# Unbound Philanthropy and Subsidiary

Consolidated Financial Statements

December 31, 2022 and 2021

**Independent Auditors' Report**

**The Board of Directors**
**Unbound Philanthropy**

***Opinion***

We have audited the accompanying consolidated financial statements of Unbound Philanthropy and Subsidiary (the "Foundation"), which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Foundation as of December 31, 2022 and 2021, and the consolidated 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated 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.

***Change in Accounting Policy***

As discussed in Note 2 to the consolidated financial statements, Unbound Philanthropy and Subsidiary, adopted Financial Accounting Standards Board ("FASB") Topic 842, *Leases,* using the effective date method with January 1, 2022 as the date of initial adoption. Our opinion is not modified with respect to this matter.

***Responsibilities of Management for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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***Auditors' Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated 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 generally accepted auditing standards 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 consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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.

PKF O'Connor Davies, LLP

September 12, 2023

**Unbound Philanthropy**
**and Subsidiary**

Consolidated Statements of Financial Position

| | December 31 | |
|---|---|---|
| | 2022 | 2021 |
| **ASSETS** | | |
| Cash and cash equivalents | $ 2,348,396 | $ 2,824,459 |
| Investment redemption proceeds receivable | 4,897,386 | 500,000 |
| Prepaid expenses and other assets | 112,745 | 73,500 |
| Prepaid federal excise tax | - | 3,174 |
| Right of use asset, net | 150,159 | - |
| Investments | 182,948,651 | 218,265,720 |
| | $ 190,457,337 | $ 221,666,853 |
| **LIABILITIES AND NET ASSETS** | | |
| Liabilities | | |
| Accounts payable and accrued expenses | $ 180,136 | $ 169,692 |
| Grants payable | 2,732,686 | 4,242,575 |
| Deferred rent | - | 54,039 |
| Lease liability | 181,837 | - |
| Deferred federal excise tax | 1,517,452 | 1,177,452 |
| Total Liabilities | 4,612,111 | 5,643,758 |
| Net assets without donor restrictions | 185,845,226 | 216,023,095 |
| | $ 190,457,337 | $ 221,666,853 |

See notes to consolidated financial statements

**Unbound Philanthropy**
**and Subsidiary**

Consolidated Statements of Activities

| | Year Ended December 31 | |
|---|---|---|
| | 2022 | 2021 |
| **INCOME AND SUPPORT** | | |
| Investment income | $ 383,462 | $ 327,526 |
| Net realized and unrealized (loss) gain on investments | (18,266,783) | 46,393,061 |
| Less: investment expenses | (110,628) | (314,142) |
| Investment Return | (17,993,949) | 46,406,445 |
| Contributions | 1,025,000 | - |
| Total Income and Support, net of Investment Return | (16,968,949) | 46,406,445 |
| **EXPENSES** | | |
| Program Services | | |
| Foundation administered program | 748,332 | 749,550 |
| Grants and General programs | 10,830,670 | 13,831,954 |
| Total Program Services | 11,579,002 | 14,581,504 |
| General management and taxes | 1,629,918 | 1,832,046 |
| Total Expenses | 13,208,920 | 16,413,550 |
| Change in Net Assets | (30,177,869) | 29,992,895 |
| **NET ASSETS WITHOUT DONOR RESTRICTIONS** | | |
| Beginning of year | 216,023,095 | 186,030,200 |
| End of year | $ 185,845,226 | $ 216,023,095 |

