



**THE BUSH FOUNDATION**

Financial Statements

December 31, 2020 and 2019

(With Independent Auditors' Report Thereon)



KPMG LLP  
4200 Wells Fargo Center  
90 South Seventh Street  
Minneapolis, MN 55402

## Independent Auditors' Report

The Board of Directors  
The Bush Foundation:

We have audited the accompanying financial statements of the Bush Foundation, which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bush Foundation as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.



*Emphasis of Matter*

As discussed in Note 2(h) to the financial statements, in 2019 the Bush Foundation adopted new accounting guidance, Financial Accounting Standards Board Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, ASU 2016-12, *Revenue from Contracts with Customers Narrow-Scope Improvements and Practical Expedients (Topic 606)* and ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to these matters.

KPMG LLP

Minneapolis, Minnesota  
July 15, 2021

**THE BUSH FOUNDATION**  
 Statements of Financial Position  
 December 31, 2020 and 2019  
 (In thousands)

<b>Assets</b>	<b>2020</b>	<b>2019</b>
Cash	\$ 6,601	111
Investments and cash equivalents, at fair value	1,594,655	1,078,694
Program-related investments, net	9,168	6,763
Dividends and interest receivable	817	668
Unsettled trades receivable	5,645	16,015
Taxes receivable	2,018	788
Other assets	173	222
Total assets	<u>\$ 1,619,077</u>	<u>1,103,261</u>
<b>Liabilities and Net Assets</b>		
Accounts payable	\$ 572	788
Unsettled trades payable	472	25
Accrued and other liabilities	1,147	526
Taxes payable	245	74
Deferred taxes	10,167	5,004
Grants payable	18,843	16,974
Bond payable	100,000	—
Total liabilities	131,446	23,391
Net assets without donor restriction	<u>1,487,631</u>	<u>1,079,870</u>
Total liabilities and net assets	<u>\$ 1,619,077</u>	<u>1,103,261</u>

See accompanying notes to financial statements.

**THE BUSH FOUNDATION**

Statements of Activities

Years ended December 31, 2020 and 2019

(In thousands)

	<u>2020</u>	<u>2019</u>
Revenue:		
Investment return, net	\$ 458,054	179,211
Other income	50	—
Total revenue	<u>458,104</u>	<u>179,211</u>
Expense:		
Direct program expense	46,953	38,292
General administration expense	2,833	2,902
Tax expense	557	1,157
Total expense	<u>50,343</u>	<u>42,351</u>
Change in net assets without donor restriction	407,761	136,860
Net assets without donor restriction at beginning of year	<u>1,079,870</u>	<u>943,010</u>
Net assets without donor restriction at end of year	<u>\$ 1,487,631</u>	<u>1,079,870</u>

See accompanying notes to financial statements.

**THE BUSH FOUNDATION**

Statements of Cash Flows

Years ended December 31, 2020 and 2019

(In thousands)

	<b>2020</b>	<b>2019</b>
Cash flows from operating activities:		
Change in net assets without donor restriction	\$ 407,761	136,860
Adjustments to reconcile change in net assets without donor restriction to net cash used in operating activities:		
Depreciation	10	7
Realized gains on investment transactions	(96,506)	(79,534)
Net change in unrealized gains in fair value of investments	(365,395)	(95,855)
Increase in deferred taxes	5,163	4
Changes in assets and liabilities:		
Dividends and interest receivable	(149)	235
Other assets	49	(76)
Accounts payable and accrued and other liabilities	405	335
Taxes receivable and payable	(1,059)	(416)
Grants payable	1,869	(2,246)
Net cash used in operating activities	(47,852)	(40,686)
Cash flows from investing activities:		
(Increase) decrease in unsettled trades receivable	10,370	(9,785)
(Decrease) increase in unsettled trades payable	447	(1,291)
Proceeds from sale of investments	281,529	466,058
Purchase of investments	(178,816)	(405,253)
Funding of program-related investments	(2,405)	(1,833)
Net cash provided by investing activities	111,125	47,896
Cash flows from financing activities:		
Proceeds from bond issuance	100,000	—
Net cash provided by financing activities	100,000	—
Net increase in cash and cash equivalents	163,273	7,210
Cash and cash equivalents at beginning of year	12,867	5,657
Cash and cash equivalents at end of year	\$ 176,140	12,867
Cash and cash equivalents:		
Cash	\$ 6,601	111
Cash equivalents in investments	169,539	12,756
	\$ 176,140	12,867
Supplemental disclosure of cash flow information:		
Cash paid during the year for taxes	\$ 1,641	1,827

See accompanying notes to financial statements.

