

The Forbes Funds

(A Controlled Supporting Organization of
The Pittsburgh Foundation)

Audited Financial Statements as of
and for the Years Ended
December 31, 2019 and 2018,
and Independent Auditor's Report

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(A Controlled Supporting Organization of The Pittsburgh Foundation)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The Forbes Funds

We have audited the accompanying financial statements of The Forbes Funds (a controlled supporting organization of The Pittsburgh Foundation), 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.

Auditor's 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 from 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 auditor's 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 organization'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 organization'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.

INDEPENDENT AUDITOR'S REPORT

(continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Forbes Funds 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.

Sisterson & Co. LLP

June 5, 2020

THE FORBES FUNDS**(A Controlled Supporting Organization of The Pittsburgh Foundation)****STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2019 AND 2018**

	2019	2018
ASSETS		
Cash and cash equivalents	\$ 2,762,474	\$ 2,491,536
Contributions and other receivables	7,320	180,425
Investment income receivable	17,944	22,027
Prepaid expenses	20,000	40,833
Investments	<u>6,598,500</u>	<u>5,815,661</u>
 Total	 <u>\$ 9,406,238</u>	 <u>\$ 8,550,482</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and other liabilities	\$ 148,596	\$ 116,460
Grants payable	280,169	367,297
Accrued pension liability	<u>195,064</u>	<u>163,212</u>
 Total liabilities	 <u>623,829</u>	 <u>646,969</u>
 NET ASSETS:		
Without donor restrictions:		
Designated by board for operating reserve	541,309	421,565
Designated by board for endowment	114,735	416,485
Undesignated	381,127	832,343
With donor restrictions:		
Restricted for specific purpose	762,830	380,397
Restricted to the passage of time	450,000	400,000
Restricted for endowment	<u>6,532,408</u>	<u>5,452,723</u>
 Total net assets	 <u>8,782,409</u>	 <u>7,903,513</u>
 Total	 <u>\$ 9,406,238</u>	 <u>\$ 8,550,482</u>

See notes to financial statements.

THE FORBES FUNDS

(A Controlled Supporting Organization of The Pittsburgh Foundation)

STATEMENT OF ACTIVITIES**FOR THE YEAR ENDED DECEMBER 31, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT:			
Contributions	\$ 295,976	\$ 694,650	\$ 990,626
Transfers from The Pittsburgh Foundation	112,457	400,000	512,457
Income on investments, net of investment fees of \$33,172	135,481	-	135,481
Net realized and unrealized gains on investments	-	1,079,685	1,079,685
Sponsorships, registrations and dues	368,048	-	368,048
Other income	11,203	-	11,203
Net assets released resulting from satisfaction of donor restrictions	662,217	(662,217)	-
Total revenues, gains and other support	1,585,382	1,512,118	3,097,500
EXPENSES:			
Grants approved, net of cancellations of \$27,477	382,523	-	382,523
Program services expenses	1,416,363	-	1,416,363
Fundraising and development expenses	107,166	-	107,166
Management and general administrative expenses	312,552	-	312,552
Total expenses	2,218,604	-	2,218,604
INCREASE (DECREASE) IN NET ASSETS	(633,222)	1,512,118	878,896
NET ASSETS - Beginning of year	1,670,393	6,233,120	7,903,513
NET ASSETS - End of year	\$ 1,037,171	\$ 7,745,238	\$ 8,782,409

See notes to financial statements.

