

The Bernard and Audre Rapoport Foundation
Financial Statements and
Supplementary Information
December 31, 2020 and 2019
(With Independent Auditor's Report Thereon)

The Bernard and Audre Rapoport Foundation

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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
The Bernard and Audre Rapoport Foundation:

We have audited the accompanying financial statements of The Bernard and Audre Rapoport Foundation (the "Foundation"), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses 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 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 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 audits 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 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.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 18 through 20 is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



March 31, 2021

The Bernard and Audre Rapoport Foundation

Statements of Financial Position

December 31, 2020 and 2019

| | <u>2020</u> | <u>2019</u> |
|--|----------------------|-------------------|
| <u>Assets</u> | | |
| Cash and cash equivalents | \$ 418,517 | 728,747 |
| Accrued interest receivable | 43,375 | 53,928 |
| Investments | 40,739,613 | 37,108,045 |
| Investments held under agency transactions | 20,663,459 | 18,899,115 |
| Prepaid expenses | <u>16,387</u> | <u>15,490</u> |
| | <u>\$ 61,881,351</u> | <u>56,805,325</u> |
| <u>Liabilities and Net Assets</u> | | |
| Liabilities: | | |
| Grants payable | \$ 195,000 | 375,630 |
| Accounts payable and accrued liabilities | 4,750 | 2,850 |
| Agencies payable | 20,663,459 | 18,899,115 |
| Other payables | <u>3,810</u> | <u>211,217</u> |
| Total liabilities | <u>20,867,019</u> | <u>19,488,812</u> |
| Net assets: | | |
| Without donor restrictions | 26,746,347 | 24,279,226 |
| With donor restrictions: | | |
| Purpose restrictions | <u>14,267,985</u> | <u>13,037,287</u> |
| Total net assets | <u>41,014,332</u> | <u>37,316,513</u> |
| | <u>\$ 61,881,351</u> | <u>56,805,325</u> |

See accompanying notes to financial statements.

The Bernard and Audre Rapoport Foundation

Statement of Activities

Year Ended December 31, 2020

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|-------------------------------|----------------------------|------------|
| Revenue, gains and other support: | | | |
| Net investment return: | | | |
| Interest and dividends | \$ 440,795 | 236,695 | 677,490 |
| Net gain on investments, net of investment expenses | 3,023,318 | 1,623,440 | 4,646,758 |
| Partnership distributions | 23,597 | 12,671 | 36,268 |
| Total net investment return | 3,487,710 | 1,872,806 | 5,360,516 |
| Donor contributions | - | 32,700 | 32,700 |
| Net assets released from restrictions - satisfaction of donor restrictions | 674,808 | (674,808) | - |
| Total revenue, gains and other support | 4,162,518 | 1,230,698 | 5,393,216 |
| Expenses: | | | |
| Grants authorized, net of grant recoveries | 1,954,142 | - | 1,954,142 |
| Less: Grants authorized under agency transactions | (719,924) | - | (719,924) |
| | 1,234,218 | - | 1,234,218 |
| Management and general expenses | 463,709 | - | 463,709 |
| Total expenses | 1,697,927 | - | 1,697,927 |
| Change in net assets before federal excise and income taxes | 2,464,591 | 1,230,698 | 3,695,289 |
| Federal excise and income taxes | (2,530) | - | (2,530) |
| Change in net assets | 2,467,121 | 1,230,698 | 3,697,819 |
| Net assets at beginning of year | 24,279,226 | 13,037,287 | 37,316,513 |
| Net assets at end of year | \$ 26,746,347 | 14,267,985 | 41,014,332 |

See accompanying notes to financial statements.

