

**JOHN D. AND CATHERINE T.
MACARTHUR FOUNDATION**

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 and 2019

JOHN D. AND CATHERINE T.
MACARTHUR FOUNDATION

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020 and 2019

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
John D. and Catherine T. MacArthur Foundation

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of John D. and Catherine T. MacArthur Foundation (the Foundation), which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Foundation's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

(Continued)

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of John D. and Catherine T. MacArthur Foundation as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the Foundation has adopted ASU 2018-13 – *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. Our opinion is not modified with respect to this matter.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statement of financial position, consolidating statement of activities and consolidating statement of cash flows are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, changes in net assets, and cash flows of the individual entities, and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.


Crowe LLP

Chicago, Illinois
July 13, 2021

JOHN D. AND CATHERINE T.
MACARTHUR FOUNDATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2020 and 2019
(\$ in thousands)

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents	\$ 143,741	\$ 15,803
Investments	7,857,033	7,014,540
Program-related investments	179,737	150,319
Assets held for charitable use	21,752	23,464
Other assets	<u>20,136</u>	<u>20,405</u>
 Total assets	 <u>\$ 8,222,399</u>	 <u>\$ 7,224,531</u>
LIABILITIES AND NET ASSETS		
Grants payable	\$ 334,167	\$ 415,632
Derivatives liability	8,258	9,826
Other liabilities	118,200	112,315
Excise and income taxes	23,341	13,458
Bonds payable	<u>125,000</u>	<u>-</u>
Total liabilities	608,966	551,231
 Net assets without donor restrictions	 7,610,629	 6,668,872
Net assets with donor restrictions	<u>2,804</u>	<u>4,428</u>
Net assets	<u>7,613,433</u>	<u>6,673,300</u>
 Total liabilities and net assets	 <u>\$ 8,222,399</u>	 <u>\$ 7,224,531</u>

See accompanying notes to consolidated financial statements.

JOHN D. AND CATHERINE T.
MACARTHUR FOUNDATION
CONSOLIDATED STATEMENTS OF ACTIVITIES
For the years ended December 31, 2020 and 2019
(\$ in thousands)

	<u>2020</u>	<u>2019</u>
Net assets without donor restrictions		
Investment activity		
Investment income	\$ 534,528	\$ 592,625
Unrealized gain on investments	712,483	449,497
Investment expenses	(10,158)	(11,099)
Excise and income taxes	<u>(1,737)</u>	<u>2,069</u>
Net investment income	1,235,116	1,033,092
Operating revenue		
Gifts and other income	<u>3,003</u>	<u>2,502</u>
Total investment income and operating revenue	1,238,119	1,035,594
Operating expenses		
Grants authorized	224,134	203,038
Administrative		
Operating support	58,667	61,495
Investment support	<u>4,538</u>	<u>3,846</u>
Total operating expenses	287,339	268,379
Non-operating activity		
Post retirement benefits	(9,045)	(9,810)
Gain on disposal of assets	<u>22</u>	<u>1,415</u>
Total non-operating activity	<u>(9,023)</u>	<u>(8,395)</u>
Change in net assets without donor restrictions	941,757	758,820
Net assets with donor restrictions		
Operating revenue		
Gifts and other income (expense)	<u>(1,624)</u>	<u>4,428</u>
Change in net assets with donor restrictions	<u>(1,624)</u>	<u>4,428</u>
Change in net assets	940,133	763,248
Net assets, beginning of year	<u>6,673,300</u>	<u>5,910,052</u>
Net assets, end of year	<u><u>\$ 7,613,433</u></u>	<u><u>\$ 6,673,300</u></u>

See accompanying notes to consolidated financial statements.

JOHN D. AND CATHERINE T.
MACARTHUR FOUNDATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
or the years ended December 31, 2020 and 2019
(\$ in thousands)

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Change in net assets	\$ 940,133	\$ 763,248
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	2,114	1,967
Amortization	-	124
Realized gain on investments	(516,454)	(557,726)
Unrealized gain on investments	(712,483)	(449,497)
(Increase) decrease in non-investment assets	(19,732)	12,912
Decrease in grants payable	(81,465)	(80,986)
Increase in other liabilities	131,582	19,523
Increase (decrease) in excise and income taxes	9,882	(2,954)
Net cash used in operating activities	<u>(246,423)</u>	<u>(293,389)</u>
Cash flows from investing activities		
Proceeds from sale of investments	6,388,439	4,547,284
Purchase of investments	<u>(6,138,172)</u>	<u>(4,278,229)</u>
Net cash provided by investing activities	250,267	269,055
Cash flows from financing activities		
Proceeds from notes payable	-	94
Proceeds from bonds payable	125,000	-
Repayments of notes payable	<u>(906)</u>	<u>-</u>
Net cash provided by financing activities	<u>124,094</u>	<u>94</u>
Net increase (decrease) in cash and cash equivalents	127,938	(24,240)
Cash and cash equivalents at beginning of year	<u>15,803</u>	<u>40,043</u>
Cash and cash equivalents at end of year	<u>\$ 143,741</u>	<u>\$ 15,803</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 1,650	\$ 1,640

See accompanying notes to consolidated financial statements.

JOHN D. AND CATHERINE T.
MACARTHUR FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 1 - ORGANIZATION

John D. and Catherine T. MacArthur Foundation (“MacArthur”) is a private, independent grantmaking foundation that supports creative people, effective institutions, and influential networks building a more just, verdant, and peaceful world. MacArthur is placing a few big bets that truly significant progress is possible on some of the world’s most pressing social challenges, including over-incarceration, global climate change, nuclear risk, and significantly increasing financial capital for the social sector. In addition to the MacArthur Fellows Program, MacArthur continues its historic commitments to the role of journalism in a responsible and responsive democracy, as well as the strength and vitality of our headquarters city, Chicago. MacArthur is one of the nation’s largest independent foundations. Organizations supported by the Foundation work in about 40 countries. In addition to Chicago, MacArthur has offices in India, Mexico, and Nigeria.

