2019 FINANCIAL STATEMENTS

REPORT OF INDEPENDENT AUDITORS

The Board of Directors
W. M. Keck Foundation

We have audited the accompanying financial statements of the W. M. Keck Foundation, which comprise the statements of financial position as of December 31, 2019 and 2018, and the related 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 financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the W. M. Keck Foundation as of December 31, 2019 and 2018, and the results of its activities and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Ernst + Young LLP

May 15, 2020

STATEMENTS OF FINANCIAL POSITION

December 31 (in thousands)	2019	2018
Assets		
Cash and cash equivalents	$ 36,026	$ 19,521
Interest and dividends receivable	1,707	1,649
Prepaid federal excise taxes	666	423
Investments	1,310,508	1,133,884
Unsettled trade	617	12,771
Right-of-use asset	4,357	–
Other assets	1,229	402
Total assets	$ 1,355,110	$ 1,168,650
Liabilities and net assets		
Payable to brokers	$ 134	$ 138
Accounts payable and accrued expenses	2,067	1,389
Lease liabilities	4,313	–
Grants payable	34,043	24,355
Deferred federal excise taxes payable	4,678	2,938
Total liabilities	45,235	28,820
Net assets without donor restrictions	1,309,875	1,139,830
Total liabilities and net assets	$ 1,355,110	$ 1,168,650

See accompanying notes.

STATEMENTS OF ACTIVITIES

Year Ended December 31 (in thousands)	2019	2018
Revenues, income and gains (losses):		
Net investment income and (losses) gains:		
Interest	$ 8,461	$ 7,495
Dividends	8,381	9,419
Net realized gains on investments	44,442	52,141
Change in net unrealized gains (losses)	189,633	(107,235)
Investment management expenses	(6,696)	(6,163)
Taxes withheld	(121)	(261)
Total net investment income and gains (losses)	244,100	(44,604)
Other Income	183	110
Total revenues, income and gains (losses)	$ 244,283	$ (44,494)
Expenses:		
Grants	$ 66,066	$ 64,320
Salaries, employee benefits and payroll taxes	3,433	3,390
Professional services, contract services and other management and general services	2,343	2,048
Federal excise tax provision (benefit)	2,396	(785)
Total expenses	$ 74,238	$ 68,973
Change in net assets without donor restrictions	170,045	(113,467)
Net assets without donor restrictions, beginning of year	1,139,830	1,253,297
Net assets without donor restrictions, end of year	$ 1,309,875	$ 1,139,830

See accompanying notes.

STATEMENTS OF CASH FLOWS

Year Ended December 31 (in thousands)	2019	2018
Operating activities		
Change in net assets without donor restrictions	$ 170,045	$ (113,467)
Adjustments to reconcile change in net assets without donor restrictions to net cash used in operating activities:		
Depreciation and amortization	335	42
Net realized gains on investments	(44,442)	(52,141)
Net unrealized losses (gains) on investments	(189,633)	107,235
Changes in operating assets and liabilities:		
Interest and dividends receivable	(58)	(157)
Other assets	(333)	(11)
Prepaid federal excise taxes	(244)	9
Payable to brokers	(4)	(787)
Accounts payable and accrued expenses	549	(217)
Deferred federal excise taxes payable	1,740	(2,144)
Grants payable	9,687	10,555
Net cash used in operating activities	(52,358)	(51,083)
Investing activities		
Purchases of investments	(405,142)	(483,263)
Proceeds on disposition of investments and return of capital	474,749	530,869
Acquisition of fixed assets	(744)	(34)
Net cash provided by investing activities	68,863	47,572
Net increase (decrease) in cash and cash equivalents	16,505	(3,511)
Cash and cash equivalents, beginning of year	19,521	23,032
Cash and cash equivalents, end of year	$ 36,026	$ 19,521
Supplemental disclosures		
Unsettled trade at year end	$ 617	$ 12,771
Taxes paid during the year	$ 900	$ 850

