Hood & Strong

Advisory, Tax
and Assurance

# The Heising-Simons Foundation

**(A Nonprofit Organization)**

**December 31, 2023 and 2022**

Independent Auditors' Report and
Consolidated Financial Statements

# The Heising-Simons Foundation
(A Nonprofit Organization)

**Independent Auditors' Report and**
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# Independent Auditors' Report

THE BOARD OF DIRECTORS
THE HEISING-SIMONS FOUNDATION
Los Altos, California

**Opinion**

We have audited the consolidated financial statements of **THE HEISING-SIMONS FOUNDATION (the Foundation)** which comprise the consolidated statement of financial position as of December 31, 2023 and 2022, the related consolidated statements of activities and changes in net assets, functional expenses 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 consolidated financial position of the Foundation as of December 31, 2023 and 2022, and changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**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 accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 from the date of this report.

**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.

Hood & Strong LLP

San Francisco, California
October 21, 2024

# The Heising-Simons Foundation

(A Nonprofit Organization)

## Consolidated Statement of Financial Position

| *December 31,* | | 2023 | | 2022 |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and equivalents | $ | 2,126,053 | $ | 4,229,920 |
| Investments, at fair value | | 856,988,250 | | 828,665,916 |
| Investments in transit | | 7,000,000 | | |
| Program-related investments, net | | 2,469,900 | | 2,448,651 |
| Prepaid expenses and other assets | | 1,836,746 | | 1,380,863 |
| Prepaid excise taxes | | 167,000 | | 167,000 |
| Accounts receivable from affiliate | | 41,995 | | 35,968 |
| Leasehold improvements and equipment, net of accumulated depreciation | | 2,837,110 | | 3,784,993 |
| Right-of-use lease assets | | 4,757,432 | | 6,324,374 |
| Security deposits | | 143,011 | | 143,011 |
| Total assets | $ | 878,367,497 | $ | 847,180,696 |
| **Liabilities and Net Assets** | | | | |
| **Liabilities:** | | | | |
| Accounts payable and accrued expenses | $ | 2,797,676 | $ | 2,401,150 |
| Direct charitable activities payable | | 1,502,424 | | 1,851,864 |
| Grants payable, net of discounts | | 66,320,020 | | 57,024,112 |
| Deferred excise taxes payable | | 455,000 | | 455,000 |
| Lease liabilities | | 5,320,724 | | 6,973,242 |
| Total liabilities | | 76,395,844 | | 68,705,368 |
| **Net Assets Without Donor Restrictions** | | 801,971,653 | | 778,475,328 |
| Total liabilities and net assets | $ | 878,367,497 | $ | 847,180,696 |

See accompanying notes to the consolidated financial statements.

# The Heising-Simons Foundation
(A Nonprofit Organization)

**Consolidated Statement of Activities and Changes in Net Assets**

| *Years Ended December 31,* | 2023 | 2022 |
|---|---|---|
| **Revenues and Support:** | | |
| Contributions | $ 140,000,000 | $ 50,000,000 |
| Investment income, net: | | |
| Net realized gains on investments | 1,309,633 | 376,690,160 |
| Net unrealized gain (loss) on investments | 56,855,148 | (286,443,486) |
| Interest and dividend income | 10,770,193 | 3,366,219 |
| Management fees | (1,371,156) | (1,305,139) |
| Net investment income before Federal excise taxes | 67,563,818 | 92,307,754 |
| Less Federal excise tax expense | 315,000 | 813,426 |
| Total revenues and support | 207,248,818 | 141,494,328 |
| **Expenses:** | | |
| Program services: | | |
| Grants to charitable organizations | 161,855,785 | 152,580,320 |
| Other program expenses | 16,414,034 | 14,790,029 |
| Total program services | 178,269,819 | 167,370,349 |
| Management and general | 5,482,674 | 5,270,403 |
| Total expenses | 183,752,493 | 172,640,752 |
| **Change in Net Assets** | 23,496,325 | (31,146,424) |
| **Net Assets, Without Donor Restrictions**, beginning of year | 778,475,328 | 809,621,752 |
| **Net Assets, Without Donor Restrictions,** end of year | $ 801,971,653 | $ 778,475,328 |

See accompanying notes to the consolidated financial statements.

