

Financial Statements and
Supplementary Information Together
with Report of Independent Certified
Public Accountants

The G. Unger Vetlesen Foundation

For the year ended December 31, 2019

Contents

Page

Report of Independent Certified Public Accountants	1
Financial Statements	
Statement of Assets and Net Assets Arising from Cash Transactions	3
Statement of Cash Receipts, Disbursements and Change in Net Assets	4
Notes to Financial Statements	5
Supplementary Information	
Supplemental Schedule of Marketable Securities as of December 31, 2019 and 2018 and for the year ended December 31, 2019	13

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of
The G. Unger Vetlesen Foundation

Report on the financial statements

We have audited the accompanying financial statements of The G. Unger Vetlesen Foundation (the "Foundation"), which comprise the statement of assets and net assets arising from cash transactions as of December 31, 2019, and the related statement of cash receipts, disbursements and change in net assets 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 the cash basis of accounting described in Note 2; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 from 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 Foundation'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 Foundation'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 assets and net assets arising from cash transactions of The G. Unger Vetlesen Foundation as of December 31, 2019, and its cash receipts, disbursements and change in net assets for the year then ended in accordance with the cash basis of accounting described in Note 2.

Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Supplementary information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Supplemental Schedule of Marketable Securities as of December 31, 2019 and 2018 and for the year ended December 31, 2019 on page 13 is presented for purposes of additional analysis and is not a required part of the financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America established by the American Institute of Certified Public Accountants. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.



New York, New York
June 29, 2020

The G. Unger Vetlesen Foundation

STATEMENT OF ASSETS AND NET ASSETS ARISING FROM CASH TRANSACTIONS

December 31, 2019

ASSETS

Cash and cash equivalents:

JPMorgan Chase checking account	\$	264
Deutsche Bank custody, checking and money market accounts		8,445,678
First Republic Bank checking account		79,943
		<u>8,525,885</u>

Marketable securities, at cost (Note 3):

Common stocks (fair value \$162,036,333)		<u>56,302,303</u>
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Net assets without donor restriction	\$	<u><u>64,828,188</u></u>
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The accompanying notes are an integral part of this financial statement.

The G. Unger Vetlesen Foundation

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGE IN NET ASSETS

Year ended December 31, 2019

Cash Receipts

Dividends:

Common stock \$ 2,508,393

Interest:

Deutsche Bank money market account 246,380

Net realized gain on sale of marketable securities (net of
investment fees \$378,340) 13,793,483

Total receipts 16,548,256

Cash Disbursements

Grants (Note 4) 7,110,000

General and administrative expenses and taxes 477,962

Total disbursements 7,587,962

Change in net assets - excess of cash receipts over
disbursements 8,960,294

Net assets, beginning of year 55,867,894

Net assets, end of year \$ 64,828,188

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

The G. Unger Vetlesen Foundation
NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 1 - BUSINESS AND TAX STATUS

The G. Unger Vetlesen Foundation (the "Foundation") was incorporated on March 7, 1955, under the laws of the State of New York, as a nonprofit membership corporation for voluntarily aiding and contributing to religious, charitable, scientific, literary and educational uses and purposes in New York, elsewhere in the United States and throughout the world. The funds of the Foundation may be expended for the purposes and objectives stated.

The Foundation is a tax-exempt organization pursuant to Section 501(c)(3) of the Internal Revenue Code, and, accordingly, is not subject to federal income tax. However, the Foundation is classified as a private foundation and, therefore, is subject to an annual federal excise tax not to exceed 2% on net investment income including dividends, interest and net realized gains on securities transactions, reduced by related expenses.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements and accounts of the Foundation are prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America ("US GAAP"); consequently, certain revenues, principally investment income, and related assets are recognized when received and expenses are recognized when paid. Under US GAAP, revenues and assets are accrued when earned and expenses and liabilities are recognized when the obligations are incurred. In addition, the Foundation reports marketable securities at cost rather than at fair value. Under US GAAP, marketable securities are reported at fair value.

Cash and Cash Equivalents

Cash and cash equivalents consist of bank checking accounts and money market funds. The Foundation considers all highly liquid financial instruments, with original maturities of three months or less from the date of purchase, to be cash equivalents.

