

The George Gund Foundation

Audited Financial Statements

As of and for the Years Ended
December 31, 2025 and 2024



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INDEPENDENT AUDITOR'S REPORT

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

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, 2025 and 2024, 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, 2025 and 2024, 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 8, 2026

THE GEORGE GUND FOUNDATION

STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2025 AND 2024

ASSETS

	<u>2025</u>	<u>2024</u>
ASSETS:		
Cash and cash equivalents	\$ 99,215,873	\$ 25,346,961
Investments	506,541,091	562,785,492
Program related investments	6,844,476	7,731,129
Interest and dividends receivable	641,572	416,540
Deferred federal excise tax asset	1,115,000	-
Other assets	<u>127,626</u>	<u>149,734</u>
Total assets	<u><u>\$ 614,485,638</u></u>	<u><u>\$ 596,429,856</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES:		
Accounts payable and accrued expenses	\$ 1,073,754	\$ 1,073,715
Grants payable	17,925,278	14,826,000
Accrued federal excise tax	144,000	211,000
Deferred federal excise tax liability	<u>-</u>	<u>1,130,000</u>
Total liabilities	19,143,032	17,240,715
NET ASSETS:		
Net assets without donor restrictions	<u>595,342,606</u>	<u>579,189,141</u>
Total liabilities and net assets	<u><u>\$ 614,485,638</u></u>	<u><u>\$ 596,429,856</u></u>

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, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
NET INVESTMENT INCOME:		
Total investment income, net of expenses	\$ 56,538,295	\$ 96,191,734
EXPENSES:		
Grant expense (see Note 11)	36,258,342	34,043,615
Program support and management and general (see Note 11)	<u>3,928,488</u>	<u>3,678,263</u>
Total expenses	<u>40,186,830</u>	<u>37,721,878</u>
Increase in net assets before federal excise taxes	16,351,465	58,469,856
Federal excise tax provision	<u>(198,000)</u>	<u>(1,519,000)</u>
Change in net assets without donor restrictions	16,153,465	56,950,856
NET ASSETS - BEGINNING OF THE YEAR	<u>579,189,141</u>	<u>522,238,285</u>
NET ASSETS - END OF THE YEAR	<u><u>\$ 595,342,606</u></u>	<u><u>\$ 579,189,141</u></u>

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, 2025 AND 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 16,153,465	\$ 56,950,856
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	20,298	24,259
Forgiveness of program-related investment loan	-	620,914
Net realized and unrealized gains on investments	(54,874,533)	(93,613,451)
Deferred federal excise tax	(2,245,000)	397,000
Changes in assets and liabilities:		
Interest and dividends receivable	(225,032)	1,057
Prepaid/accrued federal excise tax	(67,000)	312,000
Other assets	1,810	(39,963)
Accounts payable and accrued expenses	39	70,408
Grants payable	3,099,278	4,446,493
Net cash used in operating activities	(38,136,675)	(30,830,427)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	233,896,938	139,663,341
Purchases of investments	(122,778,004)	(96,646,162)
Payment received from program related investments	886,653	251,522
Purchase of furniture and equipment	-	(10,300)
Net cash provided by investing activities	112,005,587	43,258,401
Net increase in cash and cash equivalents	73,868,912	12,427,974
CASH AND CASH EQUIVALENTS - BEGINNING	25,346,961	12,918,987
CASH AND CASH EQUIVALENTS - ENDING	\$ 99,215,873	\$ 25,346,961
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year:		
Income taxes, excise	\$ 2,510,000	\$ 810,000

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

THE GEORGE GUND FOUNDATION

NOTES TO THE 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, 2025 and 2024.

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. At times, balances may exceed Federal Deposit Insurance Corporation insurance limits.

Investment valuation and income recognition

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 6 for discussion of fair value measurements.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation (depreciation) in fair value of investments is included in investment income, net of investment fees and expenses. Investment fees and expenses were \$4,075,000 and \$4,080,000 for the year ended December 31, 2025 and 2024, respectively.

THE GEORGE GUND FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment valuation and income recognition (Continued)

Investments in debt securities are reported at fair value. The allowance for credit losses is determined based on historical loss experience, current conditions, and reasonable and supportable forecasts. The portfolio is disaggregated by issuer type. Significant concentrations of credit risk exist in corporate bonds issued by U.S. companies. The allowance for credit losses was \$-0- as of December 31, 2025 and 2024.