See notes to consolidated financial statements

**Unbound Philanthropy**
**and Subsidiary**

Consolidated Statements of Functional Expenses

| | Year Ended December 31 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2022 | | | | 2021 | | | |
| | Program Services | | | | Program Services | | | |
| | Foundation Administered Program | General Programs | General Management and Taxes | Total | Foundation Administrated Program | General Programs | General Management and Taxes | Total |
| Grants, net of loss on foreign currency conversion of $449,938 and $111,628 in 2022 and 2021 | $ - | $ 8,222,073 | $ - | $ 8,222,073 | $ - | $ 11,393,242 | $ - | $ 11,393,242 |
| Salary and related expenses | - | 1,757,566 | 727,235 | 2,484,801 | - | 1,739,434 | 719,949 | 2,459,383 |
| Foundation administered program | 748,332 | - | - | 748,332 | 749,550 | - | - | 749,550 |
| Professional fees | - | 388,158 | 111,936 | 500,094 | - | 339,043 | 119,703 | 458,746 |
| Occupancy | - | 170,073 | 70,098 | 240,171 | - | 165,446 | 68,988 | 234,434 |
| Travel, convenings, and conferences | - | 118,595 | 15,835 | 134,430 | - | 40,076 | 2,075 | 42,151 |
| Office, software, and miscellaneous expenses | - | 143,497 | 65,035 | 208,532 | - | 132,927 | 62,892 | 195,819 |
| Legal fees | - | 17,969 | 17,969 | 35,938 | - | 8,859 | 8,859 | 17,718 |
| Accounting and audit expenses | - | - | 113,324 | 113,324 | - | - | 94,362 | 94,362 |
| Insurance | - | 12,739 | 5,312 | 18,051 | - | 12,927 | 5,390 | 18,317 |
| Federal excise and other taxes | - | - | 503,174 | 503,174 | - | - | 749,828 | 749,828 |
| | $ 748,332 | $ 10,830,670 | $ 1,629,918 | $ 13,208,920 | $ 749,550 | $ 13,831,954 | $ 1,832,046 | $ 16,413,550 |

See notes to consolidated financial statements

**Unbound Philanthropy**
**and Subsidiary**

Consolidated Statements of Cash Flows

| | Year Ended December 31 | |
| --- | --- | --- |
| | 2022 | 2021 |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Change in net assets | $ (30,177,869) | $ 29,992,895 |
| Adjustments to reconcile change in net assets to net cash from operating activities | | |
| Unrealized (loss) gain on investments | 23,941,710 | (39,366,738) |
| Realized gain from sale of investments | (5,674,927) | (7,026,323) |
| Amortization of right to use asset - operating lease | 159,476 | - |
| Deferred rent | - | (27,814) |
| Deferred federal excise tax | 340,000 | 550,000 |
| Net changes in operating assets and liabilities | | |
| Prepaid expenses and other assets | (39,245) | (46,960) |
| Prepaid federal excise tax | 3,174 | 79,828 |
| Accounts payable and accrued expenses | 10,444 | (95,525) |
| Grants payable | (1,509,889) | 1,191,433 |
| Lease payable | (181,837) | - |
| Net Cash From Operating Activities | (13,128,963) | (14,749,204) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Purchase of investments | (16,706,445) | (35,848,734) |
| Redemption proceeds receivable | (4,397,386) | 7,585,757 |
| Transfers from brokerage account | (5,378,048) | (5,378,048) |
| Proceeds from sale of investments | 39,134,779 | 47,330,996 |
| Net Cash From Investing Activities | 12,652,900 | 13,689,971 |
| Net Change in Cash and Cash Equivalents | (476,063) | (1,059,233) |
| **CASH AND CASH EQUIVALENTS** | | |
| Beginning of year | 2,824,459 | 3,883,692 |
| End of year | $ 2,348,396 | $ 2,824,459 |
| **SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION** | | |
| Federal excise taxes paid | $ 160,000 | $ 120,000 |

See notes to consolidated financial statements

## 1. Organization

Unbound Philanthropy is a private grant making foundation chartered in Hawaii in 2005 and is dedicated to the strategic development of foundations and leading nonprofits in the field of migration and integration and innovation, and the support and funding of advocacy groups and philanthropic purposes related to immigration, refugees, human rights, social justice, race, and/or LGBT issues. Unbound Philanthropy is a nonprofit organization exempt from Federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code (the "Code"), and is a private foundation as defined in Section 509(a) of the Code.

Unbound Investments, Ltd. (the "Subsidiary") is a Cayman Island company organized in 2008 as a wholly owned subsidiary of Unbound Philanthropy to support its charitable activities. Unbound Philanthropy and the Subsidiary are collectively known as the "Foundation."

The Foundation operates its programs through offices located in New York City and London, United Kingdom.

