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# Polk Bros. Foundation, Inc.

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**Financial Report**  
**August 31, 2023**

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## Independent Auditor's Report

To the Board of Directors  
Polk Bros. Foundation, Inc.

### **Opinion**

We have audited the financial statements of Polk Bros. Foundation, Inc. (the "Foundation"), which comprise the statement of financial position as of August 31, 2023 and 2022 and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of August 31, 2023 and 2022 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audits of the Financial Statements* section of our report. We are required to be independent of the Foundation and to meet our 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.

### **Emphasis of Matters**

As described in Note 3 to the financial statements, on September 1, 2022, the Foundation adopted Accounting Standards Codification (ASC) 842, *Leases*, using the modified retrospective adoption method to the beginning of the year of adoption. Our opinion is not modified with respect to this matter.

As described in Note 4, the financial statements include investments valued at net asset value of \$141.1 million (35 percent of net assets) at August 31, 2023 and \$149.9 million (36 percent of net assets) at August 31, 2022, whose fair values have been estimated in the absence of observable inputs used to determine the market value. Management's estimates are based on information provided by the investment managers. Our opinion is not modified with respect to this matter.

### **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 within one year after the date that the financial statements are issued or available to be issued.

To the Board of Directors  
Polk Bros. Foundation, Inc.

***Auditor's Responsibilities for the Audits 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 audits 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 audits in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- 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 audits 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 audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

*Plante & Moran, PLLC*

November 14, 2023

**Statement of Financial Position**

**August 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 12,418,860	\$ 7,179,412
Investments	397,024,667	407,657,390
Other assets - Prepaid excise and income taxes	330,000	504,600
Right-of-use operating lease asset (Note 7)	<u>609,847</u>	<u>-</u>
Total assets	<b><u>\$ 410,383,374</u></b>	<b><u>\$ 415,341,402</u></b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 119,900	\$ 250,000
Other liabilities	58,745	38,629
Deferred excise tax	1,200,000	1,000,000
Operating lease liability (Note 7)	<u>616,185</u>	<u>-</u>
Total liabilities	1,994,830	1,288,629
<b>Net Assets</b> - Without donor restrictions	<u>408,388,544</u>	<u>414,052,773</u>
Total liabilities and net assets	<b><u>\$ 410,383,374</u></b>	<b><u>\$ 415,341,402</u></b>

## Statement of Activities and Changes in Net Assets

Years Ended August 31, 2023 and 2022

	2023	2022
<b>Changes in Net Assets without Donor Restrictions</b>		
Revenue, gains (losses), and other support:		
Unrealized gains (losses) from investments	\$ 13,933,203	\$ (68,140,015)
Net realized gains from partnerships	6,581,381	11,454,362
Net realized gains from sales of securities other than partnerships	1,846,353	7,482,538
Interest from investments other than partnerships	319,745	103,818
Dividends from investments other than partnerships - Net of fees	2,490,057	1,934,989
Capital gain dividends	265	40,878
Miscellaneous income	40,000	536,031
Total revenue, gains (losses), and other support	25,211,004	(46,587,399)
Grants and other expenses:		
Grants	26,456,438	31,982,316
Expenses:		
Administrative and operating expenses	3,897,880	3,480,822
Deferred excise tax loss (gain)	200,000	(1,350,000)
Provision for excise and income taxes	320,915	866,905
Total grants and other expenses	30,875,233	34,980,043
<b>Decrease in Net Assets</b>	(5,664,229)	(81,567,442)
<b>Net Assets - Beginning of year</b>	414,052,773	495,620,215
<b>Net Assets - End of year</b>	<b>\$ 408,388,544</b>	<b>\$ 414,052,773</b>

