GREATER HOUSTON COMMUNITY FOUNDATION
AND AFFILIATES

COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

CONTENTS

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INDEPENDENT AUDITOR'S REPORT

To the Governing Board
Greater Houston Community Foundation
Houston, Texas

Opinion

We have audited the accompanying combined financial statements of Greater Houston Community Foundation and Affiliates (all Texas non-profit corporations or trusts), which comprise the combined statements of financial position as of December 31, 2020 and 2019 and the related combined statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the combined financial statements.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Greater Houston Community Foundation and Affiliates as of December 31, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Greater Houston Community Foundation and Affiliates and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Greater Houston Community Foundation and Affiliates' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Greater Houston Community Foundation and Affiliates' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Greater Houston Community Foundation and Affiliates' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Harper & Pearson Company, P.C.

HARPER & PEARSON COMPANY, P.C.

Houston, Texas
April 8, 2021

GREATER HOUSTON COMMUNITY FOUNDATION AND AFFILIATES
COMBINED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019

ASSETS	2020	2019
Cash and cash equivalents	$ 148,011,159	$ 124,593,682
Marketable investments	668,774,931	611,806,684
Contributions and other receivables	2,457,104	797,028
Interest receivable	91,339	38,169
Limited marketable investments	45,806,506	26,481,747
Notes receivable	4,899,844	3,589,753
Split interest agreements	5,572,000	6,329,992
Other investments	2,107,896	2,124,900
Property and equipment, net	2,409,156	2,652,661
Deposits and other assets	2,403,035	692,489
TOTAL ASSETS	$ 882,532,970	$ 779,107,105
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and other liabilities	$ 2,596,368	$ 1,232,045
Paycheck Protection Program notes payable	1,068,583	-
Grants payable	5,553,313	6,403,998
Annuity payable	1,466,000	1,466,000
Funds held for others	15,431,218	14,296,943
TOTAL LIABILITIES	26,115,482	23,398,986
NET ASSETS		
Net assets without donor restrictions	848,583,969	748,655,432
Net assets with donor restrictions	7,833,519	7,052,687
TOTAL NET ASSETS	856,417,488	755,708,119
	$ 882,532,970	$ 779,107,105

See accompanying notes.

	2020		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Changes in net assets:			
Revenues and Other Support			
Contributions	$ 200,753,936	$ 2,235,480	$ 202,989,416
Investment returns, net	77,244,204	-	77,244,204
Program income	2,340,721	-	2,340,721
Administrative fee revenue	1,959,365	-	1,959,365
Rental income	227,420	-	227,420
Change in value of split interest agreements	(125,000)	(97,780)	(222,780)
Net assets released from donor restrictions	1,356,868	(1,356,868)	-
Total Revenues and Other Support	283,757,514	780,832	284,538,346
Expenses			
Grants	161,447,085	-	161,447,085
Program	15,919,007	-	15,919,007
Development	1,715,608	-	1,715,608
General and administrative	4,747,277	-	4,747,277
Total Expenses	183,828,977	-	183,828,977
Change in Net Assets	99,928,537	780,832	100,709,369
Net Assets, Beginning of Year	748,655,432	7,052,687	755,708,119
Net Assets, End of Year	$ 848,583,969	$ 7,833,519	$ 856,417,488

See accompanying notes.

	2019		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Changes in net assets:			
Revenues and Other Support			
Contributions	$ 187,318,405	$ 622,695	$ 187,941,100
Investment returns, net	101,712,396	-	101,712,396
Program income	201,921	-	201,921
Administrative fee revenue	385,056	-	385,056
Rental income	173,417	-	173,417
Change in value of split interest agreements	(42,000)	746,072	704,072
Net assets released from donor restrictions	1,010,080	(1,010,080)	-
Total Revenues and Other Support	290,759,275	358,687	291,117,962
Expenses			
Grants	131,340,735	-	131,340,735
Program	8,954,154	-	8,954,154
Development	2,636,630	-	2,636,630
General and administrative	3,677,368	-	3,677,368
Total Expenses	146,608,887	-	146,608,887
Change in Net Assets	144,150,388	358,687	144,509,075
Net Assets, Beginning of Year	604,505,044	6,694,000	611,199,044
Net Assets, End of Year	$ 748,655,432	$ 7,052,687	$ 755,708,119

	Program	Development	General and Administrative	Total
Grants	$ 161,447,085	$ -	$ -	$ 161,447,085
Salaries and benefits	6,714,062	1,000,105	3,101,222	10,815,389
Legal, accounting and professional services	5,027,105	-	389,318	5,416,423
Advertising and public relations	671,782	546,127	17,001	1,234,910
Office expenses	1,879,245	40,085	135,659	2,054,989
Computers and technology	783,877	43,698	423,420	1,250,995
Occupancy	364,246	54,300	419,578	838,124
Meetings and travel	101,271	8,736	23,405	133,412
Depreciation	113,784	16,552	120,907	251,243
Dues, licenses and continuing education	129,265	6,005	53,744	189,014
Other expenses	134,370	-	63,023	197,393
	$ 177,366,092	$ 1,715,608	$ 4,747,277	$ 183,828,977

See accompanying notes.

