Consolidated Financial Statements and Report of Independent Certified Public Accountants

The Pew Charitable Trusts

June 30, 2019 and 2018

Contents

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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, 2019 and 2018, and 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, 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 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, 2019 and 2018, 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 12, 2019

The Pew Charitable Trusts

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of June 30,

ASSETS	2019	2018
Cash and cash equivalents	$ 6,193,748	$ 7,870,027
Accounts receivable	403,579	309,799
Prepaid expenses	3,960,189	3,322,932
Contributions receivable, net	25,252,252	25,727,501
Investments	1,059,539,395	1,018,642,927
Retirement plan assets	6,545,867	6,129,681
Property and equipment, net	201,011,250	207,264,798
Beneficial interest in supporting charitable trusts	5,448,309,448	5,493,229,412
Other assets	1,208,335	1,058,056
Total assets	$ 6,752,424,063	$ 6,763,555,133
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	$ 12,395,057	$ 9,878,931
Accrued vacation	6,548,080	6,213,476
Grants payable, net	93,387,715	90,833,250
Deferred rent	11,977,386	12,693,173
Accrued pension and postretirement obligation	35,929,280	31,003,961
Bonds payable, net	148,133,155	153,536,448
Interest rate swaps	29,701,439	21,685,913
Other liabilities	849,737	515,609
Total liabilities	338,921,849	326,360,761
NET ASSETS		
Without donor restrictions	905,995,933	886,570,950
With donor restrictions - other	59,196,833	57,394,010
With donor restrictions - beneficial interest in trusts	5,448,309,448	5,493,229,412
Total net assets	6,413,502,214	6,437,194,372
Total liabilities and net assets	$ 6,752,424,063	$ 6,763,555,133

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

The Pew Charitable Trusts

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended June 30, 2019

	Without donor restrictions	With donor restrictions	Total
Revenues			
Distributions from supporting charitable trusts	$ 230,817,264	$ 49,563,884	$ 280,381,148
Contributions	17,274,878	23,455,639	40,730,517
Investment returns, net	51,072,611	74,147	51,146,758
Other income	1,658,884	-	1,658,884
Net assets released from restrictions	71,290,847	(71,290,847)	-
Total revenues	372,114,484	1,802,823	373,917,307
Operating expenses			
Grants	89,587,047	-	89,587,047
Program	215,017,049	-	215,017,049
General and administration	30,044,475	-	30,044,475
Fundraising	6,626,271	-	6,626,271
Total operating expenses	341,274,842	-	341,274,842
Change in net assets from operating activities	30,839,642	1,802,823	32,642,465
Non-operating activities			
Change in fair value of beneficial interest in trusts	-	(44,919,964)	(44,919,964)
Change in fair value of interest rate swaps	(8,015,526)	-	(8,015,526)
Net periodic benefit cost other than service cost	2,519,062	-	2,519,062
Other changes in postretirement benefits	(5,918,195)	-	(5,918,195)
Change in net assets	19,424,983	(43,117,141)	(23,692,158)
Net assets, beginning of year	886,570,950	5,550,623,422	6,437,194,372
Net assets, end of year	$ 905,995,933	$ 5,507,506,281	$ 6,413,502,214

The accompanying notes are an integral part of this consolidated financial statement.

The Pew Charitable Trusts

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended June 30, 2018

	Without donor restrictions	With donor restrictions	Total
Revenues			
Distributions from supporting charitable trusts	$ 225,555,293	$ 48,438,618	$ 273,993,911
Contributions	80,984	19,513,340	19,594,324
Investment returns, net	36,812,789	133,874	36,946,663
Other income	1,713,280	-	1,713,280
Net assets released from restrictions	83,722,314	(83,722,314)	-
Total revenues	347,884,660	(15,636,482)	332,248,178
Operating expenses			
Grants	117,055,828	-	117,055,828
Program	207,841,015	-	207,841,015
General and administration	29,107,497	-	29,107,497
Fundraising	6,388,766	-	6,388,766
Total operating expenses	360,393,106	-	360,393,106
Change in net assets from operating activities	(12,508,446)	(15,636,482)	(28,144,928)
Non-operating activities			
Change in fair value of beneficial interest in trusts	-	147,214,053	147,214,053
Change in fair value of interest rate swaps	8,739,978	-	8,739,978
Net periodic benefit cost other than service cost	(645,386)	-	(645,386)
Other changes in postretirement benefits	15,655,792	-	15,655,792
Change in net assets	11,241,938	131,577,571	142,819,509
Net assets, beginning of year	875,329,012	5,419,045,851	6,294,374,863
Net assets, end of year	$ 886,570,950	$ 5,550,623,422	$ 6,437,194,372

The accompanying notes are an integral part of this consolidated financial statement.