## Statement of Cash Flows

**Years Ended August 31, 2023 and 2022**

	2023	2022
<b>Cash Flows from Operating Activities</b>		
Decrease in net assets	\$ (5,664,229)	\$ (81,567,442)
Adjustments to reconcile decrease in net assets to net cash and cash equivalents from operating activities:		
Net realized gains from partnerships	(6,416,337)	(11,454,362)
Net realized gains from sales of securities other than partnerships	(1,846,353)	(7,523,416)
Change in unrealized (gains) losses on investments	(13,933,203)	68,140,015
Investments redeemed for fees	437,517	553,187
Changes in operating assets and liabilities that provided (used) cash and cash equivalents:		
Pending trade receivable	-	1,590,665
Dividends receivable	(3,172,849)	(2,633,708)
Prepaid excise and income taxes	174,600	(340,600)
Cash flow affect of right-to-use asset - Net	6,338	-
Accounts payable and other liabilities	(109,984)	(501,101)
Deferred excise tax	200,000	(1,350,000)
	(30,324,500)	(35,086,762)
<b>Net cash and cash equivalents used in operating activities</b>		
<b>Cash Flows from Investing Activities</b>		
Proceeds from sales of securities	125,404,506	114,783,091
Purchases of securities	(91,953,411)	(99,162,040)
Purchases of partnership interests	(13,099,848)	(37,380,738)
Liquidating distributions and return of capital from partnership	15,212,701	51,487,899
	35,563,948	29,728,212
<b>Net cash and cash equivalents provided by investing activities</b>		
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	5,239,448	(5,358,550)
<b>Cash and Cash Equivalents - Beginning of year</b>	7,179,412	12,537,962
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 12,418,860</b>	<b>\$ 7,179,412</b>
<b>Supplemental Disclosure of Cash Flow Information - Cash paid for taxes</b>	\$ 146,315	\$ 1,207,505

**August 31, 2023 and 2022**

**Note 1 - Nature of Business**

Polk Bros. Foundation, Inc. (the "Foundation") is a private independent foundation dedicated to building and strengthening Chicago's families and communities, especially those most affected by poverty. The Foundation focuses its work at the intersection of Chicago's most pressing issues to address the complex roots and devastating effects of poverty, challenge inequity, and ensure that all Chicagoans have the opportunity to reach their full potential. Since its founding in 1988, the Foundation has partnered with more than 3,000 Chicago nonprofits to build strong communities and families, increase access to quality education and the arts, improve health, and strengthen organizations and the sectors in which they work.

**Note 2 - Significant Accounting Policies**

***Basis of Presentation***

The financial statements of the Foundation have been prepared on the basis of generally accepted accounting principles (GAAP). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect amounts reported in the financial statements. Actual results could differ from those estimates.

***Classification of Net Assets***

Net assets of the Foundation are classified based on the presence or absence of donor-imposed restrictions. The Foundation's net assets consisted only of net assets without donor restrictions as of August 31, 2023 and 2022.

***Cash and Cash Equivalents***

The Foundation considers all highly liquid investments with original maturities of three months or less when purchased to be cash equivalents. The Foundation maintains its cash equivalents in bank deposit accounts that exceed federally insured limits. Substantially all of the Foundation's cash equivalents are held at Morgan Stanley Bank N.A. The Foundation has not experienced any losses in such accounts. The Foundation believes it is not exposed to any significant credit risk on cash equivalents.

***Investments***

Investments are reported at fair value. Investment income or loss (including realized gains and losses on investments, changes in unrealized holding gains and losses, interest, and dividends) is included in the statement of activities and changes in net assets and is recorded on the accrual basis of accounting. Gains and losses on securities transactions are accounted for using the specific identification method.

Net realized gains and losses from sales of securities and from the sale of shares distributed by certain limited partnership investments are separately presented in the statement of activities and changes in net assets.

The Foundation's investments are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to these risk factors, it is reasonably possible that changes in value of investments will occur in the near term and could materially affect the amounts reported in the financial statements.

***Furniture and Equipment***

Purchases of furniture, equipment, and leasehold improvements are charged to expense rather than capitalized. As a result, depreciation expense is not reflected in the financial statements. This policy does not have a material effect on the financial statements as a whole.



**Note 2 - Significant Accounting Policies (Continued)**

***Deferred Excise Taxes***

The Foundation provides for deferred excise taxes, which represent taxes on the net unrealized appreciation of investments using a 1.39 percent rate for the years ended August 31, 2023 and 2021.

***Leases***

The Foundation has an operating lease for its home office. The Foundation recognizes expense for operating leases on a straight-line basis over the lease term.

The Foundation elected to use the risk-free rate as the discount rate for calculating the right-of-use asset and lease liability in place of the incremental borrowing rate for the operating lease.

***Income Taxes***

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the United States Internal Revenue Code. As a private foundation, the Foundation is subject to an excise tax of 1.39 percent for the years ended August 31, 2023 and 2022. In addition, the Foundation is subject to unrelated business income taxes on a portion of the income provided by certain investment partnerships. Total current federal excise tax expense for the years ended August 31, 2023 and 2022 was \$320,915 and \$866,905, respectively. Total deferred federal excise tax loss was \$200,000 for the year ended August 31, 2023, and the total deferred federal excise tax gain was \$1,350,000 for the year ended August 31, 2022.

