

BOSTON FOUNDATION, INC.

Consolidated Financial Statements

June 30, 2023 and 2022

(With Independent Auditors' Report Thereon)



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

Independent Auditors' Report

The Board of Directors
the Boston Foundation, Inc.:

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, 2023 and 2022, 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, 2023 and 2022, and the results of its operations 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

Boston, Massachusetts
December 21, 2023

BOSTON FOUNDATION, INC.

Consolidated Statements of Financial Position

June 30, 2023 and 2022

(Dollars in thousands)

Assets	2023	2022
Cash and cash equivalents	\$ 23,138	12,250
U.S. Treasuries	30,922	27,636
Contributions receivable, net	310	686
Program-related investments, net	26,556	21,576
Investments, at fair value	1,685,190	1,653,291
Other assets	864	840
Fixed assets, net	2,535	2,972
Right of use asset, net	9,352	10,738
Total assets	<u>\$ 1,778,867</u>	<u>1,729,989</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	\$ 6,727	6,409
Grants payable	3,501	5,076
Operating lease liabilities	10,496	11,858
Total liabilities	<u>20,724</u>	<u>23,343</u>
Net assets:		
Without donor restrictions		
Undesignated	1,227,459	1,176,949
Designated by the Board for endowment	28,910	28,627
Total without donor restrictions	1,256,369	1,205,576
With donor restrictions	501,774	501,070
Total net assets	<u>1,758,143</u>	<u>1,706,646</u>
Total liabilities and net assets	<u>\$ 1,778,867</u>	<u>1,729,989</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	89,735	25,970	115,705
Net assets released from restrictions	26,688	(26,688)	—
Total revenues	262,895	704	263,599
Expenses:			
Grants	175,374	—	175,374
Change in split interest	29	—	29
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	212,102	—	212,102
Change in net assets	50,793	704	51,497
Net assets, beginning of year	1,205,576	501,070	1,706,646
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 Statement of Activities

Year ended June 30, 2022

(Dollars in thousands)

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
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	<u>23,872</u>	<u>(23,872)</u>	<u>—</u>
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	<u>2,057</u>	<u>—</u>	<u>2,057</u>
Total expenses	<u>228,830</u>	<u>—</u>	<u>228,830</u>
Change in net assets	52,542	(42,312)	10,230
Net assets, beginning of year	1,153,111	543,382	1,696,493
Cumulative adjustment	<u>(77)</u>	<u>—</u>	<u>(77)</u>
Net assets, end of year	\$ <u><u>1,205,576</u></u>	<u><u>501,070</u></u>	<u><u>1,706,646</u></u>

See accompanying notes to consolidated financial statements.

BOSTON FOUNDATION, INC.
Consolidated Statements of Cash Flows
Years ended June 30, 2023 and 2022
(Dollars in thousands)

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Cash received from contributions and service fees	\$ 143,998	330,231
Interest and dividends received, net of fees	19,635	14,587
Annuity and beneficiary payments	(289)	(144)
Grants paid	(175,949)	(198,204)
Cash paid:		
For program expenses	(8,892)	(8,789)
To employees and suppliers	(27,537)	(22,382)
Net cash provided by (used in) operating activities	<u>(49,034)</u>	<u>115,299</u>
Cash flows from investing activities:		
Proceeds from sales of investments	542,624	419,827
Purchases of investments	(484,124)	(537,614)
Purchases of fixed assets	—	(48)
Net cash provided by (used in) investing activities	<u>58,500</u>	<u>(117,835)</u>
Cash flows from financing activities:		
Contributions restricted for long-term investments	1,422	2,225
Net cash provided by financing activities	<u>1,422</u>	<u>2,225</u>
Net change in cash and cash equivalents	10,888	(311)
Cash and cash equivalents, beginning of year	<u>12,250</u>	<u>12,561</u>
Cash and cash equivalents, end of year	<u>\$ 23,138</u>	<u>12,250</u>
Reconciliation of change in net assets to net cash provided by (used in) operating activities:		
Change in net assets	\$ 51,497	10,230
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,822	421
Change in annuity and beneficiary payables	(175)	(551)
Change in grants payable	(1,575)	20
Change in contributions receivable, net	(375)	1,027
Change in operating lease liabilities	(1,362)	—
Changes in other assets and liabilities, net	444	(970)
Contributions restricted for long-term investments	(1,422)	(2,225)
Unrealized and realized net (gain) loss on investments	(97,888)	107,347
Net cash provided by (used in) operating activities	<u>\$ (49,034)</u>	<u>115,299</u>

See accompanying notes to consolidated financial statements.

