

FINANCIAL STATEMENTS

**THE GEORGE AND CAROL
OLMSTED FOUNDATION**

**FOR THE YEAR ENDED DECEMBER 31, 2021
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2020**

THE GEORGE AND CAROL OLMSTED FOUNDATION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The George and Carol Olmsted Foundation
Falls Church, Virginia

Opinion

We have audited the accompanying financial statements of The George and Carol Olmsted Foundation (the Foundation), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities and change in net assets, functional expenses and cash flows for the year 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 the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's 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 audit. 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 the 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.

Auditor's 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 auditor's 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.

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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, including omissions, 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.

Report on Summarized Comparative Information

The prior year summarized comparative information has been derived from the Foundation's 2020 financial statements, which were audited by other auditors and, in their report dated March 3, 2021, they expressed an unmodified opinion on those statements.

A handwritten signature in cursive script that reads "Gelman Rosenberg & Friedman".

February 24, 2022

THE GEORGE AND CAROL OLMSTED FOUNDATION
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020

ASSETS

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 399,187	\$ 461,131
Investments	52,685,881	48,491,477
Estimated federal excise tax receivable	-	8,703
Prepaid expenses	<u>-</u>	<u>60,932</u>
Total current assets	<u>53,085,068</u>	<u>49,022,243</u>
PROPERTY AND EQUIPMENT		
Furniture	33,779	33,440
Computer equipment	<u>58,792</u>	<u>56,399</u>
	92,571	89,839
Less: Accumulated depreciation and amortization	<u>(61,478)</u>	<u>(47,851)</u>
Net property and equipment	<u>31,093</u>	<u>41,988</u>
Office lease security deposit	<u>4,421</u>	<u>4,421</u>
TOTAL ASSETS	<u>\$ 53,120,582</u>	<u>\$ 49,068,652</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued liabilities	\$ 61,477	\$ 79,450
Grants payable	400,000	-
Olmsted Scholar Program	775,681	763,712
Federal excise tax payable	15,247	-
Deferred rent	4,519	1,550
Deferred tax liability	<u>168,236</u>	<u>237,610</u>
Total liabilities	<u>1,425,160</u>	<u>1,082,322</u>

NET ASSETS

Without donor restrictions	<u>51,695,422</u>	<u>47,986,330</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 53,120,582</u>	<u>\$ 49,068,652</u>

THE GEORGE AND CAROL OLMSTED FOUNDATION
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
REVENUE		
Realized gain	\$ 3,035,876	\$ 1,462,991
Unrealized gain	2,827,316	3,712,591
Interest and dividend income	<u>1,229,653</u>	<u>923,504</u>
	7,092,845	6,099,086
Less investment fees	<u>(220,413)</u>	<u>(195,188)</u>
Net investment income	6,872,432	5,903,898
Other revenue	<u>2,079</u>	<u>2,471</u>
Total revenue	<u>6,874,511</u>	<u>5,906,369</u>
EXPENSES		
Program Services	3,035,708	1,970,492
Supporting Services	<u>144,535</u>	<u>131,519</u>
Total expenses	<u>3,180,243</u>	<u>2,102,011</u>
Change in net assets before excise tax	3,694,268	3,804,358
Excise tax (benefit) expense	<u>(14,824)</u>	<u>158,156</u>
Change in net assets	3,709,092	3,646,202
Net assets at beginning of year	<u>47,986,330</u>	<u>44,340,128</u>
NET ASSETS AT END OF YEAR	<u>\$ 51,695,422</u>	<u>\$ 47,986,330</u>

