



BOSTON FOUNDATION, INC.

Consolidated Financial Statements

June 30, 2024 and 2023

(With Independent Auditors' Report Thereon)



KPMG LLP
One Financial Plaza
755 Main Street
Hartford, CT 06103

Independent Auditors' Report

The Board of Directors
the Boston Foundation, Inc.:

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of the Boston Foundation, Inc. and its affiliates, (the Foundation), which comprise the consolidated statements of financial position as of June 30, 2024 and 2023, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Foundation as of June 30, 2024 and 2023, and the change in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

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 Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

KPMG LLP

Hartford, Connecticut
November 15, 2024

BOSTON FOUNDATION, INC.

Consolidated Statements of Financial Position

June 30, 2024 and 2023

(Dollars in thousands)

Assets	2024	2023
Cash and cash equivalents	\$ 14,120	23,138
U.S. Treasuries	37,110	30,922
Program-related investments, net	23,433	26,556
Investments, at fair value	1,832,619	1,685,190
Contributions receivable, net and other assets	694	1,174
Fixed assets, net	2,121	2,535
Right of use asset, net	7,967	9,352
Total assets	<u>\$ 1,918,064</u>	<u>1,778,867</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	\$ 5,532	6,727
Grants payable	3,137	3,501
Operating lease liabilities	9,085	10,496
Total liabilities	<u>17,754</u>	<u>20,724</u>
Net assets:		
Without donor restrictions:		
Undesignated	1,311,500	1,227,459
Designated by the Board for endowment	30,722	28,910
Total without donor restrictions	<u>1,342,222</u>	<u>1,256,369</u>
With donor restrictions:	<u>558,088</u>	<u>501,774</u>
Total net assets	<u>1,900,310</u>	<u>1,758,143</u>
Total liabilities and net assets	<u>\$ 1,918,064</u>	<u>1,778,867</u>

See accompanying notes to consolidated financial statements.

BOSTON FOUNDATION, INC.

Consolidated Statement of Activities

Year ended June 30, 2024

(Dollars in thousands)

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Revenues and investment activity:			
Contributions	\$ 150,326	30,345	180,671
Service fees	2,623	—	2,623
Investment returns, net	128,054	51,737	179,791
Net assets released from restrictions	25,768	(25,768)	—
Total revenues	<u>306,771</u>	<u>56,314</u>	<u>363,085</u>
Expenses:			
Grants	189,846	—	189,846
Salary and benefits	19,870	—	19,870
Professional fees	4,910	—	4,910
Meetings, conferences and travel	1,670	—	1,670
Marketing	980	—	980
Office expenses	178	—	178
Technology	1,171	—	1,171
Occupancy	2,293	—	2,293
Total expenses	<u>220,918</u>	<u>—</u>	<u>220,918</u>
Change in net assets	85,853	56,314	142,167
Net assets, beginning of year	<u>1,256,369</u>	<u>501,774</u>	<u>1,758,143</u>
Net assets, end of year	<u>\$ 1,342,222</u>	<u>558,088</u>	<u>1,900,310</u>

See accompanying notes to consolidated financial statements.

BOSTON FOUNDATION, INC.

Consolidated Statement of Activities

Year ended June 30, 2023

(Dollars in thousands)

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Revenues and investment activity:			
Contributions	\$ 143,547	1,422	144,969
Service fees	2,925	—	2,925
Investment returns, net	90,406	25,270	115,676
Net assets released from restrictions	25,988	(25,988)	—
Total revenues	<u>262,866</u>	<u>704</u>	<u>263,570</u>
Expenses:			
Grants	175,374	—	175,374
Salary and benefits	19,138	—	19,138
Professional fees	7,938	—	7,938
Meetings, conferences and travel	4,424	—	4,424
Marketing	1,136	—	1,136
Office expenses	630	—	630
Technology	1,212	—	1,212
Occupancy	2,221	—	2,221
Total expenses	<u>212,073</u>	<u>—</u>	<u>212,073</u>
Change in net assets	50,793	704	51,497
Net assets, beginning of year	<u>1,205,576</u>	<u>501,070</u>	<u>1,706,646</u>
Net assets, end of year	<u>\$ 1,256,369</u>	<u>501,774</u>	<u>1,758,143</u>

See accompanying notes to consolidated financial statements.

BOSTON FOUNDATION, INC.

Consolidated Statements of Cash Flows

Years ended June 30, 2024 and 2023

(Dollars in thousands)

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Change in net assets	\$ 142,167	51,497
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	404	437
Loss on disposal of fixed assets	10	—
Net realized and unrealized (gain) on investments	(155,650)	(98,953)
Change in loan loss reserve and discounts - program-related investments	183	1,918
Amortization of operating right-of-use lease assets	1,385	1,386
Change in operating assets and liabilities:		
Contributions receivable, net and other assets	480	352
Other accounts payable and accrued liabilities	(930)	493
Annuity and beneficiary payables	(264)	(175)
Grants payable	(364)	(1,575)
Operating lease liabilities	(1,411)	(1,362)
Contributions restricted for long-term investments	(5,338)	(1,422)
Contributed securities	(73,343)	(33,813)
Proceeds from the sales of donated securities	49,524	33,812
Realized gain/loss on contributed securities	(1,007)	20
Net cash (used in) operating activities	<u>(44,154)</u>	<u>(47,385)</u>
Cash flows from investing activities:		
Investment in notes receivables - program-related investments	(1,443)	(10,875)
Collection on notes receivables - program-related investments	4,383	3,977
Proceeds from sales of investments	396,405	503,241
Purchases of investments	(369,547)	(439,492)
Net cash provided by investing activities	<u>29,798</u>	<u>56,851</u>
Cash flows from financing activities:		
Contributions restricted for long-term investments	5,338	1,422
Net cash provided by financing activities	<u>5,338</u>	<u>1,422</u>
Net change in cash and cash equivalents	<u>(9,018)</u>	<u>10,888</u>
Cash and cash equivalents, beginning of year	23,138	12,250
Cash and cash equivalents, end of year	\$ <u>14,120</u>	<u>23,138</u>
Non cash disclosure		
Contributions restricted for long-term investments	25,007	—

BOSTON FOUNDATION, INC.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

(Dollars in thousands)

(1) Organization

Founded in 1915, the Boston Foundation, Inc. (the Foundation) is one of the nation's first community foundations – a major grantmaker, partner in philanthropy, provider of information, and civic leader addressing Greater Boston's most pressing challenges.

