

**OWEN J. FLANAGAN & COMPANY, LLP**  
CERTIFIED PUBLIC ACCOUNTANTS  
60 EAST 42<sup>ND</sup> STREET, SUITE 2810  
NEW YORK, NEW YORK 10165

KEVIN C. SUNKEL, CPA  
JOHN L. CORCORAN, CPA  
MEREDITH A.F. KORN, CPA  
LAUREN A. MARCIN, CPA

(212) 682-2783  
FACSIMILE (212) 697-5843  
WWW.OJFLANAGAN.COM

OWEN J. FLANAGAN, CPA  
(1925-1996)

MEMBERS  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC  
ACCOUNTANTS

## **Independent Auditor's Report**

To the Board of Trustees of  
Russell Sage Foundation,

We have audited the accompanying financial statements of the Russell Sage Foundation (a nonprofit organization), which comprise the statement of financial position as of August 31, 2019 and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Russell Sage Foundation as of August 31, 2019 and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Change in Accounting Principle***

As described in Note 2 to the financial statements, during the year ended August 31, 2019 the Foundation adopted ASU 2016-14 and ASU 2018-08 which resulted in a change in the manner in which it presents its net assets and reports certain financial information within its financial statements. Our opinion is not modified with respect to these matters.

A handwritten signature in black ink that reads "Owen J. Flanagan & Co". The signature is written in a cursive, flowing style.

January 21, 2020  
New York, NY

**RUSSELL SAGE FOUNDATION  
STATEMENT OF FINANCIAL POSITION  
AUGUST 31, 2019**

**ASSETS**

|   |                       |
|---|-----------------------|
| Cash and cash equivalents   | \$ 506,280            |
| Inventory of books, at lower of cost or market                                    | 73,177                |
| Other receivables and prepaid expenses  | 594,446               |
| Co-funding receivables  | 1,215,255             |
| Investments, at fair value (Note 1)   | 322,692,628           |
| Fixed assets, at cost, net of accumulated depreciation<br>of \$11,896,508 in 2019 | <u>12,242,307</u>     |
| Total Assets  | <u>\$ 337,324,093</u> |

**LIABILITIES**

|  |                  |
|--|------------------|
| Accounts payable and accrued expenses      | \$ 175,624       |
| Grants payable                             | 4,190,651        |
| Accrued postretirement benefits obligation | <u>4,609,811</u> |
| Total Liabilities                          | <u>8,976,086</u> |

**NET ASSETS**

|                                   |                       |
|-----------------------------------|-----------------------|
| Without donor restrictions        |                       |
| Unexpended project appropriations | 3,211,974             |
| Net investment in fixed assets    | <u>12,242,307</u>     |
|                                   | 15,454,281            |
| With donor restrictions           |                       |
| Purpose                           | 2,579,712             |
| Perpetual in nature               | <u>310,314,014</u>    |
| Total Net Assets                  | <u>328,348,007</u>    |
| Total Liabilities and Net Assets  | <u>\$ 337,324,093</u> |

The accompanying notes are an integral part of these statements.

