THE JAMES IRVINE FOUNDATION

FINANCIAL STATEMENTS
December 31, 2021 and 2020

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
The James Irvine Foundation

Opinion

We have audited the financial statements of The James Irvine Foundation, which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The James Irvine Foundation as of December 31, 2021 and 2020, 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 James Irvine 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 James Irvine Foundation's ability to continue as a going concern for one year from the date the financial statements are available to be issued.

(Continued)

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 James Irvine 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 James Irvine 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.

Crowe LLP

Crowe LLP

San Francisco, California
June 14, 2022

THE JAMES IRVINE FOUNDATION
STATEMENTS OF FINANCIAL POSITION
December 31, 2021 and 2020

	2021	2020
ASSETS		
Cash – interest-bearing deposits	$ 10,852	$ 10,027
Collateral under securities lending program	37,445,134	17,543,442
Receivable from sales/redemptions of investments	19,617,912	8,565,673
Interest and dividends receivable	1,134,248	984,257
Investments	4,019,902,865	3,571,795,245
Property and equipment, net	1,965,492	2,543,928
Right of use – office leases	3,344,453	4,378,834
Other assets	1,841,819	1,529,497
Total assets	$ 4,085,262,775	$ 3,607,350,903
LIABILITIES AND NET ASSETS		
Liabilities		
Payable for purchases of securities	$ 32,135,383	$ 13,843,688
Accounts payable and other accrued liabilities	6,176,352	5,295,153
Payable under securities lending program	37,445,134	17,543,442
Payable on lines of credit	30,000,000	30,000,000
Deferred federal excise taxes	27,702,000	25,807,000
Lease liability for office leases	4,679,322	6,018,023
Grants payable, net	11,078,750	41,162,156
Total liabilities	149,216,941	139,669,462
Net assets without donor restrictions	3,936,045,834	3,467,681,441
Total liabilities and net assets	$ 4,085,262,775	$ 3,607,350,903

See accompanying notes to financial statements.

THE JAMES IRVINE FOUNDATION
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
Years Ended December 31, 2021 and 2020

	2021	2020
REVENUE		
Investment income:		
Interest	$ 19,380,341	$ 10,145,424
Dividends and other income	1,991,040	3,060,859
Securities lending income	24,868	44,350
Net realized and unrealized gains on investments	614,539,386	1,129,977,726
Less: External and direct internal investment expenses	(9,696,424)	(8,779,566)
Net investment income before excise and income taxes	626,239,211	1,134,448,793
Excise and income taxes expense	(9,611,870)	(16,910,404)
Net investment income	616,627,341	1,117,538,389
EXPENSES		
Grants approved by the Board of Directors	128,906,455	108,932,381
Conditional grant activity and other, net	490,506	1,641,728
Grant expense, net	129,396,961	110,574,109
Program administrative expenses	16,633,484	13,583,964
Supporting administrative expenses	2,232,503	1,983,478
Total noninvestment expenses	148,262,948	126,141,551
Change in net assets without donor restrictions	468,364,393	991,396,838
Net assets, beginning of year	3,467,681,441	2,476,284,603
Net assets, end of year	$ 3,936,045,834	$ 3,467,681,441

See accompanying notes to financial statements.

THE JAMES IRVINE FOUNDATION
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	$ 468,364,393	$ 991,396,838
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	612,997	619,614
Net realized and unrealized gains on investments	(614,539,386)	(1,129,977,726)
Non-cash rent expense	(304,320)	(273,843)
Deferred federal excise taxes	1,895,000	12,868,000
Changes in operating assets and liabilities:		
Interest and dividends receivable	(149,991)	352,989
Other assets	(312,322)	(5,714)
Accounts payable and other accrued liabilities	881,199	1,029,011
Grants payable	(30,083,406)	(10,600,004)
Net cash used in operating activities	(173,635,836)	(134,590,835)
Cash flows from investing activities:		
Purchases of investments	(674,695,671)	(1,016,041,295)
Proceeds from sales, maturities, and distributions from investments	848,366,893	1,147,961,199
Change in collateral under securities lending program	(19,901,692)	9,345,696
Purchases of property and equipment	(34,561)	-
Net cash provided by investing activities	153,734,969	141,265,600
Cash flows from financing activities:		
Change in payable under securities lending program	19,901,692	(9,345,696)
Cash received from lines of credit	45,100,000	99,876,000
Cash paid on lines of credit	(45,100,000)	(97,301,000)
Net cash provided by (used in) financing activities	19,901,692	(6,770,696)
Net change in cash	825	(95,931)
Cash, beginning of year	10,027	105,958
Cash, end of year	$ 10,852	$ 10,027
Supplemental disclosure of cash flow information:		
Excise and income taxes paid	$ 8,155,819	$ 4,042,404
Interest paid	$ 386,910	$ 240,032

See accompanying notes to financial statements.

