

EISNERAMPER

THE PARKER FOUNDATION

FINANCIAL STATEMENTS

SEPTEMBER 30, 2022 and 2021



THE PARKER FOUNDATION

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Parker Foundation

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of The Parker Foundation (the "Foundation"), which comprise the statement of financial position as of September 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Parker Foundation as of September 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

The financial statements of the Foundation for the year ended September 30, 2021, were audited by another auditor who expressed an unmodified opinion on those statements on April 13, 2022.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal controls. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The statement of financial position by fund and statement of activities by fund on pages 21 – 22 are 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.

EisnerAmper LLP

EISNERAMPER LLP
La Jolla, California
May 18, 2023



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THE PARKER FOUNDATION

Statements of Financial Position

	September 30,	
	2022	2021
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 344,404	\$ 502,703
Accrued interest and dividends	17,959	7,296
Prepaid expenses and other assets	17,660	23,421
Current portion of loan receivable	-	6,372
	380,023	539,792
Total current assets		
Investments	38,840,312	48,924,770
Note receivable	250,000	250,000
	\$ 39,470,335	\$ 49,714,562
Total assets		
LIABILITIES AND NET ASSETS		
Liabilities:		
Accrued expenses	\$ 36,564	\$ 70,559
Grant payable	-	20,000
	36,564	90,559
Total liabilities		
Net assets:		
Without donor restrictions	39,433,771	49,624,003
	\$ 39,470,335	\$ 49,714,562
Total liabilities and net assets		

See accompanying notes to financial statements.

THE PARKER FOUNDATION

Statements of Activities

	September 30,	
	<u>2022</u>	<u>2021</u>
Net investment income:		
Interest and dividends	\$ 849,848	\$ 691,640
Capital gain dividends	1,609,584	634,952
Partnership income	816,987	1,282,408
Realized gain on sale of investments	163,447	1,970,850
Unrealized (loss) gain on investments	(11,568,872)	5,384,284
Other income	1,226	1,750
Advisory and investment fees	(103,433)	(122,656)
Custodian fees	(15,052)	(16,218)
Investment interest expense	(6,952)	-
	<u>(8,253,217)</u>	<u>9,827,010</u>
Expenses:		
Program operations	1,801,479	2,089,899
Management and general	135,536	157,666
	<u>1,937,015</u>	<u>2,247,565</u>
Change in net assets without donor restrictions	(10,190,232)	7,579,445
Net assets without donor restriction, beginning	<u>49,624,003</u>	<u>42,044,558</u>
Net assets without donor restriction, ending	<u>\$ 39,433,771</u>	<u>\$ 49,624,003</u>

See accompanying notes to financial statements.

THE PARKER FOUNDATION

Statements of Cash Flows

	September 30,	
	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ (10,190,232)	\$ 7,579,445
Adjustments to reconcile change in net assets to net cash flows provided by (used in) operating activities:		
Partnership income	(816,987)	(1,282,408)
Realized gain on sale of investments	(163,447)	(1,970,850)
Unrealized loss (gain) on investments	11,568,872	(5,384,284)
Change in assets and liabilities:		
(Increase) decrease in:		
Accrued interest and dividends	(10,663)	(1,774)
Prepaid expenses and other assets	5,761	13,003
(Decrease) increase in:		
Accrued expenses	(33,995)	21,574
Grant payable	(20,000)	20,000
Net cash flows provided by (used in) operating activities	<u>339,309</u>	<u>(1,005,294)</u>
Cash flows from investment activities:		
Collections on loan receivable	6,372	15,946
Purchases of investments	(11,526,967)	(22,407,701)
Proceeds from sale of investments	9,782,433	20,311,099
Cash distributions from investment partnerships	1,240,554	3,448,404
Net cash flows (used in) provided by investing activities	<u>(497,608)</u>	<u>1,367,748</u>
Net change in cash and cash equivalents	<u>(158,299)</u>	<u>362,454</u>
Cash and cash equivalents:		
Beginning	<u>502,703</u>	<u>140,249</u>
Ending	<u>\$ 344,404</u>	<u>\$ 502,703</u>
Supplemental disclosure of cash flow information:		
Cash paid for Federal excise tax	<u>\$ 32,000</u>	<u>\$ 73,981</u>

See accompanying notes to financial statements.

THE PARKER FOUNDATION

Notes to Financial Statements September 30, 2022 and 2021

NOTE A - ORGANIZATION AND NATURE OF ACTIVITIES

The Parker Foundation (the "Foundation") is an independent, private foundation and California non-profit corporation incorporated in 1971. The Foundation provides grants to charitable organizations operating in San Diego County, with the goal of bettering the lives of San Diego County residents. Grants cover a broad range of organizations and services, with special consideration given to matching or challenge grants. Individuals are not eligible to receive grants.