Concentrations of Credit Risk

Cash and cash equivalents and investments are exposed to various risks, such as interest rate, market and credit. To minimize such risks, the Foundation has a diversified portfolio reviewed or managed by independent investment managers in a variety of asset classes. The Foundation regularly evaluates its investments, including performance thereof. Due to inherent risks and potential volatility in investment valuations, the amounts reported in the accompanying financial statements can vary substantially from year to year. The Foundation maintains its cash and cash equivalents in various bank deposit accounts which, at times, may exceed federally insured limits. The Foundation's cash accounts were placed with high credit quality financial institutions and, accordingly, the Foundation does not expect nonperformance.

Financial Statement Presentation

All assets and income are without donor restrictions as they are not restricted by donor-imposed restrictions and, therefore, are available for general operations of the Foundation.

The G. Unger Vetlesen Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2019

NOTE 3 - MARKETABLE SECURITIES

Marketable securities are carried at cost in the accompanying financial statements. The cost basis of securities received from the Estate of Georg Unger Vetlesen and the Palaemona Lyster Smythe Trust was determined based upon the related fair values as of the dates received, May 11, 1959 and January 3, 1985, respectively. The cost of securities sold is determined on the first-in, first-out cost basis.

The fair values of marketable securities are based on published closing prices on December 31, 2019. Changes in fair values of the marketable securities will affect future grants. At December 31, 2019, concentrations in marketable securities (5% or more of total fair value of marketable securities) included the following common stock investments at quoted market values:

American Tower Corp CL A REIT	\$ 9,192,800
Ametek Inc.	11,781,788
JPMorgan Chase & Co.	12,361,992
Merck & Co. Inc.	12,187,300
Murphy Oil Corp.	8,576,000
Roper Industries Inc	12,043,820
Thermo Fisher Scientific, Inc.	12,994,800
Union Pacific Corp.	13,016,880
	<u>\$ 92,155,380</u>

Since the financial statements of the Foundation are prepared on the basis of cash receipts and disbursements and therefore marketable securities are recorded at cost rather than at fair value, the Foundation has not applied the guidance relating to *Fair Value Measurements* to its financial statements; however, this guidance is still relevant for disclosure purposes. This guidance establishes a framework for measuring fair value, expands disclosures about fair value measurements and provides a consistent definition of fair value, which focuses on an exit price between market participants in an orderly transaction. The guidance also prioritizes, within the measurement of fair value, the use of market-based information over entity-specific information and establishes a three-level hierarchy for fair value measurements based on the transparency of information used in the valuation of an asset or liability as of the measurement date. Assets and liabilities measured and reported at fair value are classified and disclosed in one of the following categories:

- Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. The type of investments in Level 1 include listed equities held in the name of the Foundation, and exclude listed equities and other securities held indirectly through commingled funds.
- Level 2 - Pricing inputs, including broker quotes, are generally those other than exchange quoted prices in active markets, which are either directly or indirectly observable as of the measurement date, and fair value is determined through the use of models or other valuation methodologies.
- Level 3 - Pricing inputs are unobservable for the assets or liabilities and include situations where there is little, if any, market activity for the assets or liabilities. The inputs into the determination of fair value require significant management judgment or estimation.

The G. Unger Vetlesen Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2019

In accordance with relevant guidance, the Foundation excludes investments valued using net asset value (“NAV”) per share as a practical expedient from classification within the fair value hierarchy. The Foundation did not hold any investments valued at NAV per share as of December 31, 2019.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument’s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes “observable” requires significant judgment by the Foundation. The Foundation considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the Foundation’s perceived risk of that instrument. As of December 31, 2019, all of the Foundation’s investments were Level 1.