Arc Chicago, LLC (“Arc”) is a limited liability company organized under the laws of the State of Delaware. Arc was formed on April 20, 2016, and MacArthur is its sole member. Arc provides loans and other investments to eligible nonprofits and social enterprises that help meet significant community needs in the Chicago region, such as education and childcare, access to healthy food, quality affordable housing, energy conservation, job training, and more.

Lever for Change (“LfC”) is an affiliate of MacArthur and was incorporated as an Illinois not for profit corporation on January 4, 2019. LfC’s mission is to unlock significant philanthropic capital and accelerate social change around the world’s biggest challenges, by helping philanthropists source vetted, high-impact philanthropic opportunities and connecting nonprofits and problem solvers to significant amounts of philanthropic capital. This is accomplished through development and management of customized competitions for philanthropists or by matching donors with the top vetted proposals from such competitions in a searchable online database of solutions known as the Bold Solutions Network.

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting and include the accounts of MacArthur, Arc, and LfC (collectively referred to as the “Foundation”). All significant intercompany transactions between these entities have been eliminated from the accompanying consolidated financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Foundation prepares its financial statements in conformity with accounting principles generally accepted in the United States of America. The Foundation’s significant accounting policies are as follows:

Cash and Cash Equivalents: Cash and cash equivalents held by the Foundation for use in its operations include temporary investments with original maturities of three months or less. Cash and cash equivalents used by MacArthur in managing its investments are reported in investments.

Investments: Investments are reported at fair value. Fair value is based on quoted market prices when available or quoted market prices of comparable instruments when prices are not available. For investments in limited partnerships and other similar instruments, the fair value is based on valuations provided by external investment managers, including net asset values as of the most recent audited or interim financial statements. The net asset values provided by external managers are based on the underlying securities and investment holdings, which may be valued at quoted market prices, based on comparable instruments, at appraised value, or by discounted cash flows. The external managers’ valuations are reviewed by MacArthur management. MacArthur believes the carrying amount of these financial instruments is a reasonable estimate of fair value. Because some investments are not readily marketable, their estimated value is subject to uncertainty.

(Continued)

JOHN D. AND CATHERINE T.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Program-related Investments: In accordance with Section 4944 of the Internal Revenue Code, the Foundation is permitted to make investments that are related to its philanthropic programs. These investments are in the form of loans and equities and are anticipated to have a less than market return. In the year of the investment, the Foundation receives a credit toward its distribution requirement. Return of principal of program-related investments increases the Foundation's distribution requirement in the year of receipt. These investments are generally recorded at cost net of appropriate reserves for collectability.

Outstanding program-related investments totaled \$198.3 million and \$171.4 million as of December 31, 2020 and 2019, respectively. Reserves are based on a review of borrowers' credit risks, including consideration of the financial strength of borrowers, the nature of the investments, payment history, and current economic conditions. The Foundation has reserved \$18.6 million and \$21.1 million as of December 31, 2020 and 2019, respectively. \$3.2 million were written off as bad debt in 2020 and \$92,681 were written off as bad debt in 2019. No loans were more than 30 days past due as of December 31, 2020 and December 31, 2019.

The Foundation had open program-related investment commitments of \$102.0 million and \$51.5 million as of December 31, 2020 and 2019, respectively.

Mission-related Investments: The Foundation makes certain investments to further its charitable purpose. These investments are made with an objective of achieving a social impact or otherwise advancing the Foundation's charitable purpose. Mission-related Investments (MRI) are included with investments in the Statements of Financial Position, Statements of Activities, and Statements of Cash Flows and related disclosures. The MRIs totaled \$9.8 million and \$6.9 million as of December 31, 2020 and 2019, respectively. These investments are generally recorded at cost net of appropriate reserves for collectability.

The Foundation had open mission-related investment commitments of \$8.6 million and \$14.9 million as of December 31, 2020 and 2019, respectively.

Assets Held for Charitable Purposes: MacArthur holds certain assets, primarily real estate, for charitable purposes. MacArthur receives a credit toward its distribution requirement equal to the fair value, as determined by appraisal, of the assets at the time they are put into charitable use.

Grants: Grant awards are expensed when approved. Grants payable that are expected to be paid in future years are recorded at the present value of expected future payments. MacArthur discounted grants payable using an average rate of 0.27 percent and 1.66 percent as of December 31, 2020 and 2019, respectively.

Federal Taxes: MacArthur has received a determination letter from the Internal Revenue Service indicating that it qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is not subject to federal income taxes except for income from its unrelated business activities. Under Section 4940(a) of the Internal Revenue Code, a federal excise tax of 2 percent is imposed on MacArthur's net investment income and realized capital gains. MacArthur qualified under Section 4940(e) of the Internal Revenue Code for a reduced tax rate of 1 percent in 2019.

Effective December 20, 2019, Bill H.R. 1865 was signed, simplifying the excise tax rate on net investment income by repealing the reduced tax provisions of §4940 when certain distribution requirements are met. This act replaced the two-tiered system (1 percent and 2 percent rates) with a flat rate of 1.39 percent for tax years starting after December 20, 2019.

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JOHN D. AND CATHERINE T.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred tax expense or benefit results from certain income and expense items, primarily unrealized gains or losses on investments, being accounted for in different time periods for financial statement purposes than for federal excise and income tax purposes. Appropriate provisions are made in the financial statements for deferred taxes in recognition of these timing differences.

Due to its pass-through status as a sole member LLC, Arc is not subject to U.S. federal income tax or state income tax.

LfC has received a determination letter from the Internal Revenue Service indicating that it qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is not subject to federal income taxes except for income from its unrelated business activities.

The Foundation follows the accounting standards for contingencies in evaluating uncertain tax positions. The guidance prescribes recognition threshold principles for the financial statement recognition of tax positions taken or expected to be taken on a tax return that are not certain to be realized. No liability has been recognized by the Foundation for uncertain tax positions as of December 31, 2020. The Foundation's tax returns are subject to review and examination by federal and state authorities.