The Pew Charitable Trusts

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended June 30,

	2019	2018
Cash flows from operating activities		
Change in net assets	$ (23,692,158)	$ 142,819,509
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	8,951,077	10,237,276
Amortization	61,707	61,705
Non-cash contributions made	-	910,417
Net unrealized and realized gains on investments	(23,719,284)	(9,966,858)
Net change in beneficial interest in supporting charitable trusts	(235,461,184)	(421,207,964)
Change in fair value of interest rate swaps	8,015,526	(8,739,978)
Changes in assets and liabilities:		
Accounts receivable	(93,780)	(50,594)
Prepaid expenses	(637,257)	(346,930)
Contributions receivable, net	475,249	8,669,174
Distributions from supporting charitable trusts	280,381,148	273,993,911
Accounts payable and accrued expenses	2,516,126	(3,340,979)
Accrued vacation	334,604	321,793
Grants payable, net	2,554,465	21,718,817
Accrued pension and postretirement obligation	4,509,133	(12,256,406)
Other assets and liabilities	(531,938)	(498,389)
Net cash provided by operating activities	23,663,434	2,324,504
Cash flows from investing activities		
Purchase of investments	(1,169,306,349)	(1,177,056,858)
Sale of investments	1,152,129,165	1,181,511,679
Purchase of property and equipment	(2,697,529)	(4,060,132)
Net cash (used in) provided by investing activities	(19,874,713)	394,689
Cash flows from financing activities		
Payment of bond principal	(5,465,000)	(5,280,000)
Net cash used in financing activities	(5,465,000)	(5,280,000)
Net decrease in cash and cash equivalents	(1,676,279)	(2,560,807)
Cash and cash equivalents, beginning of year	7,870,027	10,430,834
Cash and cash equivalents, end of year	$ 6,193,748	$ 7,870,027

Interest paid totaled $5,137,903 and $5,499,644 for the years ended June 30, 2019 and 2018, respectively.

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

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, equity mutual funds, and exchange-traded funds with readily determinable fair values based on quoted market prices.

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 tangible 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, 2019 and 2018, the trusts held alternative investments with a fair value of $3,998,051,368 and $4,295,087,715, 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.

Fair Value of Financial Instruments

Financial instruments consist of cash, contributions receivable, investments, beneficial interest in trusts, retirement plan assets, grants payable, bonds payable, and interest rate swaps. The carrying amounts of financial instruments reported in the consolidated statements of financial position approximate fair value.

Recently Issued Accounting Pronouncements

Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, requires lessees to recognize in the statement of financial position a liability to make lease payments and an asset representing the right to use the underlying asset for the lease term. The ASU also requires disclosures of key information pertaining to leasing arrangements. Upon implementation of the ASU, the Organization must recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. Management has determined that the Organization has leases within the scope of this new guidance. The ASU is effective no later than the Organization's reporting periods beginning July 1, 2019, and the Organization plans to adopt the ASU at that time. The ASU is not expected to have a material impact on the Organization's net assets.

Recently Adopted Accounting Pronouncements

ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, requires changes to reporting requirements for not-for-profit entities including: (1) the presentation of two classes of net assets, rather than the previously required three classes, as well as the annual change in each of the two classes; (2) disclosure of expenses using both their natural and functional classifications; (3) disclosure of the methods used to allocate costs among program and support functions; (4) the netting of all external and direct internal investment expenses against investment returns; and (5) additional disclosures regarding general liquidity and the availability of funds to meet short-term expenditures. The Organization adopted the new standard for reporting periods beginning July 1, 2018. The adoption of the ASU did not materially impact the Organization's reported amounts of total assets, liabilities, revenues or expenses. The ASU has been applied retrospectively to the earliest period presented.

