

The William H. Donner Foundation, Inc.

Financial Statements

Year Ended October 31, 2022



Independent Auditors' Report

**Board of Trustees
The William H. Donner Foundation, Inc.**

Opinion

We have audited the accompanying financial statements of The William H. Donner Foundation (the "Foundation"), which comprise the statement of financial position as of October 31, 2022, and the related statements of activities, functional expenses 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 October 31, 2022, 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. 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.

Other Matter

As described in Note 2, certain of the Foundation's alternative investments as of October 31, 2022 have been valued by the Foundation's investment advisors using September 30, 2022 amounts. Management has adjusted the Foundation's records to reflect activity through October 31, 2022. Due to global market conditions, valuations may have material variances. Our opinion is not modified with respect to this matter.

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 available to be 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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.

Report on Summarized Comparative Information

We have previously audited the Foundation's October 31, 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 13, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended October 31, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 18 - 25 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

PKF O'Connor Davies, LLP

October 2, 2023

The William H. Donner Foundation, Inc.

Statement of Financial Position
October 31, 2022
(with comparative amounts at October 31, 2021)

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents	\$ 362,441	\$ 174,942
Investments	211,748,808	241,076,980
Other assets	<u>170,653</u>	<u>74,290</u>
Total Assets	<u>\$ 212,281,902</u>	<u>\$ 241,326,212</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 239,456	\$ 189,964
Grants payable	-	25,000
Federal excise and unrelated business income tax payable	41,052	87,728
Deferred Federal excise tax	<u>545,124</u>	<u>1,065,206</u>
Total Liabilities	<u>825,632</u>	<u>1,367,898</u>
Net Assets		
Without donor restrictions	202,459,807	230,176,142
With donor restrictions	<u>8,996,463</u>	<u>9,782,172</u>
Total Net Assets	<u>211,456,270</u>	<u>239,958,314</u>
Total Liabilities and Net Assets	<u>\$ 212,281,902</u>	<u>\$ 241,326,212</u>

See notes to financial statements

The William H. Donner Foundation, Inc.

Statement of Activities

Year Ended October 31, 2022

(with summarized totals for year ended October 31, 2021)

	2022		2021
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE			
Investment Return			
Interest and dividends	\$ 3,716,658	\$ 191,754	\$ 3,908,412
Realized gain from investments	15,501,409	799,768	16,301,177
Unrealized (loss) gain on investments	(35,922,414)	(1,853,355)	(37,775,769)
Other partnership income	1,475,467	76,124	1,551,591
Direct investment expenses	(3,258,920)	-	(3,258,920)
Investment Return Before Taxes and Appropriations	(18,487,800)	(785,709)	(19,273,509)
Less:			
(Benefit) provision for deferred Federal excise tax	(520,082)	-	(520,082)
Provision for Federal excise and unrelated business income taxes	312,630	-	312,630
Investment Return	(18,280,348)	(785,709)	(19,066,057)
EXPENSES			
Grants, net of refunds	8,373,214	-	8,373,214
General administration and program management	821,574	-	821,574
Investment oversight	241,199	-	241,199
Change in Net Assets	9,435,987	-	9,435,987
	(27,716,335)	(785,709)	(28,502,044)
NET ASSETS			
Beginning of year	230,176,142	9,782,172	239,958,314
End of year	\$ 202,459,807	\$ 8,996,463	\$ 211,456,270
			3,077,568
			14,017,889
			36,785,351
			884,691
			(3,204,660)
			51,560,839
			207,793
			50,845,811
			8,847,280
			828,892
			319,920
			9,996,092
			40,849,719
			199,108,595
			239,958,314
			\$ 239,958,314

See notes to financial statements

The William H. Donner Foundation, Inc.

Statement of Functional Expenses
Year Ended October 31, 2022

(with summarized totals for the year ended October 31, 2021)

	2022				2021 Total
	Grants	General Administration and Program Management	Investment Oversight	Total	
Grants, net of refunds	\$ 8,373,214	-	-	\$ 8,373,214	\$ 8,847,280
Management services	-	265,406	142,911	408,317	693,730
Professional fees	-	214,782	47,630	262,412	194,377
Salaries and benefits	-	104,440	5,497	109,937	-
Occupancy	-	16,982	894	17,876	-
General office	-	19,386	1,020	20,406	20,255
Postage	-	9,230	486	9,716	6,464
Membership dues and subscriptions	-	-	25,007	25,007	23,725
Travel and meeting	-	129,619	6,822	136,441	112,531
Investment committee meeting and travel	-	-	9,831	9,831	19,803
Insurance	-	20,923	1,101	22,024	18,760
Member reimbursement	-	40,806	-	40,806	59,167
	<u>\$ 8,373,214</u>	<u>\$ 821,574</u>	<u>\$ 241,199</u>	<u>\$ 9,435,987</u>	<u>\$ 9,996,092</u>

See notes to financial statements

The William H. Donner Foundation, Inc.

