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—
DONALD F. SCHERER

Independent Auditor's Report

The Board of Directors of
The Teagle Foundation

We have audited the accompanying financial statements of The Teagle Foundation (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion:

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Teagle Foundation as of June 30, 2018 and 2017, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Quinn J. Flanagan & Co.

New York, NY
November 15, 2018

THE TEAGLE FOUNDATION, INCORPORATED
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>		
Investments, at fair value		
Cash and short-term investments	\$ 6,727,915	\$ 6,606,914
Global equity	65,663,283	58,888,221
Hedge funds	32,518,876	37,482,358
Private equity	29,140,187	25,474,441
Fixed income	10,355,517	10,656,241
	<u>144,405,778</u>	<u>139,108,175</u>
<u>Total Investments</u>		
Operating cash	473,678	392,215
Interest and dividends receivable	1,796	15,408
Prepaid expenses and other assets	114,548	169,735
Prepaid Federal excise tax	-	110,573
Receivables	392,807	402,893
Leasehold improvements, furniture and equipment, net	250,733	282,073
	<u>\$ 145,639,340</u>	<u>\$ 140,481,072</u>
<u>Total Assets</u>		
<u>LIABILITIES AND NET ASSETS</u>		
Grants payable	\$ 3,353,119	\$ 4,508,692
Accounts payable and accrued expenses	28,085	19,947
Federal excise tax	53,215	-
Deferred Federal excise tax	462,405	415,527
	<u>3,896,824</u>	<u>4,944,166</u>
<u>Total Liabilities</u>		
Net Assets	<u>141,742,516</u>	<u>135,536,906</u>
<u>Total Liabilities and Net Assets</u>	<u>\$ 145,639,340</u>	<u>\$ 140,481,072</u>

See accompanying notes to financial statements.

THE TEAGLE FOUNDATION, INCORPORATED
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Revenue		
Investment income		
Dividends, interest and partnership earnings	\$ 2,572,214	\$ 1,767,305
Realized gain on sale of investments	7,954,121	3,679,465
Unrealized appreciation of investments	2,343,888	7,183,147
	<u>12,870,223</u>	<u>12,629,917</u>
Less: Directly reported investment fees	1,812,923	1,693,981
Federal excise and unrelated business income tax	212,638	165,349
	<u>10,844,662</u>	<u>10,770,587</u>
<u>Net Investment Income</u>	10,844,662	10,770,587
Contributions	-	1,000
	<u>10,844,662</u>	<u>10,771,587</u>
<u>Total Revenue</u>	10,844,662	10,771,587
Expenses		
Grants	2,781,710	4,947,637
Program administration, management and general	1,857,342	1,866,843
	<u>4,639,052</u>	<u>6,814,480</u>
<u>Total Expenses</u>	4,639,052	6,814,480
Change in Net Assets	6,205,610	3,957,107
Net Assets		
Beginning of year	<u>135,536,906</u>	<u>131,579,799</u>
End of year	<u>\$ 141,742,516</u>	<u>\$ 135,536,906</u>

See accompanying notes to financial statements.

THE TEAGLE FOUNDATION, INCORPORATED
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Change in net assets for year	\$ 6,205,610	\$ 3,957,107
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation and amortization	31,340	31,341
Net realized and unrealized (gain) on investments	(10,298,009)	(10,862,612)
Decrease (increase) in assets:		
Interest and dividends receivable	13,612	1,416
Prepaid expenses and other assets	55,187	3,103
Prepaid Federal excise tax	110,573	(110,573)
Receivables	10,086	14,497
Increase (decrease) in liabilities:		
Grants payable	(1,155,573)	(262,051)
Accounts payable and accrued expenses	8,138	(93,764)
Federal excise tax	53,215	(102,698)
Deferred Federal excise tax	46,878	143,663
Net cash used in operating activities	<u>(4,918,943)</u>	<u>(7,280,571)</u>
Cash flows from investing activities:		
Purchases of investments	(38,984,668)	(16,479,877)
Proceeds from sales of investments	44,106,075	19,789,085
Net change in short-term investments	<u>(121,001)</u>	<u>4,121,177</u>
Net cash provided by investing activities	<u>5,000,406</u>	<u>7,430,385</u>
Change in operating cash	81,463	149,814
Operating cash		
Beginning of year	<u>392,215</u>	<u>242,401</u>
End of year	<u>\$ 473,678</u>	<u>\$ 392,215</u>
Supplemental Information		
Excise taxes paid	<u>\$ -</u>	<u>\$ 240,000</u>

See accompanying notes to financial statements.