See accompanying notes.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

1. Organization

Formation and Goals of the Foundation

W. M. Keck established the W. M. Keck Foundation (the Foundation) as a charitable trust in 1954. In 1959, Mr. Keck changed the trust entity to a corporate entity by forming the W. M. Keck Foundation as a Delaware corporation and transferring the trust's assets, and eventually by bequeathing the residue of his estate, to the corporation. It is this Delaware corporation that exists today and continues to be known as the W. M. Keck Foundation. The Foundation's goals are principally to identify and support university and college research and education programs in the areas of science, engineering, and medicine. In addition, the Foundation gives some consideration to promoting liberal arts education and, in Southern California, to supporting community services, health care, pre-collegiate education, and the arts. Operations are funded by the Foundation's returns on its investment portfolio.

2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Grant Payments

In accordance with accounting standards for not-for-profit entities, unconditional grant payments are recognized as an expense in the period in which they are approved. If these grants are to be paid over a period exceeding one year, they are recorded at the net present value of the future cash payments, using an applicable Treasury Bill rate. Grants that are conditioned upon a future and uncertain event are expensed when these conditions are met. A conditional promise to give is considered unconditional if the possibility that the condition will not be met is remote.

Cash and Cash Equivalents

Cash and cash equivalents are defined as liquid investments with remaining maturities of three months or less at time of purchase.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statements of financial position. Fair value is established based on quoted prices from recognized securities exchanges.

Investments in private equity funds and hedge funds are measured at fair value, using the net asset value (NAV) as a practical expedient, which is based on net asset values reported by the fund managers. Pursuant to provisions of Accounting Standards Update (ASU) 2009-12, *Fair Value Measurements and Disclosures (Topic 820): Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent)*, the Foundation believes that the net asset value of these investments as of December 2019 and 2018 approximates their fair value as of that date. However, because of the inherent uncertainty of valuation, the estimated fair values for these securities and interests may differ from the values that would have been used had a ready market for the investments existed, and the differences could be material.

Purchases and sales of securities are recorded on the trade date. Dividend income is recorded based upon the ex-dividend date. Interest income is recorded as earned on an accrual basis. Realized gains and losses are recorded upon disposition of securities based on the specific identification method. Unrealized gains and losses are included on the statements of activities and represent the net change in fair value for investments held at the end of the year.

Fair Value of Financial Instruments
The Foundation's statements of financial position include, but are not limited to, the following financial instruments: cash and cash equivalents, accounts payable, and accrued liabilities. The Foundation considers the carrying amounts of these assets and liabilities on the statements of financial position to approximate the fair value of these financial instruments because of the relatively short period of time between origination of the instruments and their expected realization.

Concentrations of Credit Risk
Financial instruments that potentially subject the Foundation to concentrations of credit risk consist of cash and cash equivalents and investments. The investment portfolio is managed within the Foundation's established investment guidelines.

Fixed Assets
Fixed assets are carried at cost, less accumulated depreciation, and are included in other assets on the statements of financial position. Depreciation is computed on the straight-line method over the estimated useful life of each type of asset or the term of the related lease, whichever is shorter. The depreciable lives for leasehold improvements are ten years, for furniture and equipment five years, and for software three years.

Leases
Effective January 1, 2019, the Foundation adopted Accounting Standards Codification 842, *Leases* ("ASC 842") using the modified retrospective transition approach by applying the new standard to all leases existing at the date of initial application. Results and disclosure requirements for reporting periods beginning after January 1, 2019 are presented under ASC 842, while prior period amounts have not been adjusted and continue to be reported in accordance with the Foundation's historical accounting under Accounting Standards Codification 840.

