THE CHRISTENSEN FUND

DECEMBER 31, 2019 AND 2018

INDEPENDENT AUDITORS' REPORT

AND

CONSOLIDATED FINANCIAL STATEMENTS

The Christensen Fund

Independent Auditors’ Report and
Consolidated Financial Statements

Independent Auditors' Report

THE BOARD OF TRUSTEES
THE CHRISTENSEN FUND
San Francisco, California

We have audited the accompanying consolidated financial statements of **THE CHRISTENSEN FUND (The Christensen Fund or Christensen)**, which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated 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 the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 Christensen's preparation and fair presentation of the consolidated 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 Christensen'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 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 Christensen Fund as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Hood & Strong LLP

San Francisco, California
September 21, 2020

The Christensen Fund

Consolidated Statements of Financial Position

December 31,	2019	2018
Assets		
Cash and cash equivalents	$ 3,061,998	$ 2,003,957
Investments	290,467,225	271,467,865
Income-producing property	2,115,254	2,115,254
Prepaid expenses and other assets	1,868,436	1,519,644
Total assets	$ 297,512,913	$ 277,106,720
Liabilities and Net Assets		
Liabilities:		
Grants payable	$ 510,000	$ 1,440,000
Accounts payable and accrued liabilities	158,431	190,887
Deferred federal excise tax	708,000	869,527
Total liabilities	1,376,431	2,500,414
Net Assets Without Donor Restrictions	296,136,482	274,606,306
Total liabilities and net assets	$ 297,512,913	$ 277,106,720

See accompanying notes to consolidated financial statements.

The Christensen Fund

Consolidated Statements of Activities and Changes in Net Assets

Years Ended December 31,	2019	2018
Revenue, Gains and Other Income:		
Contributions		$ 13,748
Rental income	$ 810,236	810,236
Investment income, net	32,154,053	(3,005,616)
Other income	69,557	31,480
Total revenue, gains and other income	33,033,846	(2,150,152)
Expenses:		
Program grants	10,635,395	8,899,966
Management and general	868,275	865,361
Total expenses	11,503,670	9,765,327
Change in Net Assets	21,530,176	(11,915,479)
Net Assets - without donor restrictions, beginning of year	274,606,306	286,521,785
Net Assets - without donor restrictions, end of year	$ 296,136,482	$ 274,606,306

See accompanying notes to consolidated financial statements.

The Christensen Fund

Consolidated Statements of Functional Expenses

Years Ended December 31, 2019

	Grant Programs	Management and General	2019 Total
Grants and awards	$ 8,599,580		$ 8,599,580
Salaries and employee benefits	839,075	$ 566,008	1,405,083
Contract and professional services	521,553	149,847	671,400
Travel and meetings	186,525	48,020	234,545
Printing, postage and supplies	34,496	7,499	41,995
Rent, utilities and maintenance	345,651	75,142	420,793
Depreciation and amortization	32,150	6,989	39,139
Telecommunication	37,979	3,065	41,044
Insurance	38,386	8,345	46,731
Other expenses		3,360	3,360
	$ 10,635,395	$ 868,275	$ 11,503,670

Year Ended December 31, 2018

	Grant Programs	Management and General	2018 Total
Grants and awards	$ 5,997,068		$ 5,997,068
Salaries and employee benefits	1,026,847	$ 502,819	1,529,666
Contract and professional services	863,917	127,482	991,399
Travel and meetings	254,350	64,153	318,503
Printing, postage and supplies	40,039	8,704	48,743
Rent, utilities and maintenance	598,845	130,184	729,029
Depreciation and amortization	38,189	8,302	46,491
Telecommunication	44,000	5,762	49,762
Insurance	36,711	7,981	44,692
Other expenses		9,974	9,974
	$ 8,899,966	$ 865,361	$ 9,765,327

See accompanying notes to consolidated financial statements.

