The Skillman Foundation

Financial Report

December 31, 2019

Contents

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Independent Auditor's Report

To the Board of Trustees
The Skillman Foundation

We have audited the accompanying financial statements of The Skillman Foundation (the "Foundation"), which comprise the statement of financial position as of December 31, 2019 and 2018 and the related statements of activities and changes in net assets, 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 audits 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Skillman Foundation as of December 31, 2019 and 2018 and the changes in its net assets, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As disclosed in Notes 2 and 3, the 2019 and 2018 financial statements include investments whose fair values of $440,839,678 and $402,895,940, or 93 and 95 percent of net assets, respectively, have been estimated by management in the absence of readily determinable fair values. Management's estimates are based on information provided by the fund manager or the general partners. Our opinion is not modified for this matter.

Plante & Moran, PLLC

June 9, 2020

Statement of Financial Position

December 31, 2019 and 2018

	2019	2018
Assets		
Cash and cash equivalents	$ 12,158,719	$ 13,834,462
Investments (Note 3)	468,384,856	417,832,587
Unsettled trade receivables	47,489	1,405
Dividend and interest receivable	151,381	132,129
Prepaid expenses and other assets	43	10,605
Federal excise tax refundable	1,260,282	34,035
Program-related investments - Net (Note 4)	762,376	843,146
Fixed assets - Net (Note 5)	212,452	302,929
Total assets	**$ 482,977,598**	**$ 432,991,298**
Liabilities and Net Assets		
Liabilities		
Accrued liabilities	$ 1,467,021	$ 1,035,761
Grants payable (Note 6)	5,183,000	8,462,000
Deferred rent liability (Note 11)	133,313	140,888
Deferred excise tax payable	1,318,372	699,872
Total liabilities	8,101,706	10,338,521
Net Assets - Without donor restrictions	474,875,892	422,652,777
Total liabilities and net assets	**$ 482,977,598**	**$ 432,991,298**

Statement of Activities and Changes in Net Assets

Years Ended December 31, 2019 and 2018

	2019	2018
Changes in Net Assets without Donor Restrictions		
Income (loss):		
Net realized and unrealized gains (losses) on investments	$ 72,718,137	$ (18,553,584)
Interest, dividend, and other income	720,767	503,794
Investment management fees	(2,657,378)	(2,338,071)
Total income (loss)	70,781,526	(20,387,861)
Grants and expenses:		
Program services	15,324,847	24,666,750
Administrative expenses	3,114,714	3,515,772
Federal excise and other tax expense	118,850	1,340,814
Total grants and expenses	18,558,411	29,523,336
Increase (Decrease) in Net Assets without Donor Restrictions	52,223,115	(49,911,197)
Net Assets - Beginning of year	422,652,777	472,563,974
Net Assets - End of year	**$ 474,875,892**	**$ 422,652,777**

Statement of Functional Expenses

Year Ended December 31, 2019

	Program Services			Support Services		
	Grants	Other	Total	Administrative	Taxes	Total
Salaries and payroll	$ -	$ 1,407,566	$ 1,407,566	$ 1,476,627	$ -	$ 2,884,193
Benefits and payroll tax	-	402,537	402,537	447,287	-	849,824
Grant-making and strategic consulting	-	210,000	210,000	68,385	-	278,385
Meetings, conference, and travel	-	87,740	87,740	132,418	-	220,158
Office expense	-	171,931	171,931	376,989	-	548,920
Communication	-	-	-	101,076	-	101,076
Trustee, audit, and legal fees	-	4,695	4,695	314,310	-	319,005
Technology solutions and cyber	-	190,663	190,663	172,268	-	362,931
Grants	13,392,365	-	13,392,365	-	-	13,392,365
Grants recovered	(545,650)	-	(545,650)	-	-	(545,650)
Miscellaneous	-	3,000	3,000	25,354	-	28,354
Excise tax	-	-	-	-	(146,967)	(146,967)
Other taxes UBIT	-	-	-	-	265,817	265,817
Total functional expenses	**$ 12,846,715**	**$ 2,478,132**	**$ 15,324,847**	**$ 3,114,714**	**$ 118,850**	**$ 18,558,411**