The Bernard and Audre Rapoport Foundation

Statement of Activities

Year Ended December 31, 2019

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|-------------------------------|----------------------------|------------|
| Revenue, gains and other support: | | | |
| Net investment return: | | | |
| Interest and dividends | \$ 527,926 | 292,591 | 820,517 |
| Net gain on investments, net of investment expenses | 3,803,286 | 2,107,888 | 5,911,174 |
| Partnership distributions | 108,089 | 59,906 | 167,995 |
| Total net investment return | 4,439,301 | 2,460,385 | 6,899,686 |
| Donor contributions | - | 150,000 | 150,000 |
| Net assets released from restrictions - satisfaction of donor restrictions | 1,160,731 | (1,160,731) | - |
| Total revenue, gains and other support | 5,600,032 | 1,449,654 | 7,049,686 |
| Expenses: | | | |
| Grants authorized, net of grant recoveries | 2,392,411 | - | 2,392,411 |
| Less: Grants authorized under agency transactions | (781,471) | - | (781,471) |
| | 1,610,940 | - | 1,610,940 |
| Management and general expenses | 469,980 | - | 469,980 |
| Total expenses | 2,080,920 | - | 2,080,920 |
| Change in net assets before federal excise and income taxes | 3,519,112 | 1,449,654 | 4,968,766 |
| Federal excise and income taxes | 147,602 | - | 147,602 |
| Change in net assets | 3,371,510 | 1,449,654 | 4,821,164 |
| Net assets at beginning of year | 20,907,716 | 11,587,633 | 32,495,349 |
| Net assets at end of year | \$ 24,279,226 | 13,037,287 | 37,316,513 |

See accompanying notes to financial statements.

The Bernard and Audre Rapoport Foundation

Statement of Functional Expenses

Year Ended December 31, 2020

| | <u>Program Services - Grants</u> | <u>Management and General</u> | <u>Total</u> |
|---|--|-----------------------------------|-------------------|
| Salaries | \$ 219,252 | 24,361 | 243,613 |
| Trustee fees | 80,666 | - | 80,666 |
| Rent | - | 26,085 | 26,085 |
| Accounting & professional fees | - | 24,372 | 24,372 |
| Meetings - general | 2,400 | 267 | 2,667 |
| Meetings - Civic Participation Task Force | 1,500 | 167 | 1,667 |
| Conferences | 93 | 10 | 103 |
| In office meeting/entertainment | 1,763 | 196 | 1,959 |
| Legal fees | 1,013 | - | 1,013 |
| Taxes - payroll | 13,696 | 1,522 | 15,217 |
| Insurance - workers comp. | - | 593 | 593 |
| Insurance - association | 3,163 | - | 3,163 |
| Insurance - commercial package | - | 1,199 | 1,199 |
| Insurance - umbrella | - | 12,307 | 12,307 |
| Insurance - crime | - | 823 | 823 |
| Computers / tech support | 3,007 | 334 | 3,341 |
| Office supplies | 3,705 | 412 | 4,117 |
| Postage | 78 | 9 | 87 |
| Telephone | 1,629 | 181 | 1,810 |
| Publications | 13,726 | - | 13,726 |
| Newspapers / magazines / journals | 451 | 50 | 501 |
| Travel reimbursement | 337 | 37 | 375 |
| Professional dues | 7,155 | 795 | 7,950 |
| Foreign taxes paid | - | 16,356 | 16,356 |
| | <u> </u> | <u> </u> | <u> </u> |
| Total management and general expenses | 353,633 | 110,076 | 463,709 |
| Grants | <u>1,234,218</u> | - | <u>1,234,218</u> |
| | <u> </u> | <u> </u> | <u> </u> |
| Total expenses | \$ <u>1,587,851</u> | <u>110,076</u> | <u>1,697,927</u> |

See accompanying notes to financial statements.