The assets of the Foundation are denoted as either the Parker Fund, originally created by a gift from Gerald and Inez Grant Parker, or the Dempster-Larsen Fund, created by a subsequent separate gift to the Foundation. This separate gift was without donor restrictions; however, the decision was made to report it separately from the Parker Fund for grant-making purposes only, allowing the Board of Directors (the "Board") to specifically award grants in support of the arts, an interest of the benefactor. When the Dempster-Larsen Fund was created, it represented 4.76% of the total assets of the Foundation; therefore, all investments made with the subsequent earnings on the entire fund are allocated between the Parker and Dempster-Larsen Funds in this same ratio. Allocated investments not specifically held in the Dempster-Larsen Fund are shown as Due (To) From Related Fund in the supplementary statement of financial position by fund.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER INFORMATION

[1] Basis of accounting:

The Foundation's financial statements have been prepared using the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America ("U.S. GAAP"), as applicable to not-for-profit organizations.

[2] Use of estimates:

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets, liabilities, revenue and expenses, as well as, the disclosure of contingent assets and liabilities. Accordingly, actual results could differ from those estimates.

[3] Fair value of financial instruments:

The Foundation's financial instruments consist principally of cash and cash equivalents, accrued interest and dividends, loan receivable, investments, note receivable, accrued expenses and grant payable. The fair value of a financial instrument is the amount that would be received in an asset sale or paid to transfer a liability in an orderly transaction between unaffiliated market participants. Assets and liabilities measured at fair value are categorized based on whether the inputs are observable in the market and the degree that the inputs are observable.

[4] Concentration of market risk:

The Foundation invests the corpus of the Foundation and its excess cash in various types of investments. The Foundation has established guidelines relative to diversification and maturities that maximize safety and liquidity. These guidelines are periodically reviewed with the Foundation's investment professionals. All investments are subject to fluctuations due to market conditions.

THE PARKER FOUNDATION

Notes to Financial Statements September 30, 2022 and 2021

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER INFORMATION (CONTINUED)

[5] Concentration of credit risk arising from cash deposits in excess of insured limits:

The Foundation maintains its cash balances at one financial institution. As of September 30, 2022 and 2021, accounts at this institution are insured to the extent provided by the Federal Deposit Insurance Corporation. The Foundation's uninsured cash balances totaled \$94,404 and \$252,703 at September 30, 2022 and 2021, respectively. The Foundation has not experienced any losses on these accounts and does not believe it is exposed to any significant credit risk with respect to cash and cash equivalents.

[6] Cash and cash equivalents:

Cash and cash equivalents include highly liquid investments with an initial maturity of three months or less. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

[7] Investments:

The Foundation records its corporate securities, mutual funds, partnership interests, and alternative investments at fair value. The fair value of investments in securities traded on national security exchanges is based on the closing price on the last business day of the fiscal year. Investments which are not publicly traded consist primarily of alternative investments in hedge funds and private equity investments and are recorded at the Foundation's net equity position as reported by each respective fund at the valuation date. When provided by the fund, the Foundation uses Net Asset Value ("NAV") to determine the fair value of 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. Depending on the underlying assets, NAV is determined by the underlying asset's manager through national exchange prices for securities with a readily determinable value or valuations and estimates.

Investment transactions are recorded on a trade-date basis. Dividend income is recorded as of the ex-dividend date and interest income is recorded as earned using the accrual basis. Realized gains or losses on the sale of share or unit-based investments are calculated using the average cost. Unrealized gains and losses represent the change in the fair market value of the individual investments for the year, or since the acquisition date if acquired during the year, and are recorded as a component of net assets without donor restrictions. Marketable securities included in investments (see Note D) are held jointly by the Parker Fund and the Dempster-Larsen Fund. Net gain or loss on sale of the securities is recognized on a proportionate basis based upon the fund allocation percentage of these securities.

[8] Net assets:

These financial statements have been prepared to focus on the Foundation as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. These net assets may be used at the discretion of the Foundation's management and the Board.

Net assets with donor restrictions: Net assets that are subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates those resources be maintained in perpetuity. As of September 30, 2022 and 2021, the Foundation had no net assets with donor restrictions.

THE PARKER FOUNDATION

Notes to Financial Statements September 30, 2022 and 2021

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER INFORMATION (CONTINUED)

[9] Grants:

Grant expenditures are recognized in the period the grant is approved and communicated to the recipients, provided the grant is not subject to future conditions. Conditional grants are recognized as grant expense and as a grant payable in the period in which the recipient meets the terms of the conditions. Grants expense is shown net of grants that have been repaid to the Foundation from grant recipients. Repayments of grants previously disbursed may be required by the Foundation's Board if a change in the use or purpose of the grants is not acceptable to the Board. Grants payable that are expected to be paid in future years are recorded at the net present value of expected future payments discounted using a risk adjusted rate at each grant date for a commensurate period. There was no discount on grant payable as of September 30, 2022 and 2021.