Statement of Cash Flows
Year Ended October 31, 2022
(with comparative amounts for year ended October 31, 2021)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (28,502,044)	\$ 40,849,719
Adjustments to reconcile change in net assets to net cash from operating activities		
Realized gain from investments	(16,301,177)	(14,017,889)
Unrealized loss (gain) on investments	37,775,769	(36,785,351)
Deferred Federal excise tax	(520,082)	507,235
Change in operating assets and liabilities		
Prepaid Federal excise and unrelated business income tax	-	46,065
Other assets	(96,363)	(41,305)
Accounts payable and accrued expenses	49,492	23,105
Grants payable	(25,000)	(46,000)
Federal excise and unrelated business income tax payable	(46,676)	87,728
Net Cash from Operating Activities	(7,666,081)	(9,376,693)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(72,071,534)	(59,383,615)
Proceeds from sales of investments	79,925,114	68,407,381
Net Cash from Investing Activities	7,853,580	9,023,766
Net Change in Cash and Cash Equivalents	187,499	(352,927)
CASH AND CASH EQUIVALENTS		
Beginning of year	174,942	527,869
End of year	\$ 362,441	\$ 174,942
SUPPLEMENTAL CASH FLOW INFORMATION		
Federal excise taxes paid	\$359,306	\$ 74,000

See notes to financial statements

The William H. Donner Foundation, Inc.

Notes to Financial Statements
October 31, 2022

1. Organization

The William H. Donner Foundation, Inc. (the “Foundation”) is a family foundation. The Foundation is exempt from Federal income taxes under Internal Revenue Code (IRC) Section 501(c)(3). The Foundation has a sister institution in Canada (Donner Canadian Foundation), also founded by the Foundation’s donor, which operates independently with respect to governance, personnel, policies, and programmatic interests. In November 2021, the Foundation entered into an agreement with the Donner Canadian Foundation to perform certain administrative, management, and advisory services with regard to the Foundation’s operations and activities. Donner Canadian Foundation is not included in the accompanying financial statements. The source of revenue for the Foundation is primarily derived from investment activities.

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”), which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash Equivalents

Cash equivalents represent short-term investments with maturities of three months or less at time of purchase, except for those short-term investments managed by the Foundation’s custodian as part of the long-term investment strategy.

Fair Value Measurements

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

The Foundation follows U.S. GAAP guidance which removed the requirements to categorize within the fair value hierarchy alternative investments where fair value is measured using the Net Asset Value (“NAV”) per share as a practical expedient.

The William H. Donner Foundation, Inc.

Notes to Financial Statements
October 31, 2022

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

Investments Valuation

Investments, other than temporary cash investments, are carried at fair value. Temporary cash investments are valued at cost plus accrued interest. Certain of the Foundation's alternative investments have been valued by the Foundation's investment advisors using September 30, 2022 amounts. Management has adjusted the Foundation's records to reflect activity through October 31, 2022. The Foundation believes the carrying amount of these investments is a reasonable estimate of fair value. Due to global market conditions, valuations may have material variances.

Investment Income Recognition

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses are included in the determination of the change in net assets.

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to general administration and program management and investment oversight. Management services, professional fees, and other certain categories of expenses are attributable to more than one supporting function and are allocated on a reasonable basis that is consistently applied. The Foundation allocates these expenses based on estimates of time and effort of the management company and other Foundation resources utilized on investment activities as compared to management of the Foundation.

Presentation of Net Assets

Net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the Foundation's net assets and changes therein are classified as net assets without donor restrictions and net assets with donor restrictions. Support is reported as increases in net assets without donor restrictions unless its use is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of net assets with donor restrictions that are time or purpose restricted, if any (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed), are reported as net assets released from restrictions. Net assets with donor restrictions that are to be held in perpetuity contain donor-imposed restrictions that stipulate those resources be maintained permanently, but permit the Foundation to use or expend part or all of the income derived from the donated amounts for a specified purpose.

The William H. Donner Foundation, Inc.

Notes to Financial Statements
October 31, 2022

2. Summary of Significant Accounting Policies (continued)

Grant Expense

The Foundation recognizes grant expense upon approval of the grant by the Board of Trustees and communication to the grantee.

