

# **Arcus Foundation**

## Financial Statements

December 31, 2021 and 2020

## **Independent Auditors' Report**

**To the Board of Directors  
Arcus Foundation**

### ***Opinion***

We have audited the accompanying financial statements of Arcus Foundation (the "Foundation"), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*PKF O'Connor Davies, LLP*

September 22, 2022

## Arcus Foundation

### Statements of Financial Position

	December 31	
	2021	2020
<b>ASSETS</b>		
Cash and cash equivalents	\$ 18,389,294	\$ 17,080,127
Accrued interest and dividends	421,845	238,498
Due from investment managers	907,644	503,128
Prepaid UBIT tax	13,578	-
Property, equipment and leasehold improvements, net	616,245	698,712
Investments	271,127,106	245,787,223
Other assets	<u>755,314</u>	<u>425,938</u>
	<u>\$ 292,231,026</u>	<u>\$ 264,733,626</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Grants payable, net	\$ 24,180,951	\$ 21,539,370
Accounts payable and accrued expenses	601,061	735,766
Excise and UBIT tax payable	87,362	49,775
Deferred Federal excise tax	2,150,000	1,910,000
Deferred rent	<u>511,548</u>	<u>618,807</u>
Total Liabilities	27,530,922	24,853,718
Net assets, without donor restrictions	<u>264,700,104</u>	<u>239,879,908</u>
	<u>\$ 292,231,026</u>	<u>\$ 264,733,626</u>

See notes to financial statements

## Arcus Foundation

### Statements of Activities

	Year Ended December 31	
	2021	2020
<b>SUPPORT AND REVENUE</b>		
Contributions	\$ 30,010,000	\$ 30,010,000
Investment Return		
Dividends and interest	1,930,254	1,656,616
Net realized gain on investments	13,353,285	4,823,825
Unrealized gain on investments	19,045,001	29,362,271
Investment expense	(478,723)	(388,235)
Investment Return	33,849,817	35,454,477
In-kind contributions	456,614	461,210
Total Support and Revenue	64,316,431	65,925,687
 <b>GRANTS AND OPERATING EXPENSES</b>		
Grants and program	34,922,181	33,424,729
Operations and governance	4,141,045	3,991,332
Total Grants and Operating Expenses	39,063,226	37,416,061
Change in Net Assets Before Other Changes	25,253,205	28,509,626
 <b>OTHER CHANGES</b>		
Provision for deferred Federal excise tax	(240,000)	(390,000)
Federal excise tax, current	(193,009)	(82,446)
Change in Net Assets	24,820,196	28,037,180
 <b>NET ASSETS</b>		
Beginning of year	239,879,908	211,842,728
End of year	\$ 264,700,104	\$ 239,879,908

See notes to financial statements

## Arcus Foundation

### Statements of Cash Flows

	Year Ended	
	December 31	
	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 24,820,196	\$ 28,037,180
Adjustments to reconcile change in net assets to net cash from operating activities		
Bond premium amortization	91,484	(22,322)
Depreciation and amortization	230,438	221,274
Deferred rent	(107,259)	(63,610)
Discount on grants payable	15,232	(75,047)
Realized gain on investments	(13,353,285)	(4,823,825)
Unrealized gain on investments	(19,045,001)	(29,362,271)
Deferred Federal excise tax	240,000	390,000
Contributions of stock to grantees	2,559,304	2,139,124
Changes in operating assets and liabilities		
Accrued interest and dividends	(183,347)	23,711
Due from investment managers	(404,516)	558,510
Prepaid UBIT tax	(13,578)	-
Other assets	(329,376)	2,431
Grants payable	2,626,349	1,467,518
Excise and UBIT tax payable	37,587	3,745
Accounts payable and accrued expenses	(134,705)	(268,287)
Net Cash from Operating Activities	(2,950,477)	(1,771,869)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(58,099,800)	(64,658,742)
Net proceeds from sales of investments	62,507,415	64,440,741
Purchase of property, equipment and leasehold improvements	(147,971)	(106,543)
Net Cash from Investing Activities	4,259,644	(324,544)
Net Change in Cash and Cash Equivalents	1,309,167	(2,096,413)
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	17,080,127	19,176,540
End of year	\$ 18,389,294	\$ 17,080,127
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Cash paid for Federal excise taxes	\$ 145,000	\$ 55,000

