THE HEISING-SIMONS FOUNDATION
(A NONPROFIT ORGANIZATION)

DECEMBER 31, 2020 AND 2019

INDEPENDENT AUDITORS' REPORT

AND

CONSOLIDATED FINANCIAL STATEMENTS

The Heising-Simons Foundation
(A Nonprofit Organization)

Independent Auditors' Report
and Consolidated Financial Statements

Independent Auditors' Report

THE BOARD OF DIRECTORS
THE HEISING-SIMONS FOUNDATION
Los Altos, California

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of **THE HEISING-SIMONS FOUNDATION (the Foundation)** which comprise the consolidated statement of financial position as of December 31, 2020 and 2019, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Heising-Simons Foundation as of December 31, 2020 and 2019, and the results of its activities and changes in net assets, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Hood & Strong LLP

San Francisco, California
November 15, 2021

The Heising-Simons Foundation

(A Nonprofit Organization)

Consolidated Statement of Financial Position

December 31,	2020	2019
Assets		
Cash and equivalents	$ 4,068,775	$ 9,264,002
Investments, at fair value	699,039,857	534,697,504
Investments in transit	39,915,960	37,627,853
Program-related investments, net	2,318,767	2,243,767
Prepaid expenses and other assets	1,160,258	1,165,878
Prepaid excise taxes	452,098	223,800
Accounts receivable from affiliate	47,539	
Leasehold improvements and equipment, net of accumulated depreciation	5,850,332	6,998,605
Security deposits	143,011	143,011
Total assets	$ 752,996,597	$ 592,364,420
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	$ 2,425,773	$ 2,263,726
Direct charitable activities payable	2,640,152	2,684,067
Grants payable, net of discounts	50,427,330	55,610,055
Deferred excise taxes payable	4,078,000	2,483,000
Total liabilities	59,571,255	63,040,848
Net Assets Without Donor Restrictions	693,425,342	529,323,572
Total liabilities and net assets	$ 752,996,597	$ 592,364,420

See accompanying notes to consolidated financial statements.

The Heising-Simons Foundation
(A Nonprofit Organization)

Consolidated Statement of Activities and Changes in Net Assets

Years Ended December 31,	2020	2019
Revenues and Support:		
Contributions	$ 50,000,000	$ 36,701,722
Investment income:		
Net realized gains on investments	139,129,952	91,738,277
Net unrealized gains on investments	120,700,759	29,049,459
Interest and dividend income	1,596,503	1,809,680
Management fees	(1,342,018)	(792,046)
Net investment income before Federal excise taxes	260,085,196	121,805,370
Federal excise tax expense	3,546,000	389,000
Total revenues and support	306,539,196	158,118,092
Expenses:		
Program services:		
Grants to charitable organizations	126,674,043	112,322,547
Other program expenses	11,730,143	11,678,888
Total program services	138,404,186	124,001,435
Management and general	4,033,240	3,447,321
Total expenses	142,437,426	127,448,756
Increase in Net Assets	164,101,770	30,669,336
Net Assets, Without Donor Restrictions - beginning of year	529,323,572	498,654,236
Net Assets, Without Donor Restrictions - end of year	$ 693,425,342	$ 529,323,572

See accompanying notes to consolidated financial statements.

The Heising-Simons Foundation

(A Nonprofit Organization)

Consolidated Statement of Functional Expenses

Years Ended December 31, 2020 and 2019

	2020		
	Program Services	Management and General	2020 Total
Grants to charitable organizations	$ 126,674,043		$ 126,674,043
Salaries and wages	5,087,506	$ 1,563,602	6,651,108
Salary related expenses	2,827,452	933,783	3,761,235
Professional services and program consultants	1,121,975	375,106	1,497,081
Facilities	2,276,798	784,135	3,060,933
Operations	92,966	144,310	237,276
Equipment, hardware, and software	198,807	92,675	291,482
Membership and licenses	5,034	38,445	43,479
Insurance		31,870	31,870
Travel, meetings, and professional development	119,605	69,314	188,919
	$ 138,404,186	$ 4,033,240	$ 142,437,426

