



CARNEGIE INSTITUTION FOR SCIENCE

Financial Statements

June 30, 2020 and 2019

(With Independent Auditors' Report Thereon)



KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

Independent Auditors' Report on the Financial Statements

The Audit Committee
Carnegie Institution of Washington:

We have audited the accompanying financial statements of the Carnegie Institution of Washington (d/b/a Carnegie Institution for Science), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities 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 U.S. generally accepted accounting principles; 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.

Auditors' 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 of 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 auditors' 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 Carnegie Institution of Washington as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.



Other Matters

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

KPMG LLP

Washington, District of Columbia
November 23, 2020

CARNEGIE INSTITUTION FOR SCIENCE

Statements of Financial Position

June 30, 2020 and 2019

(Dollars in 000's)

Assets	2020	2019
Cash and cash equivalents	\$ 30,125	33,050
Contributions receivable, net (note 2)	3,728	3,750
Accounts receivable and other assets, net	9,265	7,743
Bond proceeds (note 7)	120,582	21,661
Investments (notes 3 and 14)	917,741	953,113
Property and equipment, net (notes 4 and 5)	118,276	126,641
Long term deferred asset (note 6)	61,596	60,460
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Total assets	\$ 1,261,313	1,206,418
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Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses (notes 7 and 8)	\$ 11,403	12,069
Deferred revenue (note 5)	28,587	26,828
Bonds payable (note 7)	214,348	115,032
Accrued postretirement benefits (note 9)	32,741	27,721
	<hr/>	<hr/>
Total liabilities	287,079	181,650
	<hr/>	<hr/>
Net assets (notes 10 and 11):		
Without donor restriction	295,115	311,622
With donor restriction	679,119	713,146
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Total net assets	974,234	1,024,768
	<hr/>	<hr/>
Commitments and contingencies (notes 3, 7, 9, 12, and 13)		
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Total liabilities and net assets	\$ 1,261,313	1,206,418
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See accompanying notes to financial statements.

CARNEGIE INSTITUTION FOR SCIENCE

Statements of Activities

Years ended June 30, 2020 and 2019

(Dollars in 000's)

	2020			2019		
	Without donor restriction	With donor restriction	Total	Without donor restriction	With donor restriction	Total
Revenue and support:						
External revenue:						
Grants and contracts	\$ 16,203	1,465	17,668	20,526	—	20,526
Contributions and gifts (note 14)	1,480	3,013	4,493	1,147	6,840	7,987
Other income (note 8)	2,358	—	2,358	7,558	1	7,559
External revenue	20,041	4,478	24,519	29,231	6,841	36,072
Investment income, net (note 3)	4,583	13,233	17,816	8,843	22,378	31,221
Net assets released from restrictions (note 10)	51,738	(51,738)	—	47,524	(47,524)	—
Total revenue and support	76,362	(34,027)	42,335	85,598	(18,305)	67,293
Expenses (note 12):						
Program expenses:						
Terrestrial magnetism	10,274	—	10,274	10,039	—	10,039
Observatories	24,078	—	24,078	23,055	—	23,055
Geophysical laboratory	11,809	—	11,809	13,294	—	13,294
Embryology	13,471	—	13,471	14,697	—	14,697
Plant biology	9,173	—	9,173	9,360	—	9,360
Global ecology	4,792	—	4,792	7,123	—	7,123
Other programs	278	—	278	1,013	—	1,013
Total program expenses	73,875	—	73,875	78,581	—	78,581
Administrative and general expenses	14,416	—	14,416	14,090	—	14,090
Total expenses	88,291	—	88,291	92,671	—	92,671
Change in net assets before pension-related changes other than net periodic postretirement benefit cost	(11,929)	(34,027)	(45,956)	(7,073)	(18,305)	(25,378)
Pension-related changes other than net periodic postretirement benefit cost (note 9)	(3,649)	—	(3,649)	(2,611)	—	(2,611)
Other components of postretirement benefit expense (note 9)	(929)	—	(929)	(878)	—	(878)
Grant modifications (note 1(h))	—	—	—	(375)	(4,813)	(5,188)
Change in net assets	(16,507)	(34,027)	(50,534)	(10,937)	(23,118)	(34,055)
Net assets at beginning of year	311,622	713,146	1,024,768	322,559	736,264	1,058,823
Net assets at end of year	\$ 295,115	679,119	974,234	311,622	713,146	1,024,768

See accompanying notes to financial statements.

CARNEGIE INSTITUTION FOR SCIENCE

Statements of Cash Flows

Years ended June 30, 2020 and 2019

(Dollars in 000's)

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ (50,534)	(34,055)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	9,449	10,121
Recovery of allowance for uncollectible accounts	(10)	(1,126)
Net gains on investments and bond proceeds	(19,721)	(25,601)
Net gains on interest rate and commodity swaps	(259)	(1,034)
Net loss on disposal of property	1,004	396
Contributions of stock	(546)	(141)
Amortization of bond issuance costs	(6)	(7)
Contributions and investment income restricted for long-term investment in endowment	(1,585)	(730)
Pension change other than net periodic benefit cost	3,649	2,611
(Increase) decrease in assets:		
Contributions and accounts receivable	(1,491)	789
Long-term deferred asset	(1,136)	(1,136)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(407)	(603)
Deferred revenue	1,759	(676)
Accrued postretirement benefits	1,372	828
Net cash used in operating activities	<u>(58,462)</u>	<u>(50,364)</u>
Cash flows from investing activities:		
Acquisition of property and equipment	(1,049)	(2,076)
Construction of facilities and equipment	(1,038)	(2,774)
Investments purchased	(198,275)	(274,499)
Proceeds from investments sold or matured	258,890	343,272
Purchases of investments from bond proceeds	(103,897)	—
Net cash (used in) provided by investing activities	<u>(45,369)</u>	<u>63,923</u>
Cash flows from financing activity:		
Proceeds from borrowings	100,000	—
Bond issuance costs capitalized	(679)	—
Proceeds from contributions and investment income restricted for:		
Investment in endowment	1,585	730
Net cash provided by financing activities	<u>100,906</u>	<u>730</u>
Net (decrease) increase in cash and cash equivalents	(2,925)	14,289
Cash and cash equivalents at beginning of year	<u>33,050</u>	<u>18,761</u>
Cash and cash equivalents at end of year	\$ <u>30,125</u>	<u>33,050</u>
Supplementary cash flow information:		
Cash paid for interest	\$ 3,851	5,295

See accompanying notes to financial statements.

