

THE JOYCE FOUNDATION

FINANCIAL STATEMENTS

December 31, 2020 and 2019

THE JOYCE FOUNDATION

FINANCIAL STATEMENTS
December 31, 2020 and 2019

CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	3
STATEMENTS OF ACTIVITIES.....	4
STATEMENTS OF CASH FLOWS.....	5
NOTES TO FINANCIAL STATEMENTS	6

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
The Joyce Foundation
Chicago, Illinois

We have audited the accompanying financial statements of The Joyce Foundation (the Foundation), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities and cash flows for the year 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 audit. We conducted our audit 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 Foundation'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 Foundation'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.

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Joyce Foundation as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The financial statements of The Joyce Foundation as of December 31, 2019 were audited by other auditors whose report dated June 25, 2020 expressed an unmodified opinion on those statements.

Crowe LLP
Crowe LLP

Chicago, Illinois
June 29, 2021

THE JOYCE FOUNDATION
 STATEMENTS OF FINANCIAL POSITION
 December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash	\$ 2,444,497	\$ 447,960
Due from brokers for sales of securities	3,432,109	395,153
Investments at fair value (Note 2)	1,243,533,414	1,095,606,004
Current federal excise tax receivable	270,000	18,315
Other assets	<u>1,096,097</u>	<u>1,299,821</u>
Total assets	<u>\$ 1,250,776,117</u>	<u>\$ 1,097,767,253</u>
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 191,133	\$ 42,274
Due to brokers for purchases of securities	441,127	839,715
Grants payable	7,026,234	10,803,181
Deferred rent	241,357	244,436
Deferred federal excise tax payable	<u>4,103,000</u>	<u>3,198,000</u>
Total liabilities	12,002,851	15,127,606
Commitments (Note 4)		
Net assets without donor restrictions	<u>1,238,773,266</u>	<u>1,082,639,647</u>
Total liabilities and net assets	<u>\$ 1,250,776,117</u>	<u>\$ 1,097,767,253</u>

See accompanying notes to financial statements.

THE JOYCE FOUNDATION
 STATEMENTS OF ACTIVITIES
 For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Investment return, net	\$ 206,461,877	\$ 178,519,912
Expenses		
Grants awarded, net of grants returned of \$75,682 and \$48,978 in 2020 and 2019, respectively)	41,124,103	37,737,368
General and administrative expenses	8,150,424	8,536,593
Federal excise tax expense	148,731	1,761,625
Deferred federal excise tax expense	<u>905,000</u>	<u>2,032,000</u>
Total expenses (Note 3)	<u>50,328,258</u>	<u>50,067,586</u>
Increase (decrease) in net assets without donor restrictions	156,133,619	128,452,326
Net assets, beginning of year	<u>1,082,639,647</u>	<u>954,187,321</u>
Net assets, end of year	<u><u>\$ 1,238,773,266</u></u>	<u><u>\$ 1,082,639,647</u></u>

See accompanying notes to financial statements.

THE JOYCE FOUNDATION
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Cash paid to employees and suppliers	\$ (8,484,606)	\$ (8,704,305)
Taxes paid	(400,000)	(1,400,000)
Grants paid	(44,976,732)	(42,392,859)
Grants returned	<u>75,682</u>	<u>48,978</u>
Net cash provided by (used in) operating activities	(53,785,656)	(52,448,186)
Cash flows from investing activities		
Proceeds from sales of investments	127,212,355	155,416,622
Purchase of investments	(70,718,096)	(102,361,001)
Purchase of property and equipment	(14,869)	-
Other investment income (expenses)	<u>(697,197)</u>	<u>(770,740)</u>
Net cash provided by investing activities	<u>55,782,193</u>	<u>52,284,881</u>
Net increase (decrease) in cash	1,996,537	(163,305)
Cash, beginning of the year	<u>447,960</u>	<u>611,265</u>
Cash, end of year	<u>\$ 2,444,497</u>	<u>\$ 447,960</u>

See accompanying notes to financial statements.

THE JOYCE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities: The Joyce Foundation (the Foundation) is a nonprofit organization that invests in policies to advance racial equity and economic mobility for the next generation in the Great Lakes region.