THE FORBES FUNDS**(A Controlled Supporting Organization of The Pittsburgh Foundation)****STATEMENT OF ACTIVITIES****FOR THE YEAR ENDED DECEMBER 31, 2018**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT:			
Contributions	\$ 295,295	\$ 189,410	\$ 484,705
Transfers from The Pittsburgh Foundation	32,805	400,000	432,805
Income on investments, net of investment fees of \$33,545	172,397	-	172,397
Net realized and unrealized gains (losses) on investments	4,508	(345,181)	(340,673)
Sponsorships, registrations and dues	106,278	-	106,278
Other income	252	-	252
Net assets released resulting from satisfaction of donor restrictions	<u>1,252,359</u>	<u>(1,252,359)</u>	<u>-</u>
 Total revenues, gains and other support	 <u>1,863,894</u>	 <u>(1,008,130)</u>	 <u>855,764</u>
EXPENSES:			
Grants approved, net of cancellations of \$24,707	560,290	-	560,290
Program services expenses	1,344,949	-	1,344,949
Fundraising and development expenses	96,623	-	96,623
Management and general administrative expenses	<u>255,670</u>	<u>-</u>	<u>255,670</u>
 Total expenses	 <u>2,257,532</u>	 <u>-</u>	 <u>2,257,532</u>
 DECREASE IN NET ASSETS	 (393,638)	 (1,008,130)	 (1,401,768)
 NET ASSETS - Beginning of year	 <u>2,064,031</u>	 <u>7,241,250</u>	 <u>9,305,281</u>
 NET ASSETS - End of year	 <u>\$ 1,670,393</u>	 <u>\$ 6,233,120</u>	 <u>\$ 7,903,513</u>

See notes to financial statements.

THE FORBES FUNDS

(A Controlled Supporting Organization of The Pittsburgh Foundation)

**STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising and Development</u>	<u>Total</u>
Salaries and benefits	\$ 606,433	\$ 139,316	\$ 73,755	\$ 819,504
Professional and administrative services	535,215	110,126	-	645,341
Grants and scholarships	382,523	-	-	382,523
Other administrative expenses	115,439	26,520	14,039	155,998
Pittsburgh Foundation fee expense	56,181	12,906	6,833	75,920
Professional development and travel	39,492	9,073	4,803	53,368
Rent and building expense	39,489	9,072	4,803	53,364
Information technology	15,020	3,450	1,827	20,297
Communications and marketing	4,987	1,146	606	6,739
Office expenses	4,107	943	500	5,550
Total functional expenses	<u>\$ 1,798,886</u>	<u>\$ 312,552</u>	<u>\$ 107,166</u>	<u>\$ 2,218,604</u>

FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising and Development</u>	<u>Total</u>
Salaries and benefits	\$ 600,950	\$ 138,056	\$ 73,088	\$ 812,094
Professional and administrative services	550,498	73,161	-	623,659
Grants and scholarships	560,290	-	-	560,290
Other administrative expenses	56,779	13,044	6,906	76,729
Pittsburgh Foundation fee expense	56,181	12,906	6,833	75,920
Rent and building expense	39,489	9,072	4,803	53,364
Professional development and travel	26,109	5,998	3,175	35,282
Information technology	6,648	1,527	809	8,984
Office expenses	4,273	982	520	5,775
Communications and marketing	4,022	924	489	5,435
Total functional expenses	<u>\$ 1,905,239</u>	<u>\$ 255,670</u>	<u>\$ 96,623</u>	<u>\$ 2,257,532</u>

See notes to financial statements.

THE FORBES FUNDS**(A Controlled Supporting Organization of The Pittsburgh Foundation)****STATEMENTS OF CASH FLOWS****FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ 878,896	\$ (1,401,768)
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities:		
Net realized and unrealized (gains) losses on investments	(1,079,685)	340,673
Increase (decrease) in cash from changes in		
Contributions and other receivables	173,105	(40,425)
Investment income receivable	4,083	-
Prepaid expenses	20,833	(40,833)
Accounts payable and other liabilities	32,136	(48,748)
Grants payable	(87,128)	60,517
Accrued pension liability	31,852	(12,618)
	<u>(25,908)</u>	<u>(1,143,202)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(531,144)	(947,027)
Proceeds from sales of investments	<u>827,990</u>	<u>2,997,363</u>
	<u>296,846</u>	<u>2,050,336</u>
INCREASE IN CASH AND CASH EQUIVALENTS	270,938	907,134
CASH AND CASH EQUIVALENTS - Beginning of year	<u>2,491,536</u>	<u>1,584,402</u>
CASH AND CASH EQUIVALENTS - End of year	<u><u>\$ 2,762,474</u></u>	<u><u>\$ 2,491,536</u></u>

See notes to financial statements.