The Bernard and Audre Rapoport Foundation

Statement of Functional Expenses

Year Ended December 31, 2019

| | <u>Program Services - Grants</u> | <u>Management and General</u> | <u>Total</u> |
|---|--|-----------------------------------|------------------|
| Salaries | \$ 201,225 | 22,358 | 223,584 |
| Trustee fees | 76,000 | - | 76,000 |
| Rent | - | 23,911 | 23,911 |
| Accounting and professional fees | - | 23,480 | 23,480 |
| Meetings - general | 36,977 | 4,109 | 41,086 |
| Meetings - Civic Participation Task Force | 484 | 54 | 538 |
| Meetings - charity | 292 | 32 | 325 |
| Conferences | 3,491 | 388 | 3,879 |
| Legal fees | 1,773 | - | 1,773 |
| Consulting - Civic Engagement Task Force | 2,000 | - | 2,000 |
| Taxes - payroll | 12,377 | 1,375 | 13,752 |
| Insurance - workers comp. | - | 499 | 499 |
| Insurance - association | 2,947 | - | 2,947 |
| Insurance - commercial package | - | 1,176 | 1,176 |
| Insurance - umbrella | - | 12,035 | 12,035 |
| Insurance - crime | - | 823 | 823 |
| Computers / tech support | 8,810 | 979 | 9,789 |
| Furniture | - | 551 | 551 |
| Office supplies | 2,322 | 258 | 2,580 |
| Postage | 148 | 16 | 164 |
| Printing | 264 | 29 | 293 |
| Telephone | 2,421 | 269 | 2,690 |
| Publications | 8,028 | - | 8,028 |
| Newspapers / magazines / journals | 411 | 46 | 457 |
| Travel reimbursement | 1,506 | 167 | 1,673 |
| Travel - Civic Engagement Task Force | 4,925 | 547 | 5,473 |
| Professional dues | 5,181 | 576 | 5,757 |
| Foreign taxes paid | - | 4,671 | 4,671 |
| Depreciation | - | 45 | 45 |
| | <u>371,585</u> | <u>98,395</u> | <u>469,980</u> |
| Total management and general expenses | | | |
| Grants | <u>1,610,940</u> | - | <u>1,610,940</u> |
| Total expenses | <u>\$ 1,982,525</u> | <u>98,395</u> | <u>2,080,920</u> |

See accompanying notes to financial statements.

The Bernard and Audre Rapoport Foundation

Statements of Cash Flows

Years Ended December 31, 2020 and 2019

| | <u>2020</u> | <u>2019</u> |
|--|--------------------|--------------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ 3,697,819 | 4,821,164 |
| Adjustments to reconcile change in net assets to net cash used in operating activities: | | |
| Depreciation | - | 45 |
| Net gain on investments | (7,190,086) | (9,542,612) |
| Changes in operating assets and liabilities: | | |
| Accrued interest receivable | 10,553 | 1,590 |
| Prepaid expenses | (897) | (277) |
| Grants payable | (180,630) | 48,000 |
| Accounts payable and accrued liabilities | 1,900 | (32,003) |
| Agencies payable | 1,764,344 | 2,410,696 |
| Other payables | (207,407) | 107,469 |
| Net cash used in operating activities | <u>(2,104,404)</u> | <u>(2,185,928)</u> |
| Cash flows from investing activities: | | |
| Proceeds from sales of investments | 8,553,159 | 9,089,212 |
| Proceeds from sales of real estate | - | 1,598,623 |
| Purchase of investments | <u>(6,758,985)</u> | <u>(8,370,393)</u> |
| Net cash provided by investing activities | <u>1,794,174</u> | <u>2,317,442</u> |
| Net increase (decrease) in cash and cash equivalents | (310,230) | 131,514 |
| Cash and cash equivalents at beginning of year | <u>728,747</u> | <u>597,233</u> |
| Cash and cash equivalents at end of year | <u>\$ 418,517</u> | <u>728,747</u> |

See accompanying notes to financial statements.

The Bernard and Audre Rapoport Foundation

Notes to Financial Statements

December 31, 2020 and 2019

(1) Summary of Significant Accounting Policies and Practices

(a) Nature of Activities

The Bernard and Audre Rapoport Foundation (the “Foundation”) is a nonprofit, charitable and benevolent private corporation formed to support organizations whose purpose is charitable, literary or educational.

(b) Revenues and Expenses

Contributions received are measured at their fair values and are reported as an increase in net assets. The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets or are designated as support for future periods. 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 statements of activities as net assets released from restrictions.

The Foundation recognizes unconditional contributions or grants to others when authorized by the Board of Trustees. Conditional promises to give are only recognized when the conditions on which they depend are substantially met. Other expenses are recorded when incurred in accordance with the accrual basis of accounting.

(c) Furniture and Equipment

Furniture and equipment are recorded at cost. It is the Foundation’s policy to capitalize expenditures for individual items in excess of \$1,000. Depreciation is calculated using the double declining balance method over the estimated useful lives of the assets. All furniture and equipment were fully depreciated at December 31, 2020 and 2019.

(d) Cash and Cash Equivalents

The Foundation considers all highly-liquid financial instruments purchased with an original maturity of three months or less to be cash equivalents. Cash equivalents include money market mutual funds totaling \$345,807 and \$665,909 as of December 31, 2020 and 2019, respectively.