Employee Retirement Plan: MacArthur sponsors a defined contribution retirement plan for its eligible employees. Plan participants are fully vested after one year of service. MacArthur is current with its contributions to the plan. Employer contributions to the plan totaled \$3.6 million and \$3.5 million in 2020 and 2019, respectively.

Post-retirement Benefits: MacArthur provides health care and life insurance benefits to certain retired employees and their eligible dependents. MacArthur has recorded a liability for post-retirement benefit obligation of \$56.2 million and \$48.5 million as of December 31, 2020 and 2019, respectively.

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

Reclassifications: Certain amounts in the prior year financial statements have been reclassified, with no effect on net assets or changes in net assets, to conform to the current year presentation.

Adoption of New Accounting Standard: During 2018, the Foundation adopted Accounting Standards Update (ASU) 2018-13 *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement* issued by the Financial Accounting Standards Board (FASB). This update is intended to improve the effectiveness of disclosures as it relates to fair value measurements.

Coronavirus Implications: In December 2019, COVID-19, a novel strain of coronavirus surfaced and has spread around the world, with resulting business and social disruption. COVID-19 was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. The full extent to which the coronavirus may impact business activity or investment results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of COVID-19 and the actions required to contain COVID-19 or treat its impact, among others.

(Continued)

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The MacArthur Board of Directors approved a plan for MacArthur to secure a bond issuance of \$125.0 million. The bonds were issued on August 27, 2020. The proceeds are being used to support COVID-19 and the associated impact to underserved communities in years 2020 through 2022.

Based on the uncertainty of the economic impact of COVID-19, MacArthur and Arc deferred some 2020 principal and interest payments from their respective program-related investments.

NOTE 3 - INVESTMENTS

MacArthur's investment objective is to provide a return on its investments sufficient to fund in perpetuity the grants, operating costs, and other qualifying distributions of MacArthur. Investments are made in accordance with an asset allocation policy with the objective of earning a 5 percent real return over time and preserving the portfolio corpus in real terms. Assets in the investment portfolio may include marketable debt and equity securities traded on public exchanges anywhere in the world; foreign currency investments; private debt and equity securities and partnerships; venture capital partnerships; commodities, including oil and gas assets; real estate; derivative instruments; and cash and cash equivalents. The investment portfolio is diversified to minimize the concentration risk of any single security, class of securities, or asset class.

Investments at fair value as of December 31, 2020 and 2019, are as follows (000's omitted):

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 1,616,594	\$ 919,880
Public equities	133,703	92,413
Public fixed income	137,926	584,025
Private equity	1,815,844	1,190,577
Private debt	439,021	331,904
Private real estate	230,391	194,271
Natural resources	252,510	292,397
Hedge funds:		
Equity oriented	1,920,423	1,959,039
Fixed income oriented	772,408	775,611
Global macro	188,062	426,703
Other strategies	350,151	247,720
Total investments	<u>7,857,033</u>	<u>7,014,540</u>
Derivatives liability	<u>(8,258)</u>	<u>(9,826)</u>
 Total investments and derivatives liabilities, net	 <u>\$ 7,848,775</u>	 <u>\$ 7,004,714</u>

(Continued)

JOHN D. AND CATHERINE T.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 3 - INVESTMENTS (Continued)

Cash and cash equivalents include cash held for investments of \$262.5 million and \$113.5 million and cash held by MacArthur's custodian totaling \$1.3 billion and \$806.4 million as of December 31, 2020 and 2019, respectively. Cash held by the custodian is at the direction of MacArthur and used to implement MacArthur's investment strategies. Cash held at the direction of MacArthur associated with derivative strategies totaled \$1.3 billion and \$793.4 million as of December 31, 2020 and 2019, respectively. Cash held as required margin for outstanding securities trades totaled \$7.5 million and \$10.0 million as of December 31, 2020 and 2019, respectively. Cash held for other investments totaled \$22.0 million and \$3.0 million as of December 31, 2020 and 2019, respectively. The amount of cash held on the reporting dates is a function of the timing of executing the investment strategies.

Public investments include transactions associated with marketable equity and fixed income securities that are regularly traded on public exchanges, and public securities held by funds structured either as corporations in which MacArthur owns stock or as partnerships in which MacArthur is a limited partner. Private investments include equity and fixed income investments that are not regularly traded, and private securities held by corporations in which MacArthur owns stock or held by partnerships in which MacArthur is a limited partner. Hedge funds include investments with managers who have the authority to invest in various asset classes at their discretion including the ability to invest long and short.

MacArthur had no pending trade purchases as of December 31, 2020 and \$1.0 million as of December 31, 2019. Pending sales were \$6.2 million and \$0 as of December 31, 2020 and 2019, respectively; and investment related receivables as a result of undistributed redemptions were \$14.0 million and \$56.6 million as of December 31, 2020 and 2019, respectively. These amounts are included in investments.

Derivative Instruments: MacArthur's investment strategy utilizes financial instruments that involve, to varying degrees, elements of market risk, credit risk, currency risk, and counterparty risk. These instruments are held in separately managed accounts, limited partnerships, and other fund structures. Financial instruments include securities sold but not yet purchased and derivative contracts including forward currency contracts, futures, options, and swaps. All of MacArthur's derivative positions are marked to fair value as a component of investment income. The fair value of these instruments is included in investments and derivatives liability.

In the opinion of MacArthur's management, the use of financial derivative instruments in its investment program is appropriate and customary for the investment strategies employed. Using these instruments may reduce certain investment risks and add value to the portfolio.

MacArthur enters into forward currency contracts, futures, options, and swaps for tactical investment and hedging purposes. Currency forward contracts and options may be used to hedge or take positions in non-U.S. dollar exposure. Futures and swap contracts may be used to rebalance asset categories within the portfolio or to manage market exposures in portfolios. Futures, options, and swaps may be used to hedge or leverage positions within certain risk parameters.

