The Edna McConnell Clark Foundation

Consolidated Financial Report
September 30, 2019

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

RSM

Contents

Independent Auditor's Report

Board of Trustees
The Edna McConnell Clark Foundation

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of The Edna McConnell Clark Foundation, which comprise the consolidated statements of financial position as of September 30, 2019 and 2018, the related consolidated statements of activities, and cash flows for the years then ended, the statement of functional expenses for the year ended September 30, 2019, and the related notes to the consolidated financial statements (collectively, the financial statements).

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Edna McConnell Clark Foundation as of September 30, 2019 and 2018, 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.

Emphasis of Matter

The Edna McConnell Clark Foundation adopted Accounting Standards Update 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities, during the year ended September 30, 2019. The adoption of the standard resulted in additional footnote disclosures and significant changes to classification of net assets. Our opinion is not modified with respect to this matter.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information is presented for purposes of additional analysis rather than to present the financial position and results of activities of the individual entities and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

RSM US LLP

Chicago, Illinois
February 13, 2020

The Edna McConnell Clark Foundation

Consolidated Statements of Financial Position
September 30, 2019 and 2018

	2019	2018
Assets		
Cash and cash equivalents	$ 7,171,785	$ 5,791,978
Investments, at fair value	875,764,751	892,700,413
Other assets	1,123,685	2,126,952
	$ 884,060,221	$ 900,619,343
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	$ 910,016	$ 279,602
Grants payable	-	200,000
Deferred federal excise tax	563,788	434,061
	1,473,804	913,663
Net assets:		
Without donor restrictions	793,012,933	857,006,243
With donor restrictions	89,573,484	42,699,437
	882,586,417	899,705,680
	$ 884,060,221	$ 900,619,343

See notes to consolidated financial statements.

The Edna McConnell Clark Foundation

Consolidated Statements of Activities
Years Ended September 30, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	Without Donor Restrictions	With Donor Restrictions	Total
Revenue:						
Investment return:						
Net realized gains	**$ 40,241,020**	**$ 129,306**	**$ 40,370,326**	$ 27,580,870	$ -	$ 27,580,870
Net increase (decrease) in unrealized gains net of deferred federal excise taxes	**12,842,953**	**274,744**	**13,117,697**	(17,109,903)	-	(17,109,903)
Interest and dividend income	**20,592,864**	**1,715,647**	**22,308,511**	20,639,446	-	20,639,446
Investment management expenses	**(2,485,628)**	**-**	**(2,485,628)**	(1,698,093)	-	(1,698,093)
	71,191,209	**2,119,697**	**73,310,906**	29,412,320	-	29,412,320
Partner contributions	**6,197,007**	**129,340,350**	**135,537,357**	3,375,000	100,614,800	103,989,800
Net assets released from restriction	**84,586,000**	**(84,586,000)**	**-**	58,208,363	(58,208,363)	-
	161,974,216	**46,874,047**	**208,848,263**	90,995,683	42,406,437	133,402,120
Expenses:						
Program services:						
Grants awarded	**202,882,963**	**-**	**202,882,963**	125,863,816	-	125,863,816
Program and grant management expenses	**19,184,113**	**-**	**19,184,113**	15,945,583	-	15,945,583
	222,067,076	**-**	**222,067,076**	141,809,399	-	141,809,399
Support services:						
Administration and general expenses	**2,110,841**	**-**	**2,110,841**	1,664,791	-	1,664,791
Fundraising expenses	**1,121,871**		**1,121,871**	-	-	-
	3,232,712	**-**	**3,232,712**	1,664,791	-	1,664,791
Federal excise taxes (benefit)	**667,738**	**-**	**667,738**	(1,115,403)	-	(1,115,403)
	225,967,526	**-**	**225,967,526**	142,358,787	-	142,358,787
(Decrease) increase in net assets	**(63,993,310)**	**46,874,047**	**(17,119,263)**	(51,363,104)	42,406,437	(8,956,667)
Net assets:						
Beginning of year	**857,006,243**	**42,699,437**	**899,705,680**	908,369,347	293,000	908,662,347
End of year	**$ 793,012,933**	**$ 89,573,484**	**$ 882,586,417**	$ 857,006,243	$ 42,699,437	$ 899,705,680

See notes to consolidated financial statements.

