The David and Lucile Packard Foundation

Consolidated and Individual Financial Statements
December 31, 2019

Report of Independent Auditors

To the Board of Trustees of The David and Lucile Packard Foundation:

We have audited the accompanying consolidated financial statements of The David and Lucile Packard Foundation (the "Packard Foundation") and its affiliate, the Monterey Bay Aquarium Research Institute (the "Institute"), and the individual financial statements of the Packard Foundation and the Institute, which comprise the consolidated and individual statements of financial position as of December 31, 2019, and the related consolidated and individual statements of activities and of cash flows for the year then ended.

Management's Responsibility for the Consolidated and Individual Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated and individual 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 the consolidated and individual financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the consolidated and individual 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 consolidated and individual financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and individual financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated and individual financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Packard Foundation's and the Institute's preparation and fair presentation of the consolidated and individual 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 Packard Foundation's and the Institute's internal controls. 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 and individual 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 and individual financial statements referred to above present fairly, in all material respects, the financial position of The David and Lucile Packard Foundation and its affiliate and the individual financial statements of the Packard Foundation and the Monterey Bay Aquarium Research Institute as of December 31, 2019, and the consolidated and individual changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

San Francisco, California
July 23, 2020

The David and Lucile Packard Foundation
Consolidated and Individual Statements of Financial Position
December 31, 2019

(dollars in thousands)

	Packard Foundation	Institute	Eliminations	Total
Assets				
Cash and cash equivalents	$ 84,434	$ 18,310	$ -	$ 102,744
Interest and dividends receivable	2,551	-	-	2,551
Investment sales receivable	115,137	-	-	115,137
Investments, at fair value (Note 3)	7,598,599	-	-	7,598,599
Contributions receivable	-	48,835	(47,407)	1,428
Program-related investments (Note 2)	95,994	-	-	95,994
Property and equipment, net (Note 4)	62,407	46,434	-	108,841
Other assets	10,328	15,573	-	25,901
Total assets	$ 7,969,450	$ 129,152	$ (47,407)	$ 8,051,195
Liabilities and Net Assets				
Liabilities				
Accounts payable and other liabilities	$ 15,170	$ 11,766	$ -	$ 26,936
Grants payable (Note 5)	128,998	-	(47,407)	81,591
Deferred federal excise tax liabilities	44,059	-	-	44,059
Postretirement benefit liabilities (Note 7)	7,855	17,227	-	25,082
Total liabilities	196,082	28,993	(47,407)	177,668
Net assets				
Without donor restrictions				
Undesignated	7,773,368	31,792	54,827	7,859,987
Board designated	-	13,540	-	13,540
Total without donor restrictions	7,773,368	45,332	54,827	7,873,527
With donor restrictions				
Time restricted	-	47,407	(47,407)	-
Purpose restricted	-	7,420	(7,420)	-
Total with donor restrictions	-	54,827	(54,827)	-
Total net assets	7,773,368	100,159	-	7,873,527
Total liabilities and net assets	$ 7,969,450	$ 129,152	$ (47,407)	$ 8,051,195

The accompanying notes are an integral part of these financial statements.

The David and Lucile Packard Foundation
Consolidated and Individual Statements of Activities
For the Year Ended December 31, 2019

(dollars in thousands)

	Packard Foundation	Institute	Eliminations	Total
Changes in net assets without donor restrictions				
Revenues and other support				
Federal awards	$ -	$ 6,637	$ -	$ 6,637
Program-related investments and other income	1,074	1,832	-	2,906
Contributions	1,750	630	-	2,380
Investment return, net	972,434	-	-	972,434
Total revenues	975,258	9,099	-	984,357
Net assets released from restrictions	-	45,416	(45,416)	-
Total revenues and other support	975,258	54,515	(45,416)	984,357
Expenses				
Grants awarded	333,345	-	(47,407)	285,938
Direct charitable expenses	2,791	46,392	-	49,183
Grantmaking expenses	34,068	-	-	34,068
Operational support expenses	8,904	6,909	-	15,813
Total expenses	379,108	53,301	(47,407)	385,002
Increase in net assets without donor restrictions, before nonoperating postretirement benefit activity	596,150	1,214	1,991	599,355
Components of net periodic postretirement benefit cost, other than service cost	913	2,319	-	3,232
Postretirement benefit-related changes other than net periodic postretirement benefit cost	(2,340)	(5,683)	-	(8,023)
Increase (decrease) in net assets without donor restrictions	594,723	(2,150)	1,991	594,564
Changes in net assets with donor restrictions				
Contributions	-	47,407	(47,407)	-
Net assets released from restrictions	-	(45,416)	45,416	-
Increase in net assets with donor restrictions	-	1,991	(1,991)	-
Increase (decrease) in net assets	$ 594,723	$ (159)	$ -	$ 594,564
Net assets				
Beginning of year	7,178,645	100,318	-	7,278,963
End of year	$ 7,773,368	$ 100,159	$ -	$ 7,873,527

The accompanying notes are an integral part of these financial statements.

The David and Lucile Packard Foundation
Consolidated and Individual Statements of Cash Flows
For the Year Ended December 31, 2019

(dollars in thousands)

