

**THE BUSH FOUNDATION  
FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2023 AND 2022**



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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
The Bush Foundation  
St. Paul, Minnesota

### Opinion

We have audited the financial statements of The Bush Foundation (the Foundation), which comprise the statement of financial position as of December 31, 2023, and the related statement of activities and cash flows for the year then ended, and the related notes to the financial statements.

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

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the 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 audit. 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 for one year after the date that the financial statements are issued.

### **Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

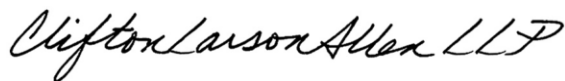
In performing an audit in accordance with GAAS, we:

- 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.

### **Other Matter**

The 2022 financial statements of the Foundation were audited by other auditors whose report dated July 13, 2023 expressed an unmodified opinion on those statements.



**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
July 11, 2024

**THE BUSH FOUNDATION**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2023 AND 2022**  
(IN THOUSANDS)  
(SEE INDEPENDENT AUDITORS' REPORT)

	2023	2022
<b>ASSETS</b>		
Cash	\$ 3,854	\$ 8,865
Investments and Cash Equivalents, at Fair Value	1,356,568	1,321,599
Program-Related Investments, Net	24,751	27,019
Dividends and Interest Receivable	1,830	1,788
Unsettled Trades Receivable	10,690	8,351
Taxes Receivable	1,639	4,084
Other Assets	175	204
Total Assets	\$ 1,399,507	\$ 1,371,910
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts Payable	\$ 342	\$ 369
Unsettled Trades Payable	-	5
Accrued and Other Liabilities	940	1,156
Taxes Payable	69	-
Deferred Taxes	6,116	5,104
Grants Payable	50,730	55,421
Bond Payable	100,000	100,000
Total Liabilities	158,197	162,055
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	1,241,310	1,209,855
Total Liabilities and Net Assets	\$ 1,399,507	\$ 1,371,910

See accompanying Notes to Financial Statements.

**THE BUSH FOUNDATION**  
**STATEMENTS OF ACTIVITIES**  
**YEARS ENDED DECEMBER 31, 2023 AND 2022**  
**(IN THOUSANDS)**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	<u>2023</u>	<u>2022</u>
<b>REVENUE</b>		
Investment Return, Net	\$ 131,173	\$ (321,082)
Other Income	81	3
Total Revenue	<u>131,254</u>	<u>(321,079)</u>
<b>EXPENSE</b>		
Direct Program Expense	93,357	148,259
General Administration Expense	4,322	3,914
Tax Expense	2,120	(462)
Total Expense	<u>99,799</u>	<u>151,711</u>
<b>CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	31,455	(472,790)
Net Assets Without Donor Restrictions - Beginning of Year	<u>1,209,855</u>	<u>1,682,645</u>
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS - END OF YEAR</b>	<u><u>\$ 1,241,310</u></u>	<u><u>\$ 1,209,855</u></u>

See accompanying Notes to Financial Statements.

**THE BUSH FOUNDATION**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2023 AND 2022**  
**(IN THOUSANDS)**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets Without Donor Restrictions	\$ 31,455	\$ (472,790)
Adjustments to Reconcile Change in Net Assets Without Donor Restrictions to Net Cash Used by Operating Activities:		
Depreciation	8	8
Realized Gains on Investment Transactions	(34,972)	(104,127)
Net Change in Unrealized Gains in Fair Value of Investments	(91,399)	435,915
Changes in Assets and Liabilities:		
Dividends and Interest Receivable	(42)	434
Other Assets	21	(89)
Accounts Payable and Accrued and Other Liabilities	(243)	(278)
Taxes Receivable and Payable	2,514	(3,215)
Deferred Taxes	1,012	(6,542)
Grants Payable	(4,691)	39,790
Net Cash Used by Operating Activities	(96,337)	(110,894)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from Sale of Investments	320,989	388,500
Purchase of Investments	(235,716)	(258,962)
Proceeds from Program-Related Investments	1,125	125
Funding of Program-Related Investments	(1,779)	(7,740)
Net Cash Provided by Investing Activities	84,619	121,923
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(11,718)	11,029
Cash and Cash Equivalents - Beginning of Year	48,073	37,044
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 36,355	\$ 48,073
Cash and Cash Equivalents:		
Cash	\$ 3,854	\$ 8,865
Cash Equivalents in Investments	32,501	39,208
Total Cash and Cash Equivalents	\$ 36,355	\$ 48,073
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash Paid During the Year for Taxes	\$ 2,153	\$ 3,372

See accompanying Notes to Financial Statements.

