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**Independent Auditor's Report**

The John A. Hartford Foundation, Inc.  
55 East 59th Street  
New York, NY 10022

We have audited the accompanying financial statements of The John A. Hartford Foundation, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020 and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The John A. Hartford Foundation, Inc. as of December 31, 2020, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Report on Summarized Comparative Information***

We have previously audited The John A. Hartford Foundation, Inc.'s December 31, 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 11, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink, reading "Owen J. Flanagan + Co." in a cursive script.

July 28, 2021  
New York, New York

THE JOHN A. HARTFORD FOUNDATION, INC.  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2020  
(With Comparative Totals for 2019)

	<u>2020</u>	<u>2019</u>
<u>ASSETS</u>		
Investments, at fair value (Notes 2, 3 and 4)		
Short-term cash investments	\$ 13,578,813	\$ 17,790,746
Fixed-income funds	104,276,901	110,029,464
Stocks and exchange traded funds	213,904,972	211,716,599
Commingled funds	230,110,230	205,358,869
Private equity funds	72,064,694	50,682,433
Private credit funds	8,747,075	5,045,301
Real estate pooled funds	1,108,717	1,916,289
<u>Total Investments</u>	<u>643,791,402</u>	<u>602,539,701</u>
Interest and dividends receivable	30,899	44,591
Prepayments and deposits	70,576	121,829
Prepaid taxes	-	159,136
	<u>101,475</u>	<u>325,556</u>
Office condominium, furniture, fixtures and equipment (net of accumulated depreciation of \$5,110,382 in 2020 and \$5,276,097 in 2019) (Note 5)	<u>227,181</u>	<u>222,860</u>
<u>Total Assets</u>	<u>\$ 644,120,058</u>	<u>\$ 603,088,117</u>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities		
Grants payable (Note 2)		
Current	\$ 13,006,761	\$ 9,937,446
Non-current (Note 7)	10,371,427	18,126,171
Accounts payable	495,202	477,418
Accrued vacation pay	240,367	177,960
Taxes payable	55,053	-
Deferred Federal excise tax (Note 2)	2,685,483	2,030,607
<u>Total Liabilities</u>	<u>26,854,293</u>	<u>30,749,602</u>
Net Assets		
Without Donor Restriction		
Board designated (Note 2)	378,644	1,730,990
Undesignated	616,887,121	570,607,525
<u>Total Net Assets (Exhibit B)</u>	<u>617,265,765</u>	<u>572,338,515</u>
<u>Total Liabilities and Net Assets</u>	<u>\$ 644,120,058</u>	<u>\$ 603,088,117</u>

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

THE JOHN A. HARTFORD FOUNDATION, INC.  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2020  
(With Comparative Totals for 2019)

	<u>2020</u>	<u>2019</u>
<u>REVENUE</u>		
Net investment revenue (Note 8)	\$ 68,723,833	\$ 96,430,233
Excise and unrelated business income taxes	(298,184)	(185,420)
Deferred federal excise tax expense	(654,876)	(625,470)
<u>Net investment revenue after taxes</u>	<u>67,770,773</u>	<u>95,619,343</u>
 <u>EXPENSES (Note 2)</u>		
Grants and foundation-administered projects	18,288,536	30,543,985
Program administration	2,297,532	2,419,519
Total Program	20,586,068	32,963,504
Management and general	1,979,866	1,967,571
Investment oversight	277,589	346,539
<u>Total Expenses</u>	<u>22,843,523</u>	<u>35,277,614</u>
 Change in Net Assets for Year	44,927,250	60,341,729
Net Assets, beginning of year	572,338,515	511,996,786
Net Assets, End of Year	<u>\$ 617,265,765</u>	<u>\$ 572,338,515</u>

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

THE JOHN A. HARTFORD FOUNDATION, INC.  
STATEMENTS OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2020  
(With Comparative Totals for 2019)