***Functional Allocation of Expenses***

Costs of providing program and support services have been reported on a functional basis, as disclosed in Note 11. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Salaries and related expenses are allocated on the basis of time and effort. Expenses deemed to be indirect to employee work, such as professional services, insurance, and maintenance and repairs, are considered to be management and general expenses. Other expenses utilized by all employees, such as rent, utilities, and office supplies, are also allocated on the basis of time and effort. Costs have been allocated between the various program and support services based on estimates determined by management. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

***Subsequent Events***

The financial statements and related disclosures include evaluation of events up through and including November 14, 2023, which is the date the financial statements were available to be issued.

**Note 3 - Adoption of New Accounting Pronouncement**

As of September 1, 2022, the Foundation adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-02, *Leases*. The ASU requires lessees to recognize a right-of-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of activities and changes in net assets. The Foundation elected to adopt the ASU using the modified retrospective method to the beginning of the year of adoption as of September 1, 2022 and applied the following practical expedients:

- The Foundation did not reassess if expired or existing contracts are or contain a lease.
- The Foundation did not reassess the lease classification for expired or existing leases.
- The Foundation did not reassess initial direct costs for any existing leases.

**August 31, 2023 and 2022**

**Note 3 - Adoption of New Accounting Pronouncement (Continued)**

- The Foundation used hindsight to determine the lease term and to assess impairment of the right-of-use asset for existing leases.

As a result of the adoption of the ASU, the Foundation recorded a right-of-use asset and lease liability of \$756,483 as of September 1, 2022 for the existing operating lease. There was no impact on net assets as a result of adopting the new ASU.

**Note 4 - Fair Value Measurements**

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Foundation has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

Net asset value inputs include interests in investment companies at year end where the fair value of the investment held is estimated based on net asset value per share (NAV) (or its equivalent) of the investment company.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Foundation's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

## Notes to Financial Statements

August 31, 2023 and 2022

### Note 4 - Fair Value Measurements (Continued)

The following tables present information about the Foundation's assets measured at fair value on a recurring basis at August 31, 2023 and 2022 and the valuation techniques used by the Foundation to determine those fair values:

Assets Measured at Fair Value on a Recurring Basis at August 31, 2023				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at August 31, 2023
Common stock funds	\$ 144,727,911	\$ -	\$ -	\$ 144,727,911
Fixed-income partnerships and funds	38,529,701	-	-	38,529,701
<b>Total</b>	<b>\$ 183,257,612</b>	<b>\$ -</b>	<b>\$ -</b>	<b>183,257,612</b>
Alternative investments - Measured at NAV:				
Private equity partnerships and funds				97,151,599
Hedged equity partnerships and funds				34,900,186
Absolute return partnerships and funds				19,360,414
Real estate partnerships and funds				20,984,911
Commodity partnerships and funds				21,814,287
Domestic and international equity partnerships and funds				<u>19,555,658</u>
Total investments measured at NAV				<u>213,767,055</u>
Total assets				<u>\$ 397,024,667</u>

Assets Measured at Fair Value on a Recurring Basis at August 31, 2022				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at August 31, 2022
Common stock funds	\$ 131,506,802	\$ -	\$ -	\$ 131,506,802
Fixed-income partnerships and funds	20,776,672	-	-	20,776,672
<b>Total</b>	<b>\$ 152,283,474</b>	<b>\$ -</b>	<b>\$ -</b>	<b>152,283,474</b>
Alternative investments - Measured at NAV:				
Private equity partnerships and funds				105,668,079
Hedged equity partnerships and funds				49,856,531
Absolute return partnerships and funds				18,570,196
Real estate partnerships and funds				21,625,197
Commodity partnerships and funds				22,601,238
Domestic and international equity partnerships and funds				<u>37,052,675</u>
Total investments measured at NAV				<u>255,373,916</u>
Total assets				<u>\$ 407,657,390</u>

## Notes to Financial Statements

August 31, 2023 and 2022

### Note 4 - Fair Value Measurements (Continued)

As of August 31, 2023 and 2022, investments valued at NAV of \$141.1 million and \$149.9 million, respectively, were valued in the absence of observable inputs used to determine market value.

#### *Investments in Partnerships and Funds that Calculate Net Asset Value per Share*

The Foundation holds shares or interests in investment companies at year end where the fair value of the investment held is estimated based on net asset value per share (or its equivalent) of the investment company.

