

Consolidated Financial Statements and
Report of Independent Certified Public
Accountants

The Pew Charitable Trusts

June 30, 2021 and 2020

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
The Pew Charitable Trusts

Report on the financial statements

We have audited the accompanying consolidated financial statements of The Pew Charitable Trusts and its subsidiary, the Pew Research Center, which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Pew Charitable Trusts and its subsidiary as of June 30, 2021 and 2020, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

Philadelphia, Pennsylvania
December 1, 2021

The Pew Charitable Trusts

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In thousands)

As of June 30,

ASSETS	2021	2020
Cash and cash equivalents	\$ 5,108	\$ 4,133
Accounts receivable	495	377
Prepaid expenses	3,929	3,873
Contributions receivable, net	15,373	28,433
Investments	1,181,102	1,064,995
Property and equipment, net	189,471	195,162
Operating lease right-of-use assets	22,641	25,789
Beneficial interest in supporting charitable trusts	6,199,027	5,037,219
Retirement plan assets	7,713	6,846
Other assets	460	435
Total assets	\$ 7,625,319	\$ 6,367,262
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 9,219	\$ 10,093
Accrued vacation	10,277	8,520
Grants payable, net	110,795	98,469
Operating lease liabilities	32,429	36,383
Accrued pension and postretirement obligation	41,373	39,882
Bonds payable, net	136,747	142,540
Interest rate swaps	30,667	42,183
Other liabilities	631	1,458
Total liabilities	372,138	379,528
NET ASSETS		
Without donor restrictions	1,023,273	894,953
With donor restrictions - other	30,881	55,562
With donor restrictions - beneficial interest in trusts	6,199,027	5,037,219
Total net assets	7,253,181	5,987,734
Total liabilities and net assets	\$ 7,625,319	\$ 6,367,262

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

The Pew Charitable Trusts

CONSOLIDATED STATEMENT OF ACTIVITIES

(In thousands)

Year ended June 30, 2021

	Without donor restrictions	With donor restrictions	Total
Revenues			
Distributions from supporting charitable trusts	\$ 238,801	\$ 51,280	\$ 290,081
Contributions	514	12,173	12,687
Investment returns, net	142,389	258	142,647
Other income	918	-	918
Net assets released from restrictions	<u>88,392</u>	<u>(88,392)</u>	<u>-</u>
Total revenues	<u>471,014</u>	<u>(24,681)</u>	<u>446,333</u>
Operating expenses			
Grants	111,642	-	111,642
Program	202,313	-	202,313
General and administrative	33,494	-	33,494
Fundraising	<u>7,442</u>	<u>-</u>	<u>7,442</u>
Total operating expenses	<u>354,891</u>	<u>-</u>	<u>354,891</u>
Change in net assets from operating activities	116,123	(24,681)	91,442
Non-operating activities			
Change in fair value of beneficial interest in trusts	-	1,161,808	1,161,808
Change in fair value of interest rate swaps	11,516	-	11,516
Net periodic benefit cost other than service cost	1,173	-	1,173
Other changes in postretirement benefits	<u>(492)</u>	<u>-</u>	<u>(492)</u>
Change in net assets	128,320	1,137,127	1,265,447
Net assets, beginning of year	<u>894,953</u>	<u>5,092,781</u>	<u>5,987,734</u>
Net assets, end of year	<u>\$ 1,023,273</u>	<u>\$ 6,229,908</u>	<u>\$ 7,253,181</u>

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

The Pew Charitable Trusts

CONSOLIDATED STATEMENT OF ACTIVITIES

(In thousands)