The Christensen Fund

Consolidated Statements of Cash Flows

Years Ended December 31,	2019	2018
Cash Flows from Operating Activities:		
Change in net assets	$ 21,530,176	$ (11,915,479)
Adjustments to reconcile change in net assets		
to net cash used by operating activities:		
Depreciation and amortization	39,139	46,491
Net realized and unrealized (gain) loss on investments	(30,321,054)	3,640,339
Deferred excise tax	(161,527)	
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	(387,931)	(42,845)
Grants payable	(930,000)	(3,327,612)
Accounts payable and accrued liabilities	(32,456)	(55,120)
Net cash used by operating activities	(10,263,653)	(11,654,226)
Cash Flows from Investing Activities:		
Proceeds from sales of investments	36,703,794	8,711,127
Purchases of investments	(22,950,100)	(7,958,539)
Change in receivable for unsettled investment transactions	(2,432,000)	8,437,236
Net cash provided by investing activities	11,321,694	9,189,824
Net Change in Cash and Cash Equivalents	1,058,041	(2,464,402)
Cash and Cash Equivalents, beginning of year	2,003,957	4,468,359
Cash and Cash Equivalents, end of year	$ 3,061,998	$ 2,003,957
Supplemental Disclosures:		
Cash paid for federal excise taxes	$ 694,677	$ 231,150

See accompanying notes to consolidated financial statements.

Note 1 - Organization and Summary of Significant Accounting Policies:

a. Organization

The Christensen Fund (The Christensen Fund or Christensen) is a nonprofit, tax-exempt, primarily grant making, private foundation established in 1957 through contributions from Allen D. and Carmen M. Christensen. Christensen's mission is rooted in their deep interest in the processes of creativity in the arts, promotion of knowledge through varied approaches to education, conservation of the natural environment, and the values of immersing ourselves in different cultures and their geographical settings.

Christensen believes in the power of biological and cultural diversity to sustain and enrich a world faced with great change and uncertainty. The Christensen Fund focuses on the biocultural -- the rich but neglected adapted interweave of people and place, culture and ecology -- by buttressing the efforts of people and institutions who believe in a biodiverse world infused with artistic expression and work to secure ways of life and landscapes that are beautiful, bountiful and resilient. 2019 ushered in a transition to a new grantmaking approach (a movement from a regional to a rights-based approach) and a new mission: backing the global Indigenous Peoples' Movement. In May 2020, the Christensen Board of Trustees approved a new grantmaking strategy which brings all these processes together.

In 2010, Christensen established MEC Menlo, LLC ("MEC") a California limited liability company. MEC is a Single Member LLC where Christensen is the sole member. Christensen also entered into an agreement between Christensen and MEC, in which MEC was assigned all rights, title and interest of Christensen as the lessor under the lease and sublease agreements of Christensen for a property in Menlo Park, California. In connection with such assignment, MEC assumed all liabilities and obligations of Christensen with respect to the lease.

b. Basis of Presentation

The consolidated financial statements of Christensen have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) applicable to not-for-profit organizations.

Net assets, revenues, expenses, 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 at the discretion of Christensen. There are no net assets with donor restrictions as of December 31, 2019 and 2018.

c. Principles of Consolidation

The consolidated financial statements include the accounts of The Christensen Fund and MEC Menlo, LLC. All intercompany accounts and transactions have been eliminated.

d. Cash and Cash Equivalents

Cash and cash equivalents consist of highly liquid investments with original maturities of three months or less, except for investment portfolio cash management funds, which are included in investments.

e. Investments

Investments are reported at fair value. Changes in fair values as well as realized gains and losses are reflected in the Statements of Activities and Changes in Net Assets. Dividend and interest income are accrued when earned. The fair value for non-alternatives is generally provided by using quoted market prices.

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.

The fair value of alternative investments is determined using the Net Asset Value (NAV) per share as determined by investment managers under the so-called "practical expedient." The practical expedient allows net asset value per share to represent fair value for reporting purposes when the criteria for using this method are met. Alternative investments represent amounts in marketable and non-marketable alternatives such as private equity, real estate, absolute return, and pooled funds. These investments are further discussed in Note 3.

f. Fair Value Measurements

Christensen 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. Christensen 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 - Quoted market prices (unadjusted) 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 for the asset or liability, either directly or indirectly.

