

EVELYN AND WALTER HAAS, JR. FUND

DECEMBER 31, 2021

AUDITORS' REPORT AND
FINANCIAL STATEMENTS

Evelyn and Walter Haas, Jr. Fund

Independent Auditors' Report and Financial Statements

Independent Auditors' Report	1 - 3
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Financial Statements

Statement of Financial Position	4
Statement of Activities and Changes in Net Assets	5
Statement of Functional Expenses	6
Statement of Cash Flows	7
Notes to the Financial Statements	8 - 18



A Century Strong

Independent Auditors' Report

THE BOARD OF DIRECTORS
EVELYN AND WALTER HAAS, JR. FUND
San Francisco, California

Opinion

We have audited the financial statements of the **EVELYN AND WALTER HAAS, JR. FUND (the Fund)**, which comprise the statement of financial position as of December 31, 2021, the related statements of activities and changes in net assets, 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 Fund as of December 31, 2021, 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 Fund 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 Fund's ability to continue as a going concern for one year from the date of this report.

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 control. 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.

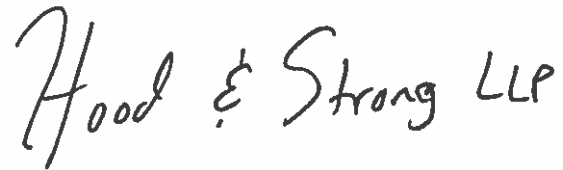
In performing an audit in accordance with GAAS, we:

- 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 Fund's internal control. 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 Fund'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 Summarized Comparative Information

We have previously audited the Fund's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 28, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "Hood & Strong LLP". The signature is written in a cursive, flowing style.

San Francisco, California
September 26, 2022

Evelyn and Walter Haas, Jr. Fund

Statement of Financial Position

<i>December 31, 2021 (with comparative totals for 2020)</i>	2021	2020
Assets		
Cash and cash equivalents	\$ 966,114	\$ 630,664
Investments, at fair value	543,774,743	488,970,723
Deferred compensation plans	2,358,208	2,184,436
Prepaid federal excise tax and other assets	319,873	579,094
Fixed assets, net	743,256	140,903
Total assets	\$ 548,162,194	\$ 492,505,820
Liabilities and Net Assets		
Liabilities:		
Accounts payable and other accrued expenses	\$ 776,998	\$ 418,749
Grants payable, net	7,953,710	10,209,450
Deferred compensation plans	2,358,208	2,184,436
Deferred federal excise tax	2,143,482	1,695,614
Total liabilities	13,232,398	14,508,249
Net Assets Without Donor Restrictions	534,929,796	477,997,571
Total liabilities and net assets	\$ 548,162,194	\$ 492,505,820

See accompanying notes to financial statements.

Evelyn and Walter Haas, Jr. Fund

Statement of Activities and Changes in Net Assets

<i>Year Ended December 31, 2021 (with comparative totals for 2020)</i>	2021	2020
Revenues:		
Investment income, net	\$ 82,454,250	\$ 57,765,625
Total revenues	82,454,250	57,765,625
Expenses:		
Program activities	23,058,456	22,957,624
Management and general	2,463,569	3,202,091
Total expenses	25,522,025	26,159,715
Change in Net Assets	56,932,225	31,605,910
Net Assets Without Donor Restrictions, beginning of year	477,997,571	446,391,661
Net Assets Without Donor Restrictions, end of year	\$ 534,929,796	\$ 477,997,571

See accompanying notes to financial statements.

Evelyn and Walter Haas, Jr. Fund

Statement of Functional Expenses

Year Ended December 31, 2021 (with comparative totals for 2020)

	2021			2020
	Program Activities	Management and General	Total	Total
Grants to other organizations	\$ 19,994,261		\$ 19,994,261	\$ 19,454,847
Salaries and benefits	2,606,419	\$ 1,561,003	4,167,422	4,471,496
Services and professional fees	31,791	592,154	623,945	623,789
Office and occupancy	206,249	151,740	357,989	855,351
Management information systems	139,611	102,715	242,326	341,506
Travel and convening	19,826	11,594	31,420	44,679
Depreciation	60,299	44,363	104,662	368,047
Total expenses	\$ 23,058,456	\$ 2,463,569	\$ 25,522,025	\$ 26,159,715

See accompanying notes to financial statements.