# The Heising-Simons Foundation

(A Nonprofit Organization)

## Consolidated Statement of Functional Expenses

*Years Ended December 31, 2023 and 2022*

| | 2023 | | |
|---|---|---|---|
| | Program Services | Management and General | Total |
| Grants to charitable organizations | $ 161,855,785 | | $ 161,855,785 |
| Salaries and wages | 8,522,226 | $ 2,526,737 | 11,048,963 |
| Salary related expenses | 2,993,161 | 819,937 | 3,813,098 |
| Professional services and program consultants | 1,645,646 | 544,584 | 2,190,230 |
| Facilities | 2,294,662 | 673,361 | 2,968,023 |
| Operations | 123,574 | 177,933 | 301,507 |
| Equipment, hardware, and software | 199,363 | 192,393 | 391,756 |
| Membership and licenses | 104,494 | 14,543 | 119,037 |
| Insurance | | 26,295 | 26,295 |
| Travel, meetings, and professional development | 530,908 | 506,891 | 1,037,799 |
| | $ 178,269,819 | $ 5,482,674 | $ 183,752,493 |

| | 2022 | | |
|---|---|---|---|
| | Program Services | Management and General | Total |
| Grants to charitable organizations | $ 152,580,320 | | $ 152,580,320 |
| Salaries and wages | 7,711,870 | $ 2,228,736 | 9,940,606 |
| Salary related expenses | 2,799,184 | 791,983 | 3,591,167 |
| Professional services and program consultants | 1,176,465 | 842,394 | 2,018,859 |
| Facilities | 2,362,473 | 747,368 | 3,109,841 |
| Operations | 104,203 | 175,426 | 279,629 |
| Equipment, hardware, and software | 178,581 | 171,850 | 350,431 |
| Membership and licenses | 50,082 | 6,398 | 56,480 |
| Insurance | | 38,833 | 38,833 |
| Travel, meetings, and professional development | 407,171 | 267,415 | 674,586 |
| | $ 167,370,349 | $ 5,270,403 | $ 172,640,752 |

See accompanying notes to the consolidated financial statements.

# The Heising-Simons Foundation

(A Nonprofit Organization)

## Consolidated Statement of Cash Flows

| *Years Ended December 31,* | 2023 | 2022 |
|---|---|---|
| **Cash Flows from Operating Activities:** | | |
| Change in net assets | $ 23,496,325 | $ (31,146,424) |
| Adjustments to reconcile change in net assets to net cash used by operating activities: | | |
| Depreciation | 947,883 | 1,072,456 |
| Net realized gains on investments | (1,309,633) | (376,699,060) |
| Net unrealized (gains) losses on investments | (56,855,148) | 286,443,486 |
| Program-related investment discount | (21,249) | (21,250) |
| Grants payable discount amortization | (645,054) | (329,847) |
| Amortization of right-of-use lease assets | 1,566,942 | 1,546,440 |
| Changes in: | | |
| Prepaid expenses and other assets | (455,883) | 103,230 |
| Prepaid excise taxes | | 285,098 |
| Accounts receivable from affiliate | (6,027) | (14,520) |
| Accounts payable and accrued expenses | 396,526 | 97,809 |
| Direct charitable activities payable | (349,440) | 450,650 |
| Grants payable | 9,940,962 | 9,320,903 |
| Deferred excise taxes payable | | (3,969,000) |
| Lease obligation | (1,652,518) | (1,581,518) |
| Net cash used by operating activities | (24,946,314) | (114,441,547) |
| **Cash Flows from Investing Activities:** | | |
| Purchases of leasehold improvements and equipment | | (87,600) |
| Investments in transit | (7,000,000) | |
| Proceeds from sale of investments | 197,252,156 | 680,233,561 |
| Purchases of investments | (167,409,709) | (562,207,524) |
| Net cash provided by investing activities | 22,842,447 | 117,938,437 |
| **Net Change in Cash and Equivalents** | (2,103,867) | 3,496,890 |
| **Cash and Equivalents,** beginning of year | 4,229,920 | 733,030 |
| **Cash and Equivalents,** end of year | $ 2,126,053 | $ 4,229,920 |
| **Supplemental Disclosure:** | | |
| Federal excise paid, net of refunds | $ 315,000 | $ 4,497,328 |
| Operating right-of-use assets obtained by lease liabilities | | $ 7,870,814 |
| Cash paid during the year for operating leases | $ 1,732,896 | $ 1,682,399 |