CARNEGIE INSTITUTION FOR SCIENCE

Notes to Financial Statements

June 30, 2020 and 2019

(1) Organization and Summary of Significant Accounting Policies

(a) Organization

The Carnegie Institution of Washington, doing business as Carnegie Institution for Science, (Carnegie) conducts advanced research and training in the sciences. Carnegie carries out its scientific work in six research centers located throughout the United States and at an observatory in Chile. The centers are the Departments of Embryology, Plant Biology, Global Ecology, Terrestrial Magnetism, the Geophysical Laboratory, and the Observatories.

In March 2020, the World Health Organization declared the novel coronavirus (COVID-19) a pandemic. The outbreak of the disease has affected travel, commerce and financial markets globally, including in the United States. The continued spread of COVID-19 and its impact on social interaction, travel, economies and financial markets may adversely affect operations and financial condition, including, among other things, (i) the ability of Carnegie to conduct its operations and/or the cost of operations, (ii) governmental and non-governmental funding and sponsored research and other grants and gifts, and (iii) financial markets impacting investments valuation and interest rates.

In an effort to minimize the risk of the spread of COVID-19 on Carnegie's facilities, Carnegie has implemented pandemic response plans. All bench-based scientific activity continues to operate remotely through continuity plans and essential staff presence to the extent practical and consistent with federal, state, and local directives. Carnegie is monitoring developments and the directives of federal, state and local officials to determine what additional precautions and procedures may need to be implemented by Carnegie in connection with the spread of COVID-19.

(b) Basis of Accounting and Presentation

The financial statements are prepared on the accrual basis of accounting in accordance with U.S. general accepted accounting principles.

(c) Investments and Cash Equivalents

Carnegie's common stock and equity investments are reported at fair value based on quoted market prices, or with respect to commingled funds, real estate funds, certain natural resources funds, absolute return funds, and private equity funds, at estimated net asset values (NAV), as a practical expedient for fair value, provided by the general partners of limited partnerships or other external investment managers. These estimated fair values are reviewed and evaluated by Carnegie. Due to the inherent uncertainties of these estimates, these values may differ from the values that would have been reported had a ready market for such investments existed. See also note 1(e) on other fair value information.

All investments 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 financial statements. All changes in fair value are recognized in the statements of activities.

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Notes to Financial Statements

June 30, 2020 and 2019

Carnegie investment returns are netted with investment expenses. Investment expenses include investment management fees incurred from certain funds in which Carnegie is invested, financial services fees incurred from the custodian, and other internal operating expenses incurred related to Carnegie's investment activities.

Carnegie considers all highly liquid debt instruments purchased with original maturities of 90 days or less to be cash equivalents. Money market and other highly liquid instruments held by investment managers are reported as investments and bond proceeds. Carnegie holds cash equivalents that are restricted for debt refinancing and are not considered cash equivalents or restricted cash equivalents for purposes of the cash flow statements. There was no restricted cash as of June 30, 2020 or 2019.

(d) Income Taxes

Carnegie has been recognized by the Internal Revenue Service as exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (the Code) except for amounts from unrelated business income. Carnegie is also an educational institution within the meaning of Section 170(b)(1)(A)(ii) of the Code. The Internal Revenue Service has classified Carnegie as other than a private foundation, as defined in Section 509(a) of the Code.

Carnegie has analyzed the tax positions taken and has concluded that as of June 30, 2020 and 2019, there are no uncertain tax positions taken or expected to be taken that would require recognition or disclosure in the financial statements.

(e) Fair Value of Financial Instruments

The fair value of investments in common stock and equity securities is based on quoted market prices. The fair value of investments in bond funds, commingled funds, real estate, natural resources, absolute return funds, and private equity is estimated using net asset value or its equivalent, as discussed in note 1(c).

Carnegie uses interest rate swap agreements to mitigate the risk of changes in interest rates associated with fixed interest rate indebtedness and changes in the market. Carnegie recognizes derivative financial instruments at fair value.

Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 820, *Fair Value Measurement*, establishes, among other things, a hierarchical disclosure framework, which prioritizes and ranks the level of market price observability used in measuring financial instruments at fair value. The hierarchy gives the highest priority to unadjusted quoted market prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3 measurements).

Fair value measurements are categorized in one of the following three categories:

Level 1 – Pricing inputs are unadjusted quoted prices available in active markets for identical assets or liabilities.

Level 2 – Pricing inputs are quoted prices for identical assets or liabilities in markets that are not active, or inputs that are observable either directly or indirectly, for substantially the full term of the asset or liability through corroboration with observable market data.

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June 30, 2020 and 2019

Level 3 – Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation.

The level of a value determined for a financial instrument within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement in its entirety. Determination of what constitutes “observable” input requires judgment by Carnegie. In general, Carnegie considers observable inputs to be market data that are readily available, regularly distributed or updated, reliable and verifiable, and provided by independent sources that are actively involved in the relevant market.

(f) Use of Estimates

The preparation of financial statements in conformity with U.S. 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. Actual results could differ from those estimates. Carnegie makes estimates in measurement and reporting including fair value of investments, useful lives of property and equipment, allowances for doubtful pledges, income tax uncertainties, and other contingencies.

(g) Property and Equipment

Carnegie capitalizes expenditures for land, buildings and leasehold improvements, telescopes, scientific and administrative equipment, and projects in progress. Routine replacement, maintenance, and repairs are charged to expense.

Depreciation is computed on a straight-line basis, generally over the following estimated useful lives:

Buildings and telescopes	50 Years
Scientific and administrative equipment	2–10 Years, based on scientific life of equipment

Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value amount of an asset may not be recoverable. No impairments were recognized in 2020 or 2019.

(h) Contributions and Net Assets

Contributions are classified based on the existence or absence of donor-imposed restrictions as either conditional or unconditional as follows.

Conditional - Includes all contributions with donor imposed conditions or stipulations representing a barrier that must be overcome before the recipient is entitled to the assets being transferred or promised. A failure to overcome the barrier gives the contributor a right of return of the assets it has transferred or the ability to rescind an obligation to transfer.

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June 30, 2020 and 2019

Unconditional – Includes all contributions that do not contain a barrier to use and therefore are recorded as revenue once cash or a pledge is received. Donor imposed restrictions for time and/or purpose are not considered a significant barrier and thus these contributions are recorded as unconditional.