See notes to financial statements

## Arcus Foundation

Notes to Financial Statements  
December 31, 2021 and 2020

### 1. Organization

The Arcus Foundation (the “Foundation”), formed in 1997 as the Jon L. Stryker Foundation and renamed in 2000, is dedicated to the idea that people can live in harmony with one another and the natural world. The mission is driven by the vision of our founder and by our shared commitment to emergent global human rights and conservation movements. The Foundation has offices in Cambridge, United Kingdom and New York City, New York.

### 2. Summary of Significant Accounting Policies

#### ***Basis of Presentation and Use of Estimates***

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”), which 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. Accordingly, actual results could differ from those estimates.

#### ***Cash and Cash Equivalents***

Cash and cash equivalents consist of checking and money market accounts. The Foundation considers all highly liquid debt instruments available for current use with a maturity date of three months or less at the date of purchase to be cash equivalents.

#### ***Fair Value Measurements***

The Foundation follows U.S. GAAP guidance on Fair Value Measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment’s level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

The Foundation follows U.S. GAAP guidance which removed the requirements to categorize within the fair value hierarchy alternative investments where fair value is measured using the Net Asset Value (“NAV”) per share as a practical expedient.

## **Arcus Foundation**

Notes to Financial Statements  
December 31, 2021 and 2020

### **2. Summary of Significant Accounting Policies (*continued*)**

#### ***Investments***

Investments are carried at fair value. The fair value of alternative investments has been estimated using NAV as reported by the management of the respective alternative investment fund. U.S. GAAP guidance provides for the use of NAV as a “Practical Expedient” for estimating fair value of alternative investments. NAV reported by each alternative investment fund is used as a practical expedient to estimate the fair value of the Foundation’s interest.

#### ***Investment Income Recognition***

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Realized gains and losses on the sale of investments are computed on the specific identification basis. Realized and unrealized gains and losses are included in the determination of the change in net assets.

#### ***Investment Expense***

Investment expense on the statements of activities consists of fees paid directly to the Foundation’s investment advisor, investment managers and investment custodians.

#### ***Property, Equipment and Leasehold Improvements***

Property, equipment and leasehold improvements are carried at cost or appraised value at date of donation. Depreciation is computed using the straight-line method over the estimated useful life of the assets. Equipment is being depreciated over three to seven years. Furniture is being depreciated over three to fifteen years. Leasehold improvements are amortized over the terms of the office lease or life of the asset, whichever is shorter. The Foundation capitalizes all purchases greater than or equal to \$1,000.

The Foundation reviews assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If such assets are considered impaired, the impairment to be recognized is measured by the amount by which the carrying amounts of the assets exceed the fair value. No impairment loss has been recognized during the years ended December 31, 2021 and 2020.

#### ***Grants***

The liability for grants and project appropriations payable is recognized when specific grants are authorized by the Board of Directors and the recipients have been notified.

## Arcus Foundation

Notes to Financial Statements  
December 31, 2021 and 2020

### 2. Summary of Significant Accounting Policies (*continued*)

#### ***Net Asset Presentation***

The Foundation reports information regarding its financial position and activities according to classes of net assets based on the presence or absence of donor-imposed restrictions. Net assets without donor restrictions are not externally restricted for identified purposes. Net assets with donor restrictions represent amounts that are restricted by donors that are to be held until the donor or time restriction has been satisfied or that are to be held in perpetuity. There are no net assets with donor restrictions as of December 31, 2021 and 2020.

#### ***Functional Allocation of Expenses***

The costs of providing various programs and related supporting services have been summarized on a functional basis in the accompanying financial statements. Accordingly, certain costs have been allocated among the appropriate programs and supporting services benefited. Refer to note 6 for the classification of expenses by their functional allocation and policy for allocating such expenses.

#### ***Contributions***

Contributions are reported as an increase in net assets without donor restrictions, unless their use is limited by donor-imposed restrictions.