Under ASC 842, the Foundation determines if an arrangement is a lease at inception based on whether the Foundation has the right to control the asset during the contract period and other facts and circumstances. The Foundation has obligations as a lessee for office space and office equipment with initial noncancelable terms in excess of one year. The Foundation classified these leases as operating leases. Operating leases are included in right-of-use (ROU) assets and lease liabilities on the statements of financial position. ROU assets represent the Foundation's right to use an underlying asset for the lease term, and lease liabilities represent the Foundation's obligation to make lease payments arising from the lease, both of which are recognized at the commencement date based on the present value of future lease payments over the lease term. For this purpose, the Foundation considers only payments that are fixed and determinable at the time of commencement. The office space lease contains a renewal option of five years. Because the Foundation is not reasonably certain to exercise the renewal option, the optional periods are not included in determining the lease term, and associated payments under the renewal option are excluded from lease payments. As the implicit rates for the Foundation's leases were not readily determinable, the Foundation's incremental borrowing rate was used in determining the present value of lease payments. The Foundation's incremental borrowing rate is a hypothetical rate based on the rate of interest the Foundation would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms and in a similar economic environment. The office space lease agreement contains variable costs such as common area maintenance, insurance, real estate taxes or other costs. Variable lease costs are expensed as incurred on the statements of activity. Leases with a lease term of 12 months or less at inception are not recorded on the statements of financial position and are expensed on a straight-line basis over the lease term in the statements of activities. The Foundation's lease agreements generally do not contain any residual value guarantees or restrictive covenants.

Recent Accounting Pronouncements
Effective January 1, 2019, the Foundation adopted FASB ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* This accounting pronouncement clarified guidance for not-for-profit entities regarding whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions. It also clarified guidance related to determining whether a contribution is conditional. The adoption of this ASU did not materially impact the Foundation's financial statements.

On January 1, 2019, the Foundation adopted ASC 842 Leases, as amended, which supersedes the lease accounting guidance under ASC 840, and generally requires lessees to recognize operating lease liabilities and corresponding right-of-use assets on the statement of financial position for all leases with terms greater than 12 months. The guidance also requires enhanced disclosures surrounding the amount, timing and uncertainty of cash flows arising from leasing arrangements. The Foundation adopted the new guidance using the modified retrospective transition approach by applying the new standard to all leases existing at the date of initial application and not restating comparative periods. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases. For information regarding the impact of ASC 842 adoption, see Note 2 – *Significant Accounting Policies – Leases* above and Note 8 – *Leases* below.

FASB ASU No. 2016-18 *Statement of Cash Flows (Topic 230) Restricted Cash* was effective January 1, 2019. The main provisions require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The Foundation does not have any restricted cash or restricted cash equivalents. The adoption of this ASU did not materially impact the Foundation's financial statements.

Fair Value of Measurement
The Foundation applies the principles of Accounting Standards Codification (ASC) 820, *Fair Value Measurement*, for all financial assets and liabilities that are recognized or disclosed at fair value in the financial statements. This standard defines fair value, establishes a consistent framework for measuring fair value, and expands disclosure for each major asset and liability category measured at fair value on either a recurring or nonrecurring basis. The standard clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, the Foundation establishes a three-level fair value hierarchy, that prioritizes the inputs used in measuring fair value as follows:

Level 1 – Assets that have readily observable prices (quoted prices in active markets accessible at the measurement date for assets). The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2 – Assets that are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Financial assets and liabilities in this category generally include asset-backed securities, corporate bonds and loans, municipal bonds, forward contracts, future contracts, interest and credit swap agreements, options, and interest rate swaps.

Level 3 – Assets whose fair value cannot be determined by using observable measures, and can only be calculated using estimates or risk-adjusted value ranges, when little or no market data is available. The inputs into the determination of fair value require management's judgment or estimation of assumptions that market participants would use in pricing the assets or liabilities. The fair values are, therefore, determined using factors that involve considerable judgment and interpretations, including, but not limited to, private and public comparables, third-party appraisals, discounted cash flow models, and fund manager estimates. The fair value hierarchy gives lowest priority to Level 3 inputs.

Assets and liabilities measured at fair value are based on one or more of three valuation techniques noted below:
(a) *Market approach.* Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.
(b) *Cost approach.* Amount that would be required to replace the service capacity of an asset (replacement cost).
(c) *Income approach.* Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing, and excess earnings models).