Program related investments

Represents primarily notes receivable that supports program initiatives. These program-related investments are valued at lower of cost or fair value, less an allowance for credit losses.

The program-related investments (PRIs) are notes due from various not-for-profit organizations at various dates through 2037 and carry interest at rates between 1% and 2%. The principal and interest payment arrangements vary by note. The number of notes outstanding as of December 31, 2025 and 2024 was six and seven, respectively. Two notes are to be repaid in full by 2032, two notes are to be repaid in full by 2035, one note is to be paid in full by 2037, one note to be paid in full by 2030 and one PRI was forgiven in full during 2024. One is currently in forbearance with repayments to be resumed at a date agreed-upon by both parties.

Allowance for PRIs and PRI interest receivables credit losses

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 PRI holders are primarily not-for-profits in Cleveland, Ohio and known to the Foundation. The allowance for credit losses was \$-0- as of December 31, 2025 and 2024.

The Foundation considers write offs for PRIs 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 notes 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, 2025 and 2024.

PRI 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, 2025 and 2024, 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 less accumulated depreciation. 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 \$20,298 and \$24,259 for the years ended December 31, 2025 and 2024, respectively.

THE GEORGE GUND FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently issued accounting standard not yet adopted:

In July 2025, the FASB issued ASU 2025-05, which simplifies the application of the CECL model for certain short-term receivables. The ASU is effective for annual periods beginning after December 15, 2026. The Foundation is evaluating the impact of adoption and does not expect a material effect on the financial statements.

Prior period reclassifications

Certain prior period amounts have been reclassified to conform to the 2025 financial statement presentation. The reclassifications have no effect on the statement of financial position, the statement of activities and changes in net assets as previously reported.

Subsequent events

The Foundation has evaluated subsequent events from the statement of financial position date through July 8, 2026, 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, 2025 and 2024.

NOTE 3: GRANTS

Grants are recognized as expenses upon approval by the Board of Trustees, at which time the Foundation has a present obligation to the grantee. Grant agreements may specify administrative requirements or timing for the disbursement of funds; however, such provisions do not constitute conditions affecting grant recognition, and the grants are unconditional in nature. The Board of Trustees formally approves grants at board meetings three times per year. Additionally, rolling review grants in amounts up-to \$100,000 and cumulative for the year up-to \$6,000,000 for the year ended December 31, 2025 and 2024 are expensed upon by the President and ratified by the Board of Trustees at the following board meeting.

Grants that are cancelled or in which unexpended funds are returned 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 2025 and 2024, the Board approved a 7% and 6% payout rate, respectively. As of December 31, 2025, \$17,925,278 remains outstanding to be paid (grants payable). The grants payable is expected to be paid over the next three years; \$12,230,278 in 2026, \$5,270,000 in 2027, and \$425,000 in 2028.

NOTE 4: CREDIT CONCENTRATION

During December 2025, the Foundation disposed of its common stock holdings in Kellanova and WK Kellogg Company. As of December 31, 2025, the related proceeds had not yet been reinvested or disbursed. Subsequent to year-end, the Foundation allocated the proceeds among its other investment platforms. As a result, the Foundation was not subject to significant concentration risk as of December 31, 2025.

THE GEORGE GUND FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4: CREDIT CONCENTRATION (CONTINUED)

Aside from its holdings in common stock of Kellanova and WK Kellogg Company in 2024 the Foundation's investment portfolio was diversified; however, at December 31, 2024, approximately 17% of total investments and program-related investments and approximately 53% of dividend income were attributable to these investments.

NOTE 5: INVESTMENTS

Market values of investments were as follows at December 31:

	2025	2024
Limited partnerships in mutual funds	\$ 307,839,976	\$ 293,680,843
Corporate stock	147,448,346	233,553,339
Bonds	30,860,443	19,794,191
Limited partnerships	20,316,954	15,690,406
Preferred stock	75,372	66,713
Total	<u>\$ 506,541,091</u>	<u>\$ 562,785,492</u>

NOTE 6: FAIR VALUE DISCLOSURE AND MEASUREMENT

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under Financial Accounting Standards Board (FASB). Accounting Standard Codification (ASC) 820 are described as follows:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.
- Level 2 Inputs to the valuation methodology include:
- quoted prices for similar assets or liabilities in active markets;
 - quoted prices for identical or similar assets or liabilities in inactive markets;
 - inputs other than quoted prices that are observable for the asset or liability;
 - inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of relevant observable inputs and minimize the use of unobservable inputs. Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the valuation methodologies used at December 31, 2025 and December 31, 2024.

