



THE ARTHUR VINING DAVIS FOUNDATIONS

COMBINED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019



THE FINANCIAL STATEMENTS

REPORT OF INDEPENDENT AUDITOR

We have audited the accompanying combined financial statements of The Arthur Vining Davis Foundations (“the Foundations”), which consist of the combined statements of financial position as of December 31, 2020 and 2019, and the related combined statements of activities and cash flows for the years then ended, and the related notes to the combined financial statements.

Management’s Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined 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 audits to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Foundations’ preparation and fair presentation of the combined 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 Foundations’ 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the combined financial position of The Arthur Vining Davis Foundations as of December 31, 2020 and 2019, the combined changes in its net assets, and its combined cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



BATTS MORRISON WALES & LEE, P.A.

Orlando, Florida
September 22, 2021

Combined Statements of Financial Position

DECEMBER 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents		
Administrative account	\$ 200,388	\$ 279,596
Trust accounts	<u>12,375,476</u>	<u>7,298,708</u>
Total cash and cash equivalents	<u>12,575,864</u>	<u>7,578,304</u>
Accrued interest and dividends	<u>219,570</u>	<u>267,302</u>
Investments, at estimated fair value		
Equity securities	223,655,559	207,635,891
Obligations of the U.S. Government or its agencies	19,801,949	21,455,928
Corporate obligations	14,906,982	12,194,951
Other investments	<u>34,509,708</u>	<u>33,336,762</u>
Total investments	<u>292,874,198</u>	<u>274,623,532</u>
Other assets	<u>84,230</u>	<u>5,000</u>
TOTAL	<u>\$305,753,862</u>	<u>\$282,474,138</u>
LIABILITIES AND NET ASSETS WITHOUT DONOR RESTRICTIONS		
Liabilities		
Grants payable	\$ 7,217,880	\$ —
Federal excise tax payable, net	<u>171,124</u>	<u>28,799</u>
Total liabilities	7,389,004	28,799
Net assets without donor restrictions	<u>298,364,858</u>	<u>282,445,339</u>
TOTAL	<u>\$305,753,862</u>	<u>\$282,474,138</u>

Combined Statements of Activities

FOR THE YEARS ENDED DECEMBER 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
INVESTMENT AND OTHER INCOME		
Dividends	\$ 2,942,075	\$ 4,028,293
Interest.....	900,019	1,000,652
Other.....	<u>18,388</u>	<u>11,804</u>
TOTAL	<u>3,860,482</u>	<u>5,040,749</u>
SUPPORTING EXPENSES		
Office expenses	1,982,285	1,935,076
Federal excise tax.....	300,124	124,799
Professional fees	<u>47,540</u>	<u>47,815</u>
TOTAL	<u>2,329,949</u>	<u>2,107,690</u>
INVESTMENT AND OTHER INCOME AVAILABLE FOR GRANTS	<u>1,530,533</u>	<u>2,933,059</u>
PROGRAM EXPENSES - GRANTS APPROVED		
Private higher education	(4,221,333)	(3,767,130)
Public educational media.....	(6,600,000)	(2,118,402)
Interfaith leadership and religious literacy	(2,638,667)	(1,596,000)
Environmental engagement, stewardship, and solutions	(1,533,621)	(1,250,000)
Palliative care	(2,106,812)	(1,000,000)
Other	<u>(1,076,000)</u>	<u>(852,995)</u>
TOTAL	<u>(18,176,433)</u>	<u>(10,584,527)</u>
EXPENSES AND GRANTS APPROVED OVER		
INVESTMENT AND OTHER INCOME BEFORE INVESTMENT		
GAINS, NET	<u>(16,645,900)</u>	<u>(7,651,468)</u>
INVESTMENT GAINS, NET		
Realized gains on sales and maturities of investments, net	17,757,264	7,447,726
Unrealized gains/(losses) on investments, net.....	<u>14,808,155</u>	<u>35,805,538</u>
TOTAL	<u>32,565,419</u>	<u>43,253,264</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	15,919,519	35,601,796
NET ASSETS WITHOUT DONOR RESTRICTIONS,		
Beginning of year.....	<u>282,445,339</u>	<u>246,843,543</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS, End of year.....	<u>\$298,364,858</u>	<u>\$282,445,339</u>