	2019		
	Program Services	Management and General	2019 Total
Grants to charitable organizations	$ 112,322,547		$ 112,322,547
Salaries and wages	5,260,973	$ 1,385,704	6,646,677
Salary related expenses	2,015,114	501,713	2,516,827
Professional services and program consultants	1,516,387	381,171	1,897,558
Facilities	2,083,151	634,496	2,717,647
Operations	108,881	128,415	237,296
Equipment, hardware, and software	207,134	83,830	290,964
Membership and licenses	5,190	10,412	15,602
Insurance		28,454	28,454
Travel, meetings, and professional development	482,058	293,126	775,184
	$ 124,001,435	$ 3,447,321	$ 127,448,756

See accompanying notes to consolidated financial statements.

The Heising-Simons Foundation
(A Nonprofit Organization)

Consolidated Statement of Cash Flows

Years Ended December 31,	2020	2019
Cash Flows from Operating Activities:		
Increase in net assets	$ 164,101,770	$ 30,669,336
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	1,159,549	898,922
Net realized gains on investments	(139,129,952)	(91,738,277)
Net unrealized gains on investments	(120,700,759)	(29,049,459)
Program-related investment discount amortization	(75,000)	254,949
Program-related loan investment converted to a grant		299,999
Grants payable discount amortization	473,646	(105,644)
Changes in:		
Prepaid expenses and other assets	5,620	(356,502)
Prepaid excise taxes	(228,298)	13,092
Accounts receivable from affiliate	(47,539)	
Security deposits		500
Accounts payable and accrued expenses	162,047	54,911
Direct charitable activities payable	(43,915)	587,210
Grants payable	(5,656,371)	7,545,279
Deferred excise taxes payable	1,595,000	(545,000)
Net cash used by operating activities	(98,384,202)	(81,470,684)
Cash Flows from Investing Activities:		
Purchases of leasehold improvements and equipment	(11,276)	(2,870,571)
Investments in transit	(2,288,107)	(18,580,679)
Proceeds from sale of investments	321,771,645	238,637,757
Proceeds from program related investment		2,500,000
Purchases of investments	(226,283,287)	(127,470,519)
Purchase of program related investment		(2,500,000)
Net cash provided by investing activities	93,188,975	89,715,988
Net Change in Cash and Equivalents	(5,195,227)	8,245,304
Cash and Equivalents, beginning of year	9,264,002	1,018,698
Cash and Equivalents, end of year	$ 4,068,775	$ 9,264,002
Supplemental Disclosure:		
Federal excise paid, net of refunds	$ 2,179,298	$ 920,908

See accompanying notes to consolidated financial statements.

Note 1 - Organization and Summary of Significant Accounting Policies:

a. Organization

The Heising-Simons Foundation (the “Foundation”) was organized in 2007 under the Nonprofit Public Benefit Corporation Law for charitable purposes. The specific charitable focus of the Foundation is to make grants and perform direct charitable activities for sustainable solutions in climate and clean energy, research in science, enhancing the education of our youngest learners, and supporting human rights for all people.

In 2016, the Foundation established a single member California limited liability company (the Company) with the Foundation as the sole member. The Company was formed for the purpose of making investments in various investment vehicles. The Company has been consolidated with the Foundation’s financial statements.

b. Basis of Accounting and Consolidation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), which recognizes revenue when earned and expenses when incurred and reflect all significant receivables, payables and other liabilities. The consolidated financial statements include the financial statements of the Foundation and the Company. All intercompany transactions and balances have been eliminated.

c. Net Assets

Net assets, revenues, gain and losses are classified based on the existence or absence of donor-imposed restrictions. Net assets without donor restrictions are those that are not restricted by donor-imposed stipulations. There were no net assets with donor restrictions as of December 31, 2020 and 2019.

d. Cash and Cash Equivalents

For purposes of the Consolidated Statement of Cash Flows, the Foundation considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Cash and cash equivalents principally include cash in banks and money market funds except those held for investment purposes.

e. Investments

Investments are reported at fair value. Investments in corporate bonds are carried at fair value, based upon published market values, and all realized and unrealized gains and losses are reported in the Consolidated Statement of Activities and Changes in Net Assets.