ASU 2017-07, *Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, requires the service cost component of net periodic benefit cost for pension and other postretirement benefits to be presented in the same line item as other compensation. Other components of net periodic benefit cost, such as interest, expected return on plan assets, and amortization of other actuarially determined amounts, are required to be presented separately from the service cost component and outside of the change in net assets from operating activities. The Organization adopted the new standard for reporting periods beginning July 1, 2018. Changes resulting from adoption of the new standard have been applied retrospectively in the 2018 consolidated statement of activities by reclassifying $645,386 of non-service related components of net periodic benefit cost from operating expenses to non-operating activities.

ASU 2018-08, *Not-for-profit Entities: Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, provides: (1) a framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction, including how to evaluate whether a resource provider is receiving commensurate value in an exchange transaction; and (2) guidance to assist entities in determining whether a contribution is conditional or unconditional. The guidance applies to both recipients and resource providers. The Organization adopted the new standard for transactions in which it serves as a resource recipient for the reporting periods beginning July 1, 2018, resulting in the recognition of an additional $6,020,728 in contribution revenue previously classified as conditional. For transactions in which the Organization serves as a resource provider, the new standard is effective for reporting periods beginning July 1, 2019. Management does not expect that the adoption of the ASU as a resource provider will materially impact the Organization's total reported amounts of liabilities or expenses.

Reclassifications

To maintain comparability, certain reclassifications have been made to the 2018 consolidated financial statements to conform to the 2019 presentation. These reclassifications had no impact on total net assets or the total change in net assets.

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:

	2019	2018
Cash and cash equivalents	$ 6,193,748	$ 7,870,027
Accounts receivable	403,579	309,799
Contributions receivable due within one year	11,903,520	12,894,115
Investments, net of donor-advised funds	870,714,124	841,774,152
Financial assets available for general expenditures within one year	$ 889,214,971	$ 862,848,093

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. The fair value of contributions receivable is recorded at the present value of expected future cash flows discounted at rates ranging from 1.71% 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, 2019 and 2018 were $2,764,826 and $13,087,017, respectively.

Management monitors receivables to determine if an allowance is needed. There was no allowance for doubtful accounts at June 30, 2019 and 2018, as management deems all receivables to be collectible.

At June 30, 2019, cash payments for contributions receivable were expected as follows:

In:	
Less than one year	$ 11,903,520
One to five years	12,914,698
More than five years	1,386,062
	26,204,280
Present value discount	(952,028)
Contributions receivable, net	$ 25,252,252

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 described below:

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.

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.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level within the fair value hierarchy 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, 2019			
	Level 1	Level 2	Level 3	Total
Assets				
Investments				
Cash and cash equivalents	$ 45,733,191	$ -	$ -	$ 45,733,191
U.S. Treasuries	208,673,427	-	-	208,673,427
Mutual funds	192,084,092	-	-	192,084,092
Equity securities	197,104,841	-	-	197,104,841
Corporate obligations	-	239,928,695	-	239,928,695
Asset-backed securities	-	137,905,951	-	137,905,951
Mortgage-backed securities	-	25,077,748	-	25,077,748
Government obligations	-	13,031,450	-	13,031,450
Total	643,595,551	415,943,844	-	1,059,539,395
Beneficial interest in supporting charitable trusts	-	-	5,448,309,448	5,448,309,448
Retirement plan assets	6,545,867	-	-	6,545,867
Liabilities				
Interest rate swaps	$ -	$29,701,439	$ -	$ 29,701,439

	June 30, 2018			
	Level 1	Level 2	Level 3	Total
Assets				
Investments				
Cash and cash equivalents	$ 62,941,547	$ -	$ -	$ 62,941,547
U.S. Treasuries	190,683,030	-	-	190,683,030
Mutual funds	185,794,866	-	-	185,794,866
Equity securities	198,119,908	-	-	198,119,908
Corporate obligations	-	232,949,535	-	232,949,535
Asset-backed securities	-	110,507,738	-	110,507,738
Mortgage-backed securities	-	20,610,409	-	20,610,409
Government obligations	-	17,035,894	-	17,035,894
Total	637,539,351	381,103,576	-	1,018,642,927
Beneficial interest in supporting charitable trusts	-	-	5,493,229,412	5,493,229,412
Retirement plan assets	6,129,681	-	-	6,129,681
Liabilities				
Interest rate swaps	$ -	$21,685,913	$ -	$ 21,685,913

