
W.E. Upjohn Unemployment Trustee Corporation

Financial Report
December 31, 2019

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Independent Auditor's Report

To the Board of Trustees
W.E. Upjohn Unemployment Trustee Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of W.E. Upjohn Unemployment Trustee Corporation (the "Corporation"), which comprise the balance sheet as of December 31, 2019 and 2018 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 balance sheet of W.E. Upjohn Unemployment Trustee Corporation as of December 31, 2019 and 2018 and the changes in its net assets, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 2 to the financial statements, the Corporation has evaluated the impact of the coronavirus pandemic on its operations. Our opinion is not modified with respect to this matter.

As described in Note 3 to the financial statements, the Corporation adopted the provisions of Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, and ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Our opinion is not modified with respect to this matter.

To the Board of Trustees
W.E. Upjohn Unemployment Trustee Corporation

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2020 on our consideration of W.E. Upjohn Unemployment Trustee Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering W.E. Upjohn Unemployment Trustee Corporation's internal control over financial reporting and compliance.

Plante & Moran, PLLC

April 29, 2020

W.E. Upjohn Unemployment Trustee Corporation

Balance Sheet

December 31, 2019 and 2018

	2019	2018
Assets		
Cash (Note 4)	\$ 2,798,175	\$ 2,346,399
Investments (Note 6)	217,953,846	184,627,403
Receivables (Note 5)	1,414,899	1,314,489
Other assets	572,264	526,945
Property and equipment - Net (Note 7)	4,985,733	4,572,679
Total assets	<u>\$ 227,724,917</u>	<u>\$ 193,387,915</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 47,090	\$ 54,722
Advances payable	1,814,298	1,754,998
Accrued expenses	1,197,207	1,147,190
Total liabilities	3,058,595	2,956,910
Net Assets without Donor Restrictions	<u>224,666,322</u>	<u>190,431,005</u>
Total liabilities and net assets	<u>\$ 227,724,917</u>	<u>\$ 193,387,915</u>

W.E. Upjohn Unemployment Trustee Corporation

Statement of Activities and Changes in Net Assets

Years Ended December 31, 2019 and 2018

	2019	2018
Changes in Net Assets without Donor Restrictions		
Revenue and support:		
Contract revenue	\$ 13,798,619	\$ 12,641,343
Investment income (loss) (Note 6)	41,616,713	(19,322,319)
Other	117,253	233,778
Total revenue and support	55,532,585	(6,447,198)
Expenses:		
Program services:		
In-house research	3,803,352	2,843,564
General research, community service, and external grants	1,711,589	2,630,016
Publications	539,383	513,782
Employment and training assistance programs	10,745,810	10,095,834
Total program services	16,800,134	16,083,196
Support services:		
Management and general	2,820,071	2,445,891
Library, archives, and repository	503,856	516,618
Employment and training assistance administrative	1,173,207	965,014
Total expenses	21,297,268	20,010,719
Increase (Decrease) in Net Assets without Donor Restrictions	34,235,317	(26,457,917)
Net Assets without Donor Restrictions - Beginning of year	190,431,005	216,888,922
Net Assets without Donor Restrictions - End of year	\$ 224,666,322	\$ 190,431,005