## 2. Summary of Significant Accounting Policies

### *Basis of Presentation and Use of Estimates*

The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates. Significant estimates made by management in the preparation of the consolidated financial statements include fair value of alternative investments. Management believes that the estimates utilized in preparing these consolidated financial statements are reasonable and appropriate.

### *Recently Adopted Accounting Standards*

The Foundation adopted the provisions of Financial Accounting Standards Board (FASB) Topic 842, Leases, using the effective date method with January 1, 2022, as the date of initial adoption, with certain practical expedients available. The Foundation elected the available practical expedients to account for its existing operating leases as operating leases, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital (now finance) leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

## 2. Summary of Significant Accounting Policies *(continued)*

### *Recently Adopted Accounting Standards (continued)*

As a result of the adoption of the new lease accounting guidance, on January 1, 2022 the Foundation recognized a lease liability and a right-of-use asset ("ROU asset"). On January 1, 2022, the Foundation recognized a lease liability of $297,898, that represents the present value of the remaining operating lease payments of $182,923, discounted using the Foundation's risk-free interest rate using a weighted-average treasury rate of 1.36% and a ROU asset of $243,859, which represents the lease liability less deferred rent of $54,039 as of December 31, 2021.

The standard had a material impact on the Foundation's consolidated statement of financial position but did not have a significant impact on its consolidated statements of activities and cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for the operating lease.

### *Net Asset Presentation*

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. All net assets are without donor restrictions.

### *Principles of Consolidation*

The consolidated financial statements include the accounts of Unbound Philanthropy and its wholly owned subsidiary, Unbound Investments, Ltd. All intercompany balances and transactions have been eliminated.

### *Cash and Cash Equivalents*

The Foundation considers all highly liquid debt instruments purchased with maturities of three months or less to be cash equivalents, except for those managed by the investment manager as part of its long-term investment strategy.

### *Fair Value Measurements*

The Foundation follows U.S. GAAP guidance on Fair Value Measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

## 2. Summary of Significant Accounting Policies *(continued)*

### *Fair Value Measurements (continued)*

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

Pursuant to U.S. GAAP guidance, alternative investments where fair value is measured using the Net Asset Value ("NAV") per share as a practical expedient are not categorized within the fair value hierarchy.

### *Investments Valuation and Investment Income Recognition*

Investments are carried at fair value. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Realized gains and losses on the sale of investments are computed on the specific identification basis. Realized and unrealized gains and losses are included in the determination of the change in net assets.

### *Investments Risks and Uncertainties*

Alternative investments can consist of non-traditional, not readily marketable investments, some of which may be structured as offshore limited partnerships, venture capital funds, hedge funds, private equity funds and common funds. The underlying investments of such funds, whether invested in stock or other securities, may sometimes include investments that are not currently traded in a public market or are subject to restrictions on resale.

Values determined by investment managers and general partners of underlying securities that are thinly traded or not traded in an active market may be based on historical cost, appraisals, a review of the investees' financial results, financial condition and prospects, together with comparisons to similar companies for which quoted market prices are available or other estimates that require varying degrees of judgment.

Because of the inherent uncertainty of valuations, the estimated fair values may differ significantly from the values that would have been used had a ready market for such investments existed or had such investments been liquidated, and those differences could be material.

### *Investment Expenses*

Investment expenses on the consolidated statements of activities consists of fees paid directly to the Foundation's investment managers and custodians.

### *Contributions and Promises to Give*

Contributions received and written unconditional promises to give are recorded as contributions at net realizable value in the period received and are considered to be available for any use unless specifically restricted by the donor.

## 2. Summary of Significant Accounting Policies *(continued)*

### *Leases*

As of January 1, 2022, the Foundation leases office space. The office lease is reflected as a right-of-use ("ROU") asset and a lease liability in the consolidated statement of financial position. The ROU assets represents the right to use an underlying asset for the lease term and the lease liability represents the obligation to make lease payments arising from the lease. The ROU asset and lease liability are recognized at the lease commencement date on the present value of the future minimum lease payments over the lease term on a straight-line basis. The Foundation does not report the ROU asset and lease liability for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term. The Foundation's lease agreement does not contain any material residual value guarantees or material restrictive covenants.

### *Grant Expense*

The Foundation recognizes grant expense upon award of the grant.