The Philanthropic Initiative (TPI), is an internationally recognized provider of customized philanthropic consulting. Since its merger into the Foundation in 2012, it has operated as a distinct unit of the Foundation.

The Foundation's mission is to improve lives and strengthen communities. We are committed to closing the gaps on Greater Boston's greatest disparities. Through our resources and relationships, we work to open pathways to opportunity and build and sustain vital, prosperous and equitable communities. This complex, challenging and critical goal requires tackling the individual-, systems- and root-level causes of inequity.

We collect data, commission research, share knowledge, develop dynamic programs, fuel new ideas and fund change. Our work informs public policy, catalyzes conversations and advocates not only for change, but for repair of the historical harms of inequity. Ultimately, we aim to support, contribute and create well-being and opportunity within our communities. The Foundation's primary purposes are threefold: to make charitable grants to qualified recipients; to assist donors with their philanthropic goals; and to be a civic leader, convener, and information provider in the Boston community. The Foundation also receives support directly from the public. Due to the generosity of donors, the Foundation serves as a major grantmaker in Greater Boston, supporting hundreds of not-for-profit organizations that are helping to build a strong and healthy community.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The accompanying consolidated financial statements, which are presented on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP), have been prepared to focus on the Foundation as a whole and to present balances and transactions according to the existence or absence of restrictions. The consolidated financial statements include the accounts of the Foundation and those of its affiliated supporting organizations, which are also 501(c)(3) tax-exempt organizations. Inter-organizational transactions and balances have been eliminated in consolidation. Dollar amounts presented in the accompanying footnotes are in thousands unless otherwise noted.

(b) Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, as of the dates of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.

BOSTON FOUNDATION, INC.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

(Dollars in thousands)

(c) *Classification of Net Assets*

The Foundation reports information regarding its financial position and activities in two classes of net assets based upon the existence or absence of donor-imposed restrictions, as follows:

- Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. These net assets may be used at the discretion of the Foundation's management and the Board of Directors. The Foundation maintains the following groups of funds:

Operating funds include the core operating activities of the Foundation and its life annuities. The core operating activities of the Foundation are funded primarily by administrative fees allocated from other fund categories based upon those funds' market value. Other sources include the Foundation's Annual Campaign for Civic Leadership, service fees and income derived from investment of available cash balances. The Board approves the operating budget annually.

Donor advised funds (DAFs) represent donations received for which the donor specifies one or more individuals to serve as the advisor to the fund. Fund advisors can then recommend the investment of the fund in one of the Foundation's three investment pools or in other selected investment options. The fund advisor also can recommend the distribution of grants to eligible charities. Grant recommendations submitted by fund advisors are paid weekly from the three investment pools after review and approval by the Foundation's management. Requests to invest in investments held at an external broker, generally result in agreements that limit the availability of funds for immediate grantmaking.

Program funds represent resources allocated for the Foundation's programmatic and discretionary grantmaking activities and include funds designated by the Board for endowment. Additional liquid resources are released each year from funds with donor-imposed restrictions based upon the application of spending policy calculations to fund expenditures. The resources of these funds are distributed as grants and for direct programmatic expenses as approved by the Board.

Other funds include those received by the Foundation with donor-intended restrictions, but for the existence of variance power which results in these funds being reflected as funds without donor restrictions. Distributable income from designated endowment funds based upon applying the Foundation's spending policy formula is allocated from endowment balances annually. Grants and expenses are paid in accordance with the wishes of the donors.

Supporting organizations are separate charities but controlled by the Foundation, and are considered funds without donor restrictions due to the control retained by the Foundation through the appointment of the directors of each organization. Grants and expenditures are approved by the directors of each entity.

BOSTON FOUNDATION, INC.

Notes to Consolidated Financial Statements

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(Dollars in thousands)

- Net assets with donor restrictions: Net assets subject to stipulations imposed by donors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the Statement of Activities. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Contributions and endowment investment earnings subject to donor-imposed restrictions are reported as increases in net assets with donor restrictions. The Foundation maintains the following groups of funds:

Endowment funds have been restricted by the donor to be held in perpetuity. Annually, a spending policy formula is applied to the invested balance of each fund to determine the amount that is grantable. Administrative fees at 1.2% for discretionary and 0.95% for designated funds are calculated based upon the average of the total fund assets as of the eight quarters ending December 31. The net amounts are then transferred to the relevant program and other funds.

The Articles of Organization of the Foundation include a variance power provision, which gives the Board the power to modify a purpose-related restriction or condition placed on gifts, if in its sole judgment the Board determines that it is unwise or impracticable to apply the funds available for the purposes indicated by the donor. As a result of this variance power provision, the Foundation classifies for financial reporting purposes all funds received, except those funds with perpetual time restrictions (endowment funds), as net assets without restrictions, regardless of donor intended purpose restrictions. During 2024 and 2023, the Board did not use variance power.

Board designated funds are funds received from time to time that the Board has designated to function as endowment. The Foundation annually applies its discretionary endowment spending policy calculation to determine the amount available for discretionary grantmaking within its program activities. At any time, the Board may decide to expend some or all of these funds for any purpose.

(d) Cash and Cash Equivalents

Except for amounts included in the Foundation's investment pools, the Foundation records liquid investments purchased with original maturities of less than 90 days as cash equivalents.

(e) Fair Value Measurements

Investments are reported at estimated fair value. GAAP defines fair value and requires certain disclosures about fair value measurements. Fair value represents the price that would be received upon the sale of an asset or paid upon the transfer of a liability in an orderly transaction between market participants as of the measurement date. GAAP also establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three levels:

- Level 1 – quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities;
- Level 2 – observable prices that are based on inputs not quoted in active markets, but corroborated by market data; and

BOSTON FOUNDATION, INC.