In instances where unconditional contributions are to be received after one year or more from the date of the gift, they are recorded at a discounted amount at an appropriate risk-adjusted rate commensurate with the expected collection period. Amortization of the discount is recorded as additional contribution revenue. Allowance is made, if necessary, for uncollectible contributions receivable based upon management's judgment and analysis of the creditworthiness of the donors, past collection experience, and other relevant factors.

Modifications of grants or contributions are recorded in the period of modification. During the year ended June 30, 2019, Carnegie transferred out cash in the amount of \$5.2M due to grant modifications. These transfers are reflected on the Statement of Activities. There were no modifications during the year ended June 30, 2020.

Contributions are classified in categories of net assets as follows:

Without donor restriction– Includes all contributions received without donor-imposed restrictions on use or time, including restricted contributions for which the restrictions were met in the same period the revenue is recognized

With donor restriction – Includes contributions with donor-imposed restrictions as to purpose of gift and/or time period expended

Contributions with donor restriction include endowment gifts in which donors stipulated that the corpus be invested, and only the investment income generated from endowments may be spent. Certain endowments require that a portion of the investment income be reinvested with the original endowment.

Expirations of net assets with donor restriction (i.e., the donor stipulated purpose has been fulfilled or the stipulated time period has elapsed) are reported as releases of restrictions in the statements of activities.

Gifts of long-lived assets, such as buildings or equipment, are considered unrestricted when placed in service unless restricted by the donor. Cash gifts restricted for investment in long-lived assets are released from restriction when the asset is placed into service.

CARNEGIE INSTITUTION FOR SCIENCE

Notes to Financial Statements

June 30, 2020 and 2019

(i) Grants

Carnegie recognizes revenue on grants from federal agencies as conditions are met (i.e., as qualifying expenses are incurred). Funds received in excess of reimbursable expenses are recorded as deferred revenue, and expenses in excess of funds received are recorded as accounts receivable. Funds generally are drawn monthly. Reimbursement of indirect costs may be based on provisional rates if final rates are not received. These provisional rates are subject to subsequent audit by Carnegie's federal cognizant agency, the Department of Energy.

(j) Retirement Benefits

Carnegie has a noncontributory, defined contribution, money-purchase retirement plan in which all U.S. personnel are eligible to participate. After one year of service, an individual's benefits are fully vested. The plan has been funded through individually owned annuities issued by Teachers' Insurance and Annuity Association and College Retirement Equities Fund.

Carnegie also provides postretirement medical benefits to all eligible employees (retirees as of that date were grandfathered) who were age 50 or older and employed as of July 1, 2016, retire after age 55 and have at least 10 years of service. Employees under age 40 on July 1, 2016 and who meet the Rule of 75 (age plus years of service equal to at least 75) on or after age 55 may qualify for retiree health. Employees hired on or after July 1, 2016, must meet the Rule of 75 on or after age 60.

(k) Revenue Recognition – Contracts with Customers and Accounts Receivable

Other revenues are recognized as the services are provided over the fiscal year, and are primarily related to fees for telescope usage, including revenues to support operations of the telescopes and royalty revenue. See note 5.

Payments for telescope usage have been received in advance and are reported as deferred revenue. Such deferred revenue will be amortized over a period of 50 years, with an expected 31.4 years remaining. Other customer receivables are invoiced based upon contractual terms with revenue being recognized as services are performed. Carnegie maintains allowances for doubtful accounts to reflect management's best estimate of probable losses inherent in receivable balances. Management determines the allowances for doubtful accounts based on known troubled accounts, historical experience, and other currently available evidence.

(l) Recent Accounting Standards

In March 2017, FASB issued ASU 2017-07: *Compensation – Retirement Benefits (Topic 715)*, which will impact the presentation of periodic pension cost and net periodic postretirement benefit cost. ASU 2017-07 requires the service cost component of net periodic benefit cost for pension and other postretirement benefits be presented as a component part of employee benefit expense. The other components of net periodic benefit cost, such as interest, unrecognized losses, and amortization of other actuarially determined amounts, are now presented outside of expenses. Service cost component of periodic pension cost and net periodic postretirement benefit cost remains within expenses (fringe benefit expenses). Carnegie adopted ASU 2017-07 in 2020 and conformed the presentation change to the 2019 statement of activities by reclassifying \$878,000 from fringe benefit expenses to other components of postretirement benefits expense.

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Notes to Financial Statements

June 30, 2020 and 2019

In November 2016, the FASB issued ASU 2016-18: *Statement of Cash Flows (Topic 230)*. ASU 2016-18 requires all cash to be included in the total cash and cash equivalents on the statement of cash flows irrespective of the classification in the statement of financial position or any restrictions. Organizations are required to disclose and reconcile the total cash and cash equivalents shown in the statement of cash flows either on the statement itself or the notes to the financial statements. The ASU permits a not-for-profit to establish to exclude certain short-term, highly liquid investments that would otherwise be considered as cash equivalents. Carnegie adopted ASU 2016-18 in 2020 with no material impact on its financial statements.

In February 2016, FASB issued ASU 2016-02: *Leases (Topic 842)*, which will impact recognition of leased assets and leased liabilities. Carnegie adopted Topic 842 effective July 1, 2019 but there was no material impact to its financial statements.

(2) Contributions Receivable

(a) Unconditional Contributions

Contributions receivable are summarized as follows as of June 30, 2020 and 2019 (in thousands):

	2020	2019
Unconditional promises expected to be collected in:		
Less than one year	\$ 1,662	1,460
One to five years	2,450	2,762
More than five years	150	150
	4,262	4,372
Less:		
Allowance for uncollectible amounts	(273)	(283)
Discount to present value	(261)	(339)
	\$ 3,728	3,750

Contributions receivable as of June 30, 2020 and 2019 were discounted based on the estimated risk-adjusted rate of return on the pledge date at rates ranging from 0.18% to 2.84%

(b) Conditional Contributions

As of June 30, 2020, conditional contributions of \$13.9 million are available to Carnegie, which are not recorded as revenue nor as a receivable. Revenue related to these contributions will be recognized once the relevant barriers of each contribution are met.