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

g. Contributions

Contributions received are reported between net asset categories depending upon donor restrictions, if any. Contributions, including unconditional promises to give, are recognized as revenues in the period the promise is received. Conditional promises to give are not recognized until they become unconditional; that is when the conditions on which they depend are substantially met.

h. Grants

Grants awarded with an unconditional promise to give are accrued as a liability and expensed when approved. Conditional grants are recognized as grant expense in the period in which the recipient meets the terms of the condition. Grant cancellations or unspent funds are recorded in the year cancelled or the funds are returned.

i. Fixed Assets

Christensen capitalizes all fixed assets with a cost greater than $5,000 and an estimated useful life in excess of one year. Fixed assets, including income-producing property, are recorded at cost or, if donated, at the estimated fair value on the date of the gift. Depreciation and amortization are calculated using the straight-line method over the estimated useful life of the asset, ranging from three to 20 years.

j. Long-Lived Assets

Christensen reviews long-lived assets for impairment when circumstances indicate the carrying amount of an asset may not be recoverable. Impairment is recognized if the sum of undiscounted estimated future cash flows expected to result from the use of the asset is less than the carrying value. When an impairment loss is recognized, the asset's carrying value is reduced to its estimated fair value.

k. Functional Allocation of Expenses

Certain costs have been allocated among program expenses and management & administrative expenses based on estimates made by the management of Christensen.

The costs of providing various programs and activities have been summarized on a functional basis in the Statement of Activities and Changes in Net Assets. Expenses such as salaries, benefits, and office supplies are allocated among two categories: Program costs and management and administrative costs, based on actual use.

l. Federal Excise Taxes

The Christensen 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.

Christensen 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 Christensen. In addition, Christensen may be subject to tax on unrelated business income, if any, generated by its investments.

Christensen follows the guidance on accounting for uncertainty in income taxes of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740. As of December 31, 2019 and 2018, management evaluated Christensen's tax positions and concluded that The Christensen Fund had maintained its tax-exempt status and had taken no uncertain tax positions that require adjustment to the financial statements.

m. Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

n. New Accounting Pronouncements

Pronouncements Adopted

In June 2018, the FASB issued Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. The ASU clarifies and improves current guidance about whether a transfer of assets, or the reduction, settlement, or cancellation of liabilities, is a contribution or an exchange transaction. It provides criteria for determining whether the resource provider is receiving commensurate value in return for the resources transferred which, depending on the outcome, determines whether the organization follows contribution guidance or exchange transaction guidance in the revenue recognition and other applicable standards. The ASU was adopted as of January 1, 2019. The impact of adopting this guidance is reflected in the financial statements and did not have a significant impact on the financial statement disclosures.

Pronouncements Effective in the Future

In February 2016, the FASB issued ASU 2016-02, *Leases*. Among other things, in the amendments in ASU 2016-02, lessees will be required to recognize the following for all leases (with the exception of short-term leases) at the commencement date: 1) A lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and 2) A right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Nonpublic business entities should apply the amendments for fiscal years beginning after December 15, 2021 (i.e., January 1, 2022, for a calendar year entity), and interim periods within fiscal years beginning after December 15, 2022. Early adoption is permitted. The Christensen Fund is currently evaluating the impact on this pronouncement on its consolidated financial statements.

o. Subsequent Events

The Christensen Fund evaluated subsequent events with respect to the consolidated financial statements for the year ended December 31, 2019 through September 21, 2020, 2020, the date the consolidated financial statements were available to be issued, and has determined that no adjustments are necessary to the amounts reported in the accompanying consolidated financial statements and no subsequent events have occurred which would require disclosure, except as described in Notes 2, 5, 9, and 13.