BOSTON FOUNDATION, INC.

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

(Dollars in thousands)

(1) Description of the Boston Foundation

(a) Organization

Founded in 1915, the Boston Foundation, Inc. (the Foundation) is one of the nation's first and most impactful' 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 (TPI), an internationally recognized provider of customized philanthropic consulting, operates as a distinct unit of the Foundation.

(b) Activity

The Boston Foundation's mission is to improve lives and strengthen communities. We are committed to closing the gaps on this region's greatest disparities. Through our resources and relationships we work to open pathways to opportunity and build and sustain vital, prosperous and equitable communities. We believe that closing these gaps opens pathways to opportunity, prosperity and equitable outcomes. 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 makes charitable grants to qualified recipients and donors with their philanthropic goals. The Foundation also 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

BOSTON FOUNDATION, INC.

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(Dollars in thousands)

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 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 from funds with donor 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, 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 \$39.1 million as of June 30, 2023.

(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" is applied to the majority of the endowment funds to determine the spendable amount. 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. Administrative fees at 1.2% for discretionary and 0.95% for designated funds are calculated

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(Dollars in thousands)

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 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

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(Dollars in thousands)

(endowment funds), as net assets without restrictions, regardless of donor intended purpose restrictions. During 2023 and 2022, 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.

(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 2023 and 2022, 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>2023</u>	<u>2022</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 2023 and 2022 were 1% less than the above rates.

For fiscal year 2024, 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 rate is 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

BOSTON FOUNDATION, INC.

Notes to Consolidated Financial Statements

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(Dollars in thousands)

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 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, 2023 and 2022, 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 2033.

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.

BOSTON FOUNDATION, INC.

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

(Dollars in thousands)

(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) Lease - New Accounting Pronouncements

Effective July 1, 2021, the Foundation adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No, 2016-02, Leases (Topic 842), as amended. This guidance is intended to improve financial reporting of leasing transactions by requiring organizations that lease assets to recognize assets and liabilities for rights and obligations created by leases that extend more than twelve months. Key provisions of this guidance include additional disclosures surrounding the amount, timing and uncertainty of cash flows arising from leases. The Foundation used the comparative method and package of practical expedients that permits no reassessment of whether any expired or existing contracts are or contain a lease, the lease classification for any expired leases, and any initial direct costs for any existing leases as of the effective date. The cumulative effect of this implementation was a reduction in net assets of \$77 that is reflected in the accompanying financial statements.

(l) 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 of Directors or committed to grantees. Grants scheduled to be paid after one year are discounted at a rate commensurate with the duration involved.

(m) 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 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.

(n) 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.

BOSTON FOUNDATION, INC.

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

(Dollars in thousands)

(o) 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 2024 and ending in 2033. As of June 30, 2023, 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 have interest rates of 5%-6% and maturities of 5-10 years through 2030. 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 2028. Interest and principal repayment on these loans was 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, 2023, the amount of the loan loss reserves were \$32 and \$261 for Business Equity loans and COVID-19 emergency loans, respectively.

Program-related investments at June 30 were as follows:

	<u>2023</u>	<u>2022</u>
Discretionary funds	\$ 5,300	5,000
Designated funds	1,743	1,743
Donor advised funds	18,427	13,427
Business Equity Fund (BEF)	2,807	1,565
BEF COVID Emergency Fund	821	965
Other funds	<u>795</u>	<u>295</u>
Total all loans	29,893	22,995
Unamortized discounts	(3,044)	(1,419)
Loan loss reserve	<u>(293)</u>	<u>—</u>
Net balance of program-related investments	\$ <u>26,556</u>	<u>21,576</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

BOSTON FOUNDATION, INC.