In addition, the Foundation reports certain investments using the Net Asset Value (NAV) per share as determined by the investment funds in which the Foundation is invested under the so-called "practical expedient." The practical expedient allows net asset value per share to represent fair value for reporting purposes when the criteria for using this method are met.

f. Fair Value Measurements

The Foundation carries certain assets and liabilities at fair value. Fair value is defined as the price that would be received if selling an asset or paid if transferring a liability in an orderly transaction between market participants at the measurement date.

Fair value measurement standards also require the Foundation to classify these financial instruments into a three-level hierarchy. The Foundation classifies its financial assets and liabilities according to the three levels , which maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

Level 1 - Inputs are unadjusted quoted market prices for identical assets or liabilities in active markets that the entity has the ability to access at the measurement date.

Level 2 - Inputs are quoted prices for similar assets or liabilities in active markets, or identical assets or liabilities in inactive markets, or by observable market data by correlation or other means.

Level 3 - Unobservable inputs for the asset or liability that are not corroborated by market data.

g. Investments in Transit

Investments in transit consist of funds that are in the process of being liquidated from or transferred to investment accounts.

h. Program-Related Investments

Program-related investments are strategic funding for the specific objective of furthering the Foundation's charitable purpose and may be in the form of a loan or an equity investment. Debt investments are carried at cost, unless it is determined that a discount is material to the Foundation's consolidated financial statements. Equity investments are also carried at cost.

These investments are evaluated for impairment annually and written down if appropriate. Management reviewed the collectability of the program-related investments and determined no allowance was necessary as of December 31, 2020 or 2019. Interest on the program-related investments loans receivable is generally charged at below-market rates. The Foundation's loans receivable are recorded at the time a loan is agreed to by both parties.

The program-related investment loan receivable at December 31, 2020 and 2019 was a loan to one organization of $2,500,000, bearing interest at 2% with a due date of June 1, 2023 for all principal and accrued interest. The loan is uncollateralized and discounted at the rate valid at the date of issuance, amortized over the term of the loan. The discount on the loan was $181,233 and $256,233 as of December 31, 2020 and 2019, respectively. Subsequent to the year end December 31, 2020, the program-related investments loan receivable was paid in full before the maturity date.

i. Leasehold Improvements and Equipment

Leasehold improvements and equipment are stated at cost. Leasehold improvements comprised a majority of the balance at December 31, 2020 and 2019. Depreciation is computed using the straight-line method over the estimated useful lives of the assets or lease term, whichever is shorter. Useful lives range from three to twelve years.

Renewals and betterments that extend the economic useful lives of the related assets are capitalized. The Foundation expenses, as incurred, expenditures for repairs and maintenance.

j. Contribution Revenue Recognition

Contributions are recognized as revenue when received or unconditionally promised. Contributions of assets other than cash are recorded at their estimated fair value at the date of donation.

k. Grants

The Foundation recognizes grants payable for unconditional promises to give. Conditional promises to give are not recorded until the barriers to entitlement are overcome, at which point the liability is recognized.

Grants payable are recorded at a discount if they extend beyond one year from the date of recognition. Discounts are amortized to grant expense over the life of the grant commitment.