#### ***In-Kind Contributions***

Donation of assets other than cash are recorded at their fair value as of the date of donation.

#### ***Accounting for Uncertainty in Income Taxes***

The Foundation recognizes the effect of tax positions when they are more likely than not to be sustained. Management is not aware of any violations of its tax status as an organization exempt from income tax, nor of any exposure to unrelated business income tax that would require disclosure and/or recognition. The Foundation is no longer subject to examinations by the applicable taxing jurisdictions for periods prior to 2018.

#### ***Subsequent Events Evaluation by Management***

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is September 22, 2022.

## Arcus Foundation

Notes to Financial Statements  
December 31, 2021 and 2020

### 3. Concentration of Credit Risk

The Foundation's cash, cash equivalents and investments are potentially exposed to concentrations of credit risk. The Foundation invests its cash and cash equivalents with quality financial institutions and throughout the year balances in such institutions may exceed the Federal insured limits. The Foundation invests in common stocks, fixed income securities, index funds, and limited partnerships. The Foundation routinely assesses the diversification and financial strength of its cash and investment portfolio. Additionally, approximately 99% of total contribution revenue was generated from one donor in 2021 and 2020.

### 4. Investments

The following tables summarize the fair value of investments valued at fair value on a recurring basis, at December 31, grouped by the fair value hierarchy, for those investments subject to categorization within such hierarchy:

	2021			Total
	Level 1	Level 2	Other Investments Measured at Net Asset Value (*)	
Common Stock				
Healthcare	\$ 55,307,270	\$ -	\$ -	\$ 55,307,270
Foreign equities	12,837,501	-	-	12,837,501
Banks	2,166,927	-	-	2,166,927
Other common stock	15,547,692	-	-	15,547,692
Exchange traded funds	14,008,195	-	-	14,008,195
Government, agency notes and bonds	8,748,243	-	-	8,748,243
Corporate bonds	-	5,450,269	-	5,450,269
Private equity	-	-	57,272,925	57,272,925
Hedge Funds				
Multi-strategy credit	-	-	11,506,172	11,506,172
Diversified strategy	-	-	21,687,361	21,687,361
Hedged equity	-	-	24,864,490	24,864,490
Strategic fixed income	-	-	6,647,042	6,647,042
Select equity	-	-	35,083,019	35,083,019
	<u>\$ 108,615,828</u>	<u>\$ 5,450,269</u>	<u>\$ 157,061,009</u>	<u>\$ 271,127,106</u>

## Arcus Foundation

### Notes to Financial Statements December 31, 2021 and 2020

#### 4. Investments (continued)

	2020			Total
	Level 1	Level 2	Other Investments Measured at Net Asset Value (*)	
Common Stock				
Healthcare	\$ 53,134,228	\$ -	\$ -	\$ 53,134,228
Foreign equities	17,471,632	-	-	17,471,632
Banks	2,080,504	-	-	2,080,504
Other common stock	18,874,601	-	-	18,874,601
Government, agency notes and bonds	11,609,344	-	-	11,609,344
Corporate bonds	-	6,356,173	-	6,356,173
Private equity	-	-	41,328,787	41,328,787
Hedge Funds				
Diversified strategy	-	-	20,263,137	20,263,137
Hedged equity	-	-	24,004,755	24,004,755
Strategic fixed income	-	-	19,349,423	19,349,423
Select equity	-	-	31,314,639	31,314,639
	<u>\$ 103,170,309</u>	<u>\$ 6,356,173</u>	<u>\$ 136,260,741</u>	<u>\$ 245,787,223</u>

(\*) As discussed in Note 2, investments that are measured using the practical expedient are not classified within the fair value hierarchy.

There were no transfers into or out of any level of the fair value hierarchy for assets measured at fair value for the years ended December 31, 2021 and 2020.

At December 31, common stock includes shares of Stryker Corporation common stock as follows:

	2021		
	Tax Cost	Book Cost	Fair Value
206,818 Shares	\$ 2,962	\$ 23,825,801	\$ 55,307,270

  

	2020		
	Tax Cost	Book Cost	Fair Value
216,839 Shares	\$ 3,106	\$ 24,835,116	\$ 53,134,228

Tax cost represents the donor's basis. Book cost represents the fair value of the donated stock at the time of donation.

