



BOSTON FOUNDATION, INC.

Consolidated Financial Statements

June 30, 2022 and 2021

(With Independent Auditors' Report Thereon)



KPMG LLP
Two Financial Center
60 South Street
Boston, MA 02111

Independent Auditors' Report

The Board of Directors
Boston Foundation, Inc.:

Opinion

We have audited the consolidated financial statements of Boston Foundation, Inc. (the Foundation), and its affiliates, which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, 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, 2022 and 2021, and the changes in their net assets and their 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

Boston, Massachusetts
December 1, 2022

BOSTON FOUNDATION, INC.

Consolidated Statements of Financial Position

June 30, 2022 and 2021

(Dollars in thousands)

Assets	2022	2021
Cash and cash equivalents	\$ 12,250	12,561
U.S. Treasuries	27,636	25,598
Contributions receivable, net	686	1,713
Program-related investments, net	21,576	20,598
Investments, at fair value	1,653,291	1,645,019
Other assets	840	850
Fixed assets, net	2,972	3,345
Total assets	<u>\$ 1,719,251</u>	<u>1,709,684</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	\$ 7,452	8,135
Grants payable	5,076	5,056
Total liabilities	<u>12,528</u>	<u>13,191</u>
Net assets:		
Without donor restrictions		
Undesignated	1,177,026	1,121,987
Designated by the Board for endowment	28,627	31,124
Total without donor restrictions	<u>1,205,653</u>	<u>1,153,111</u>
With donor restrictions	501,070	543,382
Total net assets	<u>1,706,723</u>	<u>1,696,493</u>
Total liabilities and net assets	<u>\$ 1,719,251</u>	<u>1,709,684</u>

See accompanying notes to consolidated financial statements.

BOSTON FOUNDATION, INC.
Consolidated Statement of Activities
Year ended June 30, 2022
(Dollars in thousands)

	Without donor restrictions	With donor restrictions	Total
Revenues and investment activity:			
Contributions	\$ 327,326	2,225	329,551
Service fees	2,515	—	2,515
Investment returns, net	(69,451)	(23,555)	(93,006)
Transfers and reclassifications	(2,890)	2,890	—
Net assets released from restrictions	23,872	(23,872)	—
Total revenues	281,372	(42,312)	239,060
Expenses:			
Grants	198,224	—	198,224
Change in split interest	96	—	96
Salary and benefits	17,721	—	17,721
Professional fees	7,328	—	7,328
Meetings, conferences and travel	1,347	—	1,347
Marketing	868	—	868
Office expenses	192	—	192
Technology	997	—	997
Occupancy	2,057	—	2,057
Total expenses	228,830	—	228,830
Change in net assets	52,542	(42,312)	10,230
Net assets, beginning of year	1,153,111	543,382	1,696,493
Net assets, end of year	\$ 1,205,653	501,070	1,706,723

See accompanying notes to consolidated financial statements.

BOSTON FOUNDATION, INC.
Consolidated Statement of Activities
Year ended June 30, 2021
(Dollars in thousands)

	Without donor restrictions	With donor restrictions	Total
Revenues and investment activity:			
Contributions	\$ 308,339	355	308,694
Service fees	2,240	—	2,240
Investment returns, net	230,443	140,120	370,563
Net assets released from restrictions	23,706	(23,706)	—
Total revenues	564,728	116,769	681,497
Expenses:			
Grants	174,222	—	174,222
Change in split interest	(363)	—	(363)
Salary and benefits	15,513	—	15,513
Professional fees	4,825	—	4,825
Meetings, conferences and travel	509	—	509
Marketing	620	—	620
Office expenses	138	—	138
Technology	898	—	898
Occupancy	1,989	—	1,989
Total expenses	198,351	—	198,351
Change in net assets	366,377	116,769	483,146
Net assets, beginning of year	786,734	426,613	1,213,347
Net assets, end of year	\$ 1,153,111	543,382	1,696,493

See accompanying notes to consolidated financial statements.

BOSTON FOUNDATION, INC.

