The Andrew W. Mellon Foundation

Financial Statements
December 31, 2020 and 2019

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Report of Independent Auditors

To the Board of Trustees of
The Andrew W. Mellon Foundation

We have audited the accompanying financial statements of The Andrew W. Mellon Foundation, which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities and of cash flows for the years then ended.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on the 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 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 our 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, we consider internal control relevant to the Company'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 Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Andrew W. Mellon Foundation as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

June 14, 2021

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The Andrew W. Mellon Foundation
Statements of Financial Position
December 31, 2020 and 2019

(in thousands of dollars)	2020	2019
Assets		
Investments	$ 7,872,451	$ 6,789,698
Redemptions receivable and prepaid subscriptions	288,680	144,849
	8,161,131	6,934,547
Cash	4,470	9,000
Investment income receivable	2,356	2,800
Other assets, including prepaid taxes	18,027	21,970
Property, at cost, less accumulated depreciation of $44,645 and $42,031 at December 31, 2020 and 2019, respectively	32,031	25,380
Total assets	$ 8,218,015	$ 6,993,697
Liabilities and Net Assets		
Liabilities		
Grants payable	$ 143,874	$ 98,554
Accrued expenses	12,207	8,781
Deferred federal excise tax	31,300	23,300
Debt	344,350	44,350
Total liabilities	531,731	174,985
Net assets without donor restrictions	7,686,284	6,818,712
Total liabilities and net assets	$ 8,218,015	$ 6,993,697

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

The Andrew W. Mellon Foundation
Statements of Activities
Years Ended December 31, 2020 and 2019

(in thousands of dollars)	**2020**	**2019**
Net investment return	$ 1,363,951	$ 782,880
Expenses		
Program grants	462,679	312,953
Grantmaking operations		
Salaries	14,551	12,877
Employee benefits	5,690	4,606
Other	11,467	13,984
	31,708	31,467
Direct charitable activities		
Salaries	910	1,208
Employee benefits	357	434
Other	725	1,257
	1,992	2,899
Total expenses	496,379	347,319
Change in net assets	867,572	435,561
Net assets without donor restrictions		
Beginning of year	6,818,712	6,383,151
End of year	$ 7,686,284	$ 6,818,712

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

The Andrew W. Mellon Foundation
Statements of Cash Flows
Years Ended December 31, 2020 and 2019

(in thousands of dollars)	2020	2019
Cash flow from operating activities		
Change in net assets	$ 867,572	$ 435,561
Adjustments to reconcile change in net assets without donor restrictions to net cash used in operating activities		
Gain on investments, net	(1,384,371)	(770,654)
Decrease (increase) in investment income receivable	444	(130)
Increase (decrease) in deferred federal excise tax payable	8,000	(3,000)
Decrease (increase) in other assets	3,943	(9,855)
Increase in grants payable	45,321	2,002
Increase in accrued expenses	3,426	2,678
Depreciation and amortization expense	1,122	961
Total adjustments	(1,322,115)	(777,998)
Net cash used in operating activities	(454,543)	(342,437)
Cash flow from investing activities		
Proceeds from sales of and distributions from investments	3,031,689	1,415,490
Purchases of investments and prepaid subscriptions	(2,870,964)	(1,069,191)
Purchases of fixed assets	(9,266)	(604)
Net cash provided by investing activities	151,459	345,695
Cash flow from financing activities		
Proceeds from bond offering	298,554	-
Borrowings under revolving credit facility	200,000	-
Repayment of borrowings under revolving credit facility	(200,000)	-
Net cash provided by financing activities	298,554	-
Net (decrease) increase in cash	(4,530)	3,258
Cash		
Beginning of year	9,000	5,742
End of year	$ 4,470	$ 9,000
Supplemental disclosure of cash flow information		
Taxes (refunded) paid	$ (750)	$ 2,554
Supplemental disclosure of noncash investing activities		
Change in redemptions receivable	$ (103,831)	$ 77,025
Distributions of securities received from alternative investments	$ 158,825	$ 128,761

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

1. Organization and Summary of Significant Accounting Policies

The Andrew W. Mellon Foundation (the "Foundation") is a not-for-profit corporation organized and existing under the laws of the State of New York. The Foundation makes grants in four core program areas: higher learning; arts and culture; public knowledge; and humanities in place. The President's office also makes grants that align with and exemplify the Foundation's strategic principles and vision. There is also a small program called Public Affairs.