Statement of Functional Expenses

Year Ended December 31, 2018

	Program Services			Support Services		
	Grants	Other	Total	Administrative	Taxes	Total
Salaries and payroll	$ -	$ 1,379,242	$ 1,379,242	$ 1,689,468	$ -	$ 3,068,710
Benefits and payroll tax	-	392,637	392,637	515,950	-	908,587
Grant-making and strategic consulting	-	389,512	389,512	101,418	-	490,930
Meetings, conference, and travel	-	78,591	78,591	94,943	-	173,534
Office expense	-	165,248	165,248	369,614	-	534,862
Communication	-	-	-	153,312	-	153,312
Evaluation	-	75,066	75,066	-	-	75,066
Trustee, audit, and legal fees	-	-	-	317,406	-	317,406
Technology solutions and cyber	-	285,857	285,857	236,818	-	522,675
Grants	21,894,351	-	21,894,351	-	-	21,894,351
Grants recovered	(1,717)	-	(1,717)	-	-	(1,717)
Miscellaneous	-	7,963	7,963	36,843	-	44,806
Excise tax	-	-	-	-	593,540	593,540
Other taxes UBIT	-	-	-	-	747,274	747,274
Total functional expenses	**$ 21,892,634**	**$ 2,774,116**	**$ 24,666,750**	**$ 3,515,772**	**$ 1,340,814**	**$ 29,523,336**

See notes to financial statements.

Statement of Cash Flows

Years Ended December 31, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities		
Change in net assets	$ 52,223,115	$ (49,911,197)
Adjustments to reconcile change in net assets to net cash and cash equivalents from operating activities:		
Depreciation	90,477	96,349
Net realized and unrealized (gains) losses on investments	(72,718,137)	18,553,584
Bad debt expense	-	109,150
Changes in deferred excise tax payable	618,500	(728,494)
Changes in operating assets and liabilities that (used) provided cash and cash equivalents:		
Dividend and interest receivable	(19,252)	(37,312)
Federal excise tax refundable	(1,226,247)	60,714
Prepaid expenses and other assets	10,562	(10,568)
Accrued liabilities	431,260	(6,794)
Deferred rent liability	(7,575)	(3,381)
Grants payable	(3,279,000)	5,999,500
Net cash and cash equivalents used in operating activities	(23,876,297)	(25,878,449)
Cash Flows from Investing Activities		
Purchases of investments	(60,898,592)	(65,320,610)
Change in net unsettled trades	(46,084)	277,112
Collections of principal of program-related investments	80,770	(349,163)
Proceeds from sale of investments	83,064,460	87,418,809
Net cash and cash equivalents provided by investing activities	22,200,554	22,026,148
Net Decrease in Cash and Cash Equivalents	(1,675,743)	(3,852,301)
Cash and Cash Equivalents - Beginning of year	13,834,462	17,686,763
Cash and Cash Equivalents - End of year	**$ 12,158,719**	**$ 13,834,462**
Supplemental Cash Flow Information - Cash paid for taxes	$ 416,084	$ 1,301,097

Note 1 - Nature of Business

The Skillman Foundation (the "Foundation") was established in 1960 as a private, nonoperating foundation. The Foundation is committed to expanding opportunities for children and youth in Detroit by expanding high-quality education, fostering equitable systems of support, and preparing them for productive adult lives. It distributes funds primarily to not-for-profits at the direction of the board of trustees.

Note 2 - Significant Accounting Policies

Basis of Accounting

The financial statements of the Foundation have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP), which require the Foundation to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. These net assets may be used at the discretion of management and the board of trustees.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. For the years ended December 31, 2019 and 2018, the Foundation has not received donor-restricted contributions that would be reported as increases in donor-restricted net assets, nor does it hold donor-restricted net assets.