Year ended June 30, 2020

	Without donor restrictions	With donor restrictions	Total
Revenues			
Distributions from supporting charitable trusts	\$ 232,271	\$ 49,878	\$ 282,149
Contributions	1,084	25,516	26,600
Investment returns, net	45,406	542	45,948
Other income	1,587	-	1,587
Net assets released from restrictions	<u>79,571</u>	<u>(79,571)</u>	<u>-</u>
Total revenues	<u>359,919</u>	<u>(3,635)</u>	<u>356,284</u>
Operating expenses			
Grants	97,865	-	97,865
Program	217,566	-	217,566
General and administrative	33,455	-	33,455
Fundraising	<u>7,203</u>	<u>-</u>	<u>7,203</u>
Total operating expenses	<u>356,089</u>	<u>-</u>	<u>356,089</u>
Change in net assets from operating activities	3,830	(3,635)	195
Non-operating activities			
Change in fair value of beneficial interest in trusts	-	(411,090)	(411,090)
Change in fair value of interest rate swaps	(12,482)	-	(12,482)
Net periodic benefit cost other than service cost	1,625	-	1,625
Other changes in postretirement benefits	<u>(4,016)</u>	<u>-</u>	<u>(4,016)</u>
Change in net assets	(11,043)	(414,725)	(425,768)
Net assets, beginning of year	<u>905,996</u>	<u>5,507,506</u>	<u>6,413,502</u>
Net assets, end of year	<u>\$ 894,953</u>	<u>\$ 5,092,781</u>	<u>\$ 5,987,734</u>

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

The Pew Charitable Trusts

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

Years ended June 30,

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Change in net assets	\$ 1,265,447	\$ (425,768)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	7,700	8,831
Amortization	62	62
Net unrealized and realized gains on investments	(121,059)	(20,813)
Change in beneficial interest in supporting charitable trusts excluding distributions	(1,451,889)	128,941
Change in accrued pension and postretirement obligation	624	3,653
Change in fair value of interest rate swaps	(11,516)	12,482
Changes in assets and liabilities		
Accounts receivable	(118)	27
Prepaid expenses	(56)	(299)
Contributions receivable, net	13,060	(3,181)
Operating lease right-of-use assets and liabilities	(806)	(997)
Beneficial interest in supporting charitable trusts, distributions	290,081	282,149
Accounts payable and accrued expenses	(874)	(2,302)
Accrued vacation	1,757	1,972
Grants payable, net	12,326	5,081
Other assets and liabilities	<u>(852)</u>	<u>712</u>
Net cash provided by (used in) operating activities	<u>3,887</u>	<u>(9,450)</u>
Cash flows from investing activities		
Purchase of investments	(1,327,994)	(1,447,969)
Sale of investments	1,332,946	1,463,326
Purchase of property and equipment	<u>(2,009)</u>	<u>(2,982)</u>
Net cash provided by investing activities	<u>2,943</u>	<u>12,375</u>
Cash flows from financing activities		
Payment of bond principal	<u>(5,855)</u>	<u>(5,655)</u>
Net cash used in financing activities	<u>(5,855)</u>	<u>(5,655)</u>
Net increase (decrease) in cash and cash equivalents	975	(2,730)
Cash and cash equivalents, beginning of year	<u>4,133</u>	<u>6,863</u>
Cash and cash equivalents, end of year	<u>\$ 5,108</u>	<u>\$ 4,133</u>

Total interest paid was \$4,775 and \$5,275 for the years ended June 30, 2021 and 2020, respectively.

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

The Pew Charitable Trusts

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands)

June 30, 2021 and 2020

NOTE A - ORGANIZATION

The accompanying consolidated financial statements present the financial position, activities, and cash flows of The Pew Charitable Trusts (Pew) and its subsidiary, the Pew Research Center (the Center), (collectively, the Organization). All significant intra-Organization accounts and transactions have been eliminated in consolidation.

With primary offices in Philadelphia, Pennsylvania and Washington, D.C., and other locations throughout the world, Pew serves the public interest by improving public policy, informing the public, and invigorating civic life.

Based in Washington, D.C., the Center is a nonpartisan “fact tank” that informs the public about the issues, attitudes, and trends shaping America and the world. In addition to funding, Pew provides the Center with administrative support services, including fundraising, accounting, human resources, facilities management, and technology services.

Pew and the Center are Pennsylvania nonprofit corporations, recognized as exempt from federal income tax as publicly-supported charitable organizations described under Section 501(c)(3) of the Internal Revenue Code of 1986.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements have been prepared and are presented on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

U.S. GAAP requires that net assets be classified as with or without donor-imposed restrictions as follows:

Without donor restrictions - Net assets that are not subject to donor-imposed stipulations.