W.E. Upjohn Unemployment Trustee Corporation

Statement of Functional Expenses

Year Ended December 31, 2019

	Program Services				Support Services			Total
	In-house Research	General Research, Community Service, and External Grants	Publications	Employment and Training Assistance Programs	Management and General	Library, Archives, and Repository	Employment and Training Assistance Administrative	
Salaries	\$ 2,349,038	\$ 1,059,368	\$ 321,932	\$ 4,221,498	\$ 1,047,518	\$ 218,030	\$ 683,817	\$ 9,901,201
Benefits	632,728	295,840	152,676	1,079,180	590,313	89,123	310,825	3,150,685
Total salaries and related expenses	2,981,766	1,355,208	474,608	5,300,678	1,637,831	307,153	994,642	13,051,886
Building and grounds	2,105	-	-	34,238	441,616	-	9,587	487,546
Communications	7,715	28,455	976	69,445	82,116	1	2,328	191,036
Consultants	344,369	1,579	-	195,301	35,792	-	15,000	592,041
Contract labor nonpublications	176,521	-	-	-	21,600	-	-	198,121
Contract labor publications	-	-	16,209	-	-	-	-	16,209
Copying, printing, duplicating	2,651	20	11,865	44,032	63,430	28	3,970	125,996
Data processing	-	-	-	15,252	-	-	-	15,252
Depreciation	-	-	-	-	326,381	-	-	326,381
Employment data	38,525	7,369	-	-	-	-	-	45,894
Equipment	-	25,074	-	199,689	17,462	-	6,365	248,590
Grants and major research initiatives	-	110,109	-	-	-	-	-	110,109
Library	1,998	690	-	310	49	110,420	-	113,467
Mailing and postage	1,909	46	6,740	3,449	7,031	25	598	19,798
Marketing and advertising	2,343	1,500	1,408	35,578	169	-	-	40,998
Memberships	1,165	555	3,013	51,476	5,779	12,274	17,881	92,143
Miscellaneous	10,340	6,866	555	40,818	35,619	90	2,789	97,077
Professional development	139	8,070	-	57,085	4,028	4,598	7,786	81,706
Professional services	1,379	-	-	29,512	99,916	-	24,270	155,077
Publications	1,000	165	13,610	-	-	-	-	14,775
Software licenses, maintenance, and support	109,883	102,397	1,775	20,503	6,887	62,439	9,748	313,632
Space and facility rental	-	-	4,626	669,556	2,100	-	53,209	729,491
Supplies	400	4,089	461	35,377	11,461	514	3,324	55,626
Travel	119,144	59,397	3,537	174,791	20,804	6,314	21,710	405,697
Subcontractor costs	-	-	-	1,193,963	-	-	-	1,193,963
Participant costs	-	-	-	2,574,757	-	-	-	2,574,757
Total other expenses	821,586	356,381	64,775	5,445,132	1,182,240	196,703	178,565	8,245,382
Total expenses	\$ 3,803,352	\$ 1,711,589	\$ 539,383	\$ 10,745,810	\$ 2,820,071	\$ 503,856	\$ 1,173,207	\$ 21,297,268

W.E. Upjohn Unemployment Trustee Corporation

Statement of Functional Expenses

Year Ended December 31, 2018

	Program Services				Support Services			Total
	In-house Research	General Research, Community Service, and External Grants	Publications	Employment and Training Assistance Programs	Management and General	Library, Archives, and Repository	Employment and Training Assistance Administrative	
Salaries	\$ 1,527,528	\$ 1,641,663	\$ 283,957	\$ 4,038,160	\$ 786,745	\$ 212,105	\$ 570,265	\$ 9,060,423
Benefits	419,919	456,672	128,083	1,013,035	513,259	92,155	259,387	2,882,510
Total salaries and related expenses	1,947,447	2,098,335	412,040	5,051,195	1,300,004	304,260	829,652	11,942,933
Building and grounds	2,107	-	-	34,702	427,739	-	7,232	471,780
Communications	546	19,450	988	62,840	35,626	-	538	119,988
Consultants	312,688	42,297	-	246,540	1,667	-	-	603,192
Contract labor nonpublications	106,732	3,965	-	61,255	358	-	-	172,310
Contract labor publications	-	1,392	17,290	-	-	-	-	18,682
Copying, printing, duplicating	605	5,664	12,035	40,132	65,192	125	3,210	126,963
Data processing	-	-	-	17,348	-	-	-	17,348
Depreciation	-	-	-	-	331,669	-	-	331,669
Employment data	300,000	49,163	-	-	-	-	-	349,163
Equipment	-	77,735	-	77,781	2,863	5,387	3,419	167,185
Grants and major research initiatives	-	120,273	-	-	-	-	-	120,273
Library	-	-	-	-	-	125,675	-	125,675
Mailing and postage	1,624	840	7,599	3,346	7,910	32	593	21,944
Marketing and advertising	510	2,791	5,066	10,800	3,169	21	-	22,357
Memberships	1,065	2,957	3,013	60,755	3,878	6,609	17,440	95,717
Miscellaneous	13,676	5,446	664	34,876	193,228	868	3,939	252,697
Professional development	390	833	-	55,417	5,239	3,060	5,464	70,403
Professional services	5,324	-	-	23,938	32,721	-	16,731	78,714
Publications	-	175	43,051	-	-	-	-	43,226
Software licenses, maintenance, and support	60,150	110,746	1,439	27,518	3,029	64,692	9,719	277,293
Space and facility rental	-	-	5,503	674,383	-	-	44,454	724,340
Supplies	563	3,217	294	58,160	10,087	320	2,522	75,163
Travel	90,137	84,737	4,800	151,606	21,512	5,569	20,101	378,462
Subcontractor costs	-	-	-	1,138,095	-	-	-	1,138,095
Participant costs	-	-	-	2,265,147	-	-	-	2,265,147
Total other expenses	896,117	531,681	101,742	5,044,639	1,145,887	212,358	135,362	8,067,786
Total expenses	\$ 2,843,564	\$ 2,630,016	\$ 513,782	\$ 10,095,834	\$ 2,445,891	\$ 516,618	\$ 965,014	\$ 20,010,719

