



Financial Statements
April 30, 2019 and 2018
Jerome Foundation

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Independent Auditor's Report

To the Board of Directors and Members
Jerome Foundation, Inc.
Saint Paul, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of Jerome Foundation, Inc. (the Foundation), which comprise the statements of financial position as of April 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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 Foundation as of April 30, 2019, 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.

Other Matter

The financial statements of the Foundation as of April 30, 2018, were audited by other auditors, whose report dated August 8, 2018, expressed an unmodified opinion on those statements.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Minneapolis, Minnesota
August 28, 2019

Jerome Foundation
Statements of Financial Position
April 30, 2019 and 2018

	2019	2018
Assets		
Cash and cash equivalents	\$ 243,807	\$ 436,116
Other receivables	-	2,184
Prepaid expenses	72,155	35,740
Investments (Note 3)	104,944,265	99,603,219
Beneficial interest in charitable remainder trust (Note 3)	-	4,300,166
Property and equipment, net (Note 4)	345,197	13,210
	<u>\$ 105,605,424</u>	<u>\$ 104,390,635</u>
Liabilities and Net Assets		
Liabilities		
Grant commitments payable (Note 6)	\$ 945,370	\$ 3,923,464
Accounts payable	9,850	18,759
Accrued liabilities	59,844	46,708
Deferred excise tax payable (Note 9)	524,003	469,161
	<u>1,539,067</u>	<u>4,458,092</u>
Net Assets		
Without donor restrictions	104,066,357	95,632,377
With donor restrictions (Note 10)	-	4,300,166
	<u>104,066,357</u>	<u>99,932,543</u>
	<u>\$ 105,605,424</u>	<u>\$ 104,390,635</u>

Jerome Foundation
Statements of Activities
Years Ended April 30, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support, and Gains						
Contributions	\$ 100	\$ -	\$ 100	\$ 15,000	\$ -	\$ 15,000
Net investment return	6,698,960	27,860	6,726,820	9,424,427	512,035	9,936,462
Net assets released from restrictions	4,328,026	(4,328,026)	-	-	-	-
Total revenue, support, and gains	<u>11,027,086</u>	<u>(4,300,166)</u>	<u>6,726,920</u>	<u>9,439,427</u>	<u>512,035</u>	<u>9,951,462</u>
Expenses and Losses						
Program services	2,083,101	-	2,083,101	5,352,451	-	5,352,451
Management and general	510,005	-	510,005	1,102,219	-	1,102,219
Total expenses	<u>2,593,106</u>	<u>-</u>	<u>2,593,106</u>	<u>6,454,670</u>	<u>-</u>	<u>6,454,670</u>
Change in Net Assets	8,433,980	(4,300,166)	4,133,814	2,984,757	512,035	3,496,792
Net Assets, Beginning of Year	95,632,377	4,300,166	99,932,543	92,647,620	3,788,131	96,435,751
Net Assets, End of Year	<u>\$ 104,066,357</u>	<u>\$ -</u>	<u>\$ 104,066,357</u>	<u>\$ 95,632,377</u>	<u>\$ 4,300,166</u>	<u>\$ 99,932,543</u>

Jerome Foundation
Statement of Functional Expenses
Year Ended April 30, 2019

	Program Services	Management and General	Total
Salaries and wages	\$ 293,733	\$ 209,861	\$ 503,594
Payroll taxes	18,519	10,097	28,616
Benefits	61,542	24,942	86,484
Total personnel expenses	373,794	244,900	618,694
Grant payments	1,455,142	-	1,455,142
Professional fees	102,032	91,448	193,480
Contract services	14,450	5,143	19,593
Travel expenses	42,828	25,370	68,198
Postage and mailing	1,730	2,595	4,325
Printing and copying	754	1,131	1,885
Telephone	1,918	2,876	4,794
Supplies	672	6,051	6,723
Rent and utilities	36,966	12,988	49,954
Professional development	1,861	431	2,292
Membership and dues	264	94	358
Technology	19,844	4,549	24,393
General insurance	8,492	3,022	11,514
Miscellaneous expenses	-	5,423	5,423
Depreciation	22,354	7,854	30,208
Federal excise tax	-	96,130	96,130
Total expenses included in the expense section on the statement of activities	\$ 2,083,101	\$ 510,005	\$ 2,593,106