With donor restrictions - Net assets whose use by the Organization is subject to donor-imposed stipulations that can be fulfilled by actions of the Organization pursuant to those stipulations or that expire by the passage of time.

Cash and Cash Equivalents

Cash and cash equivalents represent cash, short-term securities purchased with an original maturity of three months or less, and money market mutual funds. The Organization’s cash and cash equivalents may be held in accounts that are not covered by federal deposit insurance or have balances in excess of federally insured limits. The Organization has not experienced losses on these accounts and believes that it is not exposed to significant credit risk.

Retirement Plan Assets

Retirement plan assets are invested in money market funds, mutual funds, exchange-traded funds, and corporate obligations with readily determinable fair values based on quoted market prices.

The Pew Charitable Trusts

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

(In thousands)

June 30, 2021 and 2020

Beneficial Interest in Supporting Charitable Trusts

Pew is the sole beneficiary of seven individual trusts established by the children of Sun Oil Company founder Joseph N. Pew and his wife, Mary Anderson Pew. As the trustee for each of the trusts, The Glenmede Trust Company, NA (Glenmede) is responsible for the management of trust assets and for making the required annual distributions to Pew. Distributions from the trusts are based on a formula which in part is determined by the value of their assets. Pew's beneficial interest in the trusts is recorded at the fair value of the assets held by the trusts, and is classified in net assets with donor restrictions.

The investments held by the trusts consist of cash and cash equivalents, government obligations, corporate obligations, mutual funds, equity securities, and asset-backed securities, as well as various alternative assets including hedge, real estate, and private equity funds.

Alternative investments are recorded at their estimated fair value. In the absence of readily determinable fair value, the fair value of each investment is determined based on a review of the audited financial statements of the underlying funds, when available, and other information from third parties, including information provided by the fund managers, general partners, and research performed by Glenmede. At June 30, 2021 and 2020, the trusts held alternative investments with a fair value of \$4,382,721 and \$3,569,249, respectively. Alternative investments carry certain risks, including reduced regulatory oversight, liquidity risk, interest rate risk, and market risk.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. The most significant management estimates relate to the determination of useful lives of fixed assets, actuarial estimates for the Organization's pension and postretirement plans, value of the beneficial interest in supporting charitable trusts, value of interest rate swaps, functional expense allocation, and fair value of certain of the Organization's assets and liabilities. Actual results could differ from those estimates.

NOTE C - FINANCIAL ASSETS AND LIQUIDITY

Investments consist of liquid financial assets, including cash, investment grade short-to-medium-term fixed-income securities, and equity funds. Undesignated investment balances sufficient to meet six months or more of operating costs are continually maintained. Cash balances are monitored at regular intervals to ensure short term operating needs are met. Financial assets available for general expenditures within one year were as follows at June 30:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 5,108	\$ 4,133
Accounts receivable	495	377
Contributions receivable due within one year	9,303	18,867
Investments, net of donor-advised funds	<u>994,139</u>	<u>886,032</u>
Financial assets available for general expenditures within one year	<u>\$ 1,009,045</u>	<u>\$ 909,409</u>

The Pew Charitable Trusts

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

(In thousands)

June 30, 2021 and 2020

NOTE D - CONTRIBUTIONS REVENUE AND RELATED CONTRIBUTIONS RECEIVABLE, NET

Unconditional contributions, including cash, promises to give, and other assets are recorded as revenue at fair value when received. Contributions receivable are recorded at the present value of expected future cash flows discounted at rates ranging from 0.16% to 3.10%. Conditional contributions are recorded as revenue when stipulated conditions are substantially met. Contributions whose stipulated conditions had not been met, and for which revenue had not been recognized, as of June 30, 2021 and 2020 were \$24,573 and \$25,334, respectively.

Management monitors receivables to determine if an allowance is needed. There was no allowance for doubtful accounts at June 30, 2021 and 2020, as management deems all receivables to be collectible.