THE FORBES FUNDS

(A Controlled Supporting Organization of The Pittsburgh Foundation)

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization — The Forbes Funds (the “Fund”) is a supporting organization of and under the control of The Pittsburgh Foundation (the “Foundation”). As such, the Fund, along with certain other supporting organizations of the Foundation, is part of the primary consolidated financial statements of the Foundation.

The Fund, a not-for-profit corporation, is exempt from federal income tax under the provisions of section 501(c)(3) of the Internal Revenue Code of 1986 (the “Code”) and has been classified as an organization which is not a private foundation as defined in section 509(a)(3) of the Code.

The Fund operates out of the Foundation’s office facility and purchases certain administrative and staff services from the Foundation, and also rents office space from the Foundation.

The Fund sits at the intersection between funders and the nonprofit community. The Fund’s work has evolved over the years to build a more systemic transformational model anchored in a nearly 40-year history of advancing the well-being of the Pittsburgh region. The mission of the Fund focuses on building the management capacity and impact of human services and community-based nonprofits – both as individual organizations and as a unified coalition of leaders, funders and advocates working collaboratively throughout southwestern Pennsylvania.

Over the past two years and with a special emphasis on 2019, the Fund has aligned its traditional programming to increase engagement with the Fund’s regional partners and to identify where gaps and overlaps of services and investments exist. Today, the Fund has interacted with or convened approximately 1,500 thought leaders within the nonprofit sector through the Greater Pittsburgh Nonprofit Partnership (“GPNP”), Academy for Cause and Community Engagement Leadership (“ACCEL”) Level 1 and Level 2, Executive-in-Residence (“EIR”), Management Assistance Grants (“MAGs”), Catalytic Community Cohorts (“C3”), Performance Imperative and large and small agency cohorts. This number represents nearly half the number of current nonprofit organizations in Allegheny County and over 25% of the ten-county regional’s nonprofit sector.

The Fund now aligns all services with the Social Determinates of Health and United Nations Sustainable Development Goals (“UNSDG”) to show the impact of the region. This new approach to systems management requires leveraging partnership and tools and establishing shared goals. The goal is to not only improve organizational capacity of nonprofits but to ensure that the populations served by organizations we support benefit as well. The premise is that individuals served by the organizations we support are oftentimes dealing with more than one issue and a holistic approach is necessary that involves multiple organizations.

The Fund’s work is centered around more than transactional relationships and approaches; the aim is to foster transformational partnerships and to optimize how the nonprofit ecosystem interacts with funders, government, private sector and others in the Pittsburgh region. The Fund is exploring co-designed approaches that are iterative and agile, especially as the Fund’s sector addresses the realities of scenario planning - economic stresses and shocks to the region – that will put untold strain on southwestern Pennsylvania.

The Fund's mission is to focus on strengthening the management capacity and impact of community nonprofits individually and collectively. The Fund accomplishes that through:

- **Capacity Building:** providing nonprofits with resources, through grantmaking and cohorts, and learning forums to enable them to manage a disruptive event, reframe their thinking about a specific issue that impacts operations, and prepare for the future. Priority is given to human services and community development organizations in Allegheny County.
- **Social Innovation:** accelerating the development of operating models and technological innovation to reduce expense and/or increase impact of community nonprofit organizations.
- **Greater Pittsburgh Nonprofit Partnership ("GPNP"):** leveraging the collective strength of the sector to inform policy, give input to community priorities and strategies, and increase their purchasing power. Bi-annually, GPNP organizes the Greater Pittsburgh Non-Profit Summit which brings together local nonprofit staff and board members plus other interested parties to discuss, over an afternoon, various topics of interest for nonprofits that fosters capacity building and social innovation.

