

The Kresge Foundation

(A Michigan Trustee Corporation)

Financial Statements as of and for the
Years Ended December 31, 2023 and 2022, and
Independent Auditor's Report

THE KRESGE FOUNDATION
(A Michigan Trustee Corporation)

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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, 2023 and 2022, 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, 2023 and 2022, 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 audit 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 12, 2024

THE KRESGE FOUNDATION
(A Michigan Trustee Corporation)

STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2023 AND 2022

	2023	2022
ASSETS		
CASH	\$ 1,625,203	\$ 819,714
INVESTMENTS—At fair market value	3,955,540,879	3,937,883,019
PROGRAM-RELATED INVESTMENTS—Net of allowance of \$9,143,143 and \$6,839,955 in 2023 and 2022, respectively	86,581,822	73,482,516
ACCRUED INTEREST AND DIVIDENDS	1,117,250	829,648
PROPERTY AND EQUIPMENT—Net of accumulated depreciation of \$18,236,010 and \$16,921,053 in 2023 and 2022, respectively	14,006,305	15,226,625
OTHER	<u>6,199,062</u>	<u>13,323,894</u>
TOTAL	<u><u>\$4,065,070,521</u></u>	<u><u>\$4,041,565,416</u></u>
LIABILITIES AND NET ASSETS WITHOUT DONOR RESTRICTIONS		
LIABILITIES:		
Grants payable—net of discount of \$6,782,288 and \$1,645,861 in 2023 and 2022, respectively	\$ 100,783,723	\$ 85,525,518
Accounts payable and other liabilities	8,104,736	9,199,430
Other postemployment benefit liability	7,828,226	9,406,573
Deferred federal excise taxes	<u>10,899,519</u>	<u>11,190,932</u>
Total liabilities	127,616,204	115,322,453
NET ASSETS	<u>3,937,454,317</u>	<u>3,926,242,963</u>
TOTAL	<u><u>\$4,065,070,521</u></u>	<u><u>\$4,041,565,416</u></u>

See notes to financial statements.

THE KRESGE FOUNDATION
(A Michigan Trustee Corporation)

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
INCOME AND LOSS:		
Net investment income (loss)	\$ 233,314,866	\$ (408,507,325)
Program-related investment income	<u>1,184,979</u>	<u>2,287,801</u>
Total income (loss)	<u>234,499,845</u>	<u>(406,219,524)</u>
EXPENSES:		
Grants—net of change in discount of \$5,136,427 and \$1,592,124 in 2023 and 2022, respectively	185,027,660	169,186,945
Administrative expenses	<u>39,411,127</u>	<u>36,135,011</u>
Total expenses	<u>224,438,787</u>	<u>205,321,956</u>
OTHER POSTEMPLOYMENT ADJUSTMENTS	<u>1,150,296</u>	<u>501,098</u>
CHANGE IN NET ASSETS	11,211,354	(611,040,382)
NET ASSETS:		
Beginning of year	<u>3,926,242,963</u>	<u>4,537,283,345</u>
End of year	<u><u>\$3,937,454,317</u></u>	<u><u>\$3,926,242,963</u></u>

See notes to financial statements.

THE KRESGE FOUNDATION
(A Michigan Trustee Corporation)

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 11,211,354	\$ (611,040,382)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	1,383,350	1,490,936
Loss on disposals of property and equipment	-	2,850
Increase in program-related investments credit loan loss allowance	2,303,188	601,996
Change in value of grants payable	(5,136,427)	(1,592,124)
Net realized and unrealized (gains) losses on investments	(240,013,179)	408,519,775
Net realized and unrealized losses (gains) on program-related investments	609,521	(207,556)
Disbursements on guarantees	(24,381)	-
Changes in assets and liabilities:		
Accrued interest and dividends	(287,602)	(480,118)
Other assets	6,841,516	2,555,928
Grants payable	20,419,013	1,771,772
Accounts payable and other liabilities	(1,094,694)	2,844,985
Other postemployment benefit liability	(1,578,347)	(1,061,293)
Deferred federal excise taxes	(291,413)	(9,089,843)
Net cash used in operating activities	<u>(205,658,101)</u>	<u>(205,683,074)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of investments	1,809,570,204	1,670,956,553
Purchases of investments	(1,587,214,885)	(1,472,315,033)
Returns of principal for program-related investments	2,265,790	13,663,232
Disbursements for program-related investments	(17,994,489)	(7,314,750)
Purchases of property and equipment	(163,030)	(368,155)
Net cash provided by investing activities	<u>206,463,590</u>	<u>204,621,847</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net cash used in financing activities	<u>-</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH	805,489	(1,061,227)
CASH:		
Beginning of year	<u>819,714</u>	<u>1,880,941</u>
End of year	<u>\$ 1,625,203</u>	<u>\$ 819,714</u>

See notes to financial statements.

