the Hertz FOUNDATION

Financial Statements
June 30, 2021
(With summarized comparative totals for June 30, 2020)

Together with
Independent Auditors' Report

FANNIE AND JOHN HERTZ FOUNDATION

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June 30, 2021

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, 2021, 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.

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INDEPENDENT AUDITORS' REPORT (CONTINUED)

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, 2021, 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 2020 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated October 14, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Robert Lee + Associates, LLP

San Jose, California
November 4, 2021

FANNIE AND JOHN HERTZ FOUNDATION

Statements of Financial Position

June 30, 2021

(With summarized comparative totals for June 30, 2020)

	June 30, 2021	June 30, 2020
ASSETS		
Cash and cash equivalents	$ 2,397,094	$ 2,344,088
Prepaid expenses	76,050	21,727
Contributions receivable, net (Note 4)	4,411,134	4,755,640
Investments (Note 5)	22,312,492	17,737,192
Property and equipment, net	14,101	21,621
Other assets	2,938	2,938
Total assets	$ 29,213,809	$ 24,883,206
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	$ 212,122	$ 155,438
Fellowships and tuition liability (Note 8)	2,011,166	1,893,500
Deferred rent	3,482	5,813
Paycheck protection program loan (Note 9)	404,554	179,756
Total liabilities	2,631,324	2,234,507
Commitments and contingencies (Note 13)		
Net assets without donor restrictions:		
Designated for future fellowship commitments (Note 8)	5,222,883	5,238,185
Undesignated	7,788,152	4,974,387
Total net assets without donor restrictions	13,011,035	10,212,572
Net assets with donor restrictions (Note 10)	13,571,450	12,436,127
Total net assets	26,582,485	22,648,699
Total liabilities and net assets	$ 29,213,809	$ 24,883,206

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, 2021

(With summarized comparative totals for June 30, 2020)

	2021			
	Without donor restrictions	With donor restrictions	Total	2020 Totals *(Comparative)*
Support and revenue:				
Contributions	$ 2,889,859	$ 1,011,617	$ 3,901,476	$ 3,828,545
Realized and unrealized gains, net	2,650,356	1,391,199	4,041,555	463,082
Interest and dividends	312,981	160,824	473,805	457,092
Total revenue	5,853,196	2,563,640	8,416,836	4,748,719
Net assets released from restrictions	1,428,317	(1,428,317)	-	-
Total support and revenue	7,281,513	1,135,323	8,416,836	4,748,719
Investment related expense	(76,046)	-	(76,046)	(69,717)
Net support and revenue	7,205,467	1,135,323	8,340,790	4,679,002
Expenses:				
Program services:				
Fellowship	2,832,894	-	2,832,894	2,427,062
Fellowship support	467,966	-	467,966	966,091
Total program services	3,300,860	-	3,300,860	3,393,153
Supporting services:				
Management and general	350,436	-	350,436	499,777
Fundraising	755,708	-	755,708	866,553
Total supporting services	1,106,144	-	1,106,144	1,366,330
Total expenses	4,407,004	-	4,407,004	4,759,483
Change in net assets	2,798,463	1,135,323	3,933,786	(80,481)
Net assets, beginning of year	10,212,572	12,436,127	22,648,699	22,729,180
Net assets, end of year	$ 13,011,035	$ 13,571,450	$ 26,582,485	$ 22,648,699

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, 2021

(With summarized comparative totals for the year ended June 30, 2020)