	Packard Foundation	Institute	Eliminations	Total
Cash flows from operating activities				
Cash received from donors	$ -	$ 45,996	$ (45,365)	$ 631
Cash received from grants and other support	1,750	7,784	-	9,534
Interest and dividends received	51,070	496	-	51,566
Grants paid	(369,979)	-	45,365	(324,614)
Cash paid to employees and suppliers	(55,662)	(46,596)	-	(102,258)
Cash paid for taxes	(7,142)	(21)	-	(7,163)
Net cash (used in) provided by operating activities	(379,963)	7,659	-	(372,304)
Cash flows from investing activities				
Purchase of investments	(2,882,106)	-	-	(2,882,106)
Proceeds from sale of investments	3,304,477	-	-	3,304,477
Program-related investments funded	(24,730)	-	-	(24,730)
Repayments of program-related investments	39,300	-	-	39,300
Purchase of property and equipment	(919)	(6,455)	-	(7,374)
Purchase of certificates of deposit	-	(9,150)	-	(9,150)
Proceeds from maturity of certificates of deposit	-	7,500	-	7,500
Purchase of deferred compensation plan investments	-	(1,301)	-	(1,301)
Proceeds from sale and maturity of deferred			-	-
compensation plan investments	-	1,178	-	1,178
Rental receipts received	175	-	-	175
Net cash provided by (used in) investing activities	436,197	(8,228)	-	427,969
Net increase (decrease) in cash and cash equivalents	$ 56,234	$ (569)	$ -	$ 55,665
Cash and cash equivalents				
Beginning of year	28,200	18,879	-	47,079
End of year	$ 84,434	$ 18,310	$ -	$ 102,744

The accompanying notes are an integral part of these financial statements.

(dollars in thousands)

1. Organization

The David and Lucile Packard Foundation (the "Packard Foundation") is a private foundation established by David and Lucile Packard in 1964. The Packard Foundation provides funding primarily to not-for-profit organizations operating predominantly in program areas that are of interest to the Board of Trustees: conservation and science; population and reproductive health; and children, families, and communities. The Packard Foundation's facilities are in Los Altos, California.

The Monterey Bay Aquarium Research Institute (the "Institute") is a not-for-profit organization founded in 1987 to conduct scientific research in marine biology, oceanography, underwater geology, and other kinds of marine research in and around the Monterey Bay and elsewhere, and to educate the scientific community and the public regarding such research. The Institute's primary facilities are in Moss Landing, California.

Certain trustees and officers of the Packard Foundation are also officers or directors of the Institute. Trustees of the Packard Foundation are not permitted to vote for grants to organizations for which they serve as trustees, officers, or directors. The Packard Foundation is the Institute's only member, with the power to elect the Board of Directors. For the year ended December 31, 2019, approximately 84% of the Institute's revenues came from the Packard Foundation.

2. Basis of Presentation and Significant Accounting Policies

Principles of Consolidation

The accompanying financial statements include the accounts of the Packard Foundation and its affiliate, the Institute (collectively, the "Foundation"). Since the Packard Foundation has both control and an economic interest in the Institute, the financial statements of the Institute have been included in the consolidated financial statements of the Foundation. All significant intercompany transactions and balances have been eliminated in the consolidation.

Basis of Presentation

The accompanying consolidated financial statements of the Foundation and the individual financial statements of the Packard Foundation and the Institute are presented on the accrual basis of accounting and in conformity with accounting principles generally accepted in the United States of America applicable to not-for-profit organizations. Revenues are reported as increases in net assets without donor restrictions unless there are donor-imposed purposes and/or time restrictions on the contributed assets. Expenses are reported as decreases in net assets without donor restrictions. Gains or losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law.

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. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent 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. Significant estimates include the valuation of the Foundation's investments and program-related investments, the expected useful lives of property and equipment, the determination of postretirement benefit liabilities, and the determination of functional expense allocations.

(dollars in thousands)

Net Assets without Donor Restrictions
Net assets without donor restrictions represent resources which do not have donor-imposed stipulations available to support the Foundation's operations, or are resources whose restrictions are met in the same reporting period as the contribution is received. The Institute has an operating reserve for use on specific projects subject to the Board of Directors' approval.

Net Assets with Donor Restrictions
Net assets with donor restrictions represent contributions that are limited in use in accordance with donor-imposed stipulations. These stipulations may expire with time or may be satisfied and removed by the actions of the Foundation according to the terms of the contributions. As of December 31, 2019, the Institute's net assets with donor restrictions consist entirely of contributions from the Packard Foundation restricted to the subsequent year's operations and remaining funds from a capital grant that are relieved as capital projects are completed and placed in service. Net assets with donor restrictions of $45,416 were released from restriction during the year ended December 31, 2019: $45,365 were released from restriction due to the expiration of time restrictions, and $51 were released from restriction due to purpose restrictions being met. The Institute spent $1,660 of its $10,000 Packard Foundation 2017 capital grant of which $7,420 remains restricted as capital assets associated with the expenditures were not placed in service during the year ended December 31, 2019. This restriction will be released as capital assets are placed in service.

Cash and Cash Equivalents
Cash and cash equivalents consist of cash on hand and in banks, money market funds, and highly liquid investments purchased with an original maturity date of three months or less.

Investments
Investments are stated at fair value and purchases and sales are recorded on a trade or contract date basis. The estimated fair value of investments is based on quoted market prices, except for alternative investments and real estate investment property, for which quoted market prices are not available. Alternative investments include private equities, marketable alternatives (including hedge funds), and real assets. The estimated fair value of alternative investments is based on the net asset value of the fund provided by the general partner. The Packard Foundation reviews and evaluates the net asset values provided by the general partner and assesses the valuation methods and assumptions used in determining the fair value of the alternative investments. Alternative investments are not readily marketable, and as such, their estimated value is subject to uncertainty and may differ from the value that would have been used had a readily available market for such investments existed. These differences could be material. The estimated fair value of real estate investment property is based on a recent appraisal. Unrealized gains or losses on investments resulting from fair value fluctuations are recorded in the period that such fluctuations occur. Realized gains or losses, unrealized gains or losses, and interest income and dividends are reported in the consolidated and individual statements of activities within the "investment return, net" row. Investment sales and purchases are recorded on a trade date basis, which results in both investment receivables and payables on unsettled investment trades. The Packard Foundation is subject to credit risk should a broker be unable to meet its obligations to the Packard Foundation.