The Bernard and Audre Rapoport Foundation

Notes to Financial Statements (Continued)

(1) Summary of Significant Accounting Policies and Practices (continued)

(e) Federal Taxes

The Foundation qualifies as a tax-exempt organization under Section 501(c) (3) of the Internal Revenue Code and, accordingly, is generally not subject to federal income tax. However, the Foundation is classified as a private foundation and, as such, is subject to a federal excise tax of 1.39% in 2020. For 2019, the tax rate was 2% on net investment income, including realized gains, as defined, unless additional grants were made according to a prescribed formula, in which case the federal excise tax was 1%. Further, the Foundation is subject to federal income taxes on income deemed to be unrelated business income (income from unrelated business activities of the Foundation or the Foundation's investments).

The Foundation recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. The Foundation records interest related to unrecognized tax benefits and penalties in management and general expenses.

(f) 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 the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 2 for further discussion of fair value measurements.

Investment real estate is stated at cost. Depreciation on investment real estate is calculated on the straight-line method over the useful lives of the assets.

Investment income or loss (including gains and losses on investments, interest, dividends and lease income) is included in the statements of activities as an increase or decrease in net assets without donor restrictions unless the income or loss is restricted by donor. Investment income or loss allocated to agency balances is credited or charged to agencies payable in the statements of financial position.

The Bernard and Audre Rapoport Foundation

Notes to Financial Statements (Continued)

(1) Summary of Significant Accounting Policies and Practices (continued)

(g) Functional Allocation of Expenses

The cost of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited, as more fully described in Note 8.

(h) Reclassifications

Certain reclassifications have been made to the 2019 financial statements to make them comparable to those of the current year.

(i) Use of Estimates

The preparation of the financial statements requires management of the Foundation to make a number of estimates and assumptions relating to the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

(2) Investments and Fair Value

Investments at December 31, 2020 and 2019 are as follows:

| | <u>2020</u> | <u>2019</u> |
|--|----------------------|-------------------|
| Investment securities: | | |
| Corporate bonds | \$ 15,803,065 | 17,897,548 |
| Master limited partnership interests - traded | 1,200,100 | 1,391,844 |
| Equity securities | 6,124,039 | 6,190,511 |
| Mutual funds and exchange traded equity funds | <u>38,275,868</u> | <u>30,527,257</u> |
| | <u>\$ 61,403,072</u> | <u>56,007,160</u> |

The Bernard and Audre Rapoport Foundation

Notes to Financial Statements (Continued)

(2) Investments and Fair Value (continued)

Investment return and its related classification in the accompanying financial statements for 2020 and 2019 are as follows:

| | <u>Without Donor Restriction</u> | <u>With Donor Restriction</u> | <u>Agency Transactions</u> | <u>Total</u> |
|--|--|---------------------------------------|--------------------------------|-------------------|
| Year ended | | | | |
| <u>December 31, 2020:</u> | | | | |
| Interest and dividends | \$ 440,795 | 236,695 | 343,118 | 1,020,608 |
| Net gain on investments, net of investment expenses | 3,023,318 | 1,623,440 | 2,353,372 | 7,000,130 |
| Partnership distributions | <u>23,597</u> | <u>12,671</u> | <u>18,368</u> | <u>54,636</u> |
| | <u>\$ 3,487,710</u> | <u>1,872,806</u> | <u>2,714,858</u> | <u>8,075,374</u> |
| Year ended | | | | |
| <u>December 31, 2019:</u> | | | | |
| Interest and dividends | \$ 527,926 | 292,591 | 416,338 | 1,236,855 |
| Net gain on investments, net of investment expenses | 3,803,286 | 2,107,888 | 2,999,382 | 8,910,556 |
| Partnership distributions | <u>108,089</u> | <u>59,906</u> | <u>85,242</u> | <u>253,237</u> |
| | <u>\$ 4,439,301</u> | <u>2,460,385</u> | <u>3,500,962</u> | <u>10,400,648</u> |

Generally accepted accounting principles establish a framework for measuring fair value. That framework provides a fair value 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 measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The Bernard and Audre Rapoport Foundation

Notes to Financial Statements (Continued)

(2) Investments and Fair Value (continued)

