The Kresge Foundation

(A Michigan Trustee Corporation)

Financial Statements as of and for the
Years Ended December 31, 2021 and 2020, and
Independent Auditor's Report

THE KRESGE FOUNDATION
(A Michigan Trustee Corporation)

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1–2
FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020:	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Notes to Financial Statements	6–20

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
The Kresge Foundation
Troy, Michigan

Opinion

We have audited the accompanying financial statements of The Kresge Foundation (the "Foundation"), which comprise the Statements of Financial Position as of December 31, 2021 and 2020, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Deloitte & Touche LLP

June 9, 2022

THE KRESGE FOUNDATION
(A Michigan Trustee Corporation)

STATEMENTS OF FINANCIAL POSITION AS OF DECEMBER 31, 2021 AND 2020

	2021	2020
ASSETS		
CASH	$ 1,880,941	$ 2,692,899
INVESTMENTS—At fair market value	4,545,044,314	4,105,841,667
PROGRAM-RELATED INVESTMENTS—Net of allowance of $6,237,959 and $7,490,506 in 2021 and 2020, respectively	80,187,660	83,048,756
COLLATERAL UNDER SECURITIES LENDING AGREEMENT	-	64,022
ACCRUED INTEREST AND DIVIDENDS	349,530	743,256
PROPERTY AND EQUIPMENT—Net of accumulated depreciation of $15,438,857 and $13,936,268 in 2021 and 2020, respectively	16,352,256	17,625,555
OTHER	15,917,600	11,670,896
TOTAL	$4,659,732,301	$4,221,687,051
LIABILITIES AND NET ASSETS WITHOUT DONOR RESTRICTIONS		
LIABILITIES:		
Grants payable—net of discount of $53,737 and $512,847 in 2021 and 2020, respectively	$ 85,345,870	$ 51,738,554
Accounts payable and other liabilities	6,354,445	5,491,731
Other postemployment benefit liability	10,467,866	10,583,337
Borrowings under revolving line of credit	-	29,700,000
Payable under securities lending agreement	-	64,022
Deferred federal excise taxes	20,280,775	16,120,060
Total liabilities	122,448,956	113,697,704
NET ASSETS	4,537,283,345	4,107,989,347
TOTAL	$4,659,732,301	$4,221,687,051

See notes to financial statements.

THE KRESGE FOUNDATION
(A Michigan Trustee Corporation)

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
INCOME AND LOSS:		
Net investment income	$ 646,403,044	$ 583,449,316
Program-related investment income	2,222,054	1,370,510
Total income	648,625,098	584,819,826
EXPENSES:		
Grants—net of change in discount of $(459,110) and $(1,881,676) in 2021 and 2020, respectively	191,322,274	122,161,413
Administrative expenses	27,640,375	30,376,658
Total expenses	218,962,649	152,538,071
OTHER POSTEMPLOYMENT ADJUSTMENTS	(368,451)	(1,762,550)
CHANGE IN NET ASSETS	429,293,998	430,519,205
NET ASSETS:		
Beginning of year	4,107,989,347	3,677,470,142
End of year	$4,537,283,345	$4,107,989,347

See notes to financial statements.

THE KRESGE FOUNDATION
(A Michigan Trustee Corporation)

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 429,293,998	$ 430,519,205
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	1,534,382	1,519,477
(Decrease) increase in program-related investments provision	(1,252,547)	2,176,928
Change in value of grants payable	459,110	1,881,676
Net realized and unrealized gains on investments	(662,826,166)	(597,335,104)
Net realized and unrealized gains on program related investments	-	(151,945)
Changes in assets and liabilities:		
Accrued interest and dividends	393,726	1,896,480
Other assets	(4,246,704)	(3,769,334)
Grants payable	33,148,206	(28,172,897)
Accounts payable and other liabilities	862,714	642,407
Other postemployment benefit liability	(115,471)	1,289,929
Deferred federal excise taxes	4,160,715	4,322,733
Net cash used in operating activities	(198,588,037)	(185,180,445)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of investments	1,900,692,578	1,831,321,039
Purchases of investments	(1,677,069,059)	(1,614,394,856)
Returns of principal for program-related investments	12,709,567	7,940,404
Disbursements for program-related investments	(8,595,924)	(11,372,877)
Purchases of property and equipment	(261,083)	(481,418)
Net cash provided by investing activities	227,476,079	213,012,292
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from revolving line of credit	-	177,322,046
Repayments of revolving line of credit	(29,700,000)	(204,745,572)
Net cash used in financing activities	(29,700,000)	(27,423,526)
NET (DECREASE) INCREASE IN CASH	(811,958)	408,321
CASH:		
Beginning of year	2,692,899	2,284,578
End of year	$ 1,880,941	$ 2,692,899

See notes to financial statements.