NOTE 4 - GRANTS

Grants paid in 2019 were as follows:

<u>Organization</u>	<u>Purpose</u>	<u>Amount</u>
American-Scandinavian Foundation	General purposes	\$ 25,000
Atlantic Salmon Federation	General purposes	50,000
Atlantic Salmon Trust	General purposes	50,000
BIOS - Bermuda Institute for Ocean Sciences	General purposes	150,000
Bigelow Laboratories for Ocean Sciences	General purposes	100,000
Black Rock Consortium	General purposes	50,000
Bonefish & Tarpon Trust	General purposes	25,000
Catholic Charities USA	Disaster relief	50,000
Cape Eleuthera School	General purposes	50,000
Chesapeake Bay Foundation	\$25,000 for general purposes and \$50,000 for oyster restoration project	75,000
Colorado State University, Department of Atmospheric Science	Research on Global Temperature and Atlantic Hurricanes	100,000
Columbia University, Lamont-Doherty Earth Observatory	\$300,000 for Vetlesen Prize, \$400,000 for general purposes and \$100,000 for the programs of the Climate Center	800,000
Connecticut Fund for the Environment	Save the Sound Program	50,000
Doctors Without Borders	International medical relief programs	50,000
Game Conservancy USA	General purposes	35,000

The G. Unger Vetlesen Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2019

Organization	Purpose	Amount
Gulf of Maine Research Institute	Collaborative research efforts between GMRI scientists and commercial fishermen, recreational anglers and aquaculture farms	\$ 100,000
International Yacht Restoration School	General purposes	25,000
Island Conservation	General purposes	25,000
Marine Biological Laboratories	\$350,000 for general purposes of the Josephine Bay Paul Center and \$250,000 for recruitment at the Josephine Bay Paul Center	600,000
Massachusetts Institute of Technology	Joint Program on the Science and Policy of Global Change	100,000
National Parks Conservation Association	General purposes	25,000
Nature Conservancy of Idaho	General purposes	25,000
North Atlantic Salmon Fund	Nature conservation society "Laxinn lifi" (the Salmon Forever)	25,000
Oregon State University, College of Oceanic & Atmospheric Sciences	General purposes	300,000
Organization for Tropical Studies	General purposes	75,000
Peregrine Fund	General purposes	100,000
Resources for the Future	Climate Economics and Policy	50,000
Rutgers University, Institute of Marine and Coastal Sciences	General purposes	100,000
Salvation Army	Disaster relief programs	50,000
Scenic Hudson	Riverfront Communities Program and/or Ecological Restoration Initiatives	75,000
Texas A&M University, Geochemical and Environmental Group	General purposes	50,000
University of British Columbia	\$50,000 for research on oceanic dead zones and \$50,000 for research on impact of climate change and fisheries on salmon	100,000
University of California, Scripps Institution of Oceanography	Global Change Program	600,000
University of Florida, Whitney Laboratory	General purposes	100,000
University of Maryland, Institute of Marine and Environmental Technology	General purposes	100,000
University of Miami, Rosenstiel School of Marine and Atmospheric Science	Climate studies at the Rosenstiel School of Marine and Atmospheric Science	300,000
University of Rhode Island, Graduate School of Oceanography	General purposes	300,000
University of Texas, Institute for Geophysics	Antarctic aerogeophysical research project	300,000

The G. Unger Vetlesen Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2019

<u>Organization</u>	<u>Purpose</u>	<u>Amount</u>
University of Virginia, Department of Environmental and Civil Engineering	Research on wastewater treatment and algae cultivation	\$ 50,000
University of Washington, College of the Environment	\$300,000 for the general purposes of the School of Oceanography and \$25,000 for Dr. Laidre's work on whales in Greenland	325,000
Webb Institute	General purposes	50,000
Wildlife Conservation Society	\$50,000 for Wildlife Health Program, \$50,000 for Marine Program, \$100,000 for general purposes, and \$500,000 for Bridge Fund	700,000
Woods Hole Oceanographic Institution	General purposes	750,000
Yellowstone Park Foundation	General purposes	50,000
		<u>\$ 7,110,000</u>

At December 31, 2019, the Foundation had commitments to make future grants, aggregating \$100,000 as follows:

<u>Organization</u>	<u>Purpose</u>	<u>Amount</u>
2020		
University of Florida, Whitney Laboratory	General purposes	\$ 100,000
		<u>\$ 100,000</u>

NOTE 5 - RELATED PARTY TRANSACTIONS

Individual members of the Foundation's Board of Directors serve on the boards of directors or similar boards of a number of its grantees, including the Wildlife Conservation Society and the Peregrine Fund. None of the directors receive any compensation for their services as such.

