

Financial Statements and  
Supplementary Information Together  
with Report of Independent Certified  
Public Accountants

**FJC**

March 31, 2021 and 2020

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**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

To the Board of Directors of  
FJC

We have audited the accompanying financial statements of FJC, which comprise the statements of financial position as of March 31, 2021 and 2020, 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 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 FJC'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 FJC'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 FJC as of March 31, 2021 and 2020, 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.

**Other matters***Supplementary information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of financial position for agency loan funds as of March 31, 2021 and the schedule of activities for agency loan funds for the year ended March 31, 2021 on pages 24 and 25, respectively, are presented for purposes of additional analysis and are not a required part of the financial statements. Such supplementary 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 audit of the financial statements and certain additional procedures. These additional procedures included comparing and reconciling the 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 supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

*Grant Thornton LLP*

New York, New York  
December 17, 2021

**FJC**

**STATEMENTS OF FINANCIAL POSITION**

**As of March 31,**

|   | <b>2021</b>           | <b>2020</b>           |
|---|-----------------------|-----------------------|
| <b>ASSETS</b>                             |                       |                       |
| Cash                                      | \$ 1,518,286          | \$ 3,182,458          |
| Investments                               | 314,178,197           | 244,342,456           |
| Investment property held for sale         | 417,226               | 449,442               |
| Program-related investments, net          | 8,839,054             | -                     |
| Loans receivable                          | 32,479,419            | 35,697,033            |
| Accrued interest                          | 294,202               | 240,756               |
| Beneficial interest in third-party trusts | 3,123,144             | 3,516,374             |
| Other assets                              | 1,466,143             | 84,851                |
| Property and equipment, net               | 35,115                | -                     |
| Total assets                              | <b>\$ 362,350,786</b> | <b>\$ 287,513,370</b> |
| <b>LIABILITIES AND NET ASSETS</b>         |                       |                       |
| <b>LIABILITIES</b>                        |                       |                       |
| Accrued expenses                          | \$ 142,524            | \$ 115,730            |
| Assets held for others                    | 42,491,281            | 35,024,426            |
| Total liabilities                         | 42,633,805            | 35,140,156            |
| Commitments                               |                       |                       |
| <b>NET ASSETS</b>                         |                       |                       |
| Without donor restrictions                |                       |                       |
| Donor-advised funds                       | 280,591,457           | 219,543,825           |
| Board-designated fund                     | 30,204,934            | 23,678,199            |
| General funds                             | 5,797,446             | 5,634,816             |
| Total without donor restrictions          | 316,593,837           | 248,856,840           |
| With donor restrictions                   | 3,123,144             | 3,516,374             |
| Total net assets                          | 319,716,981           | 252,373,214           |
| Total liabilities and net assets          | <b>\$ 362,350,786</b> | <b>\$ 287,513,370</b> |

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

FJC

**STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS**

For the years ended March 31,

|  | 2021           | 2020           |
|--|----------------|----------------|
| <b>Change in net assets without donor restrictions</b>   |                |                |
| Operating support, revenue and gains                     |                |                |
| Contributions  | \$ 31,412,976  | \$ 33,006,930  |
| Management fees  | 258,912        | 299,424        |
| Investment return, net:                                  |                |                |
| Loan interest  | 2,149,083      | 2,389,337      |
| Interest and dividends, net                              | 2,851,978      | 3,776,417      |
| Net realized and unrealized (losses) gains               | 62,319,146     | (12,095,705)   |
| Investment return, net                                   | 67,320,207     | (5,929,951)    |
| Net assets released from restrictions                    | 191,979        | 183,423        |
| Total operating support, revenue and gains               | 99,184,074     | 27,559,826     |
| Operating expenses                                       |                |                |
| Program services:  |                |                |
| Grants made to philanthropic organizations               | 29,261,693     | 35,627,951     |
| Program expenses   | 1,043,441      | 1,157,959      |
| Total program services                                   | 30,305,134     | 36,785,910     |
| Supporting services:                                     |                |                |
| Management and general                                   | 1,048,097      | 655,362        |
| Fundraising  | 93,846         | 21,926         |
| Total supporting services                                | 1,141,943      | 677,288        |
| Total operating expenses                                 | 31,447,077     | 37,463,198     |
| Change in net assets without donor restrictions          | 67,736,997     | (9,903,372)    |
| Net assets without donor restrictions, beginning of year | 248,856,840    | 258,760,212    |
| Net assets without donor restrictions, end of year       | \$ 316,593,837 | \$ 248,856,840 |

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

**FJC**

**STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS**

**For the years ended March 31,**

|  | <b>2021</b>           | <b>2020</b>           |
|--|-----------------------|-----------------------|
| <b>Change in net assets with donor restrictions</b>          |                       |                       |
| Change in value of beneficial interest in third-party trusts | \$ (201,251)          | \$ 520,755            |
| Net assets released from restrictions                        | (191,979)             | (183,423)             |
| Change in net assets with donor restrictions                 | (393,230)             | 337,332               |
| Net assets with donor restrictions, beginning of year        | 3,516,374             | 3,179,042             |
| Net assets with donor restrictions, end of year              | 3,123,144             | 3,516,374             |
| Change in net assets   | 67,343,767            | (9,566,040)           |
| <b>Net assets, beginning of year</b>                         | 252,373,214           | 261,939,254           |
| <b>Net assets, end of year</b>                               | <b>\$ 319,716,981</b> | <b>\$ 252,373,214</b> |