The financial statements of the Foundation have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). The significant accounting policies followed are described below.

Investments
The Foundation's financial assets and financial liabilities are stated at fair value which is defined by ASC 820 Fair Value Measurement 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.

The Foundation utilizes the practical expedient in valuing certain of its limited marketability funds, which are investments where ownership is represented by a portion of partnership capital or shares representing a net asset value investment. The practical expedient is an acceptable method under GAAP to determine the fair value of investments that (i) do not have a readily determinable fair value predicated upon a public market, and (ii) have the attributes of an investment company or prepare their financial statements consistent with the measurement principles of an investment company. All of the Foundation's limited marketability funds are valued at net asset value using the practical expedient.

A fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date.

Level 2 Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 Inputs that are unobservable.

Inputs are used in applying the various valuation techniques and refer to the assumptions that market participants use to make valuation decisions. Inputs may include price information, 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. The Foundation considers observable data to be that market data which is readily available and reliable and provided by independent sources. The categorization of a financial instrument within the hierarchy is therefore based upon the pricing transparency of the instrument and does not necessarily correspond to the Foundation's perceived risk of that instrument.

Investments whose values are based on quoted market prices in active markets are classified as Level 1 and include active listed equities and certain short term fixed income investments. The Foundation does not adjust the quoted price for such instruments, even in situations where the Foundation holds a large position and a sale of all its holdings could reasonably impact the quoted price.

Investments that trade in markets that are not considered to be active, but are valued based on quoted market prices, dealer quotations, or alternative pricing sources are classified as Level 2. These include certain US government and sovereign obligations, government agency obligations, investment grade corporate bonds and less liquid equity securities.

Investments classified as Level 3 have significant unobservable inputs, as they trade infrequently or not at all. The inputs into the determination of fair value are based upon the best information in the circumstance and may require significant management judgment.

Investments reported at net asset value per share as a practical expedient, are not included within Level 1, 2 or 3 in the fair value hierarchy and are reported separately in the leveling table in Note 2.

Financial instruments such as those described above involve, to varying degrees, elements of market risk and credit risk in excess of the amounts recorded on the Statements of Financial Position. Market risk represents the potential loss the Foundation faces due to the decrease in the value of financial instruments. Credit risk represents the maximum potential loss the Foundation faces due to possible nonperformance by obligors and counterparties as to the terms of their contracts.

The Foundation invests in a variety of fixed income securities and contractual instruments, which by their nature are interest rate sensitive. Changes in interest rates will affect the value of such securities and contractual instruments.

The Foundation's limited marketability funds are primarily made under agreements to participate in limited partnerships and are generally subject to certain withdrawal restrictions. Values for these partnerships, which may include investments in both nonmarketable and market-traded securities, are provided by the general partner and may be based on recent transactions, cash flow forecasts, appraisals and other factors. Investments in these partnerships may be illiquid, and thus there can be no assurance that the Foundation will be able to realize the recorded fair value of such investments in a timely manner.

Realized gains and losses on investments are calculated based on the first-in, first-out identification method.

Redemptions receivable represent estimated proceeds to be received from limited marketability funds where the Foundation has requested either a full or partial redemption. Prepaid subscriptions represent payments made by the Foundation to a limited marketability fund in advance of the date upon which the limited marketability fund recognizes subscriptions.

In accordance with its policy, the Foundation has elected to classify short term liquid investments, including cash equivalents, as Investments.

Grants
Grant appropriations include both unconditional and conditional grants. Unconditional grants are expensed when appropriated. Certain grants approved by the Trustees are conditional subject to the grantee fulfilling specific conditions, most frequently that all or a portion of the grant funds be matched in a specified ratio. Such conditional grants are not recorded as expense until the Foundation determines that the material conditions of the grant are substantially met.

Substantially all grants payable are due within one year and are recorded at face value.

