The George Gund Foundation

Audited Financial Statements

As of and for the Years Ended
December 31, 2023 and 2022

Rea & associates

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
The George Gund Foundation
Cleveland, Ohio

Report on the Audit of the Financial Statements

Opinion
We have audited the financial statements of The George Gund Foundation (the Foundation), which comprise the statements of financial position as of December 31, 2023 and 2022, 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 December 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 Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

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

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

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

Rea & Associates, Inc.

Rea & Associates, Inc.
Cleveland, Ohio
July 10, 2024

THE GEORGE GUND FOUNDATION

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

ASSETS

	2023	2022
ASSETS:		
Cash and cash equivalents	$ 12,918,987	$ 13,019,508
Investments	520,792,785	493,391,989
Interest and dividends receivable	417,597	390,683
Prepaid federal excise tax	101,000	801,000
Other assets	123,730	152,584
Total assets	$ 534,354,099	$ 507,755,764

LIABILITIES AND NET ASSETS

	2023	2022
LIABILITIES:		
Accounts payable and accrued expenses	$ 1,003,307	$ 1,040,199
Grants payable	10,379,507	9,864,100
Margin loan	-	7,372,888
Deferred federal excise tax	733,000	322,000
Total liabilities	12,115,814	18,599,187
NET ASSETS:		
Net assets without donor restrictions	522,238,285	489,156,577
Total liabilities and net assets	$ 534,354,099	$ 507,755,764

The accompanying notes are an integral part of these financial statements.

THE GEORGE GUND FOUNDATION

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
NET INVESTMENT INCOME (LOSS):		
Total investment income (loss), net of expenses	$ 67,929,876	$ (97,146,625)
EXPENSES:		
Grants expensed	30,117,199	40,280,150
Program support and management and general (see Note 12)	3,569,840	3,303,229
Total expenses	33,687,039	43,583,379
Increase (Decrease) in net assets before federal excise taxes	34,242,837	(140,730,004)
Federal excise tax (provision) benefit	(1,161,129)	1,813,959
Change in net assets without donor restrictions	33,081,708	(138,916,045)
NET ASSETS - BEGINNING OF THE YEAR	489,156,577	628,072,622
NET ASSETS - END OF THE YEAR	$ 522,238,285	$ 489,156,577

The accompanying notes are an integral part of these financial statements.

THE GEORGE GUND FOUNDATION

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

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 33,081,708	$ (138,916,045)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	27,656	34,496
Net realized and unrealized (gains) losses on investments	(66,342,242)	98,775,810
Deferred federal excise tax	411,000	(1,766,000)
Changes in assets and liabilities:		
Interest and dividends receivable	(26,914)	46,984
Prepaid/accrued federal excise tax	700,000	(885,000)
Other assets	32,021	(19,944)
Accounts payable and accrued expenses	(36,892)	(247,906)
Grants payable	515,407	(422,875)
Net cash used in operating activities	(31,638,256)	(43,400,480)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	105,299,549	132,638,437
Purchases of investments	(66,358,103)	(97,355,667)
(Repayments) borrowing on margin loan	(7,372,888)	7,372,888
Purchase of furniture, equipment, and leasehold improvements	(30,823)	(22,550)
Net cash provided by investing activities	31,537,735	42,633,108
Net decrease in cash and cash equivalents	(100,521)	(767,372)
CASH AND CASH EQUIVALENTS - BEGINNING	13,019,508	13,786,880
CASH AND CASH EQUIVALENTS - ENDING	$ 12,918,987	$ 13,019,508
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year:		
Income taxes, excise	$ 50,000	$ 837,500
Interest paid	$ 253,039	$ 27,817

The accompanying notes are an integral part of these financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of operations

The George Gund Foundation (the Foundation) was established in 1952 as a private, nonprofit institution with the sole purpose of contributing to human well-being and the progress of society. The Foundation is rooted in Cleveland, Ohio, and organizes its grantmaking through the following program areas: climate and environmental justice; creative culture and arts; public education; thriving families and social justice; and vibrant neighborhoods and inclusive economy.

