the Hertz FOUNDATION

Financial Statements
June 30, 2020
(With summarized comparative totals for June 30, 2019)

Together with
Independent Auditors' Report

FANNIE AND JOHN HERTZ FOUNDATION
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June 30, 2020

Robert Lee & Associates, LLP

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Fannie and John Hertz Foundation
Livermore, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Fannie and John Hertz Foundation ("The Hertz Foundation" or the "Foundation"), a 501(c)(3) public benefit corporation, incorporated in the State of Illinois, which comprise the statement of financial position as of June 30, 2020, and the related statements of activities and changes in net assets, functional expenses, 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.

Auditors' 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

<u>INDEPENDENT AUDITORS' REPORT (CONTINUED)</u>

To the Board of Directors of
Fannie and John Hertz Foundation
Livermore, California

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 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.

Report on Summarized Comparative Information

We have previously audited the Fannie and John Hertz Foundation's 2019 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated October 21, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Robert Lee + Associates, LLP

San Jose, California
October 14, 2020

FANNIE AND JOHN HERTZ FOUNDATION

Statements of Financial Position

June 30, 2020

(With summarized comparative totals for June 30, 2019)

	June 30, 2020	June 30, 2019
ASSETS		
Cash and cash equivalents	$ 2,344,088	$ 2,317,973
Prepaid expenses	21,727	213,176
Contributions receivable, net (Note 4)	4,755,640	5,096,492
Investments (Note 5)	17,737,192	16,788,175
Financing receivable - related-party (Note 6)	-	21,643
Property and equipment, net	21,621	26,546
Other assets	2,938	2,938
Total assets	$ 24,883,206	$ 24,466,943
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	$ 155,438	$ 96,674
Deferred revenues (Note 7)	-	30,216
Fellowships and tuition liability (Note 10)	1,893,500	1,604,332
Deferred rent	5,813	6,541
Note payable (Note 11)	179,756	-
Total liabilities	2,234,507	1,737,763
Commitments and contingencies (Note 15)		
Net assets without donor restrictions:		
Designated for future fellowship commitments (Note 10)	5,238,185	4,584,185
Undesignated	4,974,387	5,700,462
Total net assets without donor restrictions	10,212,572	10,284,647
Net assets with donor restrictions (Note 12)	12,436,127	12,444,533
Total net assets	22,648,699	22,729,180
Total liabilities and net assets	$ 24,883,206	$ 24,466,943

The accompanying notes are an integral part of these financial statements

FANNIE AND JOHN HERTZ FOUNDATION

Statements of Activities and Changes in Net Assets

For the Year Ended June 30, 2020

(With summarized comparative totals for June 30, 2019)

	2020			
	Without donor restrictions	With donor restrictions	Total	2019 Totals *(Comparative)*
Support and revenue:				
Contributions	$ 2,539,562	$ 1,288,983	$ 3,828,545	$ 5,274,810
Realized and unrealized gains, net	202,150	191,215	393,365	510,053
Interest and dividends	269,231	187,861	457,092	488,688
Total revenue	3,010,943	1,668,059	4,679,002	6,273,551
Net assets released from restrictions	1,676,465	(1,676,465)	-	-
Total support and revenue	4,687,408	(8,406)	4,679,002	6,273,551
Expenses:				
Program services:				
Fellowship	2,427,062	-	2,427,062	1,835,322
Fellowship support	966,091	-	966,091	737,839
Total program services	3,393,153	-	3,393,153	2,573,161
Supporting services:				
Management and general	499,777	-	499,777	637,185
Fundraising	866,553	-	866,553	1,007,916
Total supporting services	1,366,330	-	1,366,330	1,645,101
Total expenses	4,759,483	-	4,759,483	4,218,262
Change in net assets	(72,075)	(8,406)	(80,481)	2,055,289
Net assets, beginning of year	10,284,647	12,444,533	22,729,180	20,673,891
Net assets, end of year	$ 10,212,572	$ 12,436,127	$ 22,648,699	$ 22,729,180