See accompanying notes to the consolidated financial statements.

**Note 1 - Organization:**

The Heising-Simons Foundation (the "Foundation") was organized under the Nonprofit Public Benefit Corporation Law for charitable purposes. The specific charitable focus of the Foundation is to make grants and perform direct charitable activities for sustainable solutions in climate and clean energy, research in science, enhancing the education of our youngest learners, and supporting human rights for all people.

The Foundation has established single member California limited liability companies (the Companies) with the Foundation as the sole member. The Companies were formed for the purpose of making investments in various investment vehicles. The Companies have been consolidated with the Foundation's financial statements.

**Note 2 - Summary of Significant Accounting Policies:**

Basis of Accounting and Consolidation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), which recognizes revenue when earned and expenses when incurred and reflect all significant receivables, payables and other liabilities. The consolidated financial statements include the financial statements of the Foundation and the Companies. All intercompany transactions and balances have been eliminated.

Net Assets

Net assets, revenues, and gain and losses are classified based on the existence or absence of donor-imposed restrictions. Net assets without donor restrictions are those that are not restricted by donor-imposed stipulations. There were no net assets with donor restrictions as of December 31, 2023 and 2022.

Cash and Cash Equivalents

For purposes of the Consolidated Statement of Cash Flows, the Foundation considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Cash and cash equivalents principally include cash in banks and money market funds except those held for investment purposes.

Investments

Investments are reported at fair value. Investments in corporate bonds and U.S. Treasuries are carried at fair value, based upon published market values, and all realized and unrealized gains and losses are reported net of related expenses in the Consolidated Statement of Activities and Changes in Net Assets. Interest and dividend income are accrued when earned.

In addition, the Foundation reports certain investments using the Net Asset Value (NAV) per share as determined by the investment funds in which the Foundation is invested under the so-called "practical expedient." The practical expedient allows net asset value per share to represent fair value for reporting purposes when the criteria for using this method are met.

Fair Value Measurements

The Foundation carries certain assets and liabilities at fair value. Fair value is defined as the price that would be received if selling an asset or paid if transferring a liability in an orderly transaction between market participants at the measurement date.

Fair value measurement standards also require the Foundation to classify these financial instruments into a three-level hierarchy. The Foundation classifies its financial assets and liabilities according to the three levels, which maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

Level 1 - Inputs are unadjusted quoted market prices for identical assets or liabilities in active markets that the entity has the ability to access at the measurement date.

Level 2 - Inputs are quoted prices for similar assets or liabilities in active markets, or identical assets or liabilities in inactive markets, or by observable market data by correlation or other means.

Level 3 - Unobservable inputs for the asset or liability that are not corroborated by market data.

Investments in Transit

Investments in transit consist of funds that are in the process of being liquidated from or transferred to investment accounts.

Program-Related Investments

Program-related investments are strategic funding for the specific objective of furthering the Foundation's charitable purpose and may be in the form of a loan or an equity investment. Debt investments are carried at cost, unless it is determined that a discount for a below-market interest rate is material to the Foundation's consolidated financial statements. Equity investments are also carried at cost.

These investments are evaluated for impairment annually and written down if appropriate. Management reviewed the collectability of the program-related investments and determined no allowance was necessary as of December 31, 2023 or 2022. Interest on the program-related investments loan receivable is generally charged at below-market rates. The Foundation's loans receivable are recorded at the time a loan is agreed to by both parties.

