KPMG

GREATER MILWAUKEE FOUNDATION

Combined Financial Statements

December 31, 2023 and 2022

(With Independent Auditors’ Report Thereon)

GREATER MILWAUKEE FOUNDATION

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KPMG LLP
Suite 1050
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Independent Auditors' Report

Board of Directors
Greater Milwaukee Foundation:

Opinion

We have audited the combined financial statements of Greater Milwaukee Foundation (the Foundation), which comprise the combined statements of financial position as of December 31, 2023 and 2022, and the related combined statements of activities and cash flows for the years then ended, and the related notes to the combined financial statements.

In our opinion, the accompanying combined 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 U.S. generally accepted accounting principles.

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 Auditors' Responsibilities for the Audit of the Combined 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 Combined Financial Statements

Management is responsible for the preparation and fair presentation of the combined financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined 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 combined financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 combined 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 combined 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 combined 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 combined 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.

KPMG LLP

Milwaukee, Wisconsin
August 21, 2024

GREATER MILWAUKEE FOUNDATION

Combined Statements of Financial Position

December 31, 2023 and 2022

Assets		2023	2022
Cash and cash equivalents	$	56,195,597	56,711,930
Accounts receivable, prepaid expenses, and accrued investment income		2,548,018	1,433,774
Investments, at fair value		1,030,202,091	910,713,004
Loans receivable		12,966,170	11,319,885
Program-related investments		5,136,859	2,387,605
Beneficial interest in charitable trusts		4,368,636	5,678,634
Property, furniture, and equipment, net		115,418	172,878
Operating lease right-of-use assets		124,573	626,475
Total assets	$	1,111,657,362	989,044,185
Liabilities and Net Assets			
Liabilities:			
Accrued expenses	$	2,729,448	2,388,077
Grants payable		8,884,250	11,306,622
Liability for pooled income funds		—	65,406
Agency endowment funds		97,036,167	85,041,984
Operating lease liabilities		124,573	626,475
Total liabilities		108,774,438	99,428,564
Net assets without donor restrictions:			
Undesignated funds		95,888,014	87,718,216
Field of interest funds		261,936,980	226,807,957
Donor-designated funds		272,299,408	237,863,872
Donor-advised funds		366,648,711	329,093,890
Total net assets without donor restrictions		996,773,113	881,483,935
Net assets with donor restrictions		6,109,811	8,131,686
Total net assets		1,002,882,924	889,615,621
Total liabilities and net assets	$	1,111,657,362	989,044,185

See accompanying notes to combined financial statements.

GREATER MILWAUKEE FOUNDATION

Combined Statements of Activities

Years ended December 31, 2023 and 2022

	2023			2022		
	Without donor restrictions	**With donor restrictions**	**Total**	**Without donor restrictions**	**With donor restrictions**	**Total**
Revenue, gains, and losses:						
Contributions	$ 46,861,120	—	46,861,120	56,035,439	20,380	56,055,819
Investment income, net	16,579,996	86,041	16,666,037	15,932,536	(76,479)	15,856,057
Realized net gains on investments	13,582,895	26,655	13,609,550	9,011,741	691,221	9,702,962
Unrealized net gains on investments	99,591,554	(1,821)	99,589,733	(206,530,594)	(19,324)	(206,549,918)
Administrative fee on agency endowment funds	612,178	—	612,178	664,153	—	664,153
Change in actuarial valuation of split-interest agreements	—	320,381	320,381	—	(897,113)	(897,113)
Total revenue, gains, and losses	177,227,743	431,256	177,658,999	(124,886,725)	(281,315)	(125,168,040)
Grants and expenses:						
Grants approved for charitable purposes	50,360,131	—	50,360,131	77,475,066	—	77,475,066
Program-related expenses	5,782,028	—	5,782,028	5,152,711	—	5,152,711
Management and general	5,638,410	—	5,638,410	4,919,066	—	4,919,066
Development and donor services	2,611,127	—	2,611,127	2,958,934	—	2,958,934
Total grants and expenses	64,391,696	—	64,391,696	90,505,777	—	90,505,777
Net assets released from restrictions	2,453,131	(2,453,131)	—	1,744,360	(1,744,360)	—
Increase (decrease) in net assets	115,289,178	(2,021,875)	113,267,303	(213,648,142)	(2,025,675)	(215,673,817)
Net assets, beginning of year	881,483,935	8,131,686	889,615,621	1,095,132,077	10,157,361	1,105,289,438
Net assets, end of year	$ 996,773,113	6,109,811	1,002,882,924	881,483,935	8,131,686	889,615,621

See accompanying notes to combined financial statements.