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Notes to Financial Statements

June 30, 2020 and 2019

(3) Investments

Investments at fair value consisted of the following as of June 30, 2020 and 2019 (in thousands):

	<u>2020</u>	<u>2019</u>
Time deposits and money market funds	\$ 8,716	9,827
U.S. government bond fund	52,777	51,924
Common stock – domestic	55,334	94,817
Domestic equity commingled funds	155,679	65,293
International equity commingled funds	225,015	235,976
Real estate funds	97,958	109,742
Natural resources funds	62,198	83,992
Absolute return funds	177,718	223,967
Private equity funds	82,346	77,575
	<u>\$ 917,741</u>	<u>953,113</u>

Investment income, net consisted of the following for the years ended June 30, 2020 and 2019 (in thousands):

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 4,501	9,770
Net realized gains	45,448	92,138
Net unrealized losses	(26,138)	(66,764)
Investment management expenses paid	(5,995)	(3,923)
	<u>\$ 17,816</u>	<u>31,221</u>

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Notes to Financial Statements

June 30, 2020 and 2019

The following table represents investments that are measured at fair value on a recurring basis as of June 30, 2020 (in thousands):

	<u>June 30, 2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>NAV (1)</u>
Time deposits and money market funds	\$ 8,716	8,716	—	—	—
U.S. government bond funds	52,777	52,777	—	—	—
Common stock – domestic	55,334	54,920	—	414	—
Domestic equity commingled funds	155,679	54,453	—	—	101,226
International equity commingled funds	225,015	—	—	—	225,015
Real estate funds	97,958	—	—	6	97,952
Natural resources funds	62,198	—	—	48,241	13,957
Absolute return funds	177,718	—	—	—	177,718
Private equity funds	82,346	72	—	—	82,274
	<u>\$ 917,741</u>	<u>170,938</u>	<u>—</u>	<u>48,661</u>	<u>698,142</u>

The following table represents investments that are measured at fair value on a recurring basis as of June 30, 2019 (in thousands):

	<u>June 30, 2019</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>NAV (1)</u>
Time deposits and money market funds	\$ 9,827	9,827	—	—	—
U.S. government bond funds	51,924	—	51,924	—	—
Common stock – domestic	94,817	94,403	—	414	—
Domestic equity commingled funds	65,293	16,911	—	—	48,382
International equity commingled funds	235,976	—	—	—	235,976
Real estate funds	109,742	—	—	80	109,662
Natural resources funds	83,992	—	—	57,813	26,179
Absolute return funds	223,967	—	—	—	223,967
Private equity funds	77,575	18,738	—	—	58,837
	<u>\$ 953,113</u>	<u>139,879</u>	<u>51,924</u>	<u>58,307</u>	<u>703,003</u>

(1) Certain investments are measured at fair value using NAV as a practical expedient for fair value and have not been classified in the fair value hierarchy. The NAV amounts have been presented to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

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Notes to Financial Statements

June 30, 2020 and 2019

The following table summarizes the nature and risk of Carnegie's investments in funds, which are valued based on NAV as a practical expedient for fair value as of June 30, 2020 and 2019 (in thousands):

	Fair value		2020	Redemption frequency
	2020	2019	Unfunded commitments	
Domestic equity				
commingled fund (a)	\$ 101,226	48,382	12,454	Illiquid
International equity				
commingled funds (b)	225,015	235,976	—	Monthly
Real estate funds (c)	97,952	109,662	58,948	Illiquid
Natural resources funds (d)	13,957	26,179	2,667	Illiquid
Absolute return funds (e)	177,719	223,967	10,000	Annually
Private equity funds (f)	82,274	58,837	33,381	Illiquid
	<u>\$ 698,143</u>	<u>703,003</u>	<u>117,450</u>	

- (a) This class comprises two funds, one of which invests in common stocks of biotechnology companies and other invests the majority of its portfolio in publicly traded common stocks. These funds seek to produce returns that mirror or exceed various benchmarks established for comparable portfolios. The notice period is 90 days or less and redemptions can be made once every two years at the end of the calendar year for the first fund and the second fund is subject to a five year lockup.
- (b) This class comprises five international partnerships that invest in public equity markets internationally and one institutional mutual fund that resembles an emerging markets index. These funds seek to produce returns that mirror or exceed various benchmarks established for comparable portfolios. The majority of Carnegie's capital in this category can be redeemed on a monthly basis or more frequently. The notice period is 30 days or less.
- (c) This class includes several real estate funds that invest primarily in U.S. commercial real estate. One fund targets commercial, residential, and industrial real estate in Europe. Investments under this category cannot be redeemed. Instead, distributions are made from operating proceeds on a periodic basis, typically monthly or quarterly. Proceeds from assets sold are generally distributed immediately. It is estimated that the underlying assets of these funds will be liquidated over the next one to ten years.
- (d) This class includes funds that invest primarily in oil and gas assets. The investment strategy is to acquire, operate, develop, and improve oil and gas assets. Investments under this category cannot be redeemed. Instead, distributions are made from operating proceeds on a periodic basis, typically quarterly. Proceeds from assets sold may be distributed immediately. It is estimated that the underlying assets of these funds will be liquidated over the next two to fourteen years.
- (e) This class comprises several separate funds, and include partnerships that invest in publicly traded equities, fixed income securities, distressed fixed income securities, value investments, credit investments, event-driven situations, real estate, distressed credit investments, and event-driven situations. In general, these funds seek to produce positive absolute returns that do not necessarily correlate with the public markets. The majority of Carnegie's capital in this category can be redeemed

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June 30, 2020 and 2019

on an annual basis; in some cases, redemptions can occur within a year, with a minimum of typically 90 days' notice. Less than five percent is invested in a partnership where, under the current terms, funds are in liquidation and cannot be withdrawn. The underlying assets are expected to be distributed over the next couple of years.

- (f) This class comprises several separate managers and private equity funds that invest primarily in leveraged buyouts, venture capital, emerging growth companies, corporate finance, and various niche strategies. Private equity investment transactions may involve acquisitions, leveraged buyouts, reorganizations, privatizations, restructurings, and spin-offs. Investments under this category cannot be redeemed. Such distributions are made on a periodic basis, typically quarterly. It is estimated that the underlying assets of these various funds will be liquidated over the next one to twelve years.

Level 3 Investments

The following table presents Carnegie's activity for investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended June 30, 2020 and 2019 (in thousands):

	Common stock domestic	Real estate funds	Natural resources funds	Total
Balance at June 30, 2018	\$ 414	2,045	50,320	52,779
Total realized gains	—	933	6,178	7,111
Total unrealized (losses) gains	—	(1,097)	4,542	3,445
Transfers into NAV	—	(861)	—	(861)
Purchases	—	—	6,044	6,044
Distributions	—	(940)	(9,271)	(10,211)
Balance at June 30, 2019	414	80	57,813	58,307
Total realized gains	—	69	367	436
Total unrealized losses	—	(74)	(11,966)	(12,040)
Purchases	—	—	4,653	4,653
Distributions	—	(69)	(2,626)	(2,695)
Balance at June 30, 2020	\$ 414	6	48,241	48,661

Level 3 investments are valued by investment managers using common valuation techniques. Carnegie reviews these valuation methods and evaluates the appropriateness of these valuations each year. Real estate funds are valued by investment managers based on appraised value of the properties. Real estate investment managers can use estimated values in the absence of external appraisals. Natural resource funds are primarily oil and gas funds.