Money market funds: Valued at the daily closing price as reported by the fund. Money market funds are open-end funds that are registered with the U.S. Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The money market funds are deemed to be actively traded.

THE GEORGE GUND FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6: FAIR VALUE DISCLOSURE AND MEASUREMENT (CONTINUED)

Corporate and preferred stocks: Valued at the closing price reported on the active market on which the individual securities are traded. Published market quotations do not necessarily represent realizable values, particularly where sizable holdings of a Foundation's stock exist, as was the case of the Foundation's holding of the Kellanova common stock and the WK Kellogg Company common stock as of December 31, 2024.

Corporate bonds: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings. When quoted prices are not available for identical or similar bonds, the bond is valued under a discounted cash flow approach that maximizes observable inputs such as current yields or similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity risks.

U.S. Treasury and agency securities and state and municipal bonds: Valued using pricing models maximizing the use of observable inputs for similar securities.

Assets measured at fair value by level, within the fair value hierarchy, are comprised of the following at December 31, 2025:

December 31, 2025	Fair Value Measurements at Reporting Date			Balance
	(Level 1)	(Level 2)	(Level 3)	
Cash equivalent-money market	\$ 23,827,836	\$ -	\$ -	\$ 23,827,836
Corporate stock:				
Consumer goods	6,380,251	-	-	6,380,251
Financial	34,508,765	-	-	34,508,765
Services	26,478,425	-	-	26,478,425
Industrial goods	24,835,189	-	-	24,835,189
Basic materials	2,170,101	-	-	2,170,101
Technology	26,503,122	-	-	26,503,122
Healthcare	5,107,457	-	-	5,107,457
Retail	10,002,628	-	-	10,002,628
Media	8,581,432	-	-	8,581,432
Mgf - other	2,880,976	-	-	2,880,976
Preferred stock	-	75,372	-	75,372
Bonds:				
Corporate	-	26,631,701	-	26,631,701
United States Treasury and Agency	-	3,231,443	-	3,231,443
State and municipal	-	997,299	-	997,299
Limited partnerships in mutual funds	-	307,839,976	-	307,839,976
	<u>\$ 147,448,346</u>	<u>\$ 338,775,791</u>	<u>\$ -</u>	<u>\$ 486,224,137</u>
Limited partnerships at NAV				<u>20,316,954</u>
Total Investments				<u>506,541,091</u>
Total Cash Equivalent and Investments				<u><u>\$ 530,368,927</u></u>

THE GEORGE GUND FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6: FAIR VALUE DISCLOSURE AND MEASUREMENT (CONTINUED)

Assets measured at fair value by level, within the fair value hierarchy, are comprised of the following at December 31, 2024:

December 31, 2024	Fair Value Measurements at Reporting Date			Balance
	(Level 1)	(Level 2)	(Level 3)	
Cash equivalent-money market	\$ 11,831,982		\$ -	\$ 11,831,982
Corporate stock:				
Consumer goods	106,043,864	-	-	106,043,864
Financial	27,737,609	-	-	27,737,609
Services	22,690,725	-	-	22,690,725
Industrial goods	21,650,835	-	-	21,650,835
Basic materials	736,586	-	-	736,586
Technology	32,741,275	-	-	32,741,275
Healthcare	8,745,124	-	-	8,745,124
Retail	5,489,230	-	-	5,489,230
Media	5,523,018	-	-	5,523,018
Mgf- other	2,195,073	-	-	2,195,073
Preferred stock	-	66,713	-	66,713
Common/collective fund	-	-	-	-
Bonds:				
Corporate	-	15,426,167	-	15,426,167
United States Treasury and Agency	-	3,383,461	-	3,383,461
State and municipal	-	984,563	-	984,563
Limited partnerships in mutual funds	-	293,680,843	-	293,680,843
	<u>\$ 233,553,339</u>	<u>\$ 313,541,747</u>	<u>\$ -</u>	<u>\$ 547,095,086</u>
Limited partnerships at NAV				<u>15,690,406</u>
Total Investments				<u>562,785,492</u>
Total Cash Equivalent and Investments				<u><u>\$ 574,617,474</u></u>

There were no Level 3 investments during the years ended December 31, 2025 and 2024, and there were no changes in valuation methodologies or fair value hierarchy classifications during those periods.