[10] Income taxes:

The Foundation is generally exempt from income taxes as an organization described in Section 501(c)(3) of the U.S. Internal Revenue Code ("Tax Code") and comparable statutes of the state of California. The Tax Code imposes an excise tax of 1.39% on net investment income of private foundations including realized gains. Federal excise tax expense for the years ended September 30, 2022 and 2021 was \$66,420 and \$63,813, respectively. At September 30, 2022 and 2021, the Foundation had federal excise tax payable of \$0 and \$2,580, respectively. Tax payable is recorded in accrued expenses in the statements of financial position. Income from certain activities not directly related to the Foundation's tax-exempt purpose is subject to taxation as unrelated business income. There was \$0 and \$63,886 of unrelated business income tax for the years ended September 30, 2022 and 2021, respectively. At September 30, 2022 and 2021, the Foundation had prepaid federal unrelated business income taxes of \$0 and \$7,593, respectively. Prepaid unrelated business income tax is recorded in prepaid expenses and other assets in the statements of financial position. At September 30, 2022 and 2021, the Foundation had state unrelated business income tax payable of \$0 and \$3,120, respectively. The Tax Code also requires the Foundation to make certain minimum distributions in an amount equal to 5% of the average fair value of its non-charitable use assets held during the year. The calculation of the minimum distribution is performed annually.

In accordance with FASB ASC 740, *Accounting for Uncertainty in Income Taxes*, the Foundation evaluates annually any uncertain tax positions taken or expected to be taken in a tax return by applying a threshold of more likely than not for recognition. Management evaluated its tax positions and determined that it has no uncertain tax positions at September 30, 2022 and 2021. There have been no related tax penalties or interest which would be classified as tax expense in the statements of activities.

[11] Functional expenses:

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expense by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on estimates of management. Grants, accounting and audit, 50th anniversary initiative, federal excise, state and foreign taxes, and filing fees are based on use of expense. All other expenses are allocated based on time and effort.

THE PARKER FOUNDATION

Notes to Financial Statements September 30, 2022 and 2021

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER INFORMATION (CONTINUED)

[12] Allocation of expenses:

Beginning in 1993, all expenses between the Parker Fund and the Dempster-Larsen Fund have been allocated based on the relative year-end fund balances. For the year ended September 30, 2022, the percentages used for allocation between the Parker Fund and the Dempster-Larsen Fund were approximately 85.47% and 14.53%, respectively. For the year ended September 30, 2021, the percentages used for allocation between the Parker Fund and the Dempster-Larsen Fund were approximately 85.27% and 14.73%, respectively. The amount of Dempster-Larsen Fund grants is based on grants designated by the Board as such. For the years ended September 30, 2022 and 2021, the percentage of Dempster-Larsen Fund grants to total grants was approximately 21.51% and 26.12%, respectively.

[13] Subsequent events:

The Foundation evaluated subsequent events April 20, 2023, the date on which the financial statements were available to be issued. With the exception of the matter discussed in Note K, there were no material subsequent events that required recognition or disclosure in the financial statements.

NOTE C - AVAILABILITY AND LIQUIDITY OF FINANCIAL ASSETS

The following represents the Foundation's financial assets:

	September 30,	
	2022	2021
Financial assets at year-end:		
Cash and cash equivalents	\$ 344,404	\$ 502,703
Accrued interest and dividends	17,959	7,296
Investments	38,840,312	48,924,770
Loan receivable	-	6,372
Note receivable	250,000	250,000
	39,452,675	49,691,141
Less: amounts not available to be used within one year:		
Investments	(7,760,597)	(8,672,975)
Note receivable	(250,000)	(250,000)
Financial assets available to meet general expenditures over the next twelve months	\$ 31,442,078	\$ 40,768,166

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Foundation maintains cash and cash equivalents and investments available to be used within twelve months which account for 79.61% and 81.98% of total assets for the years ended September 30, 2022 and 2021, respectively, to help manage unanticipated liquidity needs. Investments may be sold to help manage unanticipated liquidity needs; however, it is the Foundation's intent to retain its investments. Accrued interest and dividends are subject to implied time restrictions but are expected to be collected within one year, excluding the accrued interest on note receivable.

THE PARKER FOUNDATION

Notes to Financial Statements September 30, 2022 and 2021

NOTE D - ANALYSIS OF INVESTMENTS

The Foundation's investments consisted of the following at September 30, 2022:

	<u>Carrying Value</u>	<u>Market Value</u>
Corporate securities	\$ 2,639,056	\$ 2,638,247
Mutual funds:		
Domestic equity	7,795,340	7,783,192
International equity	12,507,567	13,053,435
Fixed income	<u>9,215,044</u>	<u>7,604,841</u>
Total mutual funds	29,517,951	28,441,468
Investment in limited partnerships:		
Domestic equity	852,899	451,331
Other	<u>6,179,730</u>	<u>7,130,399</u>
Total investment in limited partnerships	7,032,629	7,581,730
Partnership interests and hedge funds valued at NAV	<u>124,010</u>	<u>178,867</u>
Total	<u>\$ 39,313,646</u>	<u>\$ 38,840,312</u>

The Foundation's investments consisted of the following at September 30, 2021:

	<u>Carrying Value</u>	<u>Market Value</u>
Corporate securities	\$ 2,806,819	\$ 4,656,839
Mutual funds:		
Domestic equity	7,134,274	9,313,783
International equity	12,325,815	17,333,272
Fixed income	<u>8,899,767</u>	<u>8,947,901</u>
Total mutual funds	28,359,856	35,594,956
Investment in limited partnerships:		
Domestic equity	708,796	1,236,346
Other	<u>5,859,502</u>	<u>7,076,215</u>
Total investment in limited partnerships	6,568,298	8,312,561
Partnership interests and hedge funds valued at NAV	<u>94,259</u>	<u>360,414</u>
Total	<u>\$ 37,829,232</u>	<u>\$ 48,924,770</u>

THE PARKER FOUNDATION

Notes to Financial Statements September 30, 2022 and 2021

NOTE D - ANALYSIS OF INVESTMENTS (CONTINUED)

The relationship between carrying values and market values of investments for the years ended September 30, 2022 and 2021 is summarized as follows:

	<u>Carrying Value</u>	<u>Market Value</u>	<u>Excess of Market Value Under Carrying Value</u>
Balance, September 30, 2022	\$ 39,313,646	\$ 38,840,312	\$ (473,334)
Balance, September 30, 2021	\$ 37,829,232	\$ 48,924,770	\$ 11,095,538
Unrealized loss			<u>\$ (11,568,872)</u>

Detailed information regarding the Foundation's investments in limited partnerships valued at their net equity position are as follows:

In January 2003, funds were used to purchase a domestic equity partnership known as Frontier Mid Cap Growth Fund, LP. These funds are managed and accounted for by Frontier Capital Management Co., LLC ("Frontier"). Frontier prepares monthly statements detailing fund assets, performance, and partnership balances. In addition, Frontier provides calendar year audited financial statements annually. Other than investment management fees, no expenditures or grants are paid out of the investment partnership.

On March 18, 2008, funds were used to purchase a joint investment partnership known as Montauk TriGuard Fund IV LP. These funds are managed and accounted for by TriGuard Management LLC ("TriGuard"). TriGuard prepares quarterly statements detailing fund assets, performance, and partnership balances. In addition, TriGuard provides calendar year audited financial statements annually. Other than investment management fees, no expenditures or grants are paid out of the investment partnership.

On July 1, 2011, funds were used to purchase a joint investment partnership known as Montauk TriGuard Fund V LP. These funds are managed and accounted for by TriGuard. TriGuard prepares quarterly statements detailing fund assets, performance, and partnership balances. In addition, TriGuard provides calendar year audited financial statements annually. Other than investment management fees, no expenditures or grants are paid out of the investment partnership.

On June 30, 2014, funds were used to purchase a joint investment partnership known as Montauk TriGuard Fund VI LP. These funds are managed and accounted for by TriGuard. TriGuard prepares quarterly statements detailing fund assets, performance, and partnership balances. In addition, TriGuard provides calendar year audited financial statements annually. Other than investment management fees, no expenditures or grants are paid out of the investment partnership.

On February 3, 2016, funds were used to purchase a joint investment partnership known as Rialto Real Estate Fund III-Debt, LP and Rialto Real Estate Fund III-Property, LP. These funds are managed and accounted for by Rialto Capital Management ("Rialto"). Rialto prepares quarterly statements detailing fund assets, performance, and partnership balances. In addition, Rialto provides calendar year audited financial statements annually. Other than investment management fees, no expenditures or grants are paid out of the investment partnership.

On June 11, 2018, funds were used to purchase a joint investment partnership known as Silver Lake Partners V, LP. These funds are managed and accounted for by Brown Advisory, LLC ("Brown Advisory"). Brown Advisory prepares quarterly statements detailing fund assets, performance, and partnership balances. In addition, Brown Advisory provides calendar year audited financial statements annually. Other than investment management fees, no expenditures or grants are paid out of the investment partnership.

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Notes to Financial Statements September 30, 2022 and 2021

NOTE D - ANALYSIS OF INVESTMENTS (CONTINUED)

On November 29, 2017, funds were used to purchase a joint investment partnership known as New Mountain Partners V, LP ("New Mountain"). These funds are managed and accounted for by New Mountain. New Mountain prepares quarterly statements detailing fund assets, performance, and partnership balances. In addition, New Mountain provides calendar year audited financial statements annually. Other than investment management fees, no expenditures or grants are paid out of the investment partnership.

On June 15, 2018, funds were used to purchase a joint investment partnership known as Centerbridge Partners Real Estate Fund, LP ("Centerbridge"). These funds are managed and accounted for by Centerbridge. Centerbridge prepares quarterly statements detailing fund assets, performance, and partnership balances. In addition, Centerbridge provides calendar year audited financial statements annually. Other than investment management fees, no expenditures or grants are paid out of the investment partnership.

On April 23, 2019, funds were used to purchase a joint investment partnership known as Canterbury Consulting SPFS Fund VIII. These funds are managed and accounted for by Canterbury Consulting GP I, LLC ("Canterbury"). Canterbury prepares quarterly statements detailing fund assets, performance, and partnership balances. In addition, Canterbury provides calendar year audited financial statements annually. Other than investment management fees, no expenditures or grants are paid out of the investment partnership.