	Program	Development	General and Administrative	Total
Grants	$ 131,340,735	$ -	$ -	$ 131,340,735
Salaries and benefits	4,208,160	904,801	2,595,166	7,708,127
Legal, accounting and professional services	2,078,222	-	227,790	2,306,012
Advertising and public relations	799,046	1,529,623	10,840	2,339,509
Office expenses	778,833	58,459	143,239	980,531
Computers and technology	432,970	69,963	264,496	767,429
Occupancy	102,992	13,535	206,675	323,202
Meetings and travel	242,870	30,002	66,536	339,408
Depreciation	111,402	16,224	114,080	241,706
Dues, licenses and continuing education	111,065	14,023	54,675	179,763
Other expenses	88,594	-	(6,129)	82,465
	$ 140,294,889	$ 2,636,630	$ 3,677,368	$ 146,608,887

See accompanying notes.

	2020	**2019**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net change in net assets	$ 100,709,369	$ 144,509,075
Adjustments to reconcile net change in net assets to net cash provided by operating activities:		
Contributions of marketable investments	(7,838,494)	(9,535,239)
Contributions of limited marketable investments	(20,809,989)	(828,321)
Contributions of real estate held for resale	-	(1,960,000)
Contribution of land	-	(800,000)
Grant awarded as an offset to a note receivable	85,313	-
Net realized and unrealized gain on investments	(65,710,487)	(87,816,585)
Depreciation of property and equipment	251,243	241,706
Change in operating assets and liabilities:		
Contributions and other receivables	(1,660,076)	298,743
Interest receivable	(53,170)	116,361
Split interest agreements	757,992	(285,992)
Deposits and other assets	(1,710,546)	(165,509)
Accounts payable and other liabilities	1,364,323	(131,936)
Grants payable	(850,685)	(1,830,340)
Annuity payable	-	(83,000)
Funds held for others	(863,604)	36,473
Net cash provided by operating activities	3,671,189	41,765,436
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of marketable investments	(121,530,212)	(230,768,917)
Proceeds from sale of marketable investments	139,737,303	185,383,208
Purchase of limited marketable investments	(41,923)	(36,637)
Proceeds from sale of limited marketable investments	881,347	830,634
Liquidating distributions from limited marketable investments	1,034,332	1,188,199
Collections on notes receivable	341,526	10,479
Issuance of notes receivable	(1,736,930)	(900,000)
Purchase of property and equipment	(7,738)	(152,610)
Net cash provided (used) by investing activities	18,677,705	(44,445,644)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Paycheck Protection Program notes payable	1,068,583	-
Net cash provided by financing activities	1,068,583	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	23,417,477	(2,680,208)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	124,593,682	127,273,890
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 148,011,159	$ 124,593,682

See accompanying notes.

NOTE A ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Greater Houston Community Foundation, a nonprofit Texas corporation (the Foundation), was organized in 1971 to administer and distribute property for charitable purposes, principally within the metropolitan area of Houston, Texas. The broad objectives of the Foundation include growing the amount and impact of charitable giving in the Houston area by serving individual, family and corporate donors in a flexible and tax-efficient way. The Foundation strives to connect donors to the causes they care about most and to the needs of the community.

Basis of Presentation - The combined financial statements include the accounts of the Greater Houston Community Foundation and its nonprofit supporting organizations. Supporting organizations are Texas nonprofit corporations or trusts that are affiliated with the Foundation by their purposes and operations and are deemed to be publicly supported charities rather than private foundations. All significant inter-entity activity and balances have been eliminated.

Management's Estimates - Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles in the United States (GAAP). These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Concentrations of Credit Risk - Financial instruments which subject the Foundation to concentrations of credit risk consist principally of cash and cash equivalents, contributions receivables, and notes receivable. The Foundation places its cash and cash equivalents with high credit quality financial institutions and brokerage firms. Deposits with these financial institutions exceeded the amount of insurance provided on such deposits at December 31, 2020; however, these deposits typically may be redeemed upon demand and therefore, bear minimal risk.

The collectability of the contributions and notes receivables is reviewed annually and an allowance for doubtful accounts is established as needed based upon factors surrounding the credit risk of specific donors, historical trends and other information. Management has determined that there is no need for an allowance for doubtful accounts as of December 31, 2020 or 2019.

