Osteopathic Founders Foundation

Independent Accountant's Review Report and Financial Statements

December 31, 2022

Osteopathic Founders Foundation
December 31, 2022

Contents

FORVIS

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Independent Accountant's Review Report

Board of Directors
Osteopathic Founders Foundation
Tulsa, Oklahoma

We have reviewed the accompanying financial statements of Osteopathic Founders Foundation (the Foundation), which comprise the statement of financial position as of December 31, 2022 and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the Foundation's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

FORVIS, LLP

Tulsa, Oklahoma
October 3, 2023

Osteopathic Founders Foundation

Statement of Financial Position

December 31, 2022

Assets

Cash and cash equivalents	$	168,110
Investments		20,695,960
Other assets		23,368
Furniture and equipment, net		14,811
Right-of-use assets		286,042
Investments held in trusts		334,872
Total assets	$	21,523,163

Liabilities and Net Assets

Liabilities		
Accounts payable	$	12,890
Accrued liabilities		92,228
Pledges payable		31,000
Unitrust liabilities payable		141,674
Lease liabilities		290,274
Funds held for others		21,022
Deferred compensation		209,507
Total liabilities		798,595
Net Assets		
Without donor restrictions		
Undesignated		15,985,517
Designated by the Board for endowment		1,967,527
Net assets without donor restrictions		17,953,044
With donor restrictions		2,771,524
Total net assets		20,724,568
Total liabilities and net assets	$	21,523,163

Osteopathic Founders Foundation

Statement of Activities

Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Contributions and grants	$ 204,757	$ -	$ 204,757
Program and other income	35,203	-	35,203
Interest and dividend income, net	300,850	80,845	381,695
Net realized and unrealized losses on investments	(2,839,918)	(467,231)	(3,307,149)
Net assets released from restrictions	51,873	(51,873)	-
Total revenue and support	(2,247,235)	(438,259)	(2,685,494)
Expenses			
Program services			
Grants, scholarships, and other	340,499	-	340,499
Emergency cardiovascular care	145,034	-	145,034
Continuing medical education	103,616	-	103,616
Total program services	589,149	-	589,149
Support services			
Management and general	152,161	-	152,161
Fundraising	55,830	-	55,830
Total support services	207,991	-	207,991
Total expenses	797,140	-	797,140
Change in Net Assets	(3,044,375)	(438,259)	(3,482,634)
Net Assets, Beginning of Year	20,997,419	3,209,783	24,207,202
Net Assets, End of Year	$ 17,953,044	$ 2,771,524	$ 20,724,568

Osteopathic Founders Foundation

Statement of Functional Expenses

Year Ended December 31, 2022

	Grants, Scholarships, and Other	Emergency Cardiovascular Care	Continuing Medical Education	Management and General	Fundraising	Total
Bank fees	$ 453	$ 1,185	$ 227	$ -	$ -	$ 1,865
Contract and outside services	1,642	4,224	18,518	1,059	8,800	34,243
Depreciation	744	1,243	744	446	298	3,475
Events	-	-	-	9,978	-	9,978
Grants and scholarships	246,409	-	-	-	-	246,409
Insurance	-	2,683	483	3,685	-	6,851
Legal and professional fees	-	-	-	29,366	3,263	32,629
Miscellaneous	2,247	18,279	9,365	22,466	-	52,357
Printing and postage	-	892	4,121	3,767	1,000	9,780
Rent	14,487	31,412	14,487	8,692	5,795	74,873
Salaries and employee benefits	72,572	78,219	48,381	50,411	36,286	285,869
Supplies	-	3,325	2,936	3,011	-	9,272
Unitrust distributions	-	-	-	16,604	-	16,604
Travel	1,945	3,572	4,354	2,676	388	12,935
	$ 340,499	$ 145,034	$ 103,616	$ 152,161	$ 55,830	$ 797,140

Osteopathic Founders Foundation
Statement of Cash Flows
Year Ended December 31, 2022