Grants expense consists of grants made to various other charitable organizations as determined by the Foundation's Board of Directors and are recorded when commitments have been formally approved and all conditions have been met by the grantee.

l. Functional Allocation of Expenses

The costs of providing various programs and activities have been summarized on a functional basis in the Consolidated Statement of Activities and Changes in Net Assets. Expenses such as salaries, benefits, and professional fees are allocated among programs and management and general based on actual use. Facility and other expenses are allocated between programs and management and general and are based on head count. Other program expenses include costs related to grant making and direct charitable activities.

m. Tax-Exempt Status

The Foundation is a nonprofit organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code (the "Code") and Section 23701(d) of the Revenue and Taxation Code of the State of California. The Foundation has been determined by the Internal Revenue Service (IRS) to be a private foundation within the meaning of Section 509(a) of the Code. The Foundation and its Company are subject to federal excise taxes based on net investment income as defined in the Tax Reform Act of 1969. Deferred taxes are recorded on the unrealized gain on investments. In addition, the Foundation could be subject to tax on unrelated business income, if any, generated by its investments.

The Foundation follows the guidance of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740 for accounting for uncertainty in income taxes. Management evaluated the Foundation's tax positions and concluded that the Foundation had maintained its tax-exempt status and had taken no uncertain tax positions that require adjustment to the financial statements.

n. Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

o. Concentrations of Risk

Financial instruments, which potentially subject the Foundation to concentrations of credit and other risks, consist of cash and equivalents and investments. The Foundation's investments are exposed to various risks, such as interest rate, market fluctuations and credit risks.

Cash balances transferred from investments to operating accounts, as needed, may exceed FDIC insured limits from time to time.

p. Reclassifications

Certain reclassifications have been made to the prior year consolidated financial statements to conform to the current year presentation. There was no effect on net assets or changes in net assets as a result of the reclassifications.

q. Recent Accounting Pronouncements

Pronouncements Implemented

In August 2018, the FASB issued Accounting Standards Update (ASU) 2018-13 *Changes to the Disclosure Requirements for Fair Value Measurement (Topic 820).* The guidance in this ASU modifies the disclosure requirements for fair value measurements by removing, modifying, or adding certain disclosures. The standard is effective for all entities for fiscal years beginning after December 15, 2019. The Foundation adopted the changes from this ASU prospectively in 2020 and the adoption did not have a material effect on the Foundation's financial statement.

Pronouncements Effective in the Future

In February 2016, the FASB issued ASU 2016-02 – *Leases (Topic 842).* The guidance in this ASU will supersede much of the existing authoritative guidance for leases. This guidance requires lessees, among other things, to recognize right-of-use assets and liabilities on their balance sheet for all leases with lease terms longer than twelve months. The standard will be effective for the Foundation for the fiscal year beginning after December 15, 2021 with early application permitted. Entities are required to use modified retrospective application for leases that exist or are entered into after the beginning of the earliest comparative period in the consolidated financial statements with the option to elect certain transition relief. The Foundation is currently evaluating the impact of this pronouncement on its consolidated financial statements.

r. Subsequent Events

The Foundation evaluated subsequent events from December 31, 2020 through November 15, 2021, the date these consolidated financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these consolidated financial statements other than Note 1h, Note 8 and Note 11.

Note 2 - Availability of Financial Assets and Liquidity:

The Foundation's goal is to maintain financial assets to meet all grant and operating needs. As financial obligations become due, investments are liquidated. Financial assets are considered unavailable when illiquid or not convertible to cash within one year. None of these financial assets are subject to donor restrictions that make them unavailable for general expenditure within one year of the date of financial statements.

	2020	2019
Financial assets at year-end:		
Cash and equivalents	$ 4,068,775	$ 9,264,002
Investments, at fair value	699,039,857	534,697,504
Investments in transit	39,915,960	37,627,853
Program-related investments, net	2,318,767	2,243,767
Total financial assets	745,343,359	583,833,126
Amounts not available to be used within one year:		
Investments with liquidity restrictions	(20,423,937)	(20,615,117)
Program-related investments with payments due in excess of one year	(2,318,767)	(2,243,767)
Total amounts not available to be used within one year	(22,742,704)	(22,858,884)
Financial assets available to meet general expenditures over the next twelve months	$ 722,600,655	$ 560,974,242