Combined Statements of Cash Flows

FOR THE YEARS ENDED DECEMBER 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
OPERATING CASH FLOWS		
Investment and other income received	\$ 3,908,214	\$ 5,095,092
Cash paid to grantees	(10,958,553)	(11,347,027)
Cash paid for operating activities and costs	(2,109,055)	(1,982,891)
Federal excise taxes paid	(157,799)	(123,824)
Net operating cash flows	<u>(9,317,193)</u>	<u>(8,358,650)</u>
INVESTING CASH FLOWS		
Proceeds from sales and maturities of investments	200,918,981	116,801,143
Purchases of investments	(186,604,228)	(106,079,873)
Net investing cash flows	<u>14,314,753</u>	<u>10,721,270</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	4,997,560	2,362,620
CASH AND CASH EQUIVALENTS, Beginning of year	<u>7,578,304</u>	<u>5,215,684</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 12,575,864</u>	<u>\$ 7,578,304</u>

Notes to Combined Financial Statements

DECEMBER 31, 2020 and 2019

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Arthur Vining Davis Foundations (“the Foundations”) were established for the purpose of aiding charitable organizations within the United States. Emphasis is placed on the support of private higher education, public educational media, interfaith leadership and religious literacy, environmental engagement, stewardship and solutions, and palliative care.

The Foundations consist of two entities, designated respectively as Foundations No. 2 and No. 3. Each Foundation is operated and administered as a separate legal entity. All funds are handled separately by a corporate trustee. For purposes of making grants, however, the two Foundations function as a single entity. Although the Foundations are to continue perpetually, the principal of the Foundations may be distributed to meet minimum distribution requirements.

The Foundations consider investments purchased with original maturities of three months or less to be cash equivalents.

Investments in securities that are traded on national or international securities exchanges are carried at estimated fair value, based upon quoted market prices provided by external investment managers and the Foundations’ custodians and are accepted by the Foundations’ management.

Investments in alternative structures including limited partnerships and hedge funds are carried at estimated fair value. Estimated fair values for these “alternative investments” are provided by the investee and accepted by the Foundations’ management. Alternative investments are not readily marketable and are often highly illiquid. The estimated fair values of alternative investments included in the accompanying combined financial statements are subject to a high degree of uncertainty and the actual fair values could differ materially from the estimated fair values. Management of the Foundations believes that the Foundations’ alternative investments are carried at reasonable estimates of their fair value.

Functional expenses present expenses by function and natural classification. Expenses directly attributable to a specific functional area are reported as expenses of those functional areas. Indirect costs that benefit multiple functional areas are allocated among the various functional areas.

The Foundations are exempt from federal income tax under Internal Revenue Code Section 501(c)(3) and from state income tax pursuant to corresponding Florida law. The Foundations are private foundations for federal income tax purposes and are subject to an excise tax of 1.39% for 2020 and 1% or 2% for 2019 on their net investment income. Deferred taxes, if any, are not recognized in the accompanying combined financial statements due to uncertainty of realization.

Management uses estimates and assumptions in preparing the combined financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. The most significant estimates used in the combined financial statements relate to the estimated fair value of investments. Actual results could differ from the estimates.

The Foundations maintain their cash, cash equivalents, and investments in deposit and brokerage accounts which may not be federally insured, may exceed federally insured limits, or may be insured by an entity other than an agency of the federal government. The Foundations have not experienced any losses in such accounts and believe they are not exposed to any significant credit risk related to cash, cash equivalents, and investments.

Notes to Combined Financial Statements

DECEMBER 31, 2020 and 2019

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In January 2020, the World Health Organization (“WHO”) announced a global health emergency related to the outbreak of a virus. In March 2020, WHO elevated the classification of the outbreak to a pandemic (“the pandemic”). Management is closely monitoring the potential impact of the pandemic on the Foundations’ financial condition. Because of the uncertain impact on global commerce, management is not currently able to estimate the effects of the pandemic on its operating results, financial condition, or liquidity for the year ending December 31, 2021.

The Foundations have evaluated for possible financial reporting and disclosure subsequent events through September 22, 2021, the date as of which the combined financial statements were available to be issued

NOTE B – OTHER

Financial assets available for general expenditure within one year of the combined statements of financial position are as follows:

	<u>2020</u>	<u>2019</u>
Financial assets available:		
Cash and cash equivalents	\$ 12,575,864	\$ 7,578,304
Investments	<u>292,874,198</u>	<u>274,623,532</u>
Total financial assets available	305,450,062	282,201,836
Less: assets unavailable for general expenditure	<u>—</u>	<u>—</u>
Net financial assets available within one year	<u>\$ 305,450,062</u>	<u>\$ 282,201,836</u>

The Foundations are primarily supported by investment income. As part of the Foundations’ liquidity management, they structure their financial assets to be available as their general expenditures, liabilities, and other obligations come due. Management believes it has sufficient liquid assets to draw upon in the case of an immediate financial need.