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

	2019	2018
Balance, beginning of year	$ 5,493,229,412	$ 5,346,015,359
Change in fair value of assets	235,461,184	421,207,964
Distributions from supporting charitable trusts	(280,381,148)	(273,993,911)
Balance, end of year	$ 5,448,309,448	$ 5,493,229,412

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:

	2019	2018
Land	$ 90,000,000	$ 90,000,000
Building and tenant improvements	131,848,895	131,889,143
Furniture and equipment	6,937,660	6,846,686
Information technology equipment and software	33,580,701	32,432,767
Leasehold improvements	11,800,264	11,777,359
	274,167,520	272,945,955
Accumulated depreciation	(73,156,270)	(65,681,157)
Property and equipment, net	$ 201,011,250	$ 207,264,798

NOTE G - GRANTS PAYABLE, NET

The fair value of grants payable is recorded at the present value of expected future payments, discounted at rates ranging from 1.55% to 2.68%. Conditional grants are recognized when the stated conditions are met. Pew had unpaid conditional grants outstanding of $3,414,526 and $4,500,000 at June 30, 2019 and 2018, respectively, whose conditions had not been met as of these dates.

At June 30, 2019, grants payable were expected to be paid as follows:

Year ending June 30,	
2020	$ 69,925,864
2021	18,057,005
2022	4,945,560
2023	1,000,000
2024	500,000
	94,428,429
Present value discount	(1,040,714)
Grants payable, net	$ 93,387,715

NOTE H - BONDS PAYABLE

At June 30, 2019 and 2018, Pew had $149,285,000 and $154,750,000, 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 1.90% and 1.50% on June 30, 2019 and 2018, respectively. The bonds are collateralized by an irrevocable letter of credit which expires on October 24, 2021. 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, 2019. The available amount under the letter of credit as of June 30, 2019 was $151,739,000.

Principal payments on the bonds are due as follows:

Year ending June 30,	
2020	$ 5,655,000
2021	5,855,000
2022	6,060,000
2023	6,275,000
2024	6,495,000
Thereafter	118,945,000
	149,285,000
Deferred financing costs, net of amortization	(1,151,845)
Bonds payable, net	$ 148,133,155

Bond interest expense in 2019 and 2018 totaled $2,389,165 and $1,785,848, respectively.

NOTE I - 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:

Notional amount	Maturity date	Fixed rate	Floating rate
$73,842,303	4/1/2038	3.366%	67% of USD-LIBOR
$75,442,697	4/1/2038	3.327%	67% of USD-LIBOR

Pew expensed $2,714,123 and $3,666,047 under the interest rate swap agreements for the years ended June 30, 2019 and 2018, respectively.

NOTE J - 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, 2019 and 2018. Net assets with donor restrictions at June 30 consisted of the following:

	2019	2018
J. Howard Pew Freedom Trust	$ 11,574,931	$ 10,900,536
Net assets restricted for program expenditures	47,621,902	46,493,474
Net assets with donor restrictions - beneficial interest in trusts	5,448,309,448	5,493,229,412
Total net assets with donor restrictions	$5,507,506,281	$5,550,623,422

NOTE K - RETIREMENT PLANS

401(k) Plan

Organization-funded 401(k) contributions for the years ended June 30, 2019 and 2018 were $12,034,256 and $11,512,499, 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 following table summarizes the activity in the benefit obligation for the years ended June 30:

	2019	2018
Benefit obligation, beginning of year	$ 23,259,000	$ 35,520,000
Service cost	1,110,000	2,754,000
Interest cost	978,000	1,495,000
Actuarial loss (gain)	2,840,000	(15,797,000)
Benefits paid	(509,000)	(713,000)
Benefit obligation, end of year	$ 27,678,000	$ 23,259,000

Net periodic benefit cost at June 30 was comprised of:

	2019	2018
Service cost	$ 1,110,000	$ 2,754,000
Interest cost	978,000	1,495,000
Amortization of prior service cost	(917,000)	(917,000)
Recognized actuarial gain	(2,649,000)	-
Net periodic benefit cost	$ (1,478,000)	$ 3,332,000