THE GEORGE AND CAROL OLMSTED FOUNDATION

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020**

	December 31, 2021			December 31, 2020
	Program Services	Supporting Services	Total Expenses	Total Expenses
Contributions and grants	\$ 1,292,000	\$ -	\$ 1,292,000	\$ 472,000
Olmsted Scholar Program	644,728	-	644,728	586,000
Salaries and directors' compensation	761,915	94,657	856,572	782,257
Investment fees	32	220,413	220,445	195,188
Scholar's reception, orientation and related travel	119,579	-	119,579	2,678
Employee benefits and related taxes	75,718	8,413	84,131	104,173
Occupancy	54,313	13,578	67,891	58,786
Professional fees	35,890	15,005	50,895	40,745
Other	34,632	8,657	43,289	35,445
Travel, lodging, meetings and meals	8,913	2,228	11,141	10,462
Insurance	7,988	1,997	9,985	9,465
	3,035,708	364,948	3,400,656	2,297,199
Less investment fees included in investment income	-	(220,413)	(220,413)	(195,188)
Subtotal before excise tax	3,035,708	144,535	3,180,243	2,102,011
Excise tax (benefit)	-	(14,824)	(14,824)	158,156
TOTAL	\$ 3,035,708	\$ 129,711	\$ 3,165,419	\$ 2,260,167

THE GEORGE AND CAROL OLMSTED FOUNDATION

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 3,709,092	\$ 3,646,202
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	13,627	2,160
Net unrealized gain on sale of investments	(2,827,316)	(3,712,591)
Net realized gain on sale of investments	(3,035,876)	(1,462,991)
Deferred tax liability	(69,374)	129,656
Decrease (increase) in:		
Estimated federal excise tax receivable	8,703	(1,443)
Prepaid expenses	60,932	(60,932)
(Decrease) increase in:		
Accounts payable and accrued liabilities	(17,973)	20,276
Grants payable	400,000	-
Olmsted Scholar Program	11,969	(20,684)
Deferred rent	2,969	(372)
Federal excise tax payable	<u>15,247</u>	<u>-</u>
Net cash used by operating activities	<u>(1,728,000)</u>	<u>(1,460,719)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	(2,732)	(35,202)
Purchase of investments	(20,432,452)	(17,140,103)
Proceeds from sale of investments	<u>22,101,240</u>	<u>18,870,728</u>
Net cash provided by investing activities	<u>1,666,056</u>	<u>1,695,423</u>
Net (decrease) increase in cash and cash equivalents	(61,944)	234,704
Cash and cash equivalents at beginning of year	<u>461,131</u>	<u>226,427</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 399,187</u>	<u>\$ 461,131</u>
SUPPLEMENTAL INFORMATION:		
Payment of Excise Taxes	<u>\$ 30,600</u>	<u>\$ 30,600</u>

THE GEORGE AND CAROL OLMSTED FOUNDATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The George and Carol Olmsted Foundation (the Foundation) was established in 1957, and is a Virginia not-for-profit corporation. The primary charitable activities of the Foundation consists of funding the Olmsted Scholar Program and contributing to educational, youth and other charitable organizations. The Foundation's primary source of revenue is investment earnings.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are as follows:

- **Net Assets without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Assets restricted solely through the actions of the Board are referred to as Board designated and are also reported as net assets without donor restrictions.
- **Net Assets with Donor Restrictions** - Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in "net assets with donor restrictions", depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities and Change in Net Assets as net assets released from donor restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

The financial statements include certain prior year summarized comparative information in total but not by net asset class; such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2020, from which the summarized information was derived.

Cash and cash equivalents -

The Foundation considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents, excluding the money market funds held with investments.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000. The Foundation maintains bank deposit accounts with a commercial bank, which at times, may have cash balances in excess of the FDIC insurance limits. The uninsured portion of this account is backed solely by the assets of the underlying institution. As such, failure of the underlying institution could result in financial loss to the Foundation. Management believes the risk in these situations to be minimal.

THE GEORGE AND CAROL OLMSTED FOUNDATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Investments -

Investments are recorded at their readily determinable fair value. Realized and unrealized gains and losses are presented separately in the Statement of Activities and Change in Net Assets.

The Foundation also invest funds in a professionally managed portfolio. Such investments are exposed to market and credit risk. Thus, the Foundation's investments may be subject to significant fluctuations in fair value. As a result, the investment balances reported in the accompanying financial statements may not be reflective of the portfolio's value during subsequent periods.

Property and equipment -

Property and equipment in excess of \$1,000 are capitalized and stated at cost. Property and equipment are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to five years. The cost of maintenance and repairs is recorded as expenses are incurred. Depreciation expense for the year ended December 31, 2021 totaled \$13,627.