The Edna McConnell Clark Foundation

Consolidated Statement of Functional Expenses
Year Ended September 30, 2019

	Program Services	Support Services		
	Program and Grant Management	Administration and General	Fundraising	Total
Grants	$ 202,882,963	$ -	$ -	$ 202,882,963
Salaries and benefits	10,014,426	1,586,125	959,457	12,560,008
Occupancy	641,792	166,074	44,150	852,016
Professional services	7,289,365	208,224	65,981	7,563,570
Information technologies	332,291	63,928	22,859	419,078
Travel	548,292	14,155	5,062	567,509
Office expenses	249,294	50,454	16,907	316,655
Other	108,653	21,881	7,455	137,989
Total expenses before taxes	222,067,076	2,110,841	1,121,871	225,299,788
Tax expense	529,456	101,860	36,422	667,738
Total expenses	$ 222,596,532	$ 2,212,701	$ 1,158,293	$ 225,967,526

See notes to consolidated financial statements.

The Edna McConnell Clark Foundation

Consolidated Statements of Cash Flows
Years Ended September 30, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Decrease in net assets	**$ (17,119,263)**	$ (8,956,667)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:		
Deferred federal excise tax	**129,727**	(172,827)
Net realized gains	**(40,370,326)**	(27,580,870)
Net (increase) decrease in unrealized gains	**(13,117,697)**	17,282,730
Changes in:		
Other assets	**1,003,267**	826,179
Accounts payable and accrued expenses	**630,414**	(217,772)
Grants payable	**(200,000)**	200,000
Net cash used in operating activities	**(69,043,878)**	(18,619,227)
Cash flows from investing activities:		
Purchases of investments	**(955,941,786)**	(1,128,655,284)
Proceeds from sales of investments	**1,026,365,471**	1,138,024,573
Net cash provided by investing activities	**70,423,685**	9,369,289
Increase (decrease) in cash and cash equivalents	**1,379,807**	(9,249,938)
Cash and cash equivalents:		
Beginning of year	**5,791,978**	15,041,916
End of year	**$ 7,171,785**	$ 5,791,978

See notes to consolidated financial statements.

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: The Edna McConnell Clark Foundation (EMCF) is a private nonprofit foundation that makes grants to help better the lives of people in low-income communities.

In December 2016, EMCF announced a limited life strategy reflecting its plans to expend all of its financial resources on an accelerated schedule to expand and sustain the work in connection with its grant-making strategies. Accordingly, EMCF changed its investment policy to a largely fixed income strategy to support future commitments.

In October 2018, in conjunction with its limited life strategy, EMCF announced a plan to fulfill its grant commitments in its Youth Development Fund (YDF) over the next three to four years. EMCF also announced the formation of Blue Meridian Partners, Inc. (BMP), a nonprofit organization and public charity that partners with other investors to support the field of youth development.

EMCF is the sole member of BMP. BMP qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (Code) and, accordingly, is generally not subject to federal income taxes.

Activities are conducted from offices located in New York, New York.

Financial statement presentation: The consolidated financial statements have been prepared following accounting principles generally accepted in the United States of America (GAAP).

Principles of consolidation: The consolidated financial statements include the accounts of EMCF and BMP (collectively, the Foundation). Significant intercompany balances and transactions are eliminated in consolidation. Revenue and expense of a limited liability company, Blue Meridian Partners, LLC, was also included in the 2018 consolidated financial statements. EMCF as sole member disbanded the limited liability company in April 2018.

