

THE KRESGE FOUNDATION

Reader's Guide to the 2011 Form 990-PF

A private foundation must make its annual Form 990-PF available for public inspection. The Kresge Foundation posts this form for download on the website www.kresge.org. The form provides information about the foundation's financial and charitable activities for the year as well as assesses any taxes owed by the foundation to the IRS.

The tax return form and rules can be complex, so we hope that this Reader's Guide will aid you in gaining a better understanding of our form. We have provided answers to some frequently asked questions as well as a table of key data points and their relevance by topic related to the return.

Frequently Asked Questions

Payout

How much was Kresge required to distribute in 2011?

The foundation was required to distribute \$153,033,078 as shown on Page 8, Part XI, line 7. The term the IRS uses for the minimum 5 percent payout is the distributable amount. The actual amount of adjusted qualifying distributions for the foundation in 2011 was \$155,843,928 as shown on Page 8, Part XII, line 6.

How is the required payout calculated?

The IRS rules require the foundation to pay out 5 percent of its average non-charitable use assets, which is equivalent to the investment assets and any other assets that are not used directly in the charitable work of the foundation, adjusted for income tax and recoveries of amounts previously treated as qualifying distributions. This calculation is summarized on Page 8 in Parts X and XI of the return.

What types of disbursements count toward Kresge's annual payout requirement?

Grants paid, program-related investments, exempt operating costs (those that further the charitable purpose of the foundation), and amounts paid to acquire assets used directly in carrying out charitable purpose all count toward payout.

Administrative and Other Costs

What were Kresge's 2011 exempt expenses as a percentage of qualifying distributions and as a percentage of average assets?

Total exempt expenses as a percentage of qualifying distributions was 9.34 percent (calculated as \$14,563,508 Page 1, Part I, line 24, column (d) divided by \$155,843,928 Page 8, Part XII, line 4). Survey results of peer foundations with greater than \$2 billion in average assets reveal exempt expenses as a percentage of grant payout of 12.86 percent for 2011.

Total exempt expenses as a percentage of average assets was .47 percent (calculated as \$14,563,508 Page 1, Part I, line 24, column (d) divided by \$3,083,309,098 Page 8, Part X, line 5). Survey results of peer

foundations with greater than \$2 billion in average assets reveal exempt expenses as a percentage of average assets of .90 percent for 2011.

Taxes and Other

What kind of taxes does Kresge pay?

The foundation is exempt from income taxes under IRS rules. However, is required to pay a 2 percent excise tax on net investment income, which can be reduced to 1 percent if certain criteria are met. Net investment income includes interest, dividends, net realized capital gains and other investment income, minus expenses for managing investments. The net investment income figure used in this calculation is shown on Page 1, Part I, line 27b, column (b). The 2011 net investment income was \$197,354,648, which resulted in an excise tax of \$3,947,093 as shown on Page 4, Part VI, line 5 of the 990-PF.

The Foundation is also subject to unrelated business income tax under IRS rules due to the nature of income derived from some of the investment vehicles held in the investment portfolio. This tax is calculated using the tiered corporate tax rate schedule.

Why do some foundations pay 1 percent in excise taxes, and others pay 2 percent?

A foundation may reduce its excise tax rate from 2 percent to 1 percent if it disburses an amount above its required minimum distribution amount. In 2011, the foundation needed to distribute \$168,219,406 (Page 3, Part V, line 7) to qualify for the lower rate, which it did not qualify for by only distributing \$155,843,928 (Page 3, Part V, line 8).

The Kresge Foundation 2011 990-PF Key Data Points

Topic	Line Reference	Dollar Value	Comments
Administrative and other costs	Page 1, Part I, line 24, column (d) and Page 8, Part XII, line 2	\$14.66M	Consists of direct grantmaking expenses including salaries and operating costs of the staff who make and manage the grants, direct charitable expenses such as consulting and convening costs paid to support the work of our grantees, administrative costs to operate the foundation, including salaries and benefits for support functions such as finance and human resources, professional fees, office expenses, assets acquired, etc. Represents the costs allocated toward charitable purposes that are included in the foundation's qualifying distributions in Part XII.
Grants paid	Page 1, Part I, line 25, column (d)	\$140.60M	Represents grants approved and paid in 2011. The foundation also made \$585K of program-related investments in 2011 for a grand total in giving of \$141.18M.
Minimum distribution ratio	Page 3, Part V, line 3	5.39%	Represents the distribution ratio used in determining the required distribution for the foundation to qualify for the 1 percent excise tax; this ratio is based on the average distribution ratios from the 5 previous years.
Reduced tax rate minimum distribution	Page 3, Part V, line 7	\$168.22M	The amount of distributions required by the foundation to qualify for the 1 percent excise tax.

Topic	Line Reference	Dollar Value	Comments
Tax based on investment income	Page 4, Part VI, line 5	\$3.95M	The foundation had a net gain position for 2011. The foundation's excise taxes, calculated as 2 percent of its net investment income as shown on Page 1, Part I, line 27b, column (b).
Compensation of officers, directors and trustees	Page 6, Part VIII, line 1(c)	\$1.74M	The attached statement (number 26 in the return) provides a listing of 2011 compensation and benefits paid to the foundation's officers and Board of Trustees.
Compensation of five highest paid employees (other than officers, directors and trustees)	Page 6, Part VIII, line 2(c)	\$1.23M	Provides a listing of the 2011 compensation and benefits paid by person for the highest paid employees.
Summary of program-related investments	Page 7, Part IX-B, lines 1 & 2	\$585K	Describes the below-market rate deposits and loans made to organizations.
Minimum investment return	Page 8, Part X, line 6	\$154.17M	The minimum investment return is generally 5 percent of the total fair market value of the foundation's non-charitable use assets.
Distributable amount	Page 8, Part XI, line 7	\$153.03M	Represents the minimum amount the foundation must distribute by the end of 2011 as qualifying distributions.
Adjusted qualifying distributions	Page 8, Part XII, line 6	\$155.84M	The amount the foundation actually spent for charitable purposes for the year.
Actual distribution ratio	Page 8, part XII, line 6 divided by Page 8 Part X, line 5	5.05%	Although the return doesn't display this ratio, it can be calculated for the 2011 year. The required minimum distribution ratio is 5.0 percent.
Cumulative excess distributions	Page 9, Part XIII, line 9(a)	\$102.04M	The amount of excess distributions that the foundation may carry over and apply toward following years.