Income taxes -

The Foundation is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. The Foundation is classified as a private foundation. As a private foundation, it is subject to an excise tax of 1.39% on its investment income, including dividend, interest income and realized gains on the sales of its marketable securities. Because of this, the Foundation also computes a deferred tax liability or asset on the cumulative unrealized gain or loss on its investments held at December 31, 2021.

The Foundation is also required to make qualifying annual distributions of its principal. The Foundation has met this requirement for 2021.

Uncertain tax positions -

For the year ended December 31, 2021, the Foundation has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

Revenue recognition -

Contributions and grants -

The Foundation may receive contributions from individual donors and other entities. Contributions are recognized in the appropriate category of net assets in the period received. The Foundation performs an analysis of the individual contribution to determine if the revenue streams follow the contribution rules or if they should be recorded as an exchange transaction depending upon whether the transactions are deemed reciprocal or nonreciprocal under ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*.

For contributions qualifying under the contribution rules, revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable. Conditional promises to give are not recognized until the conditions on which they depend are substantially met.

THE GEORGE AND CAROL OLMSTED FOUNDATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Revenue recognition (continued) -

Contributions and grants (continued) -

Contributions and grants qualifying as contributions that are unconditional that have donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions; such funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying financial statements.

Contributions qualifying as conditional contributions contain a right of return and a barrier. Revenue is recognized when the condition or conditions are satisfied. Most grants and contract awards for direct and indirect program costs are nonreciprocal and classified as conditional and are recognized as contributions when the revenue becomes unconditional. Typically, these agreements also contain a right of return or right of release from obligation provision and the entity has limited discretion over how funds transferred should be spent. As such, the Foundation recognizes revenue for these conditional contributions when the related barrier has been overcome (generally, when qualifying expenditures are incurred). Funds received in advance of the incurrence of qualifying expenditures are recorded as refundable advances. The Foundation had no unrecognized conditional awards as of December 31, 2021.

Use of estimates -

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited based upon employee effort.

Risks and uncertainties -

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

New accounting pronouncements not yet adopted -

ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* improves generally accepted accounting principles (GAAP) by increasing the transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. The amendments in this Update address certain stakeholders' concerns about the lack of transparency relating to the measurement of contributed nonfinancial assets recognized by NFPs, as well as the amount of those contributions used in a NFP's programs and other activities.

THE GEORGE AND CAROL OLMSTED FOUNDATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

New accounting pronouncements not yet adopted (continued) -

The ASU should be applied on a retrospective basis and is effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. Early adoption is permitted. The amendment will not change the recognition and measurement requirements for those contributed nonfinancial assets.

ASU 2019-01, *Leases* (Topic 842) changes the accounting treatment for operating leases by requiring recognition of a lease asset and lease liability at the present value of the lease payments in the Statement of Financial Position and disclosure of key information about leasing arrangements. During 2020, the FASB issued ASU 2020-05 and delayed the implementation date by one year. The ASU is effective for non public entities beginning after December 15, 2021. Early adoption is still permitted. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach or applied at the beginning of the period of adoption recognizing a cumulative-effect adjustment.

The Foundation plans to adopt the new ASUs at the required implementation date and management is currently in the process of evaluating the adoption method and the impact of the new standard on its accompanying financial statements.

Economic uncertainties -

On March 11, 2020, the World Health Organization declared the Coronavirus disease (COVID-19) a global pandemic. As a result of the spread of COVID-19, economic uncertainties have arisen which may negatively impact the Foundation's operations. The overall potential impact is unknown at this time.

2. FAIR VALUE MEASUREMENTS AND INVESTMENTS

In accordance with FASB ASC 820, *Fair Value Measurement*, the Foundation has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. 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). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Investments recorded in the Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market the Foundation has the ability to access.

Level 2. These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3. These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The Foundation follows the measurement provisions of Accounting Standards Update (ASU) No. 2009-12, *Investments in Certain Entities that Calculate Net Asset per Share (or Its Equivalent)*.