**THE BUSH FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023 AND 2022**  
**(IN THOUSANDS)**

**NOTE 1 ORGANIZATION**

The Bush Foundation (the Foundation) is an exempt private foundation that invests in great ideas and the people who power them. The Foundation serves Minnesota, North Dakota, South Dakota, and the 23 Native nations that share the same geography.

**NOTE 2 SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The financial statements are prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the U.S.

**Tax Exempt Status**

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC) and is a private foundation as defined in Section 509(a) of the Code. The Foundation is subject to applicable state and federal unrelated business income tax and federal excise tax as discussed in note 6. A provision for unrelated business income tax and federal excise tax has been made and is included in the financial statements.

The Foundation's accounting policy provides that a tax expense or benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits. The Foundation has no uncertain tax positions resulting in an accrual of tax expense or benefit.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. (GAAP) requires the Foundation to make estimates and assumptions that affect the reported amounts of assets and liabilities and revenues and expenses during the year. Actual results could differ from those estimates.

**Investments and Cash Equivalents**

Investments in equity securities that are traded on national or international securities exchanges are carried at fair value, based upon quoted market prices provided by external investment managers and the Foundation's custodian. Corporate and debt securities are valued using market quotations obtained from broker-dealers or pricing services and are carried at fair value. Mutual funds are recorded at net asset value (NAV), which represents a readily determinable fair value.



**THE BUSH FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Investments and Cash Equivalents (Continued)**

Investments held in alternative structures including equity limited partnerships, private equity limited partnerships and related structures, real asset funds, commingled funds and hedge funds are recorded at NAV as a practical expedient to fair value based on estimates provided by the respective investment managers if quoted market values are not readily determinable. Those estimated values do not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined. Because of the inherent uncertainty of valuation, those estimated values may be materially higher or lower than the values that would have been used had a ready market for the securities existed. See additional disclosures in Note 3.

Purchases and sales of investments are recorded on the trade-date basis. Interest and dividend income are recorded when earned. Realized gains and losses are recorded as the difference between historical cost and the amount of cash proceeds received when sold. Unrealized gains and losses are recorded as the change in fair value of investments during the year.

The Foundation considers all interest-bearing deposits, money market accounts, and short-term investments purchased with original maturities of three months or less to be cash equivalents.

**Unsettled Trades Receivable or Payable**

The amounts receivable or payable for investments with settlements pending result from the sales or purchases of investments made prior to the end of the fiscal year but settled after the fiscal year-end.

**Fair Value of Financial Instruments**

The carrying values of receivables, payables, and deferred taxes are reasonable estimates of their fair value due to the short-term nature of these financial instruments. Investments and program-related investments (PRIs) are stated at fair value, except that PRI loans are stated at the face value of the loan, net of any allowance for uncollectible or permanently impaired loans. Grants payable approximate fair value by discounting multi-year grants. The carrying value of the bond payable is a reasonable estimate of fair value given the terms of the instrument.

**Grants, Net of Cancellations**

Grants are recorded as an expense when the Foundation makes an unconditional award. Payment of grants reduces the resulting liability incurred at the time of the award. Cancellations of grants occur principally when the grantees do not meet the grant terms or when terms are adjusted and are reflected as a reduction of grant expense. Cancellations were \$7,317 and \$153 in 2023 and 2022, respectively. Grants awarded, net of cancellations, were \$85,663 and \$140,370 for the years ended December 31, 2023 and 2022, respectively.

**THE BUSH FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023 AND 2022**  
(IN THOUSANDS)

**NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Line of Credit**

The Foundation has a line of credit with Bell Bank in the amount of \$50,000,000. The line of credit is available through December 10, 2026 and bears interest at a rate of 4 percentage points over the index. As of December 31, 2023, the interest rate was 9.35%. As of December 31, 2023, the Foundation has not drawn on the line of credit.

**Adoption of New Accounting Standards**

At the beginning of 2023, the Foundation adopted the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (CECL)*, as amended, which modified the measurement of expected credit losses. The adoption of this Standard did not have a material impact on the Foundation’s financial statements.