THE KRESGE FOUNDATION
(A Michigan Trustee Corporation)

NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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 \$1,383,350 and \$1,490,936 for the years ended December 31, 2023 and 2022, 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, 2023 and 2022.

Property and equipment as of December 31, 2023 and 2022, consists of the following:

	2023	2022
Building and improvements	\$ 26,733,069	\$ 26,655,905
Furniture and fixtures	2,254,467	2,244,175
Computer and office equipment	<u>2,468,516</u>	<u>2,465,335</u>
Subtotal depreciable assets	31,456,052	31,365,415
Less accumulated depreciation and amortization	<u>(18,236,010)</u>	<u>(16,921,053)</u>
Subtotal depreciable assets—net	<u>13,220,042</u>	<u>14,444,362</u>
Land	500,000	500,000
Art	<u>286,263</u>	<u>282,263</u>
Subtotal nondepreciable assets	<u>786,263</u>	<u>782,263</u>
Total property and equipment—net	<u>\$ 14,006,305</u>	<u>\$ 15,226,625</u>

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 \$50,100,000 and \$50,700,000 in conditional grants as of December 31, 2023 and 2022, respectively. As of December 31, 2023, conditional grants included \$50,000,000 to the Foundation for Detroit’s Future (FDF), payable over a 10 year-period, subject to any terms and conditions of the Foundation FDF Agreement.

Line of Credit—The Foundation has unsecured lines of credit totaling \$225,000,000 (Credit Lines A and B) as of December 31, 2023 and 2022. At December 31, 2023, Credit Lines A and B have effective rates of 6.05% and 5.80%, based on an adjusted Secured Overnight Financing Rate (SOFR), respectively. Additionally, Credit Lines A and B contain a commitment fee on the unused available balance of 0.20% and 0.15%, respectively. At December 31, 2022, Credit Lines A and B have effective rates of 4.86% and 4.77%, based on an adjusted SOFR, respectively. Additionally, Credit Lines A and B contain a commitment fee on the unused available balance of 0.15%. As of December 31, 2023 and 2022, the outstanding borrowings were \$0. The aggregate outstanding principal, interest, and related fees are due in full on the commitment termination dates of August 28, 2024 and August 31, 2024, for Credit Lines A and B, respectively. 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, 2020. The Foundation evaluates uncertain tax positions for more-likely than-not sustainability. The Foundation has concluded that as of December 31, 2023 and 2022, 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 Financial Accounting Standards Board (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 measurement of expected

credit losses under CECL methodology is applicable to financial assets measured at amortized cost, including loans receivable (PRI loans). In addition, the guidance has revised the value of contingent liabilities recorded for guarantee obligations. The contingent liabilities recorded with respect to guarantee obligations are now derived as the sum of the net present value of the guarantees and the minimum amount of probable loss. The guidance has been adopted as of January 1, 2023 with prospective application and did not have a material effect 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 \$3,972,000 and \$4,000 as of December 31, 2023 and 2022, respectively. The Foundation had unsettled trade sales of approximately \$69,230,000 and \$208,000 as of December 31, 2023 and 2022, 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 and exchange traded 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, 2023 and 2022, the Foundation had loaned securities with a total market value of approximately \$0 and \$168,000, respectively, and received related cash collateral of approximately \$0, 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 for the years ended December 31, 2023 and 2022, respectively.

The changes in security lending collateral of approximately \$0 as of December 31, 2023 and 2022, respectively, are considered noncash transactions.