Endowment Spending Policy — Operating as part of the Fund is an endowment raised in honor of Elmer J. Tropman (the "Endowment") (See Note 6). The Endowment was created in 1992 to support the grant making and administrative services of the Fund. The Fund uses a spending policy determined annually by the Board of Directors (the "Board") as a percentage times the three-year average fair value of the Endowment. The spending policy determines the funds available for grant making and administrative expenses of the Fund. The spending rate for both 2019 and 2018 was 7%, of which 5% was for annual operating needs and 2%, which remains invested with Endowment assets, was for the board designated operating reserve.

Cash and Cash Equivalents — Cash and cash equivalents consist primarily of funds invested in money market funds. Cash equivalents are recorded at carrying value which approximates fair value.

Investments — Investments are recorded at fair value. Realized and unrealized gains and losses are computed by deducting from the proceeds of the sale or the fair value of instruments the historical cost of the investment using the average cost method. Net realized and unrealized gain or loss on investments and income on investments, which includes dividends and interest earned on funds, are reflected in the statements of activities. Investment income is recorded on the accrual basis.

Classification of Net Assets — The Fund classifies resources for accounting and reporting purposes into separate net asset classes based on the existence or absence of donor-imposed restrictions. In the accompanying financial statements, net assets that have similar characteristics have been combined into similar categories. A description of the Fund's net asset categories is as follows:

Net Assets Without Donor Restriction — Net assets that are not subject to donor-imposed restrictions or stipulations as to purpose of use.

Net Assets with Donor Restriction — Net assets that are subject to donor-imposed restrictions or stipulations that may or will be met either by actions of the Fund or the passage of time, including those subject to annual spending limits or stipulations that require the principal be invested in perpetuity. Gains and losses in the investment of these assets are classified as with donor restrictions.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restriction are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released resulting from satisfaction of donor restrictions.

Board Designated Operating Reserve — In December 2014, the Board approved the establishment of an operating reserve, the purpose of which is to have an allowance for an economic or business event that would cause a dramatic decline in the Fund's financial position. Annually this reserve, named the "Board Designated Operating Reserve," is funded by a portion of the Fund's annual spending policy; however, the amount reserved will remain invested with the endowment assets. The first year of funding was 2015. For 2019 and 2018, the Board designated 2% of the approved spending amount. The Board approved additional operating reserve amount for 2019 and 2018 of \$119,744 and \$119,455, respectively.

Contributions/Contributions Receivable — Contributions are received from various local foundations and corporations to support the purposes of the Fund. They are recorded as revenue when an unconditional promise to give is received. The Fund has been awarded promises to receive grants of \$25,000 which are conditional as of December 31, 2019. The contributions subject to conditions will be recorded as revenue when the conditions limiting the transfer of assets have been satisfied, typically when the promise becomes irrevocable. Contributions with donor-imposed restrictions that are met in the same year as received are reported as increases in net assets without donor restrictions. Contributions are recorded at fair value at the date of donation. Contributions receivable as of December 31, 2019 are expected to be received during 2020.

Sponsorship, Registrations, and Dues — Sponsorship, registrations, and dues income is received from various corporations and individuals to sponsor or attend events of the Fund and GPNP, and dues for membership in GPNP. They are recorded at a point in time as revenue when received.

Grants — Grants are recorded when they are approved by the Board. Grant cancellations and refunds of paid grants are recorded as they occur.

Estimates and Assumptions — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Risks and Uncertainties — Investment securities are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in risks and values of investment securities will occur in the near-term and that such changes could materially affect the amounts reported on the statements of financial position.