	<u>2020</u>	<u>2019</u>
<u>CASH FLOWS PROVIDED (USED)</u>		
FROM OPERATING ACTIVITIES:		
Interest and dividends received	\$ 6,144,503	\$ 9,108,338
Cash distributions from private funds and real estate pooled funds	2,769,096	10,094,358
Grants and foundation-administered projects paid (net of refunds)	(22,373,512)	(21,568,408)
Expenses and taxes paid	<u>(6,961,234)</u>	<u>(7,473,459)</u>
<u>Net Cash Flows Used by Operating Activities</u>	<u>(20,421,147)</u>	<u>(9,839,171)</u>
FROM INVESTING ACTIVITIES:		
Purchases of furniture, fixtures and equipment	(52,835)	(76,647)
Proceeds from sale of investments	89,919,335	76,472,064
Purchases of investments	<u>(73,657,286)</u>	<u>(69,015,003)</u>
<u>Net Cash Flows Provided by Investing Activities</u>	<u>16,209,214</u>	<u>7,380,414</u>
Net Decrease in Cash and Cash Equivalents	(4,211,933)	(2,458,757)
Cash and equivalents, beginning of year	<u>17,790,746</u>	<u>20,249,503</u>
Cash and Equivalents, End of Year	<u><u>\$ 13,578,813</u></u>	<u><u>\$ 17,790,746</u></u>
<u>Supplemental Disclosure</u>		
Excise and unrelated business income taxes paid, net	<u><u>\$ 83,995</u></u>	<u><u>\$ 343,814</u></u>

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

THE JOHN A. HARTFORD FOUNDATION, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2020  
(With Comparative Totals for 2019)

	Grants and Foundation- Administered Projects	Program Administration	Total Program	Management and General	Investment Oversight	Total 2020	Total 2019
Grants	\$ 16,672,734		\$ 16,672,734			\$ 16,672,734	\$ 29,276,809
Salaries and benefits	432,449	\$ 1,865,109	2,297,558	\$ 1,487,345	\$ 186,440	3,971,343	3,586,510
Travel	540	52,882	53,422	24,956	-	78,378	298,950
Meetings	100,200	-	100,200	-	-	100,200	99,221
Occupancy	26,637	80,387	107,024	56,509	7,706	171,239	193,960
Professional services	1,014,386	85,452	1,099,838	174,555	18,500	1,292,893	1,152,407
Trustee fees and Board costs	-	88,185	88,185	88,185	52,911	229,281	293,114
Publications	-	-	-	60,082	-	60,082	82,875
Office expenses	17,567	53,014	70,581	37,267	5,082	112,930	123,759
Technology	16,476	49,728	66,204	34,957	4,767	105,928	101,766
Depreciation	7,547	22,775	30,322	16,010	2,183	48,515	68,243
<u>Total</u>	<u>\$ 18,288,536</u>	<u>\$ 2,297,532</u>	<u>\$ 20,586,068</u>	<u>\$ 1,979,866</u>	<u>\$ 277,589</u>	<u>\$ 22,843,523</u>	<u>\$ 35,277,614</u>

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

**THE JOHN A. HARTFORD FOUNDATION, INC.****NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2020****1. Purpose of Foundation**

The John A. Hartford Foundation was established in 1929 and originally funded with bequests from its founder, John A. Hartford and his brother, George L. Hartford. The Foundation supports efforts to improve the care of older adults through grants and Foundation-administered projects. The Foundation's primary source of revenue is from investment earnings.

**2. Summary of Significant Accounting Policies****Method of Accounting**

The accounts of the Foundation are maintained, and the accompanying financial statements have been prepared, on the accrual basis of accounting.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Basis of Presentation**

Net assets are recorded based on donor-imposed restrictions or lack thereof.

*Net Assets without Donor Restrictions* - These assets are free from donor restriction and can be used to carry out the programs of the Foundation in accordance with its bylaws. Included in net assets without donor restrictions are *Board Designated Net Assets*. This currently represents the discount on grants payable and contingent grants approved.

*Net Assets with Donor Restrictions* - These assets are either restricted for a specific purpose, or a future time period or to be invested in perpetuity. At December 31, 2020, the Foundation does not have any net assets with donor restrictions.

**Investments**

Investments in marketable securities are valued at their fair value (quoted market price). Commingled funds, private equity and credit funds and real estate pooled funds are valued at their fair value as reported by the fund manager. Because of the inherent uncertainty of valuation, estimated values may differ significantly from the values that would have been used had a ready market for the entities existed. Realized gains and losses from the sale of marketable securities are recorded by comparison of proceeds to cost determined under the specific identification method. Dividends from securities are recorded on the ex-dividend date.