Cash Equivalents

The Foundation considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Investments

Investments in marketable securities, including fixed-income investments, publicly traded securities, and hedge funds, are carried at quoted fair value whenever available. Private equity limited partnerships are valued at fair value based on net asset value of available information, including underlying financial statements and partner reporting, as the limited partnerships do not have readily determinable market values as of December 31. The partnership valuations necessarily involve assumptions and methods that are reviewed by the Foundation. Because of the inherent uncertainty of valuations in the absence of a highly liquid market, private equity, real estate, and natural resources, limited partnerships' estimated values may differ materially from the values that would have been used if a ready market for the securities existed.

At December 31, 2019 and 2018, five investment funds accounted for approximately 78 and 74 percent, respectively, of total investments held by the Foundation. These investment funds held a variety of underlying investment assets, as managed by other managers. See Note 13 for additional information.

At December 31, 2019 and 2018, the Foundation had commitments to contribute approximately $134,800,000 and $95,800,000, respectively, in additional capital under the terms of various agreements covering private equity and limited partnership agreements.

Concentration of Credit Risk Arising from Deposit Accounts

The Foundation maintains cash balances at various banks. Accounts at each institution are not fully insured.

Note 2 - Significant Accounting Policies (Continued)

Program-related Investments (PRI)

The Foundation invests in other organizations through direct loans and equity positions to achieve charitable purposes in alignment with the Foundation's strategies.

PRIs are defined in Section 4944 of the Internal Revenue Code as an investment in which its primary purpose is to accomplish a charitable, educational, or other similar purpose and in which the production of income or capital appreciation is not a significant purpose of the investment. Like grants, these investments count toward the Foundation's payout requirement in the year of distribution. Return of PRI principal affects the annual payout requirement in a similar manner as a grant refund.

Debt PRIs consist of loans outstanding generally bearing below-market interest rates. Loans are measured at fair value at inception to determine if a contribution element exists. Available pricing inputs are unobservable for these investments, and the determination of fair value requires management judgment be estimated. These investments are anticipated to have a less than fair market value return. Loans are recorded on a net basis to reflect any reasonable loss reserve. The loss reserve estimate is reviewed on an annual basis and adjusted if collectibility risk has significantly changed based on the Foundation's understanding of the borrower's financial health and/or payment history. As of December 31, 2019 and 2018, a loss reserve in the amount of $109,150, is recorded.

Fixed Assets

Property and equipment are recorded at cost when purchased. Depreciation on fixed assets is provided on a straight-line basis over the estimated useful lives of the assets, which range from three to seven years. Leasehold improvements are being depreciated over the life of the lease.

Grants

Grants are recognized as an expense at the time of formal approval by the board of trustees. Conditional grants, if any, are expensed when such conditions are substantially met.

The Foundation matches gifts of cash made by current employees and trustees of up to $15,000 annually per person on a two-to-one basis, up to a maximum match of $30,000. Matching grants are made only to exempt organizations or public-supported charities, as listed in Internal Revenue Service (IRS) Publication 78.

Risks and Uncertainties

The Foundation invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

Functional Allocation of Expenses

The statement of functional expenses presents expenses by function and natural classification. Expenses directly attributable to a specific functional area of the Foundation are reported as expenses of those functional areas. A portion of administrative costs that benefit multiple functional areas (indirect costs) has been allocated across all functional areas based on an estimate of time and effort. These costs include personnel expenses, rent, insurance, utilities, technology, and telecommunications.

Note 2 - Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Adoption of New Accounting Pronouncement

As of January 1, 2019, the Foundation adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which provides enhanced guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal transactions) and (2) determining whether a contribution is conditional. As a resource provider, the Foundation adopted the new standard on a modified prospective basis and it did not impact the timing of grant expense recognition related to the Foundation for Detroit's Future referred to in Note 6.