**RUSSELL SAGE FOUNDATION  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2019**

|   | Without Donor<br>Restrictions | With Donor Restrictions |                        |                |
|---|-------------------------------|-------------------------|------------------------|----------------|
|   |                               | Purpose                 | Perpetual in<br>Nature | Total          |
| <b>REVENUES</b>   |                               |                         |                        |                |
| Interest, dividends and other<br>investment income            | \$ -                          | \$ -                    | \$ 7,187,081           | \$ 7,187,081   |
| Realized gain (loss) and change<br>in unrealized appreciation | -                             | -                       | (4,239,491)            | (4,239,491)    |
| Less: Direct investment expenses                              | -                             | -                       | (686,165)              | (686,165)      |
| Net investment return   | -                             | -                       | 2,261,425              | 2,261,425      |
| Publication revenues  | 630,430                       | -                       | -                      | 630,430        |
| Grant revenue   | -                             | 2,230,000               | -                      | 2,230,000      |
| Miscellaneous income  | 84,217                        | -                       | -                      | 84,217         |
| Net assets released from<br>restrictions                      | 17,419,143                    | (1,031,155)             | (16,387,988)           | -              |
| Total Revenues  | 18,133,790                    | 1,198,845               | (14,126,563)           | 5,206,072      |
| <b>EXPENSES</b>   |                               |                         |                        |                |
| Program activities  |                               |                         |                        |                |
| Visiting Scholars Program                                     | 3,762,275                     |                         |                        | 3,762,275      |
| Research Projects Program                                     | 9,030,781                     |                         |                        | 9,030,781      |
| Publications  | 1,355,477                     |                         |                        | 1,355,477      |
| Communications  | 741,148                       |                         |                        | 741,148        |
| Total program activities                                      | 14,889,681                    |                         |                        | 14,889,681     |
| Management and General  | 2,519,483                     |                         |                        | 2,519,483      |
| Investment Administration                                     | 391,420                       |                         |                        | 391,420        |
| Total Expenses  | 17,800,584                    |                         |                        | 17,800,584     |
| Change in Net Assets  | 333,206                       | 1,198,845               | (14,126,563)           | (12,594,512)   |
| NET ASSETS, beginning of year                                 | 15,121,075                    | 1,380,867               | 324,440,577            | 340,942,519    |
| NET ASSETS, end of year                                       | \$ 15,454,281                 | \$ 2,579,712            | \$ 310,314,014         | \$ 328,348,007 |

The accompanying notes are an integral part of these statements.

**RUSSELL SAGE FOUNDATION  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED AUGUST 31, 2019**

**CASH FLOWS FROM OPERATING ACTIVITIES**

|   |                 |
|---|-----------------|
| Change in net assets  | \$ (12,594,512) |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: |                 |
| Depreciation expense  | 779,949         |
| Realized gain on sales of securities  | (5,425,695)     |
| Change in unrealized appreciation on investments  | 9,665,187       |
| (Increase) decrease in assets:  |                 |
| Other receivables and prepaid expenses  | (56,668)        |
| Co-funding receivables  | (708,555)       |
| Inventory of books  | (8,737)         |
| Increase (decrease) in liabilities:   |                 |
| Accounts payable and accrued expenses   | 10,780          |
| Grants payable  | 1,336,234       |
| Accrued postretirement benefits obligation  | <u>834,845</u>  |

**CASH USED FOR OPERATING ACTIVITIES** (6,167,172)

**CASH FLOWS FROM INVESTING ACTIVITIES**

|  |                     |
|--|---------------------|
| Net purchases of short-term cash investments | (1,328,195)         |
| Purchases of fixed assets                    | (345,263)           |
| Proceeds from sale of investments            | 26,721,480          |
| Purchases of investments                     | <u>(18,413,423)</u> |