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The following table presents assets and liabilities that are measured at fair value on a recurring basis at December 31, 2020 and 2019:

| | December 31, 2020 | Fair Value Measurements at Reporting Date Using | | |
|--|----------------------|--|---|--|
| | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Investment securities: | | | | |
| Corporate bonds | \$ 15,803,065 | - | 15,803,065 | - |
| Master limited partnerships - trading | 1,200,100 | 1,200,100 | - | - |
| Equity securities | 6,124,039 | 6,124,039 | - | - |
| Mutual funds and exchange traded equity funds | 38,275,868 | 38,275,868 | - | - |
| | <u>\$ 61,403,072</u> | <u>45,600,007</u> | <u>15,803,065</u> | <u>-</u> |
| | | | | |
| | December 31, 2019 | Fair Value Measurements at Reporting Date Using | | |
| | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Investment securities: | | | | |
| Corporate bonds | \$ 17,897,548 | - | 17,897,548 | - |
| Master limited partnerships - trading | 1,391,844 | 1,391,844 | - | - |
| Equity securities | 6,190,511 | 6,190,511 | - | - |
| Mutual funds and exchange traded equity funds | 30,527,257 | 30,527,257 | - | - |
| | <u>\$ 56,007,160</u> | <u>38,109,612</u> | <u>17,897,548</u> | <u>-</u> |

The Foundation's accounting policy is to recognize transfers between levels of the fair value hierarchy on the date of the event or change in circumstances that caused the transfer.

For corporate bonds included in Level 2, the fair value is determined using multi-dimensional relational and floating-rate note valuation models using certain observable inputs, including (in order of priority) benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two sided markets, bids, offers and reference data such as market research publications.

The Bernard and Audre Rapoport Foundation

Notes to Financial Statements (Continued)

(3) Furniture and Equipment

At December 31, 2020 and 2019, furniture and equipment consist of the following:

| | 2020 | 2019 |
|-------------------------------|-----------|----------|
| Furniture and equipment | \$ 27,952 | 27,952 |
| Less accumulated depreciation | (27,952) | (27,952) |
| | \$ - | - |

(4) Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following at December 31, 2020:

| | | |
|--|----|--------------|
| Cash and cash equivalents | \$ | 418,517 |
| Accrued interest receivable | | 43,375 |
| Investments - unrestricted | | 40,739,613 |
| Less net assets with donor restriction | | (26,746,347) |
| | \$ | 14,455,158 |

Excess liquidity over what is required for operating expenses could be available for additional grants at the Board's discretion.

(5) Grants Payable

During 2020 and 2019, the Foundation awarded grants, or unconditional promises to give, net of grant recoveries totaling \$1,234,218 and \$1,610,940, respectively. All unconditional promises to give at December 31, 2020 are payable in less than one year.

(6) Agency Transactions

The Foundation has received certain amounts from Bernard and Audre Rapoport, from which the principal and income are to be transferred to specified third-party recipients. Due to the limited discretion the Foundation has in using these assets, transactions related to this arrangement have been recorded as agency transactions. Agencies payable at December 31, 2020 and 2019 represent \$10,858,283 and \$9,909,973, respectively, due to

The Bernard and Audre Rapoport Foundation

Notes to Financial Statements (Continued)

(6) Agency Transactions (continued)

the University of Texas at Austin; \$5,297,831 and \$4,840,168, respectively, due to the United Jewish Communities; and \$4,507,345 and \$4,148,974, respectively, due to the Jerusalem Foundation.

(7) Net Assets and Net Assets Released from Restrictions

Net assets, revenues, gains, and other support are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has the right to determine how the funds are disbursed.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the restricted has been fulfilled, or both. Net assets with a purpose restriction at December 31, 2020 and 2019 are available to charitable, literary or educational organizations that would benefit an area within thirty miles of the city limits of Waco, Texas, or the inhabitants thereof.

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended December 31, 2020 and 2019:

| | 2020 | 2019 |
|---------------------------------------|------------|-----------|
| Satisfaction of purpose restrictions: | | |
| Grants authorized | \$ 444,218 | 851,940 |
| Management and general expenses | 230,590 | 308,791 |
| | \$ 674,808 | 1,160,731 |

The Bernard and Audre Rapoport Foundation

Notes to Financial Statements (Continued)

(8) Functionalized Expenses

The financial statements report certain categories of expenses that are attributed to both program and supporting functions. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated have been allocated based on the total amount of salaries that have been incurred in each function. Expenses that are specific to awarding grants or management and general have to be allocated to that function.

