent weeks. The coronavirus and fear of further spread of the coronavirus has caused quarantines, cancellation of events, and overall reduction in business and economic activity. On March 11, 2020, the World Health Organization designated the coronavirus outbreak a pandemic. Management and the Board of Trustees are evaluating the potential adverse effect this will have on their consolidated financial position, operations and cash flows. Additionally, the coronavirus has caused volatility in global financial markets which have deteriorated in 2020. The Foundation's investment portfolio has declined in value by approximately 13% as of the date these financial statements were available to be issued. Due to the current volatility in the market, the Foundation may experience further losses on their investment portfolio. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events occurred subsequent to year-end and are still developing.

Paycheck Protection Program Loan

On April 8, 2020, the Foundation executed a loan of $431,204 under the Paycheck Protection Program authorized by the CARES Act that was signed into law on March 27, 2020. The loan bears interest at approximately 1%. Seven months after the effective date, principal payments are due in equal amounts over an eighteen-month period. The loan matures on April 8, 2022. Under the Paycheck Protection Program, loan funds are eligible for forgiveness to the extent that they are used to cover certain payroll, rent and utility costs and if the Foundation retains employees during a specified period of time. Management estimates that a portion of the loan funds will be eligible for forgiveness.

DadeFund, Inc.

Subsequent to December 31, 2019, the DadeFund's board of directors voted to approve the dissolution of the supporting organization. The board approved the distribution of assets as follows: 50% to fund final grant payments to 13 nonprofit organizations and 50% to the Foundation's Miami Forever Fund. These grants payments will be made net of all fees.