## Arcus Foundation

### Notes to Financial Statements December 31, 2021 and 2020

#### 4. Investments (continued)

For the years ended December 31, unrealized and realized gains attributed to Stryker Corporation stock are included on the statements of activities as follows:

	2021	2020
Realized gain	\$ 1,549,989	\$ 786,759
Unrealized gain	3,182,356	6,144,551

In addition to the shares of Stryker Corporation stock, the Foundation is also invested in several hedge fund-of-fund structures and five private equity investments. Two of the five hedge funds represented 13% and 9% of the Foundation's total investment portfolio at December 31, 2021, and two of the hedge funds represented 13% and 10% at December 31, 2020.

Information regarding alternative investments valued using NAV as practical expedient at December 31, 2021 is as follows:

Description	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Private equity (see "a" below)	\$ 57,272,925	\$ 22,033,441	Locked	N/A**
Hedge Funds				
Multi-strategy credit (see "f" below)	11,506,172	-	Monthly	15 days
Diversified strategy (see "b" below)	21,687,361	-	Monthly	7 days
Hedged equity (see "c" below)	24,864,490	-	Monthly	7 days
Strategic fixed income (see "d" below)	6,647,042	-	Monthly	7 days
Select equity (see "e" below)	35,083,019	-	Monthly	7 days
	\$ 157,061,009	\$ 22,033,441		

(\*\*) This investment can never be redeemed with the funds. Instead, the nature of the investments in this category is that distributions are received through liquidation of the underlying assets of the fund.

- a. The private equity portfolio allocates to a number of managers who seek to exceed the return of the global public equity market through value generation and operational intensity. The underlying fund investments are generally expected to span a range of strategies including, without limitation, investments of the following nature: buyout, growth capital, venture capital, distressed credit and direct lending. In addition, the portfolio intends to consider, and may include, strategies that are sector specific and may be related to physical assets such as real estate and natural resources.
- b. The diversified strategy portfolio allocates capital to a number of managers who deploy their capital with flexibility across all major markets of the world including public equities, fixed income, credit, foreign exchange, commodities, and may, from time to time, also make privately negotiated equity and debt investments. The composition of the portfolios relative to actual underlying asset classes are likely to evolve over time based on the opportunity set in the world's markets, and also vary based on the core competencies of each underlying manager's team.

## Arcus Foundation

Notes to Financial Statements  
December 31, 2021 and 2020

### 4. Investments (*continued*)

- c. The hedged equity portfolio allocates capital to a number of managers who approach the world's equity markets with the intention of generating positive total returns over a market cycle, while also attempting to preserve capital during adverse market conditions.
- d. The strategic fixed income portfolio allocates capital to a number of managers who approach the world's fixed income, foreign exchange and credit markets with strong research skills and/or quantitative and technical insights.
- e. The select equity portfolio allocates capital to a number of managers who apply their unique insights and talents to the world's public equity markets. Select equity managers seek to exceed the return of the global public equities through research driven stock selection, private equity approaches to public corporate shares and increased concentration around a set of high conviction ideas.
- f. Multi-strategy credit, managed by BlackRock, allocates capital on a flexible and opportunistic basis across a broad universe of credit securities, including high yield bonds and loans. The strategy is global, with a depth of credit research capabilities across the U.S., Europe, China and Emerging Markets. Macro views may lead the manager to cross-over into Investment Grade Credit and actively manage interest rate risk.

Alternative investments consist of non-traditional, not readily marketable investments, some of which may be structured as offshore limited partnerships, venture capital funds, hedge funds, private equity funds and common trust funds. The underlying investments of such funds, whether invested in stock or other securities, are generally not currently traded in a public market and typically are subject to restrictions on resale. Values determined by investment managers and general partners of underlying securities that are thinly traded or not traded in an active market may be based on historical cost, appraisals, a review of the investees' financial results, financial condition and prospects, together with comparisons to similar companies for which quoted market prices are available or other estimates that require varying degrees of judgment.