At year end, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	August 31, 2023	August 31, 2022	August 31, 2023		
	Fair Value	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Private equity partnerships and funds (a)	\$ 97,151,599	\$ 105,668,079	\$ 30,499,549	N/A	N/A
Hedged equity partnerships and funds (b)	34,900,186	49,856,531	-	Monthly, quarterly, semiannually	45-90 days
Absolute return partnerships and funds (c)	19,360,414	18,570,196	-	Monthly, quarterly, semiannually	60-65 days
Real estate partnerships and funds (a)	20,984,911	21,625,197	6,520,147	N/A	N/A
Commodity partnerships and funds (a)	21,814,287	22,601,238	4,179,120	N/A	N/A
Domestic and international equity partnerships and funds (d)	19,555,658	37,052,675	-	Weekly, monthly, quarterly, biannually, triennially	5-150 days
Total	<u>\$ 213,767,055</u>	<u>\$ 255,373,916</u>	<u>\$ 41,198,816</u>		

(a) This category includes private equity, real estate, and commodities partnerships and funds. These investments are not redeemable. Instead, the nature of the investments in this category is that distributions are received through the liquidation of the underlying assets in the funds. The remaining terms of these investments range up to in excess of 10 years. The fair values of the investments in this category have been estimated using net asset value as the practical expedient provided by the investment managers.

(b) This category includes investments in hedge funds and partnerships, which invest both long and short, primarily in publicly traded securities. The fair values of the investments in this category have been estimated using net asset value of the investments. All investments in this category have passed their initial lockup periods. Some of the investments in this category include fewer liquid assets, which may be restricted from redemption until the asset is realized.

(c) This category includes absolute return partnerships and funds, which invest in a variety of strategies and securities with the objective of achieving an absolute level of return. The fair values of the investments in this category have been estimated using net asset value of the investments. All investments in this category have passed their initial lockup periods. Some of the investments in this category include fewer liquid assets, which may be restricted from redemption until the asset is realized.

(d) This category includes investments in partnerships and funds that focus primarily on long-only investments in domestic and international equity securities, as well as investments in international fixed-income securities. The fair values of the investments in this category have been estimated using net asset value of the investments. As of August 31, 2023, one investment (with a net asset value of \$1,194,553) in this category is in lockup until December 31, 2024. As of August 31, 2023 all other investments in this category have passed their initial lockup periods and can be redeemed daily, weekly, monthly, quarterly, biannually, or triennially.

**August 31, 2023 and 2022**

**Note 5 - Investments**

Investments consisted of the following at August 31, 2023:

	<u>Cost</u>	<u>Fair Value</u>
Investments:		
Common stock funds	\$ 133,257,828	\$ 144,727,911
Fixed-income partnerships and funds	41,238,373	38,529,701
Private equity partnerships and funds	59,939,174	97,151,599
Hedged equity partnerships and funds	11,741,034	34,900,186
Absolute return partnerships and funds	19,029,600	19,360,414
Real estate partnerships and funds	15,499,480	20,984,911
Commodity partnerships and funds	15,747,921	21,814,287
Domestic and international equity partnerships and funds	15,822,006	19,555,658
Total	<u>\$ 312,275,416</u>	<u>\$ 397,024,667</u>

Investments consisted of the following at August 31, 2022:

	<u>Cost</u>	<u>Fair Value</u>
Investments:		
Common stock funds	\$ 134,856,417	\$ 131,506,802
Fixed-income partnerships and funds	22,614,896	20,776,672
Private equity partnerships and funds	64,756,017	105,668,079
Hedged equity partnerships and funds	25,541,089	49,856,531
Absolute return partnerships and funds	18,355,744	18,570,196
Real estate partnerships and funds	14,213,308	21,625,197
Commodity partnerships and funds	24,312,511	22,601,238
Domestic and international equity partnerships and funds	32,223,557	37,052,675
Total	<u>\$ 336,873,539</u>	<u>\$ 407,657,390</u>

**Note 6 - Income from Partnerships/Gain from All Investments**

A summary of the composition of the Foundation's income from partnerships from their individual tax returns is included below, along with a reconciliation to total gains from all investments:

	<u>2023</u>	<u>2022</u>
Partnerships:		
Realized gains from partnerships	\$ 6,581,381	\$ 11,454,362
Other sources of (loss) gain from tax returns that are part of the Foundation's unrealized (losses) gains	<u>(32,164)</u>	<u>30,429,904</u>
Total income from tax returns	6,549,217	41,884,266
Additional change in unrealized gains (losses)	<u>16,156</u>	<u>(68,298,484)</u>
Total income (loss) from partnerships	6,565,373	(26,414,218)
Net realized gain from sales of securities other than partnerships	1,846,353	7,482,538
Capital gain dividends	265	40,878
Change in unrealized gain (loss) from investments other than partnerships	<u>13,949,255</u>	<u>(30,271,434)</u>
Total gain (loss) on investments	<u>\$ 22,361,246</u>	<u>\$ (49,162,236)</u>

**Note 7 - Leases**

The Foundation is obligated under an operating lease for an office space in Chicago expiring on June 30, 2027. The right-of-use asset and related lease liability have been calculated using a discount rate of 3.39 percent. The remaining lease term for the Foundation's operating lease was 3.83 years as of August 31, 2023.