**CASH PROVIDED BY INVESTING ACTIVITIES** 6,634,599

**NET INCREASE IN CASH AND CASH EQUIVALENTS** 467,427

**CASH AND CASH EQUIVALENTS, beginning of year** 38,853

**CASH AND CASH EQUIVALENTS, end of year** \$ 506,280

**Federal and state income taxes paid** \$ 22,638

**RUSSELL SAGE FOUNDATION  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED AUGUST 31, 2019**

|  | Program Activities              |                                 |                     |                     | Management<br>and<br>General | Investment<br>Administration | Total                |
|--|---------------------------------|---------------------------------|---------------------|---------------------|------------------------------|------------------------------|----------------------|
|  | Visiting<br>Scholars<br>Program | Research<br>Projects<br>Program | Publications        | Communica-<br>tions |                              |                              |                      |
| Direct project costs   |                                 |                                 |                     |                     |                              |                              |                      |
| Research projects  | \$ -                            | \$ 7,077,297                    | \$ -                | \$ -                | \$ -                         | \$ -                         | \$ 7,077,297         |
| Awards   | 1,218,094                       | -                               | -                   | -                   | -                            | -                            | 1,218,094            |
| Direct costs of publications sold  | -                               | -                               | 484,492             | -                   | -                            | -                            | 484,492              |
| Salaries and benefits  | 1,572,735                       | 1,583,278                       | 713,295             | 511,204             | 1,934,803                    | 227,560                      | 6,542,875            |
| Professional services and program<br>consultants                               | 58,968                          | 67,333                          | 1,991               | 139,111             | 160,724                      | 54,359                       | 482,486              |
| Building and condominium expenses (net<br>of condominium revenue of \$295,150) | 95,396                          | 52,877                          | 27,830              | 19,481              | 38,962                       | 26,740                       | 261,286              |
| Depreciation   | 511,196                         | 98,198                          | 51,683              | 36,178              | 72,357                       | 10,337                       | 779,949              |
| Meetings and conferences   | 57,820                          | 84,798                          | 22,937              | 2,970               | 12,964                       | 7,558                        | 189,047              |
| Office expenses  | 248,066                         | 67,000                          | 53,249              | 32,204              | 94,674                       | 17,211                       | 512,404              |
| Board of trustees  | -                               | -                               | -                   | -                   | 204,999                      | -                            | 204,999              |
| Taxes  | -                               | -                               | -                   | -                   | -                            | 47,655                       | 47,655               |
|  | <u>\$ 3,762,275</u>             | <u>\$ 9,030,781</u>             | <u>\$ 1,355,477</u> | <u>\$ 741,148</u>   | <u>\$ 2,519,483</u>          | <u>\$ 391,420</u>            | <u>\$ 17,800,584</u> |

The accompanying notes are an integral part of these statements.

**RUSSELL SAGE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2019**

**1. ORGANIZATION**

The Russell Sage Foundation (the "Foundation") is a nonprofit, private operating foundation. The Foundation was established by Margaret Olivia Sage in 1907 for "the improvement of social and living conditions in the United States." It dedicates itself to strengthening the methods, data, and theoretical core of the social sciences in order to better understand societal problems and develop informed responses. The Foundation supports visiting scholars in residence and publishes books and a journal under its own imprint. It also funds researchers at other institutions and supports programs intended to develop new generations of social scientists.

Major Programs Include:

1. A program on Behavioral Economics focused on research that uses insights and methods from psychology, economics, sociology, political science and other social sciences to examine and improve social and living conditions in the United States.
2. A program of research on the Future of Work focused on research examining the causes and consequences of the declining quality of jobs for less- and moderately-educated workers in the U.S. economy and the role of changes in employer practices, the nature of the labor market and public policies on the employment, earnings, and the quality of jobs of American workers.
3. A program of research on Race, Ethnicity, and Immigration focused on research that examines the social, economic, and political effects of the changing racial and ethnic composition of the U.S. population, including the transformation of communities and ideas about what it means to be American.
4. A program on Social, Political and Economic Inequality that examines the factors contributing to social, political and economic inequalities in the U.S., the extent to which these inequalities affect social, political, and economic institutions, and how these changes broadly shape the lives of families, including equality of opportunity, social mobility, and the intergenerational transmission of advantage/disadvantage.

More detailed information regarding the Foundation's charitable activities can be obtained from the Foundation's website at [www.russellsage.org](http://www.russellsage.org).

While the Foundation remains open to initiatives outside its current programs, most external awards are made to projects that are relevant to the Foundation's ongoing objectives.

**2. NEW ACCOUNTING PRONOUNCEMENTS**

On August 18, 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*, which became effective for organizations with fiscal years beginning after December 15, 2017. The Foundation has adjusted the presentation of its financial statements for August 31, 2019 accordingly, applying the changes retrospectively to the opening net asset balances.

- The unrestricted net asset class has been renamed net assets without donor restrictions. Temporarily restricted net assets and permanently restricted net assets were combined into net assets with donor restrictions.