Evelyn and Walter Haas, Jr. Fund

Statement of Cash Flows

<i>Year Ended December 31, 2021 (with comparative totals for 2020)</i>	2021	2020
Cash Flows from Operating Activities:		
Grants paid	\$ (22,250,000)	\$ (21,989,700)
Cash paid for operating costs	(5,611,234)	(6,327,594)
Excise taxes paid	(338,932)	(954,903)
Net cash used in operating activities	(28,200,166)	(29,272,197)
Cash Flows from Investing Activities:		
Proceeds from sales of investments	29,257,000	29,704,361
Purchases of property and equipment	(721,384)	(4,920)
Net cash provided by investing activities	28,535,616	29,699,441
Net Change in Cash and Cash Equivalents	335,450	427,244
Cash and Cash Equivalents, beginning of year	630,664	203,420
Cash and Cash Equivalents, end of year	\$ 966,114	\$ 630,664

See accompanying notes to financial statements.

Evelyn and Walter Haas, Jr. Fund

Notes to Financial Statements

Note 1 - Organization:

The Evelyn and Walter Haas, Jr. Fund (the “Fund”) is a private family foundation that has awarded more than \$670 million in grants since its founding in 1953. Located in San Francisco, the Fund seeks to fulfill its founders’ vision of a society in which every person has opportunities to thrive and to live life with dignity and hope. The Fund’s program areas include: Democracy, College Success, Immigrant Rights, LGBT Equality, Leadership, Crissy Field, and Season of Sharing.

Note 2 - Summary of Significant Accounting Policies:

a. Basis of Accounting and Presentation

The Fund uses the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America (U.S. GAAP) and reports information regarding its financial position and activities as follows:

Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Net assets without donor restrictions are those that are not restricted by donor-imposed stipulations and are available for use at the discretion of the Fund. There were no net assets with donor restrictions as of December 31, 2021.

b. Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, the Fund considers short-term investments with a maturity of three months or less to be cash equivalents.

c. Investments

Investments are reported at fair value. Changes in fair values as well as realized gains and losses are reflected in the Statement of Activities and Changes in Net Assets. Dividend and interest income are accrued when earned. For cash flow purposes, proceeds from sales of investments represent the withdrawals used for grants and operations.

The Fund reports certain investments using Net Asset Value (NAV) per share as determined by investment managers under the so-called “practical expedient.” The practical expedient allows NAV per share to represent fair value for reporting purposes when the criteria for using this method are met. On an annual basis, management reviews the audited financial statements for each investment and compares the value reported by the investment manager to the value contained in the audited financial statements to assess the reasonableness of the valuation.

Evelyn and Walter Haas, Jr. Fund

Notes to Financial Statements

Investments, in general, are exposed to various risks, such as interest rate risk, credit risk, and overall market volatility. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

d. Fair Value Measurements

The Fund carries certain assets and liabilities at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Fund classifies its financial assets and liabilities according to three levels and maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value.

Level 1 Unadjusted quoted market prices in active markets for identical assets or liabilities that the entity has the ability to access at the measurement date.

Level 2 Observable inputs other than quoted prices included within Level 1 such as quoted prices for similar securities or quoted prices in inactive markets.

Level 3 Unobservable inputs for the asset or liability that are not corroborated by market data.

e. Fixed Assets

Office furniture and equipment and computer equipment are stated at cost and depreciated using the straight-line method over estimated useful lives of 3 to 10 years. Leasehold improvements are amortized over the lesser of the asset's useful life or the lease term.

f. Grants

Grants are recorded when the unconditional promise to give is approved by the Board of Directors or management in certain cases. Conditional grants are recognized as grant expense in the period in which the recipient meets the terms of the condition. Grant refunds are recorded as reductions of grant expense at the time the grants are refunded to the Fund.

Grants payable represent the present value of grants to be paid in the future. The discount on those amounts is computed using market interest rates applicable in the year in which the grant is approved. Amortization of the discount is included in grant expense.

Evelyn and Walter Haas, Jr. Fund

Notes to Financial Statements

g. Functional Allocation of Expenses

Expenses are allocated between program activities and management and general based on estimates made by the Fund's management of the time spent by employees on various activities. Program activity expenses relate to the grantmaking activities of the Fund, including reviewing proposals and awarding, monitoring, and evaluating grants, and to direct charitable activities carried out by employees of the Fund. Management and general expenses include the costs of accounting, human resources, communications, and management of the Fund. Certain expenses, such as information technology costs, are attributable to more than one function and are allocated based on the overall time spent by employees on those functions.

h. Comparative Information

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Fund's financial statements for the year ended December 31, 2020 from which the summarized information was derived.

i. 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 and disclosures. Accordingly, actual results could differ from those estimates.

j. Federal Excise Tax

The Fund is a private foundation and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from California franchise and/or income taxes under Section 23701(d) of the California Revenue and Taxation Code.