NOTE 1 - ORGANIZATION

The James Irvine Foundation (the "Foundation") is a private foundation dedicated to expanding opportunity for the people of California. Since 2016, the Foundation's grantmaking has been focused on the goal of a California where all low-income workers have the power to advance economically.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: The accompanying financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States (U.S. GAAP) and are presented on the basis of net assets with donor restrictions and net assets without donor restrictions. The statements of financial position are prepared using specialized accounting principles of Accounting Standards Codification (ASC) 958 *Not-for-Profit Entities.*

Net assets with donor restrictions: Net assets with donor restrictions are subject to donor-imposed stipulations. At December 31, 2021 and 2020, the Foundation did not have any net assets with donor restrictions.

Net assets without donor restrictions: Net assets without donor restrictions represent resources which do not have donor-imposed stipulations and are available to support the Foundation's operations.

Cash: Consists of interest-bearing deposits held in banks.

Investments: The Foundation maintains the following categories of investments:

- Short-term, fixed-income investments include cash, commercial paper, demand notes, foreign currency, and corporate and government bonds.
- Equity securities primarily consist of investments in both domestic and foreign corporate common stock securities as well as mutual funds.
- Fixed-income securities include holdings in corporate and municipal bonds, as well as U.S. government securities, various mortgage- and asset-backed bonds, and convertible corporate debentures.
- Alternative investments represent investments in limited partnerships, limited liability companies, onshore and offshore hedge funds, private real estate investment trusts, and other nonpublic investments.
- Derivatives are financial instruments or contracts whose values depend on or are derived from (in whole or in part) the variability of one or more underlying instruments and may include forward currency contracts, futures contracts, and total return swaps.

Derivatives: The Foundation does not designate any derivatives as hedges. Thus, the changes in fair value of derivative instruments are reported in net realized and unrealized gains (losses) on investments in the statements of activities and changes in net assets. There were no derivatives held for the years ended December 31, 2021 and 2020.

Property and Equipment: Property and equipment are stated at cost and depreciated using the straight-line method over the estimated useful lives of the assets ranging from three to seven years. Leasehold improvements are amortized over the lesser of the asset's useful life or the lease term.

(Continued)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants: Grants are expensed when the unconditional promise to give is approved by the Board of Directors. Such unconditional grants are made in support of the Foundation's mission in which the Foundation itself receives no commensurate value. The Foundation determines whether a grant is conditional on the basis of whether an agreement includes a barrier that must be overcome and either a right of return of grants made or a right of release from its obligation to make grants. Indicators of barriers include a measurable performance related barrier, limited discretion on the conduct of an activity, and barriers related to the purpose of the agreement. Conditional promises to give, consisting primarily of grants with matching requirements, are recognized as grant expense in the period in which the recipient meets the terms of the condition. Such conditions may include other requirements, such as the requirement for a newly formed organization to successfully obtain its 501(c)(3) status before the grant becomes unconditional. Grant refunds are recorded as a reduction of grant expense at the time the Foundation becomes aware the grant will be refunded.

The Foundation also actively conducts direct charitable activities. The direct charitable activities, including honoraria to individuals, cost of materials, supplies, travel and conferences, and fees paid to external parties in connection with the specific charitable activity, are included in grant expense, net on the statements of activities and changes in net assets.

Investment Income: Investment income represents investment return net of external and direct internal expenses. Direct internal expenses include salaries, benefits, travel, and other costs associated with the officer and staff responsible for the development and execution of the investment strategy. External costs include outside investment manager fees, and custodial and other service fees related to investment activities.

Retirement Plan: The Foundation provides a defined contribution plan for all its employees, funded by the Foundation and maintained by an independent trustee. The Foundation's contributions to this plan were approximately $1,440,000 and $1,362,000 in 2021 and 2020, respectively.