Realized and Unrealized Gains/Losses—Net realized gains and change in net unrealized market losses 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, 2023 and 2022, consist of the following:

	2023	2022
Net realized gains	\$ 271,463,999	\$ 233,112,875
Net unrealized losses	<u>(31,450,820)</u>	<u>(641,632,650)</u>
Net realized and unrealized gains (losses) on investments	<u>\$ 240,013,179</u>	<u>\$(408,519,775)</u>

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, 2023, are as follows:

	2023	Level 1	Level 2	Level 3
Temporary investments	\$ 137,414	\$ 137,414	-	-
Fixed-income securities—credit and other	280,907,232	61,098,064	214,482,646	5,326,522
U.S. equity securities	5,341,734	4,795,770	545,964	-
Foreign equity securities	98,414,553	98,414,553	-	-
Derivative contracts:				
Equity	77,057,491	-	77,057,491	-
Fixed-income	2,520,723	-	2,520,723	-
Foreign exchange	-	-	-	-
Commodity	538,078	-	538,078	-
Private equity	69,902,424	-	-	69,902,424
Real estate	689,088	-	-	689,088
	<u>535,508,737</u>	<u>164,445,801</u>	<u>295,144,902</u>	<u>75,918,034</u>
Total fair value measurements	535,508,737	164,445,801	295,144,902	75,918,034
Investments measured at net asset value	<u>3,420,032,142</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$ 3,955,540,879</u>	<u>\$ 164,445,801</u>	<u>\$ 295,144,902</u>	<u>\$ 75,918,034</u>

The financial assets and liabilities recorded at fair value on a recurring basis within the fair value hierarchy as of December 31, 2022, are as follows:

	2022	Level 1	Level 2	Level 3
Temporary investments	\$ 11,586,328	\$ 11,586,328	\$ -	\$ -
Fixed-income securities—credit and other	164,196,977	38,797,767	119,618,462	5,780,748
U.S. equity securities	6,537,945	4,149,569	2,388,376	-
Foreign equity securities	78,569,447	78,569,447	-	-
Derivative contracts:				
Equity	73,746,289	-	73,746,289	-
Fixed-income	23,190,693	-	23,190,693	-
Foreign exchange	(1,293)	-	(1,293)	-
Commodity	1,341,631	-	1,341,631	-
Private equity	75,099,256	-	-	75,099,256
Real estate	689,088	-	-	689,088
	<u>434,956,361</u>	<u>133,103,111</u>	<u>220,284,158</u>	<u>81,569,092</u>
Total fair value measurements	434,956,361	133,103,111	220,284,158	81,569,092
Investments measured at net asset value	<u>3,502,926,658</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$ 3,937,883,019</u>	<u>\$ 133,103,111</u>	<u>\$ 220,284,158</u>	<u>\$ 81,569,092</u>

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, 2023 and 2022, is as follows:

	2023	2022
Additions and purchases	\$ 5,000,000	\$ 1,200,000
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, 2023 and 2022, the Foundation had the following commitments to contribute additional capital under the terms of various investment agreements over the next 7–10 years.

	2023	2022
US equity	\$ 4,771,235	\$ 7,349,449
Hedge funds	30,839,294	32,442,035
Natural resources	79,306,665	92,978,707
Private equity	261,387,778	277,886,276
Real estate	<u>150,987,567</u>	<u>119,591,403</u>
Total	<u>\$ 527,292,539</u>	<u>\$ 530,247,870</u>

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:

	2023 Redemption Period				Total
	90 Days or Fewer	91 to 180 Days	181 to 365 Days	Greater than 365 Days	
U.S. equity	\$ 51,258,911	\$ 51,010,812	\$ 50,066,376	\$ 209,633,241	\$ 361,969,340
Foreign equity	59,372,395	114,620,599	189,378,928	368,782,764	732,154,686
Hedge funds	185,831,430	118,585,326	79,405,835	322,316,775	706,139,366
Natural resources	-	-	-	258,157,791	258,157,791
Private equity	-	-	-	1,083,132,843	1,083,132,843
Real estate	-	-	-	278,478,116	278,478,116
Total	<u>\$296,462,736</u>	<u>\$284,216,737</u>	<u>\$318,851,139</u>	<u>\$2,520,501,530</u>	<u>\$3,420,032,142</u>

	2022 Redemption Period				Total
	90 Days or Fewer	91 to 180 Days	181 to 365 Days	Greater than 365 Days	
U.S. equity	\$ -	\$ 71,788,365	\$ 72,030,428	\$ 158,404,650	\$ 302,223,443
Foreign equity	131,067,204	120,575,259	181,517,789	357,268,886	790,429,138
Hedge funds	211,680,391	134,922,852	69,349,881	286,624,671	702,577,795
Natural resources	-	-	-	302,106,590	302,106,590
Private equity	-	-	-	1,117,260,657	1,117,260,657
Real estate	-	-	-	288,329,035	288,329,035
Total	<u>\$342,747,595</u>	<u>\$327,286,476</u>	<u>\$322,898,098</u>	<u>\$2,509,994,489</u>	<u>\$3,502,926,658</u>