Basis of accounting

The Foundation's financial statements are presented on the accrual basis of accounting, in accordance with accounting principles generally accepted in the U.S. (U.S. GAAP).

Basis of presentation

The Foundation is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions – Net assets without donor restrictions are available for use at the discretion of the Board of Trustees (the Board) and/or management for general operating purposes. The Board may designate a portion of these net assets for specific purposes, which makes them unavailable for use at management's discretion.

Net Assets with Donor Restrictions – Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions. The Foundation did not have any assets with donor restrictions as of December 31, 2023 and 2022.

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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. Actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit with financial institutions and highly liquid investments with maturity dates of three months or less, which are readily convertible into cash.

Investments in fixed maturity and equity securities

Investments in fixed maturity and equity securities are carried at fair value with changes in fair value reported in the change in net assets.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other investments

Other investments primarily include program-related investments (notes receivable and an investment in a limited liability company that support program initiatives) totaling $8,571,904 and $8,722,565 at December 31, 2023 and 2022, respectively. The notes receivable are due from various not-for-profit organizations at various dates through 2037 and carry interest at rates between 1% and 2%; principal and interest payment arrangements vary by note. Two notes are being repaid as of December 31, 2023, another begins repayment in 2025, two are due in full at maturity, and two are currently in forbearance, with repayments to be resumed at a date agreed-upon by both parties. As of December 31, 2022, there was an unfunded program-related investment commitment in the amount of $2,000,000. During 2023, the $2,000,000 commitment was waived by the receiving organization as funds were no longer needed. No additional funds were paid and the commitment is considered to be closed at December 31, 2023. The Foundation had an additional mission-related loan due from a not-for-profit organization which was paid in full as of December 31, 2023 and had a value of $113,661 as of December 31, 2022. This mission related loan was included in investments on the statements of financial position. This investment was secured by a deposit.

The Foundation invests in certain alternative investments, which include investments in limited partnerships. Market values represent the Foundation's pro rata interest in the net assets of each limited partnership as of December 31, 2023 and 2022, as provided by the fund managers. Market values as of December 31, 2023 and 2022 are not based on audited financial information supplied by the general partner or manager of the funds. Audited information is only available annually based on the partnerships or funds' year-end. Management reviews monthly valuations provided by the general partner or manager of the funds and assesses the reasonableness of the fair values provided at the interim dates and included in the financial statements. At December 31, 2023 and 2022, the Foundation had total unfunded capital commitments related to alternative investments of $22,939,025, and $27,914,151 respectively. There was a conditional unfunded capital commitment of $3,250,000 at both December 31, 2023 and 2022. Subsequent to year-end, it was determined that the conditions would not be met and the commitment was formally closed. Because of the inherent uncertainty of the valuation of alternative investments, the market values reflected in the accompanying financial statements may differ significantly from realizable values.

Adoption of New Accounting Standard

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-13, *Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which (1) significantly changes the impairment model for most financial assets that are measured at amortized cost and certain other instruments from an incurred loss model to an expected loss model and (2) provides for recording credit losses on available for sale debt securities through an allowance account. The update requires credit losses on most financial assets measured at amortized cost and certain other instruments to be measured using an expected credit loss model. The guidance is effective for the Foundation beginning January 1, 2023, with earlier adoption permitted.

The Foundation adopted the standard effective January 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in new/enhanced disclosures only.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for credit losses

Investments in program-related investments are stated at the present value of the amount management expects to collect from outstanding balances. Management provides for probable credit losses through a provision for credit losses, and a credit to a valuation allowance, based on its assessment of the current status of individual accounts. The Foundation operates in the Not For Profit industry and its accounts receivable are primarily derived from investments in program-related investments. Effective January 1, 2023, at each statement of financial position date, the Foundation recognizes an expected allowance for credit losses. In addition, also at each reporting date, this estimate is updated to reflect any changes in credit risk since the receivable was initially recorded. This estimate is calculated on a pooled basis where similar risk characteristics exist. The allowance estimate is derived from a review of the Foundation's historical losses based on the aging of receivables. This estimate is adjusted for management's assessment of current conditions and reasonable and supportable forecasts regarding future events.