**NOTE 3 INVESTMENTS AND CASH EQUIVALENTS**

Investments and cash equivalents at fair value consisted of the following:

	2023	2022
Marketable Investments:		
Cash Equivalents	\$ 32,501	\$ 39,208
Corporate and Debt Securities	204,997	185,712
Mutual Funds:		
Fixed Income Funds	6,019	5,747
International Equity Funds	-	10,230
Equity Funds	14,724	12,675
Total Mutual Funds	20,743	28,652
Equity Securities:		
U.S. Equities	-	51,766
Total Equity Securities	-	51,766
Total Marketable Investments	258,241	305,338
Alternative Investments:		
International Equity Commingled Funds	169,133	152,041
U.S. Equity Commingled Funds	17,183	-
Multistrategy Hedge Funds	89,294	95,448
Long/Short Hedge Funds	-	11,338
Fixed Income Hedge Funds	20,485	-
Real Asset Funds	14,489	15,878
Equity Limited Partnerships	135,344	104,398
Private Equity Limited Partnerships and Related Structures	652,399	637,158
Total Alternative Investments	1,098,327	1,016,261
Total Investments	\$ 1,356,568	\$ 1,321,599

**THE BUSH FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 3 INVESTMENTS AND CASH EQUIVALENTS (CONTINUED)**

The Foundation follows *Accounting Standards Codification* Topic 820, *Fair Value Measurement (ASC 820)*, which establishes a three-level 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 lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described below:

*Level 1* – quoted prices in active markets for identical securities. Mutual funds, U.S. equities, and international equities traded on securities exchanges are carried at fair value based upon closing market quotations on such exchange on the date of valuation or, in the absence of sales, at values based on the closing bid price or last sale price on the previous trading day. Investments in cash equivalents include money market securities that are valued at closing net asset value.

*Level 2* – other significant observable inputs (including quoted prices for similar securities, interest rates, credit risk, etc.). The current fair values of corporate and debt securities are provided by an independent pricing service, but where an active market exists, are valued using market quotations obtained from broker-dealers or quotation systems.

*Level 3* – significant unobservable inputs that are not corroborated by observable market data. The Foundation does not hold any Level 3 investments.

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. There have been no changes in the valuation methodologies used as of December 31, 2023 and 2022.

The summary of inputs used to value the Foundation's investments measured on a recurring basis as of December 31, 2023 is as follows:

	Level 1	Level 2	Level 3	Total
Marketable Investments:				
Cash Equivalents	\$ 32,501	\$ -	\$ -	\$ 32,501
Corporate and Debt Securities	-	204,997	-	204,997
Mutual Funds:				
Fixed Income Funds	6,019	-	-	6,019
Equity Funds	14,724	-	-	14,724
Total Mutual Funds	<u>53,244</u>	<u>204,997</u>	<u>-</u>	<u>258,241</u>
Total Marketable Investments	53,244	204,997	-	258,241
Investments Measured at Net Asset Value as a Practical Expedient:				
Alternative Investments	-	-	-	1,098,327
Total Alternative Investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,098,327</u>
Total Investments	<u>\$ 53,244</u>	<u>\$ 204,997</u>	<u>\$ -</u>	<u>\$ 1,356,568</u>

**THE BUSH FOUNDATION**  
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**NOTE 3 INVESTMENTS AND CASH EQUIVALENTS (CONTINUED)**

Certain investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

Bond payable and other financial assets and financial liabilities not included within the table above are categorized as Level 2 within the fair value hierarchy.

The Foundation did not have any transfers into or out of Level 3 during the year ended December 31, 2023.

The summary of inputs used to value the Foundation's investments measured on a recurring basis as of December 31, 2022 is as follows:

	Level 1	Level 2	Level 3	Total
<b>Marketable Investments:</b>				
Cash Equivalents	\$ 39,208	\$ -	\$ -	\$ 39,208
Corporate and Debt Securities	-	185,712	-	185,712
<b>Mutual Funds:</b>				
Fixed Income Funds	5,747	-	-	5,747
International Equity Funds	10,230	-	-	10,230
Equity Funds	12,675	-	-	12,675
Total Mutual Funds	67,860	185,712	-	253,572
<b>Equity Securities:</b>				
U.S. Equities	51,766	-	-	51,766
Total Equity Securities	51,766	-	-	51,766
Total Marketable Investments	119,626	185,712	-	305,338
<b>Investments Measured at Net Asset Value as a Practical Expedient:</b>				
Alternative Investments	-	-	-	1,016,261
Total Alternative Investments	-	-	-	1,016,261
Total Investments	\$ 119,626	\$ 185,712	\$ -	\$ 1,321,599

Certain investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

Bond payable and other financial assets and financial liabilities not included within the table above are categorized as Level 2 within the fair value hierarchy.