The financial statements have been prepared in conformity with accounting policies applicable to nonprofit organizations.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions affecting the amounts reported in the financial statements and accompanying notes. Actual results could differ from the estimates.

Income Taxes: The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and applicable state law. However, as a private charitable foundation, it is subject to a federal excise tax, of 1.39% in 2020 and 2% in 2019, based on net investment income. Deferred federal excise tax represents a provision for taxes on the net unrealized appreciation on investments. For the years ended December 31, 2020 and 2019, the federal excise tax rate utilized was 1.39% and 2%, respectively. The Foundation is subject to income tax at corporate rates on certain income that is considered unrelated business income under the IRC.

Tax positions for open tax years were reviewed and it was determined that no provision for uncertain tax positions is required to be recorded. The Foundation would recognize any corresponding interest or penalties associated with this income tax position in income tax expense. Any associated interest or penalties are expected to be minimal for 2020 or 2019.

Investment Valuation: The investments of the Foundation are reported at fair value. The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (the exit price). The fair value is generally based on year-end published quotations or the net asset value (NAV) of investment funds. The Foundation is permitted to measure the fair value of an investment that does not have a readily determinable fair value, based on the NAV of the investment as a practical expedient, without further adjustment, unless it is probable that the investment will be sold at a value significantly different from the NAV. If the practical expedient NAV is not as of the reporting entity's measurement date, then the NAV is adjusted to reflect any significant events that may change the valuation. These prices are only used for financial reporting purposes and do not necessarily represent the ultimate realizable values of such securities.

Cash, securities transactions receivable, and obligations are carried at cost which approximates fair value because of the short maturity of these instruments.

Marketable securities, including cash equivalents, U.S. and non-U.S. equities, and fixed income are reflected at market values based on quoted prices. Common stock, preferred stock, and fixed income securities, including U.S. government and corporate obligations, traded in active markets on national and international securities exchanges are valued at closing prices on the last business day of each period presented. Securities traded in markets that are not considered active are valued based on quoted market prices, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency. Securities that trade infrequently and therefore have little or no price transparency are valued using the Foundation's investment managers' best estimates.

(Continued)

THE JOYCE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Limited liquidity investments (primarily categorized as alternative investments – see Note 2) are stated at their NAV, which approximates its estimated fair value. Limited liquidity investments are primarily made under agreements to participate in limited partnerships and commingled funds and are generally subject to certain withdrawal restrictions. These interests are valued on the basis of the Foundation's equity in the net assets of such investments. Values for these investments, which may include investments in both nonmarketable and market-traded securities, are provided by the general partner or administrator and may be based on appraisals, market values discounted for concentration of ownership, or other estimates. Because of inherent uncertainty of valuing the investments in such partnerships and certain of the underlying investments held by the partnerships and commingled funds, the Foundation's estimate of fair value may differ significantly from the values that would have been used had a ready market for the investments existed. The financial statements of the limited liquidity investments in which the Foundation invests are audited annually by independent public accounting firms.

Some of the Foundation's assets are held in various limited partnerships that invest in the securities of companies that may not be immediately liquid. The partnerships' general partners, who must follow the valuation guidelines stipulated in their respective limited partnership agreements, determine the value of such investments. Given the inherent risks associated with this type of investment, there can be no guarantee that there will not be widely varying gains or losses on these limited partnership investments in future periods.

The Foundation has systems and procedures in place to monitor the fair value of its investments measured at the NAV. Generally, management evaluates the fair value of these assets by using the NAV provided by the investment managers or general partners through the quarterly statements and the respective fund's annual audited financial statements as well as discussions with management.

Investment Income Recognition: Investment sales and purchases are recorded on a trade-date basis, which results in both investment receivables and payables on unsettled investment trades. Dividend income is recorded based upon the ex-dividend date and interest income is recorded as earned on an accrual basis. Realized and unrealized gains and losses from changes in market values are reflected in the Statements of Activities.

Other Assets - Fixed Assets: The Foundation capitalizes the cost of leasehold improvements, furniture and equipment, and website development/redesign costs and is depreciating/amortizing the assets using the straight-line method. Leasehold improvements are amortized over the lesser of the estimated useful life of the improvements or the term of the lease; furniture and equipment are depreciated over five to seven years, the estimated useful life; and website development/redesign costs are amortized over three years, the estimated useful life.