The Foundation also has an unfunded deferred compensation plan for a select group of highly compensated or management employees under Internal Revenue Code (the "Code") Section 457(b). Subject to statutory limits, the Foundation contributes to the plan on behalf of eligible employees who did not receive their full contributions to the defined contribution plan due to the Internal Revenue Service limits covering that plan. At December 31, 2021 and 2020, the Foundation held approximately $1,542,000 and $1,338,000, respectively, in other assets that are designated to pay future deferred compensation liabilities under the plan that are included in the accounts payable and other accrued liabilities within the statements of financial position.

Estimated Fair Value of Financial Instruments: The carrying amounts of cash, receivable from sales/redemptions of investments, interest and dividends receivable, accounts payable and other accrued liabilities, and payable for purchases of securities approximate fair value because of the short maturity of these financial instruments. The carrying amount of grants payable approximates fair value because such liabilities are recorded at estimated net present value based on anticipated future cash flows and a risk-adjusted discount rate.

Investments are held at estimated fair value. In general, where available and appropriate, alternative investments, which generally do not have a readily determinable fair value, are valued using fund-provided net asset values per share or ownership interest (NAVs) as allowed under *Fair Value Measurements and Disclosures (Topic 820): Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*. Fair value is discussed further in Note 3.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentration of Risks: In the ordinary course of business, the Foundation manages a variety of risks, including market risk and credit risk. Market conditions such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in law, and trade barriers may affect the level and volatility of the prices of financial instruments and the liquidity of the Foundation's investments. Market risk is a risk of potential adverse changes to the value of financial instruments because of changes in market conditions such as interest and currency rate movements and volatility in commodity or security prices. The Foundation is also subject to credit and counterparty risks when entering into transactions, including cash, cash equivalents, investments and derivatives. The Foundation maintains cash and cash equivalents with major financial institutions. At times, such amounts may exceed Federal Deposit Insurance Corporation limits.

Tax Exempt Status: The Foundation is a private foundation and is exempt from federal income taxes under Section 501(c)(3) of the Code and from California franchise and/or income taxes under Section 23701(d) of the Revenue and Taxation Code.

Income Taxes: The Foundation recognizes and measures its unrecognized tax benefits in accordance with ASC 740-10, which requires the Foundation to determine whether tax positions of the Foundation are "more likely than not" to be sustained upon examination by the applicable taxing authority based on the technical merits of the positions. As of December 31, 2021, the Foundation has analyzed the inventory of tax positions taken with respect to all applicable income tax issues for all open tax years (in each respective jurisdiction) and has concluded that no reserve for uncertain tax positions is required.

Leases: The Foundation, as a lessee, has the right to obtain substantially all of the economic benefits from use of the underlying assets over the lease term. The lease liabilities represent the obligation to make lease payments arising from the lease. Right of use ("ROU") assets and liabilities are recognized at commencement date based on the present value of the lease payments over the lease term. The lease agreements did not provide an implicit rate, thus the Foundation uses a risk-free discount rate established at the commencement date of the leases. The lease credits or allowances were applied against the lease payments and included in the ROU assets. Lease expense related to lease payments is recognized on a straight-line basis over the lease term.

Use of Estimates: The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant accounting estimates reflected in the Foundation's financial statements include the determination of the fair value of investments (including alternative investments), the discount on grants payable, the calculation of federal excise tax expense, and the functional expense allocation. Actual results could differ from those estimates.

Subsequent Events: The Foundation has evaluated subsequent events through June 14, 2022 the date the financial statements were available to be issued, and believes no additional disclosures are required in the financial statements, except as discussed in Note 8.

NOTE 3 – INVESTMENTS

Fair Value Measurements - The Foundation is subject to the provisions of ASC 820, *Fair Value Measurement*. ASC 820 defines fair value, establishes a framework for measuring fair value and requires disclosures about fair value measurements. ASC 820 permits the Foundation, as a practical expedient, to estimate the fair value of certain investments based on NAV per share, or its equivalent, if the NAV of such investments is calculated in a manner consistent with the measurement principles of ASC 946, *Financial Services—Investment Companies* in arriving at their reported NAV.

ASC 820 also establishes a hierarchal disclosure framework that prioritizes and ranks the level of market price observability used in measuring investments at fair value. Market price observability is affected by a number of factors, including the type of investment and the characteristics specific to the investment. Investments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. Investments measured and reported at fair value are classified and disclosed in one of the following categories.