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

**FJC**

**STATEMENTS OF CASH FLOWS**

**For the years ended March 31,**

|  | <b>2021</b>         | <b>2020</b>         |
|--|---------------------|---------------------|
| <b>Cash flows from operating activities</b>  |                     |                     |
| Change in net assets   | \$ 67,343,767       | \$ (9,566,040)      |
| Adjustment to reconcile change in net assets to net cash provided by (used in) operating activities: |                     |                     |
| Depreciation and amortization expense  | 1,786               | -                   |
| Net realized and unrealized (gains) losses   | (62,319,146)        | 12,095,705          |
| Change in value of beneficial interest in third-party trusts   | 201,251             | (520,755)           |
| Present value discount on program-related investments  | 652,466             | -                   |
| Donated securities   | (10,784,050)        | (8,753,934)         |
| Changes in assets and liabilities:   |                     |                     |
| Decrease in beneficial interest in third-party trusts  | 191,979             | 183,423             |
| Increase in accrued interest   | (53,446)            | (59,810)            |
| (Increase) decrease in other assets  | (1,381,292)         | 26,282              |
| Increase in accrued expenses   | 26,794              | 17,782              |
| Increase (decrease) in assets held for others  | 7,466,855           | (300,969)           |
|  | <b>1,346,964</b>    | <b>(6,878,316)</b>  |
| <b>Cash flows from investing activities</b>  |                     |                     |
| Advances on loans receivable   | (8,573,746)         | (15,839,426)        |
| Repayments on and sales of loans receivable  | 11,791,360          | 12,222,300          |
| Purchase of property and equipment   | (36,901)            | -                   |
| Proceeds from sale of property   | -                   | 6,076,420           |
| Proceeds from sales of investments   | 74,156,984          | 134,059,849         |
| Purchase of program-related investments  | (9,491,520)         | -                   |
| Purchases of investments   | (70,857,313)        | (128,587,097)       |
|  | <b>(3,011,136)</b>  | <b>7,932,046</b>    |
| Net cash (used in) provided by investing activities  | <b>(3,011,136)</b>  | <b>7,932,046</b>    |
| Net (decrease) increase in cash  | <b>(1,664,172)</b>  | <b>1,053,730</b>    |
| <b>Cash, beginning of year</b>   | <b>3,182,458</b>    | <b>2,128,728</b>    |
| <b>Cash, end of year</b>   | <b>\$ 1,518,286</b> | <b>\$ 3,182,458</b> |

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

## FJC

### NOTES TO FINANCIAL STATEMENTS

March 31, 2021 and 2020

#### NOTE 1 - ORGANIZATION

FJC, a not-for-profit organization, was incorporated in 1995 for the primary purpose of assisting families and individuals by providing total management of their charitable giving, helping them take full advantage of available tax benefits and helping them serve the charitable needs of the community.

FJC's mission is to:

- Increase and maximize the impact of charitable dollars;
- Create innovative and customized philanthropic solutions; and
- Respond effectively to the needs and interests of donors, borrowers, and other clients.

Funds may be contributed to FJC to establish donor-advised funds. Donor-advised funds are invested in various ways based on donor recommendations. A donor may recommend that grants are made to charitable organizations from funds contributed, although FJC is not obligated to make such grants. Accordingly, such amounts are classified within FJC's net assets without donor restrictions.

Funds may be contributed to FJC to establish a Fiscal Sponsorship Program. Fiscal sponsors advance the public benefit by facilitating the development and growth of charitable, mission-driven activities. FJC's Fiscal Sponsorship Program assists projects and organizations that have not yet received their 501(c)(3) determination letter from the Internal Revenue Service ("IRS"), and permits sponsored programs to legally solicit and benefit from charitable contributions from individuals and grants from private foundations and other funding institutions.

FJC has ultimate authority over the selection of charities to receive funds as well as the timing and amounts of the distributions. Accordingly, such amounts are classified within FJC's net assets without donor restrictions. FJC distributes funds contributed, and income earned on these funds to charitable organizations described in Sections 501(c)(3) and 509(a)(1), (2) or (3) of the Internal Revenue Code (the "Sections"). Funds may be distributed to an organization other than as described in these Sections if such organization's mission is in keeping with the charitable purposes of FJC and the organization agrees to use the grant only in the furtherance of its stated and approved purposes, return any funds not used in this manner and provide an accounting of the use of the funds no later than one year from the date of the grant.

General funds represent net assets without donor restrictions that are available for charitable use or supporting services of FJC.

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### *Financial Statement Presentation*

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("US GAAP") using the accrual basis of accounting.

## FJC

### NOTES TO FINANCIAL STATEMENTS - CONTINUED

March 31, 2021 and 2020

FJC's net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of FJC and changes therein are classified and reported as follows:

*Net Assets without Donor Restrictions* - consist of funds which are expendable at the discretion of FJC for carrying on daily operations. Donor-advised funds, in which FJC maintains variance power, are not subject to donor-imposed restrictions. Included in net assets without donor restrictions, is a board-designated fund with balances of \$30,204,934 and \$23,678,199 as of March 31, 2021 and 2020, respectively. Of such amounts, \$3,931,731 and \$3,138,400 were held as of March 31, 2021 and 2020, respectively, to provide additional credit support for the Agency Loan Fund. The remaining balance of board-designated funds may be used as determined by FJC's Board of Directors.

*Net Assets with Donor Restrictions* - resources that have been limited by donor-imposed stipulations that either expire with the passage of time or can be fulfilled and removed by the actions of FJC pursuant to those stipulations.

Net assets with donor restrictions also include funds whereby the donors have stipulated that the principal contributed be invested and maintained in perpetuity. As of and for the years ended March 31, 2021 and 2020, FJC had no such funds.

#### **Cash Equivalents**

Cash equivalents are defined as short-term investments held by FJC for operating use with original maturities of three months or less when purchased, except for those cash equivalents which are included in FJC's investment portfolio, which are held for long-term investment purposes.