The program-related investment was a loan receivable on December 31, 2023 and 2022 to one organization of $2,500,000, bearing interest at 2% per annum with a due date of June 1, 2025 for all principal and accrued interest. The loan is uncollateralized and discounted to present value the rate valid at the date of issuance, amortized over the term of the loan. The present value discount on the loan was $30,099 and $51,349 as of December 31, 2023 and 2022, respectively.

Leasehold Improvements and Equipment

Leasehold improvements and equipment are stated at cost. Leasehold improvements comprised a majority of the balance at December 31, 2023 and 2022. Depreciation is computed using the straight-line method over the estimated useful lives of the assets or lease term, whichever is shorter. Useful lives range from three to twelve years.

Renewals and betterments that extend the economic useful lives of the related assets are capitalized. The Foundation expenses, as incurred, expenditures for repairs and maintenance.

Leases

The Foundation determines whether an arrangement is or includes a lease and categorizes leases as either operating or finance leases at their commencement. The Foundation does not have any finance leases.

Operating right-of-use (ROU) lease assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. Since the rates implicit in the Foundation’s leases are not readily available, the Organization uses a risk-free discount rate at the commencement date in determining the present value of future payments. The Foundation accounts for lease and non-lease components, to the extent they are fixed, as a single lease component. Additionally, the lease term may include options to extend or terminate the lease when it is reasonably certain the Foundation will exercise that option. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term. The Foundation has also elected not to apply ASC 842 to short-term leases, generally less than 12 months.

Contribution Revenue Recognition

Contributions are recognized as revenue when received or unconditionally promised. Contributions of assets other than cash are recorded at their estimated fair value at the date of donation.

Grants

The Foundation recognizes grants payable for unconditional promises to Conditional promises to give are not recorded until the barriers to entitlement are overcome, at which point the liability is recognized.

Grants payable are recorded at a discount if they extend beyond one year from the date of recognition. Discounts are amortized to grant expense over the life of the grant commitment.

Grants expense consists of grants made to various other charitable organizations as determined by the Foundation's Board of Directors and are recorded when commitments have been formally approved and all conditions have been met by the grantee. Grant cancellations or unspent funds are recorded as a reduction of grant expense in the year canceled or returned.

Allocation of Functional Expenses

The costs of providing various programs and activities have been summarized on a functional basis in the Consolidated Statement of Activities and Changes in Net Assets. Expenses such as salaries, benefits, and professional fees are allocated between programs and management and general based on actual use. Facility and other expenses are allocated between programs and management and general and are based on head count. Other program expenses include costs related to grant making and direct charitable activities.

Tax-Exempt Status

The Foundation is a nonprofit organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code (the "Code") and Section 23701d of the Revenue and Taxation Code of the State of California. The Foundation has been determined by the Internal Revenue Service (IRS) to be a private foundation within the meaning of Section 509(a) of the Code. The Foundation is subject to federal excise taxes based on net investment income as defined in the Tax Reform Act of 1969. The Companies are a single member LLCs that are treated as a disregarded entity for Federal income tax purposes. Deferred taxes are recorded on the unrealized gain on investments. In addition, the Foundation could be subject to tax on unrelated business income, if any, generated by its investments.

Management evaluated the Foundation's tax positions and concluded that the Foundation had maintained its tax-exempt status and had taken no uncertain tax positions that require adjustment to the consolidated financial statements.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Concentrations of Risk

Financial instruments, which potentially subject the Foundation to concentrations of credit and other risks, consist of cash and equivalents and investments. The Foundation's investments are exposed to various risks, such as interest rate, market fluctuations and credit risks.

Cash balances transferred from investments to operating accounts, as needed, may exceed FDIC insured limits.

Subsequent Events

The Foundation evaluated subsequent events from December 31, 2023 through October 21, 2024, the date these consolidated financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these consolidated financial statements.