Concentrations of Credit Risk
Financial instruments that potentially subject the Foundation to credit risk consist primarily of cash, cash equivalents, investments, and unsettled investment trades. The Foundation maintains cash and cash equivalents primarily with major financial institutions. Cash equivalents include investments in money market funds and certificates of deposit. Such amounts may exceed Federal Deposit Insurance Corporation limits. The Foundation's readily marketable securities have been placed with major financial institutions. Contributions receivable consists primarily of funds due to the Institute from the Packard Foundation.

(dollars in thousands)

Contributions Receivable
The majority of the Institute's contributions receivable as of December 31, 2019 represent funds due from the Packard Foundation to be received in the subsequent year and to be used for operations, research projects, and ordinary capital expenses in the subsequent year. The carrying value of contributions receivable approximates fair value. The Institute closely monitors receivables and has not experienced credit losses to date.

Program-Related Investments
Program-related investments as of December 31, 2019 include $94,855 of loans made to organizations; $88 of collateral deposits that serve to guarantee loans made by third-party lenders to organizations as a means of assisting them in achieving charitable objectives; and $1,051 of equity investments in sustainable forestry and fisheries management, which are reported at fair value. Interest rates on loans receivable range from 1% to 2% as of December 31, 2019 and are generally repayable over one to 10 years. Program-related investments are recorded when disbursed. Loans are monitored to determine net realizable value based on an evaluation of recoverability that utilizes experience. Management has reviewed the collectability of all program-related investments and has determined no allowance is necessary as of December 31, 2019.

Property and Equipment
Property and equipment are stated at cost when purchased or fair value at the date of donation and are depreciated using the straight-line method over estimated useful lives of three to 30 years. Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Capitalized costs for self-constructed assets include direct labor and benefits for employees specifically identified with the project.

Other Assets
The Packard Foundation's other assets primarily include prepayments of excise and unrelated business income tax, and capitalized implementation costs of cloud computing arrangements. The Institute's other assets primarily include deferred compensation plan investments and certificates of deposit with maturity dates greater than three months at the time of purchase, which are reported at fair value. The Institute's certificates of deposit totaled $8,672 as of December 31, 2019.

Grants
Grants are recognized when the unconditional promise to give is approved. Conditional promises to give are recognized as grant expense in the period in which the recipient meets the terms of the condition.

Tax-Exempt Status
The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code ("IRC") and from California franchise and/or income taxes under Section 23701(d) of the Revenue and Taxation Code. The Foundation is subject to federal excise taxes and taxes on unrelated business income.

Revenue Recognition
Contributions are recognized as revenues when they are received or unconditionally pledged. The Foundation reports contributions of cash and other assets 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 accompanying consolidated and individual statements of activities as net assets released from restrictions. Contributions with donor restrictions are reported as contributions without donor restrictions when the restriction is met in the same period as the contribution is received.

(dollars in thousands)

Contracts deemed exchange contracts are recognized in accordance with Accounting Standards Codification ("ASC") Topic 606, *Revenue from Contracts with Customers*. The core principle of ASC 606 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Revenue is measured based on consideration specified in a contract with a customer. The Institute recognizes revenue when it satisfies a performance obligation by transferring control over goods and services to a customer.

Performance Obligations
The Institute is occasionally engaged by organizations with the intention to transfer goods or services which are outlined by a scope of work in every contract and have discrete pricing associated with the service to be provided. Each service is accounted for as a separate performance obligation. Generally, these performance obligations are satisfied over time and the Institute recognizes revenue as the goods or services are provided, as this best represents the transfer of control to the customer. The Institute had $23 in outstanding receivables associated with contracts accounted for under ASC 606 as of December 31, 2019. The Institute recognized all revenue and expenses associated with contracts during the year ended December 31, 2019.

Disaggregation of Revenue
The Institute's revenue is disaggregated by customer type, contract type, and service type. The majority of the Institute's exchange contract revenue is from contracts with government entities either directly or as a subcontractor and is recognized over time as the services are performed. These contracts are cost reimbursable. The Institute also earns royalty revenues from the licensing and sales of intellectual property which are recognized at a point in time.

The following table disaggregates the Institute's revenue based on the timing of revenue recognition for the year ended December 31, 2019:

	Institute
Over time	$ 251
Point in time	305
Total disaggregated revenue	$ 556

Recent Accounting Pronouncements
The following accounting pronouncements have, or may have, an impact on the Foundation's financial statements.

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (ASC 606)*, which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The guidance supersedes most current revenue recognition guidance, including industry specific guidance and ensures that entities appropriately reflect the consideration to which they expect to be entitled in exchange for goods and services, by allocating transaction price to identified performance obligations, and recognizing revenue as performance obligations are satisfied. The guidance has defined these transactions as exchange transactions. The guidance also provided for non-exchange transactions where a contract exists but there is no transfer of goods or services associated with the contract. Contracts that are accounted for under non-exchange transactions are assessed to determine if barriers exist to recognizing revenue. The Institute adopted this new guidance as of January 1, 2019 using the modified retrospective

(dollars in thousands)

approach, which did not require a cumulative adjustment to be recognized in 2019, nor was it deemed to have a material impact on the financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which requires a lessee to recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, in its statement of financial position. The guidance also expands the required quantitative and qualitative disclosures surrounding leases. The new guidance is effective for the Foundation beginning January 1, 2022. The Foundation is currently evaluating the impact the new guidance will have on the financial statements.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, along with ASU No. 2018-19, *Codification Improvements to Topic 326, Financial Instruments—Credit Losses* issued in November 2018, which amend existing guidance on the impairment of financial instruments. These ASUs add to U.S. GAAP an impairment model (known as the current expected credit loss model, or CECL model) that is based on expected losses rather than incurred losses. Entities must estimate an expected lifetime credit loss on a financial asset and recognize that estimate as an allowance (or contra-asset). The new guidance is effective for the Foundation beginning January 1, 2023. The Foundation is currently evaluating the impact the new guidance will have on the financial statements.