Upcoming Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board issued ASU No. 2016-02, *Leases (Topic 842)*, which will supersede the current lease requirements in Accounting Standards Codification (ASC) 840. The ASU requires lessees to recognize a right-of-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of operations. Currently, leases are classified as either capital or operating, with only capital leases recognized on the balance sheet. The reporting of lease-related expenses in the statements of operations and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for the Foundation's year ending December 31, 2022 and will be applied using a modified retrospective transition method to either the beginning of the earliest period presented or the beginning of the year of adoption. Early implementation of the new guidance is permitted. The standard will impact the lease referred to in Note 11.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including June 9, 2020, which is the date the financial statements were available to be issued.

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic. The pandemic has impacted global business operations and disrupted the economy and investment markets.

As of the date of issuance of the financial statements, the Foundation's activities have not been significantly impacted, but the Foundation continues to monitor the situation. No impairments on investments were recorded as of the statement of financial position date; however, there is significant uncertainty surrounding the situation and long-term impact to the investment markets. The Foundation’s investment portfolio has incurred a significant decline in fair value, consistent with the general decline in the financial markets resulting from the pandemic. However, because the values of individual investments fluctuate with market conditions, the amount of losses that may be recognized in subsequent periods, if any, cannot be determined. In addition, while the Foundation’s results of operations, cash flows, and financial condition could be negatively impacted, the extent of the impact cannot be reasonably estimated at this time.

Note 3 - Investments

Investments consisted of the following at December 31:

	2019		2018	
	Cost	Fair Value	Cost	Fair Value
Global equities and futures contracts	$ 119,838,817	$ 150,552,036	$ 131,680,728	$ 135,901,464
Alternative investments:				
Hedge funds	93,041,122	143,549,700	98,866,221	116,918,391
Private equity limited partnerships	133,736,799	147,278,547	123,997,385	136,832,699
Total alternative investments	226,777,921	290,828,247	222,863,606	253,751,090
Fixed-income investments	26,921,204	27,004,573	28,776,567	28,180,033
Total	$ 373,537,942	$ 468,384,856	$ 383,320,901	$ 417,832,587

Realized and unrealized gains and losses represent the difference between the original cost of the investments and sales proceeds (realized) or the fair market value at the end of the year (unrealized). Cost is determined on a first-in, first-out basis.

	2019	2018
Realized gain on investments	$ 12,382,912	$ 21,708,694
Change in unrealized market appreciation (depreciation)	60,335,225	(40,262,278)
Net realized and unrealized gains (losses) on investments	$ 72,718,137	$ (18,553,584)

A summary of changes in cash and investments during the years ended December 31, 2019 and 2018 is shown below:

	Cash and Cash Equivalents	Global Equities and Futures Contracts	Alternative Investments	Fixed-income Investments
January 1, 2018 - Fair value	$ 17,686,763	$ 159,231,505	$ 273,387,598	$ 25,865,267
Add (deduct) changes during the year ended December 31, 2018:				
Purchases	98,215,110	24,800,000	27,580,246	12,940,364
Sales and maturities - At cost	(102,067,411)	(23,386,990)	(30,947,216)	(11,375,909)
Net (depreciation) appreciation in fair value	-	(24,743,051)	(16,269,538)	750,311
December 31, 2018 - Fair value	13,834,462	135,901,464	253,751,090	28,180,033
Add (deduct) changes during the year ended December 31, 2019:				
Purchases	98,313,371	2,300,000	17,839,397	40,759,195
Sales and maturities - At cost	(99,989,114)	(14,141,911)	(13,925,082)	(42,614,555)
Net appreciation in fair value	-	26,492,483	33,162,842	679,900
December 31, 2019 - Fair value	$ 12,158,719	$ 150,552,036	$ 290,828,247	$ 27,004,573

Note 4 - Program-related Investments (PRI)

The Foundation's PRI portfolio included five loans and one equity investment at December 31, 2019 and 2018. The investments are summarized in the table below as follows:

	2019	2018
Debt principal amount	$ 671,526	$ 752,296
Equity investment	200,000	200,000
Total program-related investments	871,526	952,296
Less reserve	(109,150)	(109,150)
Net program-related investments	$ 762,376	$ 843,146

Quarterly interest payments are due on the outstanding debt amounts at interest rates of 1 to 4 percent. The loans are for terms ranging from four to seven years from the date of issuance.