GREATER MILWAUKEE FOUNDATION

Combined Statements of Cash Flows

Years ended December 31, 2023 and 2022

		2023	2022
Cash flows from operating activities:			
Change in net assets	$	113,267,303	(215,673,816)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:			
Depreciation		57,460	55,855
Realized net gains on investments		(13,609,550)	(10,387,449)
Unrealized net gains on investments		(99,589,733)	206,549,918
Change in actuarial valuation of split-interest agreements		(320,381)	897,113
Changes in assets and liabilities:			
Decrease in operating lease right-of-use assets		501,902	(626,475)
Decrease in operating lease liabilities		(501,902)	626,475
Increase in accounts receivable, prepaid expenses, and accrued investment income		(1,114,244)	(193,087)
Increase in accrued expenses		341,371	(2,722,782)
Decrease in grants payable		(2,422,372)	(9,275,116)
Increase in agency endowment funds		306,309	7,073,645
Increase in loan loss reserve		—	—
Net change in other assets and liabilities		(1,244)	546
Net cash provided by (used in) operating activities		(3,085,081)	(23,675,173)
Cash flows from investing activities:			
Proceeds from sale of investments		230,891,057	308,106,043
Purchase of investments		(226,992,987)	(279,861,356)
Purchase of property, furniture, and equipment		—	(16,543)
Issuance of loans receivable and program-related investments		(3,020,840)	1,723,642
Proceeds from repayment of loans receivable and return of capital on program related investments		125,301	270,703
Net cash provided by investing activities		1,002,531	30,222,489
Cash flows from financing activities:			
Payments from charitable trusts		1,566,217	1,744,360
Payments to pooled income participants		—	(1,870)
Net cash provided by financing activities		1,566,217	1,742,490
Net increase (decrease) in cash and cash equivalents		(516,333)	8,289,806
Cash and cash equivalents at beginning of year		56,711,930	48,422,124
Cash and cash equivalents at end of year	$	56,195,597	56,711,930

See accompanying notes to combined financial statements.

(1) Summary of Significant Accounting Policies

(a) Basis of Presentation

The combined financial statements include the accounts of the Greater Milwaukee Foundation Trust (a community trust), the Greater Milwaukee Foundation, Inc. (a charitable corporation), and the following supporting organizations, collectively described hereafter as "the Foundation:"

- Greater Cedarburg Foundation, Inc.
- Greater Milwaukee Foundation Holdings, Inc.
- Hepburn "Bootstrap" Foundation, Inc.
- Honkamp Family Foundation
- Oconomowoc Area Foundation, Inc.
- Strattec Foundation, Inc.
- West Bend Community Foundation, Inc.

Common management by the Greater Milwaukee Foundation Board is the basis for combination of the above-listed organizations. The combined financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. The statements reflect the combined assets and financial activity of various trusts and funds administered by the Foundation. Interfund transactions and balances have been eliminated.

Net assets and revenue, expenses, gains, and losses are classified based upon the existence or absence of donor-imposed restrictions. Although most contributions to the Foundation include donor-imposed restrictions, the variance power established in the amended Declaration of Trust and the Corporate By-Laws for Greater Milwaukee Foundation Trust and Greater Milwaukee Foundation, Inc., respectively, gives the Foundation unilateral variance power to alter the restriction on any donation without the donor's approval. The provisions regarding variance power have been included in the Foundation's governing instruments since it was established in 1915. This variance power applies to all of the funds created within the Foundation. In addition, the total return spending policy adopted by the Foundation allows the Foundation to supplement income with distributions from the original corpus of gifts, if necessary, to maintain distribution levels authorized by the Foundation's board. Accordingly, net assets of the Foundation and changes therein are classified as net assets without donor restrictions for financial reporting purposes except for those assets that have time restrictions, which will delay receipt of funds into the Foundation. Assets with time restrictions are reported as net assets with donor restrictions. Expirations of donor-imposed restrictions on net assets are reported as reclassifications between the applicable classes of net assets. Net assets are released from donor restrictions by the occurrence of the passage of time or other events specified by the donors.

Notwithstanding the net assets without donor restrictions classification, the Foundation consistently follows the practice of respecting donors' grant-making preferences, as stated in their wills or gift agreements, when they establish a fund with the Foundation.