Note 2 - Investments and Fair Value Measurements:

Investments:

At December 31, 2019 and 2018, the fair market value of investments consists of the following:

	2019	2018
Cash and cash equivalents	$ 3,901,094	$ 7,085,609
Mutual funds:		
Fixed income fund	5,434,211	4,728,819
Equity funds	6,034,215	4,465,281
Balanced index fund	13,379,172	11,760,829
Alternative investments measured at net asset value as a practical expedient	251,608,533	235,749,327
Subtotal	280,357,225	263,789,865
Receivable for unsettled investment transactions	10,110,000	7,678,000
Total	$ 290,467,225	$ 271,467,865

Investment income, net for the years ended December 31, 2019 and 2018 include the following:

	2019	2018
Realized gain	$ 9,810,336	$ 7,420,171
Unrealized gain (loss)	20,510,718	(11,060,510)
Investment management fees	(3,983,576)	(2,958,892)
Interest and dividend income	5,899,019	3,824,765
Excise tax benefit (expense)	131,527	(231,150)
Unrelated business income tax	(213,971)	
Total	$ 32,154,053	$ (3,005,616)

Subsequent to year end, Christensen fulfilled capital call commitments of $1,500,000 to various private equities, increased its mutual fund portfolio by $330,000, and received a redemption from TCF Investment Holdings, LP of $3,450,000 in excess cash, in order to fulfill its capital call obligations and meet operating needs.

Fair Value Measurement:

As of December 31, 2019 and 2018, respectively, investments include cash and cash equivalents and mutual funds with a fair value of $28,748,692 and $28,040,538 and are classified as Level 1. In accordance with Subtopic 820-10, the alternative investments are valued using the Net Asset Value (NAV) per share (or its equivalent) practical expedient and are not subject to the fair value hierarchy classification.

Note 3 - Net Asset Value Disclosures:

The Christensen Fund uses the NAV as a practical expedient to determine the fair value of all the underlying investments which do not have readily determinable fair value 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 these investments by major category as of December 31, 2019 and 2018:

	2019		2018			
Strategies	# of Funds	Valuation	# of Funds	Valuation	Redemption Frequency	Notice Period
Alternative Investments:						
Private equity (a):						
Venture capital funds	3	$ 3,624,339	2	$ 1,598,213	N/A	N/A
Global equities (b):						
Private equity fund	1	5,717,468			Quarterly	30 days
Absolute return (c):						
Multi-strategy:						
Non – Redeemable	1	925	1	4,297	N/A	N/A
Pooled funds:						
Liquid Market Fund **(d)**	1	1,067	1	12,063,046	Monthly	25 days
TCF Investment Holdings LP **(e)**	1	242,264,734	1	222,083,771	(e)	(e)
Total	7	$ 251,605,533	5	$ 235,749,327		

a) Private equity funds invest in venture capital funds consisting of domestic and international private equity with the objective of long-term growth of capital. The partnerships typically have a legal life span of 10-14 years with no redemption rights for the limited partners. Unfunded commitments were $6,655,000 and $3,500,000 as of December 31, 2019 and 2018, respectively.

b) The strategy of the private equity fund is to generate long-term capital appreciation by investing in a long-only concentrated portfolio of global equity securities. The investment process fully integrates sustainability analysis into the decision-making and is focused on long-term performance. There is a lock up period of one year from the initial contribution which will expire on April 1, 2020.

c) The strategy of the Absolute Return is to provide diversification benefits to the overall portfolio through lower correlation to other traditional asset classes (e.g. Equity and Fixed Income) and to provide a buffer during equity market declines. Multi-strategy managers invest in a wide variety of securities, typically rotating between equity, bank debt, convertible bonds, and other fixed income securities depending on the manager's view on relative attractiveness, with the objective of exploiting arbitrage opportunities or identifying undervalued assets without incurring systematic market risk.

d) The Liquid Market 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.

e) TCF Investment Holdings, LP (TCFIH) is a private investment partnership offering an endowment-style investment program. TCFIH 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. This strategy includes The Christensen Fund's own legacy portfolio investments (Vintage Investments) which are pooled accounts managed by unaffiliated third parties, generally private equities. TCFIH invests most of its assets, via a master feeder relationship (a fund which then invests into a master fund), in Global Endowment Fund II, LP. The Global Endowment Fund II employs strategies including: public equities, venture capital, private equity, real estate, natural resources and hedged strategies.

