

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

The Fluor Foundation
Years Ended December 31, 2019 and 2018
With Report of Independent Auditors

The Fluor Foundation
Financial Statements and Supplementary Information
Years Ended December 31, 2019 and 2018

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Report of Independent Auditors

Board of Trustees
The Fluor Foundation

We have audited the accompanying financial statements of The Fluor Foundation, which comprise the statements of financial position as of December 31, 2019 and 2018, 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 conformity with U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. 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 Fluor Foundation as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on pledges is presented for purposes of additional analysis and is not a required part of the financial statements. Such 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 audits of the financial statements and certain additional procedures, including comparing and reconciling such 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. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Ernst + Young LLP

April 10, 2020

The Fluor Foundation
Statements of Financial Position

	December 31,	
	2019	2018
	<i>(In Thousands)</i>	
Assets		
Cash and cash equivalents:		
Cash	\$ 972	\$ 550
Money market mutual fund, at fair value	316	78
	1,288	628
Investments at fair value:		
Government securities	–	3,092
U.S. and non-U.S. equity funds	–	3,206
Corporate bonds	6,764	5,142
Interest receivable	13	33
Federal excise tax receivable	20	24
	\$ 8,085	\$ 12,125
Liabilities and net assets		
Current liabilities:		
Accrued expenses	\$ 39	\$ 3
Noncurrent liabilities:		
Deferred tax liability	–	7
Total liabilities	39	10
Unrestricted net assets	8,046	12,115
	\$ 8,085	\$ 12,125

See accompanying notes.

The Fluor Foundation
Statements of Activities

	Year Ended December 31,	
	2019	2018
	<i>(In Thousands)</i>	
Revenues:		
Contributions from Fluor Corporation	\$ –	\$ 5,040
Expenses:		
Cash donations	4,675	4,960
Investment management and administration fees	76	45
Federal excise tax	(1)	(11)
Total expenses	4,750	4,994
Net appreciation (depreciation) in investments:		
Government securities	32	6
U.S. and non-U.S. equity funds	406	(413)
Corporate bonds	31	(22)
Total net appreciation (depreciation) in investments	469	(429)
Interest and dividend income	212	224
Decrease in net assets	(4,069)	(159)
Net assets at beginning of year	12,115	12,274
Net assets at end of year	\$ 8,046	\$ 12,115

See accompanying notes.

The Fluor Foundation
Statements of Cash Flows

	Year Ended December 31,	
	2019	2018
	<i>(In Thousands)</i>	
Operating activities		
Decrease in net assets	\$ (4,069)	\$ (159)
Adjustments to reconcile the decrease in net assets to net cash provided (utilized) by operating activities:		
Net unrealized loss on investments	357	853
Net realized gain on investments	(822)	(437)
Amortization of fixed income securities	(4)	13
Changes in operating assets and liabilities	53	(44)
Net cash provided (utilized) by operating activities	<u>(4,485)</u>	<u>226</u>
Investing activities		
Proceeds from the sales and maturities of investments	11,598	3,313
Purchases of investments	(6,453)	(3,849)
Net cash provided (utilized) by investing activities	<u>5,145</u>	<u>(536)</u>
Increase (decrease) in cash and cash equivalents	660	(310)
Cash and cash equivalents at beginning of year	628	938
Cash and cash equivalents at end of year	<u>\$ 1,288</u>	<u>\$ 628</u>
Supplemental disclosure of cash flow information		
Federal excise tax paid	<u>\$ 3</u>	<u>\$ 39</u>

See accompanying notes.

The Fluor Foundation

Notes to Financial Statements

December 31, 2019

1. Organization

The Fluor Foundation (the Foundation), a private, nonprofit California corporation, was incorporated in 1952 to receive donations and to disburse those funds for charitable, scientific, ecological, literary or educational purposes. Funds also are disbursed through The Fluor Foundation Matching Gifts to Education Program, which provides that gifts of up to \$5,000 per fiscal year to eligible educational institutions from active employees and non-employee directors of Fluor Corporation (Fluor) and certain of its subsidiaries will be matched by the Foundation on a dollar-for-dollar basis. Funds necessary to meet the Foundation's obligations are provided by contributions from Fluor. All funds provided by Fluor are considered unrestricted.