Consolidated Statements of Cash Flows

Years ended June 30, 2022 and 2021

(Dollars in thousands)

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Cash received from contributions and service fees	\$ 330,231	308,890
Interest and dividends received, net of fees	14,587	13,100
Annuity and beneficiary payments	(144)	(125)
Grants paid	(198,204)	(169,584)
Cash paid:		
For program expenses	(8,789)	(4,394)
To employees and suppliers	(22,382)	(19,751)
Net cash provided by operating activities	<u>115,299</u>	<u>128,136</u>
Cash flows from investing activities:		
Proceeds from sales of investments	419,827	592,062
Purchases of investments	(537,614)	(721,496)
Purchases of fixed assets	(48)	—
Net cash used in investing activities	<u>(117,835)</u>	<u>(129,434)</u>
Cash flows from financing activities:		
Contributions restricted for long-term investments	2,225	355
Net cash provided by financing activities	<u>2,225</u>	<u>355</u>
Net change in cash and cash equivalents	(311)	(943)
Cash and cash equivalents, beginning of year	<u>12,561</u>	<u>13,504</u>
Cash and cash equivalents, end of year	\$ <u><u>12,250</u></u>	\$ <u><u>12,561</u></u>
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ 10,230	483,146
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	421	436
Change in annuity and beneficiary payables	(551)	(289)
Change in grants payable	20	3,638
Change in contributions receivable, net	1,027	(1,688)
Changes in other assets and liabilities, net	(970)	868
Contributions restricted for long-term investments	(2,225)	(355)
Unrealized and realized net (gain) loss on investments	107,347	(357,620)
Net cash provided by operating activities	\$ <u><u>115,299</u></u>	\$ <u><u>128,136</u></u>

See accompanying notes to consolidated financial statements.

BOSTON FOUNDATION, INC.

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

(1) Description of the Boston Foundation

(a) Organization

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

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.

The Philanthropic Initiative, Inc. (TPI), an internationally recognized provider of customized philanthropic consulting, operates as a distinct unit of the Foundation.

(b) Activity

The Boston Foundation's strategic vision centers on the remarkable power and provenance of its civic leadership role in greater Boston and beyond. The Foundation's defining ambition is to achieve equity, which is, first, to acknowledge and then, seek to eliminate the structural and underlying causes of outcome disparities for historically marginalized 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 receives support directly from the public. Due to the generosity of donors, the Foundation is able to serve as a major grantmaker in Greater Boston, supporting hundreds of not-for-profit organizations that are helping to build a strong and healthy community.

(c) Financial Operating Model

The Foundation maintains the following groups of funds:

(i) Without Donor Restrictions

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 balances. Other sources include the Foundation's Annual Campaign for Civic Leadership, service fees and income derived from investment of available cash balances. The Foundation's Board of Directors (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 four investment pools or in other selected

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investment alternatives. The fund advisor also can recommend the distribution of grants to eligible charities. Grant recommendations submitted by fund advisors are paid weekly from the four investment pools after review and approval by the Foundation's management. Requests to invest in alternative investments generally result in agreements that limit the availability of funds for immediate grantmaking. Administrative fees are charged to DAFs quarterly based upon the greater of the average daily balance of the prior quarter or the balance at the end of the prior quarter. A pass-through fee is applied when the volume of grants paid exceeds the average daily balance.

Program funds represent resources allocated for the Foundation's programmatic and discretionary grantmaking activities and include funds designated by the Foundation's Board of Directors (Board) for endowment. Additional liquid resources are released each year due to 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, but controlled by the Foundation, charities 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.

During fiscal year 2022, Cromwell Harbor Supporting Organization, Inc. was added as a supporting organization of the Foundation. Cromwell Harbor has net assets of \$13.9 million as of June 30, 2022.

(ii) *With Donor Restrictions*

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. The formula referred to as the "Yale Model" 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. 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.

(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

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prepared to focus on the Foundation as a whole and to present balances and transactions according to the existence or absence of donor-imposed 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.

(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.
- **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 activity. 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 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 2022 and 2021, the Board did not utilize variance power.

(d) Board Designated

From time to time the Board has designated funds received to be maintained 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.

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(e) Spending Policy

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. In fiscal years 2022 and 2021, those factors are 70% of the prior year's spending, adjusted for inflation, plus 30% of a spending rate applied to the estimated fair value of its endowment. 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. The spending policy rates were as follows:

	<u>2022</u>	<u>2021</u>
Discretionary endowment	5.00%	5.25%
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 2022 and 2021 were 1% less than the above rates.

For fiscal year 2023, the Board has approved to continue the spending policy rate of 5.00% for its discretionary endowment, designated endowments and endowed donor advised funds, except for underwater funds where the spending rates are 4.00%.

(f) 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.

(g) 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
- 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

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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.

The majority of the Foundation's investments are held in entities for which fair value is estimated using net asset value (NAV) as reported by the fund manager as a practical expedient, unless it is probable that the investment will be sold for a different amount from NAV. As of June 30, 2022 and 2021, 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 investment managers, are reviewed by the Foundation's Treasurer, Chief Investment Officer, and its investment consultant.

(h) U.S. Treasuries

The U.S. Treasuries are carried at fair value and classified in Level 2 of the fair value hierarchy. The Treasuries have maturities laddered through 2031.

