The William H. Donner Foundation, Inc.

Financial Statements

For the Period November 1, 2022 to December 31, 2023

PKF O'CONNOR DAVIES
ACCOUNTANTS AND ADVISORS

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, Inc. (the "Foundation"), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses and cash flows for the period November 1, 2022 to December 31, 2023, 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 period November 1, 2022 to December 31, 2023 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.

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.

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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.

PKF O'Connor Davies, LLP

November 21, 2024

The William H. Donner Foundation, Inc.

Statement of Financial Position
December 31, 2023

ASSETS	
Cash and cash equivalents	$ 270,489
Investments	209,332,917
Prepaid Federal excise and unrelated business income tax	14,480
Other assets	148,922
Total Assets	$ 209,766,808
LIABILITIES AND NET ASSETS	
Liabilities	
Accounts payable and accrued expenses	$ 365,611
Deferred Federal excise tax	623,744
Total Liabilities	989,355
Net Assets	
Without donor restrictions	199,232,201
With donor restrictions	9,545,252
Total Net Assets	208,777,453
Total Liabilities and Net Assets	$ 209,766,808

See notes to financial statements

The William H. Donner Foundation, Inc.

Statement of Activities
For the Period November 1, 2022 to December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE			
Investment Return			
Interest and dividends	$ 6,420,319	$ 194,938	$ 6,615,257
Realized gain from investments	2,972,642	90,258	3,062,900
Unrealized gain on investments	5,553,691	168,625	5,722,316
Other partnership income	3,127,766	94,968	3,222,734
Direct investment expenses	(5,714,804)	-	(5,714,804)
Investment Return Before Taxes and Appropriations	12,359,614	548,789	12,908,403
Less:			
Provision for deferred Federal excise tax	78,620	-	78,620
Provision for Federal excise and unrelated business income taxes	119,468	-	119,468
Investment Return	12,161,526	548,789	12,710,315
EXPENSES			
Grants	14,263,554	-	14,263,554
General administration and program management	953,702	-	953,702
Investment oversight	171,876	-	171,876
	15,389,132	-	15,389,132
Change in Net Assets	(3,227,606)	548,789	(2,678,817)
NET ASSETS			
Beginning of period	202,459,807	8,996,463	211,456,270
End of period	$ 199,232,201	$ 9,545,252	$ 208,777,453

See notes to financial statements

The William H. Donner Foundation, Inc.

Statement of Functional Expenses
For the Period November 1, 2022 to December 31, 2023

	Grants	General Administration and Program Management	Investment Oversight	Total
Grants	$ 14,263,554	$ -	$ -	$ 14,263,554
Management services	-	104,098	56,053	160,151
Professional fees	-	194,822	70,255	265,077
Salaries and benefits	-	211,675	-	211,675
Occupancy	-	20,923	-	20,923
General office	-	20,905	1,094	21,999
Telephone	-	789	42	831
Postage	-	5,769	304	6,073
Membership dues and subscriptions	-	152	-	152
Travel and meeting	-	297,313	-	297,313
Investment committee meeting and travel	-	-	40,183	40,183
Insurance	-	22,358	3,945	26,303
Member reimbursement	-	74,898	-	74,898
	$ 14,263,554	$ 953,702	$ 171,876	$ 15,389,132

See notes to financial statements

The William H. Donner Foundation, Inc.

Statement of Cash Flows
For the Period November 1, 2022 to December 31, 2023

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ (2,678,817)
Adjustments to reconcile change in net assets to net cash from operating activities	
Realized gain from investments	(3,062,900)
Unrealized gain from investments	(5,722,316)
Deferred Federal excise tax	78,620
Change in operating assets and liabilities	
Prepaid Federal excise and unrelated business income tax	(14,480)
Other assets	21,731
Accounts payable and accrued expenses	126,155
Federal excise and unrelated business income tax payable	(41,052)
Net Cash from Operating Activities	(11,293,059)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(39,560,082)
Proceeds from sales of investments	50,761,189
Net Cash from Investing Activities	11,201,107
Net Change in Cash and Cash Equivalents	(91,952)
CASH AND CASH EQUIVALENTS	
Beginning of period	362,441
End of period	$ 270,489
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION	
Federal excise taxes paid	$ 175,000

See notes to financial statements

1. Organization

The William H. Donner Foundation, Inc. (the “Foundation”) is a family foundation. 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 Foundation historically utilized a fiscal year ended October 31 however, effective October 15, 2023, the Foundation changed their fiscal year end to December 31. As a result, the accompanying financial statements have been prepared for the period of November 1, 2022 to December 31, 2023.

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.

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. 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.

Grant Expense

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

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

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, 2020.

Subsequent Events

The Foundation evaluated subsequent events through November 21, 2024 which was the date the financial statements were available to be issued.

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 December 31, 2023, the Foundation's uninsured cash, cash equivalents and investment holdings totaled approximately $208,870,000.