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The guidance clarifies that a contribution is conditional if the agreement includes both a barrier that must be overcome for the recipient to be entitled to the assets transferred and a right of return for the transferred assets or a right of release of the promisor's obligation to transfer assets. An entity should no longer consider the likelihood that a stipulation will be met when determining whether an agreement contains a barrier or when to recognize the contribution. Conditional contributions should be recognized in the period the barrier is overcome, not before that. The new guidance was adopted by the Foundation beginning January 1, 2019 and was deemed to have an immaterial impact on the financial statements.

In August 2018, the FASB issued ASU No. 2018-14, *Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20): Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans*, which makes minor changes to the disclosure requirements for employers that sponsor defined benefit pension and/or other postretirement benefit plans. Implementation of this guidance will result in the Foundation no longer being required to disclose the amounts in accumulated other comprehensive income expected to be recognized as components of net periodic benefit cost over the next fiscal year. Additionally, the Foundation will be required to provide an explanation of the reason for any significant gain and loss related to changes in the benefit obligation for the period. The new guidance is effective for the Foundation beginning January 1, 2022 and early adoption is permitted. The Foundation has elected early adoption, effective January 1, 2019, and has deemed the impact on the financial statements to be immaterial.

In August 2018, the FASB issued ASU No. 2018-15, *Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*, which requires a customer in a cloud computing arrangement (i.e., hosting arrangement) that is a service contract to capitalize certain implementation costs as if the arrangement was an internal-use software project. Capitalized implementation costs related to a hosting arrangement that is a service contract must be amortized over the term of the hosting arrangement. The guidance also broadens the definition of a "hosting arrangement" to include arrangements in which a customer accesses or uses software but does not take possession of the software. Adoption of this guidance is considered a change in accounting principle. The new guidance is effective for the Foundation

(dollars in thousands)

beginning January 1, 2021 and early adoption is permitted. The Foundation has elected early adoption, effective January 1, 2019, electing a prospective transition. Adoption was deemed to have an immaterial impact on the financial statements. Capitalized implementation costs are included in other assets in the consolidated and individual statements of financial position, and amortization of capitalized implementation costs is included in expenses in the consolidated and individual statements of activities, allocated accordingly.

3. Investments

The investment goal of the Packard Foundation is to maintain or grow its spending power in real inflation adjusted terms with risk at a level appropriate to the Packard Foundation's programmatic spending and objectives. To accomplish this investment goal, the Packard Foundation diversifies its investments (held directly and indirectly) across various financial instruments and asset categories and implements multiple investment strategies. The Packard Foundation's financial assets are managed by a select group of external investment management firms and held in custody by major banks. Investments allocated to partnerships, limited liability companies, and commingled funds have separate arrangements appropriate to their legal structure.

The Packard Foundation's investments (held directly or indirectly) in developed market securities and emerging market securities consist of exchange traded public equities, treasury, and corporate bonds. The Packard Foundation's investments in marketable alternatives consist of long/short, opportunistic, and special situation investment management funds, trading public securities and over-the-counter securities. The Packard Foundation's investments in limited partnerships, private equity, and real assets cannot be immediately liquidated, include buyout and venture capital funds, real estate funds, and natural resource funds. The general partners of certain investments maintain the ability to subject available redemptions to lock-ups or gates. The Packard Foundation's investments (held directly or indirectly) in fixed income securities consist primarily of investment grade instruments issued by the U.S. government and its agencies, investments issued by U.S. corporations, and mortgage-backed securities. The Packard Foundation maintains two real estate investment properties located in Los Altos, California which are valued based upon recent appraisals.

Investment securities are exposed to various risks, such as changes in interest rates or credit ratings and market fluctuations. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is possible that the value of the Packard Foundation's investments and total net assets balances could fluctuate materially.

Legal, tax, and regulatory changes could occur during the term of the Packard Foundation's private investments. The regulatory environment for private partnerships is evolving, and changes in the regulation of these partnerships may adversely affect the value of investments held by the Packard Foundation. The Packard Foundation believes that the effect of any future regulatory change on the Packard Foundation's assets will not be material.

(dollars in thousands)

Fair Value of Financial Instruments
In accordance with ASC 820, Fair Value Measurements, fair value is defined as the price that the Foundation would receive upon selling an investment in an orderly transaction to an independent buyer in the principal or most advantageous market of the investment. ASC 820 established a three-tier hierarchy to maximize the use of observable market data and minimize the use of unobservable inputs, and to establish classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best available information.

The three-tier hierarchy of inputs is summarized in the three broad levels listed below:

Level I — Quoted prices in active markets for identical assets and liabilities.

Level II — Pricing inputs, including broker quotes, are generally those other than exchange quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined using models or other valuation methodologies.

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

The following table summarizes the valuation of the Packard Foundation's investments per the ASC 820 fair value hierarchy levels as of December 31, 2019:

	Level I	Level II	Level III	NAV [1]	Total
Developed market equities	$ 93,513	$ -	$ -	$ 1,182,956	$ 1,276,469
Emerging market equities	150,873	-	-	1,044,881	1,195,754
Private equities	-	-	-	1,661,116	1,661,116
Marketable alternatives	-	-	-	1,789,161	1,789,161
Real assets	-	-	-	1,028,906	1,028,906
Fixed income securities	-	632,615	-	-	632,615
Los Altos real estate	-	-	14,578	-	14,578
Total investments	$ 244,386	$ 632,615	$ 14,578	$ 6,707,020	$ 7,598,599

[1] Investments measured using net asset value as the practical expedient are excluded from the fair value hierarchy. These amounts are presented here to facilitate reconciliation of the fair value hierarchy to the consolidated and individual statements of financial position.

There were no transfers between levels of the fair value hierarchy for the year ended December 31, 2019. During the year ended December 31, 2019, the Packard Foundation purchased an investment property totaling $11,584, which is included in Level III in the fair value hierarchy.