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December 31, 2020 and 2019

(In thousands)

### (1) Organization

The Bush Foundation (the Foundation) is an exempt private foundation that invests in great ideas and the people who power them. The Foundation serves Minnesota, North Dakota, South Dakota, and the 23 Native nations that share the same geography.

### (2) Significant Accounting Policies

#### (a) Basis of Accounting

The financial statements are prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles.

#### (b) Tax-Exempt Status

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (the Code) and is a private foundation as defined in Section 509(a) of the Code. The Foundation is subject to applicable state and federal unrelated business income tax and federal excise tax as discussed in note 6. A provision for unrelated business income tax and federal excise tax has been made and is included in the financial statements.

The Foundation's accounting policy provides that a tax expense or benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits. The Foundation has no uncertain tax positions resulting in an accrual of tax expense or benefit.

#### (c) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires the Foundation to make estimates and assumptions that affect the reported amounts of assets and liabilities and revenues and expenses during the year. Actual results could differ from those estimates.

#### (d) Investments and Cash Equivalents

Investments in equity securities that are traded on national or international securities exchanges are carried at fair value, based upon quoted market prices provided by external investment managers and the Foundation's custodian. Corporate and debt securities are valued using market quotations obtained from broker-dealers or pricing services and are carried at fair value. Mutual funds and common and collective trusts are recorded at net asset value (NAV), which represents a readily determinable fair value.

Investments held in alternative structures including equity limited partnerships, private equity limited partnerships and related structures, real asset funds, and hedge funds are recorded at NAV as a practical expedient to fair value based on estimates provided by the respective investment managers if quoted market values are not readily determinable. See additional disclosures in note 3.

Purchases and sales of investments are recorded on the trade-date basis. Interest and dividend income are recorded when earned. Realized gains and losses are recorded as the difference between

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historical cost and the amount of cash proceeds received when sold. Unrealized gains and losses are recorded as the change in fair value of investments during the year.

The Foundation considers all interest-bearing deposits, money market accounts, and short-term investments purchased with original maturities of three months or less to be cash equivalents.

**(e) *Unsettled Trades Receivable or Payable***

The amounts receivable or payable for investments with settlements pending result from the sales or purchases of investments made prior to the end of the fiscal year but settled after the fiscal year-end.

**(f) *Fair Value of Financial Instruments***

The carrying values of dividends and interest receivable, unsettled trades receivable and payable, accounts payable, and accrued and other liabilities are reasonable estimates of their fair value due to the short-term nature of these financial instruments. Investments and program-related investments (PRIs) are stated at fair value, except that PRI loans are stated at the face value of the loan, net of any allowance for uncollectible or permanently impaired loans. Grants payable approximate fair value by discounting multi-year grants.

**(g) *Grants, Net of Cancellations***

Grants are recorded as an expense when the Foundation makes an unconditional award. Payment of grants reduces the resulting liability incurred at the time of the award. Cancellations of grants occur principally when the grantees do not meet the grant terms or when terms are adjusted and are reflected as a reduction of grant expense. Cancellations were \$0 and \$69 in 2020 and 2019, respectively. Grants awarded, net of cancellations, were \$37,510 and \$30,127 for the years ended December 31, 2020 and 2019, respectively.