Operating Activities	
Change in net assets	$ (3,482,634)
Items not requiring cash	
Depreciation	3,475
Loss on beneficial interest in charitable remainder trusts	6,844
Net realized and unrealized losses on investments	3,300,305
Noncash lease expense	73,032
Changes in	
Pledges payable and unitrust liabilities payable	(58,170)
Accounts payable and accrued liabilities	(34,516)
Other assets	(67,851)
Net cash used in operating activities	(259,515)
Investing Activities	
Proceeds from sales of investments	8,148,137
Purchase of investments	(8,077,592)
Purchase of property and equipment	(17,651)
Net cash provided by investing activities	52,894
Decrease in Cash and Cash Equivalents	(206,621)
Cash and Cash Equivalents, Beginning of Year	374,731
Cash and Cash Equivalents, End of Year	$ 168,110

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Osteopathic Founders Foundation (the Foundation) was established in March 1943 as a tax-exempt charitable organization under Section 501(c)(3) of the Internal Revenue Code. The mission of the Foundation is to promote general health, welfare, and education in Tulsa, Oklahoma, and the surrounding northeast Oklahoma communities through activities related to osteopathic healthcare. The Foundation earns revenues from contributions and grants from members and the community and income from investments.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Foundation considers all liquid investments with original maturities of three months or less to be cash equivalents.

Uninvested cash and cash equivalents included in investment accounts, including endowments, are not considered to be cash and cash equivalents.

At December 31, 2022, the Foundation's cash accounts exceeded federally insured limits by approximately $77,000.

Investments and Investment Return

The Foundation measures securities, other than investments that qualify for the equity method of accounting, at fair value. Investments in private equity funds are recorded at net asset value (NAV), as a practical expedient, to determine fair value of the investments.

Investment return includes dividend, interest, and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments less external and direct internal investment expenses. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions. Other investment return is reflected in the accompanying statement of activities as with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

Furniture and Equipment

Furniture and equipment acquisitions more than $300 are stated at cost less accumulated depreciation. Accumulated depreciation was $279,446 at December 31, 2022. Depreciation is charged to expense using the straight-line method over estimated useful lives from 3 to 20 years.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a board-designated endowment.

Net assets with donor restrictions are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates those resources be maintained in perpetuity.

Contributions

Gifts of cash and other assets received without donor stipulations are reported as revenue and net assets without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions. When a donor-stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statement of activities as net assets released from restrictions. Gifts having donor stipulations that are satisfied in the period the gift is received are reported as revenue and net assets without donor restrictions.

Other Assets

Other assets are comprised of receivables arising from realized investment income that has been earned but not yet collected and prepaid expenses. Management believes all receivables reported in the accompanying statement of financial position to be fully collectible. Amounts determined to be uncollectible are charged to expense as that determination is made.

Income Taxes

The Foundation is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Foundation is subject to federal income tax on any unrelated business taxable income.

The Foundation files tax returns in the U.S. federal jurisdiction.

Pledges Payable

The Foundation issues pledges to organizations who further the mission of the Foundation throughout the year. At the time funds are approved by the board and organizations are notified, the Foundation will record the corresponding liability. Pledges payable for the year ended December 31, 2022 were $31,000.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the accompanying statement of activities. The accompanying statement of functional expenses presents the natural classification detail of expenses by function. Certain costs have been allocated among the program, management and general, and fundraising categories based on management's estimate of each employee's daily job functions and other methods.

Long-Lived Asset Impairment

The Foundation evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the year ended December 31, 2022.

Note 2: Investments

Investments (including investments held in trusts) consisted of the following at December 31, 2022:

Mutual funds	
U.S. equity funds	$ 990,800
International equity funds	187,497
U.S. fixed income funds	403,865
Bond funds	74,936
Alternative investments	6,191,965
Common stocks	10,873,450
Cash and money market funds	2,308,319
	$ 21,030,832

The Foundation includes its money market and cash accounts, which are held by financial advisors and available for the purchase of long-term securities, with investments in the accompanying statement of financial position.