**RUSSELL SAGE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2019**

**2. NEW ACCOUNTING PRONOUNCEMENTS (Continued)**

- Net assets with donor restrictions were disaggregated into net assets held as a perpetual endowment and net assets restricted for a specific purpose.
- The financial statements include a new disclosure regarding the liquidity and availability of financial assets (Note 4).
- Investment income is presented on the statement of activities net of direct investment expenses, in order to report net investment return.
- The Schedule of Functional Expenses has been included in the financial statements as the Statement of Functional Expenses. The statement presents expenses by natural category and allocated functionally. The methodology used in allocating expenses between program activities, management and general and investment administration is disclosed as part of the accounting policies.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU clarifies and improves guidance for contributions or grants received and grants made, and provides guidance to organizations on how to account for certain exchange transactions. This change is preferable in that it clarifies whether to account for transactions as grant income or as exchange transactions. In addition, it clarifies whether a grant is conditional. As a result, it enhances comparability of financial information among not-for-profit entities.

The change in accounting principle was adopted retrospectively in fiscal year 2019. For the year ended August 31, 2018, the effect of adopting the new accounting principle relating to the recording of grant revenue was an increase in net assets with donor restrictions of \$1,380,867, an increase in co-funding grants receivable of \$506,700 and a decrease in co-funding advances payable of \$874,167. The effect of the adoption of this accounting policy as it relates to grant expense is an increase in grants payable of \$2,854,417, a decrease in net assets without donor restrictions – unexpended project appropriations of \$2,452,947 and a decrease in net assets with donor restrictions – perpetual in nature of \$401,470.

The new accounting pronouncements affect opening net assets as follows:

| Net Asset Classifications         | Balance               |                        | Without Donor Restrictions | ASU 2016-14 Classifications |                       | Total Net Assets      |
|-----------------------------------|-----------------------|------------------------|----------------------------|-----------------------------|-----------------------|-----------------------|
|                                   | as of 8/31/2018       | ASU 208-08 Adjustments |                            | Purpose Restricted          | Perpetual in Nature   |                       |
| As previously presented:          |                       |                        |                            |                             |                       |                       |
| Unrestricted:                     |                       |                        |                            |                             |                       |                       |
| Unexpended project appropriations | \$ 4,790,919          | \$(2,452,947)          | \$ 2,337,972               | \$ -                        | \$ -                  | \$ 2,337,972          |
| Net investment in fixed assets    | 12,783,103            | -                      | 12,783,103                 | -                           | -                     | 12,783,103            |
| Temporarily restricted net assets | 314,842,047           | 979,397                | -                          | 1,380,867                   | 314,440,577           | 315,821,444           |
| Permanently restricted net assets | 10,000,000            | -                      | -                          | -                           | 10,000,000            | 10,000,000            |
| Total Net Assets                  | <u>\$ 342,416,069</u> | <u>\$(1,473,550)</u>   | <u>\$ 15,121,075</u>       | <u>\$ 1,380,867</u>         | <u>\$ 324,440,577</u> | <u>\$ 340,942,519</u> |



**RUSSELL SAGE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2019**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

The accompanying financial statements have been prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America. Revenue is recorded when earned and expenses are recorded when incurred.

**Net Assets**

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

*Net Assets without Donor Restrictions* – Net assets available for support in carrying out the Foundation's purpose and not subject to donor restrictions. The Board of the Foundation has appropriated net assets from the accumulated earnings on the perpetual endowment for unexpended research projects.

*Net Assets with Donor Restrictions* – Net assets subject to donor-imposed restrictions either perpetual or temporary in nature. Temporary restrictions are those that will expire with the passage of time or actions of the Foundation. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Accumulated earnings on perpetual endowments are deemed restricted until appropriated by the Board. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. When a restriction is released, net assets with donor-imposed restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction.

Net assets with donor restrictions includes an endowment with an original principal of \$10,000,000 which is required to be maintained in perpetuity in accordance with the wishes of the donor. In accordance with the Foundation's interpretation of New York State law, a continuing resolution has been adopted to maintain the endowment at its original principal balance with all future income and gains to be credited to net assets with donor restrictions until appropriated for use in support of the Foundation's programs.

**Tax Status**

The Foundation is exempt from federal income taxes in accordance with Internal Revenue Code Section 501(c)(3) and is classified as a private foundation. In addition, the Foundation is further classified as an exempt operating foundation, and is therefore exempt from federal excise taxes.

The Foundation is subject to income taxes at corporate tax rates on unrelated business income derived from certain partnership investments and certain employee transit benefits.