**Grants**

The liability for grants payable is recognized when specific unconditional grants are authorized by the Board of Trustees and the recipients have been notified. If grantees are required to satisfy certain conditions of the grant, the liability is not recorded until the conditions have been met. Annually the Foundation reviews its estimated grant payment schedule and discounts the non-current grants payable to present value using the prime rate as quoted in the Wall Street Journal at December 31 to reflect the time value of money. The amount of the discount and conditional grants approved is then recorded as designated net assets.

During 2020, the Foundation adopted ASU 2018-08 regarding grant recording.

**THE JOHN A. HARTFORD FOUNDATION, INC.****NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2020****2. Summary of Significant Accounting Policies** (Continued)**Definition of Cash**

For purposes of the statements of cash flows, the Foundation defines cash and equivalents as cash and short-term cash investments. Short-term cash investments are comprised of cash in custody accounts, money market mutual funds and net cash pending settlement.

**Tax Status**

The Foundation is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been classified as a "private foundation." The Foundation is subject to an excise tax on net investment income at the new rate of 1.39% for 2020. In 2019, the Foundation paid excise tax at the 1% reduced rate based on its qualifying distributions.

Deferred Federal excise taxes payable are also recorded on the unrealized appreciation of investments using the 1.39% excise tax rate.

The Foundation intends to distribute at least \$24,700,000 of undistributed income in grants or qualifying expenditures by December 31, 2021, to comply with Internal Revenue Service regulations.

Some of the Foundation's private equity funds and real estate pooled funds have underlying investments which generate unrelated business taxable income ("UBIT"). This income is subject to Federal and state income taxes at "for-profit" corporate income tax rates. In 2020, these funds reported UBIT losses.

**Property and Equipment**

The Foundation's office condominium, furniture, fixtures and equipment are capitalized at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets (office condominium-20 years; office furniture and fixtures-5 years).

**Allocation of Expenses**

The financial statements report categories of expenses that are attributable to program and supporting services. These expenses include salaries and benefits, professional services, occupancy, office and technology and travel. Salaries and benefits are allocated based on estimates of time spent, occupancy, office and technology expenses are allocated based on number of full time employees and the remaining expenses are based on estimates of the program or supporting service benefitted.

**Prior Year Information**

The financial statements include certain prior year summarized comparative information in total but 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 Foundation's financial statements as of and for the year ended December 31, 2019 from which the summary comparative information was derived.



**THE JOHN A. HARTFORD FOUNDATION, INC.****NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2020****3. Net Cash Pending Settlement**

Receivables and payables on security sales and purchases pending settlement at December 31, 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Proceeds from sales	\$ 221,786	\$ 2,021,272
Payables from purchases	<u>(34,848)</u>	<u>(43,476)</u>
Net cash pending settlement	<u>\$ 186,938</u>	<u>\$ 1,977,796</u>

Net cash pending settlement is reported as part of short-term cash investments.

**4. Fair Value of Investments**

The Foundation follows Financial Accounting Standards Board (FASB) guidance on *Fair Value Measurements* which defines fair value and establishes a fair value hierarchy organized into three levels based on input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

FASB guidance provides for the use of the Net Asset Value ("NAV") as a "practical expedient" for estimating the fair value of certain investment funds that are not actively traded. The fair value of some of the Foundation's funds has been estimated using the NAV as reported by the fund manager. In accordance with FASB guidance, investments valued using the NAV as a practical expedient are removed from the level classification of the fair value hierarchy. The "Valued at NAV" column is included for reconciliation purposes.