(Continued)

JOHN D. AND CATHERINE T.
MACARTHUR FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 3 - INVESTMENTS (Continued)

The net notional and fair values of forward contracts, futures, options, and swaps as of December 31, 2020 and 2019, are as follows (000's omitted):

	2020			2019		
	Net Notional Value	Fair Value (Asset)	Fair Value (Liability)	Net Notional Value	Fair Value (Asset)	Fair Value (Liability)
Forward contracts	\$ 85,108	\$ 745	\$ (2,222)	\$ 229,784	\$ 7,299	\$ (466)
Futures	788,619	-	-	770,070	-	-
Options	-	-	-	15,263	19	-
Swaps	<u>3,106,221</u>	<u>153,727</u>	<u>(6,036)</u>	<u>3,010,477</u>	<u>122,027</u>	<u>(9,360)</u>
Total	<u>\$ 3,979,948</u>	<u>\$ 154,472</u>	<u>\$ (8,258)</u>	<u>\$ 4,025,594</u>	<u>\$ 129,345</u>	<u>\$ (9,826)</u>

MacArthur is a seller of certain credit default swap contracts, which are included in the net notional value and fair value of swaps. These contracts provide MacArthur exposure to, or hedge against, a diversified portfolio of credit risks through a liquid, transparent, and standardized basket of securities. The referenced obligations under MacArthur's credit default swap contracts are composed of baskets of securities sharing similar characteristics. The individual baskets to which MacArthur has exposure under separate contracts are high-yield securities and investment grade debt. The number of individual, underlying securities referenced in each of the contracts range from 100 to 125. MacArthur is required to make payments that are proportionate to the overall notional exposure as credit events occur for individual securities in the referenced baskets. The notional value of these investments reflects the maximum amount of future payments (undiscounted) that MacArthur could be required to make should each individual security in the referenced basket experience a credit event.

The following table sets forth the notional value, fair value and maturity dates of credit default swap contracts as of December 31, 2020 and 2019, respectively (000's omitted):

	2020		2019	
	High-yield	Investment Grade	High-yield	Investment Grade
Net notional value	\$ 397,000	\$ 224,000	\$ 386,000	\$ 240,000
Fair value	37,630	5,557	37,839	6,304
Maturity date range	through 2025	through 2025	through 2024	through 2024

Fair Value: The fair value of investments is reported using a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of inputs within the fair value hierarchy are described as follows:

(Continued)

JOHN D. AND CATHERINE T.
MACARTHUR FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 3 - INVESTMENTS (Continued)

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets and observable market indices. Additionally, the inputs are observable for the asset either directly or indirectly, for substantially the full term of the financial instrument. This includes securities that are infrequently traded, derivatives, and mortgage-backed securities.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Inputs include recent transaction prices for similar assets, secondary market transaction prices for MacArthur interests in limited partnerships, independent appraisals, and private indices.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. MacArthur has certain investments categorized as Level 3 where the inputs are not readily observable, but the underlying assets are public investments.

The following tables set forth by level, within the fair value hierarchy, investment assets at fair value as of December 31, 2020 and 2019 (000's omitted). Investments using Net Asset Value (NAV) per share (or its equivalent) as a fair value expedient have not been classified in the fair value hierarchy. These investments are presented as "Other" in the following tables to permit reconciliation of the fair value hierarchy table to the total investments at fair value presented in the Consolidated Statements of Financial Position. The unfunded commitments, which are not included in investments, represent contractual obligations for future investments.

Investment-Related Assets and Liabilities as of December 31, 2020

	Investment Assets by Level					Unfunded Commitments
	Level 1	Level 2	Level 3	Other	Total	
Cash and cash equivalents	\$ 1,609,294	\$ 7,300	\$ -	\$ -	\$ 1,616,594	\$ -
Public equities	24,702	108,407	-	594	133,703	-
Public fixed income	-	137,916	10	-	137,926	-
Private equity	-	-	2,648	1,813,196	1,815,844	477,777
Private debt	-	-	3,704	435,317	439,021	282,080
Private real estate	-	-	38,277	192,114	230,391	246,996
Natural resources	-	-	425	252,085	252,510	103,278
Hedge funds:						
Equity oriented	-	-	26,123	1,894,300	1,920,423	-
Fixed income oriented	-	-	-	772,408	772,408	-
Global macro	-	-	-	188,062	188,062	-
Other strategies	-	-	-	350,151	350,151	-
Total investments	1,633,996	253,623	71,187	5,898,227	7,857,033	1,110,131
Derivatives liability	(2,222)	(6,036)	-	-	(8,258)	-
Total investments and derivatives liabilities, net	<u>\$ 1,631,774</u>	<u>\$ 247,587</u>	<u>\$ 71,187</u>	<u>\$ 5,898,227</u>	<u>\$ 7,848,775</u>	<u>\$ 1,110,131</u>

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JOHN D. AND CATHERINE T.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 3 - INVESTMENTS (Continued)

Investment-Related Assets and Liabilities as of December 31, 2019

	Investment Assets by Level					Unfunded Commitments
	Level 1	Level 2	Level 3	Other	Total	
Cash and cash equivalents	\$ 919,880	\$ -	\$ -	\$ -	\$ 919,880	\$ -
Public equities	18,092	73,817	504	-	92,413	-
Public fixed income	-	584,012	13	-	584,025	-
Private equity	-	-	2,908	1,187,669	1,190,577	478,630
Private debt	-	-	3,774	328,130	331,904	387,212
Private real estate	-	-	36,888	157,383	194,271	213,536
Natural resources	-	-	1,356	291,041	292,397	123,122
Hedge funds:						
Equity oriented	-	-	-	1,959,039	1,959,039	-
Fixed income oriented	-	-	-	775,611	775,611	-
Global macro	-	-	-	426,703	426,703	-
Other strategies	-	-	-	247,720	247,720	-
Total investments	937,972	657,829	45,443	5,373,296	7,014,540	1,202,500
Derivatives liability	(466)	(9,360)	-	-	(9,826)	-
Total investments and derivatives liabilities, net	<u>\$ 937,506</u>	<u>\$ 648,469</u>	<u>\$ 45,443</u>	<u>\$ 5,373,296</u>	<u>\$ 7,004,714</u>	<u>\$ 1,202,500</u>