The G. Unger Vetlesen Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2019

NOTE 6 - FUNCTIONAL EXPENSES

For the year ended December 31, 2019, functional expenses were comprised of the following:

	Program Services	Management and General	Total
Grant expenditures	\$ 7,110,000	\$ -	\$ 7,110,000
Salaries and payroll taxes	163,930	40,983	204,913
Professional fees	49,919	12,480	62,399
Insurance	-	19,814	19,814
Office expenses	2,310	578	2,888
Excise taxes	-	186,062	186,062
Miscellaneous	1,813	74	1,887
	\$ 7,327,973	\$ 259,990	\$ 7,587,962

NOTE 7 - LIQUIDITY AND AVAILABILITY OF RESOURCES

The Foundation regularly monitors liquidity required to meet its operating needs, while also striving to maximize the investment of its portfolio. The Foundation has various sources of liquidity at its disposal, including cash and cash equivalents and marketable equity securities.

In addition to financial assets available to meet general expenditures over the next 12 months, the Foundation operates with a balanced budget and anticipates collecting sufficient investment portfolio returns to cover all of its grant making expenditures and operating needs.

The Foundation's financial assets available within one year of December 31, 2019 for general expenditures are as follows:

Cash and cash equivalents	\$ 8,525,885
Marketable securities, fair value	162,036,333
Total financial assets available within one year	\$ 170,562,218

NOTE 8 - SUBSEQUENT EVENTS

The Foundation evaluated its December 31, 2019 financial statements for subsequent events through June 29, 2020, the date the financial statements were available to be issued.

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The United States and global markets experienced significant declines in value resulting from uncertainty caused by the pandemic. The Foundation is closely monitoring its investment portfolio and its liquidity and is actively working to minimize the impact of these declines. The extent of the impact of COVID-19 on the Foundation's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact the Foundation's financial position and changes in net assets, and the accompanying financial statements include no adjustments relating to the effects of this pandemic.

The G. Unger Vetlesen Foundation
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2019

The Foundation is not aware of any other material subsequent events which would require recognition or disclosure in the accompanying financial statements.