At June 30, 2021, cash payments for contributions receivable were expected as follows:

Less than one year	\$ 9,303
One to five years	6,415
	<hr/> 15,718
Present value discount	(345)
	<hr/>
Contributions receivable, net	<u>\$ 15,373</u>

NOTE E - FAIR VALUE MEASUREMENTS

The Organization has categorized its financial instruments into a three-level fair value hierarchy, based on the priority of the inputs to the valuation technique. 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 hierarchy are:

- Level 1 Financial assets and liabilities whose values are based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical unrestricted assets or liabilities.
- Level 2 Financial assets and liabilities whose values are based on one or more of the following:
 1. Quoted prices for similar assets or liabilities in active markets;
 2. Quoted prices for identical or similar assets or liabilities in non-active markets;
 3. Pricing models whose inputs are observable for substantially the full term of the asset or liability; or
 4. 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.

The Pew Charitable Trusts

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

(In thousands)

June 30, 2021 and 2020

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

When the inputs used to measure fair value fall into different levels of the fair value hierarchy, the reported level is based on the lowest level of input that is significant to the fair value measurement. The Organization's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

The Organization's financial assets and liabilities measured at fair value by level within the fair value hierarchy are as follows:

	June 30, 2021			
	Level 1	Level 2	Level 3	Total
Assets				
Investments				
Cash and cash equivalents	\$ 26,148	\$ -	\$ -	\$ 26,148
U.S. Treasuries	210,290	-	-	210,290
Mutual funds	223,426	-	-	223,426
Equity securities	246,786	-	-	246,786
Corporate obligations	-	228,085	-	228,085
Asset-backed securities	-	80,358	-	80,358
Mortgage-backed securities	-	142,938	-	142,938
Government obligations	-	23,071	-	23,071
Total investments	706,650	474,452	-	1,181,102
Beneficial interest in supporting charitable trusts	-	-	6,199,027	6,199,027
Retirement plan assets	6,228	1,485	-	7,713
Liabilities				
Interest rate swaps	\$ -	\$ 30,667	\$ -	\$ 30,667

The Pew Charitable Trusts

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

(In thousands)

June 30, 2021 and 2020

	June 30, 2020			Total
	Level 1	Level 2	Level 3	
Assets				
Investments				
Cash and cash equivalents	\$ 47,475	\$ -	\$ -	\$ 47,475
U.S. Treasuries	184,249	-	-	184,249
Mutual funds	192,642	-	-	192,642
Equity securities	193,206	-	-	193,206
Corporate obligations	-	207,280	-	207,280
Asset-backed securities	-	165,172	-	165,172
Mortgage-backed securities	-	42,942	-	42,942
Government obligations	-	32,029	-	32,029
Total investments	617,572	447,423	-	1,064,995
Beneficial interest in supporting charitable trusts	-	-	5,037,219	5,037,219
Retirement plan assets	5,533	1,313	-	6,846
Liabilities				
Interest rate swaps	\$ -	\$ 42,183	\$ -	\$ 42,183

Changes in the fair value of Level 3 assets are as follows:

	2021	2020
Balance, beginning of year	\$ 5,037,219	\$ 5,448,309
Change in fair value of assets	1,451,889	(128,941)
Distributions from supporting charitable trusts	(290,081)	(282,149)
Balance, end of year	\$ 6,199,027	\$ 5,037,219

The Pew Charitable Trusts

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

(In thousands)

June 30, 2021 and 2020

NOTE F - PROPERTY AND EQUIPMENT, NET

Property and equipment are capitalized at cost and depreciated using the straight-line method over their estimated useful lives. Land is recorded at cost and is not depreciated. Maintenance and repairs are expensed as incurred. The estimated useful lives of depreciable assets are as follows:

Building	39 years
Building improvements	Remaining useful life of the building
Furniture and equipment	7 years
Information technology equipment and software	3 years
Leasehold and tenant improvements	Lesser of the useful life of the improvements or lease term

Property and equipment at June 30 consisted of:

	2021	2020
Land	\$ 90,000	\$ 90,000
Building and tenant improvements	131,429	131,481
Furniture and equipment	7,370	6,948
Information technology equipment and software	29,109	34,423
Leasehold improvements	11,793	11,800
	269,701	274,652
Accumulated depreciation	(80,230)	(79,490)
Property and equipment, net	\$ 189,471	\$ 195,162

NOTE G - LEASES

The Organization has operating leases for offices in Philadelphia, Washington, D.C., London, and other locations, as well as for office equipment. Certain office space is subleased to third parties.