Notes to Consolidated Financial Statements

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(Dollars in thousands)

- Level 3 – inputs are derived from valuation methodologies conducted by independent third parties, including pricing models, discounted cash flow models, and similar techniques, and are not based on market, exchange, dealer, or broker-traded transactions. In addition, Level 3 valuations incorporate assumptions and projections that are not observable in the market, and significant professional judgment is required in determining the fair value assigned to such assets or liabilities.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. In determining fair value, the Foundation utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible.

Most of the Foundation's investments are held in entities for which fair value is estimated using net asset value (NAV) as a practical expedient as reported by the fund, unless it is probable that the investment will be sold for a different amount from NAV. As of June 30, 2024 and 2023, the Foundation had no plans or intention to sell investments at amounts different from NAV. Such NAV-measured investments are not categorized in the fair value hierarchy. Although the Foundation's managers adhere to fair value accounting as required by the Financial Accounting Standards Board Accounting Standards Codification (ASC) 820-10, *Fair Value Measurements and Disclosures*, because of the inherent uncertainties in valuation assumption, the estimated fair values for investments may differ significantly from values that would have been used had a ready market existed, and the differences could be material. Such valuations are determined by fund managers and generally consider variables such as operating results, earnings of the underlying holdings, projected cash flows, recent sales prices, and other pertinent information.

The NAVs or their equivalent, as estimated and reported by the fund managers, are reviewed by the Foundation's Treasurer, Chief Investment Officer, and its investment consultant.

(f) U.S. Treasuries

The Foundation's U.S. Treasuries are carried at fair value and classified in Level 2 of the fair value hierarchy. The Treasuries have maturities laddered through 2033.

The total of cash and cash equivalents and U.S. Treasuries are resources available to meet the Foundation's current operating needs.

(g) Contributions Receivable

Contributions receivable consist of unconditional promises to give that are expected to be collected within one year.

(h) Fixed Assets

Depreciation is recognized over the estimated useful life of the assets, typically from three to five years, on a straight-line basis. Leasehold improvements are amortized over the lesser of their useful lives or the remaining term of the lease.

BOSTON FOUNDATION, INC.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

(Dollars in thousands)

(i) Grants Expense

The Foundation records grants as expenses when all conditions stipulated by the grant have been substantially met by the grantee. Grants issued with future payment dates and without substantive conditions are accrued and expensed when approved by the Board or committed to grantees. Grants scheduled to be paid after one year are discounted at a rate commensurate with the duration involved.

(j) Contributions and Bequests

Contributions, including unconditional promises from donors, are recorded as revenue at fair value when received. Promises to give subject to donor-imposed stipulations that the corpus be maintained in perpetuity are shown as increases in net assets with donor restrictions. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met. Bequests are generally accrued as revenue when the respective will has been admitted to probate and all appeal periods have expired. Contributions to be received after one year are discounted at the appropriate rate commensurate with the risks and duration involved.

(k) Income Taxes

The Foundation is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and is generally exempt from income taxes pursuant to Section 501(a) of the Code and qualifies as a public charity under Section 170(b)(1)(A)(vi) of the Code.

The Foundation has not taken any tax positions which would have a material effect, individually or in the aggregate, upon the Foundation's consolidated financial statements. The Foundation believes it has not taken any significant uncertain tax positions or any tax positions that would jeopardize the Foundation's tax-exempt status.

(l) Administrative Fees

Administrative fees include a variety of support fees, investment oversight fees and overhead recovery fees. Support fees of 0.95% to 1.2% of the net asset balance by fund are charged to each designated and discretionary fund to cover operating expenses. Support fees for DAFs are charged quarterly on a sliding scale based upon total fund assets beginning at 1% on the first \$500 of fund assets. For DAFs passthrough fee is applied when the volume of grants paid exceeds the average daily balance. Investment oversight fees are charged based upon the invested balance of each fund ranging from 0.15% to 0.19%. For some funds, an allocation of overhead is charged based upon a percentage (10% to 30%) of directly charged personnel costs.

(m) Reclassifications

Certain amounts in the prior year financial statement have been reclassified to conform to the presentation of the current year. These reclassifications had no effect on the previous reported change in net assets.

BOSTON FOUNDATION, INC.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

(Dollars in thousands)

(3) Program-Related Investments

Program-related investments are loans made to certain not-for-profit organizations which have a lower than market interest rates, generally 1.0%-1.5%. These loans are invested in projects intended to help low-income areas develop and improve housing, transportation and other key facets affecting the quality of life in the geographic area. The Foundation invests a portion of its discretionary endowment in projects that advance its philanthropic purposes by providing these loans. The loans have various repayment dates beginning in 2024 and ending in 2033. As of June 30, 2024, there were no commitments to fund additional loans.

The Foundation also invests a portion of its funds through loans to minority-owned business enterprises in an effort to fill capital gaps and address longstanding barriers to growth. These loans have interest rates between 5% and 6% and maturities of 5-10 years through 2030. In addition, the Foundation issued emergency loans to small businesses affected by the COVID-19 pandemic with 0% interest rates and maturing in 5 years through 2028. Interest and principal repayment on these loans were deferred for the first 12 months. Given the nature of these loans and associated risk, a loan loss reserve was established in FY 2023. As of June 30, 2024 and 2023, the amounts of the loan loss reserves were \$430 and \$32 for Business Equity loans and \$358 and \$261 for COVID-19 Emergency loans, respectively.