**THE JOHN A. HARTFORD FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**4. Fair Value of Investments** (Continued)

The Foundation's investments are categorized as follows:

	2020	
	Valued at	
	NAV	Total
Level 1		
Short-term cash investments	\$ 13,578,813	\$ 13,578,813
Fixed-income funds	104,276,901	104,276,901
Stocks and exchange traded funds		
Exchange traded funds		
US equities	111,632,574	111,632,574
Non-US equities	41,040,067	41,040,067
Financials	13,595,779	13,595,779
Communication services	10,885,598	10,885,598
Consumer discretionary	8,372,186	8,372,186
Other	28,378,768	28,378,768
Commingled funds		
Global and international -		
long only	\$ 101,837,718	101,837,718
U.S. long only	28,358,165	28,358,165
Equity - long/short	27,474,530	27,474,530
Tactical trading	23,628,937	23,628,937
Event-driven	26,958,125	26,958,125
Relative value	21,852,755	21,852,755
Private equity funds	72,064,694	72,064,694
Private credit funds	8,747,075	8,747,075
Real estate pooled funds	1,108,717	1,108,717
	<u>\$ 331,760,686</u>	<u>\$ 312,030,716</u>
		<u>\$ 643,791,402</u>

**THE JOHN A. HARTFORD FOUNDATION, INC.****NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2020****4. Fair Value of Investments** (Continued)

	2019		
	Level 1	Valued at NAV	Total
Short-term cash investments	\$ 17,790,746		\$ 17,790,746
Fixed-income funds	110,029,464		110,029,464
Stocks and exchange traded funds			
Exchange traded funds			
US equities	108,502,102		108,502,102
Non-US equities	45,741,520		45,741,520
Financials	12,998,366		12,998,366
Communication services	9,496,536		9,496,536
Consumer discretionary	8,849,175		8,849,175
Other	26,128,900		26,128,900
Commingled funds			
Global and international - long only		\$ 94,431,762	94,431,762
U.S. long only		20,997,435	20,997,435
Equity - long/short		30,504,400	30,504,400
Tactical trading		14,453,757	14,453,757
Event-driven		23,942,801	23,942,801
Relative value		21,028,714	21,028,714
Private equity funds		50,682,433	50,682,433
Private credit funds		5,045,301	5,045,301
Real estate pooled funds		1,916,289	1,916,289
	\$ 339,536,809	\$ 263,002,892	\$602,539,701

**THE JOHN A. HARTFORD FOUNDATION, INC.****NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2020****4. Fair Value of Investments** (Continued)

At December 31, 2020, commingled funds consist of the following:

<u>Strategy</u>	<u># of Funds</u>	<u>Liquidity</u>	<u>Fair Value</u>
Global and international - long only	1	Weekly	\$ 19,293,144
	3	Monthly	82,544,574
			<u>101,837,718</u>
U.S. long only	2	Monthly	<u>28,358,165</u>
Equity - long/short	2	Monthly	18,554,344
	1	Quarterly	2,562,925
	1	(A)	6,357,261
			<u>27,474,530</u>
Tactical Trading	4	Monthly	13,791,694
	1	Quarterly	9,837,243
			<u>23,628,937</u>
Event-Driven	2	Quarterly	19,877,237
	1	Annual	7,080,888
			<u>26,958,125</u>
Relative Value	1	Bi-Monthly	6,153,316
	1	Monthly	8,300,730
	1	Quarterly	7,398,709
			<u>21,852,755</u>
			<u>\$ 230,110,230</u>

(A) Illiquid until 9/25/22, then quarterly liquidity

Notice requirements for withdrawals range from 2 to 95 days.

At December 31, 2020, the Foundation has ten illiquid private equity funds. One is a partnership with a value of \$6,860,076 and has a remaining capital commitment of \$8,742. Its term expired in 2020 but the fund will not be terminated until the underlying assets have been liquidated. Nine are offshore funds and are valued at \$65,198,002 with terms expiring from 2023 through 2030 and have remaining capital commitments of \$59,878,999. In addition, the Foundation was a participant in one other private equity partnership that is in liquidation. The recorded value of this investment is \$6,617.

**THE JOHN A. HARTFORD FOUNDATION, INC.****NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2020****4. Fair Value of Investments** (Continued)

The Foundation also has two private credit funds that are valued at \$8,747,075 and have remaining capital commitments of \$26,032,270. Their terms expire between 2033 and 2035.

Real estate investments include three funds valued at \$1,108,720 at December 31, 2020. There are no additional capital commitments for these funds and they are in the process of liquidating.