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

(i) Contributions Receivable

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

(j) Fixed Assets

The Foundation capitalizes expenditures over \$10 incurred to purchase office equipment, computer systems, furniture, and leasehold improvements. 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.

(k) 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

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conditions are accrued and expensed when approved by the Board of Directors or committed to grantees. Grants scheduled to be paid after one year are discounted at a rate commensurate with the duration involved.

(l) 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 permanently 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 generally are 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.

(m) 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 on a sliding scale based upon total fund assets beginning at 1% on the first \$500 of fund assets. 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 (20% to 40%) of directly charged personnel costs.

(n) Reclassifications

Certain amounts in the prior 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.

(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 2023 and ending in 2032. As of June 30, 2022, there were no commitments to fund additional loans.

The Foundation also invests a portion of its funds in minority business enterprises to enhance organizational capacity to build scale, thereby providing relief for the poor, lessening neighborhood tensions, eliminating prejudice and discrimination, and combatting community deterioration and juvenile delinquency. These loans with interest rates of 5%-6% and maturities of 5-10 years through 2028. In addition to the minority business loans, the Foundation issued emergency loans to small businesses affected by the Covid-19 pandemic with 0% interest rate and maturing in 5 years through 2026. Interest and principal repayment on these loans was deferred for the first 12 months.

BOSTON FOUNDATION, INC.

Notes to Consolidated Financial Statements

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Program-related investments at June 30 were as follows:

	<u>2022</u>	<u>2021</u>
Discretionary Funds	\$ 5,000	5,000
Designated Funds	1,743	1,743
Donor Advised Funds	13,427	12,700
Business Equity Fund (BEF)	2,300	2,300
BEF COVID Emergency Fund	1,235	1,187
Other funds	<u>295</u>	<u>295</u>
Total all loans	24,000	23,225
Unamortized discounts	<u>(2,424)</u>	<u>(2,627)</u>
Net balance of program-related investments	<u>\$ 21,576</u>	<u>20,598</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, 2022 and 2021, 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.

(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 45 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 28 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.
- **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 18 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

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Impact Pool utilizes 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** – These funds are managed on a custom basis as recommended by a donor.
- **Advisor Managed Funds** – These funds are managed by an outside investment firm as recommended by a donor.
- **Other Investments** – These investments include global equities, fixed income bonds, privately-held company interests and other investments.

The following tables summarize the Foundation's investments in the fair value hierarchy as of June 30, 2022 and 2021:

	June 30, 2022				
	Investments measured at NAV	Investments classified in fair value hierarchy			Total
		Level 1	Level 2	Level 3	
Global equities	\$ 431,187	232,635	—	—	663,822
Flexible capital	236,447	—	—	—	236,447
Private equity and venture capital	268,297	—	—	1,325	269,622
Real assets:					
Real estate	75,038	21,906	—	—	96,944
Timber	4,789	—	—	—	4,789
Energy	4,450	—	—	—	4,450
	<u>84,277</u>	<u>21,906</u>	<u>—</u>	<u>—</u>	<u>106,183</u>
Fixed income:					
Money markets	—	37,402	—	—	37,402
U.S. Treasuries	—	—	158,293	—	158,293
U.S. TIPS	—	—	39,785	—	39,785
Fixed income bond fund	—	38,200	—	—	38,200
	—	<u>75,602</u>	<u>198,078</u>	<u>—</u>	<u>273,680</u>
Other investments					
Global equities	5,087	4,193	—	—	9,280
Fixed income bond fund	—	1,351	—	—	1,351
Privately-held company interests	—	—	—	87,922	87,922
Other	—	—	—	4,984	4,984
	<u>5,087</u>	<u>5,544</u>	<u>—</u>	<u>92,906</u>	<u>103,537</u>
Total investments	<u>\$ 1,025,295</u>	<u>335,687</u>	<u>198,078</u>	<u>94,231</u>	<u>1,653,291</u>

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	June 30, 2021				
	Investments measured at NAV	Investments classified in fair value hierarchy			Total
		Level 1	Level 2	Level 3	
Global equities	\$ 520,352	210,489	—	—	730,841
Flexible capital	281,239	—	—	—	281,239
Private equity and venture capital	220,026	—	—	1,051	221,077
Real assets:					
Real estate	63,977	24,580	—	—	88,557
Timber	5,051	—	—	—	5,051
Energy	3,457	—	—	—	3,457
	<u>72,485</u>	<u>24,580</u>	<u>—</u>	<u>—</u>	<u>97,065</u>
Fixed income:					
Money markets	—	57,870	—	—	57,870
U.S. Treasuries	—	—	159,010	—	159,010
U.S. TIPS	—	—	38,964	—	38,964
Fixed income bond fund	—	40,050	—	—	40,050
	—	97,920	197,974	—	295,894
Other investments					
Global equities	6,359	2,935	—	—	9,294
Fixed income bond fund	—	3	—	—	3
Privately-held company interests	—	—	—	3,793	3,793
Other	—	—	—	5,813	5,813
	<u>6,359</u>	<u>2,938</u>	<u>—</u>	<u>9,606</u>	<u>18,903</u>
Total investments	<u>\$ 1,100,461</u>	<u>335,927</u>	<u>197,974</u>	<u>10,657</u>	<u>1,645,019</u>

(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 agreement and entity agreements. The majority of such redemptions require 90 days or more written notice prior to the redemption period.