The following tables are a roll forward of those investment assets classified as Level 3 as of December 31, 2020 and 2019 (000's omitted):

Roll Forward of Level 3 Investment Assets for the year ended December 31, 2020

	Public Equities	Public Fixed Income	Private Equity	Private Debt	Private Real Estate	Natural Resources	Hedge Funds	Total
Beginning balance January 1, 2020	\$ 504	\$ 13	\$ 2,908	\$ 3,774	\$ 36,888	\$ 1,356	\$ -	\$ 45,443
Transfers in	-	-	-	-	-	-	35,610	35,610
Contributions	-	-	230	2,007	3,727	26	8,000	13,990
Distributions	-	-	(300)	(1,720)	-	(739)	-	(2,759)
Realized (loss) gain	-	-	-	(686)	(2,578)	739	-	(2,525)
Unrealized (loss) gain	(504)	(3)	(190)	329	240	(957)	(17,487)	(18,572)
Transfers out	-	-	-	-	-	-	-	-
Ending balance December 31, 2020	<u>\$ -</u>	<u>\$ 10</u>	<u>\$ 2,648</u>	<u>\$ 3,704</u>	<u>\$ 38,277</u>	<u>\$ 425</u>	<u>\$ 26,123</u>	<u>\$ 71,187</u>

(Continued)

JOHN D. AND CATHERINE T.
MACARTHUR FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 3 - INVESTMENTS (Continued)

Roll Forward of Level 3 Investment Assets for the year ended December 31, 2019

	Public Equities	Public Fixed Income	Private Equity	Private Debt	Private Real Estate	Natural Resources	Hedge Funds	Total
Beginning balance January 1, 2019	\$ 616	\$ 14	\$ -	\$ 1,253	\$ 34,466	\$ 6,384	\$ -	\$ 42,733
Transfers in	-	-	-	-	-	-	-	-
Contributions	-	-	2,908	2,305	5,298	37	-	10,548
Distributions	-	-	-	-	-	-	-	-
Realized loss	(185)	-	-	-	(2,715)	-	-	(2,900)
Unrealized gain (loss)	73	(1)	-	216	(161)	(5,065)	-	(4,938)
Transfers out	-	-	-	-	-	-	-	-
Ending balance December 31, 2019	<u>\$ 504</u>	<u>\$ 13</u>	<u>\$ 2,908</u>	<u>\$ 3,774</u>	<u>\$ 36,888</u>	<u>\$ 1,356</u>	<u>\$ -</u>	<u>\$ 45,443</u>

The following tables set forth investment assets by the amount of time, including notice period and redemption period, in which the Foundation has the legal right to receive redemptions of its investments as of December 31, 2020 and 2019 (000's omitted). For investment assets with a redemption period greater than 365 days, MacArthur's capital is expected to be liquidated over a weighted average period of 3.8 years, ranging from 1 to 13 years, as of December 31, 2020 and 4.0 years, ranging from 1 to 14 years, as of December 31, 2019. MacArthur has certain investments classified as Level 3 where it has the right to give notice and exit the investments if the investments have sufficient liquidity available. These investments are categorized with a redemption period of 90 days or less.

Investment Assets by Redemption Periods as of December 31, 2020

	90 days or Less	91 to 365 Days	>365 Days	Total
Cash and cash equivalents	\$ 1,616,594	\$ -	\$ -	\$ 1,616,594
Public equities	133,703	-	-	133,703
Public fixed income	137,926	-	-	137,926
Private equity	-	-	1,815,844	1,815,844
Private debt	-	-	439,021	439,021
Private real estate	-	-	230,391	230,391
Natural resources	-	-	252,510	252,510
Hedge funds:				
Equity oriented	403,064	1,410,690	106,669	1,920,423
Fixed income oriented	264,437	367,213	140,758	772,408
Global macro	44,418	143,644	-	188,062
Other strategies	-	71,102	279,049	350,151
Total investments	<u>\$ 2,600,142</u>	<u>\$ 1,992,649</u>	<u>\$ 3,264,242</u>	<u>\$ 7,857,033</u>

(Continued)

JOHN D. AND CATHERINE T.
MACARTHUR FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 3 - INVESTMENTS (Continued)

Investment Assets by Redemption Periods as of December 31, 2019

	<u>90 days or Less</u>	<u>91 to 365 Days</u>	<u>>365 Days</u>	<u>Total</u>
Cash and cash equivalents	\$ 919,880	\$ -	\$ -	\$ 919,880
Public equities	92,413	-	-	92,413
Public fixed income	584,025	-	-	584,025
Private equity	-	-	1,190,577	1,190,577
Private debt	-	-	331,904	331,904
Private real estate	-	-	194,271	194,271
Natural resources	-	-	292,397	292,397
Hedge funds:				
Equity oriented	511,940	1,347,615	99,484	1,959,039
Fixed income oriented	277,399	387,229	110,983	775,611
Global macro	273,307	153,396	-	426,703
Other strategies	-	49,958	197,762	247,720
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total investments	<u>\$ 2,658,964</u>	<u>\$ 1,938,198</u>	<u>\$ 2,417,378</u>	<u>\$ 7,014,540</u>

NOTE 4 - EXCISE AND INCOME TAXES

Excise and income taxes in the financial statements for the years ended December 31, 2020 and 2019, include the following components (000's omitted):

	<u>2020</u>	<u>2019</u>
Federal excise taxes		
Current	\$ 2,095	\$ (2,215)
Deferred taxes included in unrealized appreciation	<u>10,043</u>	<u>(2,825)</u>
Total federal excise taxes	12,138	(5,040)
Federal and state income taxes		
Current	<u>(358)</u>	<u>146</u>
Total excise and income taxes	<u>\$ 11,780</u>	<u>\$ (4,894)</u>

(Continued)

JOHN D. AND CATHERINE T.
MACARTHUR FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 5 - POST-RETIREMENT BENEFITS

MacArthur provides healthcare and life insurance benefits to eligible retired employees and their eligible dependents. Beginning in 2019, MacArthur implemented an Employer Group Waiver Plan (EGWP) for pharmacy costs. EGWP is a group Medicare Part D prescription drug plan available to employers that offer post-retirement medical benefits. All Medicare eligible retirees, and their eligible dependents, were enrolled in Medicare Part D and pharmacy costs are covered by the EGWP.