#### **Investments**

Investments in publicly traded debt and equity securities are recorded at fair value determined on the basis of quoted market prices. Investments that are not readily marketable are recorded at net asset value ("NAV") per share as a practical expedient to fair value as determined by the respective limited partnership, hedge fund or fund manager. Because such investments are not readily marketable, their estimated value is subject to uncertainty and therefore may differ from the value that would have been used had a ready market for such investments existed. Such difference could be material. However, the risk to FJC is limited to the amount of FJC's investment in each of the respective funds with respect to its ownership interests.

Investments in certificates of deposit with original maturities greater than three months that are not debt securities are carried at amortized cost.

Purchases and sales of securities are reflected on a trade-date basis. Gains and losses on sales of securities are recorded in the statement of activities in the period in which the securities are sold. Dividends and interest are recognized as earned.

#### **Program-Related Investments**

Donors of FJC may recommend that funds from donor-advised accounts be utilized for program-related investments. These program-related investments consist of loans to not-for-profit organizations that bear below-market interest rates. Program-related investments are recorded at their net present value at the date loan proceeds are disbursed and are discounted using an appropriate discount rate. The receivable is adjusted during the term of the loan for repayments received as well as the change in the present value discount due to the passage of time.

**NOTES TO FINANCIAL STATEMENTS - CONTINUED****March 31, 2021 and 2020*****Fair Value Measurements***

Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 820 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. This standard provides a consistent definition of fair value, which focuses on an exit price between market participants in an orderly transaction. In fair valuing its investments, FJC uses 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 unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy used by FJC are described below:

Level 1 - Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market (most reliable and objective valuation).

Level 2 - Financial assets and liabilities whose values are based on the following:

- a. Quoted prices for similar assets or liabilities in active markets;
- b. Quoted prices for identical or similar assets or liabilities in non-active markets;
- c. Pricing models whose inputs are observable for substantially the full term of the asset or liability; and
- d. Pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means for substantially the full term of the asset or liability; and pro rata interest in a private or affiliated investment fund.

Level 3 - Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management’s own assumptions about the assumptions a market participant would use in pricing the asset or liability.

Investments are classified within the level of the lowest significant input considered in determining the fair value. In evaluating the level at which FJC’s investments have been classified, FJC has assessed factors including, but not limited to, price transparency, subscription activity, redemption activity and the existence or absence of certain restrictions such as a gate or lockup period.

***Concentration of Credit Risk***

Financial instruments which potentially subject FJC to concentrations of credit risk consist of cash and cash equivalents. FJC maintains its cash and cash equivalents in various accounts which, at times, may exceed federally insured limits. FJC believes the credit risk related to these deposits is minimal. FJC also holds interests in uninsured money market funds that are held in accounts at brokerage firms and are reported with investments in the accompanying statement of financial position. The accounts at the brokerage firms are covered by SIPC insurance up to \$500,000.

As of March 31, 2021 and 2020, FJC held accounts totaling approximately \$202,195,886 and \$163,742,985, respectively, with Merrill Lynch, Bank of America Corporation. FJC has other investment accounts with balances above the limit covered by SIPC insurance.

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

March 31, 2021 and 2020

**Loans Receivable**

FJC's variable rate loans receivable are carried at net realizable value, except for those loans, which originated prior to April 1, 2010, which are carried at fair value.

If necessary, management will provide an allowance for loan losses based on a variety of factors:

- The known financial condition of the borrower;
- Historical collection patterns and comparative aging; and
- The value of the borrower's interest in the underlying collateral and any other credit enhancements supporting performance, such as guarantees, if applicable, based on management's best estimate of the fair value of the collateral.

Since its inception, any loans that were determined by FJC to be potentially impaired were purchased in full by a private foundation, including principal and all accrued interest. A private foundation has pledged a security interest to FJC in certain securities in a pledged collateral account, with an independent financial institution, that is hypothecated to FJC in the event of default of any loan receivable. This enhances FJC's loan portfolio's credit. The substantial market value of these pledged securities has been sufficient so that management believes that no allowance for loan losses is determined to be necessary.

FJC's management and loan committee review the loans receivable quarterly to determine the existence of any potentially delinquent or impaired loans, appropriateness of non-accrual of interest on such loans, and the necessity of an allowance for loan losses.

**Delinquent and Impaired Loans**

Delinquent loans are defined as loans that are 30 days or more past due in payment of principal and/or interest. Impaired loans are those that are 120 days or more past due in payment of principal and/or interest. For impaired loans, FJC determines that it will be unable to collect all amounts due. Assessing the likelihood that a loan will not be paid according to its contractual terms involves the consideration of all relevant facts and circumstances and requires a significant amount of judgment.

For such purposes, factors that are considered include:

- The current performance of the borrower;
- The current economic environment and financial capacity of the borrower to preclude a default;
- The willingness of the borrower to provide the support necessary to preclude a default (including the potential for successful resolution of a potential problem through modification of terms); and
- The value of the borrower's interest in the underlying collateral and any other credit enhancements supporting performance, such as guarantees, if applicable, based on management's best estimate of the fair value of the collateral.

In the event that FJC determines a loan to be potentially impaired, FJC will notify the private foundation that pledged securities to satisfy the loan that FJC intends to exercise its rights under the hypothecation agreement.

As of March 31, 2021 and 2020, FJC has no loans that are considered delinquent or impaired.

**NOTES TO FINANCIAL STATEMENTS - CONTINUED****March 31, 2021 and 2020*****Non-Accrual Loans***

FJC considers a non-accrual loan as a nonperforming loan that is not generating its stated interest rate due to nonpayment from the borrower. Since FJC retains the ability to call the collateral on the loan or exercise its right under the hypothecation agreement with the private foundation, FJC expects full repayment of principal and interest. Accordingly, as of March 31, 2021 and 2020, FJC has no loans on a non-accrual basis.