Fixed assets are included in other assets on the Statements of Financial Position. Depreciation/amortization expense was \$214,487 and \$282,305 for the years ended December 31, 2020 and 2019, respectively.

Grants: Grants specifically committed to designated grantees, but not yet paid, are accrued as grants payable.

Concentration of Credit Risk: The Foundation maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts. Management believes that the Foundation is not exposed to any significant credit risk on cash.

(Continued)

THE JOYCE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets: The net assets of the Foundation are reported in the following class: net assets without donor restrictions.

Net assets without donor restrictions include resources which are not subject to donor-imposed restrictions plus those resources for which donor-imposed restrictions have been satisfied. Contributions are reported as increases in the appropriate category of net assets. Contributions of assets other than cash are recorded at their estimated fair value. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments are reported in the Statements of Activities as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. The Foundation does not have any net assets with donor restrictions or Board-designated net assets.

Recent Accounting Pronouncements: In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, Leases. ASU 2016-02 was updated with ASU 2018-01, 2018-10 and 2018-11. ASU 2016-02 establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. ASU 2016-02 is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Foundation is currently evaluating the potential impact of the adoption of ASU 2016-02 on the Foundation's financial statements.

Risks and Uncertainties: On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus (the COVID-19 outbreak) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve. As such it is uncertain as to the full magnitude that the pandemic will have on the Foundation's financial condition, liquidity, and future results of operations. The impact on economic and market conditions may depress the Foundation's asset values, including accounts receivable and investments. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Foundation will continue to evaluate the effects of the situation on its financial condition, liquidity, operations, suppliers, industry, and workforce for fiscal year 2021.

Subsequent Events: The Foundation has evaluated subsequent events through June 29, 2021, the date the financial statements were available to be issued. No material subsequent events have occurred through this date that required recognition or disclosure in these financial statements.

(Continued)

THE JOYCE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 2 - INVESTMENTS

Under the Foundation's investment policy, the directors of the Joyce Foundation have delegated to the Investment Committee the responsibility for establishing the investment policy that is to guide the investment of the Foundation's assets. The Investment Committee has the responsibility to monitor the portfolio and, in consultation with its advisors, may make adjustments to the strategy or the delegation of the management of assets through the selection or termination of its managers as deemed prudent. The Investment Committee reports to the Board and is responsible for recommending, reviewing, and monitoring policies and programs affecting the investments of the Foundation.

Foundation investments consist of the following at December 31:

	2020		2019	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Cash equivalents	\$ 14,633,906	\$ 14,633,906	\$ 8,726,966	\$ 8,726,966
U.S. equity:				
Large cap	264,686,973	320,459,134	254,313,478	301,525,338
Mid/small cap	41,539,618	64,852,852	51,401,104	60,215,384
Non-U.S. equity:				
Developed markets	164,680,772	193,064,918	175,853,346	188,385,852
Emerging markets	82,955,201	141,151,776	80,962,698	109,257,282
Fixed income	145,150,244	148,487,658	148,441,640	146,891,377
Alternative investments:				
Absolute return hedge funds	39,941,282	44,395,435	53,383,409	54,545,923
Hedged equity hedge funds	18,516,931	46,981,762	19,782,381	40,793,714
Private equity partnerships	140,705,226	236,230,686	113,051,737	153,453,493
Real assets	35,354,298	33,083,412	29,844,091	31,618,800
Real estate and mineral rights	191,875	191,875	191,875	191,875
Total	\$ 948,356,326	\$ 1,243,533,414	\$ 935,952,725	\$ 1,095,606,004

Fair Value Measurements: Accounting Standards Codification (ASC) 820-10, "Fair Value Measurements," established a three-tier hierarchy to maximize the use of observable market data and minimize the use of unobservable inputs, and to establish classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability based upon market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the reporting entity's own assumptions of what market participants would use in pricing the asset or liability based upon the best information available. The three-tier hierarchy of inputs is summarized in the three broad levels listed below.

- Level 1 – This level consists of quoted prices in active markets for identical investments.
- Level 2 – This level consists of other significant observable inputs (including quoted prices for similar investments, interest rates, credit risk, etc.).
- Level 3 – This level consists of significant unobservable inputs (including assumptions in determining the fair value of investments).