In addition to the above investments, the Foundation guarantees the loan of another organization. The amount of the guarantee is $860,000, capped at an annual maximum payment of $430,000.

Note 5 - Fixed Assets

The cost of fixed assets as of December 31, 2019 and 2018 are summarized as follows:

	2019	2018
Furniture and fixtures	$ 212,050	$ 212,050
Computer equipment and software	99,196	99,196
Leasehold improvements	190,973	190,973
Total cost	502,219	502,219
Less accumulated depreciation	289,767	199,290
Net property and equipment	$ 212,452	$ 302,929

Depreciation expense for 2019 and 2018 was $90,477 and $96,349, respectively.

Note 6 - Grants for Charitable, Educational, and Other Authorized Purposes

Grants are recognized as an expense at the time of formal approval by the board of trustees.

The following summarizes the changes in grants payable as of December 31, 2019 and 2018:

	2019	2018
Grants payable - Beginning of year	$ 8,462,000	$ 2,462,500
Grants approved	12,110,000	21,137,500
Payments made	(15,389,000)	(15,138,000)
Grants payable - End of year	$ 5,183,000	$ 8,462,000

Note 6 - Grants for Charitable, Educational, and Other Authorized Purposes (Continued)

Grant commitments outstanding at December 31, 2019 and 2018 are scheduled for payment as follows:

Amount Due In	2019	2018
2019	$ -	$ 6,232,000
2020	3,933,000	1,030,000
2021	425,000	400,000
2022	425,000	400,000
2023	400,000	400,000
Total	$ 5,183,000	$ 8,462,000

On June 3, 2014, the board of trustees approved a $3.5 million grant, payable over 20 years, to the Foundation for Detroit's Future (FDF), a supporting organization of the Community Foundation of Southeast Michigan, for the purpose of funding, in part, the City of Detroit, Michigan's pension obligations. The payment of the grant installments is conditional upon the City of Detroit, Michigan's pension funds and others being in compliance with the grant conditions of both an initial and ongoing nature, which have been memorialized in agreements between the parties. The Foundation has made cumulative payments of $1,050,000 since 2014. The remaining $2,450,000 will be payable upon fulfillment of the conditions, as monitored by FDF. This amount is not included in grants payable consistent with the Foundation’s policy for conditional grants.

Note 7 - Excise and Other Taxes

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. As a private foundation, the Foundation is subject to an excise tax on net investment income, including realized gains, as defined in the Tax Reform Act of 1969.

The Foundation's excise tax expense as of December 31, 2019 and 2018 is composed of the following approximate amounts:

	2019	2018
Current excise and other taxes (recovery) expense	$ (500,000)	$ 2,069,000
Deferred excise tax expense (recovery)	619,000	(728,000)
Total tax expense	$ 119,000	$ 1,341,000

The deferred excise tax expense represents the tax on unrealized gains on investment securities. At December 31, 2019 and 2018, the deferred tax liability was approximately $1,318,000 and $700,000, respectively. For the years ended December 31, 2019 and 2018, the standard rate of tax on net investment income was 2 percent, with the possibility of reducing the rate to 1 percent if certain distribution thresholds were met. Recent legislation has modified the rate to a flat 1.39 percent beginning with the 2020 tax year. The deferred tax liability has been adjusted to reflect the new rate.

At December 31, 2019 and 2018, amounts receivable related to tax prepayments were $1,260,282 and $34,035, respectively. As of the date of this report, $1,205,000 of the 2019 amount has been received by the Foundation.

Note 7 - Excise and Other Taxes (Continued)

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Foundation and recognize a tax liability if the Foundation has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS or other applicable taxing authorities. Management has analyzed the tax positions taken by the Foundation and has concluded that, as of December 31, 2019 and 2018, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements, except for the estimated liability recorded for pass-through unrelated business income (UBI) from investments in partnerships.