Jerome Foundation
Statements of Cash Flows
Years Ended April 30, 2019 and 2018

	2019	2018
Reconciliation of Change in Net Assets to Net Cash		
from Operating Activities		
Change in net assets	\$ 4,133,814	\$ 3,496,792
Adjustments to reconcile change in net assets to net cash		
used for operating activities		
Depreciation	30,208	8,749
Net gain on investments	(3,872,325)	(7,378,396)
Change in beneficial interest in value of charitable		
remainder trust	(27,860)	(512,035)
Deferred excise tax expense	54,842	13,319
Changes in operating assets and liabilities		
Other receivables	2,184	(626)
Prepaid expenses	(36,415)	(26,527)
Excise tax payable	-	(79,786)
Grant commitments payable	(2,978,094)	1,568,174
Accrued liabilities	13,136	(1,202)
Accounts payable	(8,909)	9,424
Net Cash used for Operating Activities	(2,689,419)	(2,902,114)
Investing Activities		
Purchase of property and equipment	(362,196)	-
Withdrawal from assets held under		
beneficial interest in value of		
charitable remainder trust	4,300,166	-
Purchases of investments	(7,161,724)	(2,162,129)
Proceeds from sales of investments	5,720,864	5,284,965
Net Cash from (used for) Investing Activities	2,497,110	3,122,836
Net Change in Cash and Cash Equivalents	(192,309)	220,722
Cash and Cash Equivalents, Beginning of Year	436,116	215,394
Cash and Cash Equivalents, End of Year	\$ 243,807	\$ 436,116
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for		
Excise tax	\$ 82,000	\$ 262,151

Note 1 - Principal Activity and Significant Accounting Policies

Organization

The Jerome Foundation, Inc. (the Foundation) is a private foundation incorporated under the laws of Minnesota. Grants are made to support programs and projects located in the State of Minnesota and New York City in the areas of dance, literature, film and video, digital media, multidisciplinary arts, music, theater, and visual arts.

Cash and Cash Equivalents

All cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, are considered to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to building projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition.

Property and Equipment

Property and equipment additions over \$3,000 are recorded at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 4 to 10 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The Foundation reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended April 30, 2019 and 2018.

Beneficial Interests in Charitable Trusts Held by Others

The Foundation was named as an irrevocable beneficiary of a charitable trust that was held and administered by an independent trustee. This trust was created independently by one donor and was administered by an outside agent. The Foundation had neither possession nor control over the assets of the trusts. At the date the Foundation received notice of a beneficial interest, a contribution with donor restrictions was recorded in the statements of activities and a beneficial interest in charitable trust held by others was recorded in the statements of financial position at fair value using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the expected distributions to be received under the agreement. Thereafter, beneficial interests in the trusts was reported at fair value in the statements of financial position, with changes in fair value recognized in the statements of activities.

Upon receipt of trust distributions or expenditures, or both, in satisfaction of the donor-restricted purpose, if any, net assets with donor-imposed time or purpose restrictions are released to net assets without donor restrictions. During the year ending on April 30, 2018, the Foundation received notice that the final beneficiary of Charitable Remainder Trust had died, and that the Foundation was therefore entitled to the balance of those funds. The funds were transferred to the Foundation during the year ending April 30, 2019, and the Trust was dissolved.

Investments

Investments are recorded at fair value based upon quoted market prices, when available, or estimates of fair value. Donated assets are recorded at fair value at the date of donation, or, if sold immediately after receipt, at the amount of sales proceeds received (which are considered a fair measure of the value at the date of donation). Those investments for which fair value is not readily determinable are carried at cost or, if donated, at fair value at the date of donation, or if no value can be estimated, at a nominal value. The Foundation records the change of ownership of bonds and stocks on the day a trade is made. Investment income or loss and unrealized gains or losses are included in the statement of activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or law.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing Board has designated, from net assets without donor restrictions, net assets for an operating reserve and Board-designated endowment.

New Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Foundation reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Contributions

Contributions, including unconditional promises to give, are recognized in the period received. Conditional promises are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met.

The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include rent and utilities, general insurance, and depreciation, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, contract services, postage and mailing, printing and copying, telephone, supplies, and technology, which are allocated on the basis of estimates of time and effort.

Tax-Exempt Status

The Foundation has received notification that it qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and corresponding provisions of State law. Due to the Foundation's classification as a private foundation under the Internal Revenue Code, it pays an excise tax of 2% (reduced to 1% if certain requirements are met) of its net taxable investment income. Any unrelated business income may also be subject to taxation. The Foundation is not currently under examination by any taxing jurisdiction.

The Foundation follows the accounting standards for contingencies in evaluating uncertain tax positions. This guidance prescribes recognition threshold principles for the financial statement recognition of tax positions taken or expected to be taken on a tax return that are not certain to be realized. No liability has been recognized by the Foundation for uncertain tax positions as of April 30, 2019 and 2018. The Foundation's tax returns are subject to review and examination by federal and state authorities.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the Foundation to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

Grants

Grant commitments are charged to operations at the time the grants are approved and signed by the Board of Directors, or the President as designated by the Board.

Concentration of Credit Risk

Deposit concentration risk is managed by placing cash, money market accounts, and certificates of deposit with financial institutions believed by the Foundation to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, no losses have been experienced in any of these accounts. Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from Board members, governmental agencies, and foundations supportive of the Foundation's mission. Investments are made by diversified investment managers whose performance is monitored by the Foundation and the investment committee of the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, the Foundation and the investment committee believe that the investment policies and guidelines are prudent for the long-term welfare of the organization.

Recent Accounting Guidance

As of May 1, 2018, the Foundation adopted the provisions of Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements for Not-For-Profit Entities*. The provisions of the ASU replace the existing three classes of net assets with two new classes (net assets without donor restrictions and net assets with donor restrictions). The ASU introduces new disclosure requirements to provide information about what is included or excluded from the Foundation's intermediate measure of operations as well as disclosures to improve a financial statement user's ability to assess the Foundation's liquidity and exposure to risk. The ASU also introduces new reporting requirements to present expenses by both function and natural classification in a single location and to present investment returns on the statements of activities net of external and direct internal investment expenses.

The new provisions should be applied on a retrospective basis; however, if presenting comparative financial statements, the ASU allows for the option to omit, for any periods presented before the period of adoption, the analysis of expenses by both natural classification and functional classification (the separate presentation of expenses by functional classification and expenses by natural classification is still required), and the disclosure about liquidity and availability of resources. The Foundation has elected not to present comparative information for the year ended April 30, 2018.

Subsequent Events

The Foundation has evaluated subsequent events through August 28, 2019, which is the date that the financial statements were approved and available to be issued.

Note 2 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash and cash equivalents	\$ 243,807
Operating investments	102,618,565
	\$ 102,862,372

As part of its liquidity management, the Foundation maintains liquid assets sufficient to meet its ongoing funding needs, which include IRS distribution requirements, general expenditures, and other obligations. Its main source of income is derived from investment earnings. The investment strategy of the Foundation emphasizes total return, i.e. the aggregated return from capital appreciation and dividend and interest income. The primary objective of the investment policy is to achieve returns equal to or greater than the rate of inflation, the annual excise tax on net investment income, and the annual required minimum distribution amount. These earnings are expected to be adequate to meet the Foundation’s ongoing funding needs.

Note 3 - Fair Value Measurements

Fair Value Hierarchy

Certain assets are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity’s own assumptions about the assumptions market participants would use in pricing the asset based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, inputs are developed using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the Foundation's assessment of the quality, risk, or liquidity profile of the asset or liability.