The Foundation's component funds, which have been combined for presentation purposes, are of various types reflecting the purposes of the donors who have contributed to them and are described as follows:

(i) *Undesignated Funds*

Undesignated funds are those without donor restrictions over which the board has full discretion in making distributions for charitable purposes to meet community needs.

(ii) *Field of Interest Funds*

Field of interest funds are funds without donor restrictions used at the board's discretion to meet a general field of charitable need specified by the donor.

(iii) *Donor-Designated Funds*

Donor-designated funds are funds where the donor has designated an agency or institution for which support will be provided and are classified as without donor restrictions by virtue of the variance power of the Foundation board.

(iv) *Donor-Advised Funds*

Donor-advised funds are funds without donor restrictions for which the donor has reserved the right to make nonbinding distribution recommendations to the board.

(v) *Net Assets with Donor Restrictions*

Foundation assets which will not be available for Foundation use until a specific time restriction expires or an event occurs such as the maturation of a remainder trust interest or life insurance policy.

(b) Use of Estimates

The preparation of combined financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenue and gains and expenses and losses during the reporting period. Actual results could differ from those estimates. Significant estimates include the estimated fair value of certain investment securities that are not traded on national security exchanges, the estimated beneficial interests in charitable trusts, and the estimated liability for pooled income funds.

(c) Cash Equivalents

Cash equivalents are valued at cost, which approximates fair value. For purposes of the combined statements of financial position, the Foundation considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

(Continued)

(d) Investments

The investment portfolio is held and managed by various financial institutions. Investment transactions are reported on the trade date. Realized gains and losses on the sale of investments are calculated on the basis of specific identification of the securities sold. Investments, except for life insurance policies, closely held stock, and certain alternative investments are reported at fair value. Fair value is based on quoted market prices when available or quoted market prices of comparable instruments when prices are not available. Closely held stocks and stocks not traded on national security exchanges are valued at independently appraised values in the absence of readily ascertainable fair values. For certain alternative investments, net asset value is used as a practical expedient in estimating fair value, based on information provided by fund managers or general partners of the underlying funds. Because of the inherent uncertainty of certain valuations, estimated fair values might differ significantly from the fair values that would have been used had a ready market for the investments existed.

The Foundation's investments are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investments and the level of uncertainty related to changes in the values of investments, it is at least reasonably possible that changes in values in the near term could materially affect the amounts reported in the combined statements of financial position and the combined statements of activities.

(e) Loans Receivable

Loans receivable are valued at net present value of the receivables based on the duration of the loan and cash flows upon issuance of the receivable. Should a loan receivable be determined to be doubtful of collection, it would be written down, by way of a charge to expense, to the amount expected to be collected. The allowance for doubtful accounts was zero as of December 31, 2023 and 2022.

(f) Program Related Investments

The Foundation has program related investments in local entities. These investments consist of loans that bore 2% interest at December 31, 2023 and 2022. The loan principal balances will be repaid to the Foundation at a later date. The loan loss reserve was $156,000 as of December 31, 2023 and 2022.

(g) Beneficial Interest in Charitable Trusts

The Foundation's split-interest agreements with donors consist of charitable lead trusts, charitable remainder trusts, pooled life income funds, and a retained life estate for which the Foundation is either the remainder beneficiary or both the fiscal agent and remainder beneficiary. These agreements are recognized for financial reporting purposes if the Foundation receives documentation of the terms of its beneficial interest and the designation of the Foundation as beneficiary is irrevocable. Agreements known to the Foundation that do not meet both conditions are not reported in the Foundation's combined financial statements. Assets related to split-interest agreements are reported at fair value.

The Foundation is a beneficiary of various deferred gifts, including charitable remainder unitrusts, living trusts, trusts, and bequests under will. As of December 31, 2023, the Foundation was aware of numerous deferred gifts that are either revocable or include provisions allowing the principal to be invaded by income beneficiaries. The amount of future contribution revenue related to these gifts will not be reported in the Foundation's combined financial statements until the gift becomes irrevocable and the probable amount is known.

The contributions receivable and investments related to the agreements reported by the Foundation are restricted in nature and the net assets are classified as net assets with donor restrictions for financial reporting purposes. When mature, these balances will become net assets without donor restrictions by virtue of the donors' designation or by the variance power of the Foundation board.