The following table presents the plan's funded status reconciled with amounts recognized in MacArthur's Statements of Financial Position at December 31, 2020 and 2019 (000's omitted):

	<u>2020</u>	<u>2019</u>
Accumulated post-retirement health care benefit obligation		
Active participants immediately eligible for benefits	\$ 10,015	\$ 8,912
Active participants not immediately eligible for benefits	17,256	12,719
Inactive participants	<u>28,966</u>	<u>26,891</u>
Accumulated post-retirement health care benefits	56,237	48,522
Fair value of plan assets	<u>-</u>	<u>-</u>
Accumulated post-retirement health care benefit obligations in excess of plan assets	<u>\$ 56,237</u>	<u>\$ 48,522</u>

Net periodic post-retirement health care benefit costs for the years ended December 31, 2020 and 2019 include the following components (000's omitted):

	<u>2020</u>	<u>2019</u>
Service cost of benefits earned	\$ 1,441	\$ 1,005
Interest cost on accumulated post-retirement health care benefit obligation	<u>1,564</u>	<u>1,672</u>
Net periodic benefit cost	<u>\$ 3,005</u>	<u>\$ 2,677</u>

Future expected health care payments are as follows (000's omitted):

2021	\$ 1,522
2022	1,573
2023	1,626
2024	1,678
2025	1,748
2026-2029	9,698

(Continued)

JOHN D. AND CATHERINE T.
MACARTHUR FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 5 - POST-RETIREMENT BENEFITS (Continued)

The following table presents the status of the plan reconciled with the amounts reported in MacArthur's Statements of Financial Position and Statements of Activities as of and for the years ended December 31, 2020 and 2019 (000's omitted):

	<u>2020</u>	<u>2019</u>
Accumulated benefit obligation, beginning of year	\$ 48,522	\$ 40,148
Service cost of benefits earned	1,441	1,005
Interest cost on obligations	1,564	1,676
Actuarial loss	6,041	7,133
Less: Net employer benefits paid	<u>1,331</u>	<u>1,440</u>
Accumulated benefit obligation	<u>\$ 56,237</u>	<u>\$ 48,522</u>

Information about assumptions as of December 31, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Weighted average assumptions		
Discount rate (benefit obligation)	2.47 %	3.18 %
Discount rate (net periodic costs)	3.18 %	4.15 %
Expected return on plan assets	N/A	N/A
Health care cost trend rate assumptions		
Trend rate for the next year	5.20 %	4.70 %
Ultimate trend rate	3.53 %	3.78 %
Year ultimate trend rate is reached	2060	2050

NOTE 6 - BONDS PAYABLE AND LINES OF CREDIT

On August 27, 2020 John D. and Catherine T. MacArthur Foundation issued Social Bonds, Series 2020 (Taxable) bonds totaling \$125,000,000. The bonds are unsecured general obligations of the Foundation and the Foundation is not restricted by Bond Indenture or otherwise from incurring additional indebtedness, and additional indebtedness, if incurred may be either secured or unsecured. The bonds mature on December 1, 2030. The interest rate is 1.299 percent, and interest payments are due on June 1 and December 1 each year through maturity.

The Foundation intends to use the proceeds of the bonds to provide grant funding to address the consequences of the COVID-19 pandemic across a range of issues, particularly as it has affected communities of color and the not-for-profit sector generally, and issues exposed by the pandemic and the protests in response to police use of violence against persons of color, especially African Americans, as well as to pay costs related to the issuance of the Bonds. The Foundation also expects to use a portion of the Bond proceeds to fund organizations seeking to address systemic inequities, discrimination and racism in America through a variety of strategies.

(Continued)

JOHN D. AND CATHERINE T.
MACARTHUR FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 6 - BONDS PAYABLE AND LINES OF CREDIT (Continued)

On June 17, 2016, Arc established a line of credit (the “facility”) with Calvert Social Investment Foundation, Inc. (“Lender”). On the same day, Arc entered into a promissory note with Lender, wherein Arc promises to repay any principal amount due, up to the maximum amount of \$50.0 million, to Lender on June 17, 2031. As of December 31, 2020 and 2019, a total of \$45.3 million and \$46.2 million, respectively, was drawn on the facility.

As a registered investment adviser, Lender is selling up to \$50.0 million in Chicago-based Community Investment Notes (“CINs”) to investors who wish to participate indirectly in the mission and impact investments of Arc. Lender will set certain borrowing thresholds for Arc based on the outstanding balances of targeted Chicago CINs purchased (“TCCPs”) by investors, and Arc must make quarterly draw requests equal to the borrowing threshold. Each draw matures quarterly, and upon maturity, each draw is required to be rolled over for at least the “Minimum Balance” which represents the amount Lender has in outstanding balances on TCCPs at that time.

As of December 31, 2020 and 2019, Arc was in compliance with all debt covenants.

MacArthur has a \$250.0 million unsecured, committed line of credit carrying an interest rate of either LIBOR plus 45 basis points or a prime-based rate as defined by the lender. MacArthur has no notes outstanding under this line of credit agreement as of December 31, 2020 and 2019.

NOTE 7 - COMMITMENTS AND CONTINGENCIES

Guarantees: MacArthur enters into guarantees to advance its program goals. Total outstanding guarantees were \$52.5 million and \$58.0 million as of December 31, 2020 and 2019, respectively. MacArthur records a liability if it is more likely than not a guarantee will be called and the expected amount to be called can be estimated. These liabilities totaled \$8.6 million and \$3.3 million as of December 31, 2020 and 2019, respectively.

Legal Claims: MacArthur is involved in several legal claims. MacArthur believes it has defenses for these claims, believes the claims are substantially without merit and is vigorously defending the actions. In the opinion of management, based on advice of legal counsel, the final disposition of these matters is not expected to have a material effect on MacArthur’s financial statements.