**5. Office Condominium, Furniture, Fixtures and Equipment**

At December 31, 2020 and 2019 the fixed assets of the Foundation were as follows:

	<u>2020</u>	<u>2019</u>
Office condominium	\$4,643,452	\$4,643,452
Furniture, fixtures and equipment	<u>694,111</u>	<u>855,505</u>
	5,337,563	5,498,957
Less: Accumulated depreciation	<u>(5,110,382)</u>	<u>(5,276,097)</u>
Office condominium, furniture, fixtures and equipment	<u>\$ 227,181</u>	<u>\$ 222,860</u>

**6. Pension Plan**

The Foundation has a defined contribution retirement plan covering all eligible employees under which the Foundation contributes 14% of salary for employees. Pension expense under the plan for 2020 and 2019 amounted to \$345,975 and \$307,972, respectively.

**7. Grants Payable**

The Foundation estimates that grants payable as of December 31, 2020 will be disbursed as follows:

2021	\$ 13,006,761
2022	9,429,379
2023	<u>1,320,692</u>
	23,756,832
Discount to present value	<u>(378,644)</u>
	<u>\$ 23,378,188</u>

The amount of the discount to present value is calculated using the prime rate as quoted in the Wall Street Journal. The prime rate for 2020 and 2019 was 3.25% and 4.75%, respectively.

**THE JOHN A. HARTFORD FOUNDATION, INC.****NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2020****8. Net Investment Revenue**

The detail of net investment revenue is as follows:

	2020	2019
Short-term investment earnings	\$ 63,465	\$ 322,993
Dividends, interest and partnership earnings	5,817,962	8,808,967
Net realized capital gains	17,630,788	13,613,891
Net change in unrealized appreciation	47,113,376	75,830,005
	<u>70,625,591</u>	<u>98,575,856</u>
Direct investment expenses	(1,901,758)	(2,145,623)
Net investment revenue before taxes	68,723,833	96,430,233
Excise and unrelated business income taxes	(298,184)	(185,420)
Deferred federal excise tax expense	(654,876)	(625,470)
Net investment revenue after taxes	<u>\$ 67,770,773</u>	<u>\$ 95,619,343</u>

**9. Other Investment Fees**

Investments fees charged by certain investments such as exchange traded funds, mutual funds and offshore funds are directly deducted from the respective fund's capital balance. Accordingly, investment fees paid by these funds are not directly reported in the Foundation's financial statements. The approximate amount of these fees was \$4,100,000 in 2020 and \$3,800,000 in 2019.

**10. Liquidity and Availability of Financial Assets**

The Foundation's financial assets and resources available to meet cash needs for general expenditures and capital commitments within one year of the date of the statement of financial position were as follows:

	2020	2019
Financial Assets		
Investments	\$ 643,791,402	\$ 602,539,701
Interest and dividends receivable	30,899	44,591
	<u>643,822,301</u>	<u>602,584,292</u>
Less: Illiquid investments	(88,277,747)	(62,689,614)
Financial assets available to meet general expenditures and capital commitments over the next twelve months	<u>\$ 555,544,554</u>	<u>\$ 539,894,678</u>

Annually the Board approves a spending policy based on a three-year average of its investments.

**THE JOHN A. HARTFORD FOUNDATION, INC.****NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2020****11. Subsequent Events**

In connection with the preparation of the financial statements, the Foundation evaluated subsequent events after the statement of financial position date of December 31, 2020, through July 28, 2021, which was the date the financial statements were available to be issued. The Foundation did not have any material recognizable subsequent events during this period.

**12. Uncertain Tax Positions**

The Foundation has not entered into any uncertain tax positions that would require financial statement recognition. It is no longer subject to audits by the applicable taxing jurisdictions prior to periods ending December 31, 2017.

**13. COVID-19**

The COVID-19 pandemic has resulted in substantial volatility in the global economy and financial markets. Because of these changing conditions, the impact of these changes to the Foundation's financial position, if any, cannot be determined at this time.

**14. Private Equity and Private Credit Revaluation**

The financial statements were previously issued with a date of June 9, 2021. Subsequent to that date, the managers of the private investments upon completion of their audits increased the value of the investments by \$6,929,353. These financial statements have been adjusted to reflect this change and the corresponding change in deferred federal excise tax expense.