The accompanying notes are an integral part of these financial statements

FANNIE AND JOHN HERTZ FOUNDATION

Statements of Functional Expenses

For the Year Ended June 30, 2020

(With summarized comparative totals for the year ended June 30, 2019)

	2020					
	Program services		Supporting services			
	Fellowship	Fellowship support	Management and general	Fundraising	Total	2019 Totals *(Comparative)*
Tuition and stipends	$ 1,760,008	$ -	$ -	$ -	$ 1,760,008	$ 1,355,394
Wages and benefits	336,848	316,682	275,404	705,979	1,634,913	1,444,561
Professional services	154,913	328,955	112,319	60,063	656,250	542,040
Travel	107,448	41,671	45,367	17,325	211,811	256,784
Events	29	180,447	508	17,247	198,231	247,018
Rent	24,852	24,852	24,125	24,852	98,681	101,956
Awards	14,150	49,500	-	-	63,650	28,700
Printing	7,620	1,940	2,203	15,564	27,327	19,417
Supplies	3,265	5,903	6,692	8,660	24,520	49,240
Utilities	4,243	4,495	4,679	6,085	19,502	18,103
Advertising	-	8,617	1,760	1,228	11,605	111,631
Insurance	-	-	11,276	-	11,276	9,950
Postage	1,951	1,083	1,350	5,833	10,217	9,712
Fees	-	94	7,566	28	7,688	6,128
Depreciation and amortization	1,852	1,852	1,852	1,852	7,408	1,809
Technology	4,183	-	1,626	1,412	7,221	5,807
Donated goods and services	5,700	-	-	425	6,125	4,458
Maintenance	-	-	2,804	-	2,804	4,548
Interest expense	-	-	246	-	246	-
Special contributions	-	-	-	-	-	1,006
Total expenses	$ 2,427,062	$ 966,091	$ 499,777	$ 866,553	$ 4,759,483	$ 4,218,262

The accompanying notes are an integral part of these financial statements

FANNIE AND JOHN HERTZ FOUNDATION

Statements of Cash Flows

For the Year Ended June 30, 2020

(With summarized comparative totals for the year ended June 30, 2019)

	June 30, 2020	June 30, 2019
Cash flows from operating activities:		
Change in net assets	$ (80,481)	$ 2,055,289
Adjustments to reconcile change in net assets net cash used in operating activities:		
Change in allowance for doubtful accounts and present value of future contributions	(127,562)	(88,167)
Realized and unrealized gains, net	(393,365)	(510,053)
Accrued interest on financing receivable	-	(3,490)
Forgiveness of financing receivable - related-party	21,643	21,847
Depreciation and amortization	7,408	1,809
Changes in operating assets and liabilities:		
Prepaid expenses	191,449	(54,576)
Contributions receivable	468,414	558,041
Accounts payable and accrued expenses	58,764	(10,827)
Deferred revenues	(30,216)	8,486
Fellowships and tuition liability	289,168	(281,271)
Deferred rent	(728)	875
Net cash provided by operating activities	404,494	1,697,963
Cash flows from investing activities:		
Proceeds from sale of investments	600,000	300,000
Purchases of investments	(1,155,652)	(1,013,053)
Purchases of property and equipment	(2,483)	(28,355)
Net cash used by investing activities	(558,135)	(741,408)
Cash flows from investing activities:		
Proceeds from note payable	179,756	-
Net cash used by investing activities	179,756	-
Net increase in cash and cash equivalents	26,115	956,555
Cash and cash equivalents, beginning of year	2,317,973	1,361,418
Cash and cash equivalents, end of year	$ 2,344,088	$ 2,317,973

The accompanying notes are an integral part of these financial statements

FANNIE AND JOHN HERTZ FOUNDATION
Notes to Financial Statements
June 30, 2020

Note 1 - Organization and operations:

The Fannie and John Hertz Foundation, commonly referred to as The Hertz Foundation (the "Foundation"), was incorporated in the State of Illinois in 1945. The principal objective of the Foundation is to identify and support the education and innovative research of the most talented and promising PhD candidates in math, science and engineering in the United States. Through a national competition, the Foundation attempts to select candidates for the Hertz Fellowship who will become leaders in science and technology, exemplary faculty in U.S. universities, and key contributors to the advancement of technological and scientific discoveries and innovation on which the long-term well-being of the United States and the world depends. The Foundation's programs are supported through contributions, investment income and draw from its long-term assets.