The Foundation believes historical loss information is a reasonable starting point in which to calculate the expected allowance for credit losses as the Foundation's customers have remained constant since the Foundation's inception. The allowance for credit losses was $-0- as of December 31, 2023 and 2022.

The Foundation writes off receivables when there is information that indicates the debtor is facing significant financial difficulty and there is no possibility of recovery. If any recoveries are made from any accounts previously written off, they will be recognized in income or an offset to credit loss expense in the year of recovery, in accordance with the Foundation's accounting policy election. The total amount of write-offs was not material to the financial statements as a whole for the year ended December 31, 2023 and 2022.

Interest receivable is stated at the amount management expects to collect from outstanding balances. Management provides for probable credit losses amounts through a provision for uncollectible interest, and a credit to a valuation allowance, based on its assessment of the current status of individual accounts. At December 31, 2023 and 2022, management determined that no allowance for uncollectible interest was deemed necessary.

Furniture, equipment, and leasehold improvements

Furniture, equipment, and leasehold improvements (included in other assets) are stated at cost. Amortization and depreciation is recorded using both straight-line and accelerated methods over the estimated useful lives of the assets. Leasehold improvements are amortized over the lesser of the useful life of the asset or the remaining lease term. Depreciation and amortization expense amounted to $27,656 and $34,496 for the years ended December 31, 2023 and 2022, respectively.

Fair value measurement - definition and hierarchy

The Foundation follows FASB Accounting Standard Codification (ASC) 820-10, Fair Value Measurements. Under this standard, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement - definition and hierarchy (Continued)
In determining fair value, the Foundation uses various valuation approaches, including market, income, and/or cost approaches. FASB ASC 820-10 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs, and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability, developed based on market data obtained from sources independent of the Foundation. Unobservable inputs reflect the Foundation's assumptions used in pricing the asset or liability based on the best information available in the circumstances.

The hierarchy is broken down into three levels, based on the reliability of inputs, as follows:

- Level 1 - Valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the Foundation has the ability to access.
  Assets and liabilities utilizing Level 1 inputs include: exchange-traded equity securities that are actively traded.

- Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.
  Assets and liabilities utilizing Level 2 inputs include: government bonds, corporate bonds, foreign bonds, private equity investments in mutual funds, and program related savings.

- Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.
  Assets and liabilities utilizing Level 3 inputs include: equity securities that are not actively traded, private equity investments, and program related/other investments held in loans.

Leases
The Foundation applies ASC 842 in the accounting for leases. The Foundation determines if a contract contains a lease when the contract conveys the right to control the use of identified assets for a period in exchange for consideration. Upon identification and commencement of a lease, the Foundation establishes a right-of-use (ROU) asset and a lease liability. The total lease term is determined by considering the initial term per the lease agreement, which is adjusted to include any renewal or termination options that the Foundation is reasonably certain to exercise. The Foundation does not recognize ROU assets and lease liabilities for leases with a term of 12 months or less. As a result of evaluating any contracts that may contain a lease, management of the Foundation determined that ASC 842 does not have material impact on the Foundation and therefore no ROU assets or lease liabilities are included in the financial statements.

Subsequent events
The Foundation has evaluated subsequent events from the statement of financial position date through July 10, 2024, which is the date the financial statements were available to be issued.

NOTE 2: REVENUE AND SUPPORT RECOGNITION

Contributions are recognized when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. The Foundation received no contributions for the years ended December 31, 2023 and 2022.

NOTE 3: GRANTS

Grants are expensed upon approval by the Board of Trustees, payable upon the performance of specified conditions, and paid when the specified conditions are satisfied. Discretionary grants in amounts up to $50,000 and cumulative for the year up to $4,000,000 and up to $25,000 and cumulative for the year up to $1,000,000 for the years ended December 31, 2023 and 2022, respectively, are recommended by the program directors and approved by the President. These discretionary grants are expensed upon approval and ratified by the Board of Trustees at the following board meeting. Grants that are cancelled or in excess of needed amounts are included as a reduction of grant expense in the year they are cancelled or returned.