### *Foreign Currency Exchange*

Approximately 32% of the Foundation's grants are awarded and paid in British Pounds. Any change in the foreign currency rate of exchange between the date of award and the date paid is recognized in the consolidated financial statements as a component of grants made. Accordingly, the resulting change has been netted with grant expenses on the consolidated statements of functional expenses.

### *Functional Allocation of Expenses*

The consolidated financial statements report categories that are attributable to either grants or general management. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The majority of expenses can be directly identified as either grants or general management expenses and are classified accordingly. Salary and related expenses for management and supervision of program service functions by function have been allocated on the basis of estimates of time and effort as determined by management of the Foundation to be appropriate.

### *Accounting for Uncertainty in Income Taxes*

The Foundation recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Management has determined that the Foundation has no uncertain tax positions that would require financial statement recognition or disclosure. The Foundation is no longer subject to examinations by applicable taxing jurisdictions for periods prior to December 31, 2019.

## 2. Summary of Significant Accounting Policies *(continued)*

### *Subsequent Events Evaluation by Management*

Management has evaluated subsequent events for disclosure and/or recognition in the consolidated financial statements through the date that the consolidated financial statements were available to be issued, which date is September 12, 2023.

## 3. Concentrations of Credit Risk

The Foundation's cash, cash equivalents and investments are potentially exposed to concentrations of credit risk. The Foundation invests its cash and equivalents with quality financial institutions. The Foundation invests primarily in hedge funds and limited partnerships. The Foundation routinely assesses the diversification and financial strength of its cash and investment portfolio. As a consequence, concentrations of credit risk are limited.

## 4. Concentration of Revenue and Related Party Transactions

The Foundation received 98% of its contributions during year ended December 31, 2022 from the Foundation's founders, who are currently Board Chair and Treasurer. There were no contributions made during the year ended December 31, 2021.

## 5. Investments

The Foundation's investments at December 31 include those classified within the fair value hierarchy as well as those not included within the fair value hierarchy (see note 2), and are as follows:

| | 2022 | 2021 |
|---|---|---|
| Level 1 investment included in fair value hierarchy | | |
| Equities | $ - | $ 136,325 |
| Mutual funds | 15,095,047 | 27,198,272 |
| Investments not included in fair value hierarchy | | |
| Private equities | 83,977,270 | 83,800,817 |
| Hedge funds | 59,324,207 | 75,683,248 |
| Limited partnerships | 15,365,422 | 27,990,847 |
| | 158,666,899 | 187,474,912 |
| Cash and cash equivalents, at cost | 9,186,705 | 3,456,211 |
| | $ 182,948,651 | $ 218,265,720 |

## 5. Investments *(continued)*

As discussed in note 2, all of the Foundation's investments valued at NAV are not categorized within the fair value hierarchy. There were no transfers into or out of any.

Total investments measured using NAV as a practical expedient are as follows:

| | 2022 | 2021 |
|---|---|---|
| Alternative Investments | | |
| Long only equity | $ 27,927,091 | $ 42,493,461 |
| Long/short equity | 23,466,708 | 33,380,192 |
| Venture capital | 25,313,544 | 27,265,680 |
| Diversified systematic | 11,141,607 | 11,596,146 |
| Opportunistic | 7,105,286 | 10,554,816 |
| Secondaries | 11,629,782 | 12,747,554 |
| Buyout | 28,535,252 | 23,851,985 |
| Healthcare | 2,468,600 | 3,285,562 |
| Real estate | 1,962,509 | 3,091,053 |
| Emerging markets | 2,626,438 | 3,724,416 |
| Growth equity | 6,490,651 | 6,094,265 |
| Credit relative value | 273,546 | 1,143,220 |
| Distressed | 3,485,106 | 2,838,799 |
| Energy | 1,747,006 | 1,463,304 |
| Co-Investment | 4,493,773 | 3,944,459 |
| Total | $ 158,666,899 | $ 187,474,912 |

Five of the funds represented approximately 21% of the Foundations' total investment portfolio at December 31, 2022 and five of the funds represented 22% at December 31, 2021.