(h) Property, Furniture, and Equipment

Costs of leasehold improvements, office furniture, and equipment are capitalized and depreciated using the straight-line method over the assets estimated useful life, ranging from 4 to 10 years.

(i) Contributions

Contributions are reported at fair value when received or when the Foundation is notified of an irrevocable gift. Gifts of real estate and personal property are reported at fair value at the date of the gift.

(j) Grants Payable

The Foundation makes awards and grants based on the board of directors' approval. The minimum amount for which the Foundation is obligated is reported as grants payable in the combined statements of financial position. Grants payable are reported at the present value of estimated future cash outflows using a discount rate that approximates the federal funds rate.

(k) Charitable Distributions

Charitable distributions are made primarily from income accounts in accordance with the stipulations of the various individual trust or fund instruments and as approved by the board of the Foundation.

The Foundation utilizes a total return spending policy that allows for a long-term investment approach in order to achieve an expected return greater than the total of the spending rate and inflation rate, which will maintain the purchasing power of the corpus. The Foundation utilized a 4.75% spending rate in 2023 and 2022 based on a 20-quarter trailing average investment balance determined on a fair value basis in order to allocate investment income from component funds for grant purposes. If the traditional yield (interest and dividend income) is not sufficient to support the spending rate, income derived from the accumulated realized gains of the component funds is used. If the traditional yield exceeds the spending rate, the excess income remains invested in the component funds.

(l) Income Taxes

The Foundation has received a determination letter from the Internal Revenue Service recognizing it as exempt from federal income taxes under Internal Revenue Code Section 501(a) and classifying it as a public charity.

The Foundation follows the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740, *Income Taxes*, which clarifies the accounting for uncertainty in income taxes recognized in a company's financial statements. ASC Topic 740 prescribes a more-likely than-not recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken. Under ASC Topic 740, tax positions will be evaluated for recognition, derecognition, and measurement using consistent criteria and will provide more information about the uncertainty in income tax assets and liabilities. The Foundation does not have a liability reported for unrecognized tax benefits in 2023 and 2022.

(m) Agency Endowment Funds

In accordance with FASB ASC Topic 958, *Not-for-Profit Entities* (Topic 958), the Foundation recognizes a liability when it receives a transfer of assets and the resource provider (i.e., a not-for-profit organization) specifies itself or an affiliate as the beneficiary.

Topic 958 also requires the Foundation, when accepting cash or other financial assets from a not-for-profit organization, to recognize the fair value of those assets as a liability to the specified beneficiary (generally the same not-for-profit organization) concurrent with recognition of the assets received from the not-for-profit organization if the Foundation agrees to any of the following: (1) use of those assets on behalf of the not-for-profit organization, (2) transfer of those assets to the not-for-profit organization, (3) use of the return on those assets to benefit the not-for-profit organization, or (4) apply any of the above to an unaffiliated specified beneficiary determined by the not-for-profit organization.

When a third-party donor explicitly grants the Foundation variance power, the Foundation will continue to recognize the fair value of any assets it receives as a contribution received when the designated beneficiary is a not-for-profit organization. As more fully discussed in note 1(a), the Foundation has unilateral variance power to alter the restriction of any donation without the donor’s approval. Therefore, assets received from third-party donors, even those with donor-imposed restrictions, are recognized as contributions received and net assets without donor restrictions.

(n) Accounting Pronouncements

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases*, (Topic 842), which requires lessees to recognize leases on balance sheet and disclose key information about leasing arrangements. Topic 842 establishes a Right of Use (ROU) model that requires a lessee to recognize a ROU asset and lease liability on the balance sheet for all leases with a term longer than 12 months.

The Foundation is a lessee in a non-cancellable building lease in the space it currently occupies. The Foundation adopted the ASU effective January 1, 2022, using a modified retrospective transition approach. As a result, the Foundation was not required to adjust its comparative period financial information for effects of the standard or make the new required lease disclosures for periods before the date of adoption. The adoption of this standard had no material effect on the Foundation’s financial statements.