The Foundation did not have any transfers into or out of Level 3 during the year ended December 31, 2022.

**THE BUSH FOUNDATION**  
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**NOTE 3 INVESTMENTS AND CASH EQUIVALENTS (CONTINUED)**

The following is a summary of the investments valued using NAV as a practical expedient and the related unfunded commitments and redemption restrictions associated with each major category at December 31, 2023:

	Fair Value	Unfunded Commitments	Redemption Frequency Range	Redemption Notice Period
Alternative Investments:				
International Equity Commingled Funds (1)	\$ 169,133	\$ -	Weekly - Quarterly	5-60 Days
U.S. Equity Commingled Funds (2)	17,183	-	Weekly	10 Days
Multistrategy Hedge Funds (3)	89,294	-	None - Quarterly	None-90 Days
Fixed Income Hedge Funds (4)	20,485	-	Quarterly	65 Days
Real Asset Funds (6)	14,489	500	None	None
Equity Limited Partnerships (7)	135,344	-	Quarterly	60 Days
Private Equity Limited Partnerships and Related Structures (8)	652,399	108,273	None - Monthly	None-30 Days
Total Alternative Investments	<u>\$ 1,098,327</u>	<u>\$ 108,773</u>		

The following is a summary of the investments valued using NAV as a practical expedient and the related unfunded commitments and redemption restrictions associated with each major category at December 31, 2022:

	Fair Value	Unfunded Commitments	Redemption Frequency Range	Redemption Notice Period
Alternative Investments:				
International Equity Commingled Funds (1)	\$ 152,041	\$ -	Weekly - Quarterly	5-60 Days
Multistrategy Hedge Funds (3)	95,448	-	None - Quarterly	None-90 Days
Long/Short Hedge Funds (5)	11,338	-	Monthly - Annually	30-90 Days
Real Asset Funds (6)	15,878	7,302	None	None
Equity Limited Partnerships (7)	104,398	-	Quarterly	60 Days
Private Equity Limited Partnerships and Related Structures (8)	637,158	70,911	None - Monthly	None-30 Days
Total Alternative Investments	<u>\$ 1,016,261</u>	<u>\$ 78,213</u>		

- 1) This category includes investments in commingled funds that invest in international and global equity markets, including emerging markets. These funds have various redemption and notice of redemption requirements, but do not limit the Foundation's ability to liquidate them.
- 2) This category includes investments in commingled funds that invest in U.S. equity markets, including emerging markets. These funds have various redemption and notice of redemption requirements, but do not limit the Foundation's ability to liquidate them.