THE GEORGE AND CAROL OLMSTED FOUNDATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

2. FAIR VALUE MEASUREMENTS AND INVESTMENTS (Continued)

The guidance permits, as a practical expedient, the fair value of investments within its scope to be estimated using net asset value (NAV) or its equivalent. NAV or its equivalent is the value per share or value of ownership interest in partner's capital, as provided by the fund, whose financial statements are prepared in a manner consistent with measurement principles of an investment company or that have the attributes of an investment company. In many instances, NAV will not equal the fair value that would be calculated pursuant to the Fair Value Measurement Topic.

Following is a description of the valuation methodology used for investments measured at fair value. There were no transfers between levels in the fair value hierarchy during the year ended December 31, 2021. Transfers between levels are recorded at the end of the reporting period, if applicable.

- *Mutual Funds* - Valued at the reported net asset value of the fund, which is the price at which additional shares can be obtained.
- *Private Equity* - Valued at net asset value (NAV) as determined by the registered investment advisor. The NAV is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the fund less its liability. This practical expedient is not used when it is determined to be probable that the fund will sell the investment for an amount different than the reported NAV.

The following summarizes the Foundation's investments measured at fair value on a recurring basis, as of December 31, 2021.

	Level 1	Level 2	Level 3	Total
Investments:				
Mutual funds:				
Equity funds:				
Large cap funds	\$ 15,735,205	\$ -	\$ -	\$ 15,735,205
Small cap funds	5,529,565	-	-	5,529,565
Internationally developed	4,970,428	-	-	4,970,428
Mid cap funds	4,340,605	-	-	4,340,605
Growth/hedge funds	3,788,278	-	-	3,788,278
Emerging market and small cap funds	<u>3,753,750</u>	<u>-</u>	<u>-</u>	<u>3,753,750</u>
Total equity funds	<u>38,117,831</u>	<u>-</u>	<u>-</u>	<u>38,117,831</u>
Bond funds:				
Investment grade taxable	8,392,138	-	-	8,392,138
Global high yield	1,058,253	-	-	1,058,253
Internationally developed	<u>433,357</u>	<u>-</u>	<u>-</u>	<u>433,357</u>
Total bond funds	<u>9,883,748</u>	<u>-</u>	<u>-</u>	<u>9,883,748</u>
Total mutual funds	48,001,579	-	-	48,001,579
Money market funds	<u>1,592,069</u>	<u>-</u>	<u>-</u>	<u>1,592,069</u>
Total investments using fair value hierarchy	<u>49,593,648</u>	<u>-</u>	<u>-</u>	<u>49,593,648</u>
Investments measured at NAV per practical expedient -				
Private equity funds				<u>3,092,233</u>
TOTAL INVESTMENTS				<u>\$ 52,685,881</u>

THE GEORGE AND CAROL OLMSTED FOUNDATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

2. FAIR VALUE MEASUREMENTS AND INVESTMENTS (Continued)

Investments that are measured at fair value using NAV per share as a practical expedient have been omitted from the fair value hierarchy.

The private equity funds consist of NB Private Market Fund III (TE) LLC (Fund) and NB Crossroads Private Market Funds V (TE) LP (Crossroads).

The Foundation has committed to invest \$1,400,000 in Fund. As of December 31, 2021, the unfunded portion of the Foundation's commitment totaled \$658,000.

The Foundation has committed to invest \$1,500,000 in Crossroads. As of December 31, 2021, the unfunded portion of the Foundation's commitment totaled \$600,000.

The private equity funds have not yet identified all the potential investments that will ultimately be made with the commitments received. Commitments may be drawn down at any time by making the capital call upon at least 10 business days written notice. The private equity funds seek to achieve their investment objective through investments in a diversified portfolio of professionally managed private equity portfolio funds and select direct investments in portfolio companies. The private equity funds will primarily invest in newly formed private equity portfolio funds.

These investments should be considered illiquid. The return of capital and the realization of gains, if any, generally will occur only upon partial or complete disposition of an underlying investments by a portfolio fund. While an investment may be sold at any time, it is not generally expected that this will occur for a number of years after the initial investment. Before such time, there may be no current return on the investments.