THE TEAGLE FOUNDATION, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

1. **Organization and Tax Status**

The Teagle Foundation, Incorporated (the "Foundation") was established in 1944 by Walter C. Teagle, longtime President and later Chairman of the Board of Standard Oil Company (New Jersey), now Exxon Mobil Corporation ("Exxon"). Its assets are derived from bequests from Mr. Teagle, his wife, Rowena Lee Teagle and their son, Walter C. Teagle, Jr. The Foundation is exempt from income taxes under section 501(c)(3) of the Internal Revenue Code. It has been classified as a private foundation as defined in Section 509(a) of the Internal Revenue Code. The Foundation's primary source of support is investment revenue.

The Teagle Foundation aims to strengthen liberal arts education by providing the intellectual and financial resources necessary to ensure that today's students have access to challenging, wide-ranging, and enriching college educations, and that they succeed at the highest possible level.

2. **Summary of Significant Accounting Policies**

Basis of Presentation

The financial statements of the Foundation have been prepared on the accrual basis of accounting.

The Foundation reports information regarding its financial position and activities based upon the existence or absence of donor restrictions on its net assets. The Foundation's net assets are neither permanently nor temporarily restricted by donor-imposed restrictions and are all classified as unrestricted.

Cash

For purposes of cash flow, the Foundation defines operating cash as checking accounts and petty cash.

Investments

Investments in marketable securities are valued at quoted market prices. Investments in alternative investment funds are ordinarily valued at the most recent estimate determined by the investment manager or agents based upon the valuation reported by the fund administrators in accordance with the policies established by the relevant funds. As a general matter, the fair value of the Foundation's investment in these funds will represent the amount that the Foundation could reasonably expect to receive from the fund if the Foundation's interest was redeemed at the time of valuation, based upon the information reasonably available at the time the valuation was made.

Valuations provided by these funds may be based upon estimated or unaudited reports, and may be subject to later adjustment or revision. Any such adjustments or revision will either increase or decrease the net asset value of the Foundation at the time the Foundation is provided with the information regarding the adjustment.

THE TEAGLE FOUNDATION, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

2. Summary of Significant Accounting Policies (continued)

The Foundation's portfolio of investments is diversified. Investments purchased by the Foundation are recorded at cost. Realized gains and losses from the sale of securities are determined by comparison of cost to proceeds and are determined under the specific identification method on a trade date basis. Net income (interest, dividends, realized gains and management fees) from alternative investments is recorded when reported by the fund, which is normally annually.

Fair Value Measurement of Investments

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

The fair value of alternative investments has been estimated using the Net Asset Value ("NAV") or its equivalent, as reported by management of the respective alternative investment funds. U.S. GAAP guidance provides for the use of NAV or its equivalent as a "Practical Expedient" for estimating fair value of alternative investments. When the practical expedient is used, the investment is excluded from the fair value hierarchy.

Leasehold Improvements, Furniture and Equipment

Leasehold improvements, furniture and equipment are stated at cost. Depreciation of furniture and equipment is computed using the straight-line method over the estimated useful lives of the assets which range from three to seven years. Leasehold improvements are amortized over the life of the lease.

Grants

Unconditional grants are recognized as expense upon approval by the Board of Directors. Reporting requirements are not considered conditions by the Foundation. Conditional grants are recognized as expense when the conditions have been satisfied by the grantees.

Use of Estimates

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

THE TEAGLE FOUNDATION, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

2. Summary of Significant Accounting Policies (continued)

Subsequent Events

In connection with the preparation of the financial statements the Foundation evaluated subsequent events after the statement of financial position date of June 30, 2018 through November 15, 2018 which was the date the financial statements were available to be issued.