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The fair value of these funds has been estimated using proven reserves and relies on pricing visible in the NYMEX five-year strip for oil and natural gas and then for subsequent years utilizes a flat price assumption.

Input	2020 Range	2019 Range
Visible forward prices for oil/natural gas (NYMEX) thru FY 2025	\$39.24/\$1.99 \$52.25/\$2.71	\$58.45 / \$2.36 \$54.01 / \$2.79
Flat price assumption for subsequent years	\$60.00/\$3.00	\$70.00 / \$3.50
Discount rate	10 %	10 %

Carnegie has unfunded commitments related to these Level 3 investments of approximately \$11.9 million as of June 30, 2020.

(4) Property and Equipment

Property and equipment consisted of the following as of June 30, 2020 and 2019 (in thousands):

	2020	2019
Buildings and improvements	\$ 96,891	96,348
Telescopes	93,970	93,970
Scientific equipment	78,360	78,833
Administrative equipment	7,083	6,731
Construction in progress	1,076	1,954
Land	817	817
Leased equipment	234	234
Art	174	174
	<u>278,605</u>	<u>279,061</u>
Accumulated depreciation	<u>(160,329)</u>	<u>(152,420)</u>
	<u>\$ 118,276</u>	<u>126,641</u>

As of June 30, 2020, Construction in progress consists of \$0.9 million of scientific equipment, \$0.1 million of admin and operating equipment and \$0.1 million for buildings and improvements. At June 30, 2019, Construction in progress consisted of \$1.3 million of scientific equipment and \$0.6 million for building improvements.

As of June 30, 2020 and 2019, approximately \$52.9 million and \$55.3 million, respectively, of property and equipment, net of accumulated depreciation, was located in Las Campanas, Chile.

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(5) Magellan Consortium

During the year ended June 30, 1998, Carnegie entered into an agreement (Magellan Agreement) with four universities establishing a consortium to build and operate the Magellan telescopes. The two Magellan telescopes are located on Manqui Peak, Las Campanas in Chile. The first telescope, with a cost of approximately \$41.7 million, was placed in service during 2001. The other, with a cost of approximately \$30.1 million, was placed in service in 2003. The aggregated net book value of the two telescopes was \$48.5 million as of June 30, 2020.

The university members of the consortium, by contribution to the construction and operating costs of Magellan, acquired rights of access and oversight as described in the Magellan Agreement. Total contributions by the university members for construction, which amounted to \$36.0 million, covered approximately 50% of the total construction costs. These monies were used by Carnegie to finance part of the Magellan Telescopes' construction costs. The contributions were recorded as deferred revenue and are being recognized ratably as income over the remaining estimated useful lives of the telescopes. As of June 30, 2020 and 2019, the deferred revenue for the consortium totaled \$21.4 million and \$22.1 million, respectively.

(6) Long Term Deferred Asset

Carnegie is a founder and initial contributor to the Giant Magellan Telescope (GMT) project, which is managed by the Giant Magellan Telescope Organization Corporation (GMTO) that includes institutions from the United States, Australia, and Korea. The GMTO is a nonprofit organization incorporated in 2007 for the purpose of developing and building a state-of-the-art, next-generation, extremely large telescope. Contributors to the GMT project acquire rights of access to the telescope upon completion, as described in the Founders' Agreement dated March 20, 2009. Beginning in fiscal year 2010, Carnegie began to capitalize cash contributions to the GMTO, primarily received through fundraising efforts, as a deferred long term asset. The asset will be amortized over the expected 50 year life of the telescope beginning at the time it is placed into service. Carnegie's cash contributions to GMTO in fiscal years 2020 and 2019 were \$1.1 million and \$1.1 million, respectively. The deferred long term asset value was \$61.6 million and \$60.5 million at June 30, 2020 and 2019, respectively.

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(7) Debt

(a) Bonds Payable

Bonds payable consisted of the following as of June 30, 2020 and 2019 (in thousands):

	June 30	
	2020	2019
Maryland Health and Higher Education Facilities Authority (MHHEFA) 2010 Revenue Bonds	\$ 30,600	30,600
California Educational Facilities Authority (CEFA) 2010 Revenue Bonds	34,500	34,500
2014 Taxable bonds	50,000	50,000
2020 Taxable bonds	100,000	—
Bond issue cost	(752)	(68)
	<u>\$ 214,348</u>	<u>115,032</u>

On February 4, 2010, MHHEFA issued unsecured \$30.6 million of fixed rate, tax-exempt revenue bonds on behalf of Carnegie with a fixed interest rate of 4.25%. The MHHEFA 2010 revenue bonds are reflected above as of June 30, 2020 and were subsequently refunded in full on July 8, 2020 using the proceeds of the series 2020 taxable bonds. There are no financial covenants or stand-by credit facilities associated with the bonds.

On March 24, 2010, CEFA issued unsecured fixed-rate, tax-exempt revenue bonds with a par value of \$34.5 million on behalf of Carnegie with a fixed interest rate of 5.0%. The CEFA 2010 revenue bonds are reflected above as of June 30, 2020 and were subsequently refunded in full on July 8, 2020 using the proceeds of the series 2020 taxable bonds. There are no financial covenants or stand-by credit facilities associated with the bonds.

On May 15, 2014, Carnegie issued unsecured 2014 Series fixed rate taxable bond with a par value of \$50.0 million, maturing in 2054. Proceeds were used to finance a portion of the GMT project (note 6), and other capital projects and operations in support of Carnegie's scientific mission. The bond bears interest at a fixed rate of 4.241% with sinking fund redemptions of \$10,000,000 on each July 1, 2050 through 2054. The Series 2014 bonds are subject to redemption prior to maturity in whole or in part, on any date, at the option of the issuer. There are no financial covenants or stand-by credit facilities associated with the bonds.