Investment Objectives and Spending Policy

The Foundation follows a total return investing concept, seeking to maintain a prudent balance between current income and future growth for its investment assets, while maintaining a suitable level of asset valuation volatility. Under this concept, the investment committee of the Board of Trustees seeks diversification among asset classes, markets and maturities. The investment committee also recommends a distribution and spending amount to the Board of Trustees based on a percentage of total net assets, including the endowment funds, and to comply with IRC payout requirements.

Accounting for Uncertainty in Income Taxes

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

Prior Year Summarized Comparative Information

Information as of and for the year ended October 31, 2021 is presented for comparative purposes only. Certain activity by net asset classification is not included in these financial statements. Accordingly, such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Foundation's financial statements as of and for the year ended October 31, 2021, from which the summarized comparative information was derived.

Subsequent Events

The Foundation evaluated subsequent events through October 2, 2023 which was the date the financial statements were available to be issued.

The William H. Donner Foundation, Inc.

Notes to Financial Statements
October 31, 2022

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

Concentrations of Credit Risk

The Foundation's financial instruments that are potentially exposed to concentration of credit risk consist of cash, cash equivalents and investments held at financial institutions. Investment holdings at financial institutions insured by the Securities Investor Protection Corporation ("SIPC") are insured up to \$500,000 (\$250,000 for cash holdings). As of October 31, 2022 and 2021, the Foundation's uninsured cash, cash equivalents and investment holdings totaled approximately \$211,611,000 and \$240,752,000.

3. Tax on Income

The Foundation's excise tax rate is 1.39% in accordance with section 4940(a) of the Internal Revenue Code and deferred Federal excise tax is calculated at 1.39% of the unrealized appreciation on fair value of investments.

The Foundation invests in partnerships that generate unrelated business income tax (UBIT), which is subject to Federal and New York State income taxes at for-profit corporate rates. During 2022, these investments generated a gain resulting in a recorded taxable expense of approximately \$47,500. Since the income was mostly allocated to other states outside of New York, the Foundation has recorded the minimum New York State tax expense of \$250. During 2021, these investments generated a loss totaling approximately \$123,400. Due to the loss, the Foundation recorded the minimum New York State tax expense of \$250.

The IRC requires that certain minimum distributions be made in accordance with a specified formula. The Foundation had approximately \$4,187,000 and \$2,497,000 of undistributed income as of October 31, 2022 and 2021.

The William H. Donner Foundation, Inc.

Notes to Financial Statements October 31, 2022

4. Investments

The following are major categories of investments measured at fair value on a recurring basis at October 31, grouped by the fair value hierarchy, for those investments subject to categorization within such hierarchy:

	2022		
	Level 1	Investments Measured at Net Asset Value (*)	Total
Equities			
Consumer discretionary	\$2,663,425	\$ -	\$ 2,663,425
Financial industry	3,649,461	-	3,649,461
Industrial	7,243,922	-	7,243,922
Information technology	4,951,027	-	4,951,027
Healthcare	5,858,714	-	5,858,714
Real estate	893,502	-	893,502
Other	3,753,218	-	3,753,218
Government bonds	14,461,289	-	14,461,289
US and international equity funds	-	31,149,511	31,149,511
Real estate funds	-	20,809,972	20,809,972
Specialized and distressed debt	-	40,236,648	40,236,648
Private equity	-	7,509,384	7,509,384
Venture capital	-	62,904,503	62,904,503
Total Investments at Fair Value	<u>\$ 43,474,558</u>	<u>\$ 162,610,018</u>	<u>206,084,576</u>
Money market funds, at cost			5,664,232
Total Investments			<u>\$ 211,748,808</u>
	2021		
	Level 1	Investments Measured at Net Asset Value (*)	Total
Equities			
Consumer discretionary	\$ 3,947,289	\$ -	\$ 3,947,289
Financial industry	4,051,713	-	4,051,713
Industrial	10,269,305	-	10,269,305
Information technology	10,065,378	-	10,065,378
Healthcare	9,726,322	-	9,726,322
Real estate	1,269,059	-	1,269,059
Other	4,885,230	-	4,885,230
US and international equity funds	-	33,433,689	33,433,689
Real estate funds	-	15,354,085	15,354,085
Specialized and distressed debt	-	32,506,231	32,506,231
Private equity	-	5,345,694	5,345,694
Venture capital	-	64,816,963	64,816,963
Total Investments at Fair Value	<u>\$ 44,214,296</u>	<u>\$ 151,456,662</u>	<u>195,670,958</u>
Money market funds, at cost			45,406,022
Total Investments			<u>\$ 241,076,980</u>

(*) As discussed in Note 2, investments that are measured using the practical expedient are not classified within the fair value hierarchy.