***Allowance for Loan Losses***

Management will provide an allowance for loan losses based on consideration of the known financial condition of the responsible party, historical collection patterns, and comparative aging. Such allowances are maintained at a level management considers adequate to provide for subsequent adjustments and potential uncollectible accounts. These estimates are reviewed periodically, and if the financial condition of the responsible party changes significantly, FJC will evaluate the recoverability of any loans receivable due from that organization and write-off any amounts that are no longer considered recoverable. As of March 31, 2021 and 2020, no allowance for loan losses was determined to be necessary.

***Beneficial Interest in Third-Party Trusts***

FJC is a beneficiary of a number of irrevocable charitable lead trusts held by third parties. At the dates in which these charitable trusts were established, contributed revenues and receivables are recognized at the present value of the estimated future benefits to be received by FJC, discounted using an appropriate discount rate. The receivable is adjusted during the term of the trusts for amounts received as well as the change in the present value discount due to the passage of time.

***Property and Equipment***

Furniture and fixtures, equipment, software, and leasehold improvements are stated at cost less accumulated depreciation and amortization. Additions and improvements costing more than \$10,000 and with estimated useful lives greater than three years are capitalized. FJC provides for depreciation and amortization of furniture, fixtures, equipment, and software on a straight-line basis over the estimated useful lives of the assets ranging from three to ten years. Amortization of leasehold improvements is provided on a straight-line basis over the lesser of the term of the lease or the estimated useful lives of the improvements. Repairs and maintenance that do not improve or extend the life of the respective asset are charged to expense as incurred.

***Website Costs***

Website costs related to application development, site configuration and infrastructure, and conceptual design are capitalized. Costs relating to the operation and support are expensed as incurred. FJC capitalizes website costs that have a cost of \$10,000 or more and an estimated useful life of greater than three years. Capitalized costs are amortized over a seven-year expected life using the straight-line method.

***Assets Held for Others***

Assets held for others are funds received from not-for-profit organizations, some of which have transferred funds with FJC for the purpose of investing in FJC's agency loan fund, which is available to provide secured interest-bearing loans to charitable organizations. These funds can be redeemed by the participants in accordance with FJC's policies. FJC does not have variance power over the use of these assets.

**NOTES TO FINANCIAL STATEMENTS - CONTINUED****March 31, 2021 and 2020*****Revenue Recognition***

FJC recognizes revenue from contributions in accordance with FASB ASC 958-605. In accordance with FASB ASC 958-605, FJC evaluates whether a transfer of assets is (1) an exchange transaction in which a resource provider is receiving commensurate value in return for the resources transferred or (2) a contribution. If the transfer of assets is determined to be an exchange transaction, FJC applies guidance under FASB ASC 606. If the transfer of assets is determined to be a contribution, FJC evaluates whether the contribution is conditional based upon whether the agreement includes both (1) one or more barriers that must be overcome before FJC is entitled to the assets transferred and promised and (2) a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets.

Contributions and unconditional promises to give are recognized as revenue in the period received. Conditional contributions and promises to give are recorded as revenue when the conditions on which they depend to have been substantially met. Contributions of non-monetary assets are recorded at the estimated fair value of the assets contributed.

***Grants and Program Expenses***

Grants are made to support not-for-profit organizations and charitable needs and are recorded when approved by FJC's grants committee. In addition, grants are made to charitable organizations as recommended by donors in conjunction with donor-advised funds. Certain administrative costs that relate to making grants to philanthropic organizations have been allocated to program expenses on the basis of salaries and other bases as determined by FJC's management to be appropriate.

***Tax-Exempt Status***

The Internal Revenue Service has ruled that FJC is a Section 501(c)(3) organization, exempt from federal income tax under Section 501(a). In addition, FJC is organized under the not-for-profit laws of New York State and as such, is exempt from taxes for New York State and City income tax purposes.

***Income Taxes***

FJC is exempt from federal income tax under IRC section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose unless that income is otherwise excluded by the Code. FJC follows the guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This guidance provides that the tax effects from an uncertain tax position can only be recognized in the financial statements if the position is "more-likely-than-not" to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged.

FJC has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it was nexus, and to identify and evaluate other matters that may be considered tax positions. FJC has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements for the year ended March 31, 2021.

***Use of Estimates***

The preparation of financial statements in conformity with US GAAP 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 reported period. Actual results could differ from those estimates.

FJC

NOTES TO FINANCIAL STATEMENTS - CONTINUED

March 31, 2021 and 2020

**Reclassifications**

Certain 2020 financial statement amounts have been reclassified to conform to the 2021 financial statement presentation. Such changes had no effect on total assets, liabilities, revenues, expenses, or change in net assets as previously reported.

**SARS-CoV-2 Pandemic**

On March 11, 2020 the World Health Organization declared a worldwide pandemic due to the rapid spread of SARS-CoV-2 virus (the "Coronavirus"). Management identified two key areas that could be adversely affected by the Coronavirus. These areas include FJC borrowers' ability to repay their outstanding loans to FJC and the fair value of FJC's investment portfolio. Management continues to monitor these areas and as of the date of this audit report, FJC has not experienced significant delays in loan repayment.

**Subsequent Events**

FJC evaluated its March 31, 2021 financial statements for subsequent events through December 17, 2021, the date the financial statements were available to be issued. FJC is not aware of any material subsequent events which would require recognition or disclosure in the accompanying financial statements.