The categorization of an investment within the hierarchy is based on the pricing transparency of the investment and does not necessarily correspond to the Foundation's perceived risk of that investment.

Level I – Quoted prices are available in active markets for identical investments as of the reporting date. This category includes active exchange traded money market funds, equity securities and U.S. Treasury securities.

Level II – Pricing inputs for assets held as collateral under securities lending programs and fixed income securities are other than quoted prices in active markets for identical instruments. Fair value for these investments is primarily determined using models or other valuation methodologies that utilize market prices of similar securities as inputs to determine fair value. These inputs are either directly or indirectly observable as of the reporting date.

Level III – Pricing inputs are unobservable and include situations where there is little, if any, market activity for the investment. Investments that are included in this category generally include privately held securities with little to no market activity. Reported valuations of Level III securities may differ materially from the values that would have been used had a ready market for these investments existed.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Foundation's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment.

(Continued)

NOTE 3 - INVESTMENTS (Continued)

The financial assets carried in the statements of financial position by level within the valuation hierarchy as of December 31, 2021, are as follows:

	Fair Value Measurements 2021				
	Level I	Level II	Level III	Other[1]	Total
Assets:					
Collateral under securities lending program:					
Cash fund	$ -	$ 1,392,943	$ -	$ -	$ 1,392,943
Non-cash	-	36,052,191	-	-	36,052,191
Total collateral under securities lending program	-	37,445,134	-	-	37,445,134
Short-term, fixed-income investments	-	64,572,153	-	-	64,572,153
Equity securities	206,102,846	-	5,956,043	700,698,233 [2]	912,757,122
Fixed-income securities	52,732,425	190,300,921	-	-	243,033,346
Alternative investments:					
Private investments	-	-	-	1,766,623,107	1,766,623,107
Multi-strategy investments	-	-	-	1,032,917,137	1,032,917,137
Total investments	258,835,271	254,873,074	5,956,043	3,500,238,477	4,019,902,865
Total assets	$ 258,835,271	$ 292,318,208	$ 5,956,043	$ 3,500,238,477	$ 4,057,347,999

The financial assets carried in the statements of financial position by level within the valuation hierarchy as of December 31, 2020, are as follows:

	Fair Value Measurements 2020				
	Level I	Level II	Level III	Other[1]	Total
Assets:					
Collateral under securities lending program:					
Cash fund	$ -	$ 407,331	$ -	$ -	$ 407,331
Non-cash	-	17,136,111	-	-	17,136,111
Total collateral under securities lending program	-	17,543,442	-	-	17,543,442
Short-term, fixed-income investments	-	48,755,560	-	-	48,755,560
Equity securities	192,974,040	-	5,344,487	698,485,190 [2]	896,803,717
Fixed-income securities	17,539,024	147,299,759	-	-	164,838,783
Alternative investments:					
Private investments	-	-	-	1,616,441,336	1,616,441,336
Multi-strategy investments	-	-	-	844,955,849	844,955,849
Total investments	210,513,064	196,055,319	5,344,487	3,159,882,375	3,571,795,245
Total assets	$ 210,513,064	$ 213,598,761	$ 5,344,487	$ 3,159,882,375	$ 3,589,338,687

[1] Investments using NAV as a practical expedient are not included in the fair value hierarchy.

[2] These investments represent holdings in commingled trust funds that invest primarily in U.S and international equity securities. The Foundation's ability to redeem these investments ranges from daily to quarterly.

(Continued)

NOTE 3 – INVESTMENTS (Continued)

At December 31, 2021 and 2020, the Foundation held a total of $5,956,043 and $5,344,487, respectively, in investments classified as Level III investments in equity securities, whose values have been estimated by the Foundation in the absence of readily ascertainable market values. These securities have been distributed to the Foundation by one of the Foundation's alternative investment funds. The Foundation's estimate of fair value is based on the fair value of the security on the date it was distributed to the Foundation. Management believes the distribution price approximates fair value.

Quantitative information regarding unobservable inputs used in determining fair value of certain investments classified as Level III as of December 31, 2021 is presented as follows:

Asset	Fair Value	Valuation Technique	Unobservable Input	Range
Equity securities	$ 5,956,043	Distribution price	Distribution price	N/A

Quantitative information regarding unobservable inputs used in determining fair value of certain investments classified as Level III as of December 31, 2020 is presented as follows:

Asset	Fair Value	Valuation Technique	Unobservable Input	Range
Equity securities	$ 5,344,487	Distribution price	Distribution price	N/A

Total realized and unrealized gains and losses recorded for Level III investments, if any, are reported in "Net realized and unrealized gains (losses) on investments" in both the statements of activities and changes in net assets and the statements of cash flows.