The leases have remaining terms ranging from one to eight years. Based on the Organization's reasonably certain expectations at the time it entered these leases, the lease terms exclude periods covered by lease extension options and include periods covered by lease termination options.

The Organization has made an accounting policy election to discount all leases at the risk-free rate for periods comparable with that of the individual lease terms.

The components of lease cost are as follows for the years ended June 30:

	2021	2020
Operating lease cost	\$ 4,147	\$ 4,113
Variable lease cost	55	67
Sublease income	(147)	(185)
Total lease cost	\$ 4,055	\$ 3,995

The Pew Charitable Trusts

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

(In thousands)

June 30, 2021 and 2020

Supplemental information related to leases is as follows at June 30:

	<u>2021</u>	<u>2020</u>
Operating cash flows from operating leases	\$ (5,065)	\$ (5,058)
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ -	\$ 400
Weighted-average remaining lease term	7 years	8 years
Weighted-average discount rate	2.85%	2.85%

Maturities of lease liabilities for the years ending June 30 are as follows:

2022	\$ 4,908
2023	5,224
2024	4,766
2025	4,408
2026	4,532
Thereafter	<u>12,237</u>
	36,075
Less imputed interest	<u>(3,646)</u>
Operating lease liabilities	<u>\$ 32,429</u>

NOTE H - GRANTS PAYABLE, NET

The fair value of grants payable is recorded at the present value of expected future payments, discounted at rates ranging from 0.16% to 1.75%. Conditional grants are recognized when the stated conditions are met. Pew had unpaid conditional grants outstanding of \$58,111 and \$55,486 at June 30, 2021 and 2020, respectively, whose conditions had not been met as of these dates.

At June 30, 2021, grants payable were expected to be paid as follows:

Year ending June 30,	
2022	\$ 76,332
2023	24,940
2024	8,008
2025	<u>1,900</u>
	111,180
Present value discount	<u>(385)</u>
Grants payable, net	<u>\$ 110,795</u>

The Pew Charitable Trusts

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

(In thousands)

June 30, 2021 and 2020

NOTE I - BONDS PAYABLE

At June 30, 2021 and 2020, Pew had \$137,775 and \$143,630, respectively, of tax exempt bonds outstanding with a maturity date of April 1, 2038. The interest rate on the bonds is based on the Securities Industry and Financial Markets Association (SIFMA) index, which was 0.03% and 0.11% on June 30, 2021 and 2020, respectively. The bonds are collateralized by an irrevocable letter of credit which expires on October 24, 2023. The bonds are remarketed on a weekly basis by a remarketing agent on a best efforts basis. If the bonds tendered are not remarketed, the letter of credit is in place to satisfy the bond obligation. If the liquidity facility provided by the letter of credit is drawn upon, Pew is obligated to repay the principal on demand. Pew expects that bonds submitted for tender will continue to be remarketed successfully due to the credit-worthiness of the letter of credit provider. The letter of credit requires that Pew comply with certain financial covenants with which it was in compliance for the year ended June 30, 2021. The available amount under the letter of credit as of June 30, 2021 was \$140,040.

Principal payments on the bonds are due as follows:

Year ending June 30,		
2022	\$	6,060
2023		6,275
2024		6,495
2025		6,720
2026		6,960
Thereafter		<u>105,265</u>
		137,775
Deferred financing costs, net of amortization		<u>(1,028)</u>
Bonds payable, net	\$	<u><u>136,747</u></u>

Bond interest expense for the years ended June 30, 2021 and 2020 totaled \$126 and \$1,785, respectively.