**NOTE 3 - INVESTMENTS**

The following is a summary of investments at March 31, 2021 and 2020, at fair value:

|                                   | 2021                  | 2020                  |
|-----------------------------------|-----------------------|-----------------------|
| Cash equivalents                  | \$ 86,092,734         | \$ 72,547,724         |
| U.S. equities and preferred stock | 48,814,788            | 41,670,476            |
| International equities            | 4,675,681             | 2,449,731             |
| Exchange-traded funds             | 683,695               | 1,288,113             |
| U.S. government securities        | 12,817,064            | 15,747,542            |
| Corporate and municipal bonds     | 3,423,138             | 3,045,376             |
| Mutual funds:                     |                       |                       |
| U.S. equities                     | 72,526,358            | 47,089,208            |
| International equities            | 3,489,953             | 629,145               |
| Fixed income                      | 30,018,648            | 23,090,888            |
| Alternative investments:          |                       |                       |
| Hedge funds                       | 39,785,488            | 27,869,257            |
| Limited partnerships              | 11,315,521            | 8,093,667             |
| Private companies                 | 535,129               | 535,129               |
| Private equity                    | -                     | 38,202                |
| Certificates of deposit           | -                     | 247,998               |
| Total investments                 | <u>\$ 314,178,197</u> | <u>\$ 244,342,456</u> |

FJC

NOTES TO FINANCIAL STATEMENTS - CONTINUED

March 31, 2021 and 2020

During fiscal 2016, FJC was the recipient of various shares of stock in a privately held company for which it has no ability to redeem. While reasonable efforts were made, FJC was unable to obtain sufficient information to measure the fair value of such interests as of the date of the contribution or its subsequent measurement date (i.e., March 31, 2021, and 2020). Accordingly, FJC has not recorded its interest in the privately held company in the accompanying financial statements.

FJC invests in certain alternative investments, including investments through funds of funds and limited partnerships. Through these investments, FJC is indirectly involved in investment activities such as securities lending, short sales of securities, options, warrants, trading in futures and forwards contracts, swap contracts, and other derivative products. Derivatives are tools used to maintain asset mix or adjust portfolio risk exposure. While these financial instruments may contain varying degrees of risk, FJC's risk with respect to such transactions is limited to its capital balance in each investment.

The following table presents FJC's fair value hierarchy for those investments measured at fair value on a recurring basis at March 31, 2021:

|                                   | 2021                 |                      |                   |                      | Total                 |
|-----------------------------------|----------------------|----------------------|-------------------|----------------------|-----------------------|
|                                   | Level 1              | Level 2              | Level 3           | Net Asset Value*     |                       |
| Cash equivalents                  | \$ 86,092,734        | \$ -                 | \$ -              | \$ -                 | \$ 86,092,734         |
| U.S. equities and preferred stock | 48,814,788           | -                    | -                 | -                    | 48,814,788            |
| International equities            | 4,675,681            | -                    | -                 | -                    | 4,675,681             |
| Exchange-traded funds             | 683,695              | -                    | -                 | -                    | 683,695               |
| U.S. government securities        | -                    | 12,817,064           | -                 | -                    | 12,817,064            |
| Corporate and municipal bonds     | -                    | 3,423,138            | -                 | -                    | 3,423,138             |
| Mutual funds:                     |                      |                      |                   |                      |                       |
| U.S. equities                     | 72,526,358           | -                    | -                 | -                    | 72,526,358            |
| International equities            | 3,489,953            | -                    | -                 | -                    | 3,489,953             |
| Fixed income                      | 30,018,648           | -                    | -                 | -                    | 30,018,648            |
| Alternative investments:          |                      |                      |                   |                      |                       |
| Hedge funds                       | -                    | -                    | -                 | 39,785,488           | 39,785,488            |
| Limited partnerships              | -                    | -                    | -                 | 11,315,521           | 11,315,521            |
| Private companies                 | -                    | -                    | 535,129           | -                    | 535,129               |
|                                   | <u>\$246,301,857</u> | <u>\$ 16,240,202</u> | <u>\$ 535,129</u> | <u>\$ 51,101,009</u> | <u>\$ 314,178,197</u> |

\* In accordance with ASC Subtopic 820-10, investments measured at fair value using NAV per share as a practical expedient have not been categorized in the fair value hierarchy.

FJC

NOTES TO FINANCIAL STATEMENTS - CONTINUED

March 31, 2021 and 2020

The following table presents FJC's fair value hierarchy for those investments measured at fair value on a recurring basis at March 31, 2020:

|  | 2020                  |                      |                   |                      | Total                 |
|--|-----------------------|----------------------|-------------------|----------------------|-----------------------|
|  | Level 1               | Level 2              | Level 3           | Net Asset Value*     |                       |
| Cash equivalents                       | \$ 72,547,724         | \$ -                 | \$ -              | \$ -                 | \$ 72,547,724         |
| U.S. equities and preferred stock      | 41,670,476            | -                    | -                 | -                    | 41,670,476            |
| International equities                 | 2,449,731             | -                    | -                 | -                    | 2,449,731             |
| Exchange traded funds                  | 1,288,113             | -                    | -                 | -                    | 1,288,113             |
| U.S. government securities             | -                     | 15,747,542           | -                 | -                    | 15,747,542            |
| Corporate and municipal bonds          | -                     | 3,045,376            | -                 | -                    | 3,045,376             |
| Mutual funds:                          |                       |                      |                   |                      |                       |
| U.S. equities                          | 47,089,208            | -                    | -                 | -                    | 47,089,208            |
| International equities                 | 629,145               | -                    | -                 | -                    | 629,145               |
| Fixed income                           | 23,090,888            | -                    | -                 | -                    | 23,090,888            |
| Alternative investments:               |                       |                      |                   |                      |                       |
| Hedge funds                            | -                     | -                    | -                 | 27,869,257           | 27,869,257            |
| Limited partnerships                   | -                     | -                    | -                 | 8,093,667            | 8,093,667             |
| Private equity                         | -                     | -                    | -                 | 38,202               | 38,202                |
| Private companies                      | -                     | -                    | 535,129           | -                    | 535,129               |
|  | <u>\$ 188,765,285</u> | <u>\$ 18,792,918</u> | <u>\$ 535,129</u> | <u>\$ 36,001,126</u> | <u>244,094,458</u>    |
| Investments not measured at fair value |                       |                      |                   |                      |                       |
| Certificates of deposit                |                       |                      |                   |                      | <u>247,998</u>        |
| Total investments                      |                       |                      |                   |                      | <u>\$ 244,342,456</u> |

\* In accordance with ASC Subtopic 820-10, investments measured at fair value using NAV per share as a practical expedient have not been categorized in the fair value hierarchy.