The Foundation is governed by a Board of Trustees, which was composed of the following Fluor officers and employees during the years ended December 31, 2019 and 2018:

Ray F. Barnard

Lisa Bottle (Resigned effective December 7, 2018)

Jose Bustamante

Thomas D'Agostino (Appointed effective December 7, 2018)

Carlos M. Hernandez

Mark Landry (Resigned effective August 14, 2019)

Matthew McSorley

Biggs C. Porter (Resigned effective January 19, 2018)

John R. Reynolds (Appointed effective August 8, 2019)

Torrence H. Robinson

David T. Seaton (Resigned effective June 21, 2019)

Bruce A. Stanski (Resigned effective October 11, 2019)

D. Michael Steuert (Appointed effective June 21, 2019)

Dawn A. Stout (Appointed effective June 21, 2019)

Members of the Board of Trustees have affiliations with certain charitable and nonprofit organizations that were recipients of cash donations from the Foundation during 2019 and 2018.

The Fluor Foundation

Notes to Financial Statements (continued)

2. Accounting Policies

Contributions Received

Contributions received from Fluor are recognized as revenues in the period received at their fair values. Contributions received for each period presented represent cash contributions. There were no contributions from Fluor during 2019.

Cash Donations and Pledges

Pledges by the Foundation are made on a conditional basis, subject to annual review. As such, the pledges and cash donations are not considered fixed commitments of the Foundation and are recognized when the related cash donations are paid (see Note 6).

Related Parties

Fluor provides substantially all administrative and general services to the Foundation without charge.

Use of Estimates

The preparation of the financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect reported amounts. These estimates are based on information available through the date the financial statements were available to be issued. Therefore, actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include securities with original maturities of three months or less at the date of purchase. The carrying amount of cash and cash equivalents approximates fair value because of their short-term maturities.

Subsequent Events

Management has evaluated all material events occurring subsequent to the date of the financial statements up to April 10, 2020, which is the date the financial statements were available to be issued.

Concentrations of Credit Risk

Investments in government securities held by the Foundation are concentrated in U.S. issuers. Corporate bonds primarily consist of U.S. investment-grade rated bonds. Investments in the U.S. and the non-U.S. equity funds consist of shares of the Vanguard 500 Index Fund and the Vanguard

The Fluor Foundation

Notes to Financial Statements (continued)

International Index Fund, respectively, which primarily invest in large U.S. and non-U.S. companies that span many different industries.

Recent Accounting Pronouncements

New accounting pronouncements requiring implementation in future periods are discussed below.

In August 2018, the Financial Accounting Standards Board (“FASB”) issued ASU 2018-13, “Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement.” This ASU amends ASC 820 to add, remove and modify certain disclosure requirements for fair value measurements. For example, in lieu of a rollforward for Level 3 fair value measurements, a nonpublic entity is required to disclose transfers into and out of Level of the fair value hierarchy and purchases and issues of Level 3 assets and liabilities. ASU 2018-13 is effective for annual reporting periods beginning after December 15, 2019, with early adoption permitted. Management does not expect the adoption of ASU 2018-13 to have any impact on the Foundation’s financial position, results of operations or cash flows.

In June 2018, the FASB issued ASU 2018-08, “Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.” This ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-For Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. ASU 2018-08 is effective for annual reporting periods beginning after December 15, 2019 and should be applied on a modified prospective basis. Retrospective application and early adoption are permitted. Management does not expect the adoption of ASU 2018-08 to have a material impact on the Foundation’s financial position, results of operations or cash flows.