Note 3: Fair Value Measurements and Disclosures

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets

Level 3 Unobservable inputs supported by little or no market activity and significant to the fair value of the assets

Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying statement of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2022:

		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and money market funds	$ 2,308,319	$ 2,308,319	$ -	$ -
Common stocks	10,873,450	10,873,450	-	-
Mutual funds				
U.S. equity funds	990,800	990,800	-	-
International equity funds	187,497	187,497	-	-
International fixed income funds	403,865	403,865	-	-
Bond funds	74,936	74,936	-	-
	14,838,867	$ 14,838,867	$ -	$ -
Investments measured at NAV (a)	6,191,965			
	$ 21,030,832			

(a) Certain investments that were measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the accompanying statement of financial position.

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying statement of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended December 31, 2022.

Investments

Where quoted market prices are available in an active market, investments are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of investments with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections, and cash flows. Such investments are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, investments are classified within Level 3 of the valuation hierarchy.

Alternative Investments

The Foundation values its alternative investments at fair value, which approximates the Foundation's pro rata interest in the net assets of the underlying alternative investments. Alternative investments are made up primarily of private equity funds that invest in underlying funds. The estimated fair values of the alternative investments are based on the underlying funds, which may include securities that do not have readily determinable values. Because of the inherent uncertainty of valuation, the estimated fair values of the alternative investments described above may differ significantly from values that would have been used had a ready market existed for the investments, and differences could be material.

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Real estate hedge funds (a)	$ 1,675,084	$ -	Quarterly	3–8 Days
Multi-strategy hedge funds (b)	$ 1,568,603	$ -	Quarterly	30 Days
Private equity funds (c)	$ 2,948,278	$ -	None	None

Underlying strategies of the above investments are as follows:

(a) This class includes investments in non-traded real estate investment trusts (REIT) investing in primarily stabilized commercial real estate properties. These REIT investments cannot be redeemed until a repurchase request has been submitted and approved by the fund's board of trustees. These investments include monthly tender offers subject to 2% of NAV monthly and not to exceed 5% of NAV quarterly with notice periods from 3 to 8 days.

(b) This class includes investments in a hedge fund that pursues multiple strategies to diversify risks and reduce volatility. The fund's composite portfolio includes investments in global real estate projects and private companies. Redemption up to 5% of NAV per quarter through a tender offer is allowed, and tender is issued approximately 60 days prior to quarter-end and due approximately 30 days prior to quarter-end.

(c) This class includes investments in various private equity funds, including private equity fund of funds and private credit funds. The private equity fund of funds includes funds with various investment strategies. The private credit funds include investments in a diverse group of industries, including real estate, technology, pharmaceuticals, and healthcare. Generally, these investments cannot be redeemed. Instead, the nature of the investments in this category is that distributions are received through the liquidation of underlying assets of the funds. This is expected to occur as investments are liquidated or the funds are dissolved.

Note 4: Net Assets

Net Assets with Donor Restrictions

Net assets with donor restrictions at December 31, 2022 are restricted for the following purposes or periods:

Subject to the passage of time	
Beneficial interest in charitable trusts	$ 193,198
Endowments	
Subject to appropriation and expenditure when a specified event occurs	
Restricted by donors for	
Medical education scholarships	470,761
Community support grants	1,141,585
	1,612,346
Investments to be held in perpetuity, the income is expendable	965,980
Total endowments	2,578,326
	$ 2,771,524

Net assets with donor restrictions are available for the support of medical education scholarships and grants and medical education provided to the community. Substantially all restrictions can be met upon actions of the Foundation in accordance with donor stipulation. Net assets with donor restrictions include an endowment fund maintained by the Foundation in perpetuity. The income from the assets not restricted by donors can be used to support the Foundation's general activities.

Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

Expiration of time restrictions		
Distributions (proceeds are not restricted by donors)		
Beneficial interest in charitable trusts	$	13,445
Satisfaction of purpose restrictions		
Medical education scholarships		38,428
	$	51,873

Note 5: Beneficial Interest in Trusts

The Foundation is the beneficiary under two charitable remainder unitrusts (Trusts 1 and 2) that are administered by the Foundation. Under the terms of the trusts, the Foundation has an irrevocable right to the principal and income from the trusts upon the death of the survivor recipient. For the life of the survivor recipient, the Foundation is to pay 8% of the fair market value of the trusts, valued as of the first day of each taxable year. Payments of the unitrust amounts may only be made from income, and any deficiencies will be accrued and paid in years where there is excess income over the 8% unitrust amounts.