**Note 3 - Availability of Financial Assets and Liquidity:**

The Foundation's goal is to maintain financial assets to meet all grant and operating needs. As financial obligations become due, investments are liquidated. Financial assets are considered unavailable when illiquid or not convertible to cash within one year. None of these financial assets are subject to donor restrictions that make them unavailable for general expenditure within one year of the date of the consolidated financial statements.

| | 2023 | 2022 |
|---|---|---|
| Financial assets at year end: | | |
| Cash and equivalents | $ 2,126,053 | $ 4,229,920 |
| Investments, at fair value | 856,988,250 | 828,665,916 |
| Investments in transit | 7,000,000 | |
| Program-related investments, net | 2,469,900 | 2,448,651 |
| Total financial assets | 868,584,203 | 835,344,487 |
| Amounts not available to be used within one year: | | |
| Investments with liquidity restrictions | (69,542,140) | (44,258,332) |
| Program-related investments with payments due in excess of one year | (2,469,900) | (2,448,651) |
| Total amounts not available to be used within one year | (72,012,040) | (46,706,983) |
| Financial assets available to meet general expenditures over the next twelve months | $ 796,572,163 | $ 788,637,504 |

**Note 4 - Investments:**

The estimated fair values of the Foundation's investments were as follows at December 31:

| | 2023 | 2022 |
|---|---|---|
| Cash equivalents (investment related) | $ 3,357,328 | $ 4,572,114 |
| U.S. Treasuries | 381,273,017 | 413,442,084 |
| Corporate bonds | 2,111,769 | 2,083,712 |
| Alternative investments | 470,246,136 | 408,568,006 |
| Total | $ 856,988,250 | $ 828,665,916 |

**Note 5 - Fair Value Measurements:**

The table below presents investments at December 31, 2023 measured at fair value on a recurring basis:

| | Level 1 | Level 2 | Total |
|---|---|---|---|
| Cash Equivalents (investment related) | $ 3,357,328 | | $ 3,357,328 |
| U.S. Treasury Notes and Bills | | $ 381,273,017 | 381,273,017 |
| Corporate Bonds | | 2,111,769 | 2,111,769 |
| Total investments in fair value hierarchy | $ 3,357,328 | $ 383,384,786 | 386,742,114 |
| Investments measured at net asset value per share (a): | | | |
| Alternative Investment Funds | | | 470,246,136 |
| Total investments measured at fair value | | | $ 856,988,250 |

The table below presents investments at December 31, 2022 measured at fair value on a recurring basis:

| | Level 1 | Level 2 | Total |
|---|---|---|---|
| Cash Equivalents (investment related) | $ 4,572,114 | | $ 4,572,114 |
| U.S. Treasury Notes and Bills | | $ 413,442,084 | 413,442,084 |
| Corporate Bonds | | 2,083,712 | 2,083,712 |
| Total investments in fair value hierarchy | $ 4,572,114 | $ 415,525,796 | 420,097,910 |
| Investments measured at net asset value per share (a): | | | |
| Alternative Investment Funds | | | 408,568,006 |
| Total investments measured at fair value | | | $ 828,665,916 |

(a) In accordance with ASC Subtopic 820-10, certain investments that are measured at fair value using the net asset value 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 amounts presented in the Consolidated Statement of Financial Position.

Net Asset Value (NAV)

The Foundation uses the Net Asset Value (NAV) to determine the fair value of all the investments which do not have readily determinable fair value and which prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company.

The following table lists investments valued at NAV, which were all alternative investments held at December 31, 2023 and 2022.