On January 1, 2022, the Foundation adopted ASU 2016-13, Measurement of Credit Losses on Financial Instruments (“ASU 2016-13”). The amendments in ASU 2016-13 require the Foundation to evaluate a current estimate of all expected credit losses over the life of a financial instrument, which may result in earlier recognition of credit losses on loans and other financial instruments. The Foundation will establish a reserve for any estimated credit losses using this model with a corresponding charge to net income. The Fund adopted ASU 2016-13 using the modified retrospective method and established one reserve upon adoption for the Program Related Investments. The Foundation’s evaluation of credit losses of loans receivable is based on both current and reasonable and supportable forecasted performance of Foundation assets, including factors such as the execution of collateral business plans, the financial strength of the borrower and any guarantor, the payment history of the borrower, and current economic conditions affecting the capital markets on which the Foundation's borrowers depend for refinancings and revenue. The adoption of this standard had no material effect on the Foundation's financial statements.

(2) Liquidity and Availability

Financial assets available for grants and general expenditures within one year of the financial statements comprised the following as of December 31:

		2023	2022
Cash and cash equivalents	$	56,195,597	56,711,930
Liquid investments		669,925,701	578,844,135
Accounts and interest receivable		1,266,341	946,203
Total	$	727,387,639	636,502,268

The Foundation's core operations are funded primarily through asset-based administrative fees on the charitable funds under management, calculated as a percentage of fair value. The board of directors has established reserves designed to support operations during periods of market volatility, when administrative fees collected may fall short of budgeted expectations. Reserves were $9,476,576 and $10,044,267 as of December 31, 2023 and 2022, respectively, and are included in the amounts above and are invested in money market accounts, short-term investments and the Foundation's diversified investment pools.

Assets above include component funds subject to donor recommendations, which are available for grants and general expenditure by virtue of the variance power of the Foundation Board. As described in note 1, certain component funds, including undesignated, field of interest, and donor-designated funds are subject to a board-approved spending policy of 4.75% for 2023 and 2022. The spendable amount of $26,803,833 and $26,074,868 for the years ended December 31, 2023 and 2022, respectively, was made available for grantmaking from these component funds during the year.

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to become available as needed for grants, general expenditures, liabilities, and other obligations. The Foundation invests cash in excess of daily requirements in money markets and other short-term investments.

(3) Investments

The fair value of investments as of December 31 is summarized as follows:

Investment		2023	2022
U.S. government obligations	$	20,931,624	17,696,183
U.S. Treasury		10,257,382	9,501,191
Government obligation mutual funds		—	88,925
Corporate bonds		16,435,188	19,831,634
Bond mutual funds		116,265,696	105,130,477

Investment		2023	2022
Equity mutual funds	$	490,514,637	400,756,046
Commingled securities		205,704,248	181,027,318
Common and preferred stock		36,271,274	39,231,439
Cash surrender value of life insurance		1,848,896	2,437,474
Equity hedge funds		34,581,381	40,296,840
Private equities		70,656,990	69,375,311
Other high-yield bonds		6,797,406	4,722,257
Private real assets		19,937,369	20,617,909
Other investments (mission related)		—	—
	$	1,030,202,091	910,713,004

Unrealized net gains/(losses) reported in the Foundation's combined statements of activities in 2023 and 2022 were $99,589,733 and ($206,549,918), respectively. Realized and unrealized net gains/(losses) on agency endowment funds were $11,687,874 and ($17,456,391) in 2023 and 2022, respectively (note 6).

Investment income for the years ended December 31, 2023 and 2022 consists of interest and dividends and is presented net of related expenses.

(4) Grants

Grants approved for charitable purposes and, therefore, recognized in the combined statements of activities are as follows:

		2023	2022
Total approved grants	$	69,291,613	89,502,157
Interfund grants		(18,956,113)	(11,790,797)
Adjustment to present value		24,631	(236,294)
	$	50,360,131	77,475,066

The returned or cancelled grants are immaterial for both periods presented.

Grants payable at December 31, 2023 are scheduled for payment as follows:

Year of payment	Amount
2024	$ 6,312,544
2025	1,477,860
2026	549,763
2027	294,086
Thereafter	249,997
	$ 8,884,250

(5) Functional Classification of Expenses

Total expenses of the Foundation are classified by function as follows:

	2023			
	Program services	Management and general	Development and donor services	Total
Grants	$ 50,360,131	—	—	50,360,131
Compensation and benefits	3,175,574	3,518,683	2,066,066	8,760,323
Professional services	2,043,090	301,537	52,143	2,396,770
Advertising and promotion	8,959	88,102	68,070	165,131
Office and insurance expense	26,040	256,441	112,507	394,988
Information technology	15,455	436,164	18,546	470,165
Occupancy	243,845	237,789	110,119	591,753
Conferences, meetings and travel	149,362	329,660	18,322	497,344
Depreciation	23,678	23,089	10,693	57,460
Community events sponsored by the Foundation	25,898	8,126	88,056	122,080
Dues and memberships	9,082	113,626	17,367	140,075
Miscellaneous	61,045	325,193	49,238	435,476
Total grants and expenses	$ 56,142,159	5,638,410	2,611,127	64,391,696