1. ORGANIZATION AND NATURE OF OPERATIONS

The Kresge Foundation (the "Foundation") is a tax-exempt private foundation that works to expand opportunities in America's cities through grantmaking and investing in arts and culture, education, environment, health, human services, and community development. The Foundation was established in June 1924 as a Michigan trustee corporation. Its office is in Troy, Michigan.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Financial Presentation—The accompanying financial statements are prepared on the accrual basis and in conformity with accounting principles generally accepted in the United States of America (GAAP).

Program-Related Investments (PRIs)—In accordance with Section 4944 of the Internal Revenue Code (the "Code"), the Foundation is permitted to make investments that further some aspect of its charitable mission. In 2008, the Foundation began making PRIs. These investments are anticipated to have lower-than-market returns on a risk-adjusted basis. Like grants, these investments count toward the Foundation's payout requirement in the year of distribution. Return of PRI principal affects the annual payout requirement in a similar manner as a grant refund.

Property and Equipment—Property and equipment represents primarily land and buildings. Property and equipment is depreciated on the straight-line basis over the estimated useful lives of the assets, which range from 3 to 45 years. The associated depreciation was $1,534,382 and $1,519,477 for the years ended December 31, 2021 and 2020, respectively. The Foundation annually reviews the property and equipment records for impairment of the carrying value and records any adjustments necessary to reflect impacts in the carrying value. No impairments were recorded for the years ended December 31, 2021 and 2020.

Property and equipment as of December 31, 2021 and 2020, consists of the following:

	2021	2020
Building and improvements	$ 26,404,120	$ 26,263,711
Furniture and fixtures	2,244,175	2,221,973
Computer and office equipment	2,364,925	2,298,246
	31,013,220	30,783,930
Less accumulated depreciation and amortization	(15,438,857)	(13,936,268)
Subtotal depreciable assets—net	15,574,363	16,847,662
Land	500,000	500,000
Art	277,893	277,893
Subtotal nondepreciable assets	777,893	777,893
Total property and equipment—net	$ 16,352,256	$ 17,625,555

Grant Expenditures—Grant expenditures are recognized in the period the grant is approved, provided the grant is not subject to future conditions. Conditional grants are recognized as grant expense and as a grant payable in the period in which the grantee substantially meets the terms of the conditions. The Foundation had approximately $50,800,000 and $61,600,000 in conditional grants as of December 31, 2021 and 2020, respectively. As of December 31, 2021, conditional grants included $50,000,000 to the Foundation for Detroit's Future (FDF), payable over a 12 year-period, subject to any terms and conditions of the Foundation FDF Agreement.

Line of Credit—The Foundation has an unsecured line of credit totaling $200,000,000 as of December 31, 2021 and 2020. The credit line has a three-month LIBOR effective rate of 0.50% and 0.99% and contains a commitment fee on the unused available balance of 0.15% and 0.25% as of December 31, 2021 and 2020, respectively. As of December 31, 2021 and 2020, the outstanding borrowings were $0 and $29,700,000, respectively. The aggregate outstanding principal, interest, and related fees are due in full on the commitment termination date August 31, 2022. Interest and related fees payable at year-end are included in accounts payable and other liabilities.

Net Assets—The presentation of net assets represents net assets without donor restrictions.

Tax Status—The Foundation is an organization exempt from federal income taxation under Section 501(c)(3) and is a private foundation as described in Section 509(a) of the Code. The Foundation is subject to federal excise taxes. It is also subject to federal and state income tax on its unrelated business taxable income. Management believes it is no longer subject to federal tax examinations for years prior to December 31, 2018. The Foundation evaluates uncertain tax positions for more-likely than-not sustainability. The Foundation has concluded that as of December 31, 2021 and 2020, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements.