| | # of Funds 2023/2022 | 2023 Fair Value | 2022 Fair Value | 2023 Unfunded Commitment | Redemption | Notice Period (days) |
|---|---|---|---|---|---|---|
| Multi-Strategy (a) | | | | | | |
| Redeemable | 3/3 | $ 167,359,858 | $ 154,253,668 | | Monthly - Quarterly | 10-60 |
| Hedge funds (b) | | | | | | |
| Redeemable with restrictions | 1/1 | 221,293,779 | 200,395,458 | | Semi-Annual | 120 |
| Debt Vehicles (c) | | | | | | |
| Redeemable | 1/1 | 12,050,359 | 9,660,548 | | Monthly | 30 |
| Real assets (d) | | | | | | |
| Non-redeemable | 2/2 | 4,435,407 | 7,567,105 | $ 684,921 | None | N/A |
| Mortgage Backed Securities (e) | | | | | | |
| Non-redeemable | 3/3 | 21,402,434 | 15,506,125 | 15,797,798 | None | N/A |
| Real Estate Debt (f) | | | | | | |
| Non-redeemable | 2/2 | 8,063,921 | 3,701,813 | 5,195,171 | None | N/A |
| Social Impact (g) | | | | | | |
| Non-redeemable | 1/1 | 10,996,567 | 10,267,860 | 248,703 | None | N/A |
| Venture Capital (h) | | | | | | |
| Non-redeemable | 5/3 | 24,643,811 | 7,215,429 | 21,702,220 | None | N/A |
| | 18/16 | $ 470,246,136 | $ 408,568,006 | $ 43,628,813 | | |

(a) The multi-strategy funds are master fund investment portfolios consisting principally of readily marketable securities, which are valued at quoted market prices. No termination or liquidation date has been communicated by the funds.

(b) The hedge fund is a so-called "fund of hedge funds." The fund consists principally of investments in hedge funds and other funds of hedge funds. As of December 31, 2023 and 2022, the Foundation owned 33% and 32% of this fund, respectively. No termination or liquidation date has been communicated by the fund.

(c) The investment objective of the funds that are redeemable is to invest in investment grade debt tranches of collateralized loan obligation issuers. As of December 31, 2023 and 2022, the Foundation owned 22% of the fund. No termination or liquidation date has been communicated.

(d) Real assets are funds with investments in real property, improvements, and other such assets (real or personal) located in the five boroughs of New York City and the greater New York City metropolitan area. As of December 31, 2023 and 2022, the Foundation owned 10% of one of the funds in this category. The funds are scheduled to dissolve in 2024 and 2025.

(e) The investment objective of these funds is to invest directly or indirectly in mortgage backed securities and other investments and to engage in related activity. The funds dissolve between 2028 and 2033, unless otherwise extended or terminated under the funds' respective limited partnership agreements.

(f) The investment objective of these funds is to invest directly or indirectly in certain real estate debt and other investments and to engage in related activity. The funds are scheduled to dissolve in 2024 and 2034, unless otherwise extended or terminated under the fund's limited partnership agreement.

(g) The investment objective of this fund is to invest in companies driving social and environmental impact alongside strong returns through acquisitions and restructurings. The fund is scheduled to dissolve in December 31, 2027, unless otherwise extended or terminated under the fund's limited partnership agreement.

(h) The purpose of these partnerships is to seek income and gains through the acquisition, holding, and distribution or other disposition of securities, which shall consist principally of securities of private companies with a particular focus on the technology industry. Two partnerships have not had a set date of dissolution; the others are scheduled to dissolve in 2027, 2031 and 2033.

The Foundation had a commitments for a new alternative investment fund that totaled approximately $30,000,000 that was not funded as of December 31, 2023.

**Note 6 - Leasehold Improvements and Equipment, Net:**

Leasehold improvements and equipment consisted of the following at December 31:

| | 2023 | 2022 |
|---|---|---|
| Leasehold improvements | $ 7,159,788 | $ 7,159,788 |
| Furniture and equipment | 1,238,923 | 1,243,214 |
| Artwork | 382,933 | 382,933 |
| Computers and software | 882,052 | 882,052 |
| Total leasehold improvements and equipment | 9,663,696 | 9,667,987 |
| Less: accumulated depreciation | (6,826,586) | (5,882,994) |
| Leasehold improvements and equipment, net | $ 2,837,110 | $ 3,784,993 |

Depreciation expense for the years ended December 31, 2023 and 2022 were $947,883 and $1,072,456, respectively.