Note 3 - Investments:

The estimated fair values of the Foundation's investments were as follows at December 31:

	2020	2019
Cash equivalents (investment related)	$ 754,588	$ 372,345
U.S. treasuries	160,271,708	54,069,776
Corporate bonds	46,129,300	38,729,145
Alternative investments	491,884,261	441,526,238
Total	$ 699,039,857	$ 534,697,504

Note 4 - Fair Value Measurements:

The table below presents investments at December 31, 2020 measured at fair value on a recurring basis:

	Level 1	Level 2	Total
Cash Equivalents (investment related)	$ 754,588		$ 754,588
U.S. Treasury Notes and Bills		$ 160,271,708	160,271,708
Corporate Bonds:			
Consumer		9,335,600	9,335,600
Financial Services		11,006,851	11,006,851
Healthcare		6,271,520	6,271,520
Personal Services		1,784,133	1,784,133
Utilities		10,426,812	10,426,812
Communications		1,014,069	1,014,069
Industrials		1,058,338	1,058,338
Technology		5,231,977	5,231,977
Total corporate bonds		46,129,300	46,129,300
Total investments in fair value hierarchy	$ 754,588	$ 206,401,008	207,155,596
Investments measured at net asset value per share (a):			
Alternative Investment Funds			491,884,261
Total investments measured at fair value			$ 699,039,857

The table below presents assets at December 31, 2019 measured at fair value on a recurring basis:

	Level 1	Level 2	Total
Cash Equivalents (investment related)	$ 372,345		$ 372,345
U.S. Treasuries		$ 54,069,776	54,069,776
Corporate Bonds:			
Consumer		2,052,446	2,052,446
Financial Services		14,177,694	14,177,694
Healthcare		6,065,957	6,065,957
Technology		16,433,048	16,433,048
Total corporate bonds		38,729,145	38,729,145
Total investments in fair value hierarchy	$ 372,345	$ 92,798,921	93,171,266
Investments measured at net asset value per share (a):			
Alternative Investment Funds			441,526,238
Total investments measured at fair value			$ 534,697,504

(a) In accordance with ASC Subtopic 820-10, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the Consolidated Statement of Financial Position.

Net Asset Value (NAV) Per Share

The Foundation uses the Net Asset Value (NAV) to determine the fair value of all the investments which do not have readily determinable fair value and which prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company.

The following table lists investments valued at NAV, which were all alternative investments held at December 31, 2020 and 2019.

	# of Funds 2020/2019	2020 Fair Value	2019 Fair Value	2020 Unfunded Commitment	Redemption	Notice Period (days)
Multi-Strategy (a)						
Redeemable	2/2	$ 323,973,110	$ 245,683,927		Monthly - Quarterly	10-45
Hedge funds (b)						
Redeemable with restrictions	1/1	137,697,042	130,070,690		Semi-Annual	120
Debt Vehicles (c)						
Redeemable	1/1	9,790,172	45,156,504		Monthly	30
Real Assets (d)						
Non redeemable	2/2	6,707,588	6,800,538	$ 998,326	None	N/A
Commercial Mortgage Back Securities (e)						
Non redeemable	2/2	4,265,740	5,202,342	2,506,983	None	N/A
Real Estate Debt (f)						
Non redeemable	1/1	758,918	1,212,877	1,098,499	None	N/A
Social Impact (g)						
Non redeemable	1/1	8,691,691	7,399,360	2,308,648	None	N/A
	10/10	$ 491,884,261	$ 441,526,238	$ 6,912,456		

(a) The multi-strategy funds are master fund investment portfolios consisting principally of readily marketable securities, which are valued at quoted market prices. As of December 31, 2020 and 2019, the Foundation owned 12% and 15.13%, respectively, of one of the funds in this category. No termination or liquidation date has been communicated by the fund.