BOSTON FOUNDATION, INC.

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

	June 30, 2022					
	Daily	Monthly	Quarterly	1 to 5 years	Illiquid	Total
Balanced Plus Pool:						
Money markets	\$ 21,120	—	—	—	—	21,120
U.S. Treasury Notes	66,593	—	—	—	—	66,593
U.S. TIPS	35,894	—	—	—	—	35,894
Global equities	213,462	86,224	197,339	—	—	497,025
Flexible capital	—	—	24,304	160,174	31,351	215,829
Private equity and venture capital	—	—	—	—	266,734	266,734
Real assets	21,251	14,191	52,316	—	11,827	99,585
	<u>358,320</u>	<u>100,415</u>	<u>273,959</u>	<u>160,174</u>	<u>309,912</u>	<u>1,202,780</u>
Balanced Pool:						
Money markets	30	—	—	—	—	30
U.S. Treasury Notes	5,116	—	—	—	—	5,116
U.S. TIPS	1,045	—	—	—	—	1,045
Global equities	4,198	1,696	3,881	—	—	9,775
Flexible capital	—	—	744	4,902	960	6,606
Real assets	655	506	1,373	—	—	2,534
	<u>11,044</u>	<u>2,202</u>	<u>5,998</u>	<u>4,902</u>	<u>960</u>	<u>25,106</u>
Short-Term Pool:						
Money markets	16,006	—	—	—	—	16,006
U.S. Treasury Bills	79,602	—	—	—	—	79,602
	<u>95,608</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>95,608</u>
Impact Pool:						
Money Markets	246	—	—	—	—	246
U.S. Treasury Bonds	2,681	—	—	—	—	2,681
U.S. TIPS	2,846	—	—	—	—	2,846
Fixed income bond fund	2,091	—	—	—	—	2,091
Flexible capital	—	—	—	8,687	—	8,687
Global equities	42,595	3,900	4,710	2,719	—	53,924
Real Assets	—	—	498	—	3,566	4,064
Private equity and venture capital	—	—	—	—	988	988
	<u>50,459</u>	<u>3,900</u>	<u>5,208</u>	<u>11,406</u>	<u>4,554</u>	<u>75,527</u>
Custom Managed Funds:						
Global equities	40,781	—	36,000	—	—	76,781
Flexible capital	—	—	1,041	4,284	—	5,325
U.S. Treasury Bonds	4,301	—	—	—	—	4,301
Fixed income bond fund	36,109	—	—	—	—	36,109
Private equity and venture capital	—	—	—	—	1,900	1,900
	<u>81,191</u>	<u>—</u>	<u>37,041</u>	<u>4,284</u>	<u>1,900</u>	<u>124,416</u>
Advisor Managed Funds:						
Global equities	18,261	—	—	—	—	18,261
Other investments						
Global equities	17,336	—	—	—	—	17,336
Fixed income bond fund	1,351	—	—	—	—	1,351
Privately-held company interests	—	—	—	—	87,922	87,922
Other	—	—	—	—	4,984	4,984
	<u>18,687</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>92,906</u>	<u>111,593</u>
Total investments	\$ <u>633,570</u>	<u>106,517</u>	<u>322,206</u>	<u>180,766</u>	<u>410,232</u>	<u>1,653,291</u>

BOSTON FOUNDATION, INC.