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(Dollars in thousands)

Partnership Fund Board. The Foundation's \$3,000 guarantee is matched by the same amount from another foundation. As of June 30, 2023 and 2022, 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 43 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 22 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 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 (CMF)** – These funds are managed on a custom basis as recommended by the fund advisor.
- **Advisor Managed Funds (AMF)** – 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.

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(Dollars in thousands)

The following tables summarize the Foundation's investments in the fair value hierarchy as of June 30, 2023 and 2022:

	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	989,897	183,027	—	7	1,172,931
Real assets:					
Real estate	71,563	21,370	—	—	92,933
Timber	4,786	—	—	—	4,786
Energy	4,295	—	—	—	4,295
Total real assets	80,644	21,370	—	—	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	—	72,522	204,933	—	277,455
Total Pooled, CMF & AMF	1,070,541	276,919	204,933	7	1,552,400
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	5,606	13,589	—	113,595	132,790
Total investments	\$ 1,076,147	290,508	204,933	113,602	1,685,190

BOSTON FOUNDATION, INC.

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

(Dollars in thousands)

	June 30, 2022				
	Investments measured at NAV	Investments classified in fair value hierarchy			Total
		Level 1	Level 2	Level 3	
Pooled, CMF & AMF:					
Equities:					
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
Total equities	935,931	232,635	—	1,325	1,169,891
Real assets:					
Real estate	75,038	21,906	—	—	96,944
Timber	4,789	—	—	—	4,789
Energy	4,450	—	—	—	4,450
Total real assets	84,277	21,906	—	—	106,183
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
Total fixed income	—	75,602	198,078	—	273,680
Total Pooled, CMF & AMF	1,020,208	330,143	198,078	1,325	1,549,754
Other investments:					
Global equities					
Fixed income bond fund	5,087	4,193	—	—	9,280
Privately-held company interests	—	1,351	—	—	1,351
Other	—	—	—	87,922	87,922
	—	—	—	4,984	4,984
Total other investments	5,087	5,544	—	92,906	103,537
Total investments	\$ 1,025,295	335,687	198,078	94,231	1,653,291

(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

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(Dollars in thousands)

	June 30, 2023					
	Daily	Monthly	Quarterly	1 to 5 years	Illiquid	Total
Balanced Plus Pool:						
Money markets	\$ 9,420	—	—	—	—	9,420
U.S. Treasury Notes	56,287	—	—	—	—	56,287
U.S. TIPS	45,659	—	—	—	—	45,659
Global equities	175,683	77,127	238,934	—	—	491,744
Flexible capital	—	—	25,431	157,287	31,963	214,681
Private equity and venture capital	—	—	—	—	255,102	255,102
Real assets	20,668	13,984	48,327	—	12,423	95,402
	<u>307,717</u>	<u>91,111</u>	<u>312,692</u>	<u>157,287</u>	<u>299,488</u>	<u>1,168,295</u>
Balanced Pool:						
Money markets	406	—	—	—	—	406
U.S. Treasury Notes	4,139	—	—	—	—	4,139
U.S. TIPS	967	—	—	—	—	967
Global equities	3,825	1,679	5,203	—	—	10,707
Flexible capital	—	—	737	4,560	927	6,224
Real assets	702	283	1,280	—	—	2,265
	<u>10,039</u>	<u>1,962</u>	<u>7,220</u>	<u>4,560</u>	<u>927</u>	<u>24,708</u>
Short-Term Pool:						
Money markets	18,860	—	—	—	—	18,860
U.S. Treasury Bills	88,847	—	—	—	—	88,847
	<u>107,707</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>107,707</u>
Impact Pool:						
Money Markets	1,450	—	—	—	—	1,450
U.S. Treasury Bonds	2,509	—	—	—	—	2,509
U.S. TIPS	3,392	—	—	—	—	3,392
Fixed income bond fund	1,688	—	—	—	—	1,688
Flexible capital	—	—	—	9,132	—	9,132
Global equities	52,039	4,128	5,537	3,036	—	64,740
Real Assets	—	—	4,169	—	178	4,347
Private equity and venture capital	—	—	—	—	1,432	1,432
	<u>61,078</u>	<u>4,128</u>	<u>9,706</u>	<u>12,168</u>	<u>1,610</u>	<u>88,690</u>
Custom Managed Funds:						
Global equities	49,678	—	44,019	—	—	93,697
Flexible capital	—	—	1,088	5,241	—	6,329
U.S. Treasury Bonds	3,133	—	—	—	—	3,133
Fixed income bond fund	37,397	—	—	—	—	37,397
Private equity and venture capital	—	—	—	—	3,520	3,520
	<u>90,208</u>	<u>—</u>	<u>45,107</u>	<u>5,241</u>	<u>3,520</u>	<u>144,076</u>
Advisor Managed Funds:						
Global equities	15,623	—	—	—	—	15,623
Fixed income bond fund	3,301	—	—	—	—	3,301
	<u>18,924</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>18,924</u>
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
	<u>19,195</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>113,595</u>	<u>132,790</u>
Total investments	\$ 614,868	97,201	374,725	179,256	419,140	1,685,190