Management has determined that the Foundation had no uncertain tax positions that would require financial statement recognition. The Foundation is no longer subject to audits by the applicable taxing jurisdictions for the periods prior to August 31, 2016.

**RUSSELL SAGE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2019**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Investments and Fair Value Measurement**

The Foundation invests using a total return approach with the primary objective being to preserve and, if possible, enhance its real (inflation-adjusted) value while providing a relatively stable (in real terms) stream of earnings for research projects, Visiting Scholar expenses and operating expenses.

Investments in fixed income mutual funds, the real estate debt fund, domestic equities fund and the commingled international equity funds are carried at fair value, which is generally based on the closing sales price on the last trading date in each year. The fair value of the interests in the private equity partnerships ordinarily are recorded at the value determined by the fund and agents based upon the valuation reported by the Fund Administrators in accordance with policies established by the funds. As a general matter, the fair value of the Foundation's interests in the private equity partnerships will represent the amount that the Foundation could reasonably expect to receive from the funds if the Foundation's interests were redeemed at the time of valuation, based upon information reasonably available at the time the valuation was made.

Valuations provided to the Foundation by a fund may be based upon estimated or unaudited reports, and may be subject to later adjustment or revision. Any such adjustment or revision will either increase or decrease the net asset value of the Foundation at the time the Foundation is provided with information regarding the adjustment. The Foundation does not expect to restate its previous net asset values.

Investments in real estate are valued based upon market comparisons of similar properties within the area. This valuation is subject to real estate market conditions within New York City.

The Foundation follows Financial Accounting Standards Board (FASB) guidance on *Fair Value Measurements* which defines fair value and establishes a fair value hierarchy organized into three levels based on input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

The fair value of the funds has been estimated using the Net Asset Value ("NAV") as reported by the management of the funds. FASB guidance provides for the use of the NAV as a "practical expedient" for estimating the fair value of alternative investments. NAV reported by each alternative investment fund is used as a practical expedient to estimate the fair value of the Foundation's interest in the fund.

The cost of securities sold is determined using the specific identification method.

**Subsequent Events**

In connection with the preparation of the financial statements, the Foundation evaluated subsequent events after the statement of financial position date of August 31, 2019 through January 21, 2020, which was the date the financial statements were available to be issued.

**RUSSELL SAGE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2019**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Fixed Assets and Depreciation**

Fixed assets are capitalized at cost and are included within net assets without donor restrictions.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets (building and improvements – 40 years; office furniture and equipment other than computer equipment – 7 years; computer equipment – 3 years).

**Research Projects**

The full funding of research projects awarded to universities is expensed upon approval by the Board. The funding received and any subsequent payments are subject to satisfactory review of the projects by the Foundation.

**Awards**

Awards are recorded as an expense when approved by the Board and any conditions have been met.

**Cash**

Cash in excess of federally insured limits is potentially exposed to concentrations of credit risk. However, the Foundation only maintains accounts with quality financial institutions with high credit standings, so as a consequence, such risks are limited.

For purposes of reporting cash flows, cash and cash equivalents include cash on hand and demand deposits with banks or financial institutions.

**Receivables**

Receivables from co-funders are recognized when the grantor makes the pledge to the Foundation that is in substance unconditional. Based on management's assessment, all receivables are expected to be collected, thus no allowance is provided. Long-term receivables are discounted at the 10-year treasury yield if deemed material.

**Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program and supporting functions of the Foundation on the basis of head count and time and effort by specific employees within the respective functional areas.

**RUSSELL SAGE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2019**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Use of Estimates**

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

**4. LIQUIDITY AND AVAILABILITY**

The following reflects the Foundation's liquid financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions.

|   |                      |
|---|----------------------|
| Cash and cash equivalents   | \$ 506,280           |
| Investments, at fair value  | 322,692,628          |
| Co-funding receivables  | 1,215,255            |
| Other receivables   | <u>478,754</u>       |
| Total financial assets  | 324,892,917          |
| Less: Assets unavailable for general expenditures<br>due to contractual or donor imposed restrictions |                      |
| Unexpended cofunding  | 2,579,712            |
| Restricted by donor with perpetual restrictions   | <u>310,314,014</u>   |
|   | <u>312,893,726</u>   |
| Financial assets available to meet cash needs<br>within one year                                      | <u>\$ 11,999,191</u> |

The Foundation primarily relies on its endowment for cash needs. Though most of the investments are restricted by purpose as mentioned in Note 1, the purpose of the endowment is to support the programs and the operations of the Foundation in perpetuity. The Foundation's spending policy is to annually appropriate approximately 4.75% of the five-year moving average value of its investment portfolio to cover the expenses of the Foundation.