(9) Supplemental Cash Flow Information

The Foundation paid federal excise and income taxes of \$160,883 and \$48,665 in 2020 and 2019, respectively.

(10) Concentrations of Credit and Market Risk

At December 31, 2020 and 2019, and at various times during the years, the balance of deposits at financial institutions exceeded the amount of federal deposit insurance coverage.

Financial instruments that potentially expose the Foundation to significant concentrations of credit and market risk consist primarily of cash, cash equivalents and investments. Inadequate investment diversification can subject the Foundation to a greater degree of risk arising from such factors as interest rate fluctuations, credit deterioration, market fluctuations and changes in regulatory and political policy which can result in actual losses or inadequate investment returns. Management believes the Foundation's investments do not represent significant concentrations of market risk, and the possibility of significant adverse impact upon the financial condition of the Foundation arising from such risk is remote.

(11) Related Party Information

The Foundation has three Board members that are also Board members for a local bank. Additionally, the Foundation has a deposit account at this local bank.

(12) Leases

The Foundation has one operating lease for office facilities that expires January 31, 2022. Lease expense for the years ended December 31, 2020 and 2019 were \$39,127 and \$35,867, respectively. Future minimum lease payments under the operating lease are: \$39,127 for 2021, and \$3,260 for 2022.

The Bernard and Audre Rapoport FoundationNotes to Financial Statements
(Continued)(13) Change in Accounting Principle

On January 1, 2019, the Foundation adopted Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers*, and all subsequent amendments to the ASU (collectively, "ASC 606"), which creates a single framework for recognizing revenue from contracts with customers that fall within its scope. The Foundations' revenues come from donor contributions and investment income that are recognized when earned and are not a result of a contract with a customer. The adoption of ASC 606 did not result in a change to the accounting for any of the revenue streams.

(14) Subsequent Events

The Foundation has evaluated subsequent events from the statement of financial position date through March 31, 2021, the date at which the financial statements were available to be issued, and determined there are no items to disclose.

Supplementary Information

The Bernard and Audre Rapoport Foundation

Schedule of Grants

Year Ended December 31, 2020

| Source of Funds/Recipient | Unpaid at January 1, 2020 | Amount Authorized | Grant Recoveries | Amount Paid (Received) | Unpaid at December 31, 2020 |
|--|---------------------------------|----------------------|---------------------|------------------------------|-----------------------------------|
| <i>Authorized from</i> | | | | | |
| <i>Without Donor Net Assets:</i> | | | | | |
| Alliance for Justice | \$ - | 50,000 | - | 50,000 | - |
| CBPP | - | 50,000 | - | 50,000 | - |
| CBPP - Greenstein Fund | - | 25,000 | - | 25,000 | - |
| CBPP | - | 50,000 | - | 50,000 | - |
| Committee of Seventy | - | 50,000 | - | 50,000 | - |
| Communities Fdn of Texas | - | 30,000 | - | 30,000 | - |
| Democracy Works | - | 50,000 | - | 50,000 | - |
| Economic Policy Institute | - | 25,000 | - | 25,000 | - |
| Every Texas | - | 25,000 | - | 25,000 | - |
| Paul Quinn College, Inc. | - | 25,000 | - | 25,000 | - |
| National Conference for Citizenship | - | 125,000 | - | 125,000 | - |
| National Conference for Citizenship | - | 25,000 | - | 25,000 | - |
| Texas Appleseed | - | 50,000 | - | 50,000 | - |
| Texas Democracy Foundation | - | 65,000 | - | 65,000 | - |
| Texas Tribune | - | 20,000 | - | 10,000 | 10,000 |
| Texas Observer | - | 75,000 | - | 75,000 | - |
| Turnout Nation | - | 50,000 | - | 50,000 | - |
| Total from net assets without donor restrictions | - | 790,000 | - | 780,000 | 10,000 |
| <i>Authorized from</i> | | | | | |
| <i>With Donor Restrictions Net Assets:</i> | | | | | |
| Caritas of Waco | - | 30,998 | - | 30,998 | - |
| Caritas of Waco - Pantry | - | 40,000 | - | 40,000 | - |
| Creative Waco | - | 15,000 | - | 15,000 | - |
| Dr. Pepper Museum | - | 15,000 | - | 15,000 | - |
| Family Health Center - Surveillance | - | 20,000 | - | 20,000 | - |
| Family Health Center - Temporary Staffing | - | 33,000 | - | 33,000 | - |
| Family Health Center - Temporary Staffing | - | 18,000 | - | 18,000 | - |
| Family Health Center - Telehealth | - | 57,600 | - | 57,600 | - |
| Girl Scouts of Central TX | - | 18,750 | - | 18,750 | - |
| HOTRMHMR | - | 100,000 | - | 100,000 | - |
| La Vega ISD | 120,000 | - | - | - | 120,000 |
| Planned Parenthood of Greater TX | - | 1,000 | - | 1,000 | - |
| Planned Parenthood of Greater TX | 125,000 | - | - | 125,000 | - |
| Prosper Waco | 130,630 | - | (630) | 65,000 | 65,000 |
| Special Olympics of TX | - | 10,000 | - | 10,000 | - |
| Texas Ramp Project | - | 10,000 | - | 10,000 | - |
| Waco Foundation - MAC | - | 40,000 | - | 40,000 | - |
| YMCA of Central TX | - | 60,000 | - | 60,000 | - |
| Hispanic Museum Association - returned grant | - | - | (24,500) | (24,500) | - |
| Total from net assets with donor restrictions | 375,630 | 469,348 | (25,130) | 634,848 | 185,000 |
| Total from net assets with and without donor restrictions | 375,630 | 1,259,348 | (25,130) | 1,414,848 | 195,000 |
| <i>Agency Transactions:</i> | | | | | |
| Jerusalem Foundation | - | 179,981 | - | 179,981 | - |
| Jewish Federations of North America | - | 179,981 | - | 179,981 | - |
| University of Texas at Austin | - | 359,962 | - | 359,962 | - |
| Total agency transactions | - | 719,924 | - | 719,924 | - |
| Total | \$ 375,630 | 1,979,272 | (25,130) | 2,134,772 | 195,000 |