3. LIQUIDITY AND AVAILABILITY

Financial assets available for use for general expenditures within one year of the Statement of Financial Position date comprise the following:

Cash and cash equivalents	\$ 399,187
Investments	52,685,881
Less private equity funds	<u>(3,092,233)</u>

FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 49,992,835</u>
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The Foundation funds its annual operations by spending approximately 5% of its investment balance. The Foundation draws down equal portion of its annual funding on a monthly basis to satisfy requirements as they become due. Additional funding could be obtained if approved by the Board.

4. CONTRIBUTIONS AND GRANTS

The Olmsted Scholar Program, in cooperation with the three U.S. military departments and the Department of Homeland Security, select career officers each year to receive educational grants for a two-year period of study in a foreign country. The officers are graduates of military academies, or are commissioned through the Reserve Officer Training Corps (ROTC) program or another source of commission.

THE GEORGE AND CAROL OLMSTED FOUNDATION

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

4. CONTRIBUTIONS AND GRANTS (Continued)

Grants are recorded in the year in which they are awarded. In addition, Olmsted Scholars are reimbursed for various expenses incurred related to the Olmsted Scholar Program. These reimbursements are expensed in the year requested.

The Internal Revenue Services, in a letter dated November 24, 1971, approved this scholarship program. Pursuant to the Foundation's request for ruling on a proposed modification in the program, it was approved in a letter dated October 30, 1997. Grants for this program totaled \$634,109 in 2021.

The following is a schedule of the future estimated scholars payments:

Year Ending December 31,

2022	\$ 476,381
2023	258,374
2024	<u>40,926</u>
	<u>\$ 775,681</u>

Other charitable contributions paid or accrued by the Foundation, during the year ended December 31, 2021 are as follows:

Department of Army	\$ 515,000
Department of Navy	515,000
Department of Air Force	115,000
Title 10 Senior Military Colleges	106,000
Coast Guard	20,000
Society of Cincinnati	15,000
Undergraduate Overseas TVL	<u>6,000</u>
TOTAL OTHER CONTRIBUTIONS	<u>\$ 1,292,000</u>

5. LEASE COMMITMENTS

In April 2013, the Foundation signed a 74-month lease, commencing January 2014. This agreement was amended in June 2014, to change the lease commencement date to March 25, 2014, as the space was not ready for occupancy in January. Rent payments commenced on June 2014. In addition, to two months of abated rent, the Foundation received a rent credit for the amount of liquidated damages owed due to late delivery of the office space. Base rent was \$50,400 for the first year of the lease, with an annual increase of 3% per year thereafter.

Accounting principles generally accepted in the United States of America require that the total rent commitment should be recognized on a straight-line basis over the term of the lease. Accordingly, the difference between the actual monthly payments and the rent expense being recognized for financial statement purposes is recorded as a deferred rent liability on the Statement of Financial Position.

In January 2020, the Foundation signed an amendment to the lease extending the term of the lease to June 2025.

THE GEORGE AND CAROL OLMSTED FOUNDATION

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

5. LEASE COMMITMENTS (Continued)

The following is a schedule of the future minimum lease payments:

Year Ending December 31,

2022	\$ 62,760
2023	64,643
2024	66,582
2025	<u>39,511</u>
	<u>\$ 233,496</u>

Lease expense for the year ended December 31, 2021 was \$67,891. The deferred rent liability was \$4,519.

6. RETIREMENT PLAN

In 2004, the Foundation adopted retirement arrangements for the benefit of its employees. Employees may contribute a portion of their pre-tax current compensation into a 403b salary deferral plan. The Foundation also established a SEP IRA retirement plan and currently, on behalf of each employee, makes a 5% contribution of base compensation to this separate retirement plan. Contributions to the plan during the year ended December 31, 2021 totaled \$35,307.

7. EXCISE TAXES

The Foundation is subject to excise tax on its net investment income. During the year ended December 31, 2021, the Foundation had net taxable investment earnings of approximately \$3,924,300, which resulted in current excise taxes of approximately \$54,550. The excise tax rate was 1.39% for 2021.

At December 31, 2021, the market value of the Foundation's investment portfolio was approximately \$12,103,300 greater than the portfolio's original cost. A deferred tax liability of \$168,236 is reflected in the accompanying Statement of Financial Position at December 31, 2021.

8. SUBSEQUENT EVENTS

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through February 24, 2022, the date the financial statements were issued.