(dollars in thousands)

The Packard Foundation uses net asset value ("NAV") to determine the fair value of all the underlying investments which (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. Per the fair value measurement guidelines, the below table lists investment companies (in partnership format) by major asset class as of December 31, 2019:

Asset Class	Strategy	NAV in Funds	# of Funds	Remaining Life, if definite (Years)	Unfunded Commitments	Commitments Draw Down Time (Years)	Redemption Terms	Redemption Restrictions
Public equities	Contains developed and emerging equity	$ 2,227,837	20	N/A	$ 29,250	1 to 4	Ranges between monthly redemption with 90 day notice, to annual redemption with 90 day notice	Lock up provisions of up to 4 years
Private equities	Contains growth, international, leveraged buyouts, and venture capital	1,661,116	71	1 to 13	519,967	1 to 7	Not eligible for redemption	Not eligible for redemption
Marketable alternatives	Contains global long/short equity, opportunistic, and special situations	1,789,161	24	1 to 9	113,856	1 to 2	Ranges between quarterly redemption with 45 day notice, to annual redemption with 90 day notice	Lock up provisions of up to 9 years
Real assets	Contains natural resources and real estate	1,028,906	66	1 to 12	452,257	1 to 4	Not eligible for redemption	Not eligible for redemption
		$ 6,707,020	181		$ 1,115,330			

(dollars in thousands)

4. Property and Equipment

Property and equipment as of December 31, 2019 consisted of the following:

	Packard Foundation	Institute	Total
Land	$ 28,664	$ 4,236	$ 32,900
Buildings	51,623	53,153	104,776
Research vessels	-	46,191	46,191
Remotely operated vehicles	-	22,837	22,837
Ocean deployed equipment	-	29,767	29,767
Office furniture and equipment	15,738	20,770	36,508
Capital projects in progress	287	6,272	6,559
	96,312	183,226	279,538
Accumulated depreciation	(33,905)	(136,792)	(170,697)
Property and equipment, net	$ 62,407	$ 46,434	$ 108,841

Depreciation expense for the year ended December 31, 2019 was $2,792 and $7,448 for the Packard Foundation and the Institute, respectively.

As of December 31, 2019, the carrying value of leased property for which the Institute is the lessor was as follows:

	Institute
Land	$ 165
Buildings	1,397
Accumulated depreciation	(927)
Leased property, net	$ 635

5. Grants Payable

The Packard Foundation ordinarily makes grants to organizations that qualify as public charities under the IRC. When distributions are made to nonqualifying organizations, the Packard Foundation assumes the responsibility for the ultimate charitable use. The Packard Foundation had unpaid conditional grants as of December 31, 2019 of $1,720. This amount is not included in the consolidated and individual statements of financial position nor the consolidated and individual statements of activities, as per accounting guidance. These conditional grants will be expensed and paid when the defined barriers are overcome.

(dollars in thousands)

Grants awarded but unpaid are payable as of December 31, 2019 as follows:

	Packard Foundation
Less than one year	$ 99,211
One to five years	29,787
Grants payable	$ 128,998

6. Federal Excise and Unrelated Business Income Tax

In accordance with the applicable provisions of the IRC, both the Packard Foundation and the Institute are private foundations and qualify as tax-exempt organizations. Private foundations are liable for an excise tax of 2% (1% if minimum payout requirements prescribed by the IRC are met) on net investment income, excluding unrealized gains, as defined. The Packard Foundation was subject to the 1% rate for the year ended December 31, 2019. The Institute was subject to the 2% rate for the year ended December 31, 2019.

On December 20, 2019, the Further Consolidated Appropriations Act of 2020 (the “Act”) was signed into law simplifying the federal excise tax on private foundations. The Act eliminated the two-tiered system of excise tax on net investment income described above and replaced it with a flat excise tax rate of 1.39%. This flat rate is effective January 1, 2020 for the Foundation.

Deferred tax items are created when certain income and expense items are accounted for in different time periods for financial statement purposes than for tax purposes. Deferred federal excise tax liabilities result from changes in unrealized gains on investments. Since deferred tax items as of December 31, 2019 will not be realized until 2020, or later, the financial statements of the Foundation as of December 31, 2019 reflect deferred tax liabilities at the new 1.39% rate.

The Foundation is also subject to current federal and state unrelated business income tax.

The Foundation believes that it has appropriate support for the excise and other tax positions taken and, as such, does not have any uncertain tax positions that result in a material impact on the Foundation’s financial position or increase (decrease) in net assets.

Distribution Requirements
The Packard Foundation is a private nonoperating foundation and is subject to the distribution requirements of the IRC. Accordingly, it must distribute within one year after the end of each fiscal year a minimum of 5% of the net value of its noncharitable-use assets, as defined. The investments included in the 5% distribution requirement are based on average monthly balances and are exclusive of those assets deemed to be held for charitable activities and program-related investments. In determining qualifying distributions, grant payments are considered on a cash basis and certain expenses are considered as qualifying distributions. Management believes the Packard Foundation has complied with the distribution requirements for the year ended December 31, 2019.

The Institute is a private operating foundation within the meaning of Section 509(a) of the IRC that makes its required charitable expenditures by sponsoring and managing its own programs. The Institute’s status as an operating foundation is determined annually by satisfying the income test and certain other numerical tests. Generally, a private operating foundation must make qualifying distributions of 4.25% of the average fair value of the foundation’s investment assets directly for the active conduct of the activities for which it is

(dollars in thousands)

organized and operating. The Institute has met the requirements for private operating foundation status for the year ended December 31, 2019.

(dollars in thousands)

7. Retirement Plans

Packard Foundation Retirement Plans

The Packard Foundation sponsors defined contribution plans under both IRC Section 401(a) and 403(b) for its eligible employees. Total expense related to such plans for the year ended December 31, 2019 was $2,741. The Packard Foundation also has a voluntary salary deferral plan for highly compensated employees under IRC Section 457(b). The Packard Foundation has a Nonqualified Benefits Restoration Plan (i.e., IRC Section 457(f)) that allows the Packard Foundation to make contributions to a participant's account equal to the amount in excess of IRC limits that the participant would otherwise have been eligible for in accordance with the Packard Foundation's 401(a) plan. The Nonqualified Benefits Restoration Plan is intended to be an unfunded plan although voluntary contributions are made to a grantor trust.