W.E. Upjohn Unemployment Trustee Corporation

Statement of Cash Flows

Years Ended December 31, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities		
Increase (decrease) in net assets	\$ 34,235,317	\$ (26,457,917)
Adjustments to reconcile increase (decrease) in net assets to net cash from operating activities:		
Depreciation	326,381	331,669
Change in realized and unrealized (appreciation) depreciation in fair value of investments	(34,966,259)	27,354,297
Changes in operating assets and liabilities that (used) provided cash:		
Receivables	(100,410)	17,660
Accounts payable	(7,632)	(29,883)
Advances payable	59,300	920,385
Accrued expenses	50,017	233,149
Other assets	(45,319)	25,456
Net cash (used in) provided by operating activities	(448,605)	2,394,816
Cash Flows from Investing Activities		
Purchase of property and equipment	(739,435)	(518,635)
Purchases of investments	(42,200,100)	(20,440,537)
Proceeds from sales and maturities of investments	43,839,916	19,745,396
Net cash provided by (used in) investing activities	900,381	(1,213,776)
Net Increase in Cash	451,776	1,181,040
Cash - Beginning of year	2,346,399	1,165,359
Cash - End of year	<u>\$ 2,798,175</u>	<u>\$ 2,346,399</u>

December 31, 2019 and 2018

Note 1 - Nature of Organization

W.E. Upjohn Unemployment Trustee Corporation (the "Corporation") was established in 1932 under a trust agreement that authorizes the Corporation to conduct research on a wide variety of employment issues using the assets and revenue from the assets given to the Corporation at its creation.

Note 2 - Significant Accounting Policies

Classification of Net Assets

Net assets of the Corporation are classified based on the presence or absence of donor-imposed restrictions.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions or for which the donor-imposed restrictions have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of the Corporation.

Contract Revenue

Contract revenue consists of \$12,107,996 and \$11,145,342 of federal, state, and local grant revenue, \$1,345,498 and \$1,446,501 of project earned income, and \$345,125 and \$49,500 of other contributions for the years ended December 31, 2019 and 2018, respectively.

Revenue derived from research grants and contracts totaled \$1,435,110 and \$1,504,548 at December 31, 2019 and 2018, respectively. The costs incurred related to this revenue totaled \$1,747,759 and \$1,699,695 in 2019 and 2018, respectively.

Grant Revenue

Grant revenue received for grants determined to be conditional contributions is recognized as services are provided (i.e., as barriers are overcome). Grant money received in excess of that earned is recorded as advances payable on the balance sheet. Advances payable relating to grant revenue totaled \$1,410,548 and \$1,375,640 at December 31, 2019 and 2018, respectively. Grant revenue earned in excess of that received is recorded as receivables. There is no allowance for doubtful collections on receivables since it is the opinion of management that these receivables are fully collectible.

Conditional promises to give are not recognized until the barriers are overcome by the Corporation. As of December 31, 2019, conditional promises to give total \$8,415,761 and will be recorded as revenue as the barriers within the grant agreements are met.

Project Earned Income

Project earned income is derived from research contracts. The Corporation typically satisfies its performance obligations as services are rendered. The Corporation's contracts with customers obligate the Corporation to perform services, which are satisfied over time as the services are provided and use the practical expedient to recognize revenue as the Corporation has the right to invoice for services provided. This is because the services provided are representative of the amount the Corporation has the right to bill.

Under the typical payment terms, invoices are submitted monthly to the customer based on the work completed to date. Payment is generally due within 30 days. The Corporation's contracts with customers do not include any variable consideration.