Use of Estimates—The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

Investment Risks—Investment securities are exposed to various risks, such as interest rate, market, and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in values in the near term could materially affect the amounts reported in the accompanying financial statements.

Adoption of Accounting Pronouncements—In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. This ASU amends the FASB's guidance on the impairment of financial instruments and adds to U.S. GAAP an impairment model known as the current expected credit loss (CECL) model that is based on expected losses rather than incurred losses. Under the new guidance, an entity will recognize an allowance based on its estimate of expected credit losses, which the FASB believes will result in more timely recognition of such losses. The ASU is also intended to reduce the complexity of U.S. GAAP by decreasing the number of credit impairment models that entities use to account for debt instruments. The guidance is effective for the Foundation for years beginning after December 15, 2022. At this time, the Foundation is evaluating the implications of ASU No. 2016-13 and its effects on the financial statements.

3. INVESTMENTS AND FAIR VALUE

Temporary Investments—The Foundation considers temporary investments to be unsettled trade purchases and sales and cash and cash equivalents held as part of the long-term investment strategy of the Foundation. Cash equivalents are considered to be investments with an original maturity of three months or less. The Foundation records investments as of the trade date. Unsettled trade purchases and sales are reported in the investment category on the statements of financial position. The Foundation had unsettled trade purchases of $0 and $2,689,000 as of December 31, 2021 and 2020, respectively. The Foundation had unsettled trade sales of approximately $9,001,000 and $11,436,000 as of December 31, 2021 and 2020, respectively.

Fixed-Income, U.S. Equity, and Foreign Equity Securities—Fixed-income, U.S. equity, and foreign equity securities include investments in securities as well as commingled funds. The securities have readily determinable fair market values based on quoted prices in active markets. The commingled funds calculate a net asset value per share in accordance with near term guidance.

Hedge Funds, Natural Resources, Private Equity, and Real Estate—Hedge funds' fair values are based on information provided by the administrators of each underlying fund. Natural resources, private equity, and real estate limited partnerships are accounted for on the equity method or pricing models that use both observable and unobservable inputs. Gains and losses on investments include equity earnings from limited partnerships.

Securities Lending—The Foundation participates in a securities lending program with its custodian bank. Under the terms of its securities lending agreement, the Foundation requires collateral of a value at least equal to 102% of the fair value of loaned investments. Securities lending collateral is not subject to a master netting arrangement. Loaned investments consist of equity securities. Securities loaned are fully collateralized. All cash collateral received is invested in approved money market and short-term funds. The Foundation maintains effective control of the loaned investments during the term of the agreement. As of December 31, 2021 and 2020, the Foundation had loaned securities with a total market value of approximately $51,000 and $260,000, respectively, and received related cash collateral of approximately $0 and $64,000, respectively. The carrying value of securities lending collateral approximates fair value as recorded collateral is composed of cash and cash equivalents that are received. Income from the program was approximately $0 and $19,000 for the years ended December 31, 2021 and 2020, respectively.

The changes in security lending collateral of approximately $(64,000) and $(256,000) as of December 31, 2021 and 2020, respectively, are considered noncash transactions.

Realized and Unrealized Gains/Losses—Net realized gains and change in net unrealized market gains are determined by comparing cost to proceeds and fair market value, respectively. Cost is determined on a first-in, first-out basis. The gains or losses on the Foundation's investment portfolio for the years ended December 31, 2021 and 2020, consist of the following:

	2021	2020
Net realized gains	$ 368,823,722	$ 286,347,083
Net unrealized gains	294,002,444	310,988,021
Net realized and unrealized gains on investments	$ 662,826,166	$ 597,335,104

Fair Value Hierarchy—The Foundation is subject to the provisions of FASB issued ASC 820, *Fair Value Measurements and Disclosures*, which establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

ASC 820 emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, ASC 820 establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumption about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

ASC 820 classifies the inputs used to measure fair value into the following hierarchy:

Level 1—Quoted market prices in active markets for identical assets or liabilities.

Level 2—Observable market-based inputs and unobservable inputs that are corroborated by market data.

Level 3—Unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets or liabilities. Level 3 includes values determined using pricing models, discounted cash flow methodologies, or similar techniques reflecting the Foundation's accounting policies.