The Packard Foundation has a postretirement medical benefits plan (the "Packard Foundation Plan"), where eligible retired employees receive $5 per year of service designated in a health reimbursement account. The Packard Foundation Plan was amended effective January 1, 2020, regarding certain surviving spouse benefits, which had an immaterial impact on the financial statements.

The following information presents the Packard Foundation Plan's unfunded status and amounts recognized in the consolidated and individual statements of financial position in postretirement benefit liabilities as of December 31, 2019, based on a measurement date of December 31, 2019:

	Packard Foundation
Benefit obligation	$ 7,855
Fair value of plan assets	-
Unfunded status	7,855
Postretirement benefit liabilities	$ 7,855

Amounts recognized in net assets without donor restrictions as of December 31, 2019 were as follows:

	Packard Foundation
Net gain	$ (1,112)
Prior service cost	(4,605)
	$ (5,717)

The Packard Foundation Plan's net periodic postretirement benefit cost reflected in the consolidated and individual statements of activities for the year ended December 31, 2019 was $(696).

(dollars in thousands)

Changes other than net periodic postretirement benefit cost recognized in the consolidated and individual statements of activities for the year ended December 31, 2019 were as follows:

		Packard Foundation
Net actuarial loss	$	1,007
Plan amendment		169
Amortization of net gain		209
Amortization of prior service cost		955
Total changes other than net periodic postretirement benefit cost	$	2,340

The net actuarial loss for the year ended December 31, 2019 was primarily attributable to the decrease in the discount rate from 3.92% as of December 31, 2018 to 2.79% as of December 31, 2019, as well as the early retirement of certain individuals.

A weighted-average discount rate of 2.79% was used in determining the accumulated postretirement benefit obligation as of December 31, 2019, and a weighted-average discount rate of 3.92% was used in determining the net periodic postretirement benefit cost for the year ended December 31, 2019.

The annual rate of increase in the per capita cost of medical benefits (i.e., health care cost trend rate) is assumed to be 7.00% in 2020, declining by 0.25% per year through 2028 and then remaining at 5% thereafter.

The Packard Foundation Plan is fully insured and is funded on a pay-as-you-go basis. The estimated minimum benefit payments by year that reflect expected future service to be paid by the Packard Foundation are as follows:

		Packard Foundation
Years Ending December 31,		
2020	$	419
2021		454
2022		475
2023		505
2024		533
2025-2029		2,984

Contributions to the Packard Foundation Plan and benefit payments made from the Packard Foundation Plan for the year ended December 31, 2019 were $382 and $382, respectively. Participants' contributions totaled $19 for the year ended December 31, 2019.

(dollars in thousands)

Institute Retirement Plans

The Institute sponsors a defined contribution plan under IRC Section 403(b). The plan covers all employees who meet eligibility requirements. Contributions to the 403(b) plan are made by the Institute at 10% of an employee's annual salary. Under the 403(b) plan and subject to statutory limits, employees make voluntary deferred salary contributions to the plan. Total expense related to this plan for the year ended December 31, 2019 was $2,369.

The Institute sponsors a Section 457(b) Qualified Eligible Salary Deferral Plan (the "Institute Salary Deferral Plan") primarily for providing deferred compensation for a select group of management or highly compensated employees to accumulate retirement assets. The Institute Salary Deferral Plan enables participants to defer income on a pre-tax basis. There are no Institute contributions related to this plan. As of December 31, 2019, the Institute held plan investments of $4,518 that are included in other assets in the consolidated and individual statements of financial position. These assets are designated by the Institute to pay future Institute Salary Deferral Plan liabilities of $4,518 as of December 31, 2019. These liabilities are included in accounts payable and other liabilities in the consolidated and individual statements of financial position.

The Institute also sponsors a Nonqualified Deferred Compensation Restoration Plan (the "Institute Compensation Restoration Plan") primarily for providing deferred compensation for a select group of management or highly compensated employees to accumulate retirement assets. The Institute Compensation Restoration Plan provides for the Institute to make contributions to a participant's account equal to the amount in excess of IRC limits which the participant would otherwise have been eligible for in accordance with the Institute's 403(b) plan. As of December 31, 2019, the Institute held plan investments of $57 that are included in other assets in the consolidated and individual statements of financial position, which are designated by the Institute to pay future Institute Compensation Restoration Plan liabilities of $57 as of December 31, 2019. These liabilities are included in accounts payable and other liabilities in the consolidated and individual statements of financial position.

As of December 31, 2019, all the Institute's deferred compensation plan investments were classified as Level I, as they are mutual funds with daily traded market values. Reported in other assets in the consolidated and individual statements of financial position, these consisted of the following as of December 31, 2019:

	Institute
Equity and bond mutual funds	$ 1,832
Equity mutual funds	2,005
U.S. Government securities mutual funds	611
Real estate mutual funds	127
Total fair value of deferred compensation plan investments	$ 4,575

The Institute has a contributory retiree health insurance program (the "Institute Plan") which covers substantially all employees who meet the eligibility requirements. Each August 1, the Institute contributes on behalf of each retired employee to a health reimbursement account (HRA). The amount of the contribution is 50% of the premium in effect as of August 1, 2017 with the same family status (single or two-party coverage) as the retiree. The retiree may then spend the amount in the HRA on any medical expenses that are tax-deductible, including premiums for health insurance. The Institute Plan was amended effective September 1, 2019, regarding certain surviving spouse benefits, which had an immaterial impact on the financial statements.