**(h) *Implementation of New Accounting Standards***

On May 28, 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The guidance supersedes the current revenue recognition guidance, including industry-specific guidance. The guidance introduces a five-step model to achieve its core principle of the entity recognizing revenue to depict the transfer of goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Additionally, on May 9, 2016, the FASB issued ASU 2016-12, *Revenue from Contracts with Customers Narrow-Scope Improvements and Practical Expedients (Topic 606)*. The guidance amends ASU 2014-09 to clarify the guidance on assessing collectability, presentation of sales taxes, noncash consideration, completed contracts, and contract modifications at transition. The Foundation adopted this guidance on January 1, 2019. The adoption of this standard did not have a material impact on the financial statements.



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In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard provides guidance on recognizing contributions made and received for not-for-profit entities. The contributions received portion of the standard is effective for annual periods beginning after December 15, 2018, and the contributions made portion of the standard is effective for annual periods beginning after December 15, 2019. The adoption of this standard did not have a material impact on the financial statements in 2019 or 2020.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure requirements for Fair Value Measurement*, which modifies the disclosure requirements on fair value measurements in Topic 820. The ASU removes the requirement to disclose the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy, including the policy for timing of transfers between levels; the description of valuation processes for Level 3 fair value measurement; and, for nonpublic entities, the changes in unrealized gains and losses from measurements held at the end of the reporting period. However, in lieu of a rollforward for Level 3 fair value measurements, a nonpublic entity is required to disclose the transfers into and out of Level 3 of the fair value hierarchy and purchase and issues of Level 3 assets and liabilities. The Foundation has adopted ASU 2018-13 as of January 1, 2020. There was no impact to the Foundation's financial statements with the adoption.

**(i) Reclassifications**

Certain prior period amounts have been reclassified to conform with the current year presentation.

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**(3) Investments and Cash Equivalents**

Investments and cash equivalents at fair value consisted of the following:

	<u>2020</u>	<u>2019</u>
Cash equivalents	\$ 169,539	12,781
Corporate and debt securities	144,485	89,797
Mutual funds and common and collective trusts:		
Fixed income funds	1,549	68,448
International equity funds	141,161	119,630
Equity funds	14,935	10,658
Real asset funds	—	6,643
Hedge strategy funds	5,075	9,981
Equity securities:		
U.S. equities	50,264	43,878
International equities	16,982	12,819
Total marketable investments	<u>543,990</u>	<u>374,635</u>
Alternative investments:		
Multistrategy hedge funds	60,019	57,555
Long/short hedge funds	57,469	41,395
Fixed income hedge funds	45	48
Real asset funds	14,367	19,504
Equity limited partnerships	135,561	133,095
Private equity limited partnerships and related structures	783,204	452,462
Total alternative investments	<u>1,050,665</u>	<u>704,059</u>
Total	<u>\$ 1,594,655</u>	<u>1,078,694</u>

The Foundation follows Accounting Standards Codification Topic 820, *Fair Value Measurement* (ASC 820), which establishes a three-level fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described below:

- Level 1 – quoted prices in active markets for identical securities. Mutual funds, U.S. equities, and international equities traded on securities exchanges are carried at fair value based upon closing market quotations on such exchange on the date of valuation or, in the absence of sales, at values based on the closing bid price or last sale price on the previous trading day. Common and collective trusts are valued using the NAV as a readily determinable fair value. Investments in cash equivalents include money market securities that are valued at closing net asset value.

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- Level 2 – other significant observable inputs (including quoted prices for similar securities, interest rates, credit risk, etc.). The current fair values of corporate and debt securities are provided by an independent pricing service, but where an active market exists, are valued using market quotations obtained from broker-dealers or quotation systems.
- Level 3 – significant unobservable inputs that are not corroborated by observable market data. The Foundation does not hold any Level 3 investments.

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. There have been no changes in the valuation methodologies used as of December 31, 2020 and 2019.