Accounting principles generally accepted in the United States (“GAAP”) define fair value for an investment generally as the price an organization would receive upon selling the investment in an orderly transaction to an independent buyer in the principal or most advantageous market for the investment. The information available to measure fair value varies depending on the nature of each investment and its market or markets. Accordingly, GAAP recognizes a hierarchy of “inputs” an organization may use in determining or estimating fair value. The inputs are categorized into “levels” that relate to the extent to which an input is objectively observable and the extent to which markets exist for identical or comparable investments. In determining or estimating fair value, an organization is required to maximize the use of observable market data (to the extent available) and minimize the use of unobservable inputs. The hierarchy assigns the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs).

Level 1 – quoted prices in active markets for identical assets

Level 2 – other significant observable inputs (such as quoted prices for similar investments)

Level 3 – significant unobservable inputs

Notes to Combined Financial Statements

DECEMBER 31, 2020 and 2019

NOTE B – OTHER (Continued)

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Estimated fair value of certain assets measured on a recurring basis at December 31, 2020, is as follows:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Equity securities	\$ 223,655,559	\$ 223,655,559	\$ —	\$ —
Obligations of the U.S.				
Government or its agencies	19,801,949	19,801,949	—	—
Corporate obligations	14,906,982	14,906,982	—	—
Other investments				
Commodity indexed trust	<u>3,191,146</u>	<u>3,191,145</u>	—	—
Subtotal	\$ 261,555,636	<u>\$ 261,555,636</u>	<u>\$ —</u>	<u>\$ —</u>
Fair value measured at net asset value – other nonpublicly traded investments	<u>31,318,562</u>			
Total investments	<u>\$ 292,874,198</u>			

As of December 31, 2020, the estimated fair values and unfunded commitments for other nonpublicly traded investments are as follows:

	<u>Estimated Fair Value</u>	<u>Unfunded Commitments</u>
Investments in hedge funds	\$ 22,314,774	\$ 1,000,000
Investments in private equity funds	<u>9,003,788</u>	<u>6,422,500</u>
Total	<u>\$ 31,318,562</u>	<u>\$ 7,422,500</u>

Estimated fair value of certain assets measured on a recurring basis at December 31, 2019, is as follows:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Equity securities	\$ 207,635,891	\$ 207,635,891	\$ —	\$ —
Obligations of the U.S.				
Government or its agencies	21,455,928	21,455,928	—	—
Corporate obligations	12,194,951	12,194,951	—	—
Other investments				
Commodity indexed trust	<u>2,387,508</u>	<u>2,387,508</u>	—	—
Subtotal	\$ 243,674,278	<u>\$ 243,674,278</u>	<u>\$ —</u>	<u>\$ —</u>
Fair value measured at net asset value – other nonpublicly traded investments	<u>30,949,254</u>			
Total investments	<u>\$ 274,623,532</u>			

Notes to Combined Financial Statements

DECEMBER 31, 2020 and 2019

NOTE B – OTHER (Continued)

As of December 31, 2019, the estimated fair values and unfunded commitments for other nonpublicly traded investments are as follows:

	<u>Estimated Fair Value</u>	<u>Unfunded Commitments</u>
Investments in hedge funds	\$ 21,355,845	\$ —
Investments in pooled investment funds	3,409,474	—
Investments in private equity funds	<u>6,183,935</u>	<u>6,452,500</u>
Total	<u>\$ 30,949,254</u>	<u>\$ 6,452,500</u>

Other nonpublicly traded investments include various hedge funds and private equity funds which use an array of diversified investment strategies focused on long-term capital appreciation, risk diversification, and low volatility. These nontraditional investment opportunities seek to exceed the returns offered by traditional investments. There are no lock-up periods associated with these investments, and such investments can generally be liquidated at an amount approximating net asset value in the near-term with proper notice. The financial statements of the nonpublicly traded investments in which such investments have been made are generally subject to annual external audits which are ordinarily conducted by nationally-recognized certified public accounting firms.

The Foundations' other significant financial instrument is cash, for which carrying value approximates fair value.

The Foundations have a contributory, defined contribution pension plan ("the Plan") covering all employees. Contributions to the Plan are based on a percentage of each employee's salary and are made at the direction of the Board of Trustees. During 2020 and 2019, approximately \$174,000 and \$141,000, respectively, was contributed to the Plan through the Administrative account.