3. Investments

Investments are recorded at fair value with the unrealized gains and losses included in changes in net assets in accordance with ASC 958 “Not-for-Profit Entities”. Investments in government securities consist of U.S. government and agency securities. Investments in corporate bonds consist of investment-grade bonds. Government securities and corporate bonds are valued based on pricing models, which are determined from a compilation of primarily observable market information, broker quotes in nonactive markets or similar assets. Securities not traded on the last business day are valued at the last reported bid price. Investments in the U.S. and non-U.S. equity funds consist of shares of mutual funds, which invest primarily in common stock and money market funds. Investments in mutual funds are carried at fair market value, which represents the net asset value of the shares of the fund as of the close of business at the end of the period. The fair value of the mutual fund is measured based on quoted prices in active markets for identical assets.

Net unrealized gains (losses) for investments still held at year-end are as follows (in thousands):

The Fluor Foundation

Notes to Financial Statements (continued)

	Year Ended December 31,			
	2019		2018	
	Net Unrealized Gain (Loss)	Fair Value	Net Unrealized Gain (Loss)	Fair Value
Government securities	\$ –	\$ –	\$ (18)	\$ 3,092
U.S. and non-U.S. equity funds	–	–	410	3,206
Corporate bonds	1	6,764	(34)	5,142
Total	\$ 1	\$ 6,764	\$ 358	\$ 11,440

Purchases and sales of investments are recorded on the trade date. Realized gains or losses on sales, redemptions or distributions of investments are based upon each investment manager's average historical cost. Net realized gains of \$822,000 and \$437,000 were included in "Net appreciation (depreciation) in investments" in the Statement of Activities for the years ended December 31, 2019 and 2018, respectively. Interest income is recorded on an accrual basis and dividends on the date received. Investment management fees of \$1,170 and \$2,533 for the years ended December 31, 2019 and 2018, respectively, were included in the net asset values of the mutual funds and were deducted from the interest and dividend income earned by the investments before the mutual funds were deposited in the Foundation's account.

4. Fair Value of Financial Instruments

The following table presents, for each of the fair value hierarchy levels required under ASC 820-10, the Foundation's assets and liabilities that are measured at fair value on a recurring basis as of December 31, 2019 and 2018 (in thousands):

	December 31, 2019				December 31, 2018			
	Fair Value Measurements Using				Fair Value Measurements Using			
	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs	Total	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs	Total
	(Level 1)	(Level 2)	(Level 3)		(Level 1)	(Level 2)	(Level 3)	
Assets:								
Money market mutual fund ⁽¹⁾	\$ 316	\$ 316	\$ –	\$ 78	\$ 78	\$ –	\$ –	\$ –
Government securities	–	–	–	3,092	–	3,092	–	–
U.S. and non-U.S. equity funds	–	–	–	3,206	3,206	–	–	–
Corporate bonds	6,764	–	6,764	5,142	–	5,142	–	–

(1) This investment represents the net asset value of the shares of the fund as of close of business at the end of the year.

The Fluor Foundation

Notes to Financial Statements (continued)

5. Federal Excise Tax

In accordance with the applicable provisions of the Internal Revenue Code (the Code), private foundations are subject to an excise tax on net investment income, as defined. In addition, the Code requires foundations to make certain minimum distributions in accordance with a specified formula. The Foundation recorded no amounts as of December 31, 2019 and \$7,000 for deferred tax liabilities as of December 31, 2018. The deferred tax represents the future effects of temporary differences attributable to unrealized gains (losses) associated with investments.

6. Pledges

At December 31, 2019, the Foundation had made conditional cash pledges to various charitable and nonprofit organizations due in the following years (in thousands):

2020	\$ 763
2021–2024	<u>1,025</u>
	<u>\$ 1,788</u>

Supplementary Information

The Fluor Foundation

Pledges

December 31, 2019
(In Thousands)

	Pledges Due in		
	2021		
	Through		Total
	2020	2024	
Boys & Girls Clubs of America	\$ 250	\$ 500	\$ 750
International African American Museum	125	125	250
Texas A&M University	200	400	600
University of Houston	188	–	188
	<u>\$ 763</u>	<u>\$ 1,025</u>	<u>\$ 1,788</u>