The Foundation has been classified as a publicly supported, tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code where only unrelated business income, as defined by Section 509(a)(1) of the Code, is subject to Federal income tax. The Foundation currently has no unrelated business income.

Note 2 - Summary of significant accounting policies:

Basis of accounting - The financial statements have been prepared on the accrual basis of accounting, which recognizes support and revenue when earned and expenses when incurred and accordingly reflect all significant receivables, payables and other liabilities.

Basis of presentation - The Foundation presents information regarding its financial position and activities according to two classes of net assets:

- *Without donor restrictions* - net assets which are available to support all activities of the Foundation without restrictions and include those net assets who use is not restricted by donor, even though their use may be limited in other respects, such as by contract or board designation. Net assets without donor restrictions are classified as designated for future fellowship commitments on the accompanying statement of financial position include long-term tuition and stipend commitments to current fellows.

- *With donor restrictions* - net assets which represent contributions whose use is limited to donor-imposed stipulations that either expire by passage of time or other restrictions and for which the applicable restriction was not met as of the end of the current reporting period.

Note 2 - Summary of significant accounting policies (continued):

Use of estimates - The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates used in preparing these financial statements include the present value discount and allowance of receivables, allocation of expenses by function and future fellowship commitments. Actual results could differ from these estimates.

Revenue recognition - The Foundation reports gifts of cash and other assets as restricted support if such gifts are received with donor stipulations that limit the use of the donated assets. When such restrictions expire, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from restrictions.

In-kind contributions and contributed services - Contributed goods and services are reflected in the accompanying financial statements at their estimated fair value at the date of receipt. The contributions of goods and services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

Functional expense allocations - The costs of providing the various program and supporting services have been summarized on a functional basis in the statement of activities and changes in net assets. Accordingly, certain costs have been allocated, based on estimates of time, space, and other factors, among the classifications.

Fellowships - Fellowships are recorded when approved by the Board of Directors. Fellowship commitments due during the next fiscal year are recorded in the accompanying statement of financial position as a current liability. All future fellowship commitments are unconditional and included as designated net assets without donor restrictions.

Cash and cash equivalents - The Company considers all highly liquid investments purchased with an original or remaining maturity of three months or less to be cash equivalents.

Prepaid expenses - Prepaid expenses include payments for insurance, various subscription services, contracts and program related activities.

Contributions receivable and allowance for doubtful accounts - Contributions receivable that are expected to be collected within one year are recorded at net realizable value. Promises to give that are to be collected in future years are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promise is received (4.25% and 6.00% for 2020 and 2019 fiscal years respectively, which is the Foundation’s estimated incremental borrowing rate). Amortization of the discounts is included in contribution revenue.

Note 2 - Summary of significant accounting policies (continued):

Contributions receivable and allowance for doubtful accounts (continued) - Promises to give are either unconditional or conditional. Unconditional promises to give are promises that depend only on the passage of time or the demand by the donor for performance. A conditional promise to give is a promise that depends on the occurrence of a specified future and uncertain event to bind the promisor. The Foundation records unconditional promises to give as revenue at their fair value in the period the pledge is received. Conditional promises to give are not included as support until the conditions are substantially met. There were no conditional promises to give at June 30, 2020 and 2019.

The Foundation uses the allowance method to determine uncollectible contributions receivable. The allowance is based on prior years' credit losses and management's analysis of specific receivables. The financial statements reflect these receivables net of the allowance reserve. When an account is determined uncollectible, it is deducted from receivables and contribution income. The allowance for doubtful accounts was approximately $54,000 and $59,000 as of June 30, 2020 and 2019, respectively.