(Continued)

JOHN D. AND CATHERINE T.
MACARTHUR FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 8 - NATURAL AND FUNCTIONAL CLASSIFICATION OF EXPENSES

Expenses are reported below by natural and functional classifications. The natural classification of expenses, groups expenses based on the benefits received, such as salaries and services. The functional classification of expenses groups expenses according to the purpose for which expenses are incurred, and includes Program Activities of Grantmaking, Program Evaluation, External Competitions, and Communications, and Supporting Activities of Management and General and Fundraising. Grantmaking expenses include activities such as reviewing proposals, and awarding, monitoring and evaluating grants. Communications expenses are incurred to develop communication strategies for the grantmaking function. External Competitions include activities such as design of competition, development of platform and website, due diligence on finalists, and technical review of proposals. Program Evaluation expenses provide assessment and development of grantmaking strategies. Management and General and Fundraising expenses are incurred to support the program activities. Expenses attributable to more than one functional expense category are allocated using various allocation methods such as square footage, salaries, and time and effort.

Expenses by Natural Classification and Function as of December 31, 2020 (000's omitted):

<u>Expense Classification</u>	<u>Grant Making</u>	<u>Program Evaluation</u>	<u>External Competitions</u>	<u>Communications</u>	<u>Programs Subtotal</u>	<u>Management and General</u>	<u>Fundraising Activities</u>	<u>Total</u>
Salaries and employee benefits	\$ 20,910	\$ 1,298	\$ -	\$ 1,572	\$ 23,780	\$ 10,756	\$ -	\$ 34,536
Supplies and equipment	44	-	123	-	167	233	-	400
Professional services	4,671	4,589	4,511	1,814	15,585	6,414	-	21,999
Travel, conferences, meetings	875	128	13	59	1,075	213	-	1,288
Occupancy	378	-	120	-	498	543	3	1,044
Grants	224,134	-	-	-	224,134	-	-	224,134
Depreciation	740	63	-	106	909	1,205	-	2,114
Interest and finance fees	1,646	-	-	-	1,646	178	-	1,824
Total	\$ 253,398	\$ 6,078	\$ 4,767	\$ 3,551	\$ 267,794	\$ 19,542	\$ 3	\$ 287,339

Expenses by Natural Classification and Function as of December 31, 2019 (000's omitted):

<u>Expense Classification</u>	<u>Grant Making</u>	<u>Program Evaluation</u>	<u>External Competitions</u>	<u>Communications</u>	<u>Programs Subtotal</u>	<u>Management and General</u>	<u>Fundraising Activities</u>	<u>Total</u>
Salaries and employee benefits	\$ 16,424	\$ 1,207	\$ 1,027	\$ 1,493	\$ 20,151	\$ 9,853	\$ -	\$ 30,004
Supplies and equipment	49	-	2	-	51	319	-	370
Professional services	4,602	6,529	4,496	1,954	17,581	8,171	191	25,943
Travel, conferences, meetings	2,228	398	354	372	3,352	910	-	4,262
Occupancy	383	22	49	42	496	422	3	921
Grants	203,038	-	-	-	203,038	-	-	203,038
Depreciation	686	59	-	98	843	1,124	-	1,967
Interest and finance fees	1,697	-	-	-	1,697	177	-	1,874
Total	\$ 229,107	\$ 8,215	\$ 5,928	\$ 3,959	\$ 247,209	\$ 20,976	\$ 194	\$ 268,379

(Continued)

JOHN D. AND CATHERINE T.
MACARTHUR FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 9 - LIQUIDITY

The Foundation's financial assets readily available within one year of December 31, 2020 and 2019 to meet general expenditures include (000's omitted):

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 143,741	\$ 15,803
Principal and interest payments from program-related investments	23,161	3,333
Investment assets	<u>4,592,791</u>	<u>4,597,162</u>
 Total	 <u>\$ 4,759,693</u>	 <u>\$ 4,616,298</u>

The Foundation's investments consist almost exclusively of unrestricted funds and are not subject to donor restrictions. The Foundation's policy is to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. In addition, the Foundation has a committed line of credit in the amount of \$250 million, which it could draw upon if needed to meet liquidity needs and will only be used to fund grant and program-related obligations.

NOTE 10 - SUBSEQUENT EVENTS

Management has performed an analysis of the activities and transactions subsequent to December 31, 2020, to determine the need for any adjustments to or disclosures within the audited financial statements for the year ended December 31, 2020. In May 2021, the unsecured line of credit was changed to \$175.0 million committed and \$75.0 million uncommitted. Management has performed its analysis through July 13, 2021, the date the financial statements were issued.

SUPPLEMENTARY INFORMATION

JOHN D. AND CATHERINE T.
MACARTHUR FOUNDATION
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
December 31, 2020
(\$ in thousands)

	<u>MacArthur</u>	<u>Arc</u>	<u>Lever for Change</u>	<u>Eliminations</u>	<u>Total</u>
ASSETS					
Cash and cash equivalents	\$ 130,835	\$ 11,420	\$ 1,486	\$ -	\$ 143,741
Investments	7,853,328	3,705	-	-	7,857,033
Program-related investments	137,146	42,591	-	-	179,737
Assets held for charitable use	21,707	-	45	-	21,752
Other assets	16,078	998	13,304	(10,244)	20,136
Equity interest in Arc Chicago, LLC	13,117	-	-	(13,117)	-
	<u>8,172,211</u>	<u>58,714</u>	<u>14,835</u>	<u>(23,361)</u>	<u>8,222,399</u>
Total assets	<u>\$ 8,172,211</u>	<u>\$ 58,714</u>	<u>\$ 14,835</u>	<u>\$ (23,361)</u>	<u>\$ 8,222,399</u>
LIABILITIES AND NET ASSETS					
Grants payable	\$ 344,398	\$ -	\$ -	(10,231)	\$ 334,167
Derivatives liability	8,258	-	-	-	8,258
Other liabilities	71,457	45,597	1,159	(13)	118,200
Excise and income taxes	23,341	-	-	-	23,341
Bonds payable	125,000	-	-	-	125,000
Total liabilities	<u>572,454</u>	<u>45,597</u>	<u>1,159</u>	<u>(10,244)</u>	<u>608,966</u>
Net assets without donor restrictions	7,599,757	13,117	641	(2,886)	7,610,629
Net assets with donor restrictions	-	-	13,035	(10,231)	2,804
Net assets	<u>7,599,757</u>	<u>13,117</u>	<u>13,676</u>	<u>(13,117)</u>	<u>7,613,433</u>
Total liabilities and net assets	<u>\$ 8,172,211</u>	<u>\$ 58,714</u>	<u>\$ 14,835</u>	<u>\$ (23,361)</u>	<u>\$ 8,222,399</u>