The summary of inputs used to value the Foundation's investments measured on a recurring basis as of December 31, 2020 is as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash equivalents	\$ 169,539	—	—	169,539
Corporate and debt securities	—	144,485	—	144,485
Mutual funds and common and collective trusts:				
Fixed income funds	1,549	—	—	1,549
International equity funds	141,161	—	—	141,161
Equity funds	14,935	—	—	14,935
Real asset funds	—	—	—	—
Hedge strategy funds	5,075	—	—	5,075
Equity securities:				
U.S. equities	50,264	—	—	50,264
International equities	16,982	—	—	16,982
Marketable investments	<u>399,505</u>	<u>144,485</u>	<u>—</u>	<u>543,990</u>
Investments measured at net asset value as a practical expedient <sup>(1)</sup> :				
Alternative investments				<u>1,050,665</u>
Total alternative investments				<u>1,050,665</u>
Total investments	<u>\$ 399,505</u>	<u>144,485</u>	<u>—</u>	<u>1,594,655</u>

<sup>(1)</sup> Certain investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

The Foundation did not have any transfers into or out of Level 3 during the year ended December 31, 2020.

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The summary of inputs used to value the Foundation's investments measured on a recurring basis as of December 31, 2019 is as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash equivalents	\$ 12,781	—	—	12,781
Corporate and debt securities	—	89,797	—	89,797
Mutual funds and common and collective trusts:				
Fixed income funds	68,448	—	—	68,448
International equity funds	119,630	—	—	119,630
Equity funds	10,658	—	—	10,658
Real asset funds	6,643	—	—	6,643
Hedge strategy funds	9,981	—	—	9,981
Equity securities:				
U.S. equities	43,878	—	—	43,878
International equities	12,819	—	—	12,819
Marketable investments	<u>284,838</u>	<u>89,797</u>	<u>—</u>	<u>374,635</u>
Investments measured at net asset value as a practical expedient <sup>(1)</sup> :				
Alternative investments				<u>704,059</u>
Total alternative investments				<u>704,059</u>
Total investments	<u>\$ 284,838</u>	<u>89,797</u>	<u>—</u>	<u>1,078,694</u>

<sup>(1)</sup> Certain investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

The Foundation did not have any transfers into or out of Level 3 during the year ended December 31, 2019.

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The following is a summary of the investments valued using NAV as a practical expedient and the related unfunded commitments and redemption restrictions associated with each major category at December 31, 2020:

	<u>Fair value</u>	<u>Unfunded commitments</u>	<u>Redemption frequency ranges</u>	<u>Redemption notice period</u>
Alternative investments:				
Multistrategy hedge funds (a) \$	60,019	—	none – quarterly	65–90 days
Long/short hedge funds (b)	57,469	—	monthly – annually	30–90 days
Fixed income hedge funds (c)	45	—	none	none
Real asset funds (d)	14,367	10,767	none	none
Equity limited partnerships (e)	135,561	—	quarterly	60 days
Private equity limited partnerships and related structures (f)	783,204	98,911	none	none
Total	\$ <u>1,050,665</u>	<u>109,678</u>		

The following is a summary of the investments valued using NAV as a practical expedient and the related unfunded commitments and redemption restrictions associated with each major category at December 31, 2019:

	<u>Fair value</u>	<u>Unfunded commitments</u>	<u>Redemption frequency ranges</u>	<u>Redemption notice period</u>
Alternative investments:				
Multistrategy hedge funds (a) \$	57,555	—	none – quarterly	65–90 days
Long/short hedge funds (b)	41,395	—	none – annually	45–90 days
Fixed income hedge funds (c)	48	—	none	none
Real asset funds (d)	19,504	14,133	none	none
Equity limited partnerships (e)	133,095	—	monthly – quarterly	5–60 days
Private equity limited partnerships and related structures (f)	452,462	84,484	none	none
Total	\$ <u>704,059</u>	<u>98,617</u>		

(a) This category includes direct investments in multistrategy hedge funds that invest in both fixed income and equity instruments. The managers of these funds have the flexibility to adjust their allocations between fixed income and equity investments based on their particular strategy and view of the market. These funds have various redemption and notice of redemption requirements that generally limit the Foundation's ability to liquidate them in a short period of time.