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**NOTE 3 INVESTMENTS AND CASH EQUIVALENTS (CONTINUED)**

- 3) This category includes direct investments in multistrategy hedge funds that invest in both fixed income and equity instruments. The managers of these funds have the flexibility to adjust their allocations between fixed income and equity investments based on their particular strategy and view of the market. These funds have various redemption and notice of redemption requirements that generally limit the Foundation's ability to liquidate them in a short period of time.
- 4) This category includes direct investments in fixed income hedge funds that invest in multiple credit strategies including convertible credit, capital structure arbitrage, distressed credit, and event credit fixed income including some securities that may be converted to equity investments. The managers of these funds have the flexibility to adjust their allocations between various fixed income investments based on their strategy and view of the market. These funds have various redemption and notice of redemption requirements that generally limit the Foundation's ability to liquidate them in a short period of time.
- 5) This category includes direct investments in long/short hedge funds that invest in equity securities by taking either a long position in a company's equity securities, expecting the price will rise, or a short position, expecting the price will decline. The managers of these funds have the flexibility to change their exposure based on their view of particular securities and the overall market. Long/short hedge funds are generally less volatile than long-only equity funds and have higher manager fees. These funds have various redemption and notice of redemption requirements that generally limit the Foundation's ability to liquidate them in a short period of time.
- 6) This category includes direct investments in real asset funds, generally through limited partnerships, that invest in commercial real estate, infrastructure projects, and natural resources. These investments cannot be redeemed with the funds. Distributions from each fund will be received as the underlying investments and funds are liquidated. It is estimated that the underlying assets of the funds will be liquidated over the next one to ten years.
- 7) This category includes an equity limited partnership that holds long and short positions primarily in equity securities of companies within the S&P 500 Index and on stock exchanges in emerging market countries. Derivative instruments, such as forward contracts, futures, options, and swaps, may be used to attempt to hedge existing long and short positions in order to maximize returns and reduce risks. The equity limited partnership fund allows quarter-end withdrawals upon prior written notice, subject to performance and balance restrictions that could limit the Foundation's ability to liquidate within the specified time period.
- 8) This category includes private equity limited partnerships and related structures that invest in private companies. The majority of these investments cannot be redeemed with the funds. Distributions from each fund will be received as the underlying investments and funds are liquidated. It is estimated that the underlying assets of the funds will be liquidated over the next one to ten years.

**THE BUSH FOUNDATION**  
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**NOTE 3 INVESTMENTS AND CASH EQUIVALENTS (CONTINUED)**

The Foundation's alternative investments in commingled funds (category (1 and 2) above) are redeemable with the fund at NAV under the original terms of the partnership agreements and/or subscription agreements and based on operations of the underlying funds. Hedge funds (categories (3), (4), and (5) above) are redeemable with the fund at NAV under the original terms of the partnership agreements and/or subscription agreements and based on operations of the underlying funds. However, it is possible that these redemption rights may be restricted or eliminated by the funds in the future in accordance with the underlying fund agreements. The Foundation's alternative investments in real asset funds and private equity limited partnerships (categories (6) and (8) above) cannot be redeemed with the funds. Due to the nature of the investments held by the funds, changes in market conditions and the economic environment may significantly impact the NAV of the funds and, consequently, the fair value of the Foundation's interests in the funds. The Foundation's alternative investments in equity limited partnerships (category (7) above) are redeemable with the fund at NAV subject to redemption restrictions noted above.

Components of Investment return, net:

	2023	2022
Dividends	\$ 438	\$ 454
Interest	8,360	6,968
Other Investment Income	28	3
Realized Gains on Investment Transactions	34,972	104,127
Net Change in Unrealized Gains (Losses), Net of Deferred Federal Excise Tax	90,387	(429,373)
Total Investment Return	134,185	(317,821)
Less: Investment Related Fees	(3,012)	(3,261)
Investment Return, Net	\$ 131,173	\$ (321,082)

**NOTE 4 PROGRAM-RELATED INVESTMENTS**

In accordance with Section 4944 of the Internal Revenue Code, the Foundation is permitted to make Program-Related Investments (PRIs) that are related to its philanthropic programs. A PRI is defined as an investment: (i) whose primary purpose is to further the exempt objectives of the foundation, (ii) where the production of income or appreciation in property is not a significant purpose, and (iii) which is not used to lobby or support lobbying. The Foundation's PRIs consist primarily of low-interest loans with varying repayment terms. These PRIs are anticipated to have lower returns or higher risks than the institutional market for these types of investments. In the year of the investment, the Foundation receives a credit toward its IRS distribution requirement. To the extent the investment is recovered and not recycled by the Foundation, the recovery is recognized as a negative distribution, increasing its distribution requirement in the year that it is received.

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**NOTE 4 PROGRAM RELATED INVESTMENTS (CONTINUED)**

The Foundation's PRI portfolio includes mainly low-interest loans invested primarily in nonprofit entities. The loans are carried at cost, which approximates fair value. The loans support the Foundation's impact investing strategy of making a positive impact, on the region it serves and on equity issues in capital markets. Repayment of the outstanding loan amounts is scheduled through 2037; most of the loans require interest-only payments with a full principal payment due at the end of the term. In the event that a loan PRI is determined to be uncollectible, or the value is permanently impaired, the Foundation may establish a provision for credit loss for the uncollectible amount.