SUPPLEMENTARY INFORMATION

The G. Unger Vetlesen Foundation
SUPPLEMENTAL SCHEDULE OF MARKETABLE SECURITIES

As of December 31, 2019 and 2018
and for the year ended December 31, 2019

Common Stocks	Held at December 31, 2018		Additions		Sales and Other Dispositions				Held at December 31, 2019			
	Shares or Principal Amount	Cost Basis	Shares or Principal Amount	Cost Basis	Shares or Principal Amount	Cost Basis	Proceeds	Gain (Loss)	Shares or Principal Amount	Cost Basis	Fair Value 12/31/2019	Dividends Received in 2019
Adaptive Biotechnologies Corp	-	\$ -	70,000	\$ 2,537,669	-	\$ -	\$ -	\$ -	70,000	\$ 2,537,669	\$ 2,094,400	\$ -
Align Technology	6,500	1,124,843	-	-	6,500	1,124,843	1,150,938	26,095	-	-	-	-
Allergan	9,000	2,060,056	3,000	434,891	12,000	2,494,947	1,913,806	(581,141)	-	-	-	26,640
American Tower Corp CL A REIT	40,000	1,696,777	-	-	-	-	-	-	40,000	1,696,777	9,192,800	151,200
Ametek Inc.	118,125	1,608,102	-	-	-	-	-	-	118,125	1,608,102	11,781,788	66,150
BP Amoco PLC ADR	22,800	319,273	-	-	-	-	-	-	22,800	319,273	860,472	55,974
Bank of America Corp.	52,000	1,970,800	-	-	-	-	-	-	52,000	1,970,800	1,831,440	34,320
Bio Techne Corp	20,200	3,061,966	-	-	-	-	-	-	20,200	3,061,966	4,434,102	25,856
Boeing Company	15,000	2,053,898	-	-	7,500	1,057,722	2,789,504	1,731,782	7,500	996,176	2,443,200	77,063
Biomarin Pharmaceutical Inc.	25,000	2,174,093	-	-	-	-	-	-	25,000	2,174,093	2,113,750	-
Bristol Meyers Squibb Co.	-	-	75,000	4,192,500	-	-	-	-	75,000	4,192,500	4,814,250	-
Bristol Meyers Squibb Co. RT	-	-	75,000	159,750	-	-	-	-	75,000	159,750	225,750	-
Celgene Corp.	105,000	990,310	-	-	105,000	990,310	10,793,097	9,802,787	-	-	-	-
Citigroup Inc.	2,410	609,854	-	-	-	-	-	-	2,410	609,854	192,535	4,627
Conagra Brands Inc.	24,027	855,961	-	-	24,027	855,961	516,355	(339,606)	-	-	-	-
Cooper Co	16,000	2,135,750	-	-	-	-	-	-	16,000	2,135,750	5,140,640	960
EOG Res Inc.	20,000	974,847	-	-	-	-	-	-	20,000	974,847	1,675,200	20,300
Exxon Mobil Corp.	100,000	381,310	-	-	-	-	-	-	100,000	381,310	6,978,000	343,000
Fidelity National Information Service	-	-	12,000	1,667,149	-	-	-	-	12,000	1,667,149	1,669,080	8,400
Gilead Sciences Inc.	35,000	458,162	-	-	35,000	458,162	2,365,054	1,906,892	-	-	-	12,600
Global Payments Inc	24,000	2,568,080	-	-	-	-	-	-	24,000	2,568,080	4,381,440	5,400
Guardant Health Inc	-	-	34,000	1,788,857	-	-	-	-	34,000	1,788,857	2,656,760	-
Idexx Corp	6,000	1,004,186	3,000	578,434	-	-	-	-	9,000	1,582,620	2,350,170	-
Illumina Inc	-	-	3,500	1,087,635	-	-	-	-	3,500	1,087,635	1,161,090	-
International Flavors & Fragrances	13,559	7,642	-	-	-	-	-	-	13,559	7,642	1,749,382	39,863
JPMorgan Chase & Co.	88,680	1,909,796	-	-	-	-	-	-	88,680	1,909,796	12,361,992	292,644
Merck & Co. Inc.	140,000	172,993	-	-	6,000	7,414	487,792	480,378	134,000	165,579	12,187,300	302,813
Microsoft Corp.	40,000	1,866,265	-	-	-	-	-	-	40,000	1,866,265	6,308,000	75,600
Murphy Oil Corp.	320,000	1,057,476	-	-	-	-	-	-	320,000	1,057,476	8,576,000	320,000
Nvidia Corp	3,600	493,281	5,000	847,008	-	-	-	-	8,600	1,340,289	2,023,580	3,904
Oceanics	15,000	-	-	-	15,000	-	-	-	-	-	-	-
Parker Hannifin Corp	25,000	2,488,518	-	-	-	-	-	-	25,000	2,488,518	5,145,500	85,000
PottlatchDeltic Corp	100,471	455,649	-	-	-	-	-	-	100,471	455,649	4,347,380	155,499
Roper Industries Inc	34,000	4,243,219	-	-	-	-	-	-	34,000	4,243,219	12,043,820	62,900
Sage Therapeutics Inc.	9,800	1,417,085	-	-	-	-	-	-	9,800	1,417,085	707,462	-
Supernus Pharmaceuticals Inc	20,750	1,044,489	20,000	726,140	-	-	-	-	40,750	1,770,629	966,590	-
Teleflex Inc	-	-	4,500	1,549,440	-	-	-	-	4,500	1,549,440	1,693,980	-
TE Connectivity LTD	20,000	2,008,842	-	-	-	-	-	-	20,000	2,008,842	1,916,800	36,400
Thermo Fisher Scientific, Inc.	40,000	3,360,203	-	-	-	-	-	-	40,000	3,360,203	12,994,800	29,600
Union Pacific Corp.	80,000	1,276,070	-	-	8,000	127,607	1,272,243	1,144,636	72,000	1,148,463	13,016,880	271,680
Total marketable securities		\$ 47,849,796		\$ 15,569,473		\$ 7,116,966	\$ 21,288,789	\$ 14,171,823		\$ 56,302,303	\$ 162,036,333	\$ 2,508,393

This supplemental schedule should be read in conjunction with the accompanying financial statements and notes thereto.