Securities that provide a net asset value (NAV) or that are recorded under the equity method of accounting are considered to be recorded at Management's best estimate of fair value. These securities are included in the fair value table on the Investments measured at net asset value line.

In certain instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such instances, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Foundation's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

The financial assets and liabilities recorded at fair value on a recurring basis within the fair value hierarchy as of December 31, 2021, are as follows:

	2021	Level 1	Level 2	Level 3
Temporary investments	$ 3,854,165	$ 3,854,165	$ -	$ -
Fixed-income securities—credit and other	198,403,780	87,122,658	105,466,375	5,814,747
U.S. equity securities	21,323,871	13,066,382	8,257,489	-
Foreign equity securities	106,071,503	106,071,503	-	-
Derivative contracts:				
Equity	114,472,958	-	114,472,958	-
Fixed-income	17,237,316		17,237,316	
Foreign exchange	(17,965)	-	(17,965)	-
Commodity	2,568,113	-	2,568,113	
Private equity	80,234,839	-	-	80,234,839
Real estate	10,267,285	-	-	10,267,285
Total fair value measurements	554,415,865	210,114,708	247,984,286	96,316,871
Investments measured at net asset value	3,990,628,449	-	-	-
Total investments	$ 4,545,044,314	$ 210,114,708	$ 247,984,286	$ 96,316,871
Collateral under securities lending agreement	$ -	$ -	$ -	$ -

The financial assets and liabilities recorded at fair value on a recurring basis within the fair value hierarchy as of December 31, 2020, are as follows:

	2020	Level 1	Level 2	Level 3
Temporary investments	$ 5,874,640	$ 5,874,640	$ -	$ -
Fixed-income securities—credit and other	149,808,821	23,756	144,658,381	5,126,684
U.S. equity securities	18,300,500	18,300,500	-	-
Foreign equity securities	89,041,842	89,041,842	-	-
Derivative contracts:				
Equity	33,547,935	-	33,547,935	-
Foreign exchange	(398,621)	-	(398,621)	-
Commodity	1,304,580	-	1,304,580	-
Private equity	84,797,581	-	-	84,797,581
Real estate	11,439,852	-	-	11,439,852
Total fair value measurements	393,717,130	113,240,738	179,112,275	101,364,117
Investments measured at net asset value	3,712,124,537	-	-	-
Total investments	$ 4,105,841,667	$ 113,240,738	$ 179,112,275	$ 101,364,117
Collateral under securities lending agreement	$ 64,022	$ 64,022	$ -	$ -

Level 1 classifications consist of U.S. Treasuries and commercial paper with quoted market prices in active markets. Fixed-income, U.S. equity securities, and foreign equity securities have readily determinable fair market values based on quoted prices in active markets.

Level 2 classifications consist of agency and Federal Home Loan Bank securities and collateralized loan obligation fixed-income securities that are valued based on observable market-based inputs and unobservable inputs that are corroborated by market data. The fair value of the derivative investments is based on market prices from the financial institution that is the counterparty to the derivative.

Level 3 classifications consist of securities that do not have readily determinable market values or are not publicly traded. The valuation process for Level 3 investments involves the use of fair value as reported by third-party administrators, fund investment managers, and general partners and is completed on at least a quarterly basis. All valuations are reviewed by management. Fair value estimates for fixed income securities, equity securities, real estate, and natural resource investments are based on comparable transactions, inputs provided by the general partner, audited financial information, and K-1 capital account balances to determine overall reasonableness of the recorded value. Audited information is only available annually, based on the partnerships' year-ends. Because of the inherent uncertainty of valuations, values may differ from the values that would have been used had a ready market existed.

Activity related to the Level 3 investment activity as of December 31, 2021 and 2020, is as follows:

	2021	2020
Additions and purchases	$ 5,331,419	$ 13,369,200
Transfers into Level 3	-	-
Transfers out of Level 3	-	-

The Foundation's policy related to fair value measurement hierarchy classification, including any level transfers, occurs as of the end of the reporting period. Realized and unrealized gains or losses related to Level 3 investment activity are included in net investment income on the statements of activities.

As of December 31, 2021 and 2020, the Foundation had the following commitments to contribute additional capital under the terms of various investment agreements over the next 7–10 years.