(Continued)

THE JOYCE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 2 - INVESTMENTS (Continued)

Cash equivalents consist primarily of cash and short-term investments with initial maturities of three months or less. Such investments are reflected at cost, plus accrued interest, if applicable. U.S. and non-U.S. equities consist primarily of direct or indirect investments in U.S. and international common stock. Fixed income consists primarily of indirect investments in U.S. government agency and treasury securities, mortgage-backed securities, collateralized mortgage obligations, corporate securities, non-U.S. corporate securities, and government securities. Absolute Return and Hedged Equity Hedge Funds consist primarily of commingled funds and limited partnerships that invest in both nonmarketable and market-traded securities. Fund investments may include both long and short positions, as well as leveraged positions. Private equity partnerships consist of limited partnerships, including venture capital funds, buyout funds, and funds that invest in distressed and mezzanine debt securities. Real assets consist of limited partnerships investing in equity real estate and energy related investments.

The following is a summary of the inputs used as of December 31, 2020 in valuing the Foundation's investments:

	<u>Total</u>	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>December 31, 2020</u>				
Cash equivalents	\$ 14,633,906	\$ 14,633,906	\$ -	\$ -
U.S. equity:				
Large cap	320,459,134	174,927,082	145,532,052	-
Mid/small cap	64,852,852	5,192,969	59,659,883	-
Non-U.S. equity:				
Developed markets	193,064,918	69,334,648	123,730,270	-
Emerging markets	141,151,776	-	141,151,776	-
Fixed income	148,487,658	120,754,384	27,733,274	-
Total	<u>882,650,244</u>	<u>\$ 384,842,989</u>	<u>\$ 497,807,255</u>	<u>\$ -</u>
Investments valued at net asset value: *				
Alternative investments:				
Absolute return hedge funds	44,395,435			
Hedged equity hedge funds	46,981,762			
Private equity partnerships	236,230,686			
Real assets	33,083,412			
Real estate and mineral rights	<u>191,875</u>			
Total	<u>\$ 1,243,533,414</u>			

(Continued)

THE JOYCE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 2 - INVESTMENTS (Continued)

The following is a summary of the inputs used as of December 31, 2019 in valuing the Foundation's investments:

	<u>Total</u>	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>December 31, 2019</u>				
Cash equivalents	\$ 8,726,966	\$ 8,726,966	\$ -	\$ -
U.S. equity:				
Large cap	301,525,338	157,840,940	143,684,398	-
Mid/small cap	60,215,384	20,277,529	39,937,855	-
Non-U.S. equity:				
Developed markets	188,385,852	59,123,121	129,262,731	-
Emerging markets	109,257,282	-	109,257,282	-
Fixed income	146,891,377	120,004,380	26,886,997	-
Total	<u>815,002,199</u>	<u>\$ 365,972,936</u>	<u>\$ 449,029,263</u>	<u>\$ -</u>
Investments valued at net asset value: *				
Alternative investments:				
Absolute return hedge funds	54,545,923			
Hedged equity hedge funds	40,793,714			
Private equity partnerships	153,453,493			
Real assets	31,618,800			
Real estate and mineral rights	<u>191,875</u>			
Total	<u>\$ 1,095,606,004</u>			

* The investments, which are measured at fair value using the NAV per share (or its equivalent) practical expedient, have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amount presented in the Statements of Financial Position.

The Foundation's policy is to evaluate the classification of Level 1, 2, and 3 assets at the end of each reporting period. The Foundation's policy is to record transfers in or out of the levels at the fair value of the investment at the date of transfer. There were no transfers for 2020 or 2019.

The Foundation follows the concept of the "practical expedient" under U.S. GAAP. The practical expedient is an acceptable method to determine the fair value of certain NAV investments which (1) do not have readily determinable fair value and (2) have financial statements prepared consistent with the measurement principles of an investment company or have attributes of an investment company.