BOSTON FOUNDATION, INC.

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(Dollars in thousands)

	June 30, 2022					
	<u>Daily</u>	<u>Monthly</u>	<u>Quarterly</u>	<u>1 to 5 years</u>	<u>Illiquid</u>	<u>Total</u>
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
	<u>18,261</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>18,261</u>
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.

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(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.

For the fiscal year ended June 30, 2023 the Foundation valued private operating companies using an income approach or a market approach. In certain instances, the Foundation may use multiple valuation approaches for a particular investment and estimate its fair value based on a weighted average or a selected outcome within a range of multiple valuation results. 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.

The following tables present the Foundation's activity for the fiscal years ended June 30, 2023 and 2022 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
<u>Year Ended June 30, 2023</u>						
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	<u>\$ 94,231</u>	<u>11,459</u>	<u>(5,196)</u>	<u>2,868</u>	<u>10,240</u>	<u>113,602</u>
<u>Year Ended June 30, 2022</u>						
Private equity and venture capital	\$ 1,051	—	—	—	274	1,325
Privately-held company interests	—	87,492	(360)	—	790	87,922
Global Equities	1,834	—	(1,834)	—	—	—
Fixed income bond fund	904	—	(904)	—	—	—
Other	6,868	2,776	(4,039)	—	(621)	4,984
Totals	<u>\$ 10,657</u>	<u>90,268</u>	<u>(7,137)</u>	<u>—</u>	<u>443</u>	<u>94,231</u>

There were no transfers between levels for the fiscal year ended June 30, 2023.

BOSTON FOUNDATION, INC.

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(Dollars in thousands)

(c) Investment Returns

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

	<u>2023</u>	<u>2022</u>
Interest and dividends	\$ 17,716	15,227
Unrealized and realized gains (losses) on investments	98,905	(107,347)
Investment management expense	<u>(916)</u>	<u>(886)</u>
Total return	<u>\$ 115,705</u>	<u>(93,006)</u>

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, 2023 and 2022 were \$6,215 and \$6,329, respectively. Income taxes paid of \$45 and \$7 resulting from investment returns for the years ended June 30, 2023 and 2022, respectively, have been netted in investment returns of the invested pools that generated the taxable investment income. Investment management expenses of \$916 and \$886 for the years ended June 30, 2023 and 2022, 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:

	<u>2023</u>	<u>2022</u>
Balanced Plus Pool	\$ 59,900	(50,926)
Balanced Pool	1,932	(2,454)
Short-Term Pool	4,271	221
Impact Pool	8,007	(14,248)
Custom Managed Funds	18,119	(22,427)
Advisor Managed Funds	1,033	(1,688)
Other investments	20,995	(1,996)
U.S. Treasuries	<u>1,448</u>	<u>512</u>
Total return	<u>\$ 115,705</u>	<u>(93,006)</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

BOSTON FOUNDATION, INC.

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(Dollars in thousands)

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>2023</u>	<u>2022</u>
Private equity and venture capital	\$ 121,143	136,171
Real assets	<u>3,497</u>	<u>4,812</u>
Total unfunded commitments	<u>\$ 124,640</u>	<u>140,983</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, 2023 and 2022 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.

As of June 30, 2023 and 2022, 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

BOSTON FOUNDATION, INC.