	2021	2020
US equity	$ 28,191,802	$ -
Foreign equity	6,048,722	-
Hedge funds	51,500,000	8,000,000
Natural resources	106,012,858	119,617,185
Private equity	288,963,401	312,888,971
Real estate	130,408,328	169,439,122
Total	$ 611,125,111	$ 609,945,278

The Foundation's investment in funds that are valued using a NAV (or its equivalent) or that are recorded under the equity method of accounting have a redemption notice period of daily to biannually and primarily consist of the following:

	2021 Redemption Period				
	90 Days or Fewer	91 to 180 Days	181 to 365 Days	Greater than 365 Days	Total
U.S. equity	$ -	$ 52,690,842	$176,371,895	$ 99,126,408	$ 328,189,145
Foreign equity	171,152,049	155,032,379	226,835,114	399,339,725	952,359,267
Hedge funds	184,127,457	144,257,635	115,387,444	247,659,379	691,431,915
Natural resources	-	-	-	320,647,648	320,647,648
Private equity	-	-	-	1,400,873,793	1,400,873,793
Real estate	-	-	-	297,126,681	297,126,681
Total	$355,279,506	$351,980,856	$518,594,453	$2,764,773,634	$3,990,628,449

	2020 Redemption Period				
	90 Days or Fewer	91 to 180 Days	181 to 365 Days	Greater than 365 Days	Total
U.S. equity	$ -	$ 12,688,886	$139,780,014	$ 215,997,979	$ 368,466,879
Foreign equity	85,478,761	252,954,248	269,519,201	265,101,879	873,054,089
Hedge funds	98,707,597	151,088,224	98,824,741	237,680,235	586,300,797
Natural resources	-	-	-	305,930,607	305,930,607
Private equity	-	-	-	1,326,105,272	1,326,105,272
Real estate	-	-	-	252,266,893	252,266,893
Total	$184,186,358	$416,731,358	$508,123,956	$2,603,082,865	$3,712,124,537

4. DERIVATIVES

The Foundation accounts for derivative financial instruments in accordance with ASC 815, *Derivatives and Hedging*. The Foundation enters into derivative arrangements to manage a variety of market risks and to adjust asset class exposure. The Foundation recognizes all derivatives as either assets or liabilities measured at fair value. The Foundation has netted liability positions against the investment balance. For accounting purposes, the derivatives do not have hedge designation, and all gains and losses are reported in net investment income on the statements of activities.

In connection with its derivative activities, the Foundation enters into master netting agreements and collateral support agreements with its counterparties. These agreements provide the Foundation with the right, in the event of default by the counterparty, to net a counterparty's rights and obligations under the agreement and to liquidate and set off collateral against any net amount owed by the counterparty. The master netting agreement is taken into account in the Foundation's risk management practices and application of counterparty credit limits.

To determine the amount of exposure to each counterparty, the Foundation nets the exposure on transactions by individual counterparty against the value of any collateral posted by the counterparty (a) when both parties owe determinable amounts, (b) where a legal right of setoff exists, and (c) when the right to setoff is enforceable by law. The thresholds for collateral postings vary by counterparty.

The aggregate fair value of derivative instruments in asset positions on December 31, 2021 and 2020, is approximately $161,891,000 and $83,530,000, respectively. The exposure to counterparty credit risk on December 31, 2021, is reduced by $110,646,000 of collateral held and approximately $27,631,000 of liabilities included in netting arrangements with those counterparties. The exposure to counterparty credit risk on December 31, 2020, is reduced by $24,177,000 of collateral held and approximately $45,763,000 of liabilities included in netting arrangements with those counterparties. The Foundation has never failed to access collateral when required. The Foundation has posted collateral of $0 to counterparties as of December 31, 2021 and 2020.