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

	June 30, 2021					
	Daily	Monthly	Quarterly	1 to 5 years	Illiquid	Total
Balanced Plus Pool:						
Money markets	\$ 33,184	—	—	—	—	33,184
U.S. Treasury Notes	62,801	—	—	—	—	62,801
U.S. TIPS	33,966	—	—	—	—	33,966
Global equities	205,082	126,894	241,356	—	—	573,332
Flexible capital	—	—	24,749	205,315	28,690	258,754
Private equity and venture capital	—	—	—	—	219,904	219,904
Real assets	23,365	16,680	44,240	—	9,271	93,556
	<u>358,398</u>	<u>143,574</u>	<u>310,345</u>	<u>205,315</u>	<u>257,865</u>	<u>1,275,497</u>
Balanced Pool:						
Money markets	929	—	—	—	—	929
U.S. Treasury Notes	7,349	—	—	—	—	7,349
U.S. TIPS	1,619	—	—	—	—	1,619
Global equities	4,607	5,051	7,022	—	—	16,680
Flexible capital	—	—	1,009	8,371	1,170	10,550
Real assets	1,215	822	1,432	—	—	3,469
	<u>15,719</u>	<u>5,873</u>	<u>9,463</u>	<u>8,371</u>	<u>1,170</u>	<u>40,596</u>
Short-Term Pool:						
Money markets	21,757	—	—	—	—	21,757
U.S. Treasury Bills	79,990	—	—	—	—	79,990
	<u>101,747</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>101,747</u>
Impact Pool:						
Money Markets	2,000	—	—	—	—	2,000
U.S. Treasury Bonds	3,369	—	—	—	—	3,369
U.S. TIPS	3,379	—	—	—	—	3,379
Fixed income bond fund	3,666	—	—	—	—	3,666
Flexible capital	—	—	—	5,858	—	5,858
Global equities	32,466	3,186	5,428	3,220	—	44,300
Real Assets	—	—	—	—	40	40
Private equity and venture capital	—	—	—	—	122	122
	<u>44,880</u>	<u>3,186</u>	<u>5,428</u>	<u>9,078</u>	<u>162</u>	<u>62,734</u>
Custom Managed Funds:						
Global equities	59,670	—	29,496	—	—	89,166
Flexible capital	—	—	1,071	5,006	—	6,077
U.S. Treasury Bonds	5,501	—	—	—	—	5,501
Fixed income bond fund	36,384	—	—	—	—	36,384
Private equity and venture capital	—	—	—	—	1,051	1,051
	<u>101,555</u>	<u>—</u>	<u>30,567</u>	<u>5,006</u>	<u>1,051</u>	<u>138,179</u>
Advisor Managed Funds:						
Global equities	7,363	—	—	—	—	7,363
Other investments						
Global equities	9,294	—	—	—	—	9,294
Fixed income bond fund	3	—	—	—	—	3
Privately-held company interests	—	—	—	—	3,793	3,793
Other	—	—	—	—	5,813	5,813
	<u>9,297</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>9,606</u>	<u>18,903</u>
Total investments	\$ <u>638,959</u>	<u>152,633</u>	<u>355,803</u>	<u>227,770</u>	<u>269,854</u>	<u>1,645,019</u>

BOSTON FOUNDATION, INC.

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

(b) Level 3 Valuation

During fiscal year 2022, the Foundation received gifts of privately-held company interests valued at \$83.7 million that are classified as Level 3 investments for valuation purposes and were primarily valued using a recent round of financing.

There were no transfers between levels for the fiscal year ended June 30, 2022.

(c) Investment Returns

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

	2022	2021
Interest and dividends	\$ 15,227	13,753
Unrealized and realized gains (losses) on investments	(107,347)	357,621
Investment management expense	(886)	(811)
Total return	\$ (93,006)	370,563

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, 2022 and 2021 were \$6,329 and \$6,245, respectively. Income taxes paid of \$7 and \$17 resulting from investment returns for the years ended June 30, 2022 and 2021, respectively, have been netted in investment returns of the invested pools that generated the taxable investment income. Investment management expenses of \$886 and \$811 for the years ended June 30, 2022 and 2021, respectively, representing external and direct internal investment management expenses, have been allocated as a reduction of investment returns.

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

	2022	2021
Balanced Plus Pool	\$ (50,926)	331,689
Balanced Pool	(2,454)	12,504
Short-Term Pool	221	124
Impact Pool	(14,248)	8,882
Custom Managed Funds	(22,427)	13,612
Advisor Managed Funds	(1,688)	68
Other investments	(1,996)	3,196
U.S. Treasuries	512	488
Total return	\$ (93,006)	370,563

BOSTON FOUNDATION, INC.

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

(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>2022</u>	<u>2021</u>
Private equity and venture capital	\$ 136,171	81,074
Real assets	<u>4,812</u>	<u>4,763</u>
Total unfunded commitments	<u>\$ 140,983</u>	<u>85,837</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.

(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, 2022 and 2021 are identified below by fund category. Investments managed by pool are displayed based upon the portion of each pool allocated by individual fund within each fund category. The illiquid portion of each pool and the future capital call commitments 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.

BOSTON FOUNDATION, INC.