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, 2023 and 2022, is approximately \$110,505,000 and \$123,701,000, respectively. The exposure to counterparty credit risk on December 31, 2023, is reduced by \$77,098,000 of collateral held and approximately \$29,349,000 of

liabilities included in netting arrangements with those counterparties. The exposure to counterparty credit risk on December 31, 2022, is reduced by \$99,800,000 of collateral held and approximately \$20,275,000 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 and \$5,350,000 to counterparties as of December 31, 2023 and 2022, respectively.

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, 2023 and 2022, are as follows:

	2023		
	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	\$ 104,376,723	\$ 102,671,503	\$ 1,705,220
Commodity contracts	3,607,954	2,948,449	659,505
Fixed income contracts	2,520,723	827,360	1,693,363
Foreign exchange contracts	-	-	-
Total derivative instruments	<u>\$ 110,505,400</u>	<u>\$ 106,447,312</u>	<u>\$ 4,058,088</u>

	2023		
	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	\$ 27,949,344	\$ 27,949,344	\$ -
Commodity contracts	2,439,764	1,399,434	1,040,330
Fixed income contracts	-	-	-
Foreign exchange contracts	-	-	-
Total derivative instruments	<u>\$ 30,389,108</u>	<u>\$ 29,348,778</u>	<u>\$ 1,040,330</u>

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 \$8,501,000 held related to two counterparties as of December 31, 2023.

	2022		
	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	\$ 97,756,862	\$ 97,756,862	\$ -
Commodity contracts	2,753,532	2,111,382	642,150
Fixed income contracts	23,190,693	20,206,898	2,983,795
Foreign exchange contracts	-	-	-
Total derivative instruments	<u>\$ 123,701,087</u>	<u>\$ 120,075,142</u>	<u>\$ 3,625,945</u>

	2022		
	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	\$ 24,010,573	\$ 18,903,247	\$ 5,107,326
Commodity contracts	1,411,901	1,371,895	40,006
Fixed income contracts	-	-	-
Foreign exchange contracts	<u>1,293</u>	<u>-</u>	<u>1,293</u>
Total derivative instruments	<u>\$ 25,423,767</u>	<u>\$ 20,275,142</u>	<u>\$ 5,148,625</u>

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 as of December 31, 2022.

The effect of derivative instruments on the statements of activities is included in net investment income for the years ended of December 31, 2023 and 2022, as follows:

	Gain (Loss) Recognized on Derivatives	
	2023	2022
Equity contracts	\$ 48,741,927	\$ (7,155,077)
Commodity contracts	(4,123,811)	1,219,480
Foreign exchange contracts	1,293	16,673
Fixed income contracts	<u>805,365</u>	<u>56,764,206</u>
Total derivative instruments	<u>\$ 45,424,774</u>	<u>\$ 50,845,282</u>

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 totaling \$95,724,965 and \$80,322,471 as of December 31, 2023 and 2022, respectively.

Loan PRIs—The Foundation's loan portfolio includes both loans and convertible loans invested in not-for-profit and private sector entities. The loans are for charitable support of entities within our program strategies. Interest rates charged on the loans generally range from 0.75% to 4.0% with one loan at 15.0% at December 31, 2023. Loans are individually monitored to determine net realizable value based on an evaluation of recoverability. There was \$2,265,790 and \$13,663,231 received as return of principal for the years ended December 31, 2023 and 2022, respectively. The Foundation has loan commitments of approximately \$15,368,500 and \$15,570,850 as of December 31, 2023 and 2022, respectively.

Loans are scheduled for collection as of December 31, 2023, as follows:

Years Ending December 31	
2024	\$ 5,800,631
2025	12,663,831
2026	15,191,036
2027	14,420,883
2028	7,167,348
2029 and beyond	<u>22,544,574</u>
Subtotal	77,788,303
Less allowance	<u>(9,143,143)</u>
Net	<u>\$ 68,645,160</u>

Management has reviewed the collectability of loans and has recorded a credit loan loss allowance of \$9,143,143 and \$6,839,955 as of December 31, 2023 and 2022, respectively. The Foundation establishes a credit 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 used to evaluate the collectability of individual loans and is evaluated annually unless more frequent monitoring is required.