A significant portion of investment assets are classified within Level 1 because they comprise open-end mutual funds with readily determinable fair values based on daily redemption values. The fair values of beneficial interests in charitable and perpetual trusts are determined using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the underlying assets and are based on the fair values of trust investments as reported by the trustees (level 2). The fair value of timber and timberlands has no readily determinable fair value, therefore the valuation is based on significant unobservable inputs. The Foundation has estimated the fair value of the timber and timberlands using market price data from comparable transactions for land and timber in close proximity and review of discounted cash flow analyses of forestry activities. This is considered to be a Level 3 measurement.

The following table presents assets measured at fair value on a recurring basis at April 30, 2019:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money market funds and short-term investments	\$ 1,827	\$ 1,827	\$ -	\$ -
Mutual funds - domestic stocks	57,284,516	57,284,516	-	-
Mutual funds - international stocks	19,972,676	19,972,676	-	-
Mutual funds - bonds	25,359,546	25,359,546	-	-
Timber and timberlands	<u>2,325,700</u>	<u>-</u>	<u>-</u>	<u>2,325,700</u>
Total	<u>\$ 104,944,265</u>	<u>\$ 102,618,565</u>	<u>\$ -</u>	<u>\$ 2,325,700</u>

The following table presents assets measured at fair value on a recurring basis at April 30, 2018:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money market funds and short-term investments	\$ 513,934	\$ 513,934	\$ -	\$ -
Mutual funds - domestic stocks	45,339,125	45,339,125	-	-
Mutual funds - international stocks	26,665,598	26,665,598	-	-
Mutual funds - bonds	24,617,562	24,617,562	-	-
Timber and timberlands	2,467,000	-	-	2,467,000
Beneficial interest in charitable remainder trust	<u>4,300,166</u>	<u>-</u>	<u>4,300,166</u>	<u>-</u>
Total	<u>\$ 103,903,385</u>	<u>\$ 97,136,219</u>	<u>\$ 4,300,166</u>	<u>\$ 2,467,000</u>

The following table presents a reconciliation of the statement of financial position amounts for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended April 30, 2019:

	<u>Balances April 30, 2018</u>	<u>Net Realized and Unrealized Gains Included in Change in Net Assets</u>	<u>Purchases, Sales, Issuances and Settlement, Net</u>	<u>Net Transfers In (Out) of Level 3</u>	<u>Balances April 30, 2019</u>
Timber and timberlands	<u>\$ 2,467,000</u>	<u>\$ (141,300)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,325,700</u>
	<u>\$ 2,467,000</u>	<u>\$ (141,300)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,325,700</u>

The amount of total losses for the period included in net assets attributable to the change in unrealized losses relating to Level 3 assets still held at April 30, 2019.

\$ 141,300

The following table presents a reconciliation of the statement of financial position amounts for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended April 30, 2018:

	Balances April 30, 2017	Net Realized and Unrealized Gains Included in Change in Net Assets	Purchases, Sales, Issuances and Settlement, Net	Net Transfers In (Out) of Level 3	Balances April 30, 2018
Timber and timberlands	\$ 2,362,000	\$ 105,000	\$ -	\$ -	\$ 2,467,000
Beneficial interest in charitable remainder trust	3,788,131	512,035	-	(4,300,166)	-
	<u>\$ 6,150,131</u>	<u>\$ 617,035</u>	<u>\$ -</u>	<u>\$ (4,300,166)</u>	<u>\$ 2,467,000</u>

The amount of total gains for the period included in net assets attributable to the change in unrealized gains relating to Level 3 assets still held at April 30, 2018.

\$ 105,000

During the year ended April 30, 2018, the Foundation received the distributed assets from the charitable remainder trust and the funds were invested within the Foundation's Level 1 portfolio.