Program related investments at June 30 were as follows:

	<u>2024</u>	<u>2023</u>
Discretionary funds	\$ 4,800	5,300
Designated funds	1,943	1,743
Donor advised funds	16,218	18,427
Business Equity Fund (BEF)	2,684	2,807
BEF COVID Emergency Fund	813	821
Other funds	<u>495</u>	<u>795</u>
Total all loans	26,953	29,893
Unamortized discounts	(2,732)	(3,044)
Loan loss reserve	<u>(788)</u>	<u>(293)</u>
Net balance of program-related investments	<u>\$ 23,433</u>	<u>26,556</u>

The Foundation has a \$3,000 loan guarantee expiring in 2031 for the purpose of reducing the cash-funded reserves in credit projects that have a first mortgage financing from the Massachusetts Housing Partnership Fund Board. The Foundation's \$3,000 guarantee is matched by the same amount from another foundation. As of June 30, 2024 and 2023, the Foundation's guarantee has not been drawn. The Foundation believes the estimated fair value of the remaining guarantee and any potential liability is not material.

BOSTON FOUNDATION, INC.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

(Dollars in thousands)

(4) Investments

The Foundation maintains four investment pools as part of its Fund for the 21st Century for investing its assets as follows:

- **Balanced Plus Pool** – Approximately 40 investment management firms manage the assets in this pool. This asset mix is intended to produce the highest long-term investment return. The Foundation invests the majority of its endowment assets in this pool.
- **Balanced Pool** – Approximately 30 investment management firms manage the assets in this pool. This pool includes a 25% allocation to U.S. Treasury bonds and does not include private equity and venture capital. Accordingly, this asset allocation is expected to produce a slightly lower investment return than the Balance Plus Pool. Donor-advised funds desiring a higher allocation to U.S. Treasury bonds and limited exposure to illiquid investments are invested in this pool. In September 2023, the pool was discontinued and investments transferred to the Impact Pool.
- **Short-Term Pool** – This pool is invested in money market funds and U.S. Treasury bills with maturities that extend beyond six months.
- **Impact Pool** – Approximately 20 investment management firms manage the assets in this pool to generate positive social global impact with an eye towards our local community. This pool includes a 10% allocation to fixed income and a 90% allocation to equity investments that support strong corporate governance, environment and social sustainability, shareholder advocacy and positive social impact initiatives such as affordable housing, education, energy efficiency and others. In addition, the Impact Pool uses managers that seek to screen out investments in companies with high negative impact such as alcohol, fossil fuels, gambling, tobacco and weapons companies.

Investments also include:

- **Custom Managed Funds (CMF)** – These funds are managed on a custom basis as recommended by the donor.
- **Advisor Managed Funds (AMF)** – These funds are managed by an outside investment firm as recommended by an independent financial advisor.
- **Other Investments** – These investments include global equities, fixed income bonds, privately-held company interests and other investments.

BOSTON FOUNDATION, INC.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

(Dollars in thousands)

The following tables summarize the Foundation's investments in the fair value hierarchy as of June 30:

	June 30, 2024				
	Investments measured at NAV	Investments classified in fair value hierarchy			Total
		Level 1	Level 2	Level 3	
Pooled, CMF & AMF:					
Equities:					
Global equities	\$ 428,956	388,677	—	—	817,633
Flexible capital	226,004	—	—	—	226,004
Private equity and venture capital	266,315	—	—	7	266,322
Total equities	<u>921,275</u>	<u>388,677</u>	<u>—</u>	<u>7</u>	<u>1,309,959</u>
Real assets:					
Total real assets	<u>77,484</u>	<u>12,791</u>	<u>—</u>	<u>—</u>	<u>90,275</u>
Fixed income:					
Money markets	—	32,874	—	—	32,874
U.S. Treasuries	—	—	150,631	—	150,631
U.S. TIPS	—	—	53,746	—	53,746
Fixed income bond fund	—	59,624	—	—	59,624
Total fixed income	<u>—</u>	<u>92,498</u>	<u>204,377</u>	<u>—</u>	<u>296,875</u>
Total Pooled, CMF & AMF	<u>998,759</u>	<u>493,966</u>	<u>204,377</u>	<u>7</u>	<u>1,697,109</u>
Other investments:					
Global equities	6,326	5,933	—	—	12,259
Fixed income bond fund	—	3,881	—	—	3,881
Privately held company interests	—	—	—	114,512	114,512
Other	—	—	—	4,858	4,858
Total other investments	<u>6,326</u>	<u>9,814</u>	<u>—</u>	<u>119,370</u>	<u>135,510</u>
Total investments	<u>\$ 1,005,085</u>	<u>503,780</u>	<u>204,377</u>	<u>119,377</u>	<u>1,832,619</u>

BOSTON FOUNDATION, INC.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

(Dollars in thousands)

	June 30, 2023				
	Investments measured at NAV	Investments classified in fair value hierarchy			Total
		Level 1	Level 2	Level 3	
Pooled, CMF & AMF:					
Equities:					
Global equities	\$ 493,484	183,027	—	—	676,511
Flexible capital	236,366	—	—	—	236,366
Private equity and venture capital	260,047	—	—	7	260,054
Total equities	<u>989,897</u>	<u>183,027</u>	<u>—</u>	<u>7</u>	<u>1,172,931</u>
Real assets:					
Total real assets	<u>80,644</u>	<u>21,370</u>	<u>—</u>	<u>—</u>	<u>102,014</u>
Fixed income:					
Money markets	—	30,136	—	—	30,136
U.S. Treasuries	—	—	154,915	—	154,915
U.S. TIPS	—	—	50,018	—	50,018
Fixed income bond fund	—	42,386	—	—	42,386
Total fixed income	<u>—</u>	<u>72,522</u>	<u>204,933</u>	<u>—</u>	<u>277,455</u>
Total Pooled, CMF & AMF	<u>1,070,541</u>	<u>276,919</u>	<u>204,933</u>	<u>7</u>	<u>1,552,400</u>
Other investments:					
Global equities	5,606	12,830	—	—	18,436
Fixed income bond fund	—	759	—	—	759
Privately held company interests	—	—	—	108,625	108,625
Other	—	—	—	4,970	4,970
Total other investments	<u>5,606</u>	<u>13,589</u>	<u>—</u>	<u>113,595</u>	<u>132,790</u>
Total investments	<u>\$ 1,076,147</u>	<u>290,508</u>	<u>204,933</u>	<u>113,602</u>	<u>1,685,190</u>

BOSTON FOUNDATION, INC.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

(Dollars in thousands)

(a) Investment Liquidity

Investment fair values are aggregated below by redemption or liquidation period, availability, or sale in the case of marketable securities. Certain investments are redeemable at NAV under the original terms of the subscription and entity agreements. The majority of such redemptions require 90 days or more written notice prior to the redemption period.