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

As of June 30, 2022 and 2021, 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 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, 2022							Total
	Without donor restrictions					Total available	Endowment (with donor restrictions)	
	Operating	Donor advised	Program	Other	Supporting orgs.			
Cash, cash equivalents and treasuries	\$ 13,415	3,523	17,050	5,680	218	39,886	—	39,886
Investments:								
Balance plus	1,948	607,308	48,944	48,311	19,080	725,591	477,189	1,202,780
Balanced	—	24,627	—	479	—	25,106	—	25,106
Short term	—	80,119	8,959	6,530	—	95,608	—	95,608
Impact Pool	—	64,326	—	—	—	64,326	11,201	75,527
Custom Managed	—	124,416	—	—	—	124,416	—	124,416
Advisor Managed	—	18,261	—	—	—	18,261	—	18,261
Other Investments	1,580	75,189	—	4,301	22,323	103,393	8,200	111,593
Program Related Investments	—	12,676	2,530	1,606	50	16,862	4,714	21,576
Other	605	305	458	—	—	1,368	158	1,526
Total financial assets	17,548	1,010,750	77,941	66,907	41,671	1,214,817	501,462	1,716,279
Illiquid assets:								
Balanced plus	502	156,481	12,611	12,448	4,916	186,958	122,954	309,912
Balanced	—	942	—	18	—	960	—	960
Impact Pool	—	3,879	—	—	—	3,879	675	4,554
Custom Managed	—	1,900	—	—	—	1,900	—	1,900
Other investments	1,315	68,658	—	1,838	14,268	86,079	6,827	92,906
Total illiquid assets	1,817	231,860	12,611	14,304	19,184	279,776	130,456	410,232
Annual release of time restrictions	—	1,596	15,984	6,111	181	23,872	(23,872)	—
Liquid assets available for future expenditures	\$ 15,731	780,486	81,314	58,714	22,668	958,913	347,134	1,306,047
Liabilities	\$ 6,430	79	5,119	304	204	12,136	392	12,528
Expected future year expenditures based upon current year	19,334	151,972	34,697	21,407	1,420	228,830	—	228,830
Outstanding investment capital calls	221	72,752	5,553	5,481	2,165	86,172	54,811	140,983
Estimated expenditures	\$ 25,985	224,803	45,369	27,192	3,789	327,138	55,203	382,341
Percent of liquid assets available for expenditure vs. estimated expenditures	61 %	347 %	179 %	216 %	598 %	293 %	629 %	342 %

BOSTON FOUNDATION, INC.

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

Foundation activities – June 30, 2021								
Without donor restrictions							Endowment	Total
Operating	Donor advised	Program	Other	Supporting orgs.	Total available	(with donor restrictions)		
Cash, cash equivalents and treasuries	\$ 11,992	3,725	18,674	3,461	307	38,159	—	38,159
Investments:								
Balance plus	2,274	636,702	49,990	49,800	20,798	759,564	515,933	1,275,497
Balanced	—	38,747	1,186	663	—	40,596	—	40,596
Short term	—	89,703	9,879	2,165	—	101,747	—	101,747
Impact Pool	—	49,543	—	—	—	49,543	13,191	62,734
Custom Managed	—	138,179	—	—	—	138,179	—	138,179
Advisor Managed	—	7,363	—	—	—	7,363	—	7,363
Other Investments	1,891	1,139	—	5,501	340	8,871	10,032	18,903
Program Related Investments	—	11,524	2,919	1,570	50	16,063	4,535	20,598
Other	599	535	1,200	—	—	2,334	229	2,563
Total financial assets	16,756	977,160	83,848	63,160	21,495	1,162,419	543,920	1,706,339
Illiquid assets:								
Balanced plus	460	128,721	10,107	10,068	4,205	153,561	104,304	257,865
Balanced	—	1,117	34	19	—	1,170	—	1,170
Impact pool	—	128	—	—	—	128	34	162
Custom Managed	—	1,051	—	—	—	1,051	—	1,051
Other investments	961	579	—	2,795	340	4,675	4,931	9,606
Total illiquid assets	1,421	131,596	10,141	12,882	4,545	160,585	109,269	269,854
Annual release of time restrictions	—	1,970	14,487	6,355	204	23,016	(23,016)	—
Liquid assets available for future expenditures	\$ 15,335	847,534	88,194	56,633	17,154	1,024,850	411,635	1,436,485
Liabilities	7,089	128	5,181	252	2	12,652	539	13,191
Expected future year expenditures based upon current year	\$ 17,722	133,174	29,151	16,647	1,657	198,351	—	198,351
Outstanding investment capital calls	153	42,848	3,364	3,351	1,400	51,116	34,721	85,837
Estimated expenditures	\$ 24,964	176,150	37,696	20,250	3,059	262,119	35,260	297,379
Percent of liquid assets available for expenditure vs. estimated expenditures	61 %	481 %	234 %	280 %	561 %	391 %	1,167 %	483 %

BOSTON FOUNDATION, INC.