	2022				
		Program services	Management and general	Development and donor services	Total
Grants	$	77,475,066	—	—	77,475,066
Compensation and benefits		2,704,062	3,001,860	2,115,977	7,821,899
Professional services		1,810,085	750,603	190,661	2,751,349
Advertising and promotion		34,937	45,767	67,225	147,929
Office and insurance expense		30,890	142,228	102,375	275,493
Information technology		50,212	365,232	29,131	444,575
Occupancy		185,451	199,037	140,299	524,787
Conferences, meetings and travel		121,946	194,546	102,319	418,811
Depreciation		19,309	21,436	15,110	55,855
Community events sponsored by the Foundation		14,946	6,394	160,702	182,042
Dues and memberships		19,930	79,823	8,400	108,153
Miscellaneous		160,943	112,140	26,735	299,818
Total grants and expenses	$	82,627,777	4,919,066	2,958,934	90,505,777

The administrative expenses of the Foundation are funded through a proportionate assessment on the fair value of the individual funds, contributions, fees for services, and internal grants specifically designated for administrative purposes. Administrative expenses are charged to the different functions based on allocations on the basis of estimates of time and effort or direct charges to the function.

(6) Agency Endowment Funds

Agency endowment funds are assets received from nonprofit organizations that designate themselves as beneficiaries. Accordingly, agency endowment funds are reported as liabilities rather than as net assets without donor restrictions of the Foundation. The liability balances and activities related to agency endowment funds are summarized as follows:

		2023	2022
Liability for agency endowment funds, beginning of year	$	85,041,984	95,424,730
Receipts		5,560,440	11,237,290
Investment income, net		777,148	941,410
Realized and unrealized net gains on investments		11,687,874	(17,456,391)
Distributions		(5,419,102)	(4,440,903)
Administrative expense allocations		(612,177)	(664,152)
Liability for agency endowment funds, end of year	$	97,036,167	85,041,984

(7) Related-Party Transactions

It is the policy of the Foundation that all board members and staff personnel avoid any conflict between their own individual interests and the interests of the Foundation. The Foundation has a conflict-of-interest policy whereby board members must advise the board of any direct or indirect interest in any transaction or relationship with the Foundation and abstain from voting for the approval or denial of any grants or expenditures that affect their individual, professional, or business interests. During the years ended December 31, 2023 and 2022, the Foundation awarded discretionary grants over $50,000 totaling $455,393 and $1,285,850, respectively, to related-party organizations. During the years ended December 31, 2020 and 2023, the Foundation made mission related investments of $10,000,000 and $1,500,000, respectively, in a local project, which consisted of $10,000,000 and $1,500,000 loans. The investments have been approved by the Foundation Investment Committee and the Board. A member of the Foundation's board who abstained from voting for the approval of this investment is also a private investor and board member of the project developer. The $11,500,000 loan is listed at its net present value as loan receivable in the Combined Statements of Financial Position.

(8) Employee Benefit Plan

The Foundation sponsors a defined-contribution plan covering substantially all foundation employees who have completed one year and 1,000 hours of service. The Foundation contributed 5% of eligible employee compensation in the years 2023 and 2022. Employees are allowed to contribute to the plan and the Foundation contributed up to an additional 3% match of eligible employee compensation in 2023 and 2022. Participants are 100% vested in the employer and employee contributions after three years of service. The Foundation's expense related to this plan was $575,354 and $497,878 in 2023 and 2022, respectively.

(9) Commitments and Contingencies

The Foundation leases office space under an operating lease that expires on June 30, 2024. Future minimum lease payments due under this, not including utility adjustments, will be $125,446 in 2024.

Total rent expense, including utility adjustments, was $468,062 and $456,125 in 2023 and 2022, respectively.

During 2020, the Foundation entered into two 20-year lease agreements with VPMLK P1 LLC to lease office and programmatic space. The lease will commence on the substantial completion date of the premises projected to occur on April 1, 2024, at which time the annual lease payments of $935,564 will become due.

(10) Fair Value of Financial Instruments

FASB ASC Topic 820, *Fair Value Measurement* (Topic 820), establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) that are observable in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date.