Investment Risk - The Foundation’s investments subject the Foundation to various levels of risk associated with economic, operating, and political events beyond management’s control. Consequently, management’s judgment as to the level of losses that currently exist or may develop in the future involves the consideration of current and anticipated conditions and their potential effects on the Foundation’s investments. Due to the level of risk associated with investments and the level of uncertainty related to changes in the value of investments, it is possible that changes in risks in the near term could materially impact the amounts reflected herein.

Cash and Cash Equivalents - Cash and cash equivalents generally consist of demand deposits and money market mutual funds invested in short-term, highly liquid time deposits having maturities in 90 days or less. All credit card and debit card transactions that process in fewer than seven days are classified as cash and cash equivalents.

NOTE A ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Marketable Investments - The Foundation's investments are made in accordance with the investment policy and objectives adopted by the Foundation's Governing Board. These guidelines provide for investments in equity securities, fixed income securities, multi strategy funds, real assets, and other securities. Marketable investments are recorded at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Limited Marketable Investments - The Foundation receives contributions and assignments of interests in limited partnerships, limited liability companies, and stock in closely held corporations. These investments are recorded at appraised value at the date of contribution. Management annually evaluates these investments for impairment and reduces the carrying value when it believes there has been a permanent decline. Income from these investments is recorded using the cost method whereby non-liquidating distributions of cash or additional ownership units received are reflected as interest and dividend income in the statements of activities.

Other Investments - Other investments are held by donor advised funds and include mineral interests, cash surrender value of life insurance policies and real estate held for resale. Mineral interests and real estate held for resale are recorded at appraised value at the date of contribution and are evaluated annually for impairment based upon management's estimate of discounted anticipated future cash flows. Cash surrender value of life insurance policies are carried at fair value.

Property and Equipment - Property and equipment are stated at cost or estimated fair market value at the date of donation. Additions are capitalized and depreciated using the straight-line method over the following estimated useful lives of the assets as follows:

Buildings and improvements	40 years
Furniture and equipment	3 – 7 years

Maintenance and repairs are expensed as incurred. When property and equipment is retired or otherwise disposed of, the cost thereof and the applicable accumulated depreciation is removed from the respective accounts and the resulting gain or loss is reflected in earnings.

Grants Payable - Grants payable and related expenses are recognized in the period in which all due diligence has been completed, and they are approved by the Foundation's Governing Board. Grants payable in more than one year are discounted, if significant, to their present value at the time the grant is awarded.

Annuity Payable - The annuity payable is part of a gift annuity agreement with certain donors whereby the Foundation agrees to pay an amount annually to the donors in consideration of a gift contribution. The difference between the gift and present value of the annuity payable is recognized as a contribution on the combined statements of activities. The Foundation has no potential liability for annual payments in excess of the fund's assets.

NOTE A ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Funds Held for Others - Funds held for others consist of the liability for pledges receivable and monies held in funds established by various not-for-profit organizations which have named themselves or their affiliates as the beneficiary of the fund and money received from court directed judgments administered by the Foundation. Also included are investment funds managed by the Foundation without variance power.

Net Asset Classifications - The Foundation classifies funds established by donors as net assets without donor restrictions by virtue of the variance power granted the Governing Board with certain limited exceptions.

Restricted Support - Grants, contributions of cash and other assets and the related earnings are reported as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions with donor-imposed restrictions that are met in the current period are recorded as contributions without donor restrictions.

Net Assets Released From Donor Restrictions - Simultaneous increases and decreases in net asset classes are made when the Foundation fulfills the purposes for which net assets were restricted. Certain donor imposed restrictions expire with the passage of time.

Revenue Recognition - The Foundation recognizes revenue from contributions as funds are collected or pledges are made. Administrative fee revenue includes asset based fee revenue and service fee revenue and is recognized monthly in arrears in accordance with terms of contractual agreements. Certain contributions are received as a result of the donors' estate planning and may not occur predictably, which may cause significant fluctuations from year to year.

In-Kind Contributions - Contributions of non-cash assets are recorded at their fair values in the period received. Contributions of services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

In addition, volunteers assist management in budget analysis, insurance evaluation, and other administrative activities. The values of these donated services are not recognized in the accompanying combined financial statements as the nature of the services received do not meet the guidelines for recognition established by GAAP.

Change in Value of Split Interest Agreements - The change in value of split interest agreements is reported as restricted support on the statement of activities and includes amortization of the discount of the contributions receivable from charitable trusts, changes in the discount of the related annuities payable and changes in the present value of the underlying assets of contributions receivable from charitable trusts. (See Note H)

NOTE A ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Federal Income Taxes - The Foundation is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). However, the Foundation is subject to taxes on unrelated business income. The Foundation had no significant unrelated business income in 2020 and 2019.