Equity PRIs—The Foundation’s equity portfolio includes direct equity investments as well as investments in equity funds. The equity investments are for charitable support of entities within program strategies and are valued at NAV or a measurement alternative. The measurement alternative used for certain equity investments recognizes the cost of the investment as an asset, adjusts for changes resulting from observable price changes for identical or similar investments of the same issuer and evaluates the investment annually for impairment.

Unrealized and realized gains or losses on equity investments are included within Program-related investment income on the statements of activities. The value of equity investments for the years ended December 31, 2023 and 2022 are \$17,936,662 and \$13,766,900, respectively.

The Foundation has unfunded equity commitments of approximately \$3,718,392 and \$0 as of December 31, 2023 and 2022, respectively.

Guarantee PRIs—The Foundation has entered into 30 third-party loan guarantee agreements totaling \$180,381,000 and \$189,127,000 as of December 31, 2023 and 2022, respectively. Loss exposure related to the guarantee agreements is \$146,821,000 and \$140,697,000 as of December 31, 2023 and 2022, respectively. Losses incurred on guarantee agreements were \$24,381 and \$0 for the years ended December 31, 2023 and 2022, respectively. The Foundation has recorded a contingent liability as the sum of the net present value of the guarantees and the minimum amount of probable loss. The Foundation recorded a contingency of \$2,464,150 and \$2,719,438 as of December 31, 2023 and 2022, respectively. Contingent liabilities are included in accounts payable and other liabilities.

6. GRANTS PAYABLE

Grants payable represent the present value of grants using a 5.02% and 1.46% discount rate, as of December 31, 2023 and 2022, respectively. The discount rate is based on the present value of

discounted cash flows using the annualized return on the three-month U.S. Treasury bill index. The Foundation made grant payments of approximately \$164,800,000 and \$164,300,000 in 2023 and 2022, respectively.

The Foundation's future grant commitments, which are scheduled for payment in future years as of December 31, 2023, are as follows:

Years Ending December 31	
2024	\$ 81,602,706
2025	20,082,555
2026	4,075,750
2027	845,000
2028	-
2029 and beyond	<u>960,000</u>
Subtotal	107,566,011
Discount	<u>(6,782,288)</u>
Net	<u>\$ 100,783,723</u>

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 2023 were approximately \$3,892,000 and \$(291,000), respectively. The current and deferred portions of the excise tax provision for 2022 were approximately \$1,973,000 and \$(9,090,000), respectively. Cash payments for federal excise taxes were \$2,500,000 and \$4,183,000 for the years ended December 31, 2023 and 2022, respectively. The prepaid federal excise taxes were \$507,000 and \$1,977,000 as of December 31, 2023 and 2022, respectively. The unrelated business income tax expense for 2023 and 2022 was \$269,000 and \$214,000, respectively. The excise tax provision and unrelated business income tax expense are included in net investment income (loss). The prepaid unrelated business taxes were \$847,000 and \$1,782,000 as of December 31, 2023 and 2022, respectively. The Foundation recorded a deferred tax asset of \$444,000 and \$312,000 related to unrelated business income net operating loss carry forwards as of December 31, 2023 and 2022, respectively. Prepaid and deferred tax asset positions are included in other assets.

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, 2023 and 2022, are as follows:

	Postemployment Employee Benefits	
	2023	2022
Fair value of plan assets	\$ -	\$ -
Benefit obligation	<u>(7,828,226)</u>	<u>(9,406,573)</u>
Funded status of the plan	<u><u>\$ (7,828,226)</u></u>	<u><u>\$ (9,406,573)</u></u>
Accrued benefit liability recognized in the statement of financial position—January 1	<u>\$ (9,406,573)</u>	<u>\$ (10,467,866)</u>
Service cost	\$ 69,870	\$ 188,472
Interest cost	454,857	278,990
Prior-service cost amortization	(454,170)	(771,681)
Amortization of gains	<u>(258,680)</u>	<u>-</u>
Benefit cost recognized in the statements of activities	<u><u>\$ (188,123)</u></u>	<u><u>\$ (304,219)</u></u>
Actuarial gain recognized in the statements of activities	<u><u>\$ (1,150,296)</u></u>	<u><u>\$ (501,098)</u></u>
Employer contributions	<u><u>\$ 239,928</u></u>	<u><u>\$ 255,976</u></u>
Benefits paid	<u><u>\$ (239,928)</u></u>	<u><u>\$ (255,976)</u></u>
Benefit obligation—December 31	<u><u>\$ (7,828,226)</u></u>	<u><u>\$ (9,406,573)</u></u>