(b) The hedge fund is a so-called “fund of hedge funds.” The fund consists principally of investments in hedge funds and other funds of hedge funds and was subject to a thirty-six-month lockup period which expired December 31, 2018. As of December 31, 2020 and 2019, the Foundation owned 21.5% of this fund. No termination or liquidation date has been communicated by the fund.

(c) The investment objective of the funds that are redeemable is to invest in investment grade debt tranches of collateralize loan obligation issuers. The Foundation owned 100% of one of the funds as of December 31, 2019 as the fund’s initial investor in its first partial year of operations, and liquidated the investment in October 2020. The Foundation owned 17.85% of the other fund which became an investment in 2020 for which no termination or liquidation date has been communicated.

(d) Real assets are funds with investment in real property, improvements, and other such assets (real or personal) located in the five boroughs of New York City and the greater New York City metropolitan area. As of December 31, 2020 and 2019, the Foundation owned 10% of one of the funds in this category. Both funds are scheduled to dissolve in 2025.

(e) The investment objective of these funds is to invest directly or indirectly in commercial mortgage backed securities and other investments and to engage in related activity. The funds are scheduled to dissolve in 2028 and 2031, unless otherwise extended or terminated under the funds' respective limited partnership agreements.

(f) The investment objective of this fund is to invest directly or indirectly in certain real estate debt and other investments and to engage in related activity. The fund is scheduled to dissolve in 2024, unless otherwise extended or terminated under the fund's limited partnership agreement.

(g) The investment objective of this fund is to invest in companies driving social and environmental impact alongside strong returns through acquisitions and restructurings. The fund is scheduled to dissolve in December 31, 2027, unless otherwise extended or terminated under the fund's limited partnership agreement.

Note 5 - Leasehold Improvements and Equipment, Net:

Leasehold improvements and equipment at December 31, 2020 and 2019 consisted of the following:

	2020	2019
Leasehold improvements	$ 7,157,226	$ 7,152,204
Furniture and equipment	1,213,728	1,213,728
Artwork	382,933	382,933
Computers and software	837,896	831,642
Total leasehold improvements and equipment	9,591,783	9,580,507
Less: accumulated depreciation	(3,741,451)	(2,581,902)
Leasehold improvements and equipment, net	$ 5,850,332	$ 6,998,605

Depreciation expense for the years ended December 31, 2020 and 2019 was $1,159,549 and $898,922, respectively.

Note 6 - Grants Payable and Direct Charitable Activities Payable:

The Foundation's Board of Directors authorizes certain grants to charitable organizations to be paid over multiple years. Grants payable and direct charitable activities payable at December 31, 2020 are scheduled to be paid in the following years:

Year ending December 31	Grants Payable	Direct Charitable Activities Payable
2021	$ 43,487,925	$ 2,536,502
2022	7,094,010	103,650
2023	140,321	
Subtotal	50,722,256	2,640,152
Less discounts	(294,926)	
Grants payable and direct charitable activities, net	$ 50,427,330	$ 2,640,152

At December 31, 2019, grants payable were $55,610,055 net of discounts of $768,571, and direct charitable activities payable were $2,684,067.

Note 7 - Excise Taxes:

In accordance with applicable Treasury regulations, the Foundation is classified as a private foundation subject to an excise tax on net investment income, including realized gains. In 2019, tax legislation was enacted which changed the tax rate for private foundations to a flat rate of 1.39%, effective January 1, 2020. The Foundation used the rates of 1.39% and 1% to calculate its current tax provision at December 31, 2020 and December 31, 2019 respectively. The Foundation used the rate of 1.39% to calculate its deferred tax provision at December 31, 2020 and 2019.

Tax regulations require that certain minimum distributions be made in accordance with a specified formula. The Foundation is in full compliance with the regulations.