Investments in certain entities, specifically certain limited partnerships, are measured at fair value using net asset value (NAV) as a practical expedient. ASC 820 allows a reporting entity, as a practical expedient, to estimate fair value of certain alternative investments based on NAV as reported by the investee entity in instances where the net asset value has been calculated in a manner consistent with ASC 946, *Financial Services - Investment Companies*. Foundations' interests in the net assets of each limited partnership as of December 31, 2025 and 2024, as provided by the fund managers. Market values represent the Foundation's pro rata interest in the net assets of each limited partnership as of December 31, 2025 and 2024, as provided by the fund managers.

THE GEORGE GUND FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6: FAIR VALUE DISCLOSURE AND MEASUREMENT (CONTINUED)

Market values as of December 31, 2025 and 2024 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.

The valuations of the limited partnerships are based upon the partner capital account statements as follows at December 31, 2025 and 2024:

	Net Asset Value at Reporting Date				
	2025 Fair Value	2024 Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Limited partnerships at NAV					
Partnership Investments (LP/LLC) Interest (a)	\$ 15,447,963	\$ 11,116,450	\$ 4,999,112	Not redeemable	n/a
Partnership Investments (LP/LLC) Interest (b)	51,407	2,053,635	-	Not redeemable	n/a
Capital Fund (c)	28,869	1,256,720	-	Not redeemable	n/a
Partnership Investments (LP/LLC) Interest (d)	2,123,853	1,220,088	7,199,456	Not redeemable	n/a
Holdings Fund (e)	23,613	43,513	87,500	Not redeemable	n/a
Partnership Investments (LP/LLC) Interest (f)	2,641,249	-	6,800,000	Not redeemable	n/a
	<u>\$ 20,316,954</u>	<u>\$ 15,690,406</u>	<u>\$ 19,086,068</u>		

(a) *Partnership Investments (LP/LLC interest)*: The Fund focuses on making primary commitments across specialist impact venture, growth equity and buyout funds investing in environmental and social sustainability themes. The fund is well-diversified, including allocations to climate transition and inclusive growth themes. The Partnership invests in private equity funds that invest in Growth, Buyouts- Growth, Venture Capital and Buyouts- Middle Market strategies. These investments generally cannot be redeemed. Instead, the nature of the investments in this category is that distributions are generally received through the liquidation of the underlying assets of the Partnership. The fund will dissolve and terminate upon the later to occur of (1) April 2032 and (2) one year after the date by which all of its investment have been liquidated and its obligations have been terminated.

(b) *Partnership Investment (LP/LLC) Interest*: The purpose of the Partnership is to invest in early stage business enterprises; direct venture capital investment (life science and technology). The partnership has been extended until March 2026, and is being liquidated after that date.

(c) *Capital Fund*: The Partnership was formed to operate as an investment fund principally for the purposes of investing in a diversified portfolio of venture capital and private equity funds (including secondary market investments in such funds) based primarily in the Northeast Ohio region, organized as limited partnerships, limited liability companies or corporations (the "investee partnerships"). The partnership terminated December 2025, and is being liquidated.

THE GEORGE GUND FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6: FAIR VALUE DISCLOSURE AND MEASUREMENT (CONTINUED)

(d) *Partnership Investments (LP/LLC interest)*: This fund invests in "Black-owned" venture capital and growth equity funds. Black-owned funds include funds managed by firms where a majority (50% or more) of the firm ownership or incentive compensation is held by Black professionals. The Partnership invests in private equity funds that invest in venture capital strategy. These investments generally cannot be redeemed. Instead, the nature of the investments in this category is that distributions are generally received through the liquidation of the underlying assets of the Partnership. The fund will dissolve and terminate upon the later to occur of (1) April 2032 and (2) one year after the date by which all of its investment have been liquidated and its obligations have been terminated.