(dollars in thousands)

The following information presents the Institute Plan's unfunded status and amounts recognized in the consolidated and individual statements of financial position in postretirement benefit liabilities as of December 31, 2019, based on a measurement date of December 31, 2019:

	Institute
Benefit obligation	$ 17,227
Fair value of plan assets	-
Unfunded status	17,227
Postretirement benefit liabilities	$ 17,227

Amounts recognized in net assets without donor restrictions as of December 31, 2019 were as follows:

	Institute
Net loss	$ 7,644
Prior service cost	(18,203)
	$ (10,559)

The Institute Plan's net periodic postretirement benefit cost reflected in the consolidated and individual statements of activities for the year ended December 31, 2019 was $(2,079).

Changes other than net periodic postretirement benefit cost recognized in the consolidated and individual statements of activities for the year ended December 31, 2019 were as follows:

	Institute
Net actuarial loss	$ 2,544
Plan amendment	259
Amortization of net loss	(508)
Amortization of prior service cost	3,388
Total changes other than net periodic postretirement benefit cost	$ 5,683

The net actuarial loss for the year ended December 31, 2019 was primarily attributable to the decrease in the discount rate from 4.10% as of December 31, 2018 to 3.07% as of December 31, 2019, and a change in mortality tables used for underlying assumptions.

A weighted-average discount rate of 3.07% was used in determining the accumulated postretirement benefit obligation as of December 31, 2019, and a weighted-average discount rate of 4.10% was used in determining the net periodic postretirement benefit cost for the year ended December 31, 2019.

The annual rate of increase in the per capita cost of medical benefits (i.e., health care cost trend rate) is assumed to be 8.0% in 2020, declining by 0.5% per year through 2026 and then remaining at 5% thereafter.

(dollars in thousands)

The Institute's Plan is fully insured and is funded on a pay-as-you-go basis. The estimated minimum benefit payments by year that reflect expected future service to be paid by the Institute are as follows:

	Institute
Years Ending December 31,	
2020	$ 404
2021	508
2022	589
2023	661
2024	726
2025-2029	4,430

Contributions to the Institute Plan and benefit payments made from the Institute's Plan for the year ended December 31, 2019 were $255 and $273, respectively.

8. Related-Party Transactions

In 2019, the Institute received a grant from the Packard Foundation of $47,407 to be used for operations, research projects and ordinary capital expenses in 2020. This is reflected in the Packard Foundation's and the Institute's nets assets and eliminated upon consolidation as of December 31, 2019.

9. Commitments and Contingencies

The Institute leases certain land and facilities under noncancelable operating leases. The terms of these leases expire in 2020 through 2039, with certain options to renew. Certain rental rates are subject to adjustment based on increases in the consumer price index. Future minimum lease payments under noncancelable operating leases as of December 31, 2019 are as follows:

	Institute
Years Ending December 31,	
2020	$ 179
2021	31
2022	32
2023	33
2024	34
Thereafter	589
	$ 898

Rent expense for the Institute for the year ended December 31, 2019 was $225.

As of December 31, 2019, the Institute has $500 on deposit as collateral to guarantee that the Institute will comply with the provisions of a land lease with the State of California, California State Lands Commission to obtain right-of-way use needed for the operation of one of the Institute's projects, the MARS Project. This amount is included in other assets in the consolidated and individual statements of financial position.

(dollars in thousands)

The Institute derives a portion of its revenues from various federally funded programs that are subject to review and audit by governmental oversight agencies. Institute management believes that the Institute is in material compliance with the standards set forth by the federal governmental agencies and that the outcome of reviews and audits conducted by such agencies will not have a significant effect on the financial position of the Institute.

Claims

Claims are filed from time to time against the Institute in the ordinary course of business. The Institute is not aware of any such matters that would have a material adverse effect on the Institute's financial position.

10. Minimum Future Rental Revenues

The Institute leases land and facilities to others under noncancelable leases with lease terms expiring in 2020 and 2025, with options to renew. Certain rental rates are subject to annual increases ranging up to 3%.

Minimum future rental receipts from operating leases having noncancelable lease terms greater than one year as of December 31, 2019 are approximately as follows:

	Institute
Years Ending December 31,	
2020	$ 103
2021	37
2022	37
2023	38
2024	39
Thereafter	40
	$ 294

11. Credit Facilities

The Packard Foundation has an uncommitted line of credit of $100,000 with The Northern Trust Company. The Packard Foundation has the option of choosing the interest rate based upon the Prime-Based Rate, London Interbank Offered Rate ("LIBOR"), or Bank Offered Rate. The uncommitted line of credit remains in force until otherwise elected by either of the parties. As of December 31, 2019, the outstanding principal balance on the uncommitted line of credit was $0.

In 2019, the Packard Foundation executed a committed line of credit of $200,000 with The Northern Trust Company, which contains a commitment fee on the unused available balance of 0.08% annually. The Packard Foundation has the option of choosing the interest rate based upon the Prime-Based Rate, London Interbank Offered Rate ("LIBOR"), or Bank Offered Rate. The aggregate outstanding principal, interest, and related fees are due in full on the commitment termination date of October 16, 2020. As of December 31, 2019, the outstanding principal balance on the committed line of credit was $0.

(dollars in thousands)

11. Analysis of Expenses

The Packard Foundation's expenses have been allocated between direct charitable, grantmaking, and operational support activities, based on estimates made by the Foundation's management of time spent by employees on various activities. Direct charitable expenses pertain to charitable activities for the benefit of others initiated and conducted in whole or in part by the Packard Foundation. Grantmaking expenses pertain to the general grantmaking activities of the Packard Foundation, such as reviewing proposals and awarding, monitoring, and evaluating grants. Operational support expenses include costs related to managing the Packard Foundation.