The Foundation believes that all significant tax positions utilized by the Foundation will more likely than not be sustained upon examination. As of December 31, 2020, the tax years that remain subject to examination by the major tax jurisdictions under the statute of limitations are from the years 2017 through 2019 with limited exceptions. Tax penalties and interest, if any, would be accrued as incurred and would be classified as general and administrative expense in the statements of activities.

Functional Expenses - The financial statements report certain expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, rent and utilities which are allocated on a square footage basis, as well as salaries and benefits and related costs which are allocated on the basis of the number of direct program staff combined with estimates of time and effort for certain executive and support staff. Consulting fees, professional fees, and contract labor are generally incurred for specific functions.

Recent Accounting Pronouncement - In February 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-02, "*Leases (Topic 842)*". Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statements of activities. Currently, the new standard is effective for the Foundation for the year beginning after December 15, 2021 and will require transition using a modified retrospective approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the combined financial statements. The Foundation is currently evaluating the effect the provisions of ASU 2016-02 will have on the combined financial statements.

COVID-19 Pandemic - The COVID-19 pandemic that occurred during the year ended December 31, 2020 has created economic uncertainty which could negatively impact the Foundation's financial condition or results of operations. However, the related financial impact and duration cannot be reasonably estimated at this time. The Foundation did not experience a net negative financial impact as a result of the pandemic for the year ended December 31, 2020.

Subsequent Events - The Foundation has evaluated subsequent events through April 8, 2021, the date the financial statements were available to be issued. No subsequent events occurred which require adjustment or additional disclosure to the financial statements at December 31, 2020.

NOTE B LIQUIDITY AND AVAILABILITY

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

The following table reflects the Foundation's financial assets as of December 31, 2020 and 2019, reduced by amounts unavailable for grants and other expenses within one year. Financial assets are considered unavailable when they are illiquid, unable to be converted to cash within one year, funds held for others, or net assets with donor restrictions.

Financial assets are as follows at December 31:

	2020	2019
Cash and cash equivalents	$ 148,011,159	$ 124,593,682
Marketable investments	668,774,931	611,806,684
Contributions and other receivables, net	2,457,104	797,028
Interest receivable	91,339	38,169
Limited marketable investments	45,806,506	26,481,747
Notes receivable	4,899,844	3,589,753
Split interest agreements	5,572,000	6,329,992
Total financial assets	875,612,883	773,637,055
Less amounts not available to be used within one year:		
Purpose restricted net assets	5,753,519	7,052,687
Funds held for others	15,431,218	14,296,943
Investments not convertible to cash within next 12 months	5,601,051	4,289,037
Contributions and other receivables collectible beyond one year	1,240,000	170,000
Interest receivable	86,642	38,169
Limited marketable investments	45,806,506	26,481,747
Notes receivable collectible beyond one year	4,843,847	2,619,801
	78,762,783	54,948,384
Financial assets available to meet operating expenditures over the next twelve months	$ 796,850,100	$ 718,688,671

NOTE C INVESTMENT RETURNS, NET

Investment returns, net are comprised of the following for the years ended December 31:

	2020	2019
Interest and dividend income	$ 12,655,873	$ 14,896,326
Investment management fees	(1,122,156)	(1,034,135)
Net realized and unrealized gain on marketable securities	65,338,965	87,903,634
Net realized and unrealized gain (loss) on limited marketable investments and other investments	371,522	(53,429)
	$ 77,244,204	$ 101,712,396

NOTE D FAIR VALUE MEASUREMENTS

Following is information regarding the nature of the financial instruments and the techniques used to estimate the fair values. There have been no changes in the techniques used during 2020 and 2019.

Equity and fixed income securities - The fair value is determined by the investment custodians based on recent sales in the open market of same or similar investments.

Equity and fixed income securities also include long-short funds invested in equity and fixed income securities to generate optimal risk-adjusted returns. These funds can be redeemed at various intervals ranging from daily to semi-annually and have redemption notice requirements up to 90 days depending on the manager. The fair value of long-short funds is determined by the managers of the various investment vehicles using fair values of underlying assets, estimates of future earnings and other factors.

Multi strategy funds - Multi strategy funds include funds that offer one core strategy across different hedge fund vehicles with allocations that range from long-short equity, long-short credit, global macro, fixed income arbitrage, managed futures, and event driven credit, among others. These funds can be liquidated at various intervals ranging from monthly to non-redeemable during the predetermined lifespan of the fund with 15-90 day redemption notice periods for redeemable funds depending on the manager. The fair value of multi strategy funds is determined by the managers of the various investment vehicles using fair values of underlying assets, estimates of future earnings and other factors.