**Note 7 - Grants Payable and Direct Charitable Activities Payable:**

The Foundation's Board of Directors authorizes certain grants to charitable organizations to be paid over multiple years. Grants payable and direct charitable activities payable at December 31, 2023 are scheduled to be paid in the following years:

| Year Ending December 31, | Grants Payable | Direct Charitable Activities Payable |
|---|---|---|
| 2024 | $ 50,466,292 | $ 1,502,424 |
| 2025 | 11,917,800 | |
| 2026 | 3,199,742 | |
| 2027 | 1,347,914 | |
| 2028 | 894,376 | |
| Subtotal | 67,826,124 | 1,502,424 |
| Less discounts | (1,506,104) | |
| Grants payable and direct charitable activities, net | $ 66,320,020 | $ 1,502,424 |

At December 31, 2022, grants payable were $57,024,112, net of discounts of $861,049, and direct charitable activities payable were $1,851,864.

**Note 8 - Excise Taxes:**

In accordance with applicable Treasury regulations, the Foundation is classified as a private foundation subject to an excise tax on net investment income, including realized gains. The Foundation used the rate of 1.39% to calculate its current and deferred tax provisions.

Tax regulations require that certain minimum distributions be made in accordance with a specified formula. The Foundation is in full compliance with the regulations as of December 31, 2023 and 2022.

The provisions for current and deferred excise taxes were as follows:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Current excise tax expense | $ 315,000 | $ 4,782,426 |
| Deferred excise benefit | | (3,969,000) |
| Total | $ 315,000 | $ 813,426 |

## Note 9 - Commitments:

*Operating Lease Commitments*

The Foundation leases office space in Los Altos and San Francisco, California under agreements in effect through 2027. The weighted average remaining lease term as of December 31, 2023, was 3.02 years. The weighted average discount rate as of December 31, 2023, was 1.30%.

Minimum future lease commitments under these lease arrangements are estimated as follows:

| Year Ending December 31, | |
|---|---|
| 2024 | $ 1,725,936 |
| 2025 | 1,801,826 |
| 2026 | 1,458,138 |
| 2027 | 334,824 |
| Total | $ 5,320,724 |

## Note 10 - Retirement Plan:

The Foundation has a 401(k) retirement plan covering all employees who have met minimum service and age requirements. The Foundation will match 200% of the employees' contribution up to 8% of eligible compensation subject to legal limits. In addition, the Foundation may make additional contributions at the discretion of the Board of Directors. The Foundation's contributions to the plan amounted to approximately $1,518,569 and $1,428,891 for the years ended December 31, 2023 and 2022, respectively.

*Deferred Compensation Plan*

The Foundation established a 457(b) Plan for key employees. Deferrals are made at the discretion of the participants, subject to certain limitations. Related assets and liabilities total approximately $1,333,205 and $962,101 and are included in the consolidated financial statements at December 31, 2023 and 2022, respectively.

## Note 11 - Related Party Transactions:

For the years ended December 31, 2023 and 2022, the Foundation received contributions from individuals or Trust arrangements created by governance involving persons or having beneficiaries related to the Foundation's Directors.

The Foundation is affiliated with the Heising-Simons Action Fund (the Fund), which is a California nonprofit public benefit corporation that is exempt from federal income tax under Section 501(c)(4) and is an organization that advances ideas and supports institutions to advance social good. The two organizations are operated as distinct entities with their own separate (albeit complementary) missions. The Foundation does not control the Fund's board or day-to-day operations or subsidize it in any way. The operational and legal relationship between the Fund and the Foundation is set forth in a Resource Sharing Agreement stipulating that the Fund must pay fair value for all services provided by the Foundation, including but not limited to staff time, office space, computers, payroll, benefits, and bookkeeping. The Resource Sharing Agreement requires that the staff of the Foundation and the Fund keep detailed time records so that their time may be accounted for and charged to the appropriate entity.

Amounts incurred by the Foundation under the Resource Sharing Agreement with the Fund totaled $591,870 and $495,727 for the years ended December 31, 2023 and 2022, respectively. Amounts owed to the Foundation from the Fund totaled $41,995 and $35,968 as of December 31, 2023 and December 31, 2022, respectively.