Project earned income received in excess of revenue recognized are recorded as a contract liability on the balance sheet. Contract liabilities, recorded as advances payable on the balance sheet, totaled \$403,750 at December 31, 2019 and \$379,358 at January 1, 2019. Project earned income recognized in excess of payments received is recorded as a receivable. There were no impairment losses recognized on any receivables arising from contracts with customers during 2019.

December 31, 2019 and 2018

Note 2 - Significant Accounting Policies (Continued)

In substantially all cases, services transfer to customers when performed by the Corporation. In no case does the Corporation act as an agent (i.e., the Corporation does not provide a service of arranging for another party to transfer services to the customer).

The transaction price of a contract is the amount of consideration to which the Corporation expects to be entitled in exchange for transferring promised services to a customer. Transaction prices do not include amounts collected on behalf of third parties (e.g., sales taxes).

To determine the transaction price of a contract, the Corporation considers its customary practices and the terms of the contract. For the purpose of determining the transaction prices, the Corporation assumes the services will be transferred to the customer as promised in accordance with existing contracts and that the contracts will not be canceled, renewed, or modified.

Costs to obtain a contract with a customer are generally incurred regardless of whether the contract was obtained and are expensed as incurred. Costs incurred in fulfilling a contract with a customer are recorded as program services. Program services include all salaries and wages, employee benefits, payroll taxes, and other program specific expenses.

Contributions

Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received, measured at fair value. Donor promises to give in the future are recorded at the present value of estimated future cash flows.

Contributions without donor-imposed restrictions and contributions with donor-imposed time or purpose restrictions that are met in the same period as the gift are both reported as contributions without donor restrictions.

Investments

Investments in debt and equity securities are recorded at fair value based on quoted market prices. Investment securities are exposed to various risks, such as interest rate, 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 balance sheet.

Property and Equipment

Property and equipment are recorded at cost when purchased or at fair value at the date of donation and are being depreciated on a straight-line basis over their estimated useful lives. Costs of assets sold or retired and the related amounts of accumulated depreciation are eliminated from the accounts in the year of sale or retirement. Any resulting gain or loss is reflected in the statement of activities and changes in net assets. Cost of maintenance and repairs are charged to expense when incurred.

Functional Allocation of Expenses

The costs of providing the program and support services have been reported on a functional basis in the statement of activities and changes in net assets. The financial statements report certain categories of expenses that are attributable to more than program or supporting function. Therefore, these expenses required allocation on a reasonable basis that is consistently applied. Salaries and related expenses are allocated on the basis of time and effort. Costs have been allocated between the various programs and support services based on estimates, as determined by management. Although the methods of allocation used are considered reasonable, other methods could be used that would produce a different amount.

The Corporation classifies its expenses based on the following categories:

In-house Research includes funded projects, unfunded projects, and major research initiatives.

December 31, 2019 and 2018

Note 2 - Significant Accounting Policies (Continued)

General Research, Community Service, and External Grants includes external grants and other general research activities.

Publications consists only of the activities of the publications department.

Employment Training Assistance Programs includes the employment management services division (EMSD) program expenses.

Management and General represents the administrative expense for the research division.

Library, Archives, and Repository consists of the related expenses for the information center.

Employment and Training Assistance Administration includes only the administrative expenses for the EMSD.

Use of Estimates

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

Federal Income Taxes

The Corporation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC).

Upcoming Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, which will supersede the current lease requirements in Accounting Standards Codification (ASC) 840. The ASU requires lessees to recognize a right-of-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of operations. Currently, leases are classified as either capital or operating, with only capital leases recognized on the balance sheet. The reporting of lease-related expenses in the statements of operations and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for the Corporation's year ending December 31, 2021 and will be applied using a modified retrospective transition method to either the beginning of the earliest period presented or the beginning of the year of adoption. The new lease standard is not expected to have a significant effect on the Corporation's financial statements.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including April 29, 2020, which is the date the financial statements were available to be issued.