   TCFIH had previously invested solely in marketable securities separately managed by Golden Capital Management, LLC. Golden Capital Management, LLC continues to act as the advisor to Global Endowment Management (GEM) of that account, pricing that portfolio monthly and providing a statement with a total portfolio net asset value for those marketable securities.

Each of the TCFIH investments, accounts and portfolios has its own liquidity profile, ranging from daily to longer than three years. Withdrawals of excess cash within TCFIH are permitted at any time. TCFIH can redeem any of the Vintage Investments by authorizing GEM to sell that investment at any time. The Global Endowment Fund II component allows semi-annual redemptions with a 90-day redemption notice period, and these redemptions flow directly to The Christensen Fund. TCFIH redemption proceeds for accepted redemption requests will be made within 15 business days after the redemption date. The total redemption available annually is limited to 7% of the NAV of TCFIH as of December 31 of the request year. At least 90% of any amount withdrawn will be paid within 60 days. The remaining will be paid no later than 60 days after the completion of the annual audit. Unfunded long-term commitments were $1,317,705 as of December 31, 2019 and will be funded by the available cash balance held in TCFIH.

Note 4 - Availability of Financial Assets and Liquidity:

Christensen's financial assets available within one year of the consolidated statements of financial position date for general expenditures are as follows:

Financial assets at:	2019	2018
Cash and cash equivalents	$ 3,061,998	$ 2,003,957
Investments	290,467,225	271,467,865
Total financial assets	293,529,223	273,471,822
Less amounts not available to be used within one year:		
Investments with liquidity restrictions	(228,875,232)	(206,486,589)
Financial assets available to meet general expenditures over the next twelve months	$ 64,653,991	$ 66,985,233

As part of Christensen's liquidity plan, excess cash is invested in short-term investments, including money market accounts. None of these financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within 2020.

Note 5 - Income-Producing Property:

Income-producing property held at cost at December 31, 2019 and 2018 consists of land in the amount of $2,115,254.

MEC leases the land under an operating ground lease arrangement to an unrelated third party. The master lease expires on October 31, 2058. Subsequent to year end, the lease rate was renegotiated and revised as noted below.

Future minimum rental income under the master lease is as follows:

Year Ended December 31,		
2020	$	1,465,732
2021		1,465,732
2022		1,465,732
2023		1,465,732
2024		1,465,732
Thereafter		51,268,366
Total	$	58,597,026

The operating ground lease expires on October 31, 2058. This rent is adjusted every 10 years to up to one half of one percent per month of the fair market value of the land. If the sub-lessee were to default on the ground lease, MEC would be responsible for the rent.

Note 6 - Prepaid Expenses and Other Assets:

Prepaid expenses and other assets at December 31, 2019 and 2018 consist of the following:

		2019		2018
Mineral rights	$	966,650	$	966,650
Wyoming property (net of accumulated amortization of $75,395 and $66,332)		114,923		123,986
Property and equipment, (net of accumulated depreciation of $140,762 and $110,686)		28,848		58,924
Program related note receivable		250,000		250,000
Prepaid excise tax		450,000		
Other		58,015		120,084
	$	1,868,436	$	1,519,644

Depreciation and amortization expense on property and equipment for 2019 and 2018 was $30,076 and $46,491, respectively.

In a prior year, Christensen received contributions in the form of mineral rights for property in Colorado and Wyoming. Christensen maintains all rights to develop and maintain the existing mineral rights. Upon receipt of the contributions Christensen obtained appraisals on each of the properties and it was determined that the fair value of the mineral rights when received were $537,760 and $428,890, respectively.

A portion of the Wyoming property is income producing and is amortized over an estimated 21-year life of the producing property.