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On June 9, 2020, Carnegie issued unsecured 2020 Series fixed rate taxable bonds with a par value of \$100.0 million, maturing in 2049. \$65.1 million of proceeds were used in July 2020 to refund the CEFA and MHHEFA bonds in full and any associated swaps terminated in concert with this transaction. Proceeds will also be used to fund certain capital needs and to pay the cost of issuing the bonds. The bonds bear interest at a fixed rate of 3.224% with sinking fund redemptions due on each July 1, 2042 through 2049. The Series 2020 bonds are subject to redemption prior to maturity in whole or in part, on any date, at the option of issuer. There are no financial covenants or stand-by credit facilities associated with the bonds. All prior bond redemptions occurred by July 8, 2020. The proceeds from the Series 2020 bonds are invested in cash equivalents and are considered level 1 in the fair value hierarchy.

Interest expense paid aggregated \$3.9 million and \$5.3 million for the years ended June 30, 2020 and 2019, respectively.

(b) Line of Credit

In fiscal year 2018, Carnegie entered into an unsecured revolving credit facility with a maximum principal amount of \$12.0 million from a commercial bank. The original line expired on May 31, 2019 and is subject to covenants including a provision to reduce outstanding principal to zero for 30 consecutive days. The line was renewed in May 2019 under the original terms and was cancelled on May 31, 2020. There are no amounts outstanding under the line of credit as of June 30, 2020 or June 30, 2019.

(c) Note Payable

Carnegie entered into a secured, 3 year term loan for \$4.0 million in February 2018 from a commercial bank. The interest rate on the loan is 3.42% and Carnegie pays monthly installments of \$117,077. The remaining liability of the loan is \$0.9 million as of June 30, 2020, which is included in accounts payable and accrued expenses.

(8) Interest Rate Swap Agreements

As of June 30, 2020 all swap liabilities were terminated. The fair value of derivative instruments held as of June 30, 2019 was \$0.3 million.

For the year ended June 30, 2020, the termination fee of \$0.3 million as well as the change in fair value prior to termination is included in other income for a total of (\$0.7) million. For the year ended June 30, 2019 the change in fair value of \$1.0 million was included in other income.

(9) Employee Benefit Plans

(a) Retirement Plan

Contributions made by Carnegie, described in note 1(j), totaled approximately \$4.6 million and \$5.0 million for the years ended June 30, 2020 and 2019, respectively.

(b) Postretirement Benefits Plan

Cash payments made by Carnegie for the postretirement medical benefits, as detailed in note 1(j), totaled \$0.6 million and \$0.9 million for the years ended June 30, 2020 and 2019 respectively.

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Postretirement benefits expense for the years ended June 30, 2020 and 2019 consists of the following (in thousands):

	<u>2020</u>	<u>2019</u>
Service cost – benefits earned during the year	\$ 1,060	827
Interest cost on projected benefit obligation	947	1,062
Amortization of prior service costs	(18)	(18)
Unrecognized losses	—	(166)
	<u> </u>	<u> </u>
Postretirement benefit expense	\$ <u>1,989</u>	<u>1,705</u>

With the adoption of ASU 2017-07, service cost is included in fringe benefits expense, while the sum of interest cost, amortization and unrecognized losses is presented as other components of post retirement benefits expense on the statement of activities.

The 2020 postretirement benefits expense was approximately \$1.4 million more than the cash payments of \$0.6 million and the 2019 postretirement benefits expense was approximately \$0.8 million more than the cash payments of \$0.9 million. The postretirement benefit expense was allocated among program and supporting services expenses in the accompanying statements of activities.

The reconciliation of the plan's funded status to amounts recognized in the financial statements as of June 30, 2020 and 2019 follows (in thousands):

	<u>2020</u>	<u>2019</u>
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 27,721	24,281
Service cost	1,060	827
Interest cost	947	1,062
Actuarial loss	3,631	2,428
Contributions (net of retiree contributions)	(618)	(877)
	<u> </u>	<u> </u>
Benefit obligation at end of year	32,741	27,721
Change in plan assets:		
Fair value of plan assets at beginning of year	—	—
Contributions to the plan	700	1,097
Benefits paid	(700)	(1,097)
	<u> </u>	<u> </u>
Funded status of the plan	\$ <u>32,741</u>	<u>27,721</u>

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Pension related changes other than net periodic postretirement benefit cost consisted of the following as of June 30, 2020 and 2019 (in thousands):

	<u>2020</u>	<u>2019</u>
Unrecognized net actuarial loss	\$ (3,631)	(2,428)
Unrecognized prior service costs	(18)	(18)
Amortization of net loss	—	(165)
	<u>\$ (3,649)</u>	<u>(2,611)</u>

The unrecognized net loss and prior service costs that have not been recognized as a component of net periodic postretirement benefit cost as of June 30, 2020 and 2019 are as follows (in thousands):

	<u>2020</u>	<u>2019</u>
Unrecognized net actuarial gain/(loss)	\$ 1,549	(2,081)
Unrecognized prior service costs	(41)	(59)
	<u>\$ 1,508</u>	<u>(2,140)</u>

The present value of the benefit obligation as of June 30, 2020 and 2019 was determined using an assumed discount rate of 2.62% and 3.47%, respectively. The present value of the net periodic postretirement benefit cost for the years ended June 30, 2020 and 2019 was determined using an assumed discount rate of 3.47% and 4.45%, respectively. Carnegie's policy is to fund postretirement benefits as claims and administrative fees are paid.

The measurement date used to determine postretirement benefit obligations is June 30.

Carnegie expects to contribute approximately \$0.9 million to its postretirement benefit plan during the year ending June 30, 2021.

The following benefit payments (net of retiree contributions), which reflect expected future service, are expected to be paid in future years ending June 30 (in thousands):

2021	\$ 923
2022	983
2023	1,007
2024	1,049
2025	1,081
2026-2030	6,259

The prescription drug benefits offered by Carnegie are determined to not be actuarially equivalent to Medicare Plan D, and the effects of the Medicare Prescription Drug Improvement and Modernization Act, excluding the subsidy, do not have a significant impact on the per capita claims cost.