	2021					
	Program services		Supporting services			
	Fellowship	Fellowship support	Management and general	Fundraising	Total	2020 Totals *(Comparative)*
Tuition and stipends	$ 1,913,053	$ -	$ -	$ -	$ 1,913,053	$ 1,760,008
Wages and benefits	600,671	275,936	170,584	570,559	1,617,750	1,634,913
Professional services	252,415	146,730	116,155	115,452	630,752	656,250
Rent	25,910	25,910	23,579	25,910	101,309	98,681
Awards	17,385	5,000	-	-	22,385	63,650
Printing	7,132	1,671	1,671	11,347	21,821	27,327
Utilities	4,636	3,781	5,145	5,893	19,455	19,502
Supplies	1,134	1,143	5,055	9,212	16,544	24,520
Insurance	-	-	13,652	-	13,652	11,276
Postage	1,338	2,343	497	7,770	11,948	10,217
Advertising	2,763	3,000	1,615	3,305	10,683	11,605
Depreciation and amortization	1,880	1,880	1,880	1,880	7,520	7,408
Technology	4,148	508	836	1,318	6,810	7,221
Bank fees	41	41	5,377	12	5,471	7,688
Donated goods and services	-	-	-	3,050	3,050	6,125
Events	26	23	1,892	-	1,941	198,231
Interest expense	-	-	1,815	-	1,815	246
Travel	362	-	258	-	620	211,811
Maintenance	-	-	425	-	425	2,804
Total expenses	$ 2,832,894	$ 467,966	$ 350,436	$ 755,708	$ 4,407,004	$ 4,759,483

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, 2021

(With summarized comparative totals for the year ended June 30, 2020)

	June 30, 2021	June 30, 2020
Cash flows from operating activities:		
Change in net assets	$ 3,933,786	$ (80,481)
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	(219,482)	(127,562)
Realized and unrealized gains, net	(4,041,555)	(393,365)
Forgiveness of financing receivable - related-party	-	21,643
Accrued interest on note payable	1,815	-
Depreciation and amortization	7,520	7,408
Changes in operating assets and liabilities:		
Prepaid expenses	(54,323)	191,449
Contributions receivable	563,988	468,414
Accounts payable and accrued expenses	56,684	58,764
Deferred revenues	-	(30,216)
Fellowships and tuition liability	117,666	289,168
Deferred rent	(2,331)	(728)
Net cash provided by operating activities	363,768	404,494
Cash flows from investing activities:		
Proceeds from sale of investments	(1,624,341)	600,000
Purchases of investments	1,090,596	(1,155,652)
Purchases of property and equipment	-	(2,483)
Net cash used by investing activities	(533,745)	(558,135)
Cash flows from financing activities:		
Proceeds from paycheck protection program loan	222,983	179,756
Net cash provided by financing activities	222,983	179,756
Net increase in cash and cash equivalents	53,006	26,115
Cash and cash equivalents, beginning of year	2,344,088	2,317,973
Cash and cash equivalents, end of year	$ 2,397,094	$ 2,344,088

The accompanying notes are an integral part of these financial statements

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 recognizes revenue in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 606, Revenue from Contracts with Customers. ASC 606 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition.

In accordance with ASC 606, the Foundation recognizes revenue upon the transfer of goods or services to a customer at an amount that reflects the expected consideration to be received in exchange for those goods or services. The principles in ASC 606 are applied using the following five steps: (i) identify the contract with a customer; (ii) identify the performance obligation(s) in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligation(s) in the contract; and (v) recognize revenue when (or as) the Foundation satisfies its performance obligation(s). The Foundation recognizes revenue when control of the promised goods or services are transferred to outside parties in an amount that reflects the consideration. The Foundation records the following exchange transaction revenue in its statements of activities and changes in net assets for the years ending June 30, 2021 and 2020:

Contribution revenue - The Foundation recognizes contributions when the donor makes a pledge to give that is, in substance, an unconditional promise. Contributions are recorded as with or without donor restrictions depending on the nature of donor restrictions and depending on whether the restrictions are met in the current fiscal year. When the restriction is met on a contribution received in a prior fiscal year, the amount is shown as a reclassification of net assets with restrictions to net assets without donor restrictions. These contributions are generally expected to be collected in one year.

Contributed goods and 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.

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

Cash and cash equivalents - The Foundation 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 (4.00% and 4.25% for 2021 and 2020 fiscal years respectively, which is the Foundation's estimated incremental borrowing rate). Amortization of the discounts is included in contribution revenue.

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, 2021 and 2020.

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 $47,000 and $54,000 as of June 30, 2021 and 2020, respectively.