There were no significant transfers in or out of Level III of the fair value hierarchy during 2021 or 2020.

At December 31, 2021 and 2020, the Foundation held a total of $2,799,540,244 and $2,461,397,185, respectively, in investments in private equity funds, hedge funds, venture capital funds, multi-strategy portfolio and other alternatives, which are collectively referred to as "alternative investments", whose values have been estimated by the Foundation in the absence of readily ascertainable market values. The Foundation's estimate of fair value is generally based on the NAV provided to the Foundation by each alternative investment fund, supported by the independently audited financial statements of the alternative investment fund, when available. For those alternative investment funds for which independently audited financial statements in accordance with U.S. GAAP are not provided, the Foundation bases its estimate of fair value on the unaudited information calculated by the respective alternative investment fund's management and reported to the Foundation.

(Continued)

NOTE 3 – INVESTMENTS (Continued)

Alternative Investment Capital Contributions: The Foundation made capital contributions to alternative investments as called for by the investment agreements in 2021 and 2020, as follows:

	2021	2020
Private investments	$ 156,443,674	$ 95,500,715
Multi-strategy investments	190,670,195	60,939,998
Total	$ 347,113,869	$ 156,440,713

Alternative Investment Strategy and Redemption Information**:** The investment strategy types, commitments to additional capital contributions, and various features of the alternative investment portfolio as of December 31, 2021, are as follows:

	Fair Value	Unfunded Commitments
Private investments (a)	$ 1,766,623,107	$ 359,565,892
Multi-strategy investments (b)	1,032,917,137	134,694,323
Total	$ 2,799,540,244	$ 494,260,215

(a) These funds invest in various public and private companies, both domestic and international and in U.S. and international commercial real estate, private debt and natural resources. These investments can never be redeemed. Rather, except for two funds, proceeds will be received when the funds' assets are liquidated. It is estimated that the underlying assets of all but those two funds will be liquidated over the next 1 - 9 years (by the year 2022 through 2030), including likely extension agreements. Of the two remaining funds, one extends until the year 2039 and the other indefinitely. One of these two funds resets every four years, at which time the Foundation can opt out with proper notice.

(b) These funds primarily invest both long and short in U.S. and international equity or credit securities, as well as in various timberland holdings, both domestic and international, along with other types of investments. Management of the hedge funds has the ability to shift investment strategies. Some of these investments contain withdrawal restrictions up to three years. Some of the funds in partnership formats do not allow for redemption. Rather, proceeds will be received when the funds' assets are liquidated. For the funds that are eligible for redemption, the redemption frequency varies from monthly to annually, with a required redemption notice period between 45 days and 180 days.

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2021 and 2020, consist of the following:

	2021	2020
Office furniture and equipment	$ 1,704,322	$ 1,669,761
Leasehold improvements	4,861,576	4,861,576
Total	6,565,898	6,531,337
Accumulated depreciation and amortization	(4,600,406)	(3,987,409)
Property and equipment, net	$ 1,965,492	$ 2,543,928

Depreciation expense as of December 31, 2021 and 2020 was $612,997 and $619,614, respectively.

NOTE 5 – GRANTS

The Foundation's grant activity for the years ended December 31, 2021 and 2020, is summarized as follows:

	2021	2020
Grants approved by the Board of Directors	$ 128,906,455	$ 108,932,381
(Deduct) add conditional grant activity and other:		
Conditional grants made	(1,000,000)	(2,700,000)
Conditions met on conditional grants made in current and prior years	1,000,000	3,730,000
Change in discounts on multi-year grants – net	28,750	68,781
Matching gifts program	461,756	542,947
Conditional grant activity and other, net	490,506	1,641,728
Grant expense, net	$ 129,396,961	$ 110,574,109

Future minimum grant disbursements as of December 31, 2021, are scheduled as follows:

	Unconditional	Conditional
2022	$ 8,669,035	$ -
2023	2,418,611	-
Total	11,087,646	-
Less discounts on multi-year grants	(8,896)	-
Grants payable, net	$ 11,078,750	$ -

(Continued)

NOTE 6 - LINES OF CREDIT

The Foundation has a revolving line of credit of $75,000,000 with a major commercial bank and bears interest based on Bloomberg Short-Term Bank Yield Index rate under the terms of the agreement as well as non-usage fees of 0.2% per annum. The revolving line expires in October 2024 and is subject to standard renewal practices and covenants over financial reporting, use of assets, and customary corporate governance matters. The outstanding balance of $30,000,000 and $20,000,000 at December 31, 2021 and 2020, respectively, is included in the statements of financial position.