- Level 2 inputs are inputs, other than quoted prices included within Level 1, such as quoted prices for similar assets or liabilities or quoted prices in markets that are not active, that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs, where there is little or no market data, requiring the Foundation to develop its own assumptions of fair value for the asset or liability.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest-level input that is significant to the fair value measurement in its entirety.

The following discussion describes the valuation methodologies used for financial assets and liabilities measured at fair value. The techniques utilized in estimating the fair values are affected by the assumptions used.

Cash and cash equivalents, accounts receivable, prepaid expenses, accrued income, accounts payable, and accrued liabilities: The carrying amount reported in the combined statements of financial position for these assets and liabilities approximates the fair value and are short term in duration.

Investments: The fair values of investments are based on valuations provided by external investment managers and the custodian financial institutions. Valuations of investments in Level 1, which include U.S. government obligations, U.S. Treasury, government obligation mutual funds, corporate bonds, other asset-backed securities, certain bond and equity mutual funds, other high-yield bonds, common and preferred stock, and cash surrender value of life insurance are provided by the custodian financial institutions based on observable market quotation prices. Valuations of investments in certain bond and equity mutual funds and commingled bond funds, which have been determined to have a readily determinable fair value based on observable market quotation prices have been included in Level 1. Valuations of investments in certain bond and equity mutual funds and commingled bond funds are provided by the custodian financial institutions based on observable inputs other than quoted prices, such as pricing services or indices.

The Foundation applies the measurement provisions of ASC Topic 820 related to certain investments in funds that do not have readily determinable fair values, including commingled U.S. equities, private equity, hedge funds, certain other high-yield bonds, and private real assets. ASC Topic 820 allows the Foundation to estimate the fair value of an investment using the net asset value (NAV) per share of the investment as a practical expedient, if that NAV per share is determined in accordance with ASC Topic 946, *Financial Services – Investment Companies*. Investments measured at NAV with a fair value of $358,427,494 and $329,431,394 as of December 31, 2023 and 2022, respectively, were estimated using the NAV per share provided by external investment managers. Changes in market conditions and the economic environment may impact the NAV of the funds and, consequently, the fair value of the Foundation’s interest in the funds.

The investment strategy of the commingled bond funds is to achieve favorable income-oriented returns from diversified portfolios of domestic and foreign investment grade or below investment grade public and private issue debt and debt-like securities. The investment strategy of the commingled equity funds is to seek investment results that achieve or exceed major market indices. Derivative instruments may be used in these funds in an attempt to hedge existing long and short positions in order to maximize returns and minimize risk.

The primary investment objectives for the other equity securities are to achieve a higher-than-average rate of return relative to the level of risk assumed, by pursuing trading strategies that are based primarily upon convertible hedging (based on equities, bonds, and related derivative instruments); directional, relative value, and event-driven hedging; long/short debt and equity trading; and among others, risk arbitrage. The following tables present the balance of assets measured at fair value on a recurring basis as of December 31, 2023 and 2022:

	December 31, 2023				Redemption	Days
	Level 1	Level 2	Level 3	Total	frequency	notice
Cash and cash equivalents	$ 56,195,597	—	—	56,195,597	n/a	n/a
Traditional investments:						
U.S. government obligations	20,931,624	—	—	20,931,624	Daily	3 Days
U.S. Treasury	10,257,382	—	—	10,257,382	Daily	3 Days
Corporate bonds	—	16,435,188	—	16,435,188	Daily	3 Days
Bond mutual funds	99,687,981	—	—	99,687,981	Daily	3 Days
Commingled bond funds (a)	38,835,519	—	—	38,835,519	Daily	3 Days
Other high-yield bonds (e)	6,797,406	—	—	6,797,406	Daily	3 Days
Equity mutual funds	440,709,327	—	—	440,709,327	Daily	3 Days
Common and preferred stock	36,271,274	—	—	36,271,274	Daily	3 Days
Cash surrender value of life insurance	—	—	1,848,896	1,848,896	n/a	n/a
Subtotal traditional investments	$ 653,490,513	16,435,188	1,848,896	671,774,597		
Investments measured at NAV:						
Bond mutual funds				16,577,715	Monthly	5 Days
Equity mutual funds				49,805,310	Monthly	5–10 Days
Commingled funds:						
Commingled U.S. equities (b)				166,868,729	Quarterly, Annually Redemption dates: 03/31/2024; 06/30/24; 09/30/24; 12/31/24	30 Days 6 Months
Alternative investments:						
Long/short equity hedge funds (c)				34,581,381	Semiannually	45-90 Days
Private equity (d)				70,656,990	No liquidity	n/a
Private real assets (f)				19,937,369	No liquidity	n/a
Subtotal investments measured at NAV				358,427,494		
Total investments				1,030,202,091		
Beneficial interest in charitable trusts	—	—	4,368,636	4,368,636		
				$ 1,090,766,324		