NOTE J - INTEREST RATE SWAPS

Pew entered into the following interest rate swap agreements in order to hedge interest rate exposure on its variable rate tax exempt bonds:

<u>Notional amount</u>	<u>Maturity date</u>	<u>Fixed rate</u>	<u>Floating rate</u>
\$68,155	4/1/2038	3.366%	67% of USD-LIBOR
\$69,620	4/1/2038	3.327%	67% of USD-LIBOR

Pew expensed \$4,631 and \$3,490 under the interest rate swap agreements for the years ended June 30, 2021 and 2020, respectively.

The Pew Charitable Trusts

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

(In thousands)

June 30, 2021 and 2020

NOTE K - NET ASSETS WITH DONOR RESTRICTIONS

Two of the supporting charitable trusts are purpose restricted. Distributions from the J. Howard Pew Freedom Trust are restricted to purposes related to freedom, the American form of government, and religious faith. Distributions from the Medical Trust are restricted to general medical purposes, including research, education, treatment, and convalescence. Distributions from the Medical Trust were fully expensed as of June 30, 2021 and 2020. Net assets with donor restrictions at June 30 consisted of the following:

	2021	2020
J. Howard Pew Freedom Trust	\$ -	\$ 13,822
Net assets restricted for program expenditures	30,881	41,740
Net assets with donor restrictions - beneficial interest in trusts	6,199,027	5,037,219
 Total net assets with donor restrictions	 \$ 6,229,908	 \$ 5,092,781

NOTE L - RETIREMENT PLANS

401(k) Plan

Organization-funded 401(k) contributions for the years ended June 30, 2021 and 2020 were \$13,533 and \$12,866, respectively.

Supplemental Employee Retirement Plan Assets

Certain Pew employees participate in a supplemental employee retirement plan (SERP) that provided employer contributions above the Internal Revenue Service 401(k) limit. The SERP is now frozen. The SERP assets and corresponding liabilities are included in the consolidated statements of financial position in retirement plan assets and accrued pension and postretirement obligation, respectively.

Postretirement Medical and Life Insurance Plan

Retirees who are eligible to participate in The Pew Charitable Trusts Retiree Health and Welfare Plan (the Plan) by meeting certain requirements, including a combination of a minimum service requirement and a minimum age requirement, may receive health insurance premium reimbursement benefits, dental benefits, and life insurance benefits. The Plan was amended in June 2016 to eliminate coverage for staff who retire on or after July 1, 2016, with the exception of certain grandfathered employees who meet stated requirements. The Plan is unfunded and Pew pays benefits as they become due.

The Pew Charitable Trusts

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

(In thousands)

June 30, 2021 and 2020

The following table summarizes the activity in the benefit obligation for the years ended June 30:

	<u>2021</u>	<u>2020</u>
Benefit obligation, beginning of year	\$ 31,246	\$ 27,678
Service cost	1,304	1,263
Interest cost	928	1,027
Actuarial (gain) loss	(1,050)	1,855
Benefits paid	<u>(634)</u>	<u>(577)</u>
Benefit obligation, end of year	<u>\$ 31,794</u>	<u>\$ 31,246</u>

Net periodic benefit cost at June 30 was comprised of:

	<u>2021</u>	<u>2020</u>
Service cost	\$ 1,304	\$ 1,263
Interest cost	928	1,027
Amortization of prior service cost	(917)	(917)
Recognized actuarial gain	<u>(1,235)</u>	<u>(1,796)</u>
Net periodic benefit cost	<u>\$ 80</u>	<u>\$ (423)</u>

Other changes in plan assets and benefit obligations recognized in net assets without donor restrictions for the years ended June 30:

	<u>2021</u>	<u>2020</u>
Net actuarial (gain) loss	\$ (1,050)	\$ 1,855
Recognized actuarial gain	1,235	1,796
Recognized prior service cost	<u>917</u>	<u>917</u>
Total recognized in net assets without donor restrictions	<u>\$ 1,102</u>	<u>\$ 4,568</u>
Total recognized in net periodic benefit cost and net assets without donor restrictions	<u>\$ 1,182</u>	<u>\$ 4,145</u>