The William H. Donner Foundation, Inc.

Notes to Financial Statements
October 31, 2022

4. Investments (continued)

Information regarding alternative investments valued at NAV using the practical expedient at October 31, 2022 is as follows:

	Fair Value	Unfunded Commitment	Redemption Frequency (if currently eligible)	Redemption Notice Period
US and international equity funds (see "a" below)	\$ 31,149,511	\$ -	Monthly	15 - 30 days
Real estate funds (see "b" below)	20,809,972	17,014,086	N/A	N/A**
Specialized and distressed debt (see "c" below)	40,236,648	16,801,075	N/A	N/A**
Private equity (see "d" below)	7,509,384	1,740,000	N/A	N/A**
Venture capital (see "e" below)	62,904,503	29,727,541	N/A	N/A**
	<u>\$162,610,018</u>	<u>\$65,282,702</u>		

(**) These investments can never be redeemed with the funds. Instead, the nature of the investments in this category is that distributions are received through liquidation of the underlying assets of the fund.

- (a) This category includes five investments in domestic and international equity funds.
- (b) The real estate funds consist of three limited partnerships and two REITs. Two of these funds invest in real estate that is distressed, undervalued or mispriced in the U.S. in pursuit of long-term investment return. Three of the investment partnerships focus on investing in properties that rent to U.S. government offices which provides a steady stream of income through long-term leases.
- (c) Specialized and distressed debt investments consist of fourteen investment partnerships. Three of these investments focus primarily on mezzanine debt and equity investments while seeking to earn high current returns and long-term capital appreciation without subjecting principal to undue risk. The other eleven partnerships focus on investing in companies experiencing financial difficulties that have either gone through reorganization after bankruptcy, debt restructuring, reorganization or liquidation. These ten partnerships also invest in "non-distressed debt" of companies believed to be undervalued seeking to balance out the investment return over the long term.
- (d) Private equity funds consist of one investment partnership that invests in both late stage private companies and smaller capitalization public companies to promote growth and expansion.
- (e) Venture capital investments consist of eleven investment partnerships which seek long-term capital appreciation through investments in a diversified selection of top tier venture funds and growth equity funds.

The William H. Donner Foundation, Inc.

Notes to Financial Statements
October 31, 2022

4. Investments (*continued*)

The Foundation has made commitments to invest up to a total of approximately \$262,985,000 in 46 limited partnerships. At October 31, 2022, approximately \$188,169,000 had been invested and approximately \$1,337,000 had been forfeited leaving unfunded commitments of approximately \$73,479,000.

Investments Risks and Uncertainties

Alternative investments consist of non-traditional, not readily marketable investments, some of which may be structured as offshore limited partnerships, venture capital funds, hedge funds, private equity funds and common trust funds. The underlying investments of such funds, whether invested in stock or other securities, are generally not currently traded in a public market and typically are subject to restrictions on resale. Values determined by investment managers and general partners of underlying securities that are thinly traded or not traded in an active market may be based on historical cost, appraisals, a review of the investees' financial results, financial condition and prospects, together with comparisons to similar companies for which quoted market prices are available or other estimates that require varying degrees of judgment.

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

5. Note Receivable

The Foundation made a \$2,000,000 loan to the corporate managers of an investment firm. Under a modification to the loan terms, the investment management firm may pay back the principal of the loan through assignment of profit sharing percentages to the Foundation in newly developed real estate investments. Profit sharing interests in fifteen investments have been assigned to the Foundation as of October 31, 2022. As of April 1, 2021, the principal loan balance was reduced to zero and the Foundation is expected to receive carried interest on the active real estate investments. During fiscal year 2022 and 2021, the Foundation received carried interest of approximately \$680,000 and \$1,016,000.

Based on the collectability risk of the note, management deemed it necessary to continue to provide an allowance of \$2,000,000 against the principal and future profit sharing interests as of October 31, 2022 and 2021.

The William H. Donner Foundation, Inc.

Notes to Financial Statements
October 31, 2022

6. Management Agreement

The Foundation has a management agreement with FIDES to perform administrative, management, and advisory services with regard to the Foundation's operations and activities. For fiscal 2021 the agreement called for the Foundation to pay FIDES for its services an annual fee of \$693,730 payable quarterly in installments on November 1, February 1, May 1 and August 1.

In April 2021, the Foundation and FIDES extended the fiscal year 2021 management agreement for an additional three months from November 1, 2021 through January 31, 2022, upon which the management relationship was terminated. The Foundation paid a fee of \$161,014 during this three-month period. In April 2021, the Foundation and FIDES also entered into a consulting agreement to assist with the transition of new management from February 1, 2022 through April 30, 2022. The Foundation paid a fee of \$129,000 during this three-month period.