In March 2020, the Foundation entered into a $75,000,000 line of credit agreement with another major commercial bank. The line bears interest based on London Interbank Offered Rate (“LIBOR”) or the Prime Rate as adjusted under the terms of the agreement as well as non-usage fees of 0.13% per annum. The line expires in March 2023 and is subject to standard renewal practices and covenants over financial reporting, liquidity, use of assets, and customary corporate governance matters. The outstanding balance of $0 and $10,000,000 at December 31, 2021 and 2020, respectively, is included in the statements of financial position.

Pursuant to the agreements, the Foundation is subject to certain financial covenants and other requirements. At December 31, 2021 and 2020, management believes the Foundation is in compliance with all covenants.

Interest expense and non-usage fees totaled approximately $518,000 and $436,000 for the years ended December 31, 2021 and 2020, respectively.

NOTE 7 - EXCISE AND INCOME TAXES

In accordance with the applicable provisions of the Code, the Foundation is subject to an excise tax on its net investment income, excluding unrealized gains, and is subject to corporate income tax rates on unrelated business income. The Code requires that certain minimum distributions be made in accordance with a specified formula.

Effective December 20, 2019, the Further Consolidated Appropriations Act of 2020 (“the Act”) was signed, simplifying the excise tax rate on net investment income by repealing the reduced tax provisions of §4940 when certain distribution requirements are met. The Act replaces the previous two-tiered system (1% or 2% rates) with a flat rate of 1.39% for tax years starting after December 20, 2019. The Foundation was subject to the 1.39% rate for the years ended December 31, 2021 and December 31, 2020. Deferred excise taxes arise primarily from unrealized gains on investments. At December 31, 2021, deferred federal excise tax is estimated at 1.39%.

(Continued)

NOTE 7 - EXCISE AND INCOME TAXES (Continued)

The provision for current and deferred federal excise and income taxes for the years ended December 31, 2021 and 2020, are as follows:

	2021	2020
Current	$ 7,716,870	$ 4,042,404
Deferred	1,895,000	12,868,000
Excise and income tax expense	$ 9,611,870	$ 16,910,404

NOTE 8 - LEASE COMMITMENTS

The Foundation leases its facilities under long-term non-cancelable operating leases in San Francisco and Los Angeles. The San Francisco lease was executed in 2012 and expires in 2023. In January 2022, the San Francisco lease was amended to extend the term to 2033. The Los Angeles lease was executed in 2018 and expires in 2029.

The Foundation used a discount rate of 2.47% and 3.33% to compute the net present value of the remaining future minimum lease payments, which was the risk-free rate for the 10-year U.S. Treasury at the initial commencement date for the offices in San Francisco and Los Angeles, respectively. The Foundation has recorded a ROU asset of $3,344,453 and $4,378,834 as of December 31, 2021 and 2020, respectively. The Foundation has recorded a lease liability of $4,679,322 and $6,018,023 as of December 31, 2021 and 2020, respectively.

Approximate future minimum lease payments, subject to adjustments based on changes in real property taxes and maintenance expenses, as of December 31, 2021, are as follows:

Years Ending December 31,	Total
2022	$ 1,511,000
2023	646,000
2024	484,000
2025	499,000
2026	514,000
2027 and thereafter	1,430,000
Total cash payments	5,084,000
Less: discounts	(405,000)
Lease liability for office lease	$ 4,679,000

Rental expense was approximately $1,605,000 and $1,632,000 in 2021 and 2020, respectively.

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NOTE 9 – FUNCTIONAL EXPENSE ALLOCATIONS

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function, which therefore require allocation on a reasonable basis that is consistently applied. Expenses such as salaries and benefits, travel and meeting expenses, depreciation and amortization, and rent, are allocated among supporting administrative and program administrative expenses based on employee ratios and estimates of time and effort as evaluated by Foundation management.