Financing receivable - related-party - The Foundation has a financing receivable, which consists of one portfolio segment, a note receivable to the President. A portfolio segment is defined as the level at which the Foundation develops and documents a systematic methodology to determine the allowance for credit losses. The Foundation did not disaggregate the portfolio segment into separate classes, as there is only one category.

The allowance for the financing receivable represents management's estimate of probable losses inherent in the Foundation's lending activities. Credit exposures deemed to be uncollectible, excluding factoring receivables, are charged against these accounts. Cash recovered on previously charged off amounts is recorded as a recovery to these accounts. Management evaluates the adequacy of the allowance for the financing receivable based on the combined these two components. Management deemed no allowance was necessary at June 30, 2020 and 2019.

The Foundation performs periodic and systematic detailed review of its portfolio segment to identify credit losses and to assess the overall collectability of the portfolio. The allowance is based on aggregated portfolio segment evaluations generally by class. Management performs a periodic evaluation for the portfolio, which considers a variety of factors including, but not limited to, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay, the estimated value of any underlying collateral, and current economic conditions.

Note 2 - Summary of significant accounting policies (continued):

Financing receivable - related party (continued) - The allowance for credit losses related to the financing receivable is net of the financing receivable on the statement of financial position. Provisions for credit losses on the financing receivable are reported in the statement of activities and changes in net assets. The allowance for credit losses is based on management best estimate of the historical write-offs, recoveries and knowledge about the note receivable.

Investments - All investments are valued in accordance with Fair Value Measurements and Disclosure topics of the Financial Accounting Standards Board ("FASB") Accounting Standards Codifications. The value of investments are based on their closing quoted market prices. The Foundation's Board of Directors has established an investment policy and has engaged the services of an outside investment advisor to assist in such matters. Contributions of investments are recorded at estimated fair value at the date of donation and are sold as soon as reasonably possible. Unrealized gains and losses that result from market fluctuations are recognized in the period such fluctuations occur. Realized gains and losses resulting from the sales or maturities are the differences between the investment's cost basis and the sale or maturity settlement of the investment. Dividend and interest income are accrued when earned. The Foundation invests primarily in various investments, which are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the value of investments will occur in the near term and that such changes could materially affect the amounts reported in the accompanying statement of financial position.

Property and equipment, depreciation and amortization - The Foundation capitalizes all acquisitions of property and equipment with a cost or value in excess of $2,000. Property and equipment are stated at cost of acquisition or construction, or if donated, at the fair market value of the asset at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as support with donor restrictions. In the absence of such stipulations, contributions of land, buildings and equipment are recorded as support without donor restrictions. Depreciation is computed using the straight-line method over the estimated useful life of three years for equipment. Amortization is provided on leasehold improvements over the lesser of the estimated useful life of the respective assets or the related lease term. Maintenance and repairs are charged to expense as incurred. All property and equipment was purchased in fiscal year 2020 and 2019, with a cost of approximately $31,000 and $28,000 and accumulated depreciation $9,000 and $2,000, respectively. Depreciation for the year ended June 30, 2020 and 2019 was approximately $7,000 and $2,000, respectively.

Advertising - Advertising costs are expensed as incurred. Advertising expense for the fiscal years ended June 30, 2020 and 2019 were approximately $12,000 and $112,000, respectively.

Note 2 - Summary of significant accounting policies (continued):

Fair value of financial instruments - Financial instruments included in the Foundation's statement of financial position as of June 30, 2020 and 2019 include cash and cash equivalents, receivables, investments, accounts payable and accrued expenses, and fellowship and tuition liability and other liabilities. For cash and cash equivalents, receivables, and accounts payable and accrued expenses and other liabilities the carrying amounts represent a reasonable estimate of the corresponding fair values. Investments, fellowship and tuition liability are reflected in the accompanying statement of financial position at their estimated fair values using methodologies described above.

Concentration of credit risk - Financial instruments that potentially subject the Foundation to credit risk consist primarily of cash and cash equivalents and investments. The Foundation maintains cash and cash equivalents with commercial banks and other major financial institutions in which management believes to be quality financial institutions. These accounts are insured up to $250,000 per depositor by an agency of the federal government. At times, such amounts may exceed Federal Deposit Insurance Corporation ("FDIC") limits.