## 5. Investments *(continued)*

Liquidity information for alternative investments valued at NAV using the practical expedient at December 31, 2022 is as follows:

| Description | Fair Value | Unfunded Commitments | Redemption Frequency (If Currently Eligibile) | Redemption Notice Period |
|---|---|---|---|---|
| Alternative Investments | | | | |
| Long only equity | $ 27,927,091 | $ - | Varied | Varied* |
| Long/short equity | 23,466,708 | - | Varied | Varied* |
| Venture capital | 25,313,544 | 6,184,421 | Locked | N/A* |
| Diversified systematic | 11,141,607 | - | Locked | N/A* |
| Opportunistic | 7,105,286 | 1,320,000 | 0-6 months | Varied* |
| Secondaries | 11,629,782 | 2,077,618 | Varied | Varied* |
| Buyout | 28,535,252 | 5,690,126 | Locked | N/A* |
| Healthcare | 2,468,600 | - | Locked | N/A* |
| Real estate | 1,962,509 | 2,226,982 | 0-6 months | 90-180 days |
| Emerging markets | 2,626,438 | - | Locked | N/A* |
| Growth equity | 6,490,651 | 1,804,104 | 0-6 months | 30-90 days |
| Credit relative value | 273,546 | - | Locked | N/A* |
| Distressed | 3,485,106 | - | 12 months + | 90-180 days |
| Energy | 1,747,006 | 4,189 | 12 months + | 30-90 days |
| Co-Investment | 4,493,773 | 146,708 | Locked | N/A* |
| | $ 158,666,899 | $ 19,454,148 | | |

(*) Includes illiquid investments. Redemption upon sale of underlying assets.

Varied redemption period is less than 30 days to up to 180 days.

(a) *Long Only Equity* – This class includes hedge funds and separately managed equity accounts. The long only managers actively manage a portfolio of publicly traded equity securities across multiple geographies. They do not utilize any shorts.

(b) *Long/Short Equity* – This class includes hedge funds that invest in value stocks to create its investment portfolios. It employs long and short strategies in its investments and purchases equities in the companies.

(c) *Venture Capital* – This class includes private equity firms that make investments typically in less mature companies, for the launch of a seed or start-up company, early stage development, or expansion of a business.

## 5. Investments *(continued)*

(d) *Diversified Systematic* – This class includes hedge funds with investment objectives that seek to achieve long term appreciation in the value of its assets through the implementation of systematic rules-based trading models.

(e) *Opportunistic* – This class includes managers that will seek the highest risk adjusted returns across the capital structure. These investments may include, but are not limited to, equity or debt securities of, or interests in, public or private companies, trade claims, derivatives, direct or indirect interests in real estate (including, without limitation, joint ventures with operating partners and development projects), investments in partnerships managed by others, litigation claims, and any other type of asset deemed appropriate.

(f) *Secondaries* – This class of private equity refers to investments made in existing private equity assets. These transactions can involve the sale of private equity fund interests or portfolios of direct investments in privately held companies through the purchase of these investments from existing institutional investors.

(g) *Buyout* – This class of private equity refers to a strategy of making equity investments as part of a transaction in which a company, business unit or business assets is acquired from the current shareholders typically with the use of financial leverage. The companies involved in these transactions are typically mature and generate operating cash flows.

(h) *Healthcare* – This class includes managers that seek long-term capital appreciation through worldwide investment in equity securities of companies that, in the opinion of Fund management, derive or are expected to derive a substantial portion of their sales from products and services in healthcare.

(i) *Real Estate* – This class includes investments in institutional quality real estate utilizing an asset-by-asset valuation approach with target investment markets in large cities in North America.

(j) *Emerging Markets* – This class represents equity and debt investments in emerging market economies. These investments can be expected to exhibit a higher amount of volatility while also providing more growth versus more developed economies.

(k) *Growth Equity* – This class of private equity makes equity investments, most often minority investments, in relatively mature companies that are looking for capital to expand or restructure operations, enter new markets or finance a major acquisition without a change of control of the business.

## 5. Investments *(continued)*

(l) *Credit Relative Value* – This class includes hedge funds that take advantage of relative discrepancies in price between securities. The price discrepancy can occur due to mispricing of securities compared to related securities, the underlying security or the market overall.