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(10) Net Assets

(a) Without Donor Restrictions

Net assets without donor restrictions consisted of the following as of June 30, 2020 and 2019 (in thousands):

	<u>2020</u>	<u>2019</u>
Board-designated quasi-endowments	\$ 132,763	135,397
Undesignated	<u>162,352</u>	<u>176,225</u>
	<u>\$ 295,115</u>	<u>311,622</u>

(b) With Donor Restrictions

Net assets with donor restrictions were available to support the following donor-restricted purposes as of June 30, 2020 and 2019 (in thousands):

	<u>2020</u>	<u>2019</u>
Endowment assets available for future appropriation	\$ 586,055	618,295
Specific research programs	43,401	44,260
Equipment acquisition and construction	3,574	3,582
Passage of time	9,076	9,981
Operation of Maxine Singer building	15,000	15,000
General support (Carnegie endowment)	<u>22,013</u>	<u>22,028</u>
	<u>\$ 679,119</u>	<u>713,146</u>

Endowment assets available for future appropriation are those net assets that will be released from restriction based upon board approved appropriation each year. These are comprised of all endowment funds (See Note 11). The other line items include non-endowment restrictions as well as the endowment original gift of \$57,691 and \$56,107 as of June 30, 2020 and 2019, respectively, which cannot be spent.

(c) Net Assets Released from Restrictions

During 2020 and 2019, Carnegie met donor-imposed requirements on certain gifts and, therefore, released net assets with donor restriction as follows (in thousands):

	<u>2020</u>	<u>2019</u>
Appropriation of endowment assets	\$ 45,533	43,546
Specific research programs	6,183	3,969
Equipment acquisition and construction	<u>22</u>	<u>9</u>
	<u>\$ 51,738</u>	<u>47,524</u>

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(11) Endowment

Carnegie's endowment consists of a number of individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments to support the purposes of Carnegie. Net assets associated with endowment funds are classified and reported based on the existence or absences of donor-imposed restrictions.

(a) Interpretation of Relevant Law

Effective January 23, 2008, the District of Columbia enacted the Uniform Management of Institutional Funds Act (UPMIFA), the provisions of which apply to endowment funds existing on or established after that date. Based on its interpretation of the provisions of UPMIFA, Carnegie is required to act prudently when making decisions to spend or accumulate donor-restricted endowment funds. As a result of this interpretation, Carnegie classifies as net assets with donor restriction the original value of gifts donated to the permanent endowment and subsequent gifts to the endowment. The remaining portion of the endowment fund are appropriated for expenditure by Carnegie in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, Carnegie considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment fund: the duration, preservation, and purposes of the fund; general economic conditions, including inflation; expected total return from investments; other resources; and investment and spending policies.

(b) Return Objectives and Risk Parameters

Carnegie's Board of Trustees has adopted an investment policy, including return objectives, for its endowment. This policy has identified an appropriate risk posture, stated expectations and objectives, asset allocation guidelines, and criteria to monitor and evaluate the performance results of the endowment fund's managers. Carnegie expects the endowment fund to provide a real rate of return of approximately 5% annually, while recognizing that performance in any given year may vary from this goal.

(c) Strategies Employed for Achieving Objectives

To satisfy its long-term rate of return objectives, Carnegie relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Carnegie employs a diversified asset allocation strategy that allocates investments among four broad asset classes: common stock, alternative assets, fixed income, and cash. Common stock is subdivided into domestic and international categories. Alternative assets are subdivided into absolute return partnerships, natural resources, real estate, and private equity funds.

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(d) Spending Policy and How the Investment Objectives Relate to Spending Policy

The current Board-approved spending rule requires that the amounts appropriated for spending from the endowment comprises a) 70% of the previous year's budget, adjusted for inflation and b) 30% of the most recent year-end endowment value, adjusted for debt, and then multiplied by the determined spending rate, currently 5%, and adjusted for inflation. The rule functions to smooth annual contributions from the endowment in support of the operating budget. In establishing this policy, Carnegie considered the long-term expected return on its funds. Carnegie expects the current spending and investment policies to grow its endowment to keep pace with inflation annually.

(e) Appropriation of Endowment Assets for Next Fiscal Year

For fiscal year 2021, Carnegie has appropriated \$49.5 million of its endowment funds assets to be distributed for spending. In accordance with the endowment spending policy described above, this amount is calculated based upon an endowment spending rate of five percent (5%). Additional amounts required to fulfill debt obligations of Carnegie are also authorized for expenditure.

(f) Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires Carnegie to retain as a fund of perpetual duration. No such deficiencies existed as of June 30, 2020 or 2019.

(g) Endowment Net Asset Classification

Net asset classification by type of endowment as of June 30, 2020 and 2019 is as follows (in thousands):

	Without donor restrictions	With donor restrictions	Total
June 30, 2020:			
Donor-restricted endowment funds	\$ —	643,745	643,745
Board-designated endowment funds	132,763	—	132,763
	\$ 132,763	643,745	776,508
June 30, 2019:			
Donor-restricted endowment funds	\$ —	674,402	674,402
Board-designated endowment funds	135,397	—	135,397
	\$ 135,397	674,402	809,799

Original gift for donor-restricted endowment funds (in thousands) are \$57,691 and \$56,107 as of June 30, 2020 and 2019, respectively.

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Changes in endowment net assets for the years ended June 30, 2020 and 2019 were as follows (in thousands):

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment net assets, June 30, 2018	\$ 135,701	695,126	830,827
Investment return:			
Investment income	734	3,758	4,492
Net gains	<u>3,610</u>	<u>18,480</u>	<u>22,090</u>
Total investment return	4,344	22,238	26,582
Contributions	—	730	730
Appropriation of assets for expenditures	<u>(4,648)</u>	<u>(43,692)</u>	<u>(48,340)</u>
Endowment net assets, June 30, 2019	<u>135,397</u>	<u>674,402</u>	<u>809,799</u>
Investment return:			
Investment income	(208)	(1,230)	(1,438)
Net gains	<u>2,898</u>	<u>14,429</u>	<u>17,327</u>
Total investment return	2,690	13,199	15,889
Contributions	—	1,677	1,677
Appropriation of assets for expenditures	<u>(5,324)</u>	<u>(45,533)</u>	<u>(50,857)</u>
Endowment net assets, June 30, 2020	\$ <u>132,763</u>	<u>643,745</u>	<u>776,508</u>

(12) Expenses and Allocation of Costs

Most expenses are directly charged to the respective program or supporting activity. Certain costs have been allocated among the programs based upon management's estimate of each program's share of the allocated costs. General operations cost as presented in the table below include professional and contract services, building maintenance and operation and indirect costs. Science expenses below represent educational and research supplies, subcontracts, and non-capitalized equipment.