Taxes
The Foundation qualifies as a tax-exempt organization under Section 501(c) (3) of the Internal Revenue Code and, accordingly, is not subject to federal income taxes. However, the Foundation is subject to a federal excise tax. The Foundation follows the policy of providing for federal excise tax on the net appreciation (both realized and unrealized) of investments. The deferred federal excise tax in the accompanying financial statements represents tax provided on the net unrealized appreciation of investments. Under federal tax law the Foundation cannot carry forward realized losses resulting from the sale of investments. The Foundation is subject to income tax at corporate rates on certain income that is considered unrelated business income under the Internal Revenue Code. The Foundation's tax returns are subject to examination by federal and various state tax authorities. With few exceptions the Foundation is no longer subject to tax examinations for years prior to 2017.

Property
Property substantially consists of land held at cost, and buildings and their improvements located in New York City. These buildings are depreciated on a straight-line basis over their useful lives, generally twenty-five to twenty-eight years. Building improvements are depreciated over the remaining useful life of the building. Depreciation commences in the year following the year an asset is placed in service.

Net Investment Return
Investment return includes income and realized and unrealized gains or losses on all investments, net of external and internal management expenses, the current provision for federal and state taxes and interest expense. Unrealized gain or loss comprises the change in unrealized appreciation or depreciation on investments, net of deferred federal excise tax provided on such unrealized appreciation. Realized gains or losses include gains or losses realized on the sale of securities and the Foundation's share of the operating results of partnership investments, whether distributed or undistributed.

Expenses
Grantmaking operations include all costs related to appropriating, paying and administering grants. Direct charitable activities include expenditures primarily for research. Salaries and benefits are allocated to the activities listed above, and also to core administration, based on estimates of the time each staff member devoted to that activity. Core administration expenses are then prorated among the activities listed above based on headcount allocations. Identifiable costs, such as consultants and travel, are charged directly to each activity.

Amounts for program grants, grantmaking operations, and direct charitable activities shown on the Statements of Activities will not agree with the amounts on the Foundation's Form 990PF, the federal excise tax return, because a cash basis is required for reporting the expenses of distribution for tax purposes as contrasted with the accrual basis used in preparing the accompanying financial statements.

Use of Estimates
The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported periods. Actual results could differ from those estimates.

New Accounting Pronouncements
In August 2018, the FASB issued ASU No. 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework — Changes to the Disclosure Requirements for Fair Value Measurement. This ASU is effective for fiscal years beginning after December 15, 2019. This ASU removes certain disclosures, modifies certain disclosures, and adds additional disclosures related to fair value measurement. The Foundation adopted this standard in the current year and the adoption did not have a material impact on the Foundation's financial statements.

In March 2020, the FASB issued ASU No. 2020-04: Facilitation of the Effects of Reference Rate Reform on Financial Reporting (Topic 848), which provides temporary optional expedients and exceptions for applying generally accepted accounting principles to contract modifications resulting from reference rate reform initiatives. The intention of the standard is to ease the potential accounting and financial reporting burden associated with transitioning away from the expiring London Interbank Offered Rate, and other interbank offered rates, to alternative benchmark rates. The standard is effective immediately and can be applied through December 31, 2022. The Foundation is evaluating the impact of the new standard on the Foundation's financial statements.

2. Investments

Investments held at December 31, 2020 and 2019 are summarized as follows:

	2020		2019	
(in thousands of dollars)	**Fair Value**	**Cost**	**Fair Value**	**Cost**
Public equity	$ 110,778	$ 102,070	$ 259,758	$ 227,232
Fixed income	611,243	590,849	442,589	433,853
Short term	581,013	581,013	443,973	443,973
	1,303,034	1,273,932	1,146,320	1,105,058
Limited marketability funds				
Private equity	4,054,635	2,208,679	3,074,633	2,015,243
Diversified strategies	1,392,234	1,213,361	1,341,531	1,129,259
Public equity	1,145,561	622,428	1,225,911	859,378
	6,592,430	4,044,468	5,642,075	4,003,880
Redemptions receivable and prepaid subscriptions	288,680	288,680	144,849	144,849
Payable from unsettled security transactions	(26,794)	(26,794)	(362)	(362)
Receivable from unsettled security transactions	3,781	3,781	1,665	1,665
	$ 8,161,131	$ 5,584,067	$ 6,934,547	$ 5,255,090

The classification of investments by level within the valuation hierarchy as of December 31, 2020 is as follows:

(in thousands of dollars)	Quoted Prices (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments at Net Asset Value	Total
Public equity	$ 110,755	$ 23	$ -	$ -	$ 110,778
Fixed income	-	611,243	-	-	611,243
Short term	581,013	-	-	-	581,013
Limited marketability funds					-
Private equity	-	-	-	4,054,635	4,054,635
Diversified strategies	-	-	-	1,392,234	1,392,234
Public equity	-	-	-	1,145,561	1,145,561
	$ 691,768	$ 611,266	$ -	$ 6,592,430	7,895,464
Redemptions receivable and prepaid subscriptions					288,680
Payable from unsettled security transactions					(26,794)
Receivable from unsettled security transactions					3,781
					$ 8,161,131

The classification of investments by level within the valuation hierarchy as of December 31, 2019 is as follows:

(in thousands of dollars)	Quoted Prices (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments at Net Asset Value	Total
Public equity	$ 259,743	$ 15	$ -	$ -	$ 259,758
Fixed income	-	442,589	-	-	442,589
Short term	443,973	-	-	-	443,973
Limited marketability funds					-
Private equity	-	-	-	3,074,633	3,074,633
Diversified strategies	-	-	-	1,341,531	1,341,531
Public equity	-	-		1,225,911	1,225,911
	$ 703,716	$ 442,604	$ -	$ 5,642,075	6,788,395
Redemptions receivable and prepaid subscriptions					144,849
Payable from unsettled security transactions					(362)
Receivable from unsettled security transactions					1,665
					$ 6,934,547

Set forth below is additional information pertaining to limited marketability funds valued at net asset value as of December 31, 2020 and 2019:

	Fair Value		Redemption Frequency	Redemption Notice
(in thousands of dollars)	**2020**	**2019**	**Ranges**	**Period**
Private equity (1)	$ 4,054,635	$ 3,074,633	Not applicable	Not applicable
Diversified (2)	1,392,234	1,341,531	For 8% of Diversified investments redemption not permitted during life of the fund.	Not applicable
			Semi-monthly to 12 Months	15-90 Days
Public equity (3)	1,145,561	1,225,911	Monthly to 12 Months	10-90 Days
	$ 6,592,430	$ 5,642,075		

(1) This category includes investments in private equity, venture capital, buyout, real estate and energy-related funds. These funds invest both domestically and internationally across a broad spectrum of industries. Generally, these funds cannot be redeemed; instead, the nature of the investments is that distributions will be received as the underlying investments of the fund are liquidated. Unfunded commitments at December 31, 2020 were $1.21 billion compared to $1.31 billion at December 31, 2019.

(2) This category includes investments in funds that invest in a variety of privately held and publicly available securities, including equities, corporate and government bonds, convertibles and derivatives, and includes investments in domestic and international markets. The Foundation estimates that approximately 49% of the value of these funds can be redeemed within 12 months. Unfunded commitments at December 31, 2020 were $39 million compared to $51 million at December 31, 2019.

(3) This category includes investments in funds that invest long and short in international and domestic securities, primarily in equity securities and investments in derivatives. The Foundation estimates that approximately 91% of the value of these funds can be redeemed within 12 months. There are no unfunded commitments in this category.

3. Debt

Debt at December 31, 2020 consists of $300 million of bonds with a balloon payment of principal due at the maturity date of August 1, 2027 (“Fixed Rate Bonds”) and $44.4 million of bonds with a balloon payment of principal due at the maturity date of December 1, 2032 (“Variable Rate Bonds”).

The Fixed Rate Bonds were issued in 2020 and bear a 0.947% fixed rate of interest, payable semi-annually. The proceeds of the Fixed Rate Bonds were used to pay grants and to retire borrowings under the Foundation’s line of credit. These bonds may be redeemed at any time by the Foundation at a price equal to the greater of (i) 100% of the principal amount, and (ii) the sum of the present value of the remaining scheduled payments of principal and interest. In connection with the bond offering, the Foundation incurred $1.4 million of deferred bond costs, that will be amortized over the life of the bonds. Interest incurred in 2020 for the Fixed Rate Bonds, exclusive of amortization of deferred bond issuance costs, was $1.2 million.

Interest for the Variable Rate Bonds is reset weekly by the Foundation's bond agent. Bond holders have the right to tender their bonds to the bond agent weekly, and the agent has an obligation to remarket such bonds. Bonds that cannot be remarketed must be redeemed by the Foundation. The average interest rate applicable in 2020 and 2019 for the Bonds was 0.78% and 2.27 %, respectively. Interest incurred, exclusive of amortization of deferred bond issuance costs and fees, was $347 thousand and $1.0 million in 2020 and 2019, respectively.