Taxes — The Fund adopted Financial Accounting Standards Board (“FASB”) guidance for accounting for uncertainty in income taxes, which provides criteria for the recognition and measurement of uncertain tax positions. This guidance requires that an uncertain tax position should be recognized only if it is “more likely than not” that the position is not sustainable based on its technical merits. Recognizable tax positions should then be measured to determine the amount of benefit or liability recognized in the financial statements. The Fund files U.S. federal and state information returns, and no returns are currently under examination. The statute of limitations on the Fund’s U.S. federal tax returns remains open for the years ended December 31, 2016 through the present. The Fund continues to evaluate its tax positions pursuant to the principles of FASB guidance and has determined that there is no material impact on the Fund’s financial statements.

Functional Allocation of Expenses — The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited based primarily on an analysis of personnel time on the related activities.

Related Party Transactions —

Contributions – During the years ended December 31, 2019 and 2018, the Foundation provided unrestricted and restricted contributions to the Fund of \$458,403 and \$400,000, respectively.

Contributed Services – The Fund receives donated services from the Foundation. The services relate to personnel costs, information systems support, and occupancy, and all costs are recognized based on the actual costs incurred by the Foundation. During both the years ended December 31, 2019 and 2018, expenses for shared services totaled \$164,024. The Fund also received revenue from contributed services of \$54,054 and \$32,805, respectively.

Recent Accounting Pronouncements — During the year ended December 31, 2019, the Fund adopted Accounting Standards Updates (“ASU”) 2014-09, *Revenue from Contracts with Customers*, and ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The adoption of ASU 2014-09 and ASU 2018-08 did not have any impact on the Fund’s net assets or changes in net assets, but changed previous disclosure requirements.

2. LIQUIDITY AND AVAILABILITY

Financial Assets available for general expenditure, that is, without donor restrictions limiting their use, within one year of December 31, 2019 and 2018 include the following:

	2019	2018
Cash and cash equivalents	\$ 2,762,474	\$ 2,491,536
Contributions and other receivables	7,320	180,425
	<u>\$ 2,769,794</u>	<u>\$ 2,671,961</u>

The Fund has an endowment, and at times, receives additional contributions to the endowment that will exist in perpetuity; the income generated from the endowment is used to fund grants and programs in accordance with donor intent. The amounts above include the board designated operating reserve as described in Note 1. As described in Note 6, the Fund's endowment is subject to an annual spending rate and \$424,768 as of December 31, 2019 of appropriation from the endowment that will be available within the next 12 months. The amounts above include net assets with donor restrictions subject to purpose and time restrictions. These amounts will be available within the next 12 months for expenditure as the restriction is satisfied.

In addition, as part of the Fund's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. The Fund invests cash in excess of daily requirements in short-term investments.

3. INVESTMENTS

Investments at fair value consisted of the following at December 31:

Public equity	\$ 4,818,024	\$ 4,068,092
Core fixed income	1,754,667	1,722,179
International fixed income	<u>25,809</u>	<u>25,390</u>
Total investments	<u>\$ 6,598,500</u>	<u>\$ 5,815,661</u>

As of December 31, 2019 and 2018, no individual investment exceeded 10% of total assets.

In determining fair value, the Fund follows the FASB ASC Topic 820 regarding fair value measurements. This establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset based on market data obtained from sources independent of the organization.

Unobservable inputs are inputs that would reflect an organization's assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the observability of inputs as follows:

Level 1 — Valuations based on quoted market prices in active markets for identical assets that the organization has the ability to access. Since valuations are based on quoted market prices that are readily available in an active market, valuation of these products does not entail a significant degree of judgment.

Level 2 — Valuations based on one or more quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 — Valuations based on inputs that are unobservable and significant to the overall fair value measurement. The Fund does not hold any Level 3 investments.

The availability of observable inputs can vary from instrument to instrument and is affected by a wide variety of factors, including, for example, the liquidity of markets and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable in the market, the determination of fair value requires more judgment.

The Fund uses prices and inputs that are current as of the measurement date, obtained through multiple third-party custodians from independent pricing services. Due to the complexity, variety and the manner in which these assets are held, the Fund aggregates valuation data. Therefore, the Fund uses a conservative approach to the classification of securities and uses the highest common level for the reporting of each asset class.