On an annual basis, the Foundation's Board sets a target payout rate of grants paid in relation to average portfolio value. During 2023 and 2022, the Board approved a 6% and 7% payout rate, respectively. Grants approved and expensed in 2023 was $30,177,199. As of December 31, 2023, $10,379,507 remains outstanding to be paid (grants payable). The grants payable is expected to be paid over the next two years; $9,074,507 in 2024 and $1,305,000 in 2025.

NOTE 4: LEASES

The Foundation leases office space that expires December 31, 2024 with a 6 month renewal option to extend the lease to June 30, 2025. This lease requires the Foundation to pay all executory costs (property taxes, maintenance, and insurance). Termination of the lease is allowed with sixty day notice and no penalty will be incurred. There are no material leaseholds or other economic factors that would create a penalty for breaking the lease, no enforceable right under this lease to stay through termination. As such, no ROU asset or lease liability have been recorded. The future minimum lease commitments under this lease is $165,600 for 2024.

Total short-term lease expense for operating leases was $118,759 and $166,842 for the years ended December 31, 2023 and 2022, respectively.

NOTE 5: CREDIT CONCENTRATION

Aside from its holdings in common stock of Kellanova and the WK Kellogg Company, the Foundation's portfolio of investments is highly diversified; however, at December 31, 2023 and 2022, 13% and 16% of the total market value of securities, and approximately 55% and 62%, respectively, of dividend income in each year are attributable to ownership of Kellanova and the WK Kellogg Company stock. A third party has done an independent valuation of the Kellanova stock as of December 31, 2023 and the Kellogg Company stock as of December 31, 2022 and determined the appropriate blockage discount for both years was deemed immaterial.

NOTE 6: INVESTMENTS

Market values of investments were as follows at December 31:

	2023	2022
Fixed income securities	$ 9,384,294	$ 11,026,398
Common stocks and alternative investments	511,408,491	482,365,591
Total	$ 520,792,785	$ 493,391,989

Market values of investments are based on December 31, 2023 and 2022 published quotations, except that, estimates are used when quotations are not available. Fixed income securities consist of U.S. government securities, U.S. government guaranteed securities, and corporate securities. Common stocks and alternative investments consist principally of U.S. and international equity securities, program and mission-related investments, and investments in limited partnerships.

Published market quotations do not necessarily represent realizable values, particularly where sizable holdings of a company's stock exist, as in the case of the Foundation's holding of the Kellanova common stock and the WK Kellogg Company common stock as of December 31, 2023 and the Kellogg Company common stock as of December 31, 2022.

NOTE 7: FAIR VALUE DISCLOSURE AND MEASUREMENT

The Foundation's assets and liabilities recorded at fair value have been categorized based upon a fair value hierarchy in accordance with FASB ASC 820-10. See Note 1 for a discussion of the Foundation's policies regarding this hierarchy. The following fair value hierarchy tables' present information about the Foundation's assets and liabilities measured at fair value on a recurring basis:

	Fair Value Measurements at Reporting Date			
December 31, 2023	(Level 1)	(Level 2)	(Level 3)	Balance
Corporate stock:				
Consumer goods	$ 81,872,036	$ -	$ -	$ 81,872,036
Financial	29,286,921	-	-	29,286,921
Services	17,289,937	-	-	17,289,937
Industrial goods	22,674,579	-	-	22,674,579
Basic materials	2,426,410	-	-	2,426,410
Technology	39,485,678	-	-	39,485,678
Healthcare	12,068,274	-	-	12,068,274
Retail	8,370,430	-	-	8,370,430
Media	264,956	-	-	264,956
Mgf - other	5,517,663	-	-	5,517,663
Preferred stock	-	132,372	-	132,372
Common/collective fund	-	57,271	-	57,271
Bonds:				
Corporate	-	2,365,040	-	2,365,040
United States Treasury and Agency	-	5,359,244	-	5,359,244
State and municipal	-	1,470,371	-	1,470,371
Limited partnerships	-	273,057,175	10,494,554	283,551,729
Other investments:				
Program-related savings	-	27,970	-	27,970
Program-related loans	-	-	8,571,904	8,571,904
Total fair value assets	$ 219,256,884	$ 282,469,443	$ 19,066,458	$ 520,792,785