Taxes: The Foundation qualifies as a tax exempt organization under Section 501(c)(3) of the Code and applicable state law and, accordingly, is generally not subject to federal income taxes for most of its activities. However, in accordance with Section 4940(e) of the Code, the Foundation is subject to a federal excise tax of 2% of net investment income (including net realized taxable gains on security transactions) or of 1% if the Foundation meets certain specified distribution requirements. The Foundation was subject to a 1% tax rate for fiscal 2019 and 2018. The Foundation is also subject to federal and state income taxes at corporate rates on its unrelated business income.

The Foundation records deferred federal excise tax using a rate of 1% on the unrealized gains on investments being reported for financial reporting purposes in different periods than for tax purposes.

The Foundation follows the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Foundation may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Foundation, and various positions related to the potential sources of unrelated business taxable income. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no uncertain tax positions identified or recorded as liabilities for the reporting periods presented in these consolidated financial statements.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Other assets consist primarily of receivables from federal excise tax overpayments.

EMCF files Forms 990PF and 990-T in the U.S. federal jurisdiction and the State of New York. BMP files Form 990 in the U.S. federal jurisdiction and the State of New York.

Net asset classification: Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

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

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors. These donor restrictions will be met by actions of the Foundation. Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Cash and cash equivalents: The Foundation defines cash and cash equivalents as highly liquid investments with original maturities of 90 days or less which include cash equivalents held in investment managers' accounts that are temporarily uninvested. The Foundation maintains cash in bank deposit accounts that, at times, may exceed federally insured (FDIC) limits. The Foundation has not experienced any losses in such accounts. Management believes that the Foundation is not exposed to significant credit risk on cash.

Investments: Investments are carried at fair value based on either quoted prices or the observable inputs for similar instruments in active markets, or at the practical expedient for fair value, as determined by management, using the reported net asset value (NAV). Purchases and sales of securities are recorded on the trade date. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

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

Partner contributions: Funding agreements with certain other organizations and individuals (collectively, Partners) allow grants to be made jointly. Commitments per the funding agreements are considered to be conditional. EMCF and BMP have variance power over partner contributions received for joint grants.

Partner contributions received at the time grant commitments are approved and conditions are satisfied by the grantees are recognized as revenue and classified as increases to net assets with donor restrictions. Certain partner contributions including those received before the period required by the funding agreement and without regard to whether specific grants have been identified and approved for funding are deemed unconditional, recognized as revenue and classified as increases to net assets with donor restrictions.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

In addition to the contributions from Partners intended to fund grants awarded by BMP, Partners also contribute funds to cover certain operating costs of BMP associated with the grant-making process. These amounts are unconditional and considered to be without donor restrictions.

Certain Partners previously satisfied their commitments per the funding agreement by contributing instead to a donor-advised fund, which then awarded amounts directly to grantees. The donor-advised fund distributed approximately $46,700,000 to BMP when it was closed in April 2018.

Awards and grants: Awards and grants, including multi-year grants, are considered obligations when approved by EMCF's Board of Trustees or by the BMP's Portfolio Committee, at which time they are recorded in the consolidated financial statements as a liability and grant expense. Grants payable due on dates greater than one year in the future are recorded net of a present value discount. The Foundation does not reflect as liabilities the amount of future years' grant commitments if the grants are subject to the Foundation's review and approval and other conditions to comply with grant requirements.

Functional allocation of expenses: The costs of providing the program and other activities have been presented on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among program and supporting services benefited. All compensation is allocated based on estimates of time and effort for each employee's title and position. All direct program costs are allocated fully to program services. All remaining expenses are allocated based on the overall average of time spent across the organization in each functional area.

Use of estimates: The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts in the 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 period. Actual results could differ from those estimates.