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

	2019	2018
Net actuarial loss (gain)	$ 2,840,000	$ (15,797,000)
Recognized actuarial gain	2,649,000	-
Recognized prior service cost	917,000	917,000
Total recognized in net assets without donor restrictions	$ 6,406,000	$ (14,880,000)
Total recognized in net periodic benefit cost and net assets without donor restrictions	$ 4,928,000	$ (11,548,000)

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

	2019	2018
Discount rate	3.75%	4.25%
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)	2019	2018
Initial trend rate (Medicare cost)	7.50%	7.50%
Ultimate trend rate (Medicare cost)	5.00%	5.00%
Year ultimate trend rate is reached (Medicare cost)	2030	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:

	2019	2018
Effect on other changes in service and interest cost components		
1% increase	$ 190,000	N/A
1% decrease	$ (259,000)	N/A
Effect on accrued pension and postretirement obligation		
1% increase	$ 2,646,000	$ 2,043,000
1% decrease	$ (3,206,000)	$ (2,625,000)

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

2020	$ 577,000
2021	654,000
2022	747,000
2023	841,000
2024	953,000
2025-2029	6,761,000

NOTE L - COMMITMENTS AND CONTINGENCIES

Leases

The Organization has operating leases for office facilities in Philadelphia, Washington, D.C., London, and other locations. Occupancy expense for leased offices for the years ended June 30, 2019 and 2018 was $5,267,970 and $5,278,905, respectively.

Future minimum rental payments under these leases, as well as leases for equipment, for the years ending June 30 are as follows:

2020	$ 5,045,343
2021	5,079,144
2022	5,160,585
2023	5,120,790
2024	4,743,477
Thereafter	21,176,720
	$ 46,326,059

Pew has entered into agreements to lease or sublease a portion of its office space in Washington, D.C. and Portland, Oregon. Rental income for the years ended June 30, 2019 and 2018 was $762,600 and $779,564, respectively. The agreements provide for future minimum annual rents to be received as follows for the years ending June 30:

2020	$ 702,430
2021	358,802
2022	175,698
2023	159,439
2024	102,050
Thereafter	105,112
	$ 1,603,531

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, 2019 total $1,715,800.

NOTE M - 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, 2019			
	Program	General and administrative	Fundraising	Total
Grants	$ 89,587,047	$ -	$ -	$ 89,587,047
Personnel	127,191,998	19,399,831	4,806,345	151,398,174
Professional services	45,799,236	3,916,681	623,478	50,339,395
Office and occupancy	14,098,371	2,250,289	249,563	16,598,223
Travel and entertainment	9,714,835	610,560	269,798	10,595,193
Subscriptions and publications	2,459,287	86,736	101,052	2,647,075
Depreciation and amortization	7,511,030	1,238,279	263,475	9,012,784
Bond and swap interest	4,216,568	725,498	161,222	5,103,288
Other	4,025,724	1,816,601	151,338	5,993,663
Total operating expenses	304,604,096	30,044,475	6,626,271	341,274,842
Net periodic benefit cost other than service cost	(2,047,726)	(376,728)	(94,608)	(2,519,062)
Total expenses	$302,556,370	$ 29,667,747	$ 6,531,663	$ 338,755,780

	June 30, 2018			
	Program	General and administrative	Fundraising	Total
Grants	$ 117,055,828	$ -	$ -	$ 117,055,828
Personnel	124,379,290	18,908,820	5,014,031	148,302,141
Professional services	40,409,640	3,730,605	153,732	44,293,977
Office and occupancy	13,400,352	2,001,725	232,541	15,634,618
Travel and entertainment	10,793,270	495,601	285,026	11,573,897
Subscriptions and publications	2,295,657	118,140	82,809	2,496,606
Depreciation and amortization	8,612,787	1,380,079	306,115	10,298,981
Bond and swap interest	4,499,137	774,116	178,642	5,451,895
Other	3,450,882	1,698,411	135,870	5,285,163
Total operating expenses	324,896,843	29,107,497	6,388,766	360,393,106
Net periodic benefit cost other than service cost	523,114	96,163	26,109	645,386
Total expenses	$ 325,419,957	$29,203,660	$ 6,414,875	$ 361,038,492

NOTE N - SUBSEQUENT EVENTS

The Organization evaluated its June 30, 2019 consolidated financial statements for subsequent events through December 12, 2019, 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.