3. Investments

Investments as of June 30, 2018 and 2017 consist of the following:

	2018		2017	
	Cost	Fair Value	Cost	Fair Value
Cash and short-term investments	\$ 6,727,936	\$ 6,727,915	\$ 6,609,155	\$ 6,606,914
Global equity	45,363,238	65,663,283	38,884,130	58,888,221
Hedge funds	31,239,219	32,518,876	36,185,576	37,482,358
Private equity	26,692,807	29,140,187	25,377,534	25,474,441
Fixed income	11,262,331	10,355,517	11,275,421	10,656,241
	<u>\$ 121,285,531</u>	<u>\$ 144,405,778</u>	<u>\$ 118,331,816</u>	<u>\$ 139,108,175</u>

THE TEAGLE FOUNDATION, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

3. Investments (Continued)

The following are major categories of investments measured at estimated fair value as of June 30:

	2018		Valued at NAV
	Total	Level 1	
Global Equity			
Common stocks			
Oil and gas	\$ 14,897,606	\$ 14,897,606	\$ -
Software	1,223,255	1,223,255	-
Other	1,605,581	1,605,581	-
ETFs	3,981,186	3,981,186	-
Developed market funds			
Global equity	19,036,253	-	19,036,253
European equity	12,819,503	-	12,819,503
Japan equity	2,305,204	-	2,305,204
US healthcare	3,209,119	-	3,209,119
Emerging markets funds	6,585,576	-	6,585,576
Hedge Funds			
Long/short	27,762,576	-	27,762,576
Specialized credit	2,345,729	-	2,345,729
Special situations	2,410,571	-	2,410,571
Private equity	29,140,187	-	29,140,187
Fixed income			
ETF Treasuries	9,827,428	9,827,428	-
Other fixed income funds	528,089	-	528,089
	<u>137,677,863</u>	<u>\$ 31,535,056</u>	<u>\$ 106,142,807</u>
Cash and short-term investments	6,727,915		
	<u>\$ 144,405,778</u>		

THE TEAGLE FOUNDATION, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

3. Investments (Continued)

	2017		Valued at NAV
	Total	Level 1	
Global Equity			
Common stocks			
Oil and gas	\$ 14,537,597	\$ 14,537,597	\$ -
Other	4,538,341	4,538,341	-
Developed market funds			
Global equity	19,112,340	-	19,112,340
European equity	12,244,003	-	12,244,003
US healthcare	2,646,883	-	2,646,883
Emerging markets funds	5,809,057	1,700,650	4,108,407
Hedge Funds			
Long/short	29,744,770	-	29,744,770
Specialized credit	5,303,511	-	5,303,511
Special situations	2,434,077	-	2,434,077
Private equity	25,474,441	-	25,474,441
Fixed income			
ETF Treasuries	6,704,602	6,704,602	-
Other fixed income funds	3,951,639	-	3,951,639
	<u>132,501,261</u>	<u>\$ 27,481,190</u>	<u>\$ 105,020,071</u>
Cash and short-term investments	<u>6,606,914</u>		
	<u>\$ 139,108,175</u>		

Included in common stock is the Foundation's holding in Exxon Mobil Corporation common stock. This investment's fair value was \$14,897,606 and \$14,537,597 as of June 30, 2018 and 2017, respectively, which represents approximately ten percent of the total assets of the Foundation in both years.

THE TEAGLE FOUNDATION, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

3. Investments (Continued)

Information about the investments valued at NAV is as follows:

	<u>Fair Value</u>	<u>Unfunded Commitment</u>	<u>Redemption Frequency</u>	<u>Notice Requirement</u>
Global equity funds	\$ 27,657,232		30-90 days	6-60 days
Global equity funds	2,305,204		Lock-up through Jan. 2019, then Quarterly	60 days, end of qtr.
Global equity funds	3,100,905		Lock-up through Nov. 2021	90 days
Global equity funds	4,306,738		once in 3 years	90 days
Global equity funds	6,585,576		Quarterly	60- 65 days
Hedge funds	11,057,911		30-90 days	40-75 days
Hedge funds	7,005,720		3 years for full redemption	60 days
Hedge funds	12,130,137		Annual	3 - 6 months
Hedge funds	2,325,108	\$ 2,525,000	6 years	
Private equity	29,140,187	14,594,739	Illiquid	
Fixed income	511,823	135,033	Illiquid	
Fixed income	16,266		Monthly	45 days
	<u>\$ 106,142,807</u>	<u>\$ 17,254,772</u>		

Global equity funds consist of twelve funds valued at NAV, 4 using the global equity strategy, 4 using an emerging markets strategy, 2 using the European equity strategy, a Japan equity fund and a US healthcare fund.

Hedge funds consist of 9 investments valued at NAV. 6 funds employ the long/short strategy, 2 employ a specialized credit strategy and one a special situations strategy.

Private equity consists of 32 funds valued at NAV. They use various strategies including real estate, buy-out and energy.