Newly implemented accounting pronouncements: In 2019, the Foundation adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities.* Key elements of the ASU include a reduction in the number of net asset categories from three to two, several new requirements related to expense presentation and disclosure (including investment expenses), and new required disclosures communicating information useful in assessing liquidity. As required, this standard has been implemented for the Foundation's consolidated financial statements for the year ended September 30, 2019. As a result of adopting this standard, previously reported net assets have been reclassified. At September 30, 2018, net assets without donor restrictions of $857,006,243 were previously reported as unrestricted net assets. Net assets with donor restrictions of $42,699,437 were previously reported as temporarily restricted net assets. As of October 1, 2017, net assets without donor restrictions of $908,369,347 were previously reported as unrestricted net assets. Net assets with donor restrictions of $293,000 were previously reported as temporarily restricted net assets.

Recent accounting pronouncements: In January 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-01, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. This ASU updates certain aspects of recognition, measurement, presentation and disclosure of financial instruments and applies to all entities that hold financial assets or owe financial liabilities. Among other provisions, it significantly changes the accounting for equity securities and for liabilities accounted for under a fair value option. The new standard will be effective for the Foundation's 2020 consolidated financial statements.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842).* Lessees will be required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than twelve months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The new standard will be effective for the Foundation's 2022 consolidated financial statements.

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 ASU provides guidance surrounding the categorization of certain transactions as contributions or exchange transactions. It further clarifies when contributions should be deemed conditional. The new standard will be effective beginning with the Foundation's 2020 consolidated financial statements (for contributions received) and 2021 consolidated financial statements (for contributions made).

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 for fair value measurements by removing, modifying, or adding certain disclosures. The new standard will be effective for the Foundation's 2021 consolidated financial statements. An entity is permitted to early adopt any removed or modified disclosures and delay adoption of the additional disclosures until their effective date.

The Foundation is currently evaluating the impact of the adoption of the above standards on its consolidated financial statements.

Subsequent events: Management of the Foundation has evaluated subsequent events for potential recognition and/or disclosure through February 13, 2020, the date the consolidated financial statements were available to be issued.

Note 2. Availability and Liquidity

The Foundation regularly monitors liquidity required to meet its annual operating needs and other contractual commitments. The following represents the Foundation’s financial assets at September 30, 2019 and 2018 that are available to meet ongoing operating expenditures within the next 12 months:

	2019	2018
Financial assets at year-end:		
Cash and cash equivalents	$ 7,171,785	$ 5,791,978
Investments, at fair value	875,764,751	892,700,413
Total financial assets	882,936,536	898,492,391
Less amounts not available to be used within one year:		
Investments not available for immediate liquidation	9,458,616	12,125,548
Financial assets available to meet general expenditures over the next twelve months	$ 873,477,920	$ 886,366,843

Note 2. Availability and Liquidity (Continued)

The Foundation maintains highly liquid assets in a variety of sources including cash and cash equivalents, fixed income securities, private equity, and other liquid investments. Cash flow needs are tracked daily by management. The Foundation does not have any intent to liquidate its investments, however if needed, funds can be made available to meet ongoing general expenditures inclusive of grant-making within the next twelve months.

Note 3. Investments and Fair Values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial assets and liabilities recorded at fair value are categorized based upon the level of judgment associated with the inputs used to measure their value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability. Under the fair value hierarchy, the inputs to valuation techniques are prioritized into the following levels:

<u>Level 1</u>. Inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that the Foundation has the ability to access at the measurement date.

<u>Level 2</u>. Inputs (other than quoted prices included within Level 1) that are observable for the asset or liability, either directly or indirectly; and fair value is determined through the use of models or other valuation methodologies.

<u>Level 3</u>. Inputs are unobservable for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. The unobservable inputs would be developed based on the best information available in the circumstances and may include the entity's own data.

Substantially all the Foundation's other assets and liabilities are considered financial instruments and are either already reflected at fair value or at carrying amounts that approximate fair value because of the short maturity of the instruments.