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

(6) Endowment Assets

The Foundation's endowment as of June 30, 2022 and 2021, respectively, consists of 292 and 283 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 utilized:

	<u>Board designated</u>	<u>With donor restrictions</u>	<u>Total</u>
As of June 30, 2022:			
Discretionary purpose funds:			
General purpose	\$ —	231,698	231,698
Field of interest	—	100,753	100,753
Board designated as program endowment	<u>28,627</u>	<u>—</u>	<u>28,627</u>
Total discretionary purpose funds	28,627	332,451	361,078
Designated funds	—	133,907	133,907
Endowed donor advised funds	<u>—</u>	<u>34,712</u>	<u>34,712</u>
Total endowment funds	\$ <u>28,627</u>	<u>501,070</u>	<u>529,697</u>
	<u>Board designated</u>	<u>With donor restrictions</u>	<u>Total</u>
As of June 30, 2021:			
Discretionary purpose funds:			
General purpose	\$ —	253,957	253,957
Field of interest	—	109,288	109,288
Board designated as program endowment	<u>31,124</u>	<u>—</u>	<u>31,124</u>
Total discretionary purpose funds	31,124	363,245	394,369
Designated funds	—	144,558	144,558
Endowed donor advised funds	<u>—</u>	<u>35,579</u>	<u>35,579</u>
Total endowment funds	\$ <u>31,124</u>	<u>543,382</u>	<u>574,506</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 of Directors 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.

BOSTON FOUNDATION, INC.

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June 30, 2022 and 2021

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 permanently restricted amount 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.

At June 30, 2022 and 2021, the fair value of individual funds less than their historic gift value (underwater funds) are as follows:

	<u>2022</u>	<u>2021</u>
Fair value of underwater endowment funds	\$ 16,943	11,362
Original endowment gift amount	<u>19,930</u>	<u>12,713</u>
Deficiencies of underwater endowment funds	\$ <u>(2,987)</u>	<u>(1,351)</u>
 Number of underwater endowment funds	 <u>22</u>	 <u>11</u>

Changes in endowment net assets for the year ended June 30, 2022 are as follows:

	<u>Board designated</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment net assets, June 30, 2021	\$ 31,124	543,382	574,506
Contributions received	—	2,225	2,225
Investment returns, net	(1,186)	(23,555)	(24,741)
Transfers and reclassifications	—	2,890	2,890
Net assets released from restriction	<u>(1,311)</u>	<u>(23,872)</u>	<u>(25,183)</u>
Endowment net assets, June 30, 2022	\$ <u>28,627</u>	<u>501,070</u>	<u>529,697</u>

BOSTON FOUNDATION, INC.

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

Changes in endowment net assets for the year ended June 30, 2021 are as follows:

	<u>Board designated</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment net assets, June 30, 2020	\$ 24,293	426,613	450,906
Contributions received	—	355	355
Investment returns, net	8,075	140,120	148,195
Net assets released from restriction	<u>(1,244)</u>	<u>(23,706)</u>	<u>(24,950)</u>
Endowment net assets, June 30, 2021	\$ <u>31,124</u>	<u>543,382</u>	<u>574,506</u>

(7) Net Assets

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

	<u>2022</u>	<u>2021</u>
Undesignated:		
Operating	\$ 14,050	13,011
Donor advised	1,010,712	977,032
Program	44,194	47,543
Other	66,603	62,908
Supporting organizations	<u>41,467</u>	<u>21,493</u>
Total undesignated	1,177,026	1,121,987
Board designated as program endowment	<u>28,627</u>	<u>31,124</u>
Total without donor restrictions	\$ <u>1,205,653</u>	<u>1,153,111</u>

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

	<u>2022</u>	<u>2021</u>
General purpose	\$ 231,698	253,957
Field of interest	100,753	109,288
Designated purposes	133,907	144,558
Endowed donor advised funds	<u>34,712</u>	<u>35,579</u>
Total with donor restrictions	\$ <u>501,070</u>	<u>543,382</u>

BOSTON FOUNDATION, INC.

Notes to Consolidated Financial Statements

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(8) Fixed Assets

Fixed assets consisted of the following as of June 30:

	<u>2022</u>	<u>2021</u>
Office equipment, computer system, and furniture	\$ 1,110	1,076
Leasehold improvements	4,094	4,080
	5,204	5,156
Less accumulated depreciation	<u>(2,232)</u>	<u>(1,811)</u>
	<u>\$ 2,972</u>	<u>3,345</u>

Depreciation expense was \$421 and \$436 for the years ended June 30, 2022 and 2021, respectively.