Because of the inherent uncertainty of valuations, the estimated fair values may differ significantly from the values that would have been used had a ready market for such investments existed or had such investments been liquidated, and those differences could be material.

### 5. Liquidity and Availability of Financial Assets

The following reflects the Foundation's financial assets and resources without donor restrictions available as of December 31, to meet cash needs for general expenditures within one year of the date of the statement of financial position:

## Arcus Foundation

### Notes to Financial Statements December 31, 2021 and 2020

#### 5. Liquidity and Availability of Financial Assets *(continued)*

	2021	2020
Financial assets:		
Cash and cash equivalents	\$ 18,389,294	\$ 17,080,127
Accrued interest and dividends	421,845	238,498
Due from investment managers	907,644	503,128
Investments	271,127,106	245,787,223
Less: Illiquid private equity investments	<u>(57,272,925)</u>	<u>(41,328,787)</u>
Total Financial Assets Available Within One Year	<u>\$ 233,572,964</u>	<u>\$ 222,280,189</u>

The Foundation structures its financial assets to be available to pay general expenditures and other obligations as they become due. The Foundation forecasts its future cash flows and monitors its liquidity and available cash. Based on these forecasts, the Foundation receives funding from its primary funding source in intervals based on operational needs within one year. Additional funding can be requested at any time from this funding source.

#### 6. Expenses by Functional and Natural Classification

Expenses are presented by functional classification in alignment with the overall mission of the Foundation. Expenses are classified based on the direct impact to the Foundation. Therefore, certain expenses require allocation on a reasonable basis that is consistently applied. These expenses are based on employee time and effort. The following tables present expenses by both their natural and functional classification for the years ended December 31, 2021 and 2020.

	2021		
	Grants and Program	Operations and Governance	Total
Grants awarded, net	\$ 28,967,510	\$ -	\$ 28,967,510
Salaries and wages	3,437,157	1,523,665	4,960,822
Payroll taxes and employee benefits	1,077,749	589,681	1,667,430
Professional fees	686,611	469,974	1,156,585
Occupancy	-	683,148	683,148
Meetings, travel and site visits	69,400	57,015	126,415
Postage, printing and publications	574,291	21,631	595,922
Office expense	80,037	339,953	419,990
Repairs and maintenance	-	47,910	47,910
Insurance	-	113,759	113,759
Membership dues	29,426	29,454	58,880
Depreciation and amortization	-	230,438	230,438
Other	-	34,417	34,417
Total	<u>\$ 34,922,181</u>	<u>\$ 4,141,045</u>	<u>\$ 39,063,226</u>

## Arcus Foundation

Notes to Financial Statements  
December 31, 2021 and 2020

### 6. Expenses by Functional and Natural Classification *(continued)*

	2020		
	Grants and Program	Operations and Governance	Total
Grants awarded, net	\$ 27,929,172	\$ -	\$ 27,929,172
Salaries and wages	2,908,920	1,402,701	4,311,621
Payroll taxes and employee benefits	914,631	539,821	1,454,452
Professional fees	785,916	561,971	1,347,887
Occupancy	-	692,122	692,122
Meetings, travel and site visits	136,178	19,677	155,855
Postage, printing and publications	637,620	22,589	660,209
Office expense	91,207	316,833	408,040
Repairs and maintenance	-	41,401	41,401
Insurance	-	108,934	108,934
Membership dues	13,748	24,770	38,518
Depreciation and amortization	-	221,274	221,274
Other	7,337	39,239	46,576
Total	\$ 33,424,729	\$ 3,991,332	\$ 37,416,061

### 7. Federal Excise Tax

The Foundation is exempt from Federal income taxes under Section 501(c)(3) and 509(a) of the Internal Revenue Code and has been further classified as a “private foundation.”

The Foundation is subject to an excise tax of 1.39% on its net investment income. The Foundation provides for deferred federal excise tax on the net unrealized appreciation of the fair value of investments at the rate applicable for the following year. The rate used at December 31, 2021 and 2020 is 1.39%.