See accompanying independent auditor's report.

The Bernard and Audre Rapoport Foundation

Schedule of Net Assets and Agencies Payable

Year Ended December 31, 2020

| | Net Assets | | Agencies Payable | | | Total |
|---|----------------------------|-------------------------|-------------------------------|-------------------------------------|----------------------|-------------------|
| | Without Donor Restrictions | With Donor Restrictions | University of Texas at Austin | Jewish Federations of North America | Jerusalem Foundation | |
| Balances, January 1, 2020 | \$ 24,279,226 | 13,037,287 | 9,909,973 | 4,840,168 | 4,148,974 | 56,215,628 |
| Investment income | 3,487,710 | 1,872,806 | 1,423,568 | 695,290 | 596,000 | 8,075,374 |
| Donor contributions | - | 32,700 | - | - | - | 32,700 |
| Grants authorized (net assets) or paid (agencies payable) | (790,000) | (444,218) | (359,962) | (179,981) | (179,981) | (1,954,142) |
| Other expenses: | | | | | | |
| General and administrative expenses | (231,854) | (231,855) | (115,926) | (57,964) | (57,964) | (695,563) |
| Federal excise and income tax benefit | 1,265 | 1,265 | 632 | 316 | 316 | 3,794 |
| Balances, December 31, 2020 | \$ <u>26,746,347</u> | <u>14,267,985</u> | <u>10,858,285</u> | <u>5,297,829</u> | <u>4,507,345</u> | <u>61,677,791</u> |

See accompanying independent auditor's report.

The Bernard and Audre Rapoport Foundation
 Schedule of Total General and Administrative Expenses –
 Statements of Activities and Agencies Payable
 Years Ended December 31, 2020 and 2019

| | <u>2020</u> | <u>2019</u> |
|--------------------------|-------------------|----------------|
| Salaries and benefits | \$ 389,136 | 356,751 |
| Rent | 39,127 | 35,867 |
| Insurance | 26,238 | 25,472 |
| Meetings and conferences | 9,594 | 68,742 |
| Professional fees | 38,078 | 40,880 |
| Trustee fees | 121,000 | 114,000 |
| Miscellaneous | <u>72,390</u> | <u>63,258</u> |
| | <u>\$ 695,563</u> | <u>704,970</u> |

See accompanying independent auditor's report.