A reconciliation of Level 3 investments for the years ended March 31, 2021, and 2020 follows:

|                                   | Beginning Balance at March 31, 2020 | Realized and Unrealized Loss | Purchases (Including Contributions) | Sales (Including Withdrawals) | Net Transfers In (Out) of Level 3 <sup>(a)(b)</sup> | Ending Balance at March 31, 2021 |
|-----------------------------------|-------------------------------------|------------------------------|-------------------------------------|-------------------------------|---|----------------------------------|
| Private companies                 | \$ 535,129                          | \$ -                         | \$ -                                | \$ -                          | \$ -  | \$ 535,129                       |
|                                   | Beginning Balance at March 31, 2019 | Realized and Unrealized Loss | Purchases (Including Contributions) | Sales (Including Withdrawals) | Net Transfers In (Out) of Level 3 <sup>(a)(b)</sup> | Ending Balance at March 31, 2020 |
| Real estate and private companies | \$ 511,000                          | \$ (61,558)                  | \$ 535,129                          | \$ -                          | \$ (449,442)  | \$ 535,129                       |

(a) FJC's policy is to recognize transfers in and transfers out at the end of the reporting period.

(b) As of March 31, 2021, this investment was presented within the investment property held for sale line of the accompanying statement of financial position. (See the Investment Property Held for Sale section of Note 3.)

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

March 31, 2021 and 2020

FJC uses the NAV per share or its equivalent to determine the fair value of all the underlying investments which (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. The following table lists such investments by major category:

| 2021                 |   |                      |            |  |                                   |  |   |
|----------------------|---|----------------------|------------|--|-----------------------------------|--|---|
| Type                 | Strategy  | NAV in Funds         | # of Funds | Remaining Life   | \$ Amount of Unfunded Commitments | Redemption Terms   | Redemption Restrictions   |
| Hedge funds          | Absolute return, diversified long/short, event-driven, multi-strategy | \$ 39,785,488        | 13         | Subject to the determination of the respective fund managers | N/A                               | 6 funds are monthly with a 10 to 30 days notice, 6 funds are quarterly with a 45 to 90 days notice | 1 fund has 25% investor level gates, 1 fund has 12 month lock up on purchases |
| Limited partnerships | Long/short equity and fixed income, event-driven                      | 11,315,521           | 1          | Subject to the determination of the respective fund managers | N/A                               | None   | N/A   |
|                      |   | <u>\$ 51,101,009</u> | <u>14</u>  |  |                                   |  |   |
| 2020                 |   |                      |            |  |                                   |  |   |
| Type                 | Strategy  | NAV in Funds         | # of Funds | Remaining Life   | \$ Amount of Unfunded Commitments | Redemption Terms   | Redemption Restrictions   |
| Hedge funds          | Absolute return, diversified long/short, event-driven, multi-strategy | \$ 27,869,257        | 12         | Subject to the determination of the respective fund managers | N/A                               | 6 funds are monthly with a 10 to 30 days notice, 6 funds are quarterly with a 45 to 90 days notice | 1 fund has 25% investor level gates, 1 fund has 12 month lock up on purchases |
| Limited partnerships | Long/short equity and fixed income, event-driven                      | 8,093,667            | 1          | Subject to the determination of the respective fund managers | N/A                               | None   | N/A   |
| Limited partnerships | Private Equity  | 38,202               | 1          |  | N/A                               | None   | N/A   |
|                      |   | <u>\$ 36,001,126</u> | <u>14</u>  |  |                                   |  |   |

**NOTE 4 - PROGRAM-RELATED INVESTMENTS**

Program-related investments consist of bonds issued by another 501c3 organization that FJC acquired in November 2020. The bonds were originally issued with interest rates ranging from 2.79% - 3.05%. The

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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**March 31, 2021 and 2020**

agreement to acquire the bonds reduced the interest rate to 1% for 5 years with no principal payments. The bonds were purchased for \$9,491,520 with a present value discount of \$652,466, which represents the difference between the original interest rates at the time the bonds were issued and the current rate of 1% for the next five years. Expected future payments and amortization of the discount for each fiscal year are as follows:

|      | Interest<br>Payments | Amortization<br>of Discount |
|------|----------------------|-----------------------------|
| 2022 | \$ 96,199            | \$ 153,986                  |
| 2023 | 96,199               | 146,198                     |
| 2024 | 96,462               | 138,901                     |
| 2025 | 96,726               | 130,166                     |
| 2026 | 64,572               | 83,215                      |
|      | \$ 450,158           | \$ 652,466                  |

At March 31, 2021, the net balance of FJC's program-related investments was \$8,839,045.

**NOTE 5 - LOANS RECEIVABLE**

Loans receivable consist of interest-bearing loans to charitable organizations, at a variable interest rate, generally prime plus 3% (6.25% at March 31, 2021 and March 31, 2020), with varying maturities through August 2025. The loans are secured in whole or in part by assets of the borrowers. Certain loans receivable are also supported by personal guarantees on behalf of the borrowers.