NOTE 7: FAIR VALUE DISCLOSURE AND MEASUREMENT (CONTINUED)

December 31, 2022	Fair Value Measurements at Reporting Date (Level 1)	(Level 2)	(Level 3)	Balance
Corporate stock:				
Consumer goods	$ 96,723,320	$ -	$ -	$ 96,723,320
Financial	29,832,390	-	-	29,832,390
Services	15,155,732	-	-	15,155,732
Industrial goods	26,320,904	-	-	26,320,904
Basic materials	6,477,150	-	-	6,477,150
Technology	33,344,103	-	-	33,344,103
Healthcare	8,812,572	-	-	8,812,572
Retail	8,858,414	-	-	8,858,414
Media	628,129	-	-	628,129
Mgf- other	1,746,949	-	-	1,746,949
Preferred stock	-	101,350	-	101,350
Bonds:				
Corporate	-	1,416,566	-	1,416,566
United States Treasury and Agency	-	7,801,700	-	7,801,700
State and municipal	-	1,808,133	-	1,808,133
Limited partnerships	-	238,326,010	7,174,919	245,500,929
Other investments:				
Program-related savings	-	27,422	-	27,422
Program-related loans	-	-	8,722,565	8,722,565
Mission-related investment	-	-	113,661	113,661
Total fair value assets	$ 227,899,663	$ 249,481,181	$ 16,011,145	$ 493,391,989

The following table presents information about the Level 3 assets measured at fair value on a recurring basis for the years ended December 31, 2023 and 2022:

	2023 Limited Partnerships	2023 Other Investments	2023 Total	2022 Limited Partnerships	2022 Other Investments	2022 Total
Sales proceeds	$ -	$ (261,793)	$ (261,793)	$ (2,442,702)	$ (334,063)	$ (2,776,765)
Purchases	4,886,513	-	4,886,513	344,666	500,537	845,203
	$ 4,886,513	$ (261,793)	$ 4,624,720	$ (2,098,036)	$ 166,474	$ (1,931,562)

At December 31, 2023 and 2022, the Foundation's limited partnerships are subject to withdrawal restrictions as follows:

	2023	2022
Available for redemption:		
Monthly	$ 273,057,175	$ 238,326,010
Subject to distribution	10,494,554	7,174,919
Total	$ 283,551,729	$ 245,500,929

NOTE 7: FAIR VALUE DISCLOSURE AND MEASUREMENT (CONTINUED)

Investments that are available for redemption may be redeemed by the Foundation generally with 15 to 30 day advance notice on a monthly basis, subject to the terms of the investment agreement.

Investments subject to distribution cannot be redeemed by the Foundation, but rather will be distributed by the limited partnership upon the liquidation of the underlying assets of the partnership. Distributions are generally expected, but not guaranteed, over the next five years.

The investment objective for limited partnerships is long-term capital appreciation in excess of what is available in the public markets. Private equity funds generally hold illiquid debt and equity securities of public and/or privately held companies. This asset class includes venture capital, buyout, and distressed funds.

Gains and losses (realized) from Level 3 investments included in changes in net assets include net realized investment gains of $46,028 and $183,393 for the years ended December 31, 2023 and 2022, respectively.

NOTE 8: MARGIN LOAN

During 2022, the Foundation opened a flexible line of credit with a financial institution that calls for borrowing against a portfolio of securities on margin with variable interest payments. The line is cross-collateralized with other securities accounts with the lender. The interest rate at December 31, 2023 and 2022 was 7.43% and 5.65%, respectively. Borrowings outstanding were $7,372,888 as of December 31, 2022. There was no outstanding balance on the loan as of December 31, 2023. Interest expense was $253,039 and $27,817 for the years ended December 31, 2023 and 2022, respectively. Interest expense is included on the statement of activities and changes in net assets in total investment income (loss), as borrowings on the margin loan were made as part of the overall investment strategy.

NOTE 9: LIQUIDITY AND FUNDS AVAILABLE

As part of its liquidity management, the Foundation structures its financial assets to be available as grants and general expenditures come due.