	2021			
	Grantmaking Expense	Program Administrative	Supporting Administrative	Total
Salaries and benefits	$ -	$ 10,403,404	$ 1,196,194	$ 11,599,598
Professional services	-	2,504,196	322,758	2,826,954
Occupancy	-	1,071,316	267,829	1,339,145
Depreciation and amortization	-	490,398	122,599	612,997
Travel, conferences and meetings	-	229,501	35,683	265,184
Office expense	-	77,742	17,676	95,418
Information technology	-	639,604	173,804	813,408
Temporary help	-	549,501	63,063	612,564
Interest and non-usage fees	-	517,543	-	517,543
Other	-	150,279	32,897	183,176
Grants	125,501,118	-	-	125,501,118
Direct charitable activities	3,895,843	-	-	3,895,843
Total noninvestment expense	$ 129,396,961	$ 16,633,484	$ 2,232,503	$ 148,262,948

	2020			
	Grantmaking Expense	Program Administrative	Supporting Administrative	Total
Salaries and benefits	$ -	$ 9,414,395	$ 1,160,152	$ 10,574,547
Professional services	-	1,071,621	170,033	1,241,654
Occupancy	-	1,114,918	278,729	1,393,647
Depreciation and amortization	-	495,691	123,923	619,614
Travel, conferences and meetings	-	175,796	28,144	203,940
Office expense	-	55,978	13,566	69,544
Information technology	-	577,194	159,115	736,309
Temporary help	-	129,356	22,163	151,519
Interest and non-usage fees	-	435,544	-	435,544
Other	-	113,471	27,653	141,124
Grants	106,990,379	-	-	106,990,379
Direct charitable activities	3,583,730	-	-	3,583,730
Total noninvestment expense	$ 110,574,109	$ 13,583,964	$ 1,983,478	$ 126,141,551

(Continued)

NOTE 10 – LIQUIDITY

The Foundation's financial assets, available to meet general expenditures within one year of the Statement of Financial Position date, are approximately as follows:

Financial assets at December 31:

	2021	2020
Cash	$ 11,000	$ 10,000
Receivable from sales/redemptions of investments	19,618,000	8,566,000
Interest and dividends receivable	1,134,000	984,000
Short-term, fixed-income investments	64,572,000	48,756,000
Equity, fixed-income and alternative investments	3,955,331,000	3,523,040,000
Total financial assets	4,040,666,000	3,581,356,000
Less: amounts unavailable for general expenditures within one year:		
Subject to the Foundation's appropriations and spending policy	(225,000,000)	(137,000,000)
Redemption restrictions on alternative investments	(1,849,938,000)	(1,692,668,000)
Financial assets not available to be used within one year	(2,074,938,000)	(1,829,668,000)
Financial assets available to meet cash needs for general expenditures within one year	$ 1,965,728,000	$ 1,751,688,000

The Foundation structures its financial assets to be available for general expenditures, grant disbursements, and other operational obligations as they arise. Foundation financial assets are subject to an annual spending policy of 5.5 percent calculated using the average monthly financial asset value over a multi-year period, with annual appropriated expenditures approved by the Board of Directors. Available financial assets include cash, short-term investments such as marketable equity securities, fixed income instruments, redeemable private equity funds, and real asset holdings. In addition, the Foundation has lines of credit as described in detail in Note 6.

NOTE 11 - SECURITIES LENDING

Through a securities lending program managed by its investment custodian, the Foundation loans certain marketable securities included in its investment portfolio, for which the investment custodian has indemnified the Foundation against any counterparty risk. The custodian's loan agreements require the borrowers to maintain collateral in the form of cash or securities equal to 102% to 105% of the fair value of the securities loaned. The Foundation maintains control over the collateral and continues to receive interest or dividends on the securities loaned. Gain or loss in the fair value of the securities loaned that may occur during the term of the loan will be for the account of the Foundation. The Foundation has the right under the lending agreement to recover the securities from the borrower on demand. The principal risks to the Foundation of securities lending are that the yield earned on the collateral may be insufficient to cover the rebate owed to the borrower and that an investment purchased via the collateral reinvestment process may become impaired.

The value of securities on loan at December 31, 2021 and 2020, was approximately $36,523,000 and $17,125,000, respectively. The value of collateral received at December 31, 2021 and 2020, was approximately $37,445,000 and $17,543,000, respectively.