Real assets - Real assets include actively managed mutual fund portfolios that invest in a broad array of commodity futures, commodity-related equities, bonds, and currencies. Sectors may include energy, industrial and precious metals, livestock and agriculture. The fair value of real assets is based on the quoted prices of the mutual funds.

Split interest agreements - The fair value of split interest agreements is estimated by management of the Foundation based on actuarial assumptions and discount rates applied to projected future cash flows. (See Note H).

NOTE D FAIR VALUE MEASUREMENTS (CONTINUED)

Other investments - This classification includes life insurance policies whose fair value is the cash surrender value as determined by the insurance company. Also included in other investments on the accompanying statements of financial position are non-financial assets that are not included in the fair value tables consisting of land held for resale of $1,960,000 and mineral interests of $1,000 at both December 31, 2020 and 2019.

Limited marketable investments - Limited marketable investments are measured on a non-recurring basis at appraised value upon initial acquisition and subsequently adjusted for liquidating distributions and for impairment as determined by the Foundation's management. These determinations are based on information provided by the investee relating to income/losses and total assets in conjunction with projected distributions to be made to the Foundation.

For financial instruments recorded at fair value, GAAP provides a framework for measuring fair value using a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value based upon whether the inputs to those valuation techniques are observable or unobservable. This hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical financial instruments and the lowest priority to unobservable inputs. Valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. The financial instrument's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

These inputs are summarized in the three broad levels listed below:

Level 1 – Unadjusted quoted prices for identical financial instruments in active markets that the Foundation has the ability to access.

Level 2 – Other significant observable inputs (including quoted prices in active or inactive markets for similar financial instruments), or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the financial instruments.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the financial instruments. The fair value of Level 3 financial instruments is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

The estimated fair value amounts of financial instruments have been determined by the Foundation using available market information and appropriate valuation methodologies. However, considerable judgment is required to interpret data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Foundation could realize in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

NOTE D FAIR VALUE MEASUREMENTS (CONTINUED)

The following tables summarize financial assets measured/recorded at fair value as of December 31, 2020 and 2019.

	2020			
	Level 1	Level 2	Level 3	Total
Measured on a recurring basis:				
Equity securities:				
Domestic equity	$ 194,924,403	$ 94,721,047	$ -	$ 289,645,450
Global equity	6,419,348	-	73,042,359	79,461,707
Foreign equity	77,684,039	-	-	77,684,039
Long-short equities	2,168,471	-	-	2,168,471
Fixed income securities:				
Government bonds	32,580,639	1,617,075	-	34,197,714
Corporate bonds	41,566,219	8,447,567	-	50,013,786
Asset backed	35,041,480	21,934	-	35,063,414
Long-short fixed income	147,672	5,961	-	153,633
Global fixed income	6,911,466	89,302	37,823,068	44,823,836
Multi strategy funds	1,050,100	103,220	52,799,611	53,952,931
Real assets	1,609,950	-	-	1,609,950
Split interest agreements	-	-	5,572,000	5,572,000
Measured on a nonrecurring basis:				
Other investments	-	146,896	-	146,896
Limited marketable investments	-	-	45,806,506	45,806,506
	$ 400,103,787	$ 105,153,002	$ 215,043,544	$ 720,300,333

NOTE D FAIR VALUE MEASUREMENTS (CONTINUED)

	2019			
	Level 1	Level 2	Level 3	Total
Measured on a recurring basis:				
Equity securities:				
Domestic equity	$ 178,663,441	$ 75,270,898	$ -	$ 253,934,339
Global equity	6,492,520	-	70,292,812	76,785,332
Foreign equity	83,055,280	-	-	83,055,280
Long-short equities	1,790,863	-	-	1,790,863
Fixed income securities:				
Government bonds	25,973,521	1,717,597	-	27,691,118
Corporate bonds	43,943,399	8,547,148	-	52,490,547
Asset backed	30,740,341	207,209	-	30,947,550
Long-short fixed income	104,527	6,399	-	110,926
Global fixed income	5,180,002	106,238	33,551,840	38,838,080
Multi strategy funds	948,927	2,002,241	41,881,737	44,832,905
Real assets	1,329,744	-	-	1,329,744
Split interest agreements	-	-	6,329,992	6,329,992
Measured on a nonrecurring basis:				
Other investments	-	163,900	-	163,900
Limited marketable investments	-	-	26,481,747	26,481,747
	$ 378,222,565	$ 88,021,630	$ 178,538,128	$ 644,782,323

The Foundation manages its investments by the nature of the underlying securities regardless of the ownership vehicle. Fixed income and equity securities in the preceding tables include individually owned securities as well as comingled funds, mutual funds and limited partnerships investing in the specified type of fixed income or equity security.