The fair value of derivative instruments are included in Investments in the statements of financial position and information about the offsetting of derivative instruments and related collateral amounts as of December 31, 2021 and 2020, are as follows:

	2021		
	Gross Amounts of Recognized Assets	**Gross Amounts Offset in the Statements of Financial Position**	**Net Amounts of Assets Presented in the Statements of Financial Position**
Equity contracts	$ 141,408,021	$ 133,548,897	$ 7,859,124
Commodity contracts	3,245,855	1,560,259	1,685,596
Fixed income contracts	17,237,316	3,149,602	14,087,714
Foreign exchange contracts	-	17,965	(17,965)
Total derivative instruments	$ 161,891,192	$ 138,276,723	$ 23,614,469

	2021		
	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Statements of Financial Position	Net Amounts of Liabilities Presented in the Statements of Financial Position
Equity contracts	$ 26,935,063	$ 26,935,063	$ -
Commodity contracts	677,742	677,742	-
Fixed income contracts	-	-	-
Foreign exchange contracts	17,965	17,965	-
Total derivative instruments	$ 27,630,770	$ 27,630,770	$ -

	2020		
	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Statements of Financial Position	Net Amounts of Assets Presented in the Statements of Financial Position
Equity contracts	$ 81,663,630	$ 68,073,658	$ 13,589,972
Commodity contracts	1,866,447	1,866,447	-
Foreign exchange contracts	-	-	-
Total derivative instruments	$ 83,530,077	$ 69,940,105	$ 13,589,972

	2020		
	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Statements of Financial Position	Net Amounts of Liabilities Presented in the Statements of Financial Position
Equity contracts	$ 48,115,695	$ 44,802,690	$ 3,313,005
Commodity contracts	561,867	561,867	-
Foreign exchange contracts	398,621	398,621	-
Total derivative instruments	$ 49,076,183	$ 45,763,178	$ 3,313,005

The Foundation does not have any gross amounts of financial instruments or cash collateral received or pledged not offset in the statements of financial position, except for $4,000 held related to one counterparty as of December 31, 2021.

The effect of derivative instruments on the statements of activities is included in net investment income for the years ended of December 31, 2021 and 2020, as follows:

	Gain (Loss) Recognized on Derivatives	
	2021	**2020**
Equity contracts	$ 83,880,177	$ 13,477,907
Commodity contracts	(1,260,172)	1,153,320
Foreign exchange contracts	380,655	(48,932)
Fixed income contracts	818,983	1,923,262
Total derivative instruments	$ 83,819,643	$ 16,505,557

The Foundation is not credit rated, and therefore, no credit rating contingent provisions are required by counterparties.

Counterparty credit risk is the risk that counterparties to derivative contracts will fail to perform according to the terms of the agreements. Nationally recognized statistical rating organizations, such as Standard & Poor's (S&P) and Moody's, assign credit ratings to security issuers that indicate a measure of potential credit risk to investors. The Foundation manages credit risk by reviewing the credit standing of each counterparty and limits exposure to credit risk by requiring that the minimum acceptable credit rating of the counterparty be BBB- and Baa3 for S&P and Moody's, respectively.

5. PROGRAM-RELATED INVESTMENTS

PRIs in the statements of financial position represent various below-market-rate loans and equity investments with outstanding principal totaling $86,425,619 and $90,539,262 as of December 31, 2021 and 2020, respectively. Interest rates range from 1% to 5% at December 31, 2021. Loans are individually monitored to determine net realizable value based on an evaluation of recoverability. There was $12,709,567 and $7,940,404 received as return of principal for the years ended December 31, 2021 and 2020, respectively. The Foundation has PRI commitments of approximately $4,010,600 and $9,747,151 as of December 31, 2021 and 2020, respectively.

PRIs are scheduled for collection as of December 31, 2021, as follows:

Years Ending December 31	
2022	$ 12,377,767
2023	2,699,576
2024	4,852,791
2025	13,424,282
2026	17,079,550
2027 and beyond	35,991,653
	86,425,619
Less allowance	(6,237,959)
Net	$ 80,187,660

Management has reviewed the collectability of all PRIs and has recorded an allowance of $6,237,959 and $7,490,506 as of December 31, 2021 and 2020, respectively. The Foundation establishes a loan loss allowance in accordance with the risk rating assigned to the PRI. The risk rating is based on a combination of financial and organizational factors and is evaluated annually unless more frequent monitoring is required.

The Foundation has entered into 26 and 24 third-party loan guarantee agreements totaling $188,431,000 and $110,624,000 as of December 31, 2021 and 2020, respectively. Loss exposure related to the guarantee agreements is $89,911,000 and $37,062,000 as of December 31, 2021 and 2020, respectively. Losses incurred on guarantee agreements were $0 for the years ended December 31, 2021 and 2020. The Foundation has recorded a contingent liability at the larger of the net present value of the guarantees or the minimum amount of probable loss. The Foundation recorded a contingency of $2,654,497 and $2,094,103 as of December 31, 2021 and 2020, respectively.