(9) Grant Commitments

Grants payable of \$5,076 and \$5,056 as of June 30, 2022 and 2021, respectively, represent unconditional promises to other organizations. In addition, as of June 30, 2022 and 2021, the Board of Directors 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 \$21,973 and \$14,188, respectfully.

(10) Lease Commitments

The Foundation occupies leased space at 75 Arlington Street. In October 2016, the Foundation amended its lease of the 75 Arlington space to enable moving from the tenth floor to newly renovated space on the third floor with occupancy effective in fiscal 2018 through September 2030.

The Foundation entered into a sublease at 75 Arlington Street, seventh floor, on June 26, 2017 with a commencement date of December 15, 2017 and continuing through October 31, 2026.

The Foundation entered into a sublease at 2300 Washington Street, Roxbury with a commencement date of January 1, 2022 and continuing through June 30, 2023 for the New Commonwealth Fund, a program of the Foundation. This lease has been terminated early with a termination date of September, 30, 2022 as a new lease has been signed.

The Foundation entered onto a sublease at 67 Kemble Street, Boston with a commencement date of November 1, 2022 and continuing through October 1, 2027 for the New Commonwealth Fund.

The Foundation has calculated rent expense for the initial and amended terms of these leases on the straight-line basis. Amounts currently expensed for which payment is not yet due of \$1,043 are included in accounts payable and accrued liabilities in the June 30, 2022 consolidated statements of financial position.

BOSTON FOUNDATION, INC.

Notes to Consolidated Financial Statements

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Base rent expense was \$1,379 and \$1,361 for the years ended June 30, 2022 and 2021, respectively. Minimum annual rent payments before real estate taxes and operating expense escalations are as follows:

<u>Fiscal year</u>	<u>75 Arlington 3rd Floor Minimum annual rent payments</u>	<u>75 Arlington 7th floor Minimum annual rent payments</u>	<u>67 Kemble Minimum annual rent payments</u>
2023	\$ 1,331	198	47
2024	1,357	202	105
2025	1,382	206	109
2026	1,408	210	113
2027	1,433	88	117
Thereafter	4,832	—	39
Total	\$ <u>11,743</u>	<u>904</u>	<u>530</u>

(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 \$619 and \$624 for the years ended June 30, 2022 and 2021, 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 \$62 and \$127 for the years ended June 30, 2022 and 2021, respectively.

BOSTON FOUNDATION, INC.

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

(12) Functional Expenses

A summary of the Foundation's functional expenses for funds without donor restrictions for the year ended June 30, 2022 is as follows:

	<u>Operating</u>	<u>Donor advised</u>	<u>Program</u>	<u>Other</u>	<u>Supporting orgs.</u>	<u>Total</u>
Grants	\$ 36	150,563	25,909	21,084	632	198,224
Change in split interest	96	—	—	—	—	96
Salary and benefits	14,149	483	2,348	268	473	17,721
Professional fees	1,060	781	5,162	23	302	7,328
Meetings, conferences and travel	354	29	945	13	6	1,347
Marketing	545	35	282	4	2	868
Office expenses	116	35	28	10	3	192
Technology	961	15	15	5	1	997
Occupancy	2,017	31	9	—	—	2,057
Total expenses	<u>\$ 19,334</u>	<u>151,972</u>	<u>34,698</u>	<u>21,407</u>	<u>1,419</u>	<u>228,830</u>

Functional expenses for funds without donor restrictions for the year ended June 30, 2021 is as follows:

	<u>Operating</u>	<u>Donor advised</u>	<u>Program</u>	<u>Other</u>	<u>Supporting orgs.</u>	<u>Total</u>
Grants	\$ 100	132,165	24,757	16,014	1,186	174,222
Change in split interest	(363)	—	—	—	—	(363)
Salary and benefits	13,571	10	1,339	255	338	15,513
Professional fees	895	806	2,660	342	122	4,825
Meetings, conferences and travel	240	—	254	15	—	509
Marketing	518	23	70	3	6	620
Office expenses	78	15	30	13	2	138
Technology	705	155	32	5	1	898
Occupancy	1,978	—	9	—	2	1,989
Total expenses	<u>\$ 17,722</u>	<u>133,174</u>	<u>29,151</u>	<u>16,647</u>	<u>1,657</u>	<u>198,351</u>

(13) Subsequent Events

Management has evaluated events subsequent to June 30, 2022 and through December 1, 2022, the date on which the consolidated financial statements were available to be issued.

As reported in footnote 10 and subsequent to June 30, 2022, the Foundation entered into a sublease of 67 Kemble Street in Boston.