The hypothecated account held by a private foundation includes treasuries, insured certificates of deposit and a money market fund (with fair values of approximately \$20,003,840 and \$32,162,655 at March 31, 2021 and 2020, respectively), to be used as collateral for the repayment of principal amounts in the event of default of any of the loans receivable. This amount is not recorded in the accompanying financial statements. This agreement remains in effect until October 1, 2022 and is renewable by mutual consent.

As of March 31, 2021 and 2020, the carrying value of loans receivable for which the fair value option was not elected was \$32,479,419 and \$35,697,033, respectively.

**NOTE 6 - BENEFICIAL INTEREST IN THIRD-PARTY TRUSTS**

During fiscal 2018, FJC was named as a beneficiary to irrevocable charitable lead trusts for which a pre-established payment stream was determined by the gift instrument. The present value of the related interest, using a discount factor of 2.32% and 1.30%, was estimated to be \$3,123,144 and \$3,516,374 as of March 31, 2021 and 2020, respectively. This beneficial interest in third-party trusts is reflected as net assets with donor restrictions on the accompanying statement of financial position. Such assets represent FJC's only net assets with donor restrictions on March 31, 2021 and 2020. FJC's net assets released from restrictions, which totaled \$191,979 and \$183,423 for the fiscal years ended March 31, 2021 and 2020, respectively, were related to payments received from such charitable lead trusts during the fiscal year.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

March 31, 2021 and 2020

**NOTE 7 - PROPERTY AND EQUIPMENT**

At each fiscal year-end, property and equipment consisted of the following at March 31, 2021:

|   |                  |
|---|------------------|
| Computer hardware                               | \$ 11,901        |
| Website   | <u>25,000</u>    |
|   | 36,901           |
| Less: accumulated depreciation and amortization | <u>(1,786)</u>   |
|   | <u>\$ 35,115</u> |

As of March 31, 2020, FJC has no undepreciated property and equipment.

**NOTE 8 - COMMITMENTS**

In January 2020, FJC extended the original lease agreement with the landlord until September 30, 2021. The lease calls for an initial annual payment of \$130,500, with annual escalations in minimum rent charged at 2%. At March 31, 2021, future minimum lease obligations payable through September 30, 2021 total \$78,450. Rent expense totaled approximately \$112,605 and \$93,782 for the years ended March 31, 2021 and 2020, respectively.

**NOTE 9 - FUNCTIONAL EXPENSES**

The costs, including depreciation and amortization expense, of providing FJC's various grants, programs and supporting services are summarized on a functional basis in the accompanying statement of activities. The schedules below present the natural classification detail of expenses by function. Accordingly, direct costs have been allocated to the program and supporting services based on the nature of each expense. Indirect expenses have been allocated on the basis of utilization of resources by each FJC department and by employee time allocations.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

March 31, 2021 and 2020

Total expenses by functional classification for the fiscal year ended March 31, 2021 were as follows:

|   | 2021                                       |                     |                      |                        |                  |                           |                      |
|---|--|---------------------|----------------------|------------------------|------------------|---------------------------|----------------------|
|   | Program Services                           |                     |                      | Supporting Services    |                  |                           |                      |
|   | Grants Made to Philanthropic Organizations | Program Expenses    | Total                | Management and General | Fundraising      | Total Supporting Services | Total                |
| Grants                                    | \$ 29,261,693                              | \$ -                | \$ 29,261,693        | \$ -                   | \$ -             | \$ -                      | \$ 29,261,693        |
| Salaries                                  | -  | 599,947             | 599,947              | 585,335                | 43,434           | 628,769                   | 1,228,716            |
| Employee benefits                         | -  | 118,214             | 118,214              | 158,335                | 8,314            | 166,649                   | 284,863              |
| Payroll taxes                             | -  | 38,047              | 38,047               | 38,129                 | 2,509            | 40,638                    | 78,685               |
| Professional fees                         | -  | -                   | -                    | 126,225                | 35,380           | 161,605                   | 161,605              |
| Pension plan contribution                 | -  | 15,877              | 15,877               | 17,150                 | 1,342            | 18,492                    | 34,369               |
| Office rent, utilities and internet       | -  | 118,301             | 118,301              | 29,574                 | -                | 29,574                    | 147,875              |
| Computer license and support              | -  | 110,299             | 110,299              | 28,326                 | -                | 28,326                    | 138,625              |
| Insurance                                 | -  | 12,904              | 12,904               | 18,633                 | -                | 18,633                    | 31,537               |
| Postage                                   | -  | 1,019               | 1,019                | 399                    | -                | 399                       | 1,418                |
| Equipment rental and maintenance          | -  | 2,398               | 2,398                | 800                    | -                | 800                       | 3,198                |
| Staff development, travel and hospitality | -  | 1,441               | 1,441                | 5,886                  | -                | 5,886                     | 7,327                |
| Subscription and membership fees          | -  | -                   | -                    | 2,161                  | -                | 2,161                     | 2,161                |
| Depreciation and amortization             | -  | -                   | -                    | 1,786                  | -                | 1,786                     | 1,786                |
| Miscellaneous expenses                    | -  | 24,994              | 24,994               | 35,358                 | 2,867            | 38,225                    | 63,219               |
|   | <u>\$ 29,261,693</u>                       | <u>\$ 1,043,441</u> | <u>\$ 30,305,134</u> | <u>\$ 1,048,097</u>    | <u>\$ 93,846</u> | <u>\$ 1,141,943</u>       | <u>\$ 31,447,077</u> |