3. Taxes

The Foundation is a nonprofit organization exempt from Federal income taxes under the provisions of Sections 501(c)(3) of the Internal Revenue Code (the "Code") and is a private foundation as defined in Section 509(a) of the Code.

The Foundation is subject to a Federal excise tax rate of 1.39% on its net investment income, as defined, for tax purposes. Deferred taxes principally arise from differences between the cost and fair value of investments where aggregate fair value exceeds cost and are calculated using the 1.39% tax rate.

3. Taxes *(continued)*

The Foundation is also subject to income tax at corporate rates on certain income that is considered unrelated business income under the Code.

In addition, the Foundation is required to make certain minimum distributions in accordance with a formula specified by the Internal Revenue Service.

4. Investments

The following are major categories of investments measured at fair value on a recurring basis at December 31, 2023 grouped by the fair value hierarchy, for those investments subject to categorization within such hierarchy:

	Level 1	Investments Measured at Net Asset Value (*)	Total
Equities			
Consumer discretionary	$ 2,751,521	$ -	$ 2,751,521
Financial industry	4,460,047	-	4,460,047
Industrial	9,198,872	-	9,198,872
Information technology	5,981,101	-	5,981,101
Healthcare	5,244,737	-	5,244,737
Real estate	1,262,214	-	1,262,214
Other	3,775,638	-	3,775,638
Government bonds	14,773,008	-	14,773,008
US and international equity funds	-	14,730,944	14,730,944
Real estate funds	-	24,206,970	24,206,970
Specialized and distressed debt	-	44,917,906	44,917,906
Private equity	-	7,216,013	7,216,013
Venture capital	-	67,137,330	67,137,330
Total Investments at Fair Value	$ 47,447,138	$ 158,209,163	205,656,301
Money market funds, at cost			3,676,616
Total Investments			$ 209,332,917

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

4. Investments *(continued)*

Information regarding alternative investments valued at NAV using the practical expedient at December 31, 2023 is as follows:

	Fair Value	Unfunded Commitment	Redemption Frequency (if currently elligible)	Redemption Notice Period
US and international equity funds (see "a" below)	$ 14,730,944	$ -	Monthly	15 - 30 days
Real estate funds (see "b" below)	24,206,970	6,462,979	N/A	N/A**
Specialized and distressed debt (see "c" below)	44,917,906	17,549,168	N/A	N/A**
Private equity (see "d" below)	7,216,013	180,000	N/A	N/A**
Venture capital (see "e" below)	67,137,330	29,064,031	N/A	N/A**
	$158,209,163	$53,256,178		

(**) 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.

4. Investments *(continued)*

The Foundation has made commitments to invest up to a total of approximately $186,492,000 in 31 limited partnerships. At December 31, 2023, approximately $133,237,000 had been invested leaving unfunded commitments of approximately $53,256,000.

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 December 31, 2023. 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 the period ended December 31, 2023, the Foundation did not receive carried interest.

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 December 31, 2023.

6. Management Agreement

In November 2021, the Foundation entered into a management agreement with the Donner Canadian Foundation (DCF). In February 2022, the service fee was CAD $136,194. In February 2023, the service fee increased to an annual fee of CAD $147,646. Converted to USD, the Foundation management services expense to DCF for the period of November 1, 2022 to December 31, 2023 was $160,150.

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 for the period November 1, 2022 to December 31, 2023:

	Net Assets with Donor Restrictions (Time or Purpose)	Net Assets with Donor Restrictions (Perpetual)	Total Net Assets with Donor Restrictions
Balance at October 31, 2022	$ (785,709)	$ 9,782,172	$ 8,996,463
Net investment income	548,789	-	548,789
Balance at December 31, 2023	$ (236,920)	$ 9,782,172	$ 9,545,252

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 December 31, 2023, the aggregate amount by which the restricted funds are below the corpus is $236,920.

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 expired November 30, 2023. As a result of an amendment to the borrowing rate on March 4, 2023, borrowings would bear optional interest at the greater of i) 2% or the prime rate less 75 basis points, ii) 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 or iiii) 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.

The agreement was renewed on November 30, 2023 through November 31, 2025. Borrowings will bear optional interest at the greater of i) 1% or SOFR plus 1%, ii) greater of 1% or the prime rate less 75 basis points or, iii) bank offered rate at the time the Foundation draws funds.

No borrowings were made on this line of credit during the period of November 1, 2022 to December 31, 2023.

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 December 31, 2023:

Financial Assets:	
Cash and cash equivalents	$ 270,489
Investments	209,332,917
Accrued income and loan interest receivable (recorded in other assets)	126,274
Total financial assets	209,729,680
Less: Contractual or donor imposed restriction amounts	
Net assets with donor restrictions (perpetual)	9,782,172
Illiquid investments	143,478,219
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	$ 56,469,289

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. During July 2024 the Foundation sold a portion of their investments measured at net asset value for approximately 84% of their estimated fair value for proceeds of approximately $40,000,000. The sale resulted in the release of remaining unfunded commitments of approximately $18,000,000 for additional liquidity to meet cash needs.

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