At December 31, 2023, the Foundation has approximately $482,162,000 of financial assets available to meet cash needs for general expenditures within one year of the statement of financial position date, which assets consist of cash and cash equivalents of $12,919,000, interest and dividends receivable of $418,000, and investments of $468,825,000. These financial assets are not subject to donor or other contractual restrictions that make them unavailable for general expenditures within one year.

At December 31, 2022, the Foundation had approximately $449,069,000 of financial assets available to meet cash needs for general expenditures within one year of the statement of financial position date, which assets consist of cash and cash equivalents of $13,020,000, interest and dividends receivable of $391,000, and investments of $435,685,000. These financial assets are not subject to donor or other contractual restrictions that make them unavailable for general expenditures within one year.

NOTE 10: EMPLOYEE BENEFIT PLAN

The Foundation has an employees' tax-sheltered annuity plan for all eligible employees. Such a plan is intended to comply with the requirements of Section 403(b) of the Internal Revenue Code (IRC). Employer contributions are required at 9% of the participant's compensation up to the social security wage base for the year, and 14.7% of the participant's compensation in excess of this wage base, with a limit of $330,000 and $305,000 of compensation for the years ended December 31, 2023 and 2022, respectively. Employer contributions to the plan for the years ended December 31, 2023 and 2022 amounted to $165,111 and $136,972, respectively. Participants are also permitted to make salary reduction contributions to the plan.

NOTE 11: EXCISE TAXES

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC), but is subject to a 1.39% federal excise tax on net investment income, including net realized gains, as defined by the IRC for tax year 2023 and 2022.

Deferred federal excise taxes are provided on the unrealized appreciation or depreciation of investments, interest and dividend income, and certain expenses being reported for financial statement purposes in different periods than for tax purposes. The current and deferred portions of the excise tax provision were $750,129 and $411,000 respectively, for a net provision of $1,161,129 in 2023. The current and deferred portions of the excise tax benefit were $47,959 and $1,766,000 respectively, for a net benefit of $1,813,959 in 2022.

The Foundation follows the provisions of FASB ASC 740-10, Income Taxes, which provides guidance on the recognition threshold that a tax position is required to meet before being recognized in the financial statements and provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure, and transition issues. Management has evaluated and concluded that there were no material uncertain tax positions requiring recognition in the accompanying financial statements. Accrued interest relating to uncertain tax positions would be recorded as a component of interest expense, and penalties relating to uncertain tax positions would be recorded as a component of general and administrative expenses.

NOTE 12: FUNCTIONAL EXPENSES

The table below presents expenses by both their nature and function for the year ended December 31, 2023:

	Grants	Program Support	Management and General	Program Support and Management and General Totals
Salaries and benefits	$ -	$ 2,138,444	$ 508,824	$ 2,647,268
Grants to other organizations	30,117,199	-	-	-
Office and occupancy	-	248,719	58,887	307,606
Services and professional fees	-	67,488	366,731	434,219
Travel, meetings, other	-	121,268	31,823	153,091
Depreciation and amortization	-	22,805	4,851	27,656
	$ 30,117,199	$ 2,598,724	$ 971,116	$ 3,569,840

NOTE 12: FUNCTIONAL EXPENSES (CONTINUED)

The table below presents expenses by both their nature and function for the year ended December 31, 2022:

	Grants	Program Support	Management and General	Program Support and Management and General Totals
Salaries and benefits	$ -	$ 1,670,728	$ 432,437	$ 2,103,165
Grants to other organizations	40,280,150	-	-	-
Office and occupancy	-	294,875	75,834	370,709
Services and professional fees	-	117,518	562,901	680,419
Travel, meetings, other	-	88,382	26,057	114,439
Depreciation and amortization	-	28,446	6,051	34,497
	$ 40,280,150	$ 2,199,949	$ 1,103,280	$ 3,303,229

Expenses are recorded as attributable to either grant support or administrative functions wherever possible; however, the financial statements report certain categories of expenses that are attributable to more than one function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The allocations above are primarily based on management's estimates of percentage of staffing costs attributable by function.