On August 13, 2020, funds were used to purchase a joint investment partnership known as The CCI Core Bond Fund, LP ("CCI Core Bond"). These funds are managed and accounted for by CCI Core Bond. CCI Core Bond prepares quarterly statements detailing fund assets, performance, and partnership balances. In addition, CCI Core Bond provides calendar year audited financial statements annually. Other than investment management fees, no expenditures or grants are paid out of the investment partnership.

On January 6, 2021, funds were used to purchase a joint investment partnership known as Silver Lake Partners VI, LP. These funds are managed and accounted for by Silver Lake Group, LLC ("Silver Lake"). Silver Lake prepares quarterly statements detailing fund assets, performance, and partnership balances. In addition, Silver Lake provides calendar year audited financial statements annually. Other than investment management fees, no expenditures or grants are paid out of the investment partnership.

On March 10, 2021, funds were used to purchase a joint investment partnership known as New Mountain Partners VI, LP ("New Mountain VI"). These funds are managed and accounted for by New Mountain VI. New Mountain VI prepares quarterly statements detailing fund assets, performance, and partnership balances. In addition, New Mountain VI provides calendar year audited financial statements annually. Other than investment management fees, no expenditures or grants are paid out of the investment partnership.

On December 3, 2021, funds were used to purchase a joint investment partnership known as Vance Street Capital III, LP. These funds are managed and accounted for by Vance Street Capital III. Vance Street Capital III prepares quarterly statements detailing fund assets, performance, and partnership balances. In addition, Vance Street Capital III provides calendar year audited financial statements annually. Other than investment management fees, no expenditures or grants are paid out of the investment partnership.

On July 1, 2022, funds were used to purchase a joint investment partnership known as Canterbury Consulting PC Fund II (B), LP. These funds are managed and accounted for by Canterbury Consulting GP I, LLC ("Canterbury"). Canterbury prepares quarterly statements detailing fund assets, performance, and partnership balances. In addition, Canterbury provides calendar year audited financial statements annually. Other than investment management fees, no expenditures or grants are paid out of the investment partnership.

For further details on all alternative investments whose fair value is estimated using NAV, see Note F.

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Notes to Financial Statements September 30, 2022 and 2021

NOTE E - FAIR VALUE MEASUREMENTS

FASB ASC 820, *Fair Value Measurement*, defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The provisions of FASB ASC 820 establish a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs by requiring that observable inputs be used when available. The three-level hierarchy for fair value measurements is defined as follows:

Level 1: Quoted prices for identical assets or liabilities in active markets as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data. May include quoted prices in a market that is not active.

Level 3: Unobservable inputs that cannot be corroborated by market data. These inputs reflect management's best estimate of fair value using its own assumptions about the assumptions a market participant would use in pricing the asset or liability.

The Foundation endeavors to utilize the best available information in measuring fair value. Investments are reported at fair value and assigned a fair value hierarchy based on the inputs to valuation techniques used to measure fair value. The Foundation measures fair value at the price that would be received upon sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value is based on quoted market prices, except for alternative investments for which quoted market prices are not available. Investments in limited partnerships and alternative investments are less liquid than the Foundation's other investments.

Marketable securities, including publicly traded investments such as corporate securities, mutual funds and exchange traded funds that trade on an active exchange, are classified within Level 1 because they are valued using quoted market prices.

The investments in limited partnerships and alternative investments are valued at the Foundation's net equity position as reported by each respective fund at the valuation date. When provided by the fund manager, the investment funds are valued at NAV as a practical expedient to measuring fair value and are not required to be classified within the fair value hierarchy. For the investments valued at the Foundation's net equity position, in which NAV is not provided by the fund manager, the fair value measurement classifications are based on the Foundation's ability to redeem the investments as of the measurement date and the underlying investments. If a Fund's underlying investments are classified at Level 1 or 2 and the investment can be redeemed at the Foundation's net equity position (or its equivalent) as of the measurement date or can be redeemed within the near term, they are classified as Level 2. If the Foundation does not have the ability to redeem the investment in the near term or does not have the ability to redeem the investment, and thereby does not know when the investment can be redeemed, they are categorized as Level 3.