The Fund is subject to federal excise tax on its investment income. A provision for federal excise tax is accrued. Deferred excise taxes arise primarily from unrealized tax basis gains on investments and are calculated at the effective rate expected to be paid by the Fund (Note 7). In addition, the Fund may be subject to tax on unrelated business income, if any, generated by its investments.

As of December 31, 2021, management evaluated the Fund's tax positions and concluded that the Fund had maintained its tax-exempt status and had taken no uncertain tax positions that require adjustment to the financial statements.

Evelyn and Walter Haas, Jr. Fund

Notes to Financial Statements

k. Recent Accounting Pronouncements

Effective in the Future

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. The amendments in this update will supersede much of the existing authoritative guidance for leases. This guidance requires lessees, among other things, to recognize right-of-use assets and liabilities on their balance sheet for all leases with lease terms longer than twelve months. The standard will be effective for the Fund for its fiscal year beginning after December 15, 2021. The Fund is currently evaluating the impact of the ASU on its financial statements

l. Subsequent Events

The Fund evaluated subsequent events with respect to the financial statements for the year ended December 31, 2021 through September 26, 2022, the date the financial statements were available to be issued. It has determined that no adjustments are necessary to the amounts reported in the accompanying financial statements and that no subsequent events have occurred, the nature of which would require disclosure.

Note 3 - Investments and Net Asset Value Disclosures:

Investments

The Fund's investments measured at fair value consisted of the following as of December 31:

	2021	2020
Investments:		
Investments measured using NAV:		
Multi-strategy – liquid markets fund	\$ 50,929,749	\$ 42,291,332
Multi-strategy – HJF Investments Holdings LP	489,244,994	440,779,391
Investments, at fair value	540,174,743	483,070,723
Net receivable on unsettled investment transactions	3,600,000	5,900,000
Total investments	\$ 543,774,743	\$ 488,970,723

The net receivable on unsettled investment transactions represents cash received subsequent to year end for sales of investments consummated prior to year end.

Evelyn and Walter Haas, Jr. Fund

Notes to Financial Statements

The Fund's investment income consisted of the following for the years ended December 31:

	2021	2020
Investment income, gross:		
Dividends and interest	\$ 7,522,875	\$ 6,562,930
Realized gains on sale of investments	54,706,280	17,778,992
Net change in unrealized gains on investments	30,184,931	41,496,237
Investment income, gross	92,414,086	65,838,159
Less management and other fees	(8,370,630)	(7,042,866)
Less deferred and excise taxes	(1,132,145)	(821,448)
Less unrelated business income tax	(457,061)	(208,220)
Investment income, net	\$ 82,454,250	\$ 57,765,625

Fair Value Measurements

Investments held by the Fund are valued using the NAV per share (or its equivalent) practical expedient. These investments are not required to be classified in the fair value hierarchy.

Net Asset Value Disclosures

The Fund uses NAV as a practical expedient to determine the fair value of all the underlying investments which do not have readily determinable fair values and 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 investments by major category as of December 31:

	<u>Valuation</u>		<u>Redemption</u>	<u>Redemption</u>
	<u>2021</u>	<u>2020</u>	<u>Notice Period</u>	<u>Restrictions</u>
Multi-strategy –				
liquid markets fund (a)	\$ 50,929,749	\$ 42,291,332	30 days	None
Multi-strategy –				
HJF Investments				
Holdings LP (b)	489,244,994	440,779,391	(b)	(b)
Total	\$ 540,174,743	\$ 483,070,723		