Balances of all trust assets and liabilities at December 31, 2022 are reflected in the accompanying financial statements as follows:

	Trust 1	Trust 2	Total
Fair market value of trust assets	$ 167,444	$ 167,428	$ 334,872
Less future liability for unitrust distributions	90,198	51,476	141,674
Remaining beneficial interest	$ 77,246	$ 115,952	$ 193,198

During the year ended December 31, 2022, the Foundation paid approximately $13,000 in distributions to unitrust beneficiaries from current year investment income.

Note 6: Deferred Compensation Plan

In 2001, the Foundation adopted a nonqualified executive deferred compensation plan (the Plan). The Plan allows the participant to defer bonus compensation through contributions to the Plan. The Plan provides benefits upon death, retirement, or termination of employment. Benefits are limited to the amounts contributed to the Plan. Vesting of bonus compensation awarded prior to August 15, 2013 occurs at 10% per year from ages 60 to 64 with the remainder vesting at age 65.

Bonus compensation awarded after August 15, 2013 becomes fully vested five years after the date the bonus compensation is awarded by the board. The Foundation has set aside funds for the payment of this liability of $209,507 that are included in investments in the accompanying statement of financial position. Plan expenses of $45,097 were recognized for the year ended December 31, 2022.

Note 7: Endowment

The Foundation's endowment consists of four individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the governing body to function as endowments (board-designated endowment funds). As required by GAAP, net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation's governing body has interpreted the *Oklahoma Prudent Management of Institutional Funds Act* (SPMIFA) as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of donor-restricted endowment funds is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the Foundation and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Foundation
7. Investment policies of the Foundation

The composition of net assets by type of endowment fund at December 31, 2022 was:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	$ -	$ 965,980	$ 965,980
Accumulated investment gains	-	470,761	470,761
Term endowment	-	1,141,585	1,141,585
Board-designated endowment funds	1,967,527	-	1,967,527
Total endowment funds	$ 1,967,527	$ 2,578,326	$ 4,545,853

Changes in endowment net assets for the year ended December 31, 2022 were:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 2,270,642	$ 3,015,911	$ 5,286,553
Investment return	(258,115)	(396,153)	(654,268)
Distributions	(45,000)	(41,432)	(86,432)
Endowment net assets, end of year	$ 1,967,527	$ 2,578,326	$ 4,545,853

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the Foundation is required to retain as a fund of perpetual duration pursuant to donor stipulation or SPMIFA. In accordance with GAAP, deficiencies of this nature are reported in net assets with donor restrictions. There were no deficiencies at December 31, 2022.

Investment and Spending Policies

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted endowment funds the Foundation must hold in perpetuity or for donor-specified periods, as well as those of board-designated endowment funds. Under the Foundation's policies, endowment assets are invested in a manner that is consistent with the total return or moderate portfolio theory methodologies.

To satisfy its long-term rate of return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both current yield (investment income, such as dividends and interest) and capital appreciation (both realized and unrealized). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Foundation has a policy (the spending policy) of appropriating for expenditure each year a rate of 5%, with an absolute maximum of 5% of the endowment fund's average market value as of the preceding five fiscal year-ends. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow comparable to the benchmarks outlined in the investment policy. This is consistent with the Foundation's objective to maintain the purchasing power of endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

Note 8: Leases

Change in Accounting Principle

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, which requires lessees to recognize a lease liability and a right-of-use (ROU) asset on a discounted basis, for substantially all leases, as well as additional disclosures regarding leasing arrangements. Disclosures are required to enable users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. In July 2018, FASB issued ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, which provides an optional transition method of applying the new lease standard. Topic 842 can be applied using either a modified retrospective approach at the beginning of the earliest period presented or, as permitted by ASU 2018-11, at the beginning of the period in which it is adopted, *i.e.*, the comparatives under Accounting Standards Codification (ASC) 840 option.