Concentration of contributions - During the years ended June 30, 2020 and 2019, 14% and 53% of total contributions was received from one donors and two donors, respectively. The donations was used in part for fellowship and general operations and the balance to support the growth of the development program.

Concentration of grants - During the years ended June 30, 2020 and 2019, 79% and 82% of total grants paid were received by three grantees, respectively.

Board designated future fellowship - Fellowships are granted for one year and are renewable annually based on the fulfillment of certain conditions and not to exceed five years of Fellowship support. Any fellowships that are renewed will require additional funding by the Foundation. The Board of Directors has designated funds without restrictions to fund future fellowship beyond fiscal year 2020.

Endowment accounting and interpretation of relevant law - In 2004, the Foundation established an endowment campaign whereby the income earned from its investments was to be used for fellowship support. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Note 2 - Summary of significant accounting policies (continued):

Endowment accounting and interpretation of relevant law (continued) - The Board of Directors of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions (a) the original value of gifts donated to the endowment with donor restrictions, (b) the original value of subsequent gifts to the endowment with donor restrictions, (c) accumulations to the endowment with donor restrictions made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund (d) less the lower of actual tuition and stipends or 5% of the endowed fund balance.

Accounting for uncertainty in income taxes - The Foundation evaluates its uncertain tax positions and will recognize a loss contingency when it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonable estimated. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position for all uncertain tax positions in the aggregate could differ from the amount recognized. As of June 30, 2020 and 2019, management did not identify any material uncertain tax positions.

Recently adopted accounting principles - During the year, the Foundation also adopted the provisions of FASB ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). This accounting standard is meant to help not-for-profit entities evaluate whether transactions should be accounted for as contributions or as exchange transactions and, if the transaction is identified as a contribution, whether it is conditional or unconditional. ASU 2018- 08 clarifies how an organization determines whether a resource provider is receiving commensurate value in return for a grant. If the resource provider does receive commensurate value from the grant recipient, the transaction is an exchange transaction and would follow the guidance under ASU 2014-09 (FASB ASC Topic 606). If no commensurate value is received by the grant maker, the transfer is a contribution. ASU 2018-08 stresses that the value received by the general public as a result of the grant is not considered to be commensurate value received by the provider of the grant. Results for reporting the year ending June 30, 2020 are presented under FASB ASU 2018-08. The comparative information has not been restated and continues to be reported under the accounting standards in effect in those reporting periods. There was no material impact to the financial statements as a result of adoption. Accordingly, no adjustment to opening net assets was recorded.

Note 2 - Summary of significant accounting policies (continued):

Recent accounting pronouncements - In August 2018, FASB issued ASU 2018-13, "Fair Value Measurements: Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurements". This ASU modifies the disclosure requirements for fair value measurements. Those modifications include the removal and addition of disclosure requirements as well as clarifying specific disclosure requirements. The ASU is effective for fiscal years beginning after December 15, 2019. Certain provisions of the ASU will be applied prospectively while the rest of the provisions will be applied retrospectively. Management has not determined the impact of this pronouncement.

In February 2016, the FASB issued FASB ASU No. 2016-02 "Leases." The ASU is intended to increase transparency and comparability between organizations recognizing lease assets and liabilities by recognizing lease assets and lease liabilities on the balance sheet and increasing the related disclosures. For non-public entities, the effective date will be effective for annual reporting periods beginning after December 15, 2020. Early application is permitted. Management has not determined the impact of this pronouncement.