6. GRANTS PAYABLE

Grants payable represent the present value of grants using a 0.05% and 0.67% discount rate, as of December 31, 2021 and 2020, respectively. The discount rate is based on the present value of discounted cash flows using the three-month U.S. Treasury rate. The Foundation made grant payments of approximately $162,800,000 and $161,400,000 in 2021 and 2020, respectively.

The Foundation's future grant commitments, which are scheduled for payment in future years as of December 31, 2021, are as follows:

Years Ending December 31	
2022	$ 68,058,807
2023	15,030,800
2024	1,470,000
2025	-
2026	-
2027 and beyond	840,000
	85,399,607
Discount	(53,737)
Net	$ 85,345,870

7. EXCISE TAX REQUIREMENTS

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Code, but is subject to a 1.39% federal excise tax on net investment income, including realized gains, as defined in the Code. The deferred excise tax provision is calculated based on projected gains that assume complete liquidation of all assets. The current and deferred portions of the excise tax provision for 2021 were approximately $5,719,000 and $4,161,000, respectively. The current and deferred portions of the excise tax provision for 2020 were approximately $1,970,000 and $4,323,000, respectively. Cash payments for federal excise taxes were $5,250,000 and $0 for the years ended December 31, 2021 and 2020, respectively. The prepaid federal excise taxes were $655,000 and $776,000 as of December 31, 2021 and 2020, respectively. The unrelated business income tax expense for 2021 and 2020 was

$1,831,000 and $1,096,000, respectively. The prepaid unrelated business taxes were $669,000 and $1,512,000 as of December 31, 2021 and 2020, respectively. The Foundation recorded a deferred tax asset of $156,000 and $645,000 related to unrelated business income net operating loss and alternative minimum tax credit carry forwards as of December 31, 2021 and 2020, respectively.

8. OTHER POSTEMPLOYMENT BENEFITS

The Foundation is subject to the provisions of FASB-issued ASC 715, *Compensation—Retirement Benefits*, which requires recognition of the overfunded or underfunded status of the other postemployment benefit plan as an asset or liability in the statements of financial position and recognition of changes in the funded status in the year in which the changes occur. The funded status of the plan is measured as the difference between the fair value of plan assets and the benefit obligation.

The Foundation provides certain health care and life insurance benefits for retired employees. The Foundation's employees may become eligible for these postemployment employee benefits. Actuarial assumptions and participant data changes are reported in other postemployment adjustments in the statement of activities.

The other postemployment benefit plan-funded status and amounts recognized in the Foundation's statements of financial position and statements of activities as of and for the years ended December 31, 2021 and 2020, are as follows:

	Postemployment Employee Benefits	
	2021	**2020**
Fair value of plan assets	$ -	$ -
Benefit obligation	(10,467,866)	(10,583,337)
Funded status of the plan	$(10,467,866)	$(10,583,337)
Accrued benefit liability recognized in the statement of financial position—January 1	$(10,583,337)	$ (9,293,408)
Service cost	$ 254,730	$ 231,460
Interest cost	253,771	284,380
Prior-service cost amortization	(771,681)	(771,681)
Benefit cost recognized in the statements of activities	$ (263,180)	$ (255,841)
Actuarial loss recognized in the statements of activities	$ 368,451	$ 1,762,550
Employer contributions	$ 220,742	$ 216,780
Benefits paid	$ (220,742)	$ (216,780)
Benefit obligation—December 31	$(10,467,866)	$(10,583,337)

The actuarial loss of approximately $370,000 for December 31, 2021, can be attributed to gains of $590,000 due to the change in the discount rate from 2.37% at December 31, 2020, to 2.72% at December 31, 2021, and $170,000 due to changes in the benefit accrual, offset by losses of $770,000 due to amortization of prior service costs, $40,000 of accrued health retirement account balances and $320,000 of changes in census data.