In November 2021, the Foundation entered into a management agreement with the Donner Canadian Foundation (DCF). For fiscal year 2022 the agreement called for the Foundation to pay DCF for its services an annual fee of CAD \$124,415. In February 2022, the service fee increased to an annual fee of CAD \$136,194. Converted to USD, the Foundation management services expense to DCF for fiscal year 2022 was \$118,303.

7. Endowment Funds

Net assets with donor restrictions-endowment funds consist of donations received for which the donors stipulated they be held in perpetuity. All income earned on the funds are classified as net assets with donor restrictions-time or purpose restricted and released upon appropriation.

The following is a reconciliation of the investment activity in the endowment funds as of and for the years ended October 31:

	Net Assets with Donor Restrictions (Time or Purpose)	Net Assets with Donor Restrictions (Perpetual)	Total Net Assets with Donor Restrictions
Balance at November 1, 2020	\$ -	\$ 9,782,172	\$ 9,782,172
Net investment income	915,804	-	915,804
Appropriated for expenditures	<u>(915,804)</u>	<u>-</u>	<u>(915,804)</u>
Balance at October 31, 2021	-	9,782,172	9,782,172
Net investment loss	<u>(785,709)</u>	<u>-</u>	<u>(785,709)</u>
Balance at October 31, 2022	<u>\$ (785,709)</u>	<u>\$ 9,782,172</u>	<u>\$ 8,996,463</u>

The William H. Donner Foundation, Inc.

Notes to Financial Statements
October 31, 2022

7. Endowment Funds (*continued*)

The Foundation follows the policy of pooling its invested funds. Investment income and appreciation are allocated annually based upon a sharing percentage adjusted for additions to and withdrawals from the pooled fund. The endowment fund is allocated from a percentage of the total pooled funds based on the cost basis of the portfolio at year end.

If perpetual endowment funds have experienced losses below the amount of funds to be held in perpetuity due to market fluctuations, U.S. GAAP requires that such excess losses be absorbed by the net assets with donor restrictions. At October 31, 2022, the aggregate amount by which the restricted funds are below the corpus is \$785,709.

Interpretation of Relevant Law

In September 2010, New York State enacted New York Prudent Management of Institutional Funds Act (“NYPMIFA”), the terms of which are applicable to the Foundation. NYPMIFA principally addresses the management and investment of all not-for-profit entity “institutional funds” (which are mainly the financial assets of the entity and which exclude programmatic assets such as buildings or operating facilities) as well as the appropriations by the governing board of earnings derived from both donor-restricted and board-designated endowment funds. In essence, NYPMIFA requires all of the financial resources of the entity to be used in a “prudent” fashion with the express approval and action of the governing board. The Foundation’s Board of Trustees will continue to adhere to NYPMIFA’s requirements relating to the Foundation’s permanent endowment funds.

8. Line of Credit

The Foundation has a \$5,000,000 revolving line of credit agreement with a bank that was renewed on November 1, 2021 and expires November 30, 2023. As a result of an amendment to the borrowing rate on March 4, 2023, borrowings will bear optional interest at i) greater of 2% or the prime rate less 75 basis points ii) greater of 1% or the Daily Simple Secured Overnight Financing Rate (“SOFR”) plus 110 basis points iii) greater of 1% or Auto Reprice SOFR plus 110 basis points iiiii) bank offered rate at the time the Foundation draws funds. Prior to the amendment any borrowings would bear optional interest at the London Interbank Offered Rate plus 100 basis points, 2%, the prime rate less 75 basis points or a bank offered rate at the time the Foundation draws funds. No borrowings were made on this line of credit during 2022 and 2021.

The William H. Donner Foundation, Inc.

Notes to Financial Statements
October 31, 2022

9. Liquidity and Availability of Financial Assets

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

	<u>2022</u>	<u>2021</u>
Financial Assets:		
Cash and cash equivalents	\$ 362,441	\$ 174,942
Investments	211,748,808	241,076,980
Accrued income and loan interest receivable (recorded in other assets)	<u>138,552</u>	<u>49,747</u>
Total financial assets	212,249,801	241,301,669
Less: Contractual or donor imposed restriction amounts		
Net assets with donor restrictions	8,996,463	9,782,172
Illiquid investments	<u>131,460,507</u>	<u>118,022,973</u>
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	<u>\$ 71,792,831</u>	<u>\$ 113,496,524</u>

Cash flow is monitored regularly and investments are redeemed as needed in accordance with the Foundation's investment policy. In addition, the Foundation has a line of credit available, if needed, as described in Note 8.

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