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") No. 2014-09 "Revenue from Contracts with Customers (Topic 606)". The ASU provides guidance over the core principle of recognizing revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods. ASU 2014-09 will supersede the revenue recognition requirements in FASB Accounting Standard Codification (ASC) 605, "Revenue Recognition", and most industry-specific guidance throughout the Industry Topics of the FASB ASC. The purpose of the new standard is to clarify the principles for recognizing revenue and to develop a common revenue standard for U.S. GAAP and International Financial Reporting Standards (IFRS). In August 2015, the FASB issued ASU 2015-14 "Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date" which will defer the effective date of ASU No. 2014-09 "Revenue from Contracts with Customers" for all entities by one year. In March 2016, the FASB issued ASU No. 2016-08 "Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations. The ASU improves operability and understandability of Topic 606 in principal versus agent considerations. In April 2016, the FASB issued ASU No. 2016-10 "Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing". The ASU expands on Topic 606 with clarification over identifying performance obligations and licensing. For non-public entities, the effective date will be effective for annual reporting periods beginning after December 15, 2019 and interim periods within annual periods beginning after December 15, 2020. Early adoption is permitted under several options, the earliest for a year beginning after December 15, 2016 and interim periods within that year. Various retrospective application methods are available. Management has not determined the impact on the financial statements.

Note 2 - Summary of significant accounting policies (continued):

Date of management's review - Subsequent events have been evaluated through the date of the independent auditors' report, which is the date the financial statements were available to be issued and it had been determined that no material subsequent events that require an estimate to be recorded or disclosed as of June 30, 2020.

Note 3 - Liquidity and availability of financial assets:

Financial assets available for general expenditure, that is without restrictions limiting their use, within one year of the current statements of financial position date, comprise the following at June 30:

	2020	2019
Cash and cash equivalents	$ 2,344,088	$ 2,317,973
Contribution receivable	4,755,640	5,096,492
Investments	17,737,192	16,788,175
Total financial assets	24,836,920	24,202,640
Net assets with donor restrictions	(12,436,127)	(12,444,533)
Designated for future fellowship commitments (Note 10)	(5,238,185)	(4,584,185)
Total financial assets available to meet cash needs for general expenditures within one year	$ 7,162,608	$ 7,173,922

The Foundation is substantially supported by contributions and investments. As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as general expenditures, liabilities, and other obligations become due.

Note 4 - Contributions receivable:

Contributions receivable consisted of the following at June 30:

	2020	2019
Due by June 30, 2021	$ 1,395,728	$ 1,294,381
Due from July 1, 2021 through June 30, 2025	2,914,880	4,322,641
Due after July 1, 2025	950,000	112,000
	5,260,608	5,729,022
Less: allowance for doubtful contributions	(53,898)	(58,564)
Less: discount to net present value	(451,070)	(573,966)
	$ 4,755,640	$ 5,096,492

FANNIE AND JOHN HERTZ FOUNDATION

Notes to Financial Statements

June 30, 2020

Note 5 - Investments:

The Foundation follows the provisions of the Fair Value Measurements and Disclosure topic of the FASB Accounting Standards Codification. These standards establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority.

The Foundation uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Foundation measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value.

At June 30, 2020 and 2019, the Foundation was invested in Level 1 investments and had no investment in Level 2 and Level 3 inputs. The Foundation's investments were measured using quoted prices in active markets for identical assets (Level 1) at June 30 as follows:

	2020	2019
Cash and short term investments	$ 76,060	$ 112,507
Equity mutual funds	16,431,456	15,849,975
Exchange traded funds	1,229,676	825,693
	$ 17,737,192	$ 16,788,175

The following schedule summarizes total investment returns as of June 30:

	2020	2019
Realized gains and losses, net	$ 357,974	$ 351,997
Change in unrealized gains and losses, net	105,108	223,778
Interest and dividends	457,092	488,688
Total investment income	920,174	1,064,463
Investment related expenses	(69,717)	(65,722)
Total investment returns	$ 850,457	$ 998,741

FANNIE AND JOHN HERTZ FOUNDATION

Notes to Financial Statements

June 30, 2020

Note 6 - Financing receivable - related party:

The Foundation entered into a note receivable agreement as amended with the President of the Foundation in the amount of $100,000 during the year ended June 30, 2015. The note bore interest at 1.43% (the applicable federal rate), which accrued annually. The principal and interest on the loan was forgiven in increments determined as per the President's employment contract over the course of five years. In accordance with the employment contract, if the President maintained her position through June 8, 2020, the full loan plus interest was forgiven. During fiscal year 2020, the President entered into a new employment agreement, which provided an accelerated forgiveness of the housing loan of approximately $35,000, and a one-time performance bonus of $65,000. Management determined no allowance for credit losses were necessary at June 30, 2019.