THE PARKER FOUNDATION

Notes to Financial Statements September 30, 2022 and 2021

NOTE E - FAIR VALUE MEASUREMENTS (CONTINUED)

The following tables summarize the Foundation's assets carried at fair value within the FASB ASC 820 fair value hierarchy levels as of September 30, 2022:

Assets at Fair Value as of September 30, 2022

Description	Unadjusted Quoted Prices (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Balance as of September 30, 2022
Investments:				
Corporate securities	\$ 2,638,247	\$ -	\$ -	\$ 2,638,247
Mutual funds:				
Domestic equity	7,783,192	-	-	7,783,192
International equity	13,053,435	-	-	13,053,435
Fixed income	<u>7,604,841</u>	<u>-</u>	<u>-</u>	<u>7,604,841</u>
Total mutual funds	<u>28,441,468</u>	<u>-</u>	<u>-</u>	<u>28,441,468</u>
Investment in limited partnerships:				
Domestic equity	-	451,331	-	451,331
Other	<u>-</u>	<u>-</u>	7,130,399	<u>7,130,399</u>
Total investment in limited partnerships	<u>-</u>	<u>451,331</u>	<u>7,130,399</u>	<u>7,581,730</u>
Funds valued at NAV * (Note F)	<u>-</u>	<u>-</u>	<u>-</u>	<u>178,867</u>
Total	<u>\$ 31,079,715</u>	<u>\$ 451,331</u>	<u>\$ 7,130,399</u>	<u>\$ 38,840,312</u>

* Certain investments measured at fair value using the NAV per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

For the years ended September 30, 2022 and 2021, purchases of Level 3 investments were \$855,592 and \$699,829, distributions of Level 3 investments were (\$523,751) and (\$548,686), and net realized and unrealized (losses)/gains were (\$277,657) and \$885,456, respectively. No investments were transferred out of or into Level 3.

THE PARKER FOUNDATION

Notes to Financial Statements September 30, 2022 and 2021

NOTE E - FAIR VALUE MEASUREMENTS (CONTINUED)

The following table summarizes the Foundation's assets and liabilities carried at fair value within the FASB ASC 820 fair value hierarchy as of September 30, 2021:

Assets at Fair Value as of September 30, 2021

Description	Unadjusted Quoted Prices (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Balance as of September 30, 2021
Investments:				
Corporate securities	\$ 4,656,839	\$ -	\$ -	\$ 4,656,839
Mutual funds				
Domestic equity	9,313,783	-	-	9,313,783
International equity	17,333,272	-	-	17,333,272
Fixed income	8,947,901	-	-	8,947,901
Total mutual funds	35,594,956	-	-	35,594,956
Investment in limited partnerships:				
Domestic equity	-	1,236,346	-	1,236,346
Other	-	-	7,076,215	7,076,215
Total investment in limited partnerships	-	1,236,346	7,076,215	8,312,561
Funds valued at NAV * (Note F)	-	-	-	360,414
Total	\$ 40,251,795	\$ 1,236,346	\$ 7,076,215	\$ 48,924,770

Liabilities at Fair Value as of September 30, 2021

Description	Unadjusted Quoted Prices (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Balance as of September 30, 2021
Grant payable	\$ -	\$ -	\$ 20,000	\$ 20,000

THE PARKER FOUNDATION

Notes to Financial Statements September 30, 2022 and 2021

NOTE F - INVESTMENTS IN INVESTMENT FUNDS

Due to the liquidity limitations of the Foundation's investments in the investment funds and the inherent uncertainty of the valuation of certain investments held by certain investment funds, the values that the respective investment managers have ascribed to their investment funds may differ from the values that would have been used had a ready market existed. Such values may not necessarily represent amounts that will be ultimately realized in the near term through distribution, sale or liquidation of the investment.

The Foundation's investments in the investment funds are subject to the market and credit risk of those financial instruments held or sold short by the investment funds. The investment funds in which the Foundation invests utilize a variety of financial instruments in their trading strategies, which contain varying degrees of off-balance-sheet risk. The Foundation's risk of loss related to any one investment fund is generally limited to its investment in that fund.

The following table discloses the fair value and redemption frequency for those assets whose fair value is estimated using NAV as of September 30, 2022:

Investment	Percentage of Net Assets	NAV	Unfunded Commitment	Redemption Notice Period	Permitted
AG Super Fund, L.P. (a)	0.42%	\$ 164,461	\$ -	60 days	Annually
AG Realty Fund VIII (b)	0.04%	14,406	154,179	60 days	Annually
Total	0.45%	\$ 178,867	\$ 154,179		

- (a) AG Super Fund, L.P. is a joint investment partnership whose funds are managed and accounted for by Angelo, Gordon & Co., L.P. ("Angelo"). Angelo prepares monthly statements detailing fund assets, performance, and partnership balances. In addition, Angelo provides calendar year audited financial statements annually. The partnership engages in various investment strategies, including investments in distressed corporate securities, convertible hedging, residential and consumer debt, real estate debt, merger arbitrage, real estate and private equity. Other than investment management fees, no expenditures or grants are paid out of the investment partnership.
- (b) AG Realty Fund VIII is a joint investment partnership whose funds are managed and accounted for by Angelo. Angelo prepares monthly statements detailing fund assets, performance, and partnership balances. In addition, Angelo provides calendar year audited financial statements annually. The partnership's principal objective is capital appreciation primarily through investments in distressed real assets and sub-performing and non-performing mortgages. Other than investment management fees, no expenditures or grants are paid out of the investment partnership.