(e) *Holding Fund*: The purpose of the Partnership is to make investments primarily in limited partnerships or other pooled investment vehicles which, in turn, make equity-oriented investments in young, growing or emerging companies or entities, or other partnerships either directly or purchased by the secondary market. The Partnership will invest in entities which intend to invest principally in the U.S. The fund entered liquidation period in December 2020. The general partner is working to wind up the fund and liquidate remaining assets.

(f) *Partnership Investment (LP/LLC) Interest*: The Foundation holds an interest in a private equity fund formed to pursue investments consistent with an inclusive growth investment strategy. The fund seeks to invest primarily in privately held companies operating within the healthcare, education, and financial services sectors. The fund generally invests through privately negotiated transactions. As a result, the underlying investments are typically illiquid, and distributions to investors are dependent on the realization or liquidation of the fund's investments.

NOTE 7: 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, 2025 and 2024 was 5.25%, respectively. There was no outstanding balance on the loan as of December 31, 2025 and 2024. Interest expense was \$-0- for the years ended December 31, 2025 and 2024.

NOTE 8: 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 \$350,000 and \$345,000 of compensation for the years ended December 31, 2025 and 2024, respectively. Employer contributions to the plan for the years ended December 31, 2025 and 2024 amounted to \$174,903 and \$164,817, respectively. Participants are also permitted to make salary reduction contributions to the plan.

THE GEORGE GUND FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9: LIQUIDITY AND FUNDS AVAILABLE

The following reflects the Foundation's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of December 31, 2025 and 2024 because of contractually imposed or internal designations. The Foundation's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

	2025	2024
Cash and cash equivalents	\$ 99,215,873	\$ 25,346,961
Investments	506,541,091	562,785,492
Program related investments	6,844,476	7,731,129
Interest and dividends receivable	641,572	416,540
Total financial assets, at year-end	613,243,012	596,280,122
Less amounts not available to be used for general expenditures:		
Limited partnerships at NAV	20,316,954	15,690,406
Program related investments	6,844,476	7,731,129
Commitments for limited partnerships	19,086,068	26,856,562
Amounts not available for general expenditures	46,247,498	50,278,097
Financial assets available to meet cash needs for general expenditures within one year:	<u>\$ 566,995,514</u>	<u>\$ 546,002,025</u>

Liquidity Policy

As part of the Foundation's liquidity management, it maintains a sufficient level of operating cash and short-term investments to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 10: 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 2025 and 2024. 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 \$2,443,000 and (\$2,245,000) respectively, for a net provision of \$198,000 in 2025. The current and deferred portions of the excise tax provision were \$1,122,000 and \$397,000 respectively, for a net provision of \$1,519,000 in 2024.

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.

THE GEORGE GUND FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

NOTE 11: FUNCTIONAL EXPENSES

The table below presents expenses by both their nature and function for the year ended December 31, 2025:

	<u>Grants</u>	<u>Program Support</u>	<u>Management and General</u>	<u>Program Support and Management and General Totals</u>
Salaries and benefits	\$ -	\$ 2,312,674	\$ 468,648	\$ 2,781,322
Grants to other organizations	36,258,342	-	-	-
Office and occupancy	-	325,247	66,604	391,851
Services and professional fees	-	139,448	391,487	530,935
Travel, meetings, other	-	147,774	56,308	204,082
Depreciation and amortization	-	16,738	3,560	20,298
	<u>\$ 36,258,342</u>	<u>\$ 2,941,881</u>	<u>\$ 986,607</u>	<u>\$ 3,928,488</u>

The table below presents expenses by both their nature and function for the year ended December 31, 2024:

	<u>Grants</u>	<u>Program Support</u>	<u>Management and General</u>	<u>Program Support and Management and General Totals</u>
Salaries and benefits	\$ -	\$ 2,110,533	\$ 548,289	\$ 2,658,822
Grants to other organizations	34,043,615	-	-	-
Office and occupancy	-	354,760	90,767	445,527
Services and professional fees	-	27,444	362,638	390,082
Travel, meetings, other	-	127,226	32,347	159,573
Depreciation and amortization	-	20,004	4,255	24,259
	<u>\$ 34,043,615</u>	<u>\$ 2,639,967</u>	<u>\$ 1,038,296</u>	<u>\$ 3,678,263</u>

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.