The Foundation maintains a $200 million committed revolving line of credit and a $100 million uncommitted line of credit ("Credit Agreements"). At December 31, 2020 and December 31, 2019 no borrowings were outstanding under the Credit Agreements. Borrowings under the Credit Agreements are to be used to pay grants or other qualifying distributions. The interest rate on borrowings under the Credit Agreements is LIBOR plus 40 basis points. On April 17, 2021, the Credit Agreements were amended to extend their maturity dates from April 17, 2021 to April 17, 2023.

The Foundation is in compliance with the financial covenants, as applicable, in its Fixed Rate Bonds, Variable Rate Bonds and Credit Agreements as of December 31, 2020 and 2019.

4. Taxes

Starting in 2020, the Internal Revenue Code ("Code") imposed an excise tax on private foundations equal to 1.39 percent of net investment income (principally interest, dividends, and net realized capital gains, less expenses incurred in the production of investment income). The excise tax rate in effect for 2019 was two percent that could be reduced to one percent when a foundation met certain distribution requirements under Section 4940(e) of the Code. The Foundation qualified for the one percent rate in 2019. Included in the 2019 current provision as a federal unrelated business tax benefit was an anticipated refund from the Internal Revenue Service of $6.1 million for certain alternative minimum taxes paid in prior years. In 2020, the Foundation received $3.1 million of the refund and expects to receive the remaining amount in 2021.

Certain income defined as unrelated business income by the Code may be subject to tax at ordinary corporate rates. The current and deferred provision (benefit) for taxes for 2020 and 2019 are as follows:

(in thousands of dollars)	2020	2019
Current (benefit) provision		
Federal excise tax on net investment income	$ 6,749	$ 4,877
Federal and state taxes on unrelated business income	(177)	(7,143)
	$ 6,572	$ (2,266)
Deferred provision (benefit)		
Change in unrealized appreciation (1)	$ 8,000	$ (3,000)

(1) The deferred tax provision (benefit) is reflected in Net investment return on the Statements of Activities and represents the change in net unrealized appreciation of investments at 1.39 percent.

5. Grants

Grant payable activity consisted of the following:

(in thousands of dollars)	**2020**	**2019**
Grants payable at January 1	$ 98,554	$ 96,552
Grant expense	462,679	312,953
Less: Grants paid	(417,359)	(310,951)
Grants payable at December 31	$ 143,874	$ 98,554

Conditional grants were $7.9 million and $5.5 million at December 31, 2020 and December 31, 2019, respectively.

Grants payable at December 31, 2020 are to be paid in future years as follows:

(*in thousands of dollars*)

Year Payable	
Within one year	$ 135,269
Two years	5,475
Three years	1,618
Four years	1,075
Five years	87
Thereafter	350
	$ 143,874

6. Liquidity

As part of its cash management strategy, the Foundation seeks to maintain sufficient liquidity to meet all of its financial obligations for the following year. The Foundation's financial assets available for use within one year as of December 31, 2020 and December 31, 2019 to meet its cash needs are estimated as follows:

(in thousands of dollars)	**2020**	**2019**
Cash and short term investments	$ 585,483	$ 452,973
Investment income receivable	2,356	2,800
Public equity investments	110,778	259,758
Fixed income investments	611,243	442,589
Redemptions receivable and prepaid subscriptions	239,688	109,025
Public equity and diversified strategies limited marketability investments	1,670,846	1,873,447
	$ 3,220,394	$ 3,140,592

The Foundation also receives distributions each year from its private equity limited marketability funds either in cash or marketable equity securities. These distributions, which are a source of liquidity, totaled $553 million and $653 million in 2020 and 2019, respectively. The Foundation's annual cash disbursements are comprised of capital calls, grants, and other operating expenses. These disbursements totaled $955 million and $776 million in 2020 and 2019, respectively.

As more fully described in Note 3 in the notes to the financial statements, the Foundation also maintains lines of credit.

7. Subsequent Events

The Foundation has evaluated subsequent events through June 14, 2021, the date the financial statements were issued, and believes no additional disclosures are required in its financial statements.