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The composition of expenses for the year ended June 30, 2020 are as follows:

Program activities	Personnel costs and fellowships	General operations costs	Fund-raising and communications	Depreciation and interest	Science expenses	Travel and meetings	Total expenses
Terrestrial magnetism	\$ 6,886	741	82	1,307	841	417	10,274
Observatories	14,349	2,194	509	5,553	914	559	24,078
Geophysical laboratory	7,352	780	21	2,178	886	592	11,809
Embryology	6,756	867	108	2,772	2,891	77	13,471
Plant biology	5,932	1,212	43	930	892	164	9,173
Global ecology	2,546	997	22	345	794	88	4,792
Other programs	185	44	—	—	41	8	278
Total Program	44,006	6,835	785	13,085	7,259	1,905	73,875
Support activities							
Admin and General	5,795	1,714	2,616	1,502	(76)	572	12,123
Development	1,923	69	—	—	301	—	2,293
Total Supporting	7,718	1,783	2,616	1,502	225	572	14,416
Total Expenses	\$ 51,724	8,618	3,401	14,587	7,484	2,477	88,291

The composition of expenses for the year ended June 30, 2019 are as follows:

Program activities	Personnel costs and fellowships	General operations costs	Fund-raising and communications	Depreciation and interest	Science expenses	Travel and meetings	Total expenses
Terrestrial magnetism	\$ 6,855	532	72	1,148	1,160	272	10,039
Observatories	13,925	1,702	521	5,575	645	687	23,055
Geophysical laboratory	7,728	992	27	2,533	1,532	482	13,294
Embryology	7,004	1,289	89	2,897	3,268	150	14,697
Plant biology	5,878	1,254	43	917	1,067	201	9,360
Global ecology	3,790	1,445	69	755	581	483	7,123
Other programs	627	308	—	—	63	15	1,013
Total Program	45,807	7,522	821	13,825	8,316	2,290	78,581
Support activities							
Admin and General	4,512	2,439	2,776	1,037	346	418	11,528
Development	2,057	161	110	—	5	229	2,562
Total Supporting	6,569	2,600	2,886	1,037	351	647	14,090
Total Expenses	\$ 52,376	10,122	3,707	14,862	8,667	2,937	92,671

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June 30, 2020 and 2019

(13) Liquidity

As of June 30, 2020 and 2019, Carnegie has \$230.0 million and \$233.3 million in financial assets, respectively, to meet cash needs within one year for general expenditures or day-to-day cash needs for the organization. The liquidity is primarily from investments, but also includes cash and accounts receivable. These assets are reduced by amounts not available for general use within one year due to restrictions on their use including donor and board restrictions. These assets available are as follows:

	2020	2019
Cash	\$ 30,125	33,050
Investments	917,741	953,113
Accounts receivable	9,265	7,743
Total liquid assets	957,131	993,906
Restrictions on use of assets:		
Endowment funds restricted for future purposes	(643,745)	(674,402)
Board restricted endowment funds	(132,763)	(135,397)
Total restrictions	(776,508)	(809,799)
FY21/20 board approved endowment allocation	49,523	49,190
Financial assets available to meet cash needs for general expenditures within one year	\$ 230,146	233,297

As part of Carnegie's liquidity management, it structures financial assets to be available as its general expenditures, liabilities, or other obligations come due. Carnegie's investment and liquidity allocation is reviewed frequently and approved by the investment committee. Although Carnegie does not intend to spend from the board restricted endowment funds, amounts from these funds could be released from restriction with board approval.

(14) Lease Arrangements

Carnegie leases a portion of the land it owns in Las Campanas, Chile to other organizations. These organizations have built and operate telescopes on the land. Most of the lease arrangements are not specific and some are at no cost to the other organizations. The value of the no-cost leases could not be determined and is not considered significant, and accordingly, contributions have not been recorded in the financial statements.

Carnegie also leases a portion of one of its laboratories to another organization for an indefinite term. Rents to be received under the agreement are approximately \$200,000 annually, adjusted for inflationary increases.

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(15) Contingencies

Costs charged to the federal government under cost-reimbursement grants and contracts are subject to government audit. Therefore, all such costs are subject to adjustment. Management believes that adjustments, if any, would not have a significant effect on the financial statements.

(16) Related Party Transactions

A trustee of Carnegie is also the chairman of an investment entity with which Carnegie has invested \$48.2 million and \$57.0 million in eight of its investment funds, as of June 30, 2020 and 2019, respectively. Carnegie paid approximately \$0.9 million and \$1.2 million in management and incentive fees and interest to these funds for the years ended June 30, 2020 and 2019, respectively.

(17) Subsequent Events

Carnegie has evaluated subsequent events through the date the financial statements were issued, November 23, 2020 and determined no adjustments or disclosures were required.

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Schedules of Expenses

Years ended June 30, 2020 and 2019

(Dollars in 000's)

	2020			2019		
	Carnegie funds	Federal and private grants	Total expenses	Carnegie funds	Federal and private grants	Total expenses
Personnel costs:						
Salaries	\$ 31,162	8,519	39,681	30,781	8,731	39,512
Fringe benefits and payroll taxes	9,751	1,932	11,683	8,639	2,100	10,739
Total personnel costs	40,913	10,451	51,364	39,420	10,831	50,251
Fellowship grants and awards	(14)	374	360	1,500	625	2,125
Depreciation	9,449	—	9,449	10,121	—	10,121
General expenses:						
Educational and research supplies	2,387	888	3,275	3,113	1,351	4,464
Building maintenance and operation	3,069	72	3,141	3,380	271	3,651
Travel and meetings	1,244	1,233	2,477	1,859	1,078	2,937
Professional and contract services	2,117	533	2,650	3,107	1,371	4,478
Communications	520	64	584	607	51	658
Administrative and general	2,477	350	2,827	1,963	30	1,993
Interest	5,138	—	5,138	4,741	—	4,741
Subcontracts	—	2,515	2,515	—	2,445	2,445
Equipment	2,671	1,024	3,695	4,811	1,726	6,537
Fund-raising expense	2,882	(65)	2,817	2,974	75	3,049
Total general expenses	22,505	6,614	29,119	26,555	8,398	34,953
Total direct costs	72,853	17,439	90,292	77,596	19,854	97,450
Indirect costs:						
Grants and contracts	(7,088)	7,088	—	(8,059)	8,059	—
Total costs	65,765	24,527	90,292	69,537	27,913	97,450
Capitalized scientific equipment and facilities	(2,001)	—	(2,001)	(4,779)	—	(4,779)
Total expenses	\$ 63,764	24,527	88,291	64,758	27,913	92,671

See accompanying independent auditors' report.