The Foundation assesses the levels of financial instruments at each measurement date, and transfers between levels are recognized on the actual date of the event or change in circumstances that caused the transfer. There were no significant transfers among Levels 1, 2, and 3 during the years ended September 30, 2019 and 2018.

Fixed income securities include U.S. Treasury notes and corporate bonds, which are traded on a national securities exchange or market are valued at the mean between the "bid" and "asked" quotations on that day, and mutual funds, which are valued at quoted market prices. Investments in money market funds and U.S. Government obligations are stated at the last reported sales price on the day of valuation. Alternative investments are recorded at NAV.

Note 3. Investments and Fair Values (Continued)

The following tables present the Foundation's fair value hierarchy for assets and liabilities measured at fair value on a recurring basis as of September 30, 2019 and 2018:

	2019			
	Level 1	Level 2	Valued Using Net Asset Value (1)	Total
Assets:				
Investments:				
Fixed income securities	$ 155,967,092	$ 329,669,976	$ 144,977,072	$ 630,614,140
Alternative investments:				
Private equity funds	-	-	234,106,386	234,106,386
Credit/event driven	-	-	9,458,616	9,458,616
Other	-	-	1,585,609	1,585,609
	$ 155,967,092	$ 329,669,976	$ 390,127,683	$ 875,764,751
Cash and cash equivalents:				
Money market fund	$ 3,596,082	$ -	$ -	$ 3,596,082

	2018			
	Level 1	Level 2	Valued Using Net Asset Value (1)	Total
Assets:				
Investments:				
Fixed income securities	$ 157,027,374	$ 340,061,523	$ 124,553,902	$ 621,642,799
Alternative investments:				
Private equity funds	-	-	256,967,402	256,967,402
Credit/event driven	-	-	12,125,548	12,125,548
Other	-	-	1,964,664	1,964,664
	$ 157,027,374	$ 340,061,523	$ 395,611,516	$ 892,700,413
Cash and cash equivalents:				
Money market fund	$ 4,352,595	$ -	$ -	$ 4,352,595

(1) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in the tables above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position.

As of September 30, 2019 and 2018, the Foundation had no Level 3 investments.

Note 3. Investments and Fair Values (Continued)

The following table provides a summary of the alternative investments as of September 30, 2019 and 2018, by net asset class, whose fair value is calculated using NAV per share, or its equivalent:

			September 30, 2019		
Description	2019 Fair Value	2018 Fair Value	Unfunded Commitments and Recallable Capital Distributions	Redemption Frequency (if available)	Redemption Notice Period
Fixed income investments:					
Regulated investment companies	$ 144,977,072	$ 124,553,902	$ -	Monthly-Quarterly	N/A
Alternative investments:					
Private equity funds	234,106,386	256,967,402	72,491,000	N/A	N/A
Credit/event driven	9,458,616	12,125,548	-	Annually	180 days
Other	1,585,609	1,964,664	1,000,000	N/A	N/A
	$ 390,127,683	$ 395,611,516	$ 73,491,000		

Note 4. Net Assets with Donor Restrictions

Net assets with donor restrictions were $89,573,484 and $42,699,437 at September 30, 2019 and 2018, respectively.

In 2019, BMP received advanced funding from various partners to satisfy their future commitments per the funding agreements. The amount received is considered to be restricted for the purpose of making grant payments and will be released from restrictions when paid.