	December 31, 2022				Redemption	Days
	Level 1	Level 2	Level 3	Total	frequency	notice
Cash and cash equivalents	$ 56,711,930	—	—	56,711,930	n/a	n/a
Traditional investments:						
U.S. government obligations	17,696,183	—	—	17,696,183	Daily	3 Days
U.S. Treasury	9,501,191	—	—	9,501,191	Daily	3 Days
Government obligation mutual funds	88,925	—	—	88,925	Daily	3 Days
Corporate bonds	—	19,831,634	—	19,831,634	Daily	3 Days
Bond mutual funds	92,142,891	—	—	92,142,891	Daily	3 Days
Commingled bond funds (a)	36,180,284	—	—	36,180,284	Daily	3 Days
Other high-yield bonds (e)	4,722,257	—	—	4,722,257	Daily	3 Days
Equity mutual funds	359,449,332	—	—	359,449,332	Daily	3 Days
Common and preferred stock	39,231,439	—	—	39,231,439	Daily	3 Days
Cash surrender value of life insurance	—	—	2,437,474	2,437,474	n/a	n/a
Subtotal traditional investments	$ 559,012,502	19,831,634	2,437,474	581,281,610		
Investments measured at NAV:						
Bond mutual funds				12,987,586	Monthly	5 Days
Equity mutual funds				41,306,714	Monthly	5–10 Days
Commingled funds:						
Commingled U.S. equities (b)				144,847,034	Quarterly, Annually Redemption dates: 03/31/2023; 06/30/23; 09/30/23; 12/31/23	30 Days 6 Months
Alternative investments:						
Long/short equity hedge funds (c)				40,296,840	Semiannually	45-90 Days
Private equity (d)				69,375,311	No liquidity	n/a
Private real assets (f)				20,617,909	No liquidity	n/a
Subtotal investments measured at NAV				329,431,394		
Total investments				910,713,004		
Beneficial interest in charitable trusts	—	—	5,678,634	5,678,634		
				$ 973,103,568		

(a) This class primarily invests in a diversified portfolio of intermediate and long-term debt instruments, such as notes and bonds issued by the U.S. Treasury; mortgage-backed securities issued by Fannie Mae, Freddie Mac, and Ginnie Mae; corporate debt issued by both U.S. and foreign issuers; and commercial mortgage-backed securities.

(b) This class includes investments in collective investment trusts, limited liability companies, and limited partnerships that invest primarily in U.S. equity securities.

(c) This class includes investments in hedge funds that invest in U.S. and non-U.S. equity securities, debt securities, options, other derivatives, or financial instruments, in both long and short positions.

(d) This class includes investments in limited partnerships with a variety of private investment strategies, including venture capital, buyouts, foreign private equity, real estate, and resource-related investments. These investments can never be redeemed, but instead are distributed as the underlying assets are sold. These investments had unfunded commitments of $27,498,715 and $23,277,326 as of December 31, 2023 and 2022, respectively.

(e) This class includes an investment in a bond fund that invests in public and private issue debt securities that are generally rated below investment grade or deemed to be below investment grade by the fund. This diversified portfolio may include domestic and foreign corporate bonds, bank debt, convertible bonds, preferred stocks, and other financial instruments.

(f) This class includes private equity funds that invest in the following: 1) energy and natural resource investments in the United States and throughout the world; 2) real estate investments in the United States, Europe, and Asia; and 3) technology, media, financial services, consumer, and industrial sectors in the United States and throughout the world. These investments can never be redeemed, but instead are distributed as the underlying assets are sold. These investments had unfunded commitments of $9,873,798 and $8,608,026 as of December 31, 2023 and 2022, respectively.

(11) Subsequent Events

Subsequent events have been evaluated through August 21, 2024, which is the date the combined financial statements were available to be issued. No other subsequent events were identified requiring recording or disclosure in the combined financial statements or related notes to the combined financial statements.