(m) *Distressed* – This class refers to active managers that make both debt and equity investments in distressed or stressed companies. Often the investments are made in companies that are at or near bankruptcy.

(n) *Energy* – This class refers to private equity investments made in a wide variety of companies engaged in the production and sale of energy, including fuel extraction, manufacturing, refining and distribution, or companies engaged in the production or transmission of electrical or renewable power.

(o) *Co-Investment* – This class of private equity refers to minority investments made directly into another private equity investor. These investments intend to generate superior risk-adjusted returns through investing in small-cap companies providing products, services and technologies to oil and gas industry.

## 6. Liquidity and Availability of Financial Assets

The Foundation's financial assets and resources available to meet cash needs for general expenditures within one year of the date of the consolidated statement of financial position were as follows as of December 31:

| | 2022 | 2021 |
|---|---|---|
| Financial Assets: | | |
| Cash and Cash Equivalents | $ 2,348,396 | $ 2,824,459 |
| Redemption proceeds receivable | 4,897,386 | 500,000 |
| Investments | 182,948,651 | 218,265,720 |
| Total Financial Assets | 190,194,433 | 221,590,179 |
| Less: Illiquid investments | (92,347,976) | (128,856,942) |
| Financial Assets Available to Meet General Expenditures Over the Next Twelve Months | $ 97,846,457 | $ 92,733,237 |

The Foundation monitors its cash needs and availability on a regular basis. Operating expenses and overall grantmaking budgets are approved annually as part of the annual budget process. The Foundation approves grants over the course of the year during six grants committee meetings. Based on these budgets and approvals, operating and grantmaking expenses are monitored and forecasted on a monthly basis, and investments are liquidated once per quarter to fund these activities.

## 7. Federal Excise Tax

The Foundation is exempt from federal income taxes under Section 501(c)(3) and 509 (a) of the Internal Revenue Code and has been further classified as a “private foundation.” The Foundation is subject to excise tax of 1.39% on its net investment income, as defined, for tax purposes.

Deferred taxes principally arise from the differences between the cost and fair value of investments. The Foundation provides for deferred federal excise tax at 1.39% on the net unrealized appreciation in the fair value of investments.

At December 31, 2022 and 2021 the fair value of the Foundation’s investments exceeded the total cost; accordingly deferred federal excise tax amounted to $1,517,452 and $1,177,452 at December 31, 2022 and 2021.

The Foundation’s investment in certain alternative investments gives rise to the potential for unrelated business income tax liabilities taxed at general corporate rates.

## 8. Retirement Plan

Effective January 1, 2016 retirement benefits under a defined contribution plan are provided to all employees who have completed a month of service in any given year. The Foundation contributes, at a minimum, 5% of an employee’s annual salary to the plan. In its discretion, the Foundation contributed 10% in 2022 and 2021. Retirement plan expense was $170,704 and $174,621 for 2022 and 2021.

## 9. Lease Commitments

During 2017 the Foundation terminated an existing lease agreement, and executed a new agreement for the same office space. The new lease executed, which was amended November 1, 2018, maintains the initial expiration date of May 13, 2024. An irrevocable stand-by letter of credit in the amount of $29,116 was provided to the landlord in lieu of cash security for the New York City office.

As of December 31, 2022, the weighted-average remaining lease term for the Foundation’s operating lease was 29 months and the weighted average discount rate was 1.36%. The ROU asset as of December 31, 2022 was $150,159, and amortization of ROU asset during 2022 was $105,498. Cash paid for operating leases for the year ended December 31, 2022 was $129,532.

## 9. Lease Commitments *(continued)*

Future maturities of lease liabilities are presented in the following table, for the years ending December 31:

| | |
|---|---|
| 2023 | $ 130,528 |
| 2024 | 52,395 |
| Total undiscounted cash flows | 182,923 |
| Less present value discount | (1,086) |
| | $ 181,837 |

## 10. Related Party Transactions

The Foundation's investment assets are managed by an investment firm (the "firm") at which the Foundation's Treasurer is the founder of the firm. The firm has been paid fees of $97,074 and $297,354 during the years ended December 31, 2022 and 2021.

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