THE PARKER FOUNDATION

Notes to Financial Statements September 30, 2022 and 2021

NOTE F - INVESTMENTS IN INVESTMENT FUNDS (CONTINUED)

The following provides information on the valuation techniques and nature of significant unobservable inputs used to determine the value of the Level 3 assets:

Investment	Valuation Technique	Fair Value at June 30, 2022	Unobservable Inputs	Range of Inputs
CCI Core Bond	Market approach	\$2,614,548	Expected recovery	N/A
New Mountain Partners V, LP	Market approach	858,044	Expected recovery	N/A
Centerbridge	Market approach	601,516	Expected recovery	N/A
Canterbury Consulting SPFS Fund VIII	Market approach	584,392	Expected recovery	N/A
Silver Lake Partners VI, LP	Market approach	581,154	Expected recovery	N/A
Silver Lake Partners V, LP	Market approach	438,246	Expected recovery	N/A
Rialto Real Estate Fund III-Debt, LP	Market approach	399,890	Expected recovery	N/A
Vance Street Capital III, LP	Market approach	272,591	Expected recovery	N/A
New Mountain	Market approach	255,905	Expected recovery	N/A
Rialto Real Estate Fund III-Debt, LP	Market approach	163,919	Expected recovery	N/A
Montauk TriGuard Fund VI, LP	Market approach	142,318	Expected recovery	N/A
Montauk TriGuard Fund V, LP	Market approach	100,804	Expected recovery	N/A
Montauk TriGuard Fund IV, LP	Market approach	67,072	Expected recovery	N/A
Canterbury Consulting PC Fund II (B), LP	Market approach	50,000	Expected recovery	N/A
Total		\$7,130,399		

NOTE G - NOTE RECEIVABLE

In June 2019, the Foundation issued a non-recourse investment note for \$250,000 to MDF Fund I, LP, a California limited partnership. The note matures in January 2024. Commencing in June 2019 and until the indebtedness is paid in full, the principal amount shall bear simple interest at the rate of 2%. Principal and interest payments are due at the maturity date and the note can be repaid at any time without premium or penalty. Interest payments on the note have been made annually. Interest income for the years ended September 30, 2022 and 2021 was \$5,000.

THE PARKER FOUNDATION

Notes to Financial Statements September 30, 2022 and 2021

NOTE H - MINIMUM DISTRIBUTION REQUIREMENT

The Board, on an annual basis, determines a grant budget that is intended to equal or exceed the minimum distribution requirement of the Tax Code applicable to that fiscal year. The Code requires that certain minimum distributions be made in accordance with a specified formula. The Foundation had \$495,881 of excess distributions as of September 30, 2021. During the year ended September 30, 2022, the Foundation used \$375,478 of the excess distribution carryover. As of September 30, 2022, the Foundation has an excess distribution carryover of \$120,403 available for future years. Excess distribution carryovers are limited to a five-year period. Specific amounts by year are as follows:

	Excess Distribution Carryover
Excess from September 30, 2018	\$ -
Excess from September 30, 2019	120,403
Excess from September 30, 2020	-
Excess from September 30, 2021	-
Excess from September 30, 2022	-
Total	<u>\$ 120,403</u>

NOTE I - COMMITMENTS

In March 2008, the Foundation signed a funding commitment of \$1,000,000 with the Montauk TriGuard Fund IV, to be drawn-down on an as-needed basis, as determined by Montauk TriGuard Fund's General Partner. The Foundation's remaining unpaid commitment at September 30, 2022 is \$90,000.

In February 2011, the Board voted to commit \$500,000 to an investment in Montauk TriGuard Fund V, subject to capital calls over approximately four years. The Foundation's unfunded commitment at September 30, 2022 is \$115,000.

In June 2014, the Foundation signed a funding commitment of \$750,000 with Montauk TriGuard Fund VI, to be drawn-down on an as-needed basis, as determined by Montauk TriGuard Fund's General Partner. The Foundation's remaining unpaid commitment at September 30, 2022 is \$157,500.

In November 2017, the Foundation signed a funding commitment of \$500,000 with New Mountain, to be drawn-down on an as-needed basis, as determined by New Mountain's General Partner. The Foundation's remaining unpaid commitment at September 30, 2022 is \$45,668.

In June 2018, the Foundation signed a funding commitment of \$380,742 with Brown Advisory, to be drawn-down on an as-needed basis, as determined by Brown Advisory Fund's General Partner. The Foundation's remaining unpaid commitment at September 30, 2022 is \$13,634.

In June 2018, the Foundation signed a funding commitment of \$500,000 with Centerbridge, to be drawn-down on an as-needed basis, as determined by Centerbridge's General Partner. The Foundation's remaining unpaid commitment at September 30, 2022 is \$161,831.

THE PARKER FOUNDATION

Notes to Financial Statements September 30, 2022 and 2021

NOTE I - COMMITMENTS (CONTINUED)

In April 2019, the Foundation signed a funding commitment of \$750,000 with Canterbury, to be drawn-down on an as-needed basis, as determined by Canterbury's General Partner. The Foundation's remaining unpaid commitment at September 30, 2022 is \$448,653.