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- (b) This category includes direct investments in long/short hedge funds that invest in equity securities by taking either a long position in a company's equity securities, expecting the price will rise, or a short position, expecting the price will decline. The managers of these funds have the flexibility to change their exposure based on their view of particular securities and the overall market. Long/short hedge funds are generally less volatile than long-only equity funds and have higher manager fees. These funds have various redemption and notice of redemption requirements that generally limit the Foundation's ability to liquidate them in a short period of time.
- (c) This category includes direct investments in a fixed income hedge fund that invested in debt securities, including corporate debt, mortgage debt, and sovereign debt. The Foundation has requested full redemption of this fund as of December 31, 2020 and will continue to receive distributions as the illiquid investments are realized.
- (d) This category includes direct investments in real asset funds, generally through limited partnerships, that invest in commercial real estate, infrastructure projects, and natural resources. These investments cannot be redeemed with the funds. Distributions from each fund will be received as the underlying investments and fund are liquidated. It is estimated that the underlying assets of the funds will be liquidated over the next one to ten years.
- (e) This category includes an equity limited partnership that holds long and short positions primarily in equity securities of companies within the S&P 500 Index and on stock exchanges in emerging market countries. Derivative instruments, such as forward contracts, futures, options, and swaps, may be used to attempt to hedge existing long and short positions in order to maximize returns and reduce risks. The equity limited partnership fund allows quarter-end withdrawals upon prior written notice, subject to performance and balance restrictions that could limit the Foundation's ability to liquidate within the specified time period.
- (f) This category includes private equity limited partnerships and related structures that invest in private companies. These investments cannot be redeemed with the funds. Distributions from each fund will be received as the underlying investments and fund are liquidated. It is estimated that the underlying assets of the funds will be liquidated over the next one to ten years.

In 2019, this category also included a related structure called a business development corporation that invested in private debt with middle market companies. This investment could not be redeemed until a public offering or listing of the shares was completed, which occurred in 2020 resulting in the underlying investment being reclassified as marketable U.S. equity securities.

The Foundation's alternative investments in hedge funds (categories (a) and (b) above) are redeemable with the fund at NAV under the original terms of the partnership agreements and/or subscription agreements and based on operations of the underlying funds. However, it is possible that these redemption rights may be restricted or eliminated by the funds in the future in accordance with the underlying fund agreements. The Foundation's alternative investments in real asset funds and private equity limited partnerships (categories (d) and (f) above) cannot be redeemed with the funds. Due to the nature of the investments held by the funds, changes in market conditions and the economic environment may significantly impact the NAV of the funds and, consequently, the fair value of the Foundation's interests in the funds. The Foundation's alternative investments in equity limited partnerships (category (e) above) are redeemable with the fund at NAV subject to redemption restrictions noted above.

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Components of Investment return, net:

	<u>2020</u>	<u>2019</u>
Dividends	\$ 758	3,454
Interest	3,039	3,138
Other investment income	38	238
Realized gains on investment transactions	96,506	79,534
Net change in unrealized gains (losses), net of deferred federal excise tax	<u>360,232</u>	<u>95,855</u>
	460,573	182,219
Less investment related fees	<u>(2,519)</u>	<u>(3,008)</u>
Investment return, net	<u>\$ 458,054</u>	<u>179,211</u>

**(4) Program-Related Investments**

In accordance with Section 4944 of the Internal Revenue Code, the Foundation is permitted to make Program-Related Investments (PRIs) that are related to its philanthropic programs. A PRI is defined as an investment: (i) whose primary purpose is to further the exempt objectives of the foundation, (ii) where the production of income or appreciation in property is not a significant purpose, and (iii) which is not used to lobby or support lobbying. The Foundation's PRIs consist of low-interest loans with varying repayment terms and a private equity limited partnership interest in a social business seed fund. These PRIs are anticipated to have lower returns or higher risks than the institutional market for these types of investments. In the year of the investment, the Foundation receives a credit toward its IRS distribution requirement. To the extent the investment is recovered and not recycled by the Foundation, the recovery is recognized as a negative distribution, increasing its distribution requirement in the year that it is received.