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

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 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. New property and equipment was purchased in fiscal year 2020, with a cost of approximately $2,500. No new property and equipment was purchased in fiscal year 2021. Accumulated depreciation and amortization for years ended June 30, 2021 and 2020 was approximately $17,000 and $9,000, respectively. Depreciation and amortization expense for the years ended June 30, 2021 and 2020 was approximately $8,000 and $7,000, respectively.

Fellowships and tuition liabilities - 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.

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

Paycheck Protection Program loan – The Foundation secured loans under the Paycheck Protection Program ("PPP"). The Foundation has accounted for the PPP loans in accordance with the FASB guidance for debt ASC Topic 470. When recorded, the Foundation expected to meet the PPP's eligibility criteria, and concluded that the PPP loan represented, in substance, debt that was expected to be forgiven. Accordingly, the Foundation initially recorded the loan as a note payable and planned to record the forgiveness when the loan obligation was legally released. See Note 9 for details.

Advertising - Advertising costs are expensed as incurred. Advertising expense for the fiscal years ended June 30, 2021 and 2020 were approximately $11,000 and $12,000, respectively.

Fair value of financial instruments - Unless otherwise indicated, the fair values of all reported assets and liabilities approximate the carrying values of such amounts.

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, 2021 and 2020, 27% and 14% of total contributions was received from one donor respectively. The donation 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, 2021 and 2020, 75% and 79% 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 2021.

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, 2021 and 2020, management did not identify any material uncertain tax positions.

Recently adopted accounting principles - In August 2018, the FASB issued Accounting Standard Update ("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 are applied prospectively while the rest of the provisions will be applied retrospectively. The ASU has been applied with no effect on net assets or previously issued financial statements.

In July 2020, the Foundation adopted the provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers ("Topic 606"), as amended. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. Results for reporting the years ending June 30, 2021 and 2020 are presented under FASB ASC Topic 606. The ASU has been applied retrospectively to all periods presented, with no effect on net assets or previously issued financial statements.

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

Recent accounting pronouncements - 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 ASU will be effective for annual reporting periods beginning after December 15, 2022. Early application is permitted. Management has not determined the impact of this pronouncement.

In September 2020, FASB issued ASU 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. This ASU is meant to improve financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets for not-for-profit entities ("NFP"), including additional disclosure requirements for recognized contributed services. This ASU requires that all NFP receiving nonfinancial assets must present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other assets. For non-public entities, the ASU will be effective for annual reporting periods beginning after June 15, 2021 Early application is permitted. Management has not determined the impact of this pronouncement.

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, 2021.

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:

	2021	2020
Cash and cash equivalents	$ 2,397,094	$ 2,344,088
Contribution receivable	4,411,134	4,755,640
Investments	22,312,492	17,737,192
Total financial assets	29,120,720	24,836,920
Net assets with donor restrictions	(13,571,450)	(12,436,127)
Designated for future fellowship commitments (Note 8)	(5,222,883)	(5,238,185)
Total financial assets available to meet cash needs for general expenditures within one year	$ 10,326,387	$ 7,162,608

Note 3 - Liquidity and availability of financial assets (continued):

The Foundation's endowment funds consist of donor-restricted endowments and a quasi-endowment. Income from donor-restricted endowments are restricted for specific purposes and, therefore, are not available as general expenditures, liabilities, and other obligations become due. As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as those obligations come due. Although the Foundation does not intend to spend from its quasi-endowment, other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its quasi-endowment could be made available if necessary.

Note 4 - Contributions receivable:

Contributions receivable consisted of the following at June 30:

	2021	2020
Due by June 30, 2022	$ 1,467,325	$ 1,395,728
Due from July 1, 2022 through June 30, 2026	3,229,295	4,364,880
	4,696,620	5,760,608
Less: allowance for doubtful contributions	(47,115)	(553,898)
Less: discount to net present value	(238,371)	(451,070)
	$ 4,411,134	$ 4,755,640

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. These standards establish a fair value hierarchy that priorities the inputs to valuation techniques used to measure fair value. Fair value is defined as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required to be recorded at fair value, the Foundation considers the principal or most advantageous market in which it would transact and considers assumptions that market participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions, and risk of nonperformance.