	June 30, 2024					
	Daily	Monthly	Quarterly	1 to 5 years	Illiquid	Total
Pooled, CMF & AMF:						
Equities:						
Global equities	\$ 388,678	75,216	347,283	6,456	—	817,633
Flexible capital	—	—	37,983	155,131	32,890	226,004
Private equity and venture capital	—	—	—	—	266,322	266,322
Total equities	<u>388,678</u>	<u>75,216</u>	<u>385,266</u>	<u>161,587</u>	<u>299,212</u>	<u>1,309,959</u>
Real assets:						
Total real assets	<u>12,791</u>	<u>16,947</u>	<u>47,064</u>	<u>—</u>	<u>13,473</u>	<u>90,275</u>
Fixed income:						
Money markets	32,874	—	—	—	—	32,874
U.S. Treasuries	150,631	—	—	—	—	150,631
U.S. TIPS	53,746	—	—	—	—	53,746
Fixed income bond fund	59,624	—	—	—	—	59,624
Total fixed income	<u>296,875</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>296,875</u>
Total Pooled, CMF & AMF	<u>698,344</u>	<u>92,163</u>	<u>432,330</u>	<u>161,587</u>	<u>312,685</u>	<u>1,697,109</u>
Other investments:						
Global equities	12,259	—	—	—	—	12,259
Fixed income bond fund	3,881	—	—	—	—	3,881
Privately held company interests	—	—	—	—	114,512	114,512
Other	—	—	—	—	4,858	4,858
Total other investments	<u>16,140</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>119,370</u>	<u>135,510</u>
Total investments	<u>\$ 714,484</u>	<u>92,163</u>	<u>432,330</u>	<u>161,587</u>	<u>432,055</u>	<u>1,832,619</u>

BOSTON FOUNDATION, INC.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

(Dollars in thousands)

	June 30, 2023					
	Daily	Monthly	Quarterly	1 to 5 years	Illiquid	Total
Pooled, CMF & AMF:						
Equities:						
Global equities	\$ 296,848	82,934	293,693	3,036	—	676,511
Flexible capital	—	—	27,256	176,220	32,890	236,366
Private equity and venture capital	—	—	—	—	260,054	260,054
Total equities	296,848	82,934	320,949	179,256	292,944	1,172,931
Real assets:						
Total real assets	21,370	14,267	53,776	—	12,601	102,014
Fixed income:						
Money markets	30,136	—	—	—	—	30,136
U.S. Treasuries	154,915	—	—	—	—	154,915
U.S. TIPS	50,018	—	—	—	—	50,018
Fixed income bond fund	42,386	—	—	—	—	42,386
Total fixed income	277,455	—	—	—	—	277,455
Total Pooled, CMF & AMF	595,673	97,201	374,725	179,256	305,545	1,552,400
Other investments:						
Global equities	18,436	—	—	—	—	18,436
Fixed income bond fund	759	—	—	—	—	759
Privately held company interests	—	—	—	—	108,625	108,625
Other	—	—	—	—	4,970	4,970
Total other investments	19,195	—	—	—	113,595	132,790
Total investments	\$ 614,868	97,201	374,725	179,256	419,140	1,685,190

(b) Level 3 Valuation

For the fiscal year ended June 30, 2024 the Foundation valued private operating companies using an income approach or a market approach. The decision to use a valuation approach will depend on the investment type and the information available. When applying valuation techniques used to determine fair value, the Foundation assumes a reasonable period of time for estimating cash flows and considers the financial condition and operating results of the privately held company, the nature of the investment, restrictions on marketability, market conditions, and other factors.

BOSTON FOUNDATION, INC.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

(Dollars in thousands)

The following tables present the Foundation's activity for the fiscal years ended June 30, 2024 and 2023 for the investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3).

	Beginning of year fair value	Donations/ acquisitions	Sales	Realized gains/ losses	Unrealized gains/ losses	End of year fair value
Year ended June 30, 2024:						
Private equity and venture capital \$	7	—	—	—	—	7
Privately-held company interests	108,625	5,091	(4,663)	—	5,459	114,512
Other	4,970	—	(429)	—	317	4,858
Totals	\$ 113,602	5,091	(5,092)	—	5,776	119,377
Year ended June 30, 2023:						
Private equity and venture capital \$	1,325	—	(955)	—	(363)	7
Privately-held company interests	87,922	11,459	(3,948)	2,868	10,324	108,625
Other	4,984	—	(293)	—	279	4,970
Totals	\$ 94,231	11,459	(5,196)	2,868	10,240	113,602

There were no transfers between levels for the fiscal year ended June 30, 2024.

(c) Investment Returns

Investment returns for the years ended June 30 were as follows:

	2024	2023
Interest and dividends	\$ 23,975	17,716
Unrealized and realized gains (losses) on investments	156,703	98,876
Investment management expense	(887)	(916)
Total return	\$ 179,791	115,676

Interest and dividends are shown net of third-party investment management and custody fees. Investment management and custody fees paid directly to the managers for the years ended June 30, 2024 and 2023 were \$6,767 and \$6,215, respectively. Unrelated business income taxes paid of \$455 and \$45 resulting from investment returns for the years ended June 30, 2024 and 2023, respectively, have been netted in investment returns of the invested pools that generated the taxable investment income. Investment management expenses of \$887 and \$916 for the years ended June 30, 2024 and 2023, respectively, representing external and direct internal investment management expenses, have been allocated as a reduction of investment returns.