Fixed income funds valued at NAV consist of 3 funds following specialized credit strategies.

THE TEAGLE FOUNDATION, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

4. Leasehold Improvements, Furniture and Equipment

Leasehold improvements, furniture and equipment as of June 30, 2018 and 2017 are comprised of the following:

	<u>2018</u>	<u>2017</u>
Leasehold improvements	\$ 234,447	\$ 234,447
Furniture and equipment	234,011	234,011
Paintings	<u>30,480</u>	<u>30,480</u>
	498,938	498,938
Less: accumulated depreciation and amortization	<u>(248,205)</u>	<u>(216,865)</u>
	<u>\$ 250,733</u>	<u>\$ 282,073</u>

5. Federal Excise Tax

In accordance with the applicable provisions of the Internal Revenue Code (the "Code"), the Foundation is subject to a Federal excise tax of two percent on its net investment income as defined by the Code. A reduction of the tax rate to one percent can be achieved by meeting qualifications under Code Section 4940(c). The Foundation's excise tax rate was 2% and 1% for 2018 and 2017, respectively. For the year ended June 30, 2018, excise tax expense was approximately \$164,000. The comparable amount for 2017 was \$21,000.

Some of the Foundations investments generated unrelated business income. This income is subject to tax at the for profit tax rates. For the years ended June 30, 2018 and 2017, these investments generated losses which can be carried back or forward.

Deferred Federal excise tax on unrealized appreciation of investments is calculated at the two percent tax rate since the qualification for the one percent tax is not determinable until the year in which gains are realized. Changes to the liability for deferred tax on the unrealized appreciation amounted to an increase of approximately \$47,000 and \$144,000 for the years ended June 30, 2018 and 2017, respectively.

6. Retirement Plans

The Foundation maintains a defined contribution profit sharing plan and a 403(b) retirement plan.

The defined contribution profit sharing plan, was established effective September 1, 2004 and covers all full time employees. The plan provides for a contribution of ten percent of compensation and is fully vested. The cost of this plan for the years ended June 30, 2018 and 2017 was \$71,191 and \$69,901 respectively.

THE TEAGLE FOUNDATION, INCORPORATEDNOTES TO FINANCIAL STATEMENTSJUNE 30, 2018 AND 2017**6. Retirement Plans (Continued)**

The Foundation also maintains a 403(b) plan for all employees. The Foundation will match employee contributions to the plan up to five percent of each employee's salary. The cost of this plan for the years ended June 30, 2018 and 2017 was \$38,304 and \$35,139, respectively.

7. Grants Payable

The Foundation's Scholarship Program provides grants to the children of employees of Exxon Mobil Corporation and its affiliates. Awards based on financial need are renewable to the completion of the degree up to a maximum of \$10,000 a year for undergraduate study. Conditional commitments to scholarship recipients, which have not been recognized as an expense, totaled approximately \$720,000 as of June 30, 2018.

Grants are recognized when approved by the Directors of the Foundation. Grants payable represents amounts authorized but scheduled for future payment. Grants to be paid in more than one year are discounted to present value using the treasury bill rate. The commitments outstanding at June 30, 2018, net of the discount to present value, are scheduled for payment as follows:

Year Ending June 30:		
	2019	\$ 2,547,000
	2020	611,000
	2021	146,000
	2022	85,000
	2023	<u>15,000</u>
		3,404,000
Less: Discount to present value		<u>(50,881)</u>
		<u>\$ 3,353,119</u>

THE TEAGLE FOUNDATION, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

8. Commitments and Contingencies

Leases

The Foundation has a fifteen year and 4 month lease for space in New York City that commenced June 1, 2010. During the first year and 2 months of the lease, the Foundation received six months free rent. The minimum lease payments are as follows:

Year ending June 30:

2019	\$ 251,682
2020	254,828
2021	274,775
2022	281,563
2023	285,082
2024-2026	<u>629,709</u>
	<u>\$ 1,977,639</u>

Rent expense was \$257,123 and \$251,219 for the years ended June 30, 2018 and 2017, respectively.

9. Concentration of Risk

During the fiscal year, the Foundation had cash in the bank exceeding federally insured limits. The Foundation manages this risk by only using a well established bank.

10. Uncertain Tax Positions

The Foundation recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the Foundation has no uncertain tax positions that would require financial statement disclosure and/or recognition.

11. Reclassifications

Certain prior year financial statement amounts have been reclassified to conform to the current year presentation.