Note 5 - Investments (continued):

At June 30, 2021 and 2020, 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:

	2021	2020
Cash and short term investments	$ 92,095	$ 76,060
Equity mutual funds	21,046,372	16,431,456
Exchange traded funds	1,174,025	1,229,676
	$ 22,312,492	$ 17,737,192

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

	2021	2020
Realized gains, net	$ 1,001,692	$ 357,974
Unrealized gains, net	3,039,863	105,108
Interest and dividends	473,805	457,092
Total investment income	4,515,360	920,174
Investment related expenses	(76,046)	(69,717)
Total investment returns	$ 4,439,314	$ 850,457

Note 6 - Related-party transactions:

Contributions receivable - During the years ended June 30, 2021 and 2020, the Foundation had pledged contributions from Board members in the amount of $710,000 and $1,614,000, respectively.

Note 7 - 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 $80,000 and $196,000 for the years ended June 30, 2021 and 2020, respectively.

Note 8 - 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 2022 and designated for future years are as follows:

Year Ending June 30,		Amount
Fellowships and tuition liability		
2022	$	2,011,166
Designated for future fellowship commitments		
2023		1,580,685
2024		1,508,666
2025		1,467,266
2026		666,266
	$	5,222,883
Total fellowship commitment	$	7,234,049

Note 9 - Paycheck Protection Program loans:

On May 25, 2021 and May 7, 2020, the Foundation secured loans in the amount of approximately $223,000 and $180,000 respectively 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 (“SBA”) and the lender establish these criteria.

Note 9 - Paycheck Protection Program loans (continued):

The unforgiven portion of the PPP loans are payable over two years, with the first payment being due within 60 days of the SBA's determination on loan forgiveness, 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 10 - Net assets with donor restrictions:

Net assets with donor restrictions activity for the year ended June 30, 2021 was as follows:

	Beginning balance	Additions	Releases	Ending balance
Subject to passage of time	$ 4,755,640	$ 835,000	$ (1,179,506)	$ 4,411,134
Subject to endowment spending	7,680,487	1,728,640	(248,811)	9,160,316
	$ 12,436,127	$ 2,563,640	$ (1,428,317)	$ 13,571,450

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

	Beginning balance	Additions	Releases	Ending balance
Subject to passage of time	$ 5,096,492	$ 1,110,000	$ (1,450,852)	$ 4,755,640
Subject to endowment spending	7,348,041	558,059	(225,613)	7,680,487
	$ 12,444,533	$ 1,668,059	$ (1,676,465)	$ 12,436,127

Note 11 - 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 11 - Endowments (continued):

Changes in endowment net assets were as follows as of June 30:

		2021		2020
Endowment net assets, beginning of year	$	7,680,487	$	7,348,041
Investment return:				
Contributions		176,617		178,983
Interest and dividend income		160,824		187,861
Realized and unrealized gains, net		1,391,199		191,215
Total investment return		1,728,640		558,059
Appropriation of endowment assets for expenditure		(248,811)		(225,613)
Endowment net assets, end of year	$	9,160,316	$	7,680,487

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 net assets without donor restrictions. 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).

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 12 - 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 $179,000 and $175,000 for the fiscal years ending June 30, 2021 and 2020.

Note 13 - 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 2021 fiscal year were approximately $4,000, with estimated common area maintenance charges of approximately $5,000 a month.

Rent expense charged to operations for the year ended June 30, 2021 and 2020 was approximately $101,000 and $99,000, respectively, which includes common area maintenance.

Contingency: legal matters - Due to the nature of the Foundation's operations, claims and litigation may periodically arise. As of June 30, 2021, 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 - In March 2020, the world was impacted by a coronavirus disease ("COVID-19") pandemic. As a result, many businesses closed their doors in order to assist in the containment of the virus. Creative solutions and further knowledge on COVID-19 has subsequently improved the situation, yet the overall impact of the pandemic is still uncertain. 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. As of the date of the independent auditors' report, the extent to which COVID-19 may impact the Foundation's financial condition or results of operations is uncertain.