**(a) Loan PRIs**

The Foundation's loan portfolio includes low-interest loans invested in not-for-profit entities. The loans are carried at cost, which approximates fair value. The loans support the Foundation's impact investing strategy of making a positive impact on the region it serves and on equity issues in capital markets. Repayment of the outstanding loan amounts is scheduled through 2031; most of the loans require interest-only payments with a full principal payment due at the end of the term. In the event that a loan PRI is determined to be uncollectible, or the value is permanently impaired, the Foundation may establish an allowance for the uncollectible amount. An allowance for loan PRIs is established based on an annual review of the portfolio by management. An allowance of \$1,000 was recorded at December 31, 2020. No allowances were recorded at December 31, 2019.

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**(b) Equity PRIs**

The Foundation's equity portfolio includes a private equity investment in a social business seed fund. The equity investment supports its impact investing strategy of making a positive impact on the region it serves and on equity issues in capital markets. The equity PRI is recorded using the net asset value as a practical expedient to fair value based on estimates provided by the investment manager if quoted market values are not readily determinable. At December 31, 2020, the Foundation had remaining capital commitments on its equity portfolio of \$600.

**(5) Liquidity and Availability**

The Foundation regularly monitors liquidity required to meet its operating needs, liabilities, and other obligations as they become due. As of December 31, 2020 and 2019, the Foundation has ample cash, cash equivalents, and investments to cover operating expense needs within the next year. The following assets could be readily made available within one year of the statement of financial position to meet general expenditures:

	<b>2020</b>	<b>2019</b>
Financial assets:		
Cash	\$ 6,601	111
Investments and cash equivalents	1,594,655	1,078,694
Dividends and interest receivable	817	668
Unsettled trades receivable	5,645	16,015
Taxes receivable	2,018	788
Less investments valued at NAV unavailable within one year	(797,844)	(472,283)
Financial assets available within one year to meet general expenditures	\$ 811,892	623,993

The Foundation maintains liquidity guidelines for its investment portfolio to ensure operating cash is available for grants and expenses. The guidelines require at least 5% of assets be maintained in investments that can be liquidated within one month; at least 10% of assets be maintained in investments that can be liquidated within three months; and at least 20% of assets be maintained in investments that can be liquidated within six months.

**(6) Federal Taxes and Distribution Requirements**

*Federal Excise Taxes* – In fiscal year 2020, the Foundation is subject to a 1.39% excise tax on its taxable net investment income, which principally includes income from investments plus net realized capital gains (net capital losses, however, are not deductible). In fiscal year 2019 and prior, the Foundation was subject to a 2% excise tax on its taxable net investment income. Tax on net investment income was reduced from 2% to 1% for any taxable year in which the Foundation's qualifying distributions met certain requirements prescribed by Internal Revenue Code Section 4940(e). The Foundation did not meet these requirements in 2019, and accordingly, the federal excise tax expense was based upon the standard 2% tax rate.



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Deferred federal excise taxes arise from unrealized gains in the market value of investments, as well as from differences in the recognition of income from certain investments (timing differences). As of December 31, 2020, and 2019, the Foundation had unrealized gains in the market value of investments and has recorded a deferred tax liability of \$10,167 and \$5,004, respectively.

*Distribution Requirements* – The Foundation is subject to distribution requirements of the Internal Revenue Code. Accordingly, within one year after the end of each fiscal year, it must distribute 5% of the average market value of its assets as defined in the Code. The investments includible for the 5% distribution requirement are exclusive of those investments deemed to be held for charitable activities (representing 1.5% of the investments). Qualifying distributions are determined on a cash basis and include grant payments and certain other expenses incurred by the Foundation. The Foundation has complied with distribution requirements through December 31, 2020.

*Unrelated Business Income Taxes* – In accordance with Section 511(a)(1) of the Code, the Foundation is subject to corporate tax rates on net income earned from unrelated business activities. The Foundation's investments produce varying amounts of unrelated business income depending on the performance of and levels of debt of the underlying investments.