Note 8 - Line of Credit

The Foundation entered into an unsecured, guaranteed line of credit agreement with a bank, which provides for borrowings up to $20,000,000. The borrowing arrangement expires on December 5, 2020. Interest on the amount outstanding is calculated using the London Interbank Offered Rate (LIBOR) plus 85.0 basis points, and a quarterly fee is calculated using 12.5 basis points on the unused portion. There were no borrowings on the line of credit as of December 31, 2019.

Subsequent to year end, on March 17, 2020 and March 27, 2020, the Foundation drew down $3,000,000 and $7,000,000, respectively, on the line of credit. Subsequently, the Foundation repaid $3,500,000 on April 29, 2020. As of the date of this report, $6,500,000 is outstanding.

Note 9 - Postretirement Benefits

The Foundation assists its eligible retirees with the payment of the cost of medical insurance coverage during retirement. Net periodic postretirement healthcare cost was approximately $48,000 and $56,000 for the years ended December 31, 2019 and 2018, respectively, and increases the postretirement liability for use for future premiums of current employees. In addition, current postretirement healthcare expenses for current retirees are taken against this liability, as it has already been expensed. The Foundation had accrued postretirement benefits of approximately $775,000 and $750,000 as of December 31, 2019 and 2018, respectively.

Note 10 - Defined Contribution Plan

The Foundation sponsors a defined contribution 401(k) plan for all eligible full-time employees. The employees may make elective contributions to the 401(k) plan in accordance with IRS regulations. The Foundation makes contributions to the 401(k) plan based upon eligible compensation.

Contributions to the plan totaled $288,273 and $292,434 for the years ended December 31, 2019 and 2018, respectively.

Note 11 - Lease Commitments

The Foundation leases its office space under an agreement that expires in December 2025. The lease agreement requires monthly payments based on rates per square foot each year.

Note 11 - Lease Commitments (Continued)

The future minimum lease payments are as follows:

Years Ending December 31		Amount
2020	$	293,667
2021		297,863
2022		302,058
2023		306,253
2024		310,449
2024 and thereafter		314,404
Total	$	1,824,694

Rent expense for 2019 and 2018 was $281,897.

In conjunction with the lease agreement, the Foundation received discounted rent from the landlord, which is being amortized over the life of the lease. The unamortized portion at December 31, 2019 and 2018 was $133,313 and $140,888, respectively.

The Foundation has the option to renew the agreement for seven additional years in 2026 and again in 2033 at 90 percent of the market rate.

Note 12 - Related Party Transactions

The following is a description of transactions between the Foundation and a related party:

The Foundation has been advising and supporting the activities of another not-for-profit organization, Detroit Children's Fund (DCF). The Foundation is performing certain management functions for DCF based on a formal management services agreement. Related party transactions and balances as of and for the years ended December 31, 2019 and 2018 are shown below:

	2019	2018
Contributed services related to management functions	$ 361,134	$ 339,661
Granted funds to DCF	500,000	259,420

Note 13 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

The following tables present information about the Foundation’s assets measured at fair value on a recurring basis at December 31, 2019 and 2018 and the valuation techniques used by the Foundation to determine those fair values.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Foundation has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Note 13 - Fair Value Measurements (Continued)

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset. Significant Level 3 inputs include most recently audited financial statements and performance reports from independent sources.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Foundation's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

	Assets Measured at Fair Value on a Recurring Basis at December 31, 2019				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value	Balance at December 31, 2019
Cash equivalents	$ 12,158,719	$ -	$ -	$ -	$ 12,158,719
Global equities and futures contracts	540,605	-	-	150,011,431	150,552,036
Fixed-income investments	27,004,573	-	-	-	27,004,573
Hedge funds	-	-	-	143,549,700	143,549,700
Private equity limited partnerships	-	-	397,407	146,881,140	147,278,547
Total assets	$ 39,703,897	$ -	$ 397,407	$ 440,442,271	$ 480,543,575