NOTE D FAIR VALUE MEASUREMENTS (CONTINUED)

The table below sets forth a summary of changes in the fair value of the Foundation's level 3 assets:

	Global Equity	Global Fixed Income	Multi Strategy Funds	Split Interest Agreements	Limited Marketable Investments	Total
Balance, December 31, 2018	$ 34,324,818	$ -	$ 3,150,489	$ 6,044,000	$ 27,739,171	$ 71,258,478
Contributions	-	-	-	-	828,321	828,321
Total gains or losses included in change in net assets	12,967,994	551,840	748,482	746,072	(103,549)	14,910,839
Purchases, issues, sales and settlements:						
Purchases	23,000,000	33,000,000	37,896,300	-	36,637	93,932,937
Sales	-	-	(134,339)	(460,080)	(2,018,833)	(2,613,252)
Transfers out of Level 3	-	-	220,805	-	-	220,805
Balance, December 31, 2019	70,292,812	33,551,840	41,881,737	6,329,992	26,481,747	178,538,128
Contributions	-	-	-	-	20,809,989	20,809,989
Total gains (losses) included in change in net assets	15,849,547	2,021,228	5,931,219	(97,780)	354,117	24,058,331
Purchases, issues, sales and settlements:						
Purchases	-	2,250,000	5,127,452	-	41,923	7,419,375
Sales	(13,100,000)	-	(140,797)	(660,212)	(1,881,270)	(15,782,279)
Transfers out of Level 3	-	-	-	-	-	-
Balance, December 31, 2020	$ 73,042,359	$ 37,823,068	$ 52,799,611	$ 5,572,000	$ 45,806,506	$ 215,043,544

NOTE E INVESTMENT POOL ACTIVITY

The Foundation has several investment pools contributors may select to place their funds. The table below sets forth the summary of activity in these funds:

	Growth & Income	Growth	Income	Passive Growth	Passive Income	Money Market
Balance, December 31, 2018	$ 151,899,572	$ 33,186,745	$ 33,565,472	$ 98,989,110	$ 13,232,495	$ 50,945,287
Interest and dividend income	1,873,956	332,506	714,921	3,175,469	467,779	688,514
Net realized and unrealized gain on investments	23,703,818	6,354,274	3,174,246	19,069,360	1,494,256	3,267
Investment management fees	(143,171)	(29,191)	(35,324)	(76,640)	(11,867)	(110)
Contributions and withdrawals, net	(12,975,261)	(866,396)	(4,494,729)	5,837,882	3,070,911	28,490,187
Balance, December 31, 2019	164,358,914	38,977,938	32,924,586	126,995,181	18,253,574	80,127,145
Interest and dividend income	1,350,731	191,695	529,188	2,078,473	810,734	151,052
Net realized and unrealized gain on investments	24,755,175	4,918,779	3,026,428	8,203,534	1,666,665	-
Investment management fees	(120,024)	(20,888)	(24,661)	(45,042)	(14,950)	-
Contributions and withdrawals, net	(10,313,467)	(10,425,851)	(2,975,387)	(62,356,198)	7,550,107	(3,617,174)
Balance, December 31, 2020	$ 180,031,329	$ 33,641,673	$ 33,480,154	$ 74,875,948	$ 28,266,130	$ 76,661,023

NOTE F CONTRIBUTIONS AND OTHER RECEIVABLES, NET

Contributions receivable in more than one year are discounted, if significant, to their present value at the time the pledge is received using rates representing the risk free rate of return as of the date of the gift. Receivables may consist of pledges and billings to clients for service fees and out of pocket expenses. Contributions and other receivables at December 31, 2020 and 2019 consist of the following:

	2020	2019
Receivable in one year or less	$ 1,217,104	$ 627,028
Receivable in more than one year	1,240,000	170,000
Total net contributions and other receivables	$ 2,457,104	$ 797,028

NOTE G NOTES RECEIVABLE

The Foundation holds notes receivable for the benefit of certain donor advised funds at December 31 as follows:

	2020	2019
Promissory note from a limited partnership accruing interest at 4.30% annually; interest due annually beginning December 29, 2015; principal due at maturity in December 2034; unsecured.	$ 2,500,000	$ 2,500,000
Litigation reimbursement agreements from a non-profit organization in the amounts of $400,000 and $500,000, originally accruing interest at an annual rate of 5%, due the earlier of 30 days of recovery or September 15, 2020 and September 23, 2020, respectively. These notes were modified during 2020 to reduce the annual rate to 2% and extend the maturity date on both notes to May 21, 2022.	900,000	900,000
Senior promissory note from a social impact investment LLC, accruing interest at an annual rate of 2% which is payable in arrears quarterly with any remaining unpaid interest and principal due at maturity in March 2025.	894,339	-
Subordinated promissory note from a social impact investment LLC, accruing interest at an annual rate of 4% which is payable in arrears quarterly with any remaining unpaid interest and principal due at maturity in March 2025.	531,352	-
Other notes receivable	74,153	189,753
	$ 4,899,844	$ 3,589,753

NOTE G NOTES RECEIVABLE (CONTINUED)

At December 31, 2020, the donor advised fund holding the promissory notes from the social impact investment LLC has outstanding commitments for additional advances on the senior promissory note amounting to $355,661 and an additional $218,648 in advances on the subordinated promissory note.

NOTE H SPLIT INTEREST AGREEMENTS

The Foundation has beneficial interests in irrevocable charitable remainder trusts (CRTs) in which the Foundation is not the trustee. Under the terms of the trust agreements, the donors have established and funded trusts which specify that distributions be made to a designated beneficiary or beneficiaries over the trust terms. Upon termination of the trusts, the Foundation receives the assets remaining in the trust.

The Foundation is also the beneficiary of charitable lead trusts (CLTs) in which the Foundation is not the trustee. Under the terms of the trust agreements, the Foundation is to receive a fixed payment annually over the specified term in the trust agreements. Upon the expiration of the trust agreements, the remaining trust assets are distributed to others.

When the Foundation has irrevocable rights to CRTs or CLTs and does not hold the assets, the Foundation's interest in the trust assets and specified future distributions is recorded as a beneficial interest in split interest agreements. Assets are initially recorded as contributions at the present value of the projected future cash flows using actuarial assumptions and discount rates based on market conditions in effect when the trusts were established and based on terms established in the trust agreements. As of December 31, 2020 and 2019, discount rates ranged from 2.55% to 6.00%.

The change in value during the year is recorded as a change in value of split interest agreements. At December 31, 2020, beneficial interest in CRTs and CLTs totaled $4,026,000 and $1,546,000, respectively. At December 31, 2019, beneficial interest in CRTs and CLTs totaled $4,553,992 and $1,796,000, respectively.

No contributions of interest in charitable trusts were received in 2020 or 2019.

NOTE I PROPERTY AND EQUIPMENT, NET

Cost of property and equipment by major asset category and accumulated depreciation are as follows at December 31:

	2020	2019
Land	$ 1,328,910	$ 1,328,910
Buildings and improvements	1,729,968	1,729,968
Furniture and equipment	1,239,586	1,231,848
	4,298,464	4,290,726
Less accumulated depreciation	(1,889,308)	(1,638,065)
	$ 2,409,156	$ 2,652,661

Land, buildings and improvements with a cost of $2,971,968 and accumulated depreciation of $1,075,685 at December 31, 2020 are included in the assets of a support organization, the purpose of which is to provide operating facilities for another nonprofit organization.

NOTE J GRANTS PAYABLE

Grants payable at December 31, 2020 and 2019 are payable in the following periods:

	2020	2019
Payable in one year	$ 2,090,647	$ 3,776,479
Payable in two years	1,452,833	1,346,519
Payable in three years	1,004,833	789,500
Payable in four years	582,500	366,500
Payable in five years	202,500	102,500
Payable in more than five years	220,000	22,500
	3,462,666	2,627,519
Total grants payable	$ 5,553,313	$ 6,403,998

Discounts on long-term grants payable were deemed insignificant at December 31, 2020 and 2019.

NOTE K NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are time restricted and consist of the following at December 31, 2020 and 2019:

	2020	2019
Contributions receivable	$ 2,080,000	$ 100,000
Understanding Houston	181,519	622,695
Split interest agreements (expiring 2021 - 2036)	5,572,000	6,329,992
Net assets with donor restrictions	$ 7,833,519	$ 7,052,687

NOTE L COMMITMENTS AND CONTINGENCIES

The Foundation leases office space under a multi-year lease agreement through September 30, 2029. During 2019, a supporting organization exercised the renewal option on an office lease through January 2026. Total rent expense for both facilities including related operating and miscellaneous charges was $836,323 and $320,910 for the years ended December 31, 2020 and 2019, respectively.

Future minimum lease payments, including those of the supporting organization, consist of the following at December 31, 2020:

2021	$ 484,930
2022	495,541
2023	506,151
2024	516,761
2025	527,371
Thereafter	1,589,272
	$ 4,120,026

NOTE M RETIREMENT PLAN

Effective January 1, 2007, the Foundation established a 401(k) plan for all eligible employees. The plan is a defined contribution plan and the investments are selected by the participants. The Foundation matches 100% of an eligible participant’s pre-tax contribution up to 6% of allowable compensation. Employer and employee contributions vest immediately.