Evelyn and Walter Haas, Jr. Fund

Notes to Financial Statements

- (a) The liquid markets fund seeks to achieve its objective by diversifying across multiple asset classes, and may invest in common and preferred stocks, exchange-traded funds, mutual funds, master limited partnerships, real estate investment trusts, high yield bonds, government securities and money market instruments, and derivative and other synthetic instruments. The shares may be redeemed on a monthly basis and the redemption request must be made prior to the 25th day of the month.
- (b) HJF Investments Holdings, LP (HJFIH) is a private investment partnership offering an endowment-style investment program. HJFIH invests with a long-term horizon, seeking varied and non-traditional investment opportunities in an effort to provide a diversified, single-portfolio investment strategy for the investor. HJFIH is managed by the Fund's Outsourced Chief Investment Officer (OCIO). HJFIH is structured as a partnership, with the OCIO as a fiduciary and sole general partner and the Fund as sole limited partner. HJFIH invests in a pooled investment fund managed by the OCIO (85% and 76% of HJFIH as of December 31, 2021 and 2020, respectively), in the Fund's legacy portfolio of investments managed by unaffiliated third parties and with different investment strategies (13% and 15% as of December 31, 2021 and 2020, respectively), and in liquid securities (2% and 9% as of December 31, 2021 and 2020, respectively).

Distributions from HJFIH are at the sole discretion of the general partner and each of the HJFIH investments, accounts and portfolios has its own liquidity profile, ranging from daily to longer than three years. The majority of HJFIH is invested in a pooled investment fund managed by the OCIO (85% and 76% of HJFIH as of December 31, 2021, and 2020, respectively), which has full annual liquidity subject to side-pocketing of illiquid investments. In addition, HJFIH has the right to request a liquid redemption of a maximum of 7% of the assets of the pooled investment fund managed by the OCIO annually, with up to 3.5% available at the end of June and up to 7% available at the end of December less any June redemption, with 120 days' notice in both cases.

The assets may only be redeemed in full upon dissolution of HJFIH. The Fund may remove the general partner for any reason with 30 days' written notice. Upon dissolution of HJFIH, assets would be liquidated in an orderly manner. The underlying assets of HJFIH have additional redemption restrictions and limits on the timing of liquidation. A liquidity evaluation of the HJFIH portfolio estimates that 39% of the assets could be liquidated within 90 days, an additional 10% by the end of one year, and an additional 12% by the end of three years. Unfunded long-term commitments were approximately \$11.6 million as of December 31, 2021 and will be funded by the available cash balance held in HJFIH.

Evelyn and Walter Haas, Jr. Fund

Notes to Financial Statements

Note 4 - Availability of Financial Assets and Liquidity:

Financial assets are considered unavailable when illiquid or not convertible to cash within one year. The Fund's goal is to maintain sufficient liquid financial assets to meet all grant and operating needs. As financial obligations become due, investments are liquidated. None of the Fund's financial assets were subject to donor restrictions that made them unavailable for general expenditure within one year of the date of financial statements.

Financial assets as of December 31:

	2021	2020
Cash and cash equivalents	\$ 966,114	\$ 630,664
Investments	543,774,743	488,970,723
Deferred compensation plan assets	2,358,208	2,184,436
Total financial assets	547,099,065	491,785,823
Less amounts not available to be used within one year:		
Deferred compensation plan assets	(2,358,208)	(2,184,436)
Investments with liquidity restrictions	(472,121,419)	(425,352,112)
	(474,479,627)	(427,536,548)
Financial assets available to meet general expenditures over the next twelve months	\$ 72,619,438	\$ 64,249,275

Investments with liquidity restrictions represent illiquid investments in an endowment-style investment program as detailed in Note 3.

Note 5 - Fixed Assets:

Fixed assets as of December 31, 2021 consisted of the following:

Office furniture and equipment	\$ 153,052
Computer equipment	318,368
	471,420
Construction in progress	488,122
Accumulated depreciation and amortization	(216,286)
Fixed assets, net	\$ 743,256

Depreciation and amortization expense was \$104,662 for the year ended December 31, 2021.

Evelyn and Walter Haas, Jr. Fund

Notes to Financial Statements

Contract Commitments

As of December 31, 2021, the Fund had future construction contract commitments for construction and renovation of approximately \$2,692,000. The Fund is expected to receive approximately \$746,000 from the landlord as an allowance for tenant improvements.

Note 6 - Grants Payable:

Unconditional grants payable as of December 31, 2021, were scheduled to be disbursed as follows:

2022	\$ 5,057,425
2023	2,740,000
2024	425,000
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	8,222,425
Less discounts on multi-year grants	(268,715)
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Grants payable, net	\$ 7,953,710

Conditional grants may include grants with matching requirements or other requirements, such as for a newly formed organization to establish its 501(c)(3) status, before the grant becomes unconditional. All multi-year grants are subject to staff review and approval of current year programmatic and financial reports before payments are released, but do not necessarily create a conditional grant. The Board may also approve internal long-term authorizations for grant strategies that are subject to budget approval on an annual basis. Such Board authorizations do not create a commitment for the Fund.