The Foundation's PRI portfolio also includes a private equity investment in a social business seed fund, a combined loan and equity investment in a social business loan fund, and an equity investment in a Native-owned and led wind farm project. The private equity fund PRI is recorded using the net asset value as a practical expedient to fair value based on estimates provided by the investment manager if quoted market values are not readily determinable. At December 31, 2023, the Foundation had no outstanding capital commitments on its PRI private equity seed fund. The combined loan and equity investment and the equity investment in the wind farm project are carried at cost, which approximates fair value.

A provision for credit loss on PRIs is established based on an annual review of the portfolio by management based on historical collection ability, current conditions and future considerations. A provision for credit loss of \$1,400 was recorded for each of the years ended December 31, 2023 and 2022. There were no write offs to the loan PRIs in each of the years ended December 31, 2023 and 2022.



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**NOTE 5 LIQUIDITY AND AVAILABILITY**

The Foundation regularly monitors liquidity required to meet its operating needs, liabilities, and other obligations as they become due. As of December 31, 2023 and 2022, the Foundation has adequate cash, cash equivalents, and investments to cover operating expense needs within the next year. The following assets could be readily made available within one year of the statement of financial position to meet general expenditures:

	2023	2022
Financial Assets:		
Cash	\$ 3,854	\$ 8,865
Investments and Cash Equivalents	1,356,568	1,321,599
Dividends and Interest Receivable	1,830	1,788
Unsettled Trades Receivable	10,690	8,351
Taxes Receivable	1,639	4,084
Total Financial Assets	1,374,581	1,344,687
Less: Investments Valued at NAV Unavailable Within One Year	(670,884)	(654,874)
Financial Assets Available Within One Year to Meet General Expenditures	\$ 703,697	\$ 689,813

The Foundation maintains liquidity guidelines for its investment portfolio to ensure operating cash is available for grants and expenses. The guidelines require at least 5% of assets be maintained in investments that can be liquidated within one month; at least 10% of assets be maintained in investments that can be liquidated within three months; and at least 20% of assets be maintained in investments that can be liquidated within six months.

**NOTE 6 FEDERAL TAXES AND DISTRIBUTION REQUIREMENTS**

**Federal Excise Taxes**

For fiscal years 2023 and 2022, the Foundation is subject to a 1.39% excise tax on its taxable net investment income, which principally includes income from investments plus net realized capital gains (net capital losses, however, are not deductible).

Deferred federal excise taxes arise from unrealized gains in the market value of investments, as well as from differences in the recognition of income from certain investments (timing differences). As of December 31, 2023, and 2022, the Foundation had unrealized gains in the market value of investments and has recorded a deferred tax liability of \$6,116 and \$5,104, respectively. The net change in deferred tax liability of \$1,012 is included within investment return, net, on the statement of activities.

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**NOTE 6 FEDERAL TAXES AND DISTRIBUTION REQUIREMENTS (CONTINUED)**

**Distribution Requirements**

The Foundation is subject to distribution requirements of the Internal Revenue Code. Accordingly, within one year after the end of each fiscal year, it must distribute 5% of the average market value of its assets as defined in the Code. The investments includible for the 5% distribution requirement are exclusive of those investments deemed to be held for charitable activities (representing 1.5% of the investments). Qualifying distributions are determined on a cash basis and include grant payments and certain other expenses incurred by the Foundation. The Foundation has complied with distribution requirements through December 31, 2023.

**Unrelated Business Income Taxes**

In accordance with Section 511(a)(1) of the Internal Revenue Code, the Foundation is subject to corporate tax rates on net income earned from unrelated business activities. The Foundation's investments produce varying amounts of unrelated business income depending on the performance, composition of and levels of debt of the underlying investments. Income from the Foundation's bond proceeds, which are invested in short term fixed income investments, is subject to unrelated business income taxes until the proceeds are fully utilized for charitable purposes.

**NOTE 7 FUNCTIONAL EXPENSES**

The Foundation's operating expenses have been categorized between direct program and general administration expenses in the accompanying statements of activities. Management analyzes expenses as incurred and charges them to direct program or general administration expenses based on their nature. General administration expenses do not include those which constitute direct conduct or direct supervision of the Foundation's programs.