The Foundation adopted Topic 842 on January 1, 2022 (the effective date) using the comparatives under ASC 840 transition method, which applies Topic 842 at the beginning of the period in which it is adopted. The Foundation elected the package of practical expedients under the new standard, which permits entities to not reassess lease classification, lease identification, or initial direct costs for existing or expired leases prior to the effective date. The Foundation has lease agreements with nonlease components that relate to the lease components. The Foundation elected the practical expedient to account for nonlease components and the lease components to which they relate as a single lease component for all. Also, the Foundation elected to keep short-term leases with an initial term of 12 months or less off the statement of financial position. The Foundation did not elect the hindsight practical expedient in determining the lease term for existing leases as of January 1, 2022.

The most significant impact of adoption was the recognition of operating lease ROU assets and operating lease liabilities of $359,074. The standard did not significantly affect the Foundation's statements of financial position, activities, or cash flows.

Accounting Policies

The Foundation determines if an arrangement is a lease or contains a lease at inception. Leases result in the recognition of ROU assets and lease liabilities on the statement of financial position. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Foundation determines lease classification as operating or finance at the lease commencement date. The Foundation has no finance leases as of December 31, 2022.

The Foundation combines lease and nonlease components, such as common area and other maintenance costs, and accounts for them as a single lease component in calculating the ROU assets and lease liabilities for its office building.

At lease commencement, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The Foundation has made a policy election to use a risk-free rate (the rate of a zero-coupon U.S. Treasury instrument) for the initial and subsequent measurement of all lease liabilities. The risk-free rate is determined using a period comparable with the lease term.

The lease term may include options to extend or to terminate the lease that the Foundation is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term.

The Foundation has elected not to record leases with an initial term of 12 months or less on the accompanying statement of financial position. Lease expense on such leases is recognized on a straight-line basis over the lease term.

Nature of Leases

Operating Lease

The Foundation has a lease for office space that expires in 2026 and contains various rent holidays during the term. This lease contains monthly renewal options for periods after the initial term and requires the Foundation to pay all executory costs (property taxes, maintenance, and insurance). Lease payments have an escalating fee schedule including a 2% increase each year. Termination of the leases is generally prohibited unless there is a violation under the lease agreement.

All Leases

The Foundation has no material related-party leases. The Foundation’s lease agreement does not contain any material residual value guarantees or material restrictive covenants.

Quantitative Disclosures

The lease cost and other required information for the year ended December 31, 2022 are:

Lease cost		
Operating and total lease cost	$	73,791
Other information		
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	$	68,800
Weighted-average remaining lease term		
Operating lease		3.92 years
Weighted-average discount rate		
Operating lease		0.78%

Future minimum lease payments and reconciliation to the accompanying statement of financial position at December 31, 2022 are as follows:

2023	$	70,405
2024		72,010
2025		80,254
2026		72,174
Future undiscounted lease payments		294,843
Less imputed interest		4,569
	$	290,274

Note 9: Defined Contribution Plan

Effective October 1, 2012, the Foundation began contributing to a defined contribution pension plan covering all employees who receive at least $5,000 in eligible compensation for the prior year and current year. The Foundation matches employee contributions dollar-for-dollar not to exceed 3% of eligible compensation or the applicable limit. The Foundation's expense related to matching contributions for the year ended December 31, 2022 was approximately $4,700.

Note 10: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2022, comprise the following:

Total financial assets	$ 21,198,942
Donor-imposed restrictions	
Endowments	(2,578,326)
Investments held in trust	(334,872)
	(2,913,198)
Internal designations	
Board-designated endowment	(1,967,527)
Financial assets available to meet cash needs for general expenditures within one year	$ 16,318,217

The Foundation's endowment funds consist of donor-restricted endowments and funds designated by the board as an endowment. Income from donor-restricted endowments is restricted for specific purposes with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

The board-designated endowment is subject to an annual spending rate of 5% as described in *Note 7*. Although the Foundation does not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of the board's annual budget approval and appropriation), these amounts could be made available if necessary.

The Foundation manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The Foundation strives to maintain liquid financial assets sufficient to cover its general expenditures. Financial assets in excess of daily cash requirements are invested in money market accounts and other short-term investments.

Note 11: Subsequent Events

The Foundation has evaluated subsequent events through October 3, 2023, which is the date the financial statements were available to be issued.