(Continued)

THE JOYCE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 2 - INVESTMENTS (Continued)

The following tables describe such investments by major category and redemption frequency:

December 31, 2020	Redemption Frequency				Fair Value	Unfunded Commitments	Redemption Notice Period
	90 Days or Less	91 to 365 Days	>365 Days	Liquidated			
Cash and Cash Equivalents	\$ 14,633,906				14,633,906		45 days or less
Public Equities(a)	710,217,222		9,311,458		719,528,680		45 days or less
Public Fixed Income(a)	148,487,658				148,487,658		45 days or less
Absolute return hedge funds (b)	44,240,913			154,522	44,395,435	-	>45 days for non-liquidated
Hedged equity hedge funds (b)		46,981,762			46,981,762	-	See Note 1
Private equity (c)			236,230,686		236,230,686	114,427,483	>45 Days
Real assets (c)			33,275,287		33,275,287	33,322,278	>45 Days
Total	\$ 917,579,699	\$ 46,981,762	\$ 278,817,431	\$ 154,522	\$ 1,243,533,414	\$ 147,749,761	

December 31, 2019	Redemption Frequency				Fair Value	Unfunded Commitments	Redemption Notice Period
	90 Days or Less	91 to 365 Days	>365 Days	Liquidated			
Cash and Cash Equivalents	\$ 8,726,966				8,726,966		45 Days or Less
Public Equities(a)	659,383,856				659,383,856		45 Days or Less
Public Fixed Income(a)	146,891,377				146,891,377		45 Days or Less
Absolute return hedge funds (b)	54,545,923				54,545,923	-	See Note 2
Hedged equity hedge funds (b)		40,793,714			40,793,714	-	See Note 3
Private equity (c)			153,453,493		153,453,493	155,986,447	>45 Days
Real assets (c)			31,810,675		31,810,675	26,643,337	>45 Days
Total	\$ 869,548,122	\$ 40,793,714	\$ 185,264,168	\$ -	\$ 1,095,606,004	\$ 182,629,784	

Note 1: For hedged equity \$29,625,266 notice period is <45 days and \$17,356,496 notice period is >45 days

Note 2: For absolute return \$321,884 notice period is <45 days and \$54,224,039 notice period is >45 days

Note 3: For hedged equity \$23,305,678 notice period is <45 days and \$17,488,036 notice period is >45 days

- (a) Public investments – This category includes transactions associated with marketable equity and fixed income securities that are regularly traded on public exchanges, and public securities held by funds structured as commingled or separate accounts or as partnerships in which the Foundation is a limited partner.
- (b) Hedge funds and absolute return strategies- This category includes multiple strategies to diversify risk and reduce volatility that are delegated to investment managers who have authority to invest in various asset classes on a discretionary basis. These strategies may include distressed and non-distressed bond strategies, long/short equity strategies, event-oriented strategies, real assets, and private equity.
- (c) Private investments - This category includes equity, fixed income, and real asset investments that are not regularly traded and private securities or entities in which the Foundation may own shares, or investments held by partnerships in which the Foundation is a limited partner.

Investment Partnerships Open Commitments: The Foundation had open commitments to make additional partnership investments of \$147,749,761 and \$182,629,784 at December 31, 2020 and 2019, respectively. Returned unused capital contributions may be recalled and all distributions are subject to repayment to cover liabilities of the partnerships. The amount of this contingency cannot be determined.

(Continued)

THE JOYCE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 3 - FUNCTIONAL EXPENSES

This Note presents expenses by function and natural classification. Natural expenses are defined by their nature, such as compensation, depreciation, and occupancy. Functional expenses are classified by type of activity for which the expenses were incurred. Expenses were allocated using a reasonable and consistent approach based on staffing attributable to each function. Costs which are associated with grant making are applied directly.

The table below presents expenses by both their nature and function for fiscal year 2020:

<u>December 31, 2020</u>	<u>General and Administrative</u>	<u>Grant Making</u>	<u>Total</u>
Compensation and benefits	\$ 1,821,176	\$ 3,450,903	5,272,079
Legal fees	28,708	53,461	82,169
Accounting fees	26,675	49,675	76,350
Other professional	-	701,661	701,661
Taxes	368,151	685,580	1,053,731
Depreciation	74,937	139,550	214,487
Occupancy	264,323	492,229	756,552
Travel, conferences and meetings	59,025	109,919	168,944
Printing and publications	20,802	38,739	59,541
Other	286,015	532,626	818,641
Grants awarded (net of grants returned)	-	<u>41,124,103</u>	<u>41,124,103</u>
Total expenses by nature and function	<u>\$ 2,949,812</u>	<u>\$ 47,378,446</u>	<u>\$ 50,328,258</u>