The Foundation's assets measured at fair value on a recurring basis at December 31, 2019 were as follows (in thousands):

	Level 1	Level 2	Investments at NAV	Total
Assets:				
Common and preferred stock	$ 534,689	$ –	$ –	$ 534,689
Corporate bonds	–	29,898	–	29,898
Municipal bonds	–	4,287	–	4,287
Government bonds	33,721	44	–	33,765
Foreign investments	47,069	28,867	–	75,936
Mortgage- and asset-backed securities	–	68,020	–	68,020
Mutual funds	241,876	–	–	241,876
Private equity funds	–	–	292,028	292,028
Hedge funds	–	–	30,009	30,009
Total	$ 857,355	$ 131,116	$ 322,037	$ 1,310,508

The Foundation's assets measured at fair value on a recurring basis at December 31, 2018 were as follows (in thousands):

	Level 1	Level 2	Investments at NAV	Total
Assets:				
Common and preferred stock	$ 384,658	$ –	$ –	$ 384,658
Corporate bonds	–	31,935	–	31,935
Municipal bonds	–	3,883	–	3,883
Government bonds	25,622	65	–	25,687
Foreign investments	64,108	24,937	–	89,045
Mortgage- and asset-backed securities	–	66,395	–	66,395
Mutual funds	244,153	–	–	244,153
Private equity funds	–	–	234,454	234,454
Hedge funds	–	–	53,674	53,674
Total	$ 718,541	$ 127,215	$ 288,128	$ 1,133,884

The Foundation has classified its mutual funds, equity securities, preferred stock, and certain of its government bonds and foreign investments that have quoted prices in active markets as Level 1 within the fair value hierarchy. These securities are valued under the market approach using inputs observable in active markets for identical securities. The Foundation has classified certain of its government bonds, corporate bonds, municipal bonds, foreign bonds, and mortgage- and asset-backed securities as Level 2 investments. The fair value of these assets is valued under the market approach using inputs observable in active markets for similar assets. The Foundation has measured its investments in hedge funds and private equity funds at fair value using the net asset value as a practical expedient, which is based on net asset values reported by the fund managers. These investments that use net asset value as a practical expedient are not classified in the fair value hierarchy. The fair value of the underlying assets in private equity funds is valued under the income approach using discounted cash flows and other inputs not observable in active markets. The hedge funds in which the Foundation is invested hold a mix of Level 1, 2 and 3 instruments.

3. Liquidity and Availability of Resources

The Foundation's financial assets available within one year of the statements of financial position date for general expenditure are as follows (in thousands):

Year Ended December 31 (in thousands)	2019	2018
Cash and cash equivalents	$ 36,026	$ 19,521
Interest and dividends receivable	1,707	1,649
Liquid investments (excludes private equity)	1,018,480	899,430
Unsettled trades	617	12,771
Total financial assets available to management for general expenditure within one year	$ 1,056,830	$ 933,371
Supplemental disclosures		
Grant commitments due within one year	$ (13,000)	$ (11,700)

Liquidity Management

The Foundation has $1,056,830,000 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure. None of the financial assets are subject to donor restrictions that make them unavailable for general expenditure within one year of the statements of financial position date. The Foundation maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Foundation invests cash in excess of daily requirements in short-term investments.

4. Investments

The cost and fair value of investments are as follows (in thousands):

	Year Ended December 31, 2019		Year Ended December 31, 2018	
	Cost	Fair Value	Cost	Fair Value
Common and preferred stock	$ 310,601	$ 534,689	$ 280,516	$ 384,658
Corporate bonds	26,950	29,898	32,107	31,935
Municipal bonds	3,481	4,287	3,481	3,883
Government bonds	33,290	33,764	25,424	25,687
Foreign investments	54,602	75,937	78,032	89,045
Mortgage- and asset-backed securities	68,805	68,020	67,351	66,395
Mutual funds	209,410	241,876	248,965	244,153
Private equity funds	233,371	292,028	204,143	234,454
Hedge funds	33,500	30,009	47,000	53,674
	$ 974,010	$ 1,310,508	$ 987,019	$ 1,133,884