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**NOTE 7 FUNCTIONAL EXPENSES (CONTINUED)**

The detail of expenses for the years ended December 31, 2023 and 2022 is as follows:

	Direct Program	General Administration	2023 Total
Grants, Net of Cancellations	\$ 85,663	\$ -	\$ 85,663
Nongrant Expenses:			
Salaries and Benefits	3,946	2,971	6,917
Consulting	433	71	504
Convenings Expense	111	-	111
Communications Expense	72	-	72
Staff Travel, Expense, and Development	50	120	170
Rent and Utilities	-	364	364
Board Expenses	-	405	405
Bond Interest	2,754	-	2,754
Professional Fees	66	159	225
Other	262	232	494
Total Nongrant Expenses	<u>93,357</u>	<u>4,322</u>	<u>97,679</u>
Excise and Unrelated Business Income Tax Expense	-	2,120	2,120
Total Expenses	<u>\$ 93,357</u>	<u>\$ 6,442</u>	<u>\$ 99,799</u>

	Direct Program	General Administration	2022 Total
Grants, Net of Cancellations	\$ 140,370	\$ -	\$ 140,370
Nongrant Expenses:			
Salaries and Benefits	3,792	2,754	6,546
Consulting	796	33	829
Convenings Expense	38	-	38
Communications Expense	83	-	83
Staff Travel, Expense, and Development	37	93	130
Rent and Utilities	-	307	307
Board Expenses	-	244	244
Bond Interest	2,754	-	2,754
Professional Fees	63	129	192
Other	326	354	680
Total Nongrant Expenses	<u>148,259</u>	<u>3,914</u>	<u>152,173</u>
Excise and Unrelated Business Income Tax Expense	-	(462)	(462)
Total Expenses	<u>\$ 148,259</u>	<u>\$ 3,452</u>	<u>\$ 151,711</u>

**NOTE 8 RETIREMENT PLANS**

The Foundation has a defined contribution retirement plan managed by Teachers Insurance and Annuity Association of America (TIAA). In 2023 and 2022, the amount of the employer contribution was 8% of the employee's salary and a 2:1 employer match on employee contributions up to a maximum of 4% of the employee's salary, subject to the maximum includible compensation limit per Section 401(a)(17) of the Code. The expense to the Foundation for contributions made to the plan was \$643 and \$598 for the years ended December 31, 2023 and 2022, respectively.

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**NOTE 8 RETIREMENT PLANS (CONTINUED)**

The Foundation has a nonqualified deferred compensation 457(b) plan for the benefit of certain employees of the Foundation who are eligible to participate in the plan. The Foundation does not make contributions to the plan. There is no expense to the Foundation for this plan.

**NOTE 9 GRANTS PAYABLE**

The following table provides the activity within the grants payable account:

	2023	2022
Unpaid Grants Payable - Beginning of Year	\$ 55,421	\$ 15,631
Grants Appropriated, Net of Cancellations	85,663	140,370
Grants Paid	(90,418)	(100,743)
Refund of Previous Years' Grants	64	163
Unpaid Grants Payable - End of Year	\$ 50,730	\$ 55,421

Grants payable in more than one year are stated at their net present value using discount rates established in the year the grant was made with resulting discount rates ranging from 4.81% to 0.37%.

The following is a summary of grants authorized and payable at December 31:

	2023	2022
To be Paid in Less than One Year	\$ 21,667	\$ 20,361
To be Paid in One to Five Years	31,489	37,575
Subtotal	53,156	57,936
Discount	(2,426)	(2,515)
Total	\$ 50,730	\$ 55,421

As of December 31, 2023 and 2022, the Foundation has approximately \$0- and \$150, respectively, of conditional grant obligations.

**NOTE 10 BOND PAYABLE**

On November 17, 2020, the Foundation issued \$100 million of Taxable Bonds Series 2020, the proceeds of which were used by the Foundation to provide grant funding in furtherance of its charitable purpose, including but not limited to making grants to counter systemic racial injustice experienced by Native Americans and Black/African Americans. The bonds were sold at par with a coupon rate of 2.754% per annum payable semiannually and a balloon payment of principal to be paid in full anytime between April 1, 2050 and October 1, 2050, but not later than October 1, 2050. Interest expense was \$2,754 for each of the years ended December 31, 2023 and 2022.

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**NOTE 11 SUBSEQUENT EVENTS**

The Foundation has evaluated subsequent events through July 11, 2024, the date on which the financial statements were available to be issued. This evaluation did not result in any subsequent events that necessitated disclosures and/or adjustments.



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