The actuarial gain of approximately \$1,150,000 for December 31, 2023, can be attributed to losses of \$197,000 due to the change in the discount rate from 4.99% at December 31, 2022, to 4.80% at December 31, 2023, \$454,000 due to amortization of prior service costs, \$259,000 due to amortized gains, and \$58,000 of accrued health retirement account balance, offset by \$254,000 due to changes in the benefit accrual, \$1,817,000 of accrued health retirement account utilization adjustments and \$47,000 of changes in census data.

The actuarial gain of approximately \$500,000 for December 31, 2022, can be attributed to gains of \$2,875,000 due to the change in the discount rate from 2.72% at December 31, 2021, to 4.99% at December 31, 2022 and \$169,000 due to changes in the benefit accrual, offset by losses of \$1,400,000

related to a plan amendment, \$772,000 due to amortization of prior service costs, \$46,000 of accrued health retirement account balances and \$326,000 of changes in census data.

Assumptions and Dates Used for Liability	Postemployment Employee Benefits	
	2023	2022
Discount rate	4.80 %	4.99 %
Compensation increase rate	4.00	4.00
Measurement date	December 31	
Assumptions Used to Determine Expense		
Discount rate	4.99 %	2.72 %
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		
2024	\$	431,609
2025		378,724
2026		380,341
2027		390,612
2028		413,925
2029–2033		2,254,473

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, 2023 and 2022, are as follows:

	2023—Allocation of Expenses		
	Program Activities	Supporting Activities	Total Expenses
Salary, benefits and payroll taxes	\$ 18,297,279	\$ 6,192,487	\$ 24,489,766
Professional service fees	3,511,524	818,008	4,329,532
Travel, conferences and meetings	1,673,321	362,492	2,035,813
Sponsored convenings	903,007	15,790	918,797
Depreciation	800,646	582,704	1,383,350
Occupancy	701,821	295,329	997,150
Legal, accounting and tax fees	249,847	130,620	380,467
PRI credit loan loss expense	2,303,188	-	2,303,188
Other expenses	<u>1,358,531</u>	<u>1,214,533</u>	<u>2,573,064</u>
Subtotal	29,799,164	9,611,963	39,411,127
Grants—net	<u>185,027,660</u>	<u>-</u>	<u>185,027,660</u>
Total	<u>\$ 214,826,824</u>	<u>\$ 9,611,963</u>	<u>\$ 224,438,787</u>
	2022—Allocation of Expenses		
	Program Activities	Supporting Activities	Total Expenses
Salary, benefits and payroll taxes	\$ 17,672,733	\$ 6,087,806	\$ 23,760,539
Professional service fees	3,866,620	685,884	4,552,504
Travel, conferences and meetings	1,063,795	150,260	1,214,055
Sponsored convenings	1,136,694	41,959	1,178,653
Depreciation	900,042	590,894	1,490,936
Occupancy	667,895	247,211	915,106
Legal, accounting and tax fees	207,981	136,786	344,767
PRI credit loan loss expense	601,996	-	601,996
Other expenses	<u>1,070,051</u>	<u>1,006,404</u>	<u>2,076,455</u>
Subtotal	27,187,807	8,947,204	36,135,011
Grants—net	<u>169,186,945</u>	<u>-</u>	<u>169,186,945</u>
Total	<u>\$ 196,374,752</u>	<u>\$ 8,947,204</u>	<u>\$ 205,321,956</u>

10. LIQUIDITY AND AVAILABILITY OF RESOURCES

The Foundation’s financial assets that are readily available within one year of December 31, 2023, to meet general expenditures include:

Cash	\$ 1,625,203
Actively traded investments	164,445,801
Investments measured at NAV	<u>899,530,612</u>
Total financial assets	<u><u>\$1,065,601,616</u></u>

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 lines of credit available for immediate or unanticipated liquidity needs.

11. SUBSEQUENT EVENTS

Subsequent events have been evaluated by the Foundation through June 12, 2024, 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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