The table below presents expenses by both their nature and function for fiscal year 2019:

<u>December 31, 2019</u>	<u>General and Administrative</u>	<u>Grant Making</u>	<u>Total</u>
Compensation and benefits	\$ 1,644,531	\$ 3,555,317	\$ 5,199,848
Legal fees	17,709	37,667	55,376
Accounting fees	21,334	45,378	66,712
Other professional	-	565,793	565,793
Taxes	1,213,187	2,580,438	3,793,625
Depreciation	90,280	192,025	282,305
Occupancy	224,366	477,225	701,591
Travel, conferences and meetings	250,733	533,306	784,039
Printing and publications	21,051	44,775	65,826
Other	260,667	554,436	815,103
Grants awarded (net of grants returned)	-	<u>37,737,368</u>	<u>37,737,368</u>
Total expenses by nature and function	<u>\$ 3,743,858</u>	<u>\$ 46,323,728</u>	<u>\$ 50,067,586</u>

(Continued)

THE JOYCE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 4 - DEFINED CONTRIBUTION PENSION PLAN

The Foundation maintains a defined contribution pension plan for eligible employees. Employer contributions are discretionary and are calculated as a percentage of salaries as determined by the Board of Directors. Total employer and employee contributions may not exceed the lesser of 100% of salaries or \$53,000 per employee. Pension expense was \$524,782 and \$496,432 for 2020 and 2019, respectively.

NOTE 5 - COMMITMENTS

On May 17, 2012, the Foundation entered into a 15-year lease agreement with a lease commencement date of February 1, 2013. The noncancelable operating lease for the office space provides for minimum monthly payments through January 31, 2028 plus additional amounts to cover the proportionate share of the cost of operating the property. Rent expense, including related operating expenses, totaled \$756,552 in 2020 and \$701,592 in 2019. At December 31, 2020, minimum payments under the lease are as follows:

2021	\$ 361,335
2022	370,171
2023	378,993
2024	387,828
2025	396,656
2026 and thereafter	<u>854,399</u>
Total	<u>\$ 2,749,382</u>

The accompanying Statements of Activities reflect rent expense on a straight-line basis over the term of the office lease and considers rent abatements granted over the lease term. The described accounting treatment results in deferred rent as shown in the Statements of Financial Position.

(Continued)

THE JOYCE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 6 - LIQUIDITY AND AVAILABILITY OF RESOURCES

The Foundation's financial assets available within one year of the Statements of Financial Position date for general expenditures and grant obligations are as follows:

	<u>2020</u>	<u>2019</u>
Total assets	\$ 1,250,776,117	\$ 1,097,767,253
Less: fixed assets	<u>(1,072,351)</u>	<u>(1,271,969)</u>
Total financial assets available to management	1,249,703,766	1,096,495,284
 Within One Year		
Less:		
Amounts unavailable for general expenditures and grant obligations within one year, due to:		
Redemption restrictions:		
US Equity	(9,311,458)	-
Alternative investments:		
Hedged equity funds	(46,981,762)	(40,793,714)
Private equity	(236,230,685)	(153,453,493)
Real assets	<u>(33,275,287)</u>	<u>(31,810,675)</u>
Total amounts unavailable for general expenditures and grant obligations within one year	<u>(325,799,192)</u>	<u>(226,057,882)</u>
Total financial assets available to management for general expenditures and grant obligations within one year	<u>\$ 923,904,574</u>	<u>\$ 870,437,402</u>

The Foundation structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the Foundation maintains a line of credit that can be drawn upon as needed during the year to manage cash flows.

NOTE 7 - LINE OF CREDIT

On August 17, 2020, The Foundation entered into a revolving credit agreement ("Revolver") with the bank. The Revolver provides for the ability to borrow, subject to certain terms and conditions, up to \$25,000,000 and matures on August 16, 2021. Borrowings on the Revolver are subject to an interest rate at either the Prime rate or LIBOR quoted rate plus 1% with a 1% LIBOR floor. There was no outstanding balance on the line of credit at December 31, 2020.