## Arcus Foundation

Notes to Financial Statements  
December 31, 2021 and 2020

### 8. Property, Equipment and Leasehold Improvements

As of December 31, property, equipment and leasehold improvements consisted of the following:

	<u>2021</u>	<u>2020</u>
Leasehold improvements	\$ 1,529,577	\$ 1,529,577
Furniture and equipment	<u>2,916,557</u>	<u>2,768,586</u>
	4,446,134	4,298,163
Less: accumulated depreciation and amortization	<u>3,829,889</u>	<u>3,599,451</u>
	<u>\$ 616,245</u>	<u>\$ 698,712</u>

### 9. Grants Payable

The Foundation has entered into grant commitments with certain organizations. Payments to these organizations at December 31, are to be made as follows:

	<u>2021</u>	<u>2020</u>
Less than one year	\$ 16,111,541	\$ 13,992,487
One to four years	<u>8,471,433</u>	<u>7,964,138</u>
	24,582,974	21,956,625
Less: present value discount	<u>402,023</u>	<u>417,255</u>
Grants Payable, net	<u>\$ 24,180,951</u>	<u>\$ 21,539,370</u>

To reflect the time value of money, grants payable as of December 31, 2021 and 2020 were discounted to their present value using the Federal Reserve Business Lending rate of 4.26%.

### 10. Grants Awarded

For the years December 31, grants awarded were comprised of the following:

	<u>2021</u>	<u>2020</u>
Grants awarded	\$ 29,128,265	\$ 28,058,853
Grants rescinded/refunded	(185,000)	-
Stock transfer adjustment	9,013	(54,634)
Present value discount	<u>15,232</u>	<u>(75,047)</u>
Grants Awarded, net	<u>\$ 28,967,510</u>	<u>\$ 27,929,172</u>

## Arcus Foundation

Notes to Financial Statements  
December 31, 2021 and 2020

### 11. Retirement Plan

The Foundation maintains a 401(k) plan, which covers all employees whose regular schedule is at least 30 hours a week. Employees become eligible on the first day of the month following his/her start date. Eligible employees may defer a portion of their compensation, not to exceed the annual limit set by the Internal Revenue Code. The Foundation matches 100% of the first 3% and 50% of the next 2% of an employee's contribution. The Foundation's matching contributions were \$179,434 and \$161,777 for 2021 and 2020. The Foundation may also make discretionary contributions to all eligible employees. Discretionary contributions were \$462,210 and \$418,016 for 2021 and 2020. For employees hired on or after July 1, 2013, their employer contributions will vest over a three year period, in equal parts each year. Employees receive the discretionary contributions regardless of their plan participation.

### 12. Commitments

The Foundation has a lease agreement expiring August 25, 2025 for space at 44 West 28<sup>th</sup> Street, NY, NY. The Foundation's policy is to record base rent on a straight-line basis over the term of the lease. The Foundation has a letter of credit obligation of \$208,512 as a guarantee for the lease agreement.

On September 24, 2021, the Foundation signed a license agreement to occupy space at 445, 5<sup>th</sup> avenue. This agreement commenced in January 2022.

The Foundation also occupies space in the United Kingdom under a lease agreement which expires on October 31, 2022.

Future minimum obligations under these leases, exclusive of required payments for increases in real estate taxes and operating expenses, are as follows:

2022	\$ 698,577
2023	638,461
2024	652,826
2025	441,697
	<u>\$ 2,431,561</u>

## **Arcus Foundation**

Notes to Financial Statements  
December 31, 2021 and 2020

### **13. In-Kind Contributions**

The Foundation received pro-bono advertising space valued at an estimated \$456,614 and \$461,210 during 2021 and 2020. Such services have been reflected as a contribution and an expense within postage, printing and publications.

### **14. COVID-19**

The COVID-19 pandemic has resulted in substantial volatility in the global financial markets. Because the value of the Foundation's individual investments has and will fluctuate in response to changing market conditions, the amount of losses, if any, that will be recognized in subsequent periods, cannot be determined.

### **15. Subsequent Events**

Subsequent to year end the Foundation received two donations totaling \$25,000,000.

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