The financing receivable - related party consists of the following at June 30, 2019:

	Employee note receivable	Total
Ending financing receivables:		
Individually evaluated for impairment	$ 21,643	$ 21,643

The credit quality indicators are as follows at June 30, 2019:

	Employee note receivable	Total
Credit risk profile based on payment activity:		
Non-performing	$ 21,643	$ 21,643

During the years ended June 30, 2020 and 2019, there was a total of one contract, which makes up the whole financing receivable, and was forgiven during 2020 fiscal year. There were no loans on accrual status during the years ended June 30, 2020 and 2019.

Note 7 - Deferred revenues:

The activity and balances for deferred revenues from contracts with customers are shown in the following table:

	Events	Total
Balance at June 30, 2019	$ 30,216	$ 30,216
Revenue recognized	(30,216)	(30,216)
Payments received for future obligations	-	-
Balance at June 30, 2020	$ -	$ -

Note 8 - Related-party transactions:

Contributions receivable - During the years ended June 30, 2020 and 2019, the Foundation was pledged contributions from Board members in the amount of $1,614,000 and $1,522,000, respectively.

Financing receivable - See related-party financing receivable at Note 6.

Note 9 - Contributed goods and services:

Contributed goods and services are included in the accompanying statements of activities and changes in net assets and are comprised of donated honorariums, and donated stock totaling approximately $196,000 and $25,000 for the years ended June 30, 2020 and 2019, respectively.

Note 10 - Fellowship commitments:

Fellowships are granted for one year but may be renewed, at the option of the Foundation, on a year-to-year basis not to exceed five years of fellowship support. Any fellowships that are renewed will require additional funding by the Foundation.

Fellowship commitments committed for fiscal year 2021 and designated for future years are as follows:

Year Ending June 30,	Amount
2021	$ 1,893,500
Fellowships and tuition liability	1,893,500
2022	1,792,833
2023	1,200,352
2024	1,175,000
2025	960,000
Thereafter	110,000
Designated for future fellowship commitments	5,238,185
	$ 7,131,685

Note 11 - Note payable:

In May 7, 2020, the Foundation secured a loan in the amount of approximately $180,000 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses based on average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and meets certain criteria. The Small Business Administration and the lender establish these criteria.

The unforgiven portion of the PPP loan is payable over two years, with the first payment being due December 14, 2020, at an interest rate of 1%, with a deferral of payments for the first six months. The Foundation intends to use the proceeds for purposes consistent with the PPP. While the Foundation currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan, the Foundation cannot assure that it will not take actions that could cause the Foundation to be ineligible for forgiveness of the loan, in whole or in part.

Note 12 - Net assets with donor restrictions:

Net assets with donor restrictions activity for the year ended June 30, 2020 was as follows:

	Beginning balance	Additions	Releases	Ending balance
Time or purpose	$ 5,096,492	$ 1,110,000	$ (1,450,852)	$ 4,755,640
Endowment	7,348,041	558,059	(225,613)	7,680,487
	$ 12,444,533	$ 1,668,059	$ (1,676,465)	$ 12,436,127

Net assets with donor restrictions activity for the year ended June 30, 2019 was as follows:

	Beginning balance	Additions	Releases	Ending balance
Time or purpose	$ 5,566,366	$ 503,480	$ (973,354)	$ 5,096,492
Endowment	6,487,691	1,074,304	(213,954)	7,348,041
	$ 12,054,057	$ 1,577,784	$ (1,187,308)	$ 12,444,533

Note 13 - Endowments:

The endowment consists of eleven individual funds comprising of net assets with donor restrictions all of which are included with unrestricted assets under the custody of a third party brokerage firm and commingled with non-restricted funds. The principal amounts of the gifts received are included in net assets with donor restrictions as stipulated by the gift agreements. The investment gains consist of interest and dividend income, and cumulative fair value adjustment of the original gifts, which are recorded as net assets with donor restrictions and available for program expenditures based on the donor approved expenditures. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Foundation has interpreted UPMIFA as including cumulative fair value adjustments of the original gifts as part of investment income with donor restrictions absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions (a) the original value of gifts donated to the endowment with donor restrictions, (b) the original value of subsequent gifts to the endowment with donor restrictions, (c) accumulations to the endowment with donor restrictions made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund (d) less the lower of actual tuition and stipends or 5% of the endowed fund balance.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund
(2) The purposes of the Foundation and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the Foundation
(7) The investment policies of the Foundation

Note 13 - Endowments (continued):

Endowment net asset activity was as follows as of June 30:

	2020	2019
Endowment net assets, beginning of year	$ 7,348,041	$ 6,487,691
Investment return:		
Contributions	178,983	649,400
Interest and dividend income	187,861	198,612
Realized and unrealized gains, net	191,215	226,292
Total investment return	558,059	1,074,304
Appropriation of endowment assets for expenditure	(225,613)	(213,954)
Endowment net assets, end of year	$ 7,680,487	$ 7,348,041

Return objectives and risk parameters: The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment and supplemented by unrestricted net assets. Under this policy, as approved by the Foundation's Board of Directors, the endowment assets are invested in a manner that is intended to provide a moderate average annual real return in excess of inflation. 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 Foundation 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).

Note 13 - Endowments (continued):

Spending policies and how the investment objectives relate to spending policy: The Foundation has a policy of reviewing and approving distributions from the endowment each year. In addition, all dividends and interest earned from the endowment investments are re-invested in the endowment fund as received and recorded as net assets with donor restrictions available for appropriation. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to maintain the purchasing power of the endowment assets held in perpetuity unless the funds depreciate. Should the spending policy not achieve this growth, the Board of Directors will supplement fellowship from unrestricted funds as needed and available.

Note 14 - Employee benefit plan:

The Foundation maintains a Simplified Employee Benefit Plan (SEP) IRA for the benefit of employees. Contributions are based on a percentage of employee compensation and totaled approximately $175,000 and $163,000 for the fiscal years ending June 30, 2020 and 2019.

Note 15 - Commitments and contingencies:

Facility operating lease - The Foundation has a lease commitment for its office space in Livermore, California through May 2022. Monthly payments on the lease for the 2020 fiscal year were approximately $4,000, with estimated common area maintenance charges of approximately $5,000 a month.

Equipment operating lease - The Foundation also maintains a lease for office equipment, which expires August 2021 with monthly payments of approximately $400.

Rent expense charged to operations for the year ended June 30, 2020 and 2019 was approximately $99,000 and $102,000, respectively, which includes common area maintenance.

The future minimum lease payments under the operating leases are as follows:

Year Ending June 30,	Amount
2021	$ 52,722
2022	43,979
	$ 96,701

Note 15 - Commitments and contingencies (continued):

Contingencies: legal matters **-** Due to the nature of the Foundation's operations, claims and litigation may periodically arise. As of June 30, 2020, management has evaluated the status of any potential legal matters and in its judgement believes there are no items, which will have a material effect on the financial statements.

Contingency: COVID-19 - On March 11, 2020, the World Health Organization declared that the spread of the coronavirus disease (COVID-19) has become a pandemic. On March 13, 2020, the President of the United States announced a national emergency in response to the COVID-19 outbreak. In response to these two announcements, many businesses have closed their doors in order to assist in the containment of the virus for the next several months. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. The extent of the impact of COVID-19 on the Foundation's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on their customers, employees and vendors, all of which are uncertain and cannot be predicted. At the date of the independent accountants' review report, the extent to which COVID-19 may impact the Foundation's financial condition or results of operations is uncertain, however Foundation management is confident that the Foundation will continue as a going concern.