The actuarial loss of approximately $1,800,000 for December 31, 2020, can be attributed to a $1,200,000 loss due to the change in the discount rate from 4.15% at December 31, 2019, to 3.12% at December 31, 2020, losses of $780,000 due to amortization of prior service costs, $30,000 of accrued health retirement account balances, offset by gains of $140,000 due to changes in the benefit accrual and $70,000 due to mortality assumptions.

	Postemployment Employee Benefits	
Assumptions and Dates Used for Liability	**2021**	**2020**
Discount rate	2.72 %	2.37 %
Compensation increase rate	4.00	4.00
Measurement date	December 31	
Assumptions Used to Determine Expense		
Discount rate	2.37 %	3.12 %
Compensation increase rate	4.00	4.00
Health care cost trend rate assumptions:		
Initial trend rate—pre/post Medicare	N/A	N/A
Ultimate trend rate—pre/post Medicare	N/A	N/A
Year ultimate trend is reached—pre/post Medicare	N/A	N/A

Future Expected Benefit Payments	
2022	$ 425,204
2023	390,502
2024	399,983
2025	410,253
2026	417,392
2027–2031	2,336,980

9. ANALYSIS OF EXPENSES

The Foundation’s grant and administrative expenses have been allocated between program and supporting activities. Grantmaking activities of the Foundation involving reviewing proposals, awarding, monitoring and evaluating grants as well as the actual payment of grants have been allocated to the program function. All other administrative expenses related to managing the operations of the foundation have been allocated to the supporting activities function. Certain categories of expenses that are incurred for the Foundation as a whole and are attributable to one or more functions are allocated based on either management estimates of time and effort or building occupancy square footage.

The Foundation's functional expenses, displayed by natural expense classification, for the years ended December 31, 2021 and 2020, are as follows:

	2021—Allocation of Expenses		
	Program Activities	Supporting Activities	Total Expenses
Grants—net	$ 191,322,274	$ -	$ 191,322,274
Salary, benefits and payroll taxes	14,564,636	5,743,629	20,308,265
Professional service fees	3,103,639	265,627	3,369,266
Travel, conferences and meetings	142,123	28,486	170,609
Sponsored convenings	545,832	24,382	570,214
Depreciation	926,270	608,112	1,534,382
Occupancy	630,710	220,135	850,845
Legal, accounting and tax fees	113,337	133,639	246,976
PRI loan loss allowance	(1,252,547)	-	(1,252,547)
Other expenses	885,829	956,536	1,842,365
	$ 210,982,103	$ 7,980,546	$ 218,962,649

	2020—Allocation of Expenses		
	Program Activities	Supporting Activities	Total Expenses
Grants—net	$ 122,161,413	$ -	$ 122,161,413
Salary, benefits and payroll taxes	13,740,737	5,530,607	19,271,344
Professional service fees	2,806,958	499,616	3,306,574
Travel, conferences and meetings	371,619	45,764	417,383
Sponsored convenings	410,177	7,103	417,280
Depreciation	917,272	602,205	1,519,477
Occupancy	604,043	208,613	812,656
Legal, accounting and tax fees	169,252	177,711	346,963
PRI loan loss allowance	2,176,928	-	2,176,928
Other expenses	1,056,203	1,051,850	2,108,053
	$ 144,414,602	$ 8,123,469	$ 152,538,071

10. LIQUIDITY AND AVAILABILITY OF RESOURCES

The Foundation's financial assets that are readily available within one year of December 31, 2021, to meet general expenditures include:

Cash	$ 1,880,941
Actively traded investments	210,114,708
Investments measured at NAV	1,225,854,815
Total financial assets	$1,437,850,464

The Foundation must annually pay out a minimum amount of 5% of the average fair value of its investment assets for the preceding year for charitable and administrative purposes in accordance with private foundation Internal Revenue Code requirements. The Foundation structures its financial assets to manage liquidity in a manner to meet this distribution requirement. The Foundation invests in various short-term investments, securities and alternatives which are available and liquid within one year. Additionally, as more fully described in Note 2, the Foundation has a line of credit available for immediate or unanticipated liquidity needs.

11. SUBSEQUENT EVENTS

Subsequent events have been evaluated by the Foundation through June 9, 2022, the date these financial statements were available to be issued and determined that there are no subsequent events requiring adjustment to, or disclosure in, the financial statements.

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