	Assets Measured at Fair Value on a Recurring Basis at December 31, 2018				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value	Balance at December 31, 2018
Cash equivalents	$ 13,744,057	$ 90,405	$ -	$ -	$ 13,834,462
Global equities and futures contracts	258,115	-	-	135,643,349	135,901,464
Fixed-income investments	14,678,532	-	-	13,501,501	28,180,033
Hedge funds	-	-	-	116,918,391	116,918,391
Private equity limited partnerships	-	-	426,357	136,406,342	136,832,699
Total assets	$ 28,680,704	$ 90,405	$ 426,357	$ 402,469,583	$ 431,667,049

Changes in Level 3 assets measured at fair value on a recurring basis for the years ended December 31, 2019 and 2018 are as follows:

	Private Equity Limited Partnership
Balance at January 1, 2019	$ 426,357
Net realized and unrealized losses on investments	(28,950)
Balance at December 31, 2019	$ 397,407

Note 13 - Fair Value Measurements (Continued)

Balance at January 1, 2018	$	551,116
Net realized and unrealized losses on investments		(170,697)
Purchases		45,938
Balance at December 31, 2018	$	426,357

Both observable and unobservable inputs may be used to determine the fair value of positions classified as Level 3 assets. As a result, the unrealized gains and losses for these assets presented in the tables above may include changes in fair value that were attributable to both observable and unobservable inputs.

One of the Foundation's limited partnerships is categorized as a Level 3 investment. The Foundation estimates its fair value based on income information provided by the general partner and fund manager, as well as third-party reports, including audit reports, interim financial statements, listing of underlying investments, and performance reports.

The Foundation's policy is to recognize transfers in and transfers out of Level 1, 2, and 3 fair value classifications as of the end of the reporting period. There were no transfers between levels during the years ended December 31, 2019 and 2018.

Investments in Entities that Calculate Net Asset Value per Share

The Foundation hold shares or interest in investment companies at year end whereby the fair value of the investments held is estimated based on net asset value per share (or its equivalent) of the investment companies as a practical expedient.

	Investment Held at December 31, 2019			
	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Event driven (a)	$ 16,203	$ -	Annually	60 Days
Directional equity (b)	3,054	-	Biennial	60 Days
Fixed income (c)	-	-	N/A	N/A
Multistrategy (d)	293,541,874	-	Monthly, Quarterly and Annually	30 - 90 Days
Real estate private equity (e)	208,495	272,559	N/A	N/A
Natural resource private equity (f)	7,577,165	4,365,339	N/A	N/A
Nonmarketable limited partnerships (g)	99,807,397	116,671,619	N/A	N/A
Private equity - Domestic (h)	16,236,580	2,607,073	N/A	N/A
Private equity - International (h)	23,051,503	10,869,065	N/A	N/A
Total	$ 440,442,271	$ 134,785,655		

Note 13 - Fair Value Measurements (Continued)

	Investments Held December 31, 2018			
	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Event driven (a)	$ 20,244	$ -	Annually	60 Days
Directional equity (b)	35,751	-	Biennial	60 Days
Fixed income (c)	13,501,501	-	Quarterly	90 Days
Multistrategy (d)	252,505,745	-	Monthly, Quarterly, and Annually	30-90 Days
Real estate private equity (e)	387,075	272,559	N/A	N/A
Natural resource private equity (f)	11,358,779	4,510,319	N/A	N/A
Nonmarketable limited partnerships (g)	76,487,611	76,008,502	N/A	N/A
Private equity - Domestic (h)	21,381,598	3,477,325	N/A	N/A
Private equity - International (h)	26,791,279	11,494,689	N/A	N/A
Total	$ 402,469,583	$ 95,763,394		

(a) **Event Driven** - This strategy involves taking a long or short position in any security (stock, bond, or loan) of a corporation that is undergoing some corporate "event." Events include merger, acquisition, spinoff, bankruptcy, and restructuring. For instance, in a merger or acquisition, event-driven managers usually buy the stock of the company that is being acquired and sell short the stock of the company that is acquiring, a trade that makes money if and when the two companies consummate their merger. In other types of corporate events, such as bankruptcy, event-driven managers usually use the bankruptcy to purchase the bonds or loans of the bankrupt company in order to profit from the company's restructuring, either through price appreciation of the security purchased, or through actively working with the company to restructure.