The provision for current and deferred excise taxes is as follows:

	December 31, 2020	December 31, 2019
Current excise tax expense	$ 1,951,000	$ 934,000
Deferred excise expense (benefit)	1,595,000	(545,000)
Total	$ 3,546,000	$ 389,000

Note 8 - Commitments and Contingencies:

Operating Lease Commitments

The Foundation leases office space in Los Altos and San Francisco, California under agreements in effect through 2027. Rent expense for the years ended December 31, 2020 and 2019 was approximately $1,630,446 and $1,512,842, respectively.

Minimum future rental payments under these lease arrangements are estimated as follows:

Year Ending December 31,	
2021	$ 1,633,400
2022	1,682,400
2023	1,732,900
2024	1,784,900
2025	1,838,400
Thereafter	1,808,400
Total	$ 10,480,400

Contingencies

During 2019, the Foundation was informed by one of its alternative investment fund managers, the investment fund was undergoing an IRS audit. The IRS contends that the investment fund was under withholding tax on U.S. dividend income between 2005 and 2015. The effect of the IRS audit would have an approximate negative impact of $8,500,000 to the Foundation if the investment fund does not prevail in the IRS audit and appeal process. Subsequent to year end December 31, 2020, the Foundation was informed the investment fund had come to a settlement with the IRS and there would be no impact to the Foundation directly or to its ownership valuation in the investment fund.

Note 9 - Retirement Plan:

The Foundation has a 401(k) retirement plan covering all employees who have met minimum service and age requirements. The Foundation will match 200% of the employees' contribution up to 8% of eligible compensation subject to legal limits. In addition, the Foundation may make additional contributions at the discretion of the Board of Directors. The Foundation's contributions to the plan amounted to approximately $1,089,355 and $965,748 for the years ended December 31, 2020 and 2019, respectively.

Deferred Compensation Plans

The Foundation established the Heising-Simons Foundation 457(b) Plan effective on January 1, 2016 for key employees. Deferrals are made at the discretion of the participants, subject to certain limitations. Related assets and liabilities total approximately $772,838 and $514,163 and are included in the consolidated financial statements at December 31, 2020 and 2019, respectively.

Note 10 - Related Party Transactions:

For the years ended December 31, 2020 and 2019, the Foundation received contributions from individuals or Trust arrangements created by governance involved persons or having beneficiaries related to the Foundation's Directors.

The Foundation is affiliated with the Heising-Simons Action Fund (the Fund), which is a California nonprofit public benefit corporation that is exempt from federal income tax under Section 501(c)(4) and is an organization that advances ideas and supports institutions to advance social good. The two organizations are operated as distinct entities with their own separate (albeit complementary) missions. The Foundation does not control the Fund's board or day-to-day operations or subsidize it in any way. The operational and legal relationship between the Fund and the Foundation is set forth in a Resource Sharing Agreement stipulating that the Fund must pay fair value for all services provided by the Foundation, including but not limited to staff time, office space, computers, payroll, benefits, and bookkeeping. The Resource Sharing Agreement requires that the staff of the Foundation and the Fund keep detailed time records so that their time may be accounted for and charged to the appropriate entity.

Amounts incurred by the Foundation under the Resource Sharing Agreement with the Fund totaled $720,979 for the period from inception through December 31, 2020. Amounts owed to the Foundation from the Fund totaled $47,539 as of December 31, 2020. The expenses incurred as of December 31, 2019 to establish the Fund totaled $262,634 which was repaid back to the Foundation at the Fund's inception on January 13, 2020.

Note 11 - COVID-19 Pandemic:

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines and forced closures of public places and businesses. On October 1, 2021, the Foundation allowed staff to work in its offices and will require staff to work at least 10 days in the office each quarter beginning January 1, 2022. The coronavirus and actions taken to mitigate the spread of it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries. In addition, financial markets volatility has significantly impacted the value of major market indices. Other financial impacts could occur though such potential impact is unknown at this time.

The Foundation responded to the COVID-19 crisis with rapid response funds to its program grantees and regional pandemic response funds as well as specific grants for personal protective equipment, addressing the digital divide and improved health care access through clinics in California.