Note 7 - Excise and Income Taxes:

Excise Taxes

In accordance with applicable Treasury regulations, the Fund is classified as a private foundation subject to an excise tax on net investment income, including realized gains. The tax rate for excise tax was 1.39% for 2021. The Fund used this rate to calculate its deferred tax provision at December 31, 2021.

Evelyn and Walter Haas, Jr. Fund

Notes to Financial Statements

The provision for current and deferred federal excise taxes for the year ended December 31, 2021 was as follows:

Current excise tax	\$ 684,277
Unrelated business income tax	457,061
Deferred excise tax	447,868
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Total	\$ 1,589,206

The Fund is subject to the distribution requirements of the Internal Revenue Code. The minimum amount of distributions to be made annually is calculated in accordance with a specified formula. The Fund complied with the distribution requirements through December 31, 2021.

Unrelated Business Income Taxes

Unrelated business income taxes arise primarily from income generated from certain types of investments. If taxes are due, federal unrelated business income taxes payable are included in accounts payable and other accrued expenses on the Statement of Financial Position. If a refund is due, these amounts are included in prepaid federal excise tax and other assets on the Statement of Financial Position.

Note 8 - Summary of Fund Operations Since Inception:

A summary of the Fund's operations since inception in 1953 is as follows:

Contributions to the Fund	\$ 147,406,661
Increase in net assets, before deduction of grants	1,058,112,888
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	1,205,519,549
Less: Grants	(670,589,753)
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Net assets without donor restrictions, December 31, 2021	\$ 534,929,796

Note 9 - Retirement Plan:

The Fund has a contributory money purchase pension plan covering all eligible employees. There are no past service costs under the plan. The Fund contributes 15% of the participants' annual eligible compensation. The total pension cost was \$425,198 for the year ended December 31, 2021.

Evelyn and Walter Haas, Jr. Fund

Notes to Financial Statements

The Fund also has SERP and 457(b) plans that are limited to executives within the Fund. The Fund contributes annually to these plans based on their respective plan agreements. The assets for both plans are held in trust by the Fund and are included in the Statement of Financial Position.

Note 10 - Lease Commitments:

During the year ended December 31, 2021, the Fund had leases for two office facilities in San Francisco. Each office lease included annual escalation factors to reflect inflation. The difference between the rent due under the stated period of each lease compared to that on the straight-line basis was recorded as deferred rent within accounts payable and other accrued expenses in the Statement of Financial Position. Rent expense for the year ended December 31, 2021 was \$161,305. In January 2021, the Fund's lease for its headquarters ended and all related leasehold improvement and deferred rent liabilities were exhausted as of December 31, 2020. On June 29, 2021, the Fund entered into a new office lease for its headquarters with a commencement date of March 12, 2022, and an expiration date of March 31, 2032. Future lease commitments on the new office lease are included in the summary below.

Approximate future minimum lease commitments are as follows:

2022	\$	375,000
2023		693,000
2024		714,000
2025		735,000
2026		757,000
Thereafter		4,361,000
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Total	\$	7,635,000

Note 11 - Concentration of Credit Risk:

Financial instruments, which potentially subject the Fund to credit risk, consist primarily of cash, cash equivalents, and investments. The Fund maintains cash and cash equivalents with one major financial institution. At times, such amounts may exceed Federal Deposit Insurance Corporation limits. The Fund's investments have been placed with one major counterparty with a diversified portfolio of investments (See Note 3). The Fund closely monitors these investments and has not experienced any credit losses.

Evelyn and Walter Haas, Jr. Fund

Notes to Financial Statements

Note 12 - Global Pandemic:

On March 11, 2020, the World Health Organization publicly characterized COVID-19 as a pandemic. States of emergency were declared in many federal, state and local jurisdictions and shelter in place orders were instituted in many cities and states, including California, which impacted general business operations in most industries and sectors.

In light of the global pandemic, volatility has significantly increased across financial markets. This volatility has not affected the Fund's operations, and the Fund has been able to disburse grants and continue operations as planned. The Fund is closely monitoring the performance of the Fund's portfolio to ensure the Fund's ability to meet its operating needs. In the event markets decline, the value of the Fund's investment portfolio and future funding capacity may be affected. At this time, the Fund has not considered any specific reductions in current or future commitments.