The Pew Charitable Trusts

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

(In thousands)

June 30, 2021 and 2020

Weighted average assumptions used to determine the benefit obligation and net periodic benefit cost at June 30:

	<u>2021</u>	<u>2020</u>
Discount rate	3.00%	3.00%
Assumed health care cost trend rates		
Initial trend rate (flat-dollar subsidy)	3.00%	3.00%
Ultimate trend rate (flat-dollar subsidy)	3.00%	3.00%
Year ultimate trend rate is reached (flat-dollar subsidy)	2021	2020
Initial trend rate (Medicare cost)	7.25%	7.50%
Ultimate trend rate (Medicare cost)	4.50%	5.00%
Year ultimate trend rate is reached (Medicare cost)	2032	2030

As an indicator of sensitivity, a one percentage point change in assumed health care cost trend rate would have the following effects for the years ended June 30:

	<u>2021</u>	<u>2020</u>
Effect on other changes in service and interest cost components		
1% increase	\$ 251	\$ 229
1% decrease	(292)	(292)
Effect on accrued pension and postretirement obligation		
1% increase	\$ 3,886	\$ 3,336
1% decrease	(3,604)	(3,720)

Future benefits are expected to be paid for the years ending June 30 as follows:

2022	\$ 709
2023	807
2024	908
2025	1,057
2026	1,214
2027-2031	7,758

NOTE M – GUARANTEES

Pew is guarantor of a lease agreement for office space occupied by a Pew grantee. The lease term extends through February 28, 2026. Cumulative remaining lease payments under this lease agreement at June 30, 2021 total \$1,228. No liability has been recorded for this guaranty.

The Pew Charitable Trusts

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

(In thousands)

June 30, 2021 and 2020

NOTE N - CLASSIFICATION AND ALLOCATION OF EXPENSES

Expenses benefiting multiple functions are allocated on the basis of estimated time and effort or the proportion of full-time employee equivalents attributable to each function. The Organization's expenses by functional and natural classification are as follows:

	June 30, 2021			
	Grants and Program	General and Administrative	Fundraising	Total
Grants	\$ 111,642	\$ -	\$ -	\$ 111,642
Personnel	135,345	24,403	6,436	166,184
Professional services	39,123	3,756	218	43,097
Office and occupancy	12,374	2,032	230	14,636
Travel and meetings	396	19	9	424
Subscriptions and publications	1,949	138	49	2,136
Depreciation and amortization	6,457	1,069	236	7,762
Bond and swap interest	3,918	685	154	4,757
Other	2,751	1,392	110	4,253
Total operating expenses	313,955	33,494	7,442	354,891
Net periodic benefit cost other than service cost	(938)	(189)	(46)	(1,173)
Total expenses	\$ 313,017	\$ 33,305	\$ 7,396	\$ 353,718
	June 30, 2020			
	Grants and Program	General and Administrative	Fundraising	Total
Grants	\$ 97,865	\$ -	\$ -	\$ 97,865
Personnel	130,201	22,563	5,461	158,225
Professional services	48,301	4,558	579	53,438
Office and occupancy	13,579	2,263	293	16,135
Travel and meetings	7,959	243	153	8,355
Subscriptions and publications	2,165	116	44	2,325
Depreciation and amortization	7,346	1,237	310	8,893
Bond and swap interest	4,348	730	197	5,275
Other	3,667	1,745	166	5,578
Total operating expenses	315,431	33,455	7,203	356,089
Net periodic benefit cost other than service cost	(1,311)	(251)	(63)	(1,625)
Total expenses	\$ 314,120	\$ 33,204	\$ 7,140	\$ 354,464

The Pew Charitable Trusts

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

(In thousands)

June 30, 2021 and 2020

NOTE O - SUBSEQUENT EVENTS

The Organization evaluated its June 30, 2021 consolidated financial statements for subsequent events through December 1, 2021, the date the consolidated financial statements are issued. Based on the Organization's evaluation, no subsequent events meet the criteria under U.S. GAAP for disclosure.