The Packard Foundation's functional expenses, displayed by natural expense classification, for the year ended December 31, 2019 were as follows:

	Packard Foundation			
	Direct Charitable	Grantmaking	Operational Support	Total Expenses
Grants awarded	$ 19,333	$ 314,012	$ -	$ 333,345
Salary, benefits, and payroll taxes	728	17,311	4,891	22,930
Legal fees	28	491	164	683
Accounting fees	-	-	224	224
Other professional fees	237	8,042	795	9,074
Depreciation	330	1,846	616	2,792
Occupancy	551	542	498	1,591
Travel, conferences, and meetings	308	2,759	579	3,646
Printing and publications	1	124	22	147
Other expenses	608	2,953	1,115	4,676
Postretirement benefit costs - interest and amortization	(35)	(595)	(283)	(913)
	$ 22,089	$ 347,485	$ 8,621	$ 378,195

(dollars in thousands)

The Institute's expenses have been allocated between direct charitable and operational support activities. Costs are associated with each activity either by occurring directly within that activity or by allocation from another activity. Allocations are made for facility and ship usage to better align costs with each activity's use of resources.

The Institute's direct charitable expenses pertain to the general purpose of conducting scientific research in marine biology, oceanography, underwater geology, and other kinds of marine research in and around the Monterey Bay. Direct charitable expenses are classified into three divisions: Research and Development, Marine Operations, and Information Dissemination. Research and Development expenses include developing and adapting innovative technologies for advancing our understanding of the ocean. Marine Operations expenses include operating and maintaining the Institute's research vessels and remotely operated vehicles. Information Dissemination expenses include those incurred in transferring knowledge gained, solutions devised, and technology developed to communities outside of the Institute, including researchers, educators, policy makers, resource managers, industry, and the public. The Institute's operational support expenses include costs related to managing the Institute.

The Institute's functional expenses, displayed by natural expense classification, for the year ended December 31, 2019 were as follows:

	Institute					
	Direct Charitable				Operational Support	Total Expenses
	Research and Development	Marine Operations	Information Dissemination	Total Direct Charitable		
Salary, benefits, and payroll taxes	$ 21,281	$ 6,670	$ 919	$ 28,870	$ 4,151	$ 33,021
Legal fees	-	-	-	-	85	85
Accounting fees	-	-	-	-	202	202
Depreciation	2,559	2,533	24	5,116	2,332	7,448
Occupancy	3,496	607	196	4,299	(3,079)	1,220
Travel, conferences, and meetings	499	59	27	585	155	740
Printing and publications	83	6	109	198	25	223
Other expenses	12,892	(5,688)	120	7,324	3,038	10,362
Postretirement benefit costs - interest and amortization	(1,494)	(468)	(65)	(2,027)	(292)	(2,319)
	$ 39,316	$ 3,719	$ 1,330	$ 44,365	$ 6,617	$ 50,982

(dollars in thousands)

12. Liquidity

The Packard Foundation's financial assets available within one year of December 31, 2019 to meet general expenditures include:

		Packard Foundation
Cash and cash equivalents	$	84,434
Interest and dividends receivable		2,551
Investment sales receivable		115,137
Fixed income securities		632,615
Public market equities		244,386
Available financial assets	$	1,079,123

The Packard Foundation endeavors to structure its financial assets to be available and liquid as its general expenditures, liabilities, and other obligations become due. In addition to the available financial assets listed above, the Packard Foundation has line of credit agreements totaling $300,000 which can be drawn upon in the event of immediate liquidity needs. Furthermore, there are likely to be additional components of the Packard Foundation's investments that may be available and liquid within one year. These components include certain portions of marketable alternatives, as well as return of capital from both private equity and real asset holdings.

The Institute's financial assets available within one year of December 31, 2019 to meet general expenditures include:

		Institute
Cash and cash equivalents	$	18,310
Certificates of deposit maturing in less than 90 days		3,002
Certificates of deposit maturing in greater than 90 days		5,670
Contributions receivable from the Packard Foundation		47,407
Other receivables		1,458
Available financial assets		75,847
Less financial assets unavailable for general expenditures due to designations:		
Board designations		
Operating reserve		13,540
Donor designations		
Packard Foundation capital grant		7,420
Packard Foundation capital grant spent, not yet in service		(2,168)
Financial assets unavailable for general expenditures		18,792
Net available financial assets	$	57,055

(dollars in thousands)

The Institute has a board designated operating reserve of $13,540 as of December 31, 2019. This is a governing board-designated reserve with the object of setting aside funds to be used on specifically approved projects. The Institute maintains the reserve at no less than $6,000 which was determined by management as the minimum needed to meet capital fluctuations during a given year. The operating reserve consists of unused funds that result from support in excess of actual expenditures. Over the course of a given year, the Institute may realize surpluses or deficits relative to its proposed revenue and expenditures; these fluctuations are added to or are deducted from the operating reserve at the end of each calendar year. The operating reserve funds are held in money market funds and certificates of deposit. Although the Institute does not intend to spend from its board designated funds other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from the operating reserve could be made available by the Board of Directors if necessary.

13. Subsequent Events

On March 11, 2020, the World Health Organization declared the novel coronavirus outbreak (COVID-19) a pandemic. The effects of this global public health emergency have not materially or adversely impacted the Foundation's operations, but the pandemic has impacted the financial markets. Given the nature of the outbreak and the on-going developments, there is a high degree of uncertainty and it is not possible at this time to predict the extent and nature of the overall future impact on the Foundation's investments.

The Foundation has performed an evaluation of subsequent events from December 31, 2019 through July 23, 2020, the date the financial statements were available to be issued, and believes no additional subsequent events disclosures are required.

The Institute has evaluated subsequent events for the period December 31, 2019 through June 26, 2020, the date financial statements were available to be issued. In March 2020, following guidance from the State of California, Monterey County adopted various measures to address the spread of the pandemic. The Institute received commitment for its 2020 funding from the Foundation in December 2019 and continues to perform research where it is practical to do so. Management continues to monitor the State’s restrictions and we believe we have sufficient liquidity to meet our operating and financing needs; however, given the difficulty in predicting the ultimate duration and severity of the impact of the novel coronavirus on our organization, the economy and the financial markets, the ultimate impact may be material.