The following table illustrates the composition of net assets with donor restrictions:

	2019	2018
Subject to expenditure for a specific purpose:		
Grant payments	$ 89,573,484	$ 42,699,437

The Foundation expects the restrictions on net assets to be satisfied according the following timeline:

Less than one year	$ 10,627,200
One to two years	5,779,200
More than two years	73,167,084
	$ 89,573,484

Note 5. Grants

The following schedule reconciles the total conditional and unconditional grant commitments approved by EMCF's Board of Trustees and BMP's Portfolio Committee to grants awarded expense in the consolidated statements of activities for the years ended September 30, 2019 and 2018:

	2019	2018
Conditional and unconditional grant commitments approved	$ 305,091,460	$ 129,764,323
Less conditional commitments in current year grants	(224,627,520)	(98,002,882)
Plus prior year conditional commitments met	122,419,023	94,102,375
Grants awarded expense	$ 202,882,963	$ 125,863,816

The Foundation had grants payable of $0 at September 30, 2019 (2018 - $200,000). The Foundation had $341,488,123 of conditional grant commitments that are not reflected as liabilities in the consolidated statement of financial position at September 30, 2019 (2018 - $239,246,758), of which $176,019,000 is expected to be funded by Partners based on the funding agreement.

Note 6. Retirement Plans

The Foundation maintains two defined contribution retirement plans. The first plan covers all active full-time employees. Under the terms of the plan, the Foundation must contribute specified percentages of an employee's salary and allows employees to defer a portion of their pre or post-tax salaries. The plan is currently invested in employee-designated mutual funds that have been approved by the Foundation. Total contributions to the plan of $857,421 for fiscal year 2019 were allocated between EMCF ($459,541) and BMP ($397,880). Total contributions in 2018 were $656,144.

The second plan is a supplemental retirement plan that covers highly compensated employees. Under the terms of the plan, the Foundation makes additional retirement contributions for employees who exceed regulatory thresholds related to pensionable earnings. The plan is currently invested in employee-designated mutual funds. The Foundation's total contributions to the plan of $39,452 for fiscal year 2019 were allocated between EMCF ($17,972) and BMP ($21,480). Total contributions in 2018 were $109,554.

EMCF was the plan sponsor for both retirement plans until July 1, 2019 when the plans were transferred to BMP.

Note 7. Commitments

The Foundation leases its office space under an operating lease agreement that was due to expire in November 2019. In December 2018, the Foundation extended the office space lease for 10 years with minimum base rent payments of approximately $753,000 annually. As part of this extension, BMP was added to the lease as a joint lessee. The office space lease contains an escalation clause which provides for rental increases resulting from increases in real estate taxes and certain other operating expenses. The lease renewal provided for a termination clause by the owner in the event that the building was to be demolished or substantially renovated. In August 2019, the owner executed the termination clause citing the building demolishment by providing the Foundation with a 12-month advance notice to vacate the premises. The Foundation is currently in the process of securing a new office space and intends to move to a temporary location in July 2020. At September 30, 2019, the Foundation no longer had minimum annual rental commitments under this lease.

Rent expense was $732,493 for fiscal year 2019 (2018 - $755,995).

Note 7. Commitments (Continued)

The Foundation also maintains copier and postage machine leases with end dates of May 2022 and February 2020. At September 30, 2019, the Foundation had the following minimum annual commitments under these leases:

2020	$ 44,421
2021	43,020
2022	25,095
	$ 112,536

Note 8. Concentration of Credit Risk

The majority of investment transactions of the Foundation are cleared and carried by the Bank of New York Mellon. The Foundation is subject to risks that this financial institution does not fulfill its obligations. The risk of default also depends on the creditworthiness of the counterparties to these transactions. The Foundation attempts to minimize this credit risk by monitoring the creditworthiness of the financial institution.