A description of the valuation techniques applied to the major categories of investments measured at fair value is outlined below.

The fair value of common stocks and American Depositary Receipts are valued using quoted market prices in active markets when available. Such actively traded securities are categorized in Level 1 of the fair value hierarchy.

The fixed income securities held directly by the Fund are all classified as Level 2. These include corporate bonds, government bonds, mortgage backed securities and municipal bonds. Such securities are relatively unique, with the specific issue being thinly traded, if at all. This requires valuation to be imputed from the bonds' tenor, par value, and issuer, along with comparable market data.

The fair value hierarchy table presenting the Fund's investments measured at fair value is as follows at December 31:

	2019	2018
Level 1 — Quoted prices in active markets for identical securities		
American depository receipts	\$ 283,975	\$ 235,382
Common stocks	4,534,049	3,832,710
Total Level 1	<u>4,818,024</u>	<u>4,068,092</u>
Level 2 — Significant observable inputs		
Municipal bonds	1,094,474	1,181,339
Corporate bonds	684,411	564,385
Mortgage backed securities	1,591	1,845
Total Level 2	<u>1,780,476</u>	<u>1,747,569</u>
Total	<u>\$ 6,598,500</u>	<u>\$ 5,815,661</u>

Net realized and unrealized gains (losses) on investments consisted of the following for the year ended December 31:

	2019	2018
Net realized gain on investments	\$ 142,988	\$ 292,928
Net unrealized gain (loss) on investments	<u>936,697</u>	<u>(633,601)</u>
Net realized and unrealized gain (loss) on investments	<u><u>\$ 1,079,685</u></u>	<u><u>\$ (340,673)</u></u>

4. ACCOUNTS PAYABLE AND OTHER LIABILITIES

Accounts payable and other liabilities, as reported in the statements of financial position, consisted of the following at December 31:

	2019	2018
Accounts payable	\$ 46,902	\$ 38,875
Due to the Foundation	<u>101,694</u>	<u>77,585</u>
Total	<u><u>\$ 148,596</u></u>	<u><u>\$ 116,460</u></u>

5. GRANTS

Grants approved and paid in 2019 and those committed for future payment at December 31, 2019, are as follows:

	Payable December 31, 2018	2019 Grants		Payable December 31, 2019
		Approved	Paid	
Grants, net of cancellations	\$ 367,297	\$ 382,523	\$ 469,651	\$ 280,169

All grants payable as of December 31, 2019 are payable in 2020.

The Fund does approve grants with conditions; however the probability is remote that the grantees will not meet these conditions. Accordingly, such grants are accounted for as grants payable when approved.

6. ENDOWMENT

The Fund's endowment consists of various investment funds established for a variety of purposes. Its endowment includes donor-restricted endowment funds, and funds designated by the Board to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The change in endowment funds by net asset type is as follows for the years ended December 31:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 416,485	\$ 5,452,723	\$ 5,869,208
Investment return:			
Income on investments, net of fees	116,727	-	116,727
Net realized and unrealized gains on investments	-	1,079,685	1,079,685
Other income	627	-	627
	117,354	1,079,685	1,197,039
Transfer of endowment assets under spending policy	(419,104)	-	(419,104)
Endowment net assets, end of year	<u>\$ 114,735</u>	<u>\$ 6,532,408</u>	<u>\$ 6,647,143</u>
	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 677,232	\$ 5,797,904	\$ 6,475,136
Investment return:			
Income on investments, net of fees	157,286	-	157,286
Net realized and unrealized losses on investments	-	(345,181)	(345,181)
Other income	62	-	62
	157,348	(345,181)	(187,833)
Transfer of endowment assets under spending policy	(418,095)	-	(418,095)
Endowment net assets, end of year	<u>\$ 416,485</u>	<u>\$ 5,452,723</u>	<u>\$ 5,869,208</u>