The lease requires the Foundation to pay taxes, insurance, utilities, and maintenance costs. For the years ended August 31, 2023 and 2022, office rent expense under this lease includes \$170,122 and \$160,871 relating to the operating lease and \$145,813 and \$145,374 relating to the variable lease components, respectively. Total cash paid for rent related to the operating lease was \$163,784 and \$160,871 for the years ended August 31, 2023 and 2022, respectively.

Future minimum annual commitments under this operating lease is as follows:

Years Ending August 31	Amount
2024	\$ 167,059
2025	170,396
2026	173,794
2027	<u>147,224</u>
Total	658,473
Less amount representing interest	42,288
Total obligations under lease	<u>\$ 616,185</u>

**Note 8 - Liquidity and Availability of Resources**

The Foundation has 268.3 million of financial assets available within one year of August 31, 2023 to meet cash needs for general expenditure, which consist of cash of \$12.4 million and short-term investments of \$255.9 million. At August 31, 2022, the Foundation had \$265.0 million of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditure, which consisted of cash of \$7.2 million and short-term investments of \$257.8 million. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date.

The Foundation has a goal to maintain financial assets, consisting of cash and short-term investments, on hand to meet 45 days of normal operating expenses, which are, on average, approximately \$3.8 million at August 31, 2023 and \$4.6 million at August 31, 2022. The Foundation has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, as part of its liquidity management, the Foundation invests cash in excess of daily requirements in a mutual fund composed of high-quality money market instruments. The Foundation also has access to a liquidity access line of credit (see Note 12).

**Note 9 - Grants Approved but Not Paid**

The Foundation has conditionally approved future grant commitments of \$9,152,500 and \$7,235,000 for the years ended August 31, 2023 and 2022, respectively. These amounts have not been recorded as liabilities because all grants are formally awarded on a year-by-year basis. In addition, the Foundation reserves the right to cancel a grant at any time.

**Note 10 - Retirement Plan**

The Foundation sponsors a defined contribution 401(k) plan for all eligible employees, as defined. The employees may make elective contributions to the 401(k) plan in accordance with Internal Revenue Service regulations. The Foundation made contributions to the 401(k) plan equal to between 10 and 12 percent of the eligible participants' compensation for 2023 and 2022.

Retirement plan expense for the years ended August 31, 2023 and 2022 amounted to \$233,699 and \$215,647, respectively.

**Note 11 - Functional Expenses**

The Foundation provides various services to its members. Expenses related to providing these services are as follows for the years ended August 31:

	<u>2023</u>	<u>2022</u>
Program services:		
Grants	\$ 26,456,438	\$ 31,982,316
Compensation	2,271,094	2,108,605
Occupancy	251,103	244,683
Professional fees	12,000	23,321
Administrative expenses	198,165	120,292
Total program services	<u>29,188,800</u>	<u>34,479,217</u>
Support services:		
Compensation	717,079	717,932
Occupancy	66,749	65,042
Professional fees	217,337	93,745
Administrative expenses	164,353	107,202
Excise taxes	200,000	(1,350,000)
Federal and state taxes	320,915	866,905
Total support services	<u>1,686,433</u>	<u>500,826</u>
Total	<u>\$ 30,875,233</u>	<u>\$ 34,980,043</u>

**Note 12 - Line of Credit**

On November 30, 2021, the Foundation entered into a liquidity access line agreement with a bank. Under this agreement, the Foundation has available borrowings of \$40,000,000, and borrowings are subject to an interest rate at the Secured Overnight Financing Rate (SOFR) plus 1.00 percent (6.31 percent as of August 31, 2023 and 3.29 percent as of August 31, 2022). There were no outstanding borrowings under the liquidity access line as of August 31, 2023 and 2022, respectively. The liquidity access line agreement may be terminated by either party with 30 days' notice. The line is secured by certain assets held by the Foundation.