December 31, 2019 and 2018

Note 2 - Significant Accounting Policies (Continued)

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic. First identified in late 2019 and now known as COVID-19, the outbreak has impacted thousands of individuals worldwide. In response, many countries have implemented measures to combat the outbreak that have impacted global business operations. As of the date of issuance of the financial statements, the Corporation's offices and service centers are closed to everyone except essential employees. Contract revenue remains intact, and staff are working remotely, if possible. The Corporation continues to pay staff their normal wage regardless of their ability to work remotely or whether the payroll expense will be funded by an expense reimbursement contract. No impairments were recorded as of the balance sheet date; however, due to significant uncertainty surrounding the situation, management's judgment regarding this could change in the future. In addition, while the Corporation's results of operations, cash flows, and financial condition could be negatively impacted, the extent of the impact cannot be reasonably estimated at this time.

Subsequent to year end, the Corporation's investment portfolio has incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined.

Note 3 - Adoption of New Accounting Pronouncement

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Topic 606 supersedes the revenue recognition requirements in *Revenue Recognition (Topic 605)* and requires entities to recognize revenue when control of the promised goods or services is transferred to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Corporation adopted Topic 606 as of January 1, 2019.

In accordance with Topic 606, the Corporation applied the modified retrospective method to those contracts that were not completed as of January 1, 2019. Under the modified retrospective method, the cumulative effect of applying the standard is recognized at the date of initial application. Results for reporting periods beginning on January 1, 2019 are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with our historic accounting under Topic 605.

In implementing Topic 606, the Corporation was required to recalculate the revenue earned on any work in progress at the implementation date and to restate the revenue and cost of services as if Topic 606 had been followed from the inception of the contract. In recalculating costs and revenue under Topic 606 guidelines, the Corporation did not identify a material difference in the account balances. Since a material difference was not found and no significant changes in judgments were made in applying the new revenue recognition standard, no adjustment to net assets was required as a result of implementation.

As of January 1, 2019, the Corporation adopted Financial Accounting Standards Board Accounting Standards Update No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, which provides enhanced guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal transactions) and (2) determining whether a contribution is conditional. The Corporation adopted the new standard on a modified prospective basis, and it impacted the recognition of certain contribution and grant agreements. Government grants now meet the criteria of a nonreciprocal (contribution) transaction, typically with conditions to be met before revenue is recognized. The standard did not require a restatement of prior year amounts.

December 31, 2019 and 2018

Note 4 - Concentration of Credit Risk

The Corporation's bank deposits occasionally exceed federal depository insurance limitations. The uninsured cash balances totaled approximately \$2,848,000 and \$1,761,000 at December 31, 2019 and 2018, respectively. Management believes that it is impractical to insure all bank deposits. Management evaluates each financial institution with which it deposits funds and assesses the risk level of each financial institution. Only the institutions with an acceptable estimated risk level are used as depositories.

Note 5 - Receivables

Receivables at December 31, 2019 and 2018 consist of the following:

	2019	2018
Contracts	\$ 1,294,287	\$ 1,147,081
Publications and other	120,612	167,408
Total	<u>\$ 1,414,899</u>	<u>\$ 1,314,489</u>

As of December 31, 2019 and 2018, no allowance has been recorded.

Note 6 - Investments

Investments are maintained in custodial accounts directed by professional investment managers. Investments at December 31, 2019 and 2018 consist of the following, with separate identification of investments representing 5 percent or more of total assets:

	2019	2018
Mutual funds:		
DFA U.S. Large Cap Value Fund	\$ 22,523,587	\$ 31,523,662
Vanguard Institutional Index Fund	44,970,605	25,520,313
Western Assets Bond Fund	25,983,113	23,876,028
Loomis Sayles Bond Fund	13,796,002	12,852,561
Vanguard Mid Cap Index Fund	22,837,037	18,655,619
DFA International Core Equity Fund	14,532,751	11,942,983
DFA U.S. Small Cap Value Fund	7,712,159	9,044,485
DFA International Small Cap	-	8,294,531
Vanguard Small Cap Index Fund	14,866,154	9,766,175
Artisan International	17,423,616	14,076,752
Principal Investment Real Estate Securities	12,142,630	9,259,940
Other	18,886,300	8,611,554
Money market accounts	2,279,892	1,202,800
Total	<u>\$ 217,953,846</u>	<u>\$ 184,627,403</u>

Investment activity is reflected below:

	2019	2018
Dividends and interest	\$ 6,911,050	\$ 8,297,731
Appreciation (depreciation) in fair value	34,966,259	(27,354,297)
Investment advisory fees	(260,596)	(265,753)
Investment income (loss)	<u>\$ 41,616,713</u>	<u>\$ (19,322,319)</u>

Note 7 - Property and Equipment

Property and equipment are summarized as follows:

	2019	2018	Depreciable Life - Years
Land	\$ 596,776	\$ 596,776	-
Land improvements	28,466	28,466	10-15
Buildings	9,415,468	8,676,033	25-30
Machinery and equipment	1,847,637	1,847,637	3-15
Total cost	11,888,347	11,148,912	
Accumulated depreciation	6,902,614	6,576,233	
Net property and equipment	<u>\$ 4,985,733</u>	<u>\$ 4,572,679</u>	

Depreciation expense was \$326,381 for 2019 and \$331,669 for 2018.

Note 8 - Commitments

Trustees of the Corporation had approved external research grants with accumulated obligations amounting to \$0 and \$31,500 at December 31, 2019 and 2018, respectively. The grants are subject to the satisfaction of certain conditions before payment and will not be reflected in the financial statements until these conditions are met in accordance with the provisions of the grants.

Note 9 - Pension Plan

The Corporation sponsors a defined contribution pension plan covering substantially all of its employees. Contributions are determined as 12 percent of each covered employee's salary and amounted to \$738,021 and \$700,488 in 2019 and 2018, respectively.

Note 10 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Corporation has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Corporation's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

The Corporation's policy is to recognize transfers in and transfers out of Level 1, 2, and 3 fair value classifications as of the actual date of the event of change in circumstances that caused the transfer. No such transfers were made in 2019 or 2018.

December 31, 2019 and 2018

Note 10 - Fair Value Measurements (Continued)

The following tables present information about the Corporation's assets measured at fair value on a recurring basis at December 31, 2019 and 2018 and the valuation techniques used by the Corporation to determine those fair values:

	Assets Measured at Fair Value on a Recurring Basis at December 31, 2019			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2019
Cash equivalents - Money market mutual funds	\$ 2,279,892	\$ -	\$ -	\$ 2,279,892
Domestic mutual funds	134,106,926	-	-	134,106,926
International mutual funds	41,787,913	-	-	41,787,913
Fixed-income mutual funds	39,779,115	-	-	39,779,115
Total assets	\$ 217,953,846	\$ -	\$ -	\$ 217,953,846

	Assets Measured at Fair Value on a Recurring Basis at December 31, 2018			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2018
Cash equivalents - Money market mutual funds	\$ 1,202,800	\$ -	\$ -	\$ 1,202,800
Domestic mutual funds	112,381,749	-	-	112,381,749
International mutual funds	34,314,265	-	-	34,314,265
Fixed-income mutual funds	36,728,589	-	-	36,728,589
Total assets	\$ 184,627,403	\$ -	\$ -	\$ 184,627,403

Note 11 - Liquidity and Availability of Financial Resources

The Corporation has \$6,246,092 and \$4,794,703 of financial assets available within one year of December 31 to meet cash needs for general expenditure consisting of cash of \$2,749,547 and \$2,299,888, receivables of \$1,414,899 and \$1,314,489, and short-term investments of \$2,081,646 and \$1,180,326 as of December 31, 2019 and 2018, respectively. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date, with the exception of \$48,628 and \$46,511 as of December 31, 2019 and 2018, respectively. The receivables are subject to implied time restrictions but are expected to be collected within one year. The Corporation has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 60 days of normal operating expenses. The Corporation has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, as part of its liquidity management, the Corporation invests cash in excess of daily requirements in various short-term investments, including a money market fund.

Note 12 - Operating Leases

The Corporation is obligated under operating leases primarily for buildings and equipment, expiring at various dates through 2025. The leases require the Corporation to pay taxes, insurance, utilities, and maintenance costs. Total rent expense, excluding the ancillary expenses, under these leases was approximately \$632,000 and \$631,000 for 2019 and 2018, respectively. The Corporation subleases a small portion of the leased building space.

Future minimum annual commitments under these operating leases are as follows:

<u>Years Ending December 31</u>	<u>Amount</u>
2020	\$ 630,236
2021	543,518
2022	534,753
2023	516,028
2024	517,912
Thereafter	<u>483,259</u>
Total	<u>\$ 3,225,706</u>