Spending Policy — The Board of the Fund has elected to follow a total return spending policy in regard to its endowment as allowed under the Commonwealth of Pennsylvania Act 141 (the “Act”). Income is defined by the Act to mean a fixed percentage of the value of the assets held by the Fund, not less than 2% or more than 7%. The value of the assets, for purposes of the Act, is the average fair value of the assets over a three-year period. The Board of the Fund considers the long-term preservation of the real value of the assets in electing the spending rate each year. The spending rate for both 2019 and 2018 was 7%, of which 5% was for annual operating needs and 2%, which remains invested with Endowment assets, was for the board designated operating reserve. This percentage is applied to the average of the last 36 month end fair value of investments (measured from September 30 of prior year). In 2019 and 2018, the spending policy calculation yielded \$419,104 and \$418,095, respectively. This spending policy is consistent with the Fund’s objective to maintain the purchasing power of the endowment assets held in perpetuity, as well as to provide additional real growth through new gifts and investment return.

Net Asset Classification – The Fund treats the initial gifts of \$2,000,000 from the Howard Heinz Endowment and the Vera I. Heinz Endowment to establish the Elmer J. Tropman Endowment (the “Endowment”) as with donor restrictions since these gifts were intended to establish the Fund on a perpetual basis. Interest and dividends on the underlying investments are recorded as net assets without donor restrictions and used for grantmaking or operations. Gains and losses on the underlying investments are recorded as net assets with donor restriction and only released for grantmaking or operations when net assets without donor restrictions of the endowment are not sufficient to cover the spending policy amount.

Return Objectives and Risk Parameters — The Fund has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Fund must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the Board, the endowment assets are invested in a manner that achieves its objective of maximizing its total return through investing in portfolio mix consisting of 50%-75% of equity investments, with the balance of the portfolio comprising the highest-quality fixed-income obligations available. The Fund expects its endowment funds, over time, to provide an average rate of return consistent with its benchmarks of standard practice parameters. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives — To satisfy its long-term rate-of-return objectives, the Fund relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Fund targets a diversified asset allocation that places a relatively equal emphasis on equity-based and fixed-income investments to achieve its long-term return objectives within prudent risk constraints. Investment managers are also given guidelines to the percentage that can be committed to a particular investment and particular industry.

7. EMPLOYEE BENEFIT PLANS

The Fund participates in a defined benefit pension plan sponsored by the Foundation and covers all full-time employees hired prior to January 1, 2012, as the plan was amended to freeze eligibility as of this date. Effective December 31, 2014, the plan was amended to freeze all benefit accruals. Pension contributions expensed in 2019 and 2018 were \$9,998 and \$6,054, respectively.

Effective January 1, 2012 the Fund also sponsors a 403(b) defined contribution plan (the “DC Plan”) covering all full-time employees hired after December 31, 2011. The Fund is required to contribute 10% of the employees’ compensation to the DC Plan. Total expense for 2019 and 2018 was \$55,480 and \$58,209, respectively. Beginning January 1, 2015, all full-time employees of the Fund are covered by the DC Plan.

8. CONCENTRATION

Invested assets which potentially expose the Fund to concentrations of credit risk include cash and cash equivalents and investments. As a matter of policy, the Fund only maintains invested assets with highly rated financial institutions. At times, balances of such invested assets may be in excess of the FDIC and SIPC insured limits. Management believes that the credit risk for investments in the Fund’s portfolio is mitigated by the overall diversification of the managed investment portfolio.

9. SUBSEQUENT EVENTS

The Fund has evaluated subsequent events through June 5, 2020, the date the financial statements were available to be issued.

Subsequent to December 31, 2019, the World Health Organization declared the novel coronavirus outbreak a public health emergency. The Fund responded to the coronavirus outbreak by enabling its employees to work remotely, banning all non-essential travel and placing a temporary hold on most in person meetings. The outbreak has disrupted economic markets and the Fund has experienced significant fluctuations in the market value of its investments. The duration and economic impact of the outbreak is uncertain at this time. The Fund will continue to monitor the situation and its investment strategies closely.

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