Total expenses by functional classification for the fiscal year ended March 31, 2020 were as follows:

|   | 2020                                       |                     |                      |                        |                  |                           |                      |
|---|--|---------------------|----------------------|------------------------|------------------|---------------------------|----------------------|
|   | Program Services                           |                     |                      | Supporting Services    |                  |                           |                      |
|   | Grants Made to Philanthropic Organizations | Program Expenses    | Total                | Management and General | Fundraising      | Total Supporting Services | Total                |
| Grants                                    | \$ 35,627,951                              | \$ -                | \$ 35,627,951        | \$ -                   | \$ -             | \$ -                      | \$ 35,627,951        |
| Salaries                                  | -  | 649,565             | 649,565              | 312,555                | 12,180           | 324,735                   | 974,300              |
| Employee benefits                         | -  | 106,252             | 106,252              | 51,125                 | 1,992            | 53,117                    | 159,369              |
| Payroll taxes                             | -  | 47,894              | 47,894               | 23,045                 | 898              | 23,943                    | 71,837               |
| Professional fees                         | -  | 97,566              | 97,566               | 124,024                | -                | 124,024                   | 221,590              |
| Pension plan contribution                 | -  | 13,384              | 13,384               | 6,440                  | 251              | 6,691                     | 20,075               |
| Office rent, utilities and internet       | -  | 94,305              | 94,305               | 45,377                 | 1,768            | 47,145                    | 141,450              |
| Computer license and support              | -  | 89,090              | 89,090               | 43,347                 | 3,231            | 46,578                    | 135,668              |
| Insurance                                 | -  | 9,026               | 9,026                | 20,720                 | 169              | 20,889                    | 29,915               |
| Postage                                   | -  | 6,418               | 6,418                | -                      | -                | -                         | 6,418                |
| Equipment rental and maintenance          | -  | 2,269               | 2,269                | 1,092                  | 42               | 1,134                     | 3,403                |
| Staff development, travel and hospitality | -  | 3,987               | 3,987                | 3,987                  | -                | 3,987                     | 7,974                |
| Subscription and membership fees          | -  | 3,809               | 3,809                | 1,015                  | 255              | 1,270                     | 5,079                |
| Miscellaneous expenses                    | -  | 34,394              | 34,394               | 22,635                 | 1,140            | 23,775                    | 58,169               |
|   | <u>\$ 35,627,951</u>                       | <u>\$ 1,157,959</u> | <u>\$ 36,785,910</u> | <u>\$ 655,362</u>      | <u>\$ 21,926</u> | <u>\$ 677,288</u>         | <u>\$ 37,463,198</u> |

FJC

NOTES TO FINANCIAL STATEMENTS - CONTINUED

March 31, 2021 and 2020

**NOTE 10 - LIQUIDITY AND AVAILABILITY OF RESOURCES**

FJC's liquidity needs are based on multiple variables, some of which are known or anticipated cash operating needs, but also based on unpredictable donor activity. Known or anticipated cash operating needs generate from anticipated program, management and general, and fundraising related expenses as well as anticipated loan advances and maturities of FJC's Agency Loan Program. Donor activity, such as donor contributions and donor grant requests are unpredictable and may change from one period to the next. Therefore, FJC maintains a rolling twelve month of fixed income asset maturities to maintain cash liquidity needs while still maintaining maximum growth on FJC's investment portfolio and likewise maximizing donor advised fund assets. FJC monitors the liquidity needs of the organization and investment portfolio rebalancing on an ongoing basis.

FJC's financial assets available within one-year of the statement of financial position date for general expenditures are as follows as of March 31, 2021 and 2020, respectively:

|   | <u>2021</u>           | <u>2020</u>           |
|---|-----------------------|-----------------------|
| Cash  | \$ 1,518,286          | \$ 3,182,458          |
| Investments   | 313,743,068           | 244,342,457           |
| Loans receivable  | 10,824,881            | 2,313,852             |
| Accrued interest  | 294,202               | 240,756               |
| Beneficial interest in third-party trusts   | 201,392               | 191,979               |
| Other assets  | <u>1,466,143</u>      | <u>84,851</u>         |
|   | <u>328,047,972</u>    | <u>250,356,353</u>    |
| Less:   |                       |                       |
| Assets held for others  | <u>42,491,281</u>     | <u>35,024,426</u>     |
|   |                       |                       |
| Total financial assets available to management for general<br>expenditure before amounts subject to the Board's<br>approval | 285,556,691           | 215,331,927           |
| Less:   |                       |                       |
| Amounts unavailable to management without Board approval  |                       |                       |
| Board-designated fund   | <u>30,204,934</u>     | <u>23,678,199</u>     |
|   |                       |                       |
| Total financial assets available within one year  | <u>\$ 255,351,757</u> | <u>\$ 191,653,728</u> |

SUPPLEMENTARY INFORMATION

FJC

SCHEDULE OF FINANCIAL POSITION FOR AGENCY LOAN FUNDS

As of March 31, 2021

**ASSETS**

|                  |                      |
|------------------|----------------------|
| Investments      | \$ 35,404,666        |
| Loans receivable | 31,796,159           |
| Accrued interest | <u>251,584</u>       |
| Total assets     | <u>67,452,409</u>    |
| Net assets       | <u>\$ 67,452,409</u> |

FJC

SCHEDULE OF ACTIVITIES FOR AGENCY LOAN FUNDS

For the year ended March 31, 2021

**ADDITIONS**

|                           |                   |
|---------------------------|-------------------|
| Agency loan fund earnings | \$ 2,166,314      |
| Other additions           | <u>11,020,868</u> |
| Total additions           | 13,187,182        |

**DEDUCTIONS**

|                         |                   |
|-------------------------|-------------------|
| Credit enhancement fund | 182,140           |
| Other deductions        | <u>10,298,357</u> |
| Total deductions        | 10,480,497        |

Net change 2,706,685

Agency loan funds, beginning of year 64,745,725

Agency loan funds, end of year \$ 67,452,410