The change in net unrealized gains on investments is reflected on the statements of activities and is summarized as follows (in thousands):

Year Ended December 31 (in thousands)	2019	2018
Net unrealized gains, beginning of year	$ 146,865	$ 254,100
Net unrealized gains (losses) on investments for the year	189,633	(107,235)
Net unrealized gains, end of year	$ 336,498	$ 146,865

4. Investments (continued)

The Foundation has made total capital contributions (net of distributions/return of capital) of $266,871,000 to private equity funds and hedge funds it held as of December 31, 2019. The hedge funds can be redeemed on a quarterly basis after a one-year lock-up and are invested in Level 1, Level 2 and Level 3 investments. Two hedge funds were fully redeemed in 2019. Proceeds from one of these redemptions totaling $617,000 have not been received as of December 31, 2019 and are separately reported as an unsettled trade in the 2019 statement of financial position. The private equity funds are primarily invested in assets valued using Level 3 inputs and, as of December 31, 2019, are subject to lock-up provisions up to 10 years subject to certain further extension adjustments. The Foundation had total future capital commitments related to private equity funds of $81,522,000 as of December 31, 2019.

5. Taxes

The Foundation qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, accordingly, is not subject to federal income taxes. However, the Foundation is classified under the Internal Revenue Code (IRC) as a private foundation and, as such, is subject to a 2% (1% if certain criteria is met) federal excise tax on net investment income through December 31, 2019.

During 2019, the Foundation accrued a 1% excise tax on net investment income. Private foundations are required to distribute annually, in qualifying charitable distributions, an amount equal to approximately 5% of the average fair market value of the Foundation's assets (the minimum distribution). If the Foundation does not distribute the required minimum distribution, a one-year grace period is granted to distribute the undistributed income.

The Foundation uses the liability method for accounting for excise taxes. The federal excise tax provision (benefit) consists of the following (in thousands):

Year ending December 31 (in thousands)	2019	2018
Current	$ 656	$ 1,359
Deferred	1,740	(2,144)
	$ 2,396	$ (785)

Deferred federal excise taxes arise primarily from the net unrealized appreciation in the fair value of investments and the Foundation uses the maximum federal excise tax rate of 1.39% for the years presented for years after December 31, 2019.

The Foundation completed an analysis of its tax positions, in accordance with FASB ASC 740, *Income Taxes*, and determined that there are no uncertain tax positions taken or expected to be taken. The Foundation has recognized no interest or penalties related to uncertain tax positions. The Foundation is subject to routine audits by the taxing jurisdictions; however, there are currently no audits in progress for any tax periods (tax years 2015 through 2019 remain open and subject to selection for such routine audits).

6. Functional Classification of Expenses

Functional expenses present expenses by function and natural classification. Expenses directly attributable to a specific functional area of the Foundation are reported as expenses of that functional area. Indirect or shared costs are allocated between Program Services and Management and General Services based on the proportion of full-time employee equivalents of a program or other supporting service versus the total organizational full-time employee equivalents.

The following is a functional classification of the Foundation's expenses:

Year Ended December 31, 2019 (in thousands)	Program Services	Management and General	Total
Grants	$ 66,066	$ –	$ 66,066
Salaries, employee benefits and payroll taxes	3,133	300	3,433
Professional services, contract services and other management and general services	2,057	286	2,343
Total functional expenses	$ 71,256	$ 586	$ 71,842

Year Ended December 31, 2018 (in thousands)	Program Services	Management and General	Total
Grants	$ 64,320	$ –	$ 64,320
Salaries, employee benefits and payroll taxes	3,116	274	3,390
Professional services, contract services and other management and general services	1,833	215	2,048
Total functional expenses	$ 69,269	$ 489	$ 69,758

7. Grants Payable and Conditional Grant Commitments

Grants payable and conditional grant commitments as of December 31, 2019, are as follows (in thousands):

	Unconditional	Conditional
2020	$ 13,000	$ 1,025
2021	5,000	11,500
2022	5,800	11,500
2023 and thereafter	11,700	101,500
	$ 35,500	$ 125,525
Less present value discount	(1,457)	–
	$ 34,043	$ 125,525

Projected timetable and payment amounts shown above for conditional grants are estimated. Conditional grants will be recorded as an expense in the period when the conditions to the grant are met. These grants are conditioned upon other donors matching the amounts contributed by the Foundation, receipt of building permits and other regulations, and compliance with budget, timetable, and grant agreement requirements.