In May 2020, the Foundation signed a funding commitment of \$500,000 with New Mountain VI, to be drawn-down on an as-needed basis, as determined by New Mountain VI's General Partner. The Foundation's remaining unpaid commitment at September 30, 2022 is \$253,072.

In June 2020, the Foundation signed a funding commitment of \$1,000,000 with Silver Lake, to be drawn-down on an as-needed basis, as determined by Silver Lake's General Partner. The Foundation's remaining unpaid commitment at September 30, 2022 is \$277,583.

In July 2021, the Foundation signed a funding commitment of \$500,000 with Vance Street Capital III, LP, to be drawn-down on an as-needed basis, as determined by Vance Street Capital III, LP's General Partner. The Foundation's remaining unpaid commitment at September 30, 2022 is \$244,523.

In July 2021, the Foundation signed a funding commitment of \$1,000,000 with Canterbury Consulting PC Fund II (B), LP, to be drawn-down on an as-needed basis, as determined by Canterbury Consulting GP I, LLC, LP's General Partner. The Foundation's remaining unpaid commitment at September 30, 2022 is \$950,000.

NOTE J - CONDITIONAL GRANTS

Conditional grants are grants approved by the Board that are subject to certain conditions prior to the funds being paid to the intended recipients. As of September 30, 2021, the Foundation had approved \$270,000 of these conditional grants. During the year ended September 30, 2022, the Foundation approved an additional \$210,000 of conditional grants, disbursed \$355,000, and wrote off \$0 of the approved funds for which the conditions were met. The balance of approved conditional grants as of September 30, 2022 is \$125,000. The Board anticipates that the conditions related to these grants will be satisfied and all funds will be disbursed within the coming year.

NOTE K - SUBSEQUENT EVENTS

For the period October 2022 through February 2023, the Board approved additional grants totaling \$520,000 of which \$55,000 is conditional.

SUPPLEMENTARY INFORMATION

THE PARKER FOUNDATION

Statement of Financial Position by Fund September 30, 2022

	<u>Parker</u>	<u>Dempster- Larsen</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 344,404	\$ -	\$ 344,404
Accrued interest and dividends	17,959	-	17,959
Prepaid expenses and other assets	17,660	-	17,660
	<u>380,023</u>	-	<u>380,023</u>
Total current assets			
Investments	38,840,312	-	38,840,312
Note receivable	250,000	-	250,000
Due (to) from related fund	<u>(5,728,975)</u>	<u>5,728,975</u>	<u>-</u>
	<u>\$ 33,741,360</u>	<u>\$ 5,728,975</u>	<u>\$ 39,470,335</u>
Total assets			
LIABILITIES AND NET ASSETS			
Liabilities:			
Accrued expenses	\$ 36,564	\$ -	\$ 36,564
	<u>36,564</u>	-	<u>36,564</u>
Total liabilities			
Net assets:			
Without donor restrictions	<u>33,704,796</u>	<u>5,728,975</u>	<u>39,433,771</u>
	<u>\$ 33,741,360</u>	<u>\$ 5,728,975</u>	<u>\$ 39,470,335</u>
Total liabilities and net assets			

THE PARKER FOUNDATION

Statement of Activities by Fund September 30, 2022

	<u>Parker</u>	<u>Dempster- Larsen</u>	<u>Total</u>
Net investment income:			
Interest and dividends	\$ 726,496	\$ 123,352	\$ 849,848
Capital gain dividends	1,375,959	233,625	1,609,584
Partnership income	698,404	118,583	816,987
Realized gain on sale of investments	139,723	23,724	163,447
Unrealized loss on investments	(9,889,692)	(1,679,180)	(11,568,872)
Other income	1,048	178	1,226
Advisory and investment fees	(88,420)	(15,013)	(103,433)
Custodian fees	(12,867)	(2,185)	(15,052)
Investment interest expense	(5,943)	(1,009)	(6,952)
	<u>(7,055,292)</u>	<u>(1,197,925)</u>	<u>(8,253,217)</u>
Total net investment loss			
Expenses:			
Grants	1,295,020	355,000	1,650,020
Administrative	117,515	19,953	137,468
Federal excise, state and foreign taxes	60,025	10,192	70,217
Accounting and audit	41,281	7,009	48,290
Memberships	6,411	1,089	7,500
Technology services	6,093	1,035	7,128
Conferences and community functions	5,088	864	5,952
Insurance	4,399	747	5,146
File storage	3,033	515	3,548
Telephone	736	125	861
Postage, printing and reproductions	566	96	662
Filing fees	171	29	200
Supplies	21	2	23
	<u>1,540,359</u>	<u>396,656</u>	<u>1,937,015</u>
Total expenses			
Change in net assets without donor restrictions	(8,595,651)	(1,594,581)	(10,190,232)
Net assets without donor restrictions, beginning	<u>42,300,447</u>	<u>7,323,556</u>	<u>49,624,003</u>
Net assets without donor restrictions, ending	<u>\$ 33,704,796</u>	<u>\$ 5,728,975</u>	<u>\$ 39,433,771</u>