BOSTON FOUNDATION, INC.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

(Dollars in thousands)

Investment returns for the years ended June 30 were as follows:

	<u>2024</u>	<u>2023</u>
Balanced plus pool	\$ 118,528	59,900
Balanced pool	—	1,932
Short-term pool	5,947	4,271
Impact pool	15,496	8,007
Custom managed funds	28,807	18,119
Advisor managed funds	1,443	1,033
Other investments	7,492	20,966
U.S. Treasuries	2,078	1,448
Total return	\$ <u>179,791</u>	<u>115,676</u>

(d) Commitments

Private equity, venture capital and real asset investments are generally made through limited partnerships. Under the terms of these agreements, the Foundation is obligated to remit additional funding periodically as capital calls are exercised by the manager. These partnerships have a limited existence, generally ranging from 10 to 20 years, and such agreements may provide for annual extensions for the purpose of disposing of portfolio positions and returning capital to investors. However, depending on market conditions, the inability to execute the fund's strategy, and other factors, a manager may extend the term of a fund beyond its originally anticipated existence or may wind down the fund prematurely. The Foundation cannot anticipate such changes because they are based on unforeseen events, but should they occur, they may result in less liquidity or quicker return of the investment than originally anticipated. As a result, the timing and amount of future capital calls expected to be exercised in any particular year is uncertain.

Unfunded commitments at June 30 were as follows:

	<u>2024</u>	<u>2023</u>
Private equity and venture capital	\$ 99,599	121,143
Real assets	8,082	3,497
Total unfunded commitments	\$ <u>107,681</u>	<u>124,640</u>

The above amounts are generally payable within ten days of the receipt of a capital call notice. The Foundation has no control as to when a request for funding will be received. It is currently anticipated that the Foundation will be required to fund these commitments within the next three years, but the specific timing is ultimately subject to the discretion of the fund managers.

BOSTON FOUNDATION, INC.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

(Dollars in thousands)

(5) Liquidity and Availability

Financial assets (excluding fixed assets) available for expenditure within one year of the consolidated statement of financial position dated as of June 30, 2024 and 2023 are identified below by fund category. Investments and the illiquid portion thereof, have been allocated across the fund types in proportion to the total amounts invested by pool. The projected annual release of time restrictions resulting from the application of the Foundation's spending policy methodology has been displayed as an addition of available resources to meet future cash flow requirements. Other sources to meet future cash flow requirements including investment returns, service fees and contributions have not been projected as they are not readily estimable.

Prior year total expenditures as an estimate of future cash flows by fund category are combined with liabilities and remaining unfunded capital commitments to provide an estimate of the future one-year cash needs by fund category.

As of June 30, 2024 and 2023, in each fund category, except for Operating Funds, the liquid assets available within one year for future expenditures exceed the estimated future one-year cash needs. For Operating Funds, the annual revenues of these funds are expected to approximate the annual expenditures.

The Foundation's endowment funds are restricted for specific purposes and are not available for general expenditures but are included in the schedules below to reflect the full activities of the organization.

	Foundation activities – June 30, 2024					
	Donor restrictions					
	Operating	Without			With	
		Donor advised	Program and other	Supporting orgs.	Endowment	Total
Cash, cash equivalents and treasuries	\$ 16,442	5,278	29,294	216	—	51,230
Investments	2,952	1,076,591	134,237	64,564	554,275	1,832,619
Program related investments	—	15,083	4,074	100	4,176	23,433
Other	524	94	—	—	76	694
Total financial assets	19,918	1,097,046	167,605	64,880	558,527	1,907,976
Investments – non-liquid	(1,173)	(348,741)	(43,484)	(20,914)	(179,330)	(593,642)
Program related investments	—	(15,083)	(4,074)	(100)	(4,176)	(23,433)
Expected appropriations	11,133	(9,697)	24,428	(96)	(25,768)	—
Liquid assets available within one year	\$ 29,878	723,525	144,475	43,770	349,253	1,290,901
Accounts and grants payable	\$ 4,947	21	2,902	360	439	8,669
Expected future year expenditures	23,310	138,987	51,341	7,280	—	220,918
Outstanding investment capital calls	213	63,258	7,887	3,794	32,529	107,681
Estimated expenditures	\$ 28,470	202,266	62,130	11,434	32,968	337,268
Percentage of liquid assets available vs. estimated expenditure	105 %	358 %	233 %	383 %	1,059 %	383 %

BOSTON FOUNDATION, INC.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

(Dollars in thousands)

Foundation activities – June 30, 2023						
Donor restrictions						
Without				With		Total
Operating	Donor advised	Program and other	Supporting orgs.	Endowment		
Cash, cash equivalents and treasuries	\$ 17,065	4,508	28,581	3,906	—	54,060
Investments	3,939	990,243	131,829	62,206	496,973	1,685,190
Program related investments	—	16,703	5,069	100	4,684	26,556
Other	802	53	202	—	117	1,174
Total financial assets	21,806	1,011,507	165,681	66,212	501,774	1,766,980
Investments – non-liquid	(2,489)	(307,782)	(41,149)	(43,553)	(203,423)	(598,396)
Program related investments	—	(16,703)	(5,069)	(100)	(4,684)	(26,556)
Expected appropriations	12,770	(22,911)	36,229	(100)	(25,988)	—
Liquid assets available w ithin one year	\$ 32,087	664,111	155,692	22,459	267,679	1,142,028
Accounts and grants payable	\$ 5,944	161	3,871	252	—	10,228
Expected future year expenditures	22,807	136,203	51,330	1,733	—	212,073
Outstanding investment capital calls	186	62,340	10,773	1,955	49,386	124,640
Estimated expenditures	\$ 28,937	198,704	65,974	3,940	49,386	346,941
Percentage of liquid assets available vs. estimated expenditure	111 %	334 %	236 %	570 %	542 %	329 %

(6) Endowment Assets

The Foundation's endowment as of June 30, 2024 and 2023, respectively, consists of 296 and 291 individual funds established for a variety of purposes. Endowment net assets consist of the following grouped by the fund type that determines how the annual spendable amounts may be used:

	Board designated	With donor restrictions	Total
As of June 30, 2024:			
Discretionary purpose funds:			
General purpose	\$ —	246,322	246,322
Field of interest	—	106,580	106,580
Board designated as program endowment	30,722	—	30,722
Total discretionary purpose funds	30,722	352,902	383,624
Designated funds	—	140,388	140,388
Endowed donor advised funds	—	64,798	64,798
Total endowment funds	\$ 30,722	558,088	588,810

BOSTON FOUNDATION, INC.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

(Dollars in thousands)

	<u>Board designated</u>	<u>With donor restrictions</u>	<u>Total</u>
As of June 30, 2023:			
Discretionary purpose funds:			
General purpose	\$ —	231,636	231,636
Field of interest	—	101,188	101,188
Board designated as program endowment	<u>28,910</u>	<u>—</u>	<u>28,910</u>
Total discretionary purpose funds	28,910	332,824	361,734
Designated funds	—	133,924	133,924
Endowed donor advised funds	<u>—</u>	<u>35,026</u>	<u>35,026</u>
Total endowment funds	<u>\$ 28,910</u>	<u>501,774</u>	<u>530,684</u>

GAAP provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and requires comprehensive disclosures regarding donor-restricted endowment funds.

The Foundation is subject to UPMIFA as adopted by the Commonwealth of Massachusetts. Under UPMIFA, the Board has discretion to determine appropriate expenditures of a donor-restricted endowment fund in accordance with a robust set of guidelines about what constitutes prudent spending.

UPMIFA permits the Foundation to appropriate for expenditure or accumulate so much of an endowment fund as the Foundation determines to be prudent for the uses, benefits, purposes and duration for which the endowment fund is established. Seven criteria are to be used to guide the Foundation in its yearly expenditure decisions: 1) duration and preservation of the endowment fund; 2) the purposes of the Foundation and the endowment fund; 3) general economic conditions; 4) effect of inflation or deflation; 5) the expected total return from income and the appreciation of investments; 6) other resources of the Foundation; and 7) the investment policy of the Foundation.

Although UPMIFA offers short-term spending flexibility, the explicit consideration of the preservation of funds among factors for prudent spending suggests that a donor-restricted endowment fund is still perpetual in nature. Under UPMIFA, the Board is permitted to determine and continue a prudent payout amount, even if the market value of the fund is below historic gift value. There is an expectation that, over time, the corpus will remain intact. This perspective is aligned with the accounting standards definition that donor-restricted endowment funds are those that must be held in perpetuity even though the historic gift value may be expended.

BOSTON FOUNDATION, INC.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

(Dollars in thousands)

At June 30, the fair value of individual funds less than their historic gift value (underwater funds) are as follows:

	<u>2024</u>	<u>2023</u>
Fair value of underwater endowment funds	\$ 12,182	17,408
Original endowment gift amount	<u>13,797</u>	<u>20,156</u>
Deficiencies of underwater endowment funds	\$ <u>(1,615)</u>	<u>(2,748)</u>
Number of underwater endowment funds	12	21

Generally, the Foundation manages its endowment funds using a total return concept, which emphasizes total investment return, including interest and dividends and realized and unrealized gains and losses. Annually, the Foundation's Board determines the level of grantmaking based on two components that serve to stabilize annual spending levels and preserve the value of the endowment over time. The formula used is referred to as the "Yale Model" and is applied to the majority of the endowment funds. The formula combines the prior year spending amount incremented by inflation and weighted at 70% and the invested balance as of December 31 multiplied by the Board approved annual spending policy rate weighted at 30%. These calculated amounts are transferred from the invested balance to the grantmaking balance in each fund as of July 1.

The discretionary endowment is made up of funds with no restrictions placed on the way income may be used and funds identified for utilization in broad fields of interest. The designated endowment is composed of funds created for specifically named agencies or projects. In fiscal years 2024 and 2023, the spending policy rates were as follows:

	<u>2024</u>	<u>2023</u>
Discretionary endowment	5.00 %	5.00 %
Designated endowment	5.00	5.00
Endowed donor advised funds	5.00	5.00

For underwater funds, where the current market value is less than the aggregate gifts to the fund, the rates for fiscal years 2024 and 2023 were 4%.

BOSTON FOUNDATION, INC.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

(Dollars in thousands)

Changes in endowment net assets for the year ended June 30, 2024 are as follows:

	<u>Board designated</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment net assets, June 30, 2023	\$ 28,910	501,774	530,684
Contributions received	—	30,345	30,345
Investment returns, net	2,799	51,737	54,536
Amounts appropriated for expenditure	<u>(987)</u>	<u>(25,768)</u>	<u>(26,755)</u>
Endowment net assets, June 30, 2024	\$ <u>30,722</u>	<u>558,088</u>	<u>588,810</u>

Changes in endowment net assets for the year ended June 30, 2023 are as follows:

	<u>Board designated</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment net assets, June 30, 2022	\$ 28,627	501,070	529,697
Contributions received	—	1,422	1,422
Investment returns, net	1,449	25,270	26,719
Amounts appropriated for expenditure	<u>(1,166)</u>	<u>(25,988)</u>	<u>(27,154)</u>
Endowment net assets, June 30, 2023	\$ <u>28,910</u>	<u>501,774</u>	<u>530,684</u>

(7) Net Assets

Net assets without donor restrictions consisted of the following at June 30:

	<u>2024</u>	<u>2023</u>
Undesignated:		
Operating	\$ 15,971	17,244
Donor advised	1,097,027	1,011,355
Program	53,521	52,781
Other	80,313	80,118
Supporting organizations	<u>64,668</u>	<u>65,961</u>
Total undesignated	1,311,500	1,227,459
Board designated as program endowment	<u>30,722</u>	<u>28,910</u>
Total without donor restrictions	\$ <u>1,342,222</u>	<u>1,256,369</u>

BOSTON FOUNDATION, INC.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

(Dollars in thousands)

Net assets with donor restrictions consisted of the following at June 30:

	<u>2024</u>	<u>2023</u>
General purpose	\$ 246,322	231,636
Field of interest	106,580	101,188
Designated purposes	140,388	133,924
Endowed donor advised funds	<u>64,798</u>	<u>35,026</u>
Total with donor restrictions	<u>\$ 558,088</u>	<u>501,774</u>

(8) Fixed Assets

Fixed assets consisted of the following as of June 30:

	<u>2024</u>	<u>2023</u>
Office equipment, computer system, and furniture	\$ 1,076	1,110
Leasehold improvements	<u>4,081</u>	<u>4,094</u>
	5,157	5,204
Less accumulated depreciation	<u>(3,036)</u>	<u>(2,669)</u>
	<u>\$ 2,121</u>	<u>2,535</u>

Depreciation expense was \$404 and \$437 for the years ended June 30, 2024 and 2023, respectively.