(b) **Directional Equity** - The strategy is similar to the equity market neutral strategy, except the managers do not balance long and short positions. This results in a portfolio that does have some market exposure, but far less than traditional long-only portfolios of stocks.

(c) **Fixed Income** - This strategy is similar to directional equity except that managers use fixed-income securities.

(d) **Multistrategy** - A hedge fund strategy that involves a combination of any other strategies. Multistrategy managers add value by both their successful management of each of the underlying strategies and in the relative allocation to different strategies in their fund.

(e) **Real Estate Private Equity** - This asset class seeks to generate returns predominately through the identification of undervalued or mispriced real estate assets or real estate-related companies. Investments would be expected to be made through either public or private equity securities, convertible notes or warrants, or other acquired or originated debt securities. The exposure within this asset class would be expected to be predominately long-only exposure and will generally be maintaining a long exposure to direct real estate assets or real estate-related companies and securities. Additionally, it is not expected that these assets would be held as marketable securities with an active or easily identifiable market; however, the asset class overall would be expected to generate some level of current income. This exposure is obtained primarily through investments in long-dated limited partnership vehicles and is considered illiquid.

(f) **Natural Resources Private Equity** - This asset class seeks to generate returns predominately through the identification of undervalued or mispriced assets or companies engaged in the exploration, production, transportation, or related services in natural resources, such as oil, natural gas, timber, land, minerals, or precious metals, etc. Investments would be expected to be made through either public or private equity securities, convertible notes or warrants, or other acquired or originated debt securities. The exposure within this asset class would be expected to be predominately long-only exposure and will generally be maintaining a long exposure to companies or assets engaged in the basic materials sector. Additionally, it is not expected that these assets would be held as marketable securities with an active or easily identifiable market; however, the asset class overall would be expected to generate some level of current income. This exposure is obtained primarily through investments in long-dated limited partnership vehicles and is considered illiquid.

Note 13 - Fair Value Measurements (Continued)

(g) **Nonmarketable Limited Partnerships (Investure)** - Investments in private equity are typically made through limited partnership structures and are illiquid in nature. Investments are typically made in unlisted companies (companies that are not traded on public exchanges), or, in some cases, listed companies are purchased and taken private. Private equity encompasses a broad array of strategies and securities that may include buyout, growth equity, and venture capital strategies. Other strategies may include real estate, natural resources, and credit. Investments may be in any sector of the economy or geography in the world, though funds will typically specialize in specific industries and regions.

(h) **Private Equity Domestic and International (Legacy)** - Investments in private equity are typically made through limited partnership structures and are illiquid in nature. Investments are typically made in unlisted companies (companies that are not traded on public exchanges), or, in some cases, listed companies are purchased and taken private. Private equity encompasses a broad array of strategies and securities. Buyout, growth equity, and venture capital strategies purchase equity in private companies at different stages of the company's life cycle. Other strategies, such as mezzanine or special situations, will invest in debt, preferred equity, or other parts of a company's capital structure. Investments may be in any sector of the economy or geography in the world, though funds will typically specialize in specific industries and regions.

Note 14 - Liquidity

The Foundation's financial assets available within one year of December 31 for general expenditure are as follows:

	2019	2018
Cash and cash equivalents	$ 12,158,719	$ 13,834,462
Accounts and interest receivable	1,459,195	168,174
Short-term investments	27,471,675	28,541,526
Total	$ 41,089,589	$ 42,544,162

None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date.

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its awarded grants, general expenditures, liabilities, and other obligations come due. The Foundation invests cash in excess of daily requirements in various short-term investments. As more fully described in Note 8, the Foundation also has a committed line of credit in the amount of $20,000,000 that it could draw upon in the event of an unanticipated liquidity need.