Note 4 - Property and Equipment

A summary of property costs and accumulated depreciation at April 30 is as follows:

	2019	2018
Equipment	\$ 86,746	\$ 63,725
Vehicle	28,821	28,821
Leasehold improvements	282,190	66,524
	397,757	159,070
Less accumulated depreciation	52,560	145,860
	<u>\$ 345,197</u>	<u>\$ 13,210</u>

Note 5 - Lease Commitments

Office space is leased under an operating lease expiring during 2028.

Future minimum lease payments are as follows:

Years Ending December 31,	Amount
2020	\$ 53,855
2021	55,475
2022	57,144
2023	58,855
2024	60,614
Thereafter	290,044
	\$ 575,987

Rent expense for the years ended April 30, 2019 and 2018, totaled \$49,954 and \$63,076, respectively.

Note 6 - Grant Commitments Payable

Grant activity for the years ended April 30, 2019 and 2018, is summarized as follows:

	2019	2018
Grant commitments payable, beginning of year	\$ 3,923,464	\$ 2,355,290
Grants awarded, net	1,455,142	5,161,844
Payments	(4,433,236)	(3,593,670)
Grant commitments payable, end of year	\$ 945,370	\$ 3,923,464

At April 30, 2019, grant commitments payable are expected to be paid as follows:

Year Ending April 30	
2020	\$ 945,370
Total grant commitments payable	\$ 945,370

Note 7 - Employee Benefits

The Foundation has a defined contribution profit-sharing and 401(k) plan for all eligible employees. Contributions are subject to the Board of Directors' discretion. Employer contributions for the years ended April 30, 2019 and 2018, amounted to 6% of qualified compensation per employee. The Foundation also matched up to and including 3% of qualified compensation for any employee who contributed up to and including 3% to the retirement plan. Retirement plan expense was \$43,326 and \$46,362, respectively.

Note 8 - Related Party Transactions

The Camargo Foundation, a legally separate operating foundation also founded by artist and philanthropist Jerome Hill, conducts artist in residency programs in Cassis, France. Since 2013, individual Directors who serve on the Board of the Foundation were also elected to serve as individual Trustees of the Camargo Foundation. In addition, the Foundation's President also served as the Director of the Camargo Foundation. During the fiscal year ended April 30, 2018, the governance of the two organization was restructured, which resulted in three of eight overlapping Board members as of April 30, 2018, and a separation of the executive leadership of both organizations. During the fiscal year ended April 30, 2019, there was one overlapping Board member of the total eight Board members. For the years ended April 30, 2019 and 2018, the Foundation awarded grants totaling \$1,007,000 and \$145,500, respectively, in support of Camargo Foundation's operations. As of April 30, 2019 and 2018, amounts due from the Foundation to the Camargo Foundation were \$8,000 and \$3,000, respectively. In addition, the Foundation donated staff services, travel, and meeting support to Camargo valued at \$0 and \$56,675 during the years ended April 30, 2019 and 2018, respectively.

Note 9 - Federal Excise Tax

The Foundation is subject to a 2% excise tax on its taxable investment income, which includes income from investments plus net realized capital gains. The tax on net investment income is reduced from 2% to 1% for any taxable year in which the Foundation's qualifying distributions meet certain minimum requirements of the Internal Revenue Code. During the year ended April 30, 2019, the Foundation's qualifying distributions did meet the minimum requirements, which resulted in the determination of current tax expense based upon the 1% rate. During the year ended April 30, 2018, the Foundation's qualifying distributions did not meet the minimum requirements, which resulted in the determination of current tax expense based upon the 2% rate.

Deferred excise taxes are calculated based upon the 2% rate and result from the difference between the carrying value and tax basis of the Foundation's investments, as well as from certain income and expense items being accounted for in different time periods for financial statement purposes than for federal excise tax purposes.

The federal excise tax provision consists of the following:

	2019	2018
Current	\$ 41,288	\$ 176,930
Deferred	54,842	13,319
	\$ 96,130	\$ 190,249

Note 10 - Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods:

	2019	2018
Beneficial interest in charitable remainder trust	\$ -	\$ 4,300,166