(9) Lease Commitments

The Foundation has entered into two operating leases as follows:

- a) space at 75 Arlington Street on the third floor with occupancy effective in fiscal 2018 through September 2030, and
- b) subleased space at 75 Arlington Street on the seventh floor with occupancy effective in fiscal 2019 continuing through October 31, 2026.

The Foundation's lease agreements do not contain residual value guarantees, restrictions or covenants related to additional financial obligations. The Foundation has no sub-lease agreements.

The rate used to discount operating lease payments ranges from 0.88% to 1.45% reflecting the remaining lease durations. The weighted average remaining lease term is 6 years as of June 30, 2024.

BOSTON FOUNDATION, INC.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

(Dollars in thousands)

Lease expense was \$1,448 and \$1,427 for the years ended June 30, 2024 and 2023, respectively. Minimum annual rent payments before real estate taxes and operating expense escalations as of June 30, 2024 are as follows:

<u>Fiscal year</u>	<u>3rd Floor minimum annual rent payments</u>	<u>7th floor minimum annual rent payments</u>	<u>Total minimum annual rent payments</u>
2025	\$ 1,382	206	1,588
2026	1,408	210	1,618
2027	1,433	88	1,521
2028	1,459	—	1,459
2029	1,484	—	1,484
Thereafter	1,889	—	1,889
	<u>9,055</u>	<u>504</u>	<u>9,559</u>
Amounts representing interest	<u>(466)</u>	<u>(8)</u>	<u>(474)</u>
Total lease obligation, net	\$ <u>8,589</u>	<u>496</u>	<u>9,085</u>

(10) Grant Commitments

Grants payable of \$3,137 and \$3,501 as of June 30, 2024 and 2023, respectively, represent unconditional promises to other organizations. In addition, as of June 30, 2024 and 2023, the Board had authorized the payment of certain grants in future periods, subject to certain conditions to be met by the grantees that have not yet met the conditions for accrual in the accompanying consolidated financial statements. Grants subject to such conditions totaled \$35,750 and \$29,312 as of June 30, 2024 and 2023 respectively.

(11) Employee Benefit Plans

The Foundation sponsors a 403(b) defined contribution plan. The current amount contributed by the Foundation for eligible employees is 6% of annual gross salary up to the IRS allowed maximum. All employees are eligible to participate after one year of service. The total cost of the plan charged to the Foundation's operations amounted to \$755 and \$696 for the years ended June 30, 2024 and 2023, respectively.

The Foundation provides deferred compensation plans for its executives as approved by the Compensation Committee of the Board of Directors. The amount contributed was \$43 and \$47 for the years ended June 30, 2024 and 2023, respectively.

BOSTON FOUNDATION, INC.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

(Dollars in thousands)

(12) Functional Expenses

A summary of the Foundation's functional expenses for funds without donor restrictions for the year ended June 30, 2024 is as follows:

	<u>Operating</u>	<u>Donor advised</u>	<u>Program and other</u>	<u>Supporting orgs.</u>	<u>Total</u>
Grants	\$ 383	138,524	44,173	6,766	189,846
Salary and benefits	16,410	92	2,940	428	19,870
Professional fees	1,498	296	3,074	42	4,910
Meetings, conferences and travel	731	38	860	41	1,670
Marketing	714	11	254	1	980
Office expenses	138	15	25	—	178
Technology	1,161	2	6	2	1,171
Occupancy	2,275	9	9	—	2,293
Total expenses	\$ <u>23,310</u>	<u>138,987</u>	<u>51,341</u>	<u>7,280</u>	<u>220,918</u>

A summary of the Foundation's functional expenses for funds without donor restrictions for the year ended June 30, 2023 is as follows:

	<u>Operating</u>	<u>Donor advised</u>	<u>Program and other</u>	<u>Supporting orgs.</u>	<u>Total</u>
Grants	\$ 20	132,636	41,977	741	175,374
Salary and benefits	14,601	1,005	2,929	603	19,138
Professional fees	1,332	2,107	4,161	338	7,938
Meetings, conferences and travel	2,642	176	1,558	48	4,424
Marketing	684	70	380	2	1,136
Office expenses	234	108	288	—	630
Technology	1,174	19	18	1	1,212
Occupancy	2,120	82	19	—	2,221
Total expenses	\$ <u>22,807</u>	<u>136,203</u>	<u>51,330</u>	<u>1,733</u>	<u>212,073</u>

(13) Related Party Transactions:

Members of the Foundation's Board of Directors and Officers may, from time to time, be associated, either directly or indirectly, with companies doing business with the Foundation. The Foundation requires an annual disclosure of significant financial interests in, family relationships, significant management function, or substantial business with entities doing business with the Foundation by members of the Foundation's Board of Directors and Officers. When such relationships exist, measures are taken to assess potential conflicts of interest to protect the best interests of the Foundation and ensure compliance with relevant conflict of interest laws and policy. The Foundation's conflict of interest policy also requires, among other things, that no member of the Board of Directors or Officer may participate in any decision in which they (or an immediate family member) has a material financial interest.

(14) Subsequent Events

Management has evaluated events subsequent to June 30, 2024 and through November 15, 2024 the date on which the consolidated financial statements were available to be issued.