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(Dollars in thousands)

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, 2023									
Without donor restrictions							Endowment		
Operating	Donor advised	Program	Other	Supporting orgs.	Total available	(with donor restrictions)	Total		
Cash, cash equivalents and treasuries	\$ 17,065	4,508	23,678	4,903	3,906	54,060	—	54,060	
Investments:									
Balanced Plus	1,799	567,289	50,349	53,574	18,863	691,874	476,421	1,168,295	
Balanced	—	24,321	—	387	—	24,708	—	24,708	
Short Term	—	83,839	7,669	16,199	—	107,707	—	107,707	
Impact Pool	—	88,690	—	—	—	88,690	—	88,690	
Custom Managed	—	140,943	—	3,133	—	144,076	—	144,076	
Advisor Managed	—	18,924	—	—	—	18,924	—	18,924	
Other Investments	2,140	66,237	—	518	43,343	112,238	20,552	132,790	
Program Related Investments	—	16,703	3,426	1,643	100	21,872	4,684	26,556	
Other	802	53	202	—	—	1,057	117	1,174	
Total financial assets	21,806	1,011,507	85,324	80,357	66,212	1,265,206	501,774	1,766,980	
Illiquid assets:									
Balanced Plus	461	145,423	12,907	13,734	4,835	177,360	122,128	299,488	
Balanced	—	912	—	15	—	927	—	927	
Impact Pool	—	1,610	—	—	—	1,610	—	1,610	
Custom Managed	—	3,520	—	—	—	3,520	—	3,520	
Other investments	1,786	58,043	—	432	36,178	96,439	17,156	113,595	
Total illiquid assets	2,247	209,508	12,907	14,181	41,013	279,856	139,284	419,140	
Annual release of time restrictions	14,658	(24,074)	20,915	15,141	48	26,688	(26,688)	—	
Liquid assets available for future expenditures	\$ 34,217	777,925	93,332	81,317	25,247	1,012,038	335,802	1,347,840	
Liabilities	\$ 5,542	161	3,633	238	252	9,826	402	10,228	
Expected future year expenditures based upon current year	22,835	136,203	29,246	22,090	1,733	212,107	—	212,107	
Outstanding investment capital calls	186	62,340	5,219	5,554	1,955	75,254	49,386	124,640	
Estimated expenditures	\$ 28,563	198,704	38,098	27,882	3,940	297,187	49,788	346,975	
Percent of liquid assets available for expenditure vs. estimated expenditures	120 %	391 %	245 %	292 %	641 %	341 %	674 %	388 %	

BOSTON FOUNDATION, INC.

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(Dollars in thousands)

Foundation activities – June 30, 2022								
Without donor restrictions							Endowment	
	Operating	Donor advised	Program	Other	Supporting orgs.	Total available	(with donor restrictions)	Total
Cash, cash equivalents and treasuries	\$ 13,415	3,523	17,050	5,680	218	39,886	—	39,886
Investments:								
Balanced 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	\$ 5,387	79	5,119	304	204	11,093	392	11,485
Expected future year expenditures based upon current year	19,411	151,972	34,697	21,407	1,420	228,907	—	228,907
Outstanding investment capital calls	221	72,752	5,553	5,481	2,165	86,172	54,811	140,983
Estimated expenditures	\$ 25,019	224,803	45,369	27,192	3,789	326,172	55,203	381,375
Percent of liquid assets available for expenditure vs. estimated expenditures	63 %	347 %	179 %	216 %	598 %	294 %	629 %	342 %

BOSTON FOUNDATION, INC.

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(Dollars in thousands)

(6) Endowment Assets

The Foundation's endowment as of June 30, 2023 and 2022, respectively, consists of 291 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 utilized:

	<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>
	<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>

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.

Notes to Consolidated Financial Statements

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(Dollars in thousands)

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.

At June 30, 2023 and 2022, the fair value of individual funds less than their historic gift value (underwater funds) are as follows:

	<u>2023</u>	<u>2022</u>
Fair value of underwater endowment funds	\$ 17,408	16,943
Original endowment gift amount	<u>20,156</u>	<u>19,930</u>
Deficiencies of underwater endowment funds	\$ <u>(2,748)</u>	<u>(2,987)</u>
Number of underwater endowment funds	<u>21</u>	<u>22</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	25,970	27,419
Net assets released from restriction	<u>(1,166)</u>	<u>(26,688)</u>	<u>(27,854)</u>
Endowment net assets, June 30, 2023	\$ <u>28,910</u>	<u>501,774</u>	<u>530,684</u>

BOSTON FOUNDATION, INC.