JOHN D. AND CATHERINE T.
MACARTHUR FOUNDATION
CONSOLIDATING STATEMENT OF ACTIVITIES
December 31, 2020
(\$ in thousands)

	<u>MacArthur</u>	<u>Arc</u>	<u>Lever for Change</u>	<u>Eliminations</u>	<u>Total</u>
Net assets without donor restrictions					
Investment activity					
Investment income	\$ 532,179	\$ 2,349	\$ -	\$ -	\$ 534,528
Unrealized gain on investments	706,600	-	-	5,883	712,483
Investment expenses	(10,158)	-	-	-	(10,158)
Excise and income taxes	(1,737)	-	-	-	(1,737)
Net investment income	<u>1,226,884</u>	<u>2,349</u>	<u>-</u>	<u>5,883</u>	<u>1,235,116</u>
Operating revenue					
Gifts and other income	<u>-</u>	<u>-</u>	<u>7,090</u>	<u>(4,087)</u>	<u>3,003</u>
Total investment income and operating revenue	1,226,884	2,349	7,090	1,796	1,238,119
Operating expenses					
Grants authorized	222,973	1,206	100	(145)	224,134
Administrative					
Operating support	49,113	2,021	7,620	(87)	58,667
Investment support	4,538	-	-	-	4,538
Total operating expenses	<u>276,624</u>	<u>3,227</u>	<u>7,720</u>	<u>(232)</u>	<u>287,339</u>
Non-operating activity					
Post retirement benefits	(9,045)	-	-	-	(9,045)
Gain on disposal of assets	22	-	-	-	22
Total non-operating activity	<u>(9,023)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(9,023)</u>
Change in net assets without donor restrictions	941,237	(878)	(630)	2,028	941,757
Net assets with donor restrictions					
Operating revenue					
Gifts and other income (expense)	<u>-</u>	<u>-</u>	<u>(5,479)</u>	<u>3,855</u>	<u>(1,624)</u>
Change in net assets with donor restrictions	<u>-</u>	<u>-</u>	<u>(5,479)</u>	<u>3,855</u>	<u>(1,624)</u>
Change in net assets	941,237	(878)	(6,109)	5,883	940,133
Equity contribution from member	-	19,000	-	(19,000)	-
Net assets, beginning of year	<u>6,658,520</u>	<u>(5,005)</u>	<u>19,785</u>	<u>-</u>	<u>6,673,300</u>
Net assets, end of year	<u>\$ 7,599,757</u>	<u>\$ 13,117</u>	<u>\$ 13,676</u>	<u>\$ (13,117)</u>	<u>\$ 7,613,433</u>

JOHN D. AND CATHERINE T.
MACARTHUR FOUNDATION
CONSOLIDATING STATEMENT OF CASH FLOWS
December 31, 2020
(\$ in thousands)

	<u>MacArthur</u>	<u>Arc</u>	<u>Lever for Change</u>	<u>Eliminations</u>	<u>Total</u>
Cash flows from operating activities					
Change in net assets	\$ 941,237	\$ (878)	\$ (6,109)	\$ 5,883	\$ 940,133
Adjustments to reconcile change in net assets to net cash used in operating activities					
Depreciation and amortization	2,074	27	13	-	2,114
Amortization of grant discount	-	-	(144)	144	-
Realized gain on investments	(516,454)	-	-	-	(516,454)
Unrealized gain on investments	(706,600)	-	-	(5,883)	(712,483)
(Increase) decrease in non-investment assets	(13,284)	65	4,110	(10,623)	(19,732)
Decrease in grants payable	(85,321)	-	-	3,856	(81,465)
Increase (decrease) in other liabilities	131,226	(137)	(6,130)	6,623	131,582
Increase in excise and income taxes	9,882	-	-	-	9,882
Net cash used in operating activities	<u>(237,240)</u>	<u>(923)</u>	<u>(8,260)</u>	<u>-</u>	<u>(246,423)</u>
Cash flows from investing activities					
Proceeds from sale of investments	6,384,113	4,326	-	-	6,388,439
Purchase of investments	<u>(6,124,910)</u>	<u>(13,262)</u>	<u>-</u>	<u>-</u>	<u>(6,138,172)</u>
Net cash provided by (used in) investing activities	259,203	(8,936)	-	-	250,267
Cash flows from financing activities					
Proceeds from bonds payable	125,000	-	-	-	125,000
Repayments of notes payable	-	(906)	-	-	(906)
Capital contribution	<u>(19,000)</u>	<u>19,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net cash provided by financing activities	106,000	18,094	-	-	124,094
Net increase (decrease) in cash and cash equivalents	127,963	8,235	(8,260)	-	127,938
Cash and cash equivalents at beginning of year	<u>2,872</u>	<u>3,185</u>	<u>9,746</u>	<u>-</u>	<u>15,803</u>
Cash and cash equivalents at end of year	<u>\$ 130,835</u>	<u>\$ 11,420</u>	<u>\$ 1,486</u>	<u>\$ -</u>	<u>\$ 143,741</u>
Supplemental disclosure of cash flow information:					
Cash paid for interest	\$ -	\$ 1,650	\$ -	\$ -	\$ 1,650