8. Lease Commitments

The Foundation has operating leases related to office space and office equipment. During 2019, new leases commenced for office space and for office equipment. Statement of Financial Position information related to operating leases is as follows (in thousands):

Year Ended December 31, 2019 (in thousands)		
Right-of-use asset	$	4,357
Lease liabilities	$	4,313

As of December 31, 2019, the Foundation's leases have original lease periods expiring between 2022 and 2029. The office space lease includes an option to renew for an additional 5 years.

The components of lease costs, lease term and discount rate for the year ended December 31, 2019 are as follows (in thousands):

Year Ended December 31, 2019 (in thousands)		
Operating lease cost	$	697
Variable lease cost		407
Total operating lease cost	$	1,104
Weighted-average remaining lease term for operating leases		9.88 years
Weighted-average discount rate for operating leases		4.04%

Operating lease expense was $413,500 for the year ended December 31, 2018 under ASC 840.

The following table summarizes the maturity of the Foundation's operating lease liabilities as of December 31, 2019 (in thousands):

Year ending December 31 (in thousands)	
2020	$ 454
2021	471
2022	487
2023	500
2024	520
Thereafter	2,875
Total operating lease payments	$ 5,307
Less: Imputed interest	(994)
Present value of operating lease liabilities	$ 4,313

As of December 31, 2018, the Foundation's minimum lease payments under noncancelable operating leases was approximately $498,000 (related primarily to the office space lease that expired during 2019).

Supplemental cash flow information related to leases for the year ended December 31, 2019 are as follows (in thousands):

Year Ended December 31, 2019 (in thousands)		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flow from operating leases	$	530
ROU assets obtained in exchange for lease obligations:		
Operating leases	$	4,744
Reductions to ROU assets resulting from reductions to lease obligations:		
Operating leases	$	(622)

9. Employee Retirement Plan

The Foundation maintains a qualified 401(k) Profit Sharing Plan (the Plan) for eligible employees. Employees can contribute a percentage of their pretax compensation subject to Internal Revenue Service (IRS) limitations. The Foundation matches 200% of the employee's deferral, but not more than 6% of the employee's compensation in total until IRS compensation limits are reached. The Foundation's matching contributions to the Plan were approximately $272,000 and $285,000 for the years ended December 31, 2019 and 2018, respectively.

10. Subsequent Events

The Foundation's management has evaluated subsequent events through May 15, 2020, which is the date these financial statements were available to be issued. Due to the COVID-19 pandemic, quarantines and related economic slowdown, there has been significant volatility in equity and debt markets. Any public health emergency, including the outbreak of COVID-19 or other epidemic diseases, and the resulting financial and economic market uncertainty could have a significant adverse impact on the Foundation, including the fair value of investments. The Foundation considers the emergence of the COVID-19 coronavirus pandemic to be a non-recognized post financial statement event and hence any future impact is likely to be in connection with the assessment of the fair value of investments at future valuation dates.

In April 2020, the Foundation made grants for COVID-19 research and emergency relief efforts. In connection with its $4,000,000 COVID-19 research grant to USC, the Foundation and USC amended their 2011 grant agreement to include the additional amount and extend the agreement to 2033. The Foundation also revised the terms of its $250,000 grant to the Salvation Army to remove the building permit contingency on a capital project and allow the Salvation Army to use the funds for emergency food at 20 centers. The Foundation's other COVID-19 research and relief grants in 2020 were new grants.

Management has determined that no other material subsequent events have occurred during that period that would require the Foundation to either recognize the financial impact of such events in the accompanying financial statements or disclose any such events to ensure the financial statements are not misleading.