Note 7 - Line of Credit:

In a prior year, Christensen entered into a revolving line of credit agreement with Wells Fargo Bank in the amount of $2,000,000 and is collateralized by all inventory, equipment and accounts. The interest rate on this note is 3.5% and requires monthly payments of interest only, with the entire principal and unpaid interest due at maturity. In 2017, the revolving line of credit was renewed with maturity date of February 18, 2018. Christensen elected not to renew the agreement after the expiration date.

Note 8 - Grants Payable:

Total grants payable as of December 31, 2019 and 2018 were $510,000 and $1,440,000, respectively. Grants payable of $510,000 as of December 31, 2019 is expected to be paid within one year.

As of December 31, 2019, conditional grants were approved by the Board for a maximum of $3,430,000.

Note 9 - Lease Obligations:

As of December 31, 2019 and 2018, Christensen maintained an office location in San Francisco**.** The lease agreement is effective December 1, 2015 for a term of 61 months expiring December 2020 with monthly base rent of $16,885 and a 3% annual increase. Subsequent to year end, the Foundation elected not to renew its lease.

Future minimum lease payments are approximately as follows:

Year Ended December 31,	
2020	$ 229,000

Total rent expense for office and equipment operation leases for 2019 and 2018 were $248,153 and $370,090, respectively.

Note 10 - Excise Taxes:

In accordance with the applicable Treasury provisions, Christensen is classified as a private foundation subject to an excise tax of two percent on net investment income, including realized gains. Christensen is eligible to reduce its tax liability from two percent to one percent of net investment income if a certain level of distributions, calculated as defined in the Treasury regulations, is attained. The tax rate for the current excise tax provision was two percent for 2019 and 2018. On December 20, 2019, tax legislation was amended which changed the tax rate for private foundations to a flat rate of 1.39%, effective January 1, 2020. The Foundation used the new rate of 1.39% to calculate its deferred tax provision at December 31, 2019. For December 31, 2018, the Foundation used the rate of two percent on its unrealized appreciation on investments for deferred taxes.

The provisions for current and deferred taxes for the years ended December 31, 2019 and 2018 are as follows:

	2019	2018
Current excise tax	$ 30,000	$ 231,150
Unrelated business income tax	213,971	
Deferred excise tax (benefit)	(161,527)	
Total	$ 82,444	$ 231,150

Note 11 - Concentrations of Risk:

Investments in general are exposed to various risks, such as interest rate, credit and overall market volatility. The alternative investments include additional risks such as limited liquidity, non-marketable investments and dependence on key individuals. To address the risk of investments, Christensen maintains a formal investment policy that sets out performance criteria, investment guidelines, asset allocation guidelines and requires review of the investment performance.

As of December 31, 2019, one investment fund represented approximately 87% of total investments. As of December 31, 2018, one investment fund represented approximately 85% of total investments.

Christensen maintains its cash in bank accounts in amounts which, at times, may exceed federally insured limits. Christensen has not experienced any losses in such accounts.

Note 12 - Related Parties:

Christensen has and may continue to have Trustees, committee members, and staff members who are affiliated with organizations that are current grantees or are being considered for a grant by Christensen. Christensen has a conflict of interest policy which covers situations that may constitute a conflict of interest and the procedure to address the conflict when it occurs. The policy requires Trustees, committee members, staff members, and vendors to annually update and disclose to the governing Board their grantee and organization relationships.

Note 13 - Subsequent Events:

Pandemic and Market Volatility:

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

In addition, financial markets volatility has significantly increased with general decrease in the value of major market equity indices. A decline in market valuations may negatively impact the value of investment portfolios held by Christensen. Subsequent to year end, Christensen experienced a difficult first quarter with its investments due to the market reaction to the uncertainty of the global impact of COVID-19. It has since appreciated a modest gain during quarter two as global markets begin to recover. These declines do not appear to have any effect on Christensen’s operations or ability to disburse grants. The Investment Committee and OCIO are closely monitoring the performance of Christensen's portfolio, meeting monthly, to ensure Christensen’s ability to meet operating needs.