**5. CO-FUNDING RECEIVABLES**

Co-funding receivables are expected to be collected as follows:

|      |                    |
|------|--------------------|
| 2020 | \$ 965,255         |
| 2021 | <u>250,000</u>     |
|      | <u>\$1,215,255</u> |

**RUSSELL SAGE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2019**

**6. FIXED ASSETS**

Fixed assets at August 31, 2019 consisted of the following:

|   |                     |
|---|---------------------|
| Foundation's Office   |                     |
| Land  | \$ 2,077,550        |
| Building and improvements   | <u>13,614,996</u>   |
| sub-total   | 15,692,546          |
| Office furniture and equipment  | 526,410             |
| Condominiums for scholars, including<br>improvements and furniture & fixtures | 7,665,257           |
| Construction in process   | <u>254,602</u>      |
|   | 24,138,815          |
| Less: Accumulated depreciation  | <u>11,896,508</u>   |
|   | <u>\$12,242,307</u> |

**7. INVESTMENTS**

Investments are presented in the financial statements at amounts which approximate fair market value. Investments at August 31, 2019, consisted of the following:

|  | <u>Total</u>          | <u>Level 1</u>        | <u>Level 3</u>      | <u>Valued at NAV</u>  |
|--|-----------------------|-----------------------|---------------------|-----------------------|
| Fixed Income                                   |                       |                       |                     |                       |
| Mutual funds                                   | \$ 10,956,112         | \$ -                  | \$ -                | \$ 10,956,112         |
| Real estate debt fund                          | <u>823,592</u>        | -                     | -                   | <u>823,592</u>        |
|  | 11,779,704            | -                     | -                   | 11,779,704            |
| Equity investments                             |                       |                       |                     |                       |
| Domesitc Equities Fund                         | 190,401,812           | 190,401,812           | -                   | -                     |
| Commingled International Equity<br>Trust Funds | 80,400,595            | -                     | -                   | 80,400,595            |
| Emerging Markets Equities Fund                 | 10,147,765            | -                     | -                   | 10,147,765            |
| Private Equity Partnerships                    | <u>26,227,401</u>     | -                     | -                   | <u>26,227,401</u>     |
|  | 307,177,573           | 190,401,812           | -                   | 116,775,761           |
| Real estate                                    | <u>2,190,000</u>      | -                     | <u>2,190,000</u>    | -                     |
|  | 321,147,277           | <u>\$ 190,401,812</u> | <u>\$ 2,190,000</u> | <u>\$ 128,555,465</u> |
| Cash and money market funds                    | <u>1,545,351</u>      |                       |                     |                       |
| Total  | <u>\$ 322,692,628</u> |                       |                     |                       |

**RUSSELL SAGE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2019**

**7. INVESTMENTS** (Continued)

The Foundation has committed \$35,000,000 to five private equity partnerships of which \$27,850,000 has already been invested. The remaining uncalled capital commitments at August 31, 2019 were \$7,150,000.

The Foundation's real estate debt investment is in a fund targeting loans secured by high-quality commercial real estate assets in the U.S. The fund is an illiquid investment which has a remaining term of three to four years.

The Foundation's private equity investments are in funds that are long-term in nature and do not provide for liquidity or redemptions until the fund sells its investments. The term of each private equity investment could be in excess of ten years.

The Foundation's real estate rental properties are condominiums that are not presently a part of the Foundation's purpose and are privately rented. Various factors are used to determine the fair value of the apartments including but not limited to recent sales of similar units with the building as well as the fluctuations of the New York City real estate market and conditions.