**THE BUSH FOUNDATION**

Notes to Financial Statements

December 31, 2020 and 2019

(In thousands)

**(7) Functional Expenses**

The Foundation's operating expenses have been categorized between direct program and general administration expenses in the accompanying statements of activities based on management's judgement and classification of direct program activity. Management analyzes expenses as incurred and charges them to direct program or general administration expenses based on their nature. General administration expenses do not include those which constitute direct conduct or direct supervision of the Foundation's programs. The detail of expenses for the years ended December 31, 2020 and 2019 is as follows:

	<b>Direct program</b>	<b>General administration</b>	<b>2020 Total expenses</b>
Grants, net of cancellations	\$ 38,510	—	38,510
Non-grant expenses:			
Salaries and benefits	4,009	1,871	5,880
Consulting	1,917	36	1,953
Convenings expense	911	—	911
Communications expense	363	—	363
Staff travel, expense, and development	45	25	70
Rent and utilities	—	327	327
Board expenses	—	288	288
Bond interest	332	—	332
Professional fees	229	111	340
Other	637	175	812
	46,953	2,833	49,786
Excise and unrelated business income tax expense	—	557	557
Total expenses	\$ 46,953	3,390	50,343

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	<u>Direct program</u>	<u>General administration</u>	<u>2019 Total expenses</u>
Grants, net of cancellations	\$ 30,127	—	30,127
Non-grant expenses:			
Salaries and benefits	4,426	1,731	6,157
Consulting	1,700	45	1,745
Convening expense	1,162	—	1,162
Communication expense	374	—	374
Staff travel, expense, and development	266	52	318
Rent and utilities	—	342	342
Board payments and expense	—	309	309
Professional fees	61	97	158
Other expense	176	326	502
	<u>38,292</u>	<u>2,902</u>	<u>41,194</u>
Excise and unrelated business income tax expense	<u>—</u>	<u>1,157</u>	<u>1,157</u>
Total expenses	<u>\$ 38,292</u>	<u>4,059</u>	<u>42,351</u>

**(8) Retirement Plan**

The Foundation has a defined contribution retirement plan managed by Teachers Insurance and Annuity Association of America. In 2020 and 2019, the amount of the employer contribution was 8% of the employee's salary and a 2:1 employer match on employee contributions up to a maximum of 4% of the employee's salary, subject to the maximum includible compensation limit per Section 401(a)(17) of the Code. The expense of the plan for 2020 and 2019 was \$521 and \$544, respectively.

The Foundation has a nonqualified deferred compensation 457(b) plan for the benefit of certain employees of the Foundation who are eligible to participate in the plan. The Foundation does not make contributions to the plan. There is no expense to the Foundation for this plan.

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**(9) Grants Payable**

The following table provides the activity within the grants payable account:

	<u>2020</u>	<u>2019</u>
Unpaid grants payable, at beginning of year	\$ 16,974	19,220
Grants appropriated, net of cancellations	37,510	30,127
Grants paid	(35,814)	(32,528)
Refund of previous years' grants	173	155
Unpaid grants payable, at end of year	<u>\$ 18,843</u>	<u>16,974</u>

Grants payable in more than one year are stated at their net present value using discount rates established in the year the grant was made with resulting discount rates ranging from 2.59% to 0.09%. The following is a summary of grants authorized and payable at December 31:

	<u>2020</u>	<u>2019</u>
To be paid in less than one year	\$ 11,145	11,412
To be paid in one to five years	8,010	6,084
	19,155	17,496
Discount	(312)	(522)
	<u>\$ 18,843</u>	<u>16,974</u>

As of December 31, 2020 and 2019, the Foundation has approximately \$2,635 and \$5,813, respectively, of conditional grant obligations.

**(10) Bond Payable**

On November 17, 2020, the Foundation issued \$100 million of Taxable Bonds Series 2020, the proceeds of which will be used by the Foundation to provide grant funding in furtherance of its charitable purpose, including but not limited to making grants to counter systemic racial injustice experienced by Native Americans and Black/African Americans. The bonds were sold at par with a coupon rate of 2.754% per annum payable semiannually and a balloon payment of principal to be paid in full anytime between April 1, 2050 and October 1, 2050, but not later than October 1, 2050.

**(11) Subsequent Events**

The Foundation has evaluated subsequent events through July 15, 2021, the date on which the financial statements were available to be issued. This evaluation did not result in any additional subsequent events that necessitated disclosures and/or adjustments.