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

(Dollars in thousands)

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>

(7) Net Assets

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

	<u>2023</u>	<u>2022</u>
Undesignated:		
Operating	\$ 17,244	13,973
Donor advised	1,011,355	1,010,712
Program	52,781	44,194
Other	80,118	66,603
Supporting organizations	<u>65,961</u>	<u>41,467</u>
Total undesignated	1,227,459	1,176,949
Board designated as program endowment	<u>28,910</u>	<u>28,627</u>
Total without donor restrictions	\$ <u>1,256,369</u>	<u>1,205,576</u>

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

	<u>2023</u>	<u>2022</u>
General purpose	\$ 231,636	231,698
Field of interest	101,188	100,753
Designated purposes	133,924	133,907
Endowed donor advised funds	<u>35,026</u>	<u>34,712</u>
Total with donor restrictions	\$ <u>501,774</u>	<u>501,070</u>

BOSTON FOUNDATION, INC.

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

(Dollars in thousands)

(8) Fixed Assets

Fixed assets consisted of the following as of June 30:

	<u>2023</u>	<u>2022</u>
Office equipment, computer system, and furniture	\$ 1,110	1,110
Leasehold improvements	<u>4,094</u>	<u>4,094</u>
	5,204	5,204
Less accumulated depreciation	<u>(2,669)</u>	<u>(2,232)</u>
	<u>\$ 2,535</u>	<u>2,972</u>

Depreciation expense was \$437 and \$421 for the years ended June 30, 2023 and 2022, 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 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 range from 0.88% to 1.45% reflecting the remaining lease durations. The weighted average remaining lease terms is 4.1 years as of June 30, 2023.

Lease expense was \$1,427 and \$1,456 for the years ended June 30, 2023 and 2022, respectively.

Minimum annual rent payments before real estate taxes and operating expense escalations are as follows:

BOSTON FOUNDATION, INC.

Notes to Consolidated Financial Statements

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(Dollars in thousands)

<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>
2024	\$ 1,357	202	1,559
2025	1,382	206	1,588
2026	1,408	210	1,618
2027	1,433	88	1,521
2028	1,459	—	1,459
Thereafter	3,373	—	3,373
	\$ 10,412	706	11,118
Amounts representing interest	(608)	(14)	(622)
Total lease obligation, net	<u>\$ 9,804</u>	<u>692</u>	<u>10,496</u>

(10) Grant Commitments

Grants payable of \$3,501 and \$5,076 as of June 30, 2023 and 2022, respectively, represent unconditional promises to other organizations. In addition, as of June 30, 2023 and 2022, 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 \$29,312 and \$21,973 respectfully.

(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 \$696 and \$619 for the years ended June 30, 2023 and 2022, 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 \$47 and \$62 for the years ended June 30, 2023 and 2022, respectively.

BOSTON FOUNDATION, INC.

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

(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, 2023 is as follows:

	<u>Operating</u>	<u>Donor advised</u>	<u>Program</u>	<u>Other</u>	<u>Supporting orgs.</u>	<u>Total</u>
Grants	\$ 20	132,636	20,352	21,625	741	175,374
Change in split interest	29	—	—	—	—	29
Salary and benefits	14,601	1,005	2,658	271	603	19,138
Professional fees	1,332	2,107	4,117	44	338	7,938
Meetings, conferences and travel	2,642	176	1,429	129	48	4,424
Marketing	684	70	374	6	2	1,136
Office expenses	234	108	279	9	—	630
Technology	1,174	19	14	4	1	1,212
Occupancy	2,120	82	19	—	—	2,221
Total expenses	<u>\$ 22,836</u>	<u>136,203</u>	<u>29,242</u>	<u>22,088</u>	<u>1,733</u>	<u>212,102</u>

Functional expenses for funds without donor restrictions for the year ended June 30, 2022 were 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>

(13) Subsequent Events

Management has evaluated events subsequent to June 30, 2023 and through December 21, 2023 the date on which the consolidated financial statements were available to be issued.