For the years ended December 31, 2020 and 2019, the Foundation's contributions to the plan were $365,244 and $257,246, respectively.

NOTE N ENDOWMENT

Net Asset Classifications - GAAP provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). GAAP also requires disclosures about an organization's endowed funds (both donor restricted endowment funds and board designated endowment funds) whether or not the organization is subject to UPMIFA.

The State of Texas adopted UPMIFA effective September 1, 2007. The Governing Board, on the advice of legal counsel, has classified as endowments those funds with spending policies stipulated in the fund agreements.

The Foundation is governed subject to the Certificate of Formation and Bylaws of the Greater Houston Community Foundation. The Bylaws of the Foundation include a variance power provision which gives the Governing Board the authority to modify any restriction or condition placed on gifts, if in its sole judgment the Governing Board determines that the restriction becomes, in effect, incapable of fulfillment or is inconsistent with the charitable needs of the community. Further, under the governing documents of the Foundation, the Governing Board has the authority to distribute as much of the corpus of any gift, devise, bequest, or fund as the Governing Board in its sole discretion shall determine. As a result, all contributions not reported as net assets with donor restrictions are reported as net assets without donor restrictions for financial statement purposes, including those classified as endowments.

Endowment Investment and Spending Policies - The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by the endowments while seeking to maintain the purchasing power of the endowment assets. The Foundation's spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes.

To satisfy its long-term rate-of-return objectives, the Foundation 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). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk parameters.

The spending policy calculates the amount of money annually distributed from the Foundation's various endowed funds for grant making and administration. The current spending policy is to distribute an amount up to 4% of the previous twelve quarter average fund balance. Accordingly, over the long term, the Foundation expects current spending policy to allow its endowment assets to grow at a rate exceeding inflation at an average rate of 3% annually. This is consistent with the Foundation's objective to maintain the purchasing power of endowment assets as well as to provide additional real growth through new gifts and investment return.

NOTE N ENDOWMENT (CONTINUED)

The composition of and changes in endowment net assets as of December 31, 2020 and 2019 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, December 31, 2018	$ 13,712,647	$ 581,000	$ 14,293,647
Investment return:			
Investment income, net of fees	141,461	-	141,461
Net realized and unrealized gain	2,702,600	-	2,702,600
Change in value of split interest agreements	-	109,992	109,992
Total investment return	2,844,061	109,992	2,954,053
Grants	(546,934)	-	(546,934)
Administration and other expenses	(108,508)	-	(108,508)
Total disbursements	(655,442)	-	(655,442)
Endowment net assets, December 31, 2019	15,901,266	690,992	16,592,258
Contributions	3,495,477	-	3,495,477
Investment return:			
Investment income, net of fees	294,221	-	294,221
Net realized and unrealized gain	3,802,961	-	3,802,961
Change in value of split interest agreements	-	-	-
Total investment return	7,592,659	-	7,592,659
Grants	(702,521)	(321,992)	(1,024,513)
Administration and other expenses	(139,719)	-	(139,719)
Total disbursements	(842,240)	(321,992)	(1,164,232)
Endowment net assets, December 31, 2020	$ 22,651,685	$ 369,000	$ 23,020,685

NOTE O SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITIES

	2020	2019
Net realized and unrealized gain on marketable securities related to funds held for others	$ 1,997,879	$ 2,100,951

NOTE P PAYCHECK PROTECTION PROGRAM NOTES PAYABLE

On April 9, 2020 and July 15, 2020, the Foundation received two loans of $926,168 and $142,415, respectively, guaranteed by the Small Business Administration (SBA) as part of the Paycheck Protection Program (PPP). The loans may be forgiven contingent upon satisfying criteria determined by the extent to which the loans enabled the Foundation to maintain its employees and/or payroll.

In June 2020, the PPP was amended to provide more flexibility in repayment terms and expanded opportunities for forgiveness. Management intends to file the applications for forgiveness subsequent to December 31, 2020 and believes they have met the criteria for forgiveness. In the event full or partial forgiveness is not achieved, remaining principal and interest will be payable monthly at a rate of .98% per annum, with a principal maturity date of April 9, 2022 and July 15, 2025, respectively. The maturity can be extended by mutual agreement with the lending institution.

If no amounts are forgiven, the aggregate future scheduled principal payments as of December 31, 2020 are:

2021	$ 512,998
2022	455,665
2023	38,373
2024	38,758
2025	22,789
	$ 1,068,583