All of the Foundation's other investments have immediate or monthly liquidity.

Level 3 investments consist of two condos transferred from fixed assets at a fair value of \$2,190,000.

**8. GRANTS PAYABLE**

Unconditional grants payable recorded at August 31, 2019 are expected to be paid as follows:

|      |                    |
|------|--------------------|
| 2020 | \$3,905,505        |
| 2021 | <u>285,146</u>     |
|      | <u>\$4,190,651</u> |

Long-term grants payable is discounted at the 10-year Treasury yield if deemed material.

**9. PENSION PLAN**

The Foundation has a non-contributory defined contribution pension plan which covers substantially all of its employees. The contribution rate is 12%. Plan contributions are made for all eligible employees beginning on the first day of the month following the date of employment. However, eligible new hires are not vested until they complete two years of service with the Foundation, at which time they become fully vested. Total pension cost charged to expense was to \$428,953 in fiscal 2019. The Foundation's policy is to fund costs as incurred.

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**10. POSTRETIREMENT BENEFITS OTHER THAN PENSIONS**

The Foundation provides postretirement benefits consisting of major medical dental and vision to substantially all active employees, their spouse/domestic partner and eligible dependent(s). Employees are eligible for coverage when they retire at age 60 or over with at least ten years of service. Employees whose date of employment is after September 1, 2018, are eligible for coverage when they retire at age 60 or over with at least fifteen years of service. Employees who perform manual labor can retire at age 55 with at least fifteen years of service. The Plan is unfunded. The Foundation bears the entire cost of the plan.

Effective March 1, 2014, all retirees who qualify for post-retirement benefits receive reimbursement for their basic Medicare Part B and D premiums, and for those whose date of employment was prior to January 1, 2004, the Foundation also reimburses any income-related adjustment to their Medicare Part D premium.

The following table reconciles the plan's status to the accrued postretirement benefits cost as of August 31, 2019:

|                                      |                    |
|--------------------------------------|--------------------|
| Retirees                             | \$ 981,316         |
| Other active participants            | <u>3,628,495</u>   |
| Accrued postretirement benefit costs | <u>\$4,609,811</u> |

The following assumptions were used in calculating the liability:

|                        |       |
|------------------------|-------|
| Health care cost trend | 7.00% |
| Discount rate          | 2.90% |

The expected payments to be made over the next ten years are as follows:

|              |                    |
|--------------|--------------------|
| 2020         | \$ 60,269          |
| 2021         | 93,808             |
| 2022         | 100,368            |
| 2023         | 114,104            |
| 2024         | 129,276            |
| 2025 to 2029 | <u>1,120,914</u>   |
|              | <u>\$1,618,739</u> |

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**11. ENDOWMENT**

The Foundation's endowment activity for the year ended August 31, 2019 is as follows:

|                            | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total                 |
|----------------------------|-------------------------------|----------------------------|-----------------------|
| Balance, September 1, 2018 | \$ 9,365,295                  | \$ 324,440,577             | \$ 333,805,872        |
| Net investment return      | -                             | 2,261,425                  | 2,261,425             |
| Appropriations             | -                             | (16,387,988)               | (16,387,988)          |
| Transfers                  | <u>3,013,319</u>              | <u>-</u>                   | <u>3,013,319</u>      |
| Balance, August 31, 2019   | <u>\$ 12,378,614</u>          | <u>\$ 310,314,014</u>      | <u>\$ 322,692,628</u> |

At August 31, 2019, net assets with donor restrictions consisted of \$10,000,000 of endowment principal and \$300,314,014 of accumulated earnings on the endowment to be spent in accordance with donor intent and the spending policy of the Foundation as described in Note 4. The Foundation also holds some unrestricted appropriated funds within its endowment until spent.

**12. NET ASSETS WITH DONOR RESTRICTION – PURPOSE**

The purpose restricted net assets of \$2,579,712 as of August 31, 2019, consist of co-funding received to support various projects relevant to the ongoing objectives and programs run by the Foundation. During the year, \$1,031,155 of donor purpose restricted funds had been spent and released from restricted net assets.