Supplementary Information

The Edna McConnell Clark Foundation

Consolidating Statement of Financial Position
September 30, 2019

	EMCF	Blue Meridian Partners	Eliminations	Consolidated
Assets				
Cash and cash equivalents	$ 5,287,508	$ 1,884,277	$ -	$ 7,171,785
Investments, at fair value	787,925,266	87,839,485	-	875,764,751
Receivable from BMP	66,120	-	(66,120)	-
Receivable from EMCF	-	854,260	(854,260)	-
Other assets	932,661	191,024	-	1,123,685
	$ 794,211,555	$ 90,769,046	$ (920,380)	$ 884,060,221
Liabilities and Net Assets				
Liabilities:				
Accounts payable and accrued expenses	$ 473,440	$ 436,576	$ -	$ 910,016
Deferred federal excise tax	563,788	-	-	563,788
Payable to EMCF	-	66,120	(66,120)	-
Payable to BMP	854,260	-	(854,260)	-
	1,891,488	502,696	(920,380)	1,473,804
Net assets:				
Without donor restrictions	792,320,067	72,606	620,260	793,012,933
With donor restrictions	-	90,193,744	(620,260)	89,573,484
	792,320,067	90,266,350	-	882,586,417
	$ 794,211,555	$ 90,769,046	$ (920,380)	$ 884,060,221

The Edna McConnell Clark Foundation

Consolidating Statement of Activities
Year Ended September 30, 2019

	EMCF			Blue Meridian Partners			Eliminations		Consolidated		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	Total
Revenue:											
Investment return:											
Net realized gains	$ 40,241,020	$ -	$ 40,241,020	$ -	$ 129,306	$ 129,306	$ -	$ -	$ 40,241,020	$ 129,306	$ 40,370,326
Net increase in unrealized gains net of deferred federal excise taxes	12,842,953	-	12,842,953	-	274,744	274,744	-	-	12,842,953	274,744	13,117,697
Interest and dividend income	20,585,930	-	20,585,930	6,934	1,715,647	1,722,581	-	-	20,592,864	1,715,647	22,308,511
Investment management expenses	(2,485,628)		(2,485,628)	-	-	-	-	-	(2,485,628)	-	(2,485,628)
	71,184,275	-	71,184,275	6,934	2,119,697	2,126,631	-	-	71,191,209	2,119,697	73,310,906
Partner contributions	10,007	600,000	610,007	8,362,000	184,720,350	193,082,350	(2,175,000)	(55,980,000)	6,197,007	129,340,350	135,537,357
Net assets released from restriction	600,000	(600,000)	-	139,345,740	(139,345,740)	-	(55,359,740)	55,359,740	84,586,000	(84,586,000)	-
	71,794,282	-	71,794,282	147,714,674	47,494,307	195,208,981	(57,534,740)	(620,260)	161,974,216	46,874,047	208,848,263
Expenses:											
Program services:											
Grants awarded	121,725,831	-	121,725,831	139,312,132	-	139,312,132	(58,155,000)	-	202,882,963	-	202,882,963
Program and grant management expenses	11,084,798	-	11,084,798	8,099,315	-	8,099,315	-	-	19,184,113	-	19,184,113
	132,810,629	-	132,810,629	147,411,447	-	147,411,447	(58,155,000)	-	222,067,076	-	222,067,076
Support services:											
Administration and general expenses	1,189,863		1,189,863	920,978	-	920,978	-	-	2,110,841	-	2,110,841
Fundraising expenses	607,158		607,158	514,713	-	514,713	-	-	1,121,871	-	1,121,871
	1,797,021	-	1,797,021	1,435,691	-	1,435,691	-	-	3,232,712	-	3,232,712
Federal excise taxes	667,738	-	667,738	-	-	-	-	-	667,738	-	667,738
	135,275,388	-	135,275,388	148,847,138	-	148,847,138	(58,155,000)	-	225,967,526	-	225,967,526
(Decrease) increase in net assets	(63,481,106)	-	(63,481,106)	(1,132,464)	47,494,307	46,361,843	620,260	(620,260)	(63,993,310)	46,874,047	(17,119,263)
Net assets:											
Beginning of year	855,801,173	-	855,801,173	1,205,070	42,699,437	43,904,507	-	-	857,006,243	42,699,437	899,705,680
End of year	$ 792,320,067	$ -	$ 792,320,067	$ 72,606	$ 90,193,744	$ 90,266,350	$ 620,260	$ (620,260)	$ 793,012,933	$ 89,573,484	$ 882,586,417