The Skillman Foundation

Financial Report

December 31, 2023

Contents

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Independent Auditor's Report

To the Board of Trustees
The Skillman Foundation

Opinion

We have audited the financial statements of The Skillman Foundation (the "Foundation"), which comprise the statement of financial position as of December 31, 2023 and 2022 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of December 31, 2023 and 2022 and the changes in its net assets, functional expenses, and 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 *Auditor's Responsibilities for the Audits of the Financial Statements* section of our report. We are required to be independent of the Foundation and to meet our 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.

Emphasis of Matter

As disclosed in Notes 2, 3, and 4, the 2023 and 2022 financial statements include investments whose fair values of $520,940,190 and $504,840,097, or 94 percent of net assets, have been estimated by management in the absence of readily determinable fair values. Management's estimates are based on information provided by the fund manager or the general partners. Our opinion is not modified for this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 within one year after the date that the financial statements are issued or available to be issued.

Auditor’s Responsibilities for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 audits 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 financial statements.

To the Board of Trustees
The Skillman Foundation

In performing audits in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the 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 financial statements.
- Obtain an understanding of internal control relevant to the audits 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 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 audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Plante & Moran, PLLC

June 4, 2024

Statement of Financial Position

December 31, 2023 and 2022

	2023	2022
Assets		
Cash and cash equivalents	$ 10,519,664	$ 12,376,908
Investments (Note 3)	553,162,407	535,971,233
Unsettled trade receivables	12,245	33,981
Interest and other receivables	255,979	220,433
Taxes receivable (Note 9)	555,041	372,986
Right-to-use asset (Note 7)	2,623,889	2,881,633
Program-related investments - Net (Note 5)	366,787	376,810
Fixed assets - Net (Note 6)	898,504	62,575
Total assets	**$ 568,394,516**	**$ 552,296,559**
Liabilities and Net Assets		
Liabilities		
Accrued liabilities	$ 1,111,375	$ 1,057,748
Grants payable (Note 8)	5,276,720	8,003,902
Lease liability (Note 7)	2,644,438	2,881,633
Deferred excise tax payable (Note 9)	2,251,775	2,010,302
Total liabilities	11,284,308	13,953,585
Net Assets - Without donor restrictions	557,110,208	538,342,974
Total liabilities and net assets	**$ 568,394,516**	**$ 552,296,559**

The Skillman Foundation

Statement of Activities and Changes in Net Assets

Years Ended December 31, 2023 and 2022

	2023	2022
Changes in Net Assets without Donor Restrictions		
Income (loss):		
Net realized and unrealized gains (losses) on investments	$ 46,366,105	$ (60,438,232)
Interest, dividend, and other income	2,093,907	585,884
Investment management fees	(2,017,873)	(2,659,708)
Total income (loss)	46,442,139	(62,512,056)
Net assets released from restrictions	-	600,000
Total income (loss) and net assets released from restrictions	46,442,139	(61,912,056)
Grants and expenses:		
Program services	23,774,720	28,071,240
Administrative expenses	3,680,301	3,548,788
Federal excise and other tax expense (recovery)	219,884	(428,150)
Total grants and expenses	27,674,905	31,191,878
Increase (Decrease) in Net Assets without Donor Restrictions	18,767,234	(93,103,934)
Changes in Net Assets with Donor Restrictions		
Grant revenue	-	600,000
Net assets released from restrictions	-	(600,000)
Increase in Net Assets with Donor Restrictions	-	-
Increase (Decrease) in Net Assets	18,767,234	(93,103,934)
Net Assets - Beginning of year	538,342,974	631,446,908
Net Assets - End of year	**$ 557,110,208**	**$ 538,342,974**

Statement of Functional Expenses

Year Ended December 31, 2023

	Program Services			Support Services		
	Grants	Other	Total	Administrative	Taxes	Total
Salaries and payroll	$ -	$ 1,263,089	$ 1,263,089	$ 1,831,234	$ -	$ 3,094,323
Benefits, employee costs, and payroll tax	-	386,341	386,341	553,993	-	940,334
Grant-making and strategic consulting	-	482,383	482,383	73,460	-	555,843
Meetings, conference, and travel	-	142,507	142,507	119,920	-	262,427
Office expense	-	221,219	221,219	377,277	-	598,496
Communication	-	-	-	77,752	-	77,752
Evaluation	-	187,443	187,443	-	-	187,443
Trustee, audit, and legal fees	-	-	-	345,087	-	345,087
Technology solutions and cyber	-	198,472	198,472	213,226	-	411,698
Grants	20,892,777	-	20,892,777	-	-	20,892,777
Grants recovered	(6,219)	-	(6,219)	-	-	(6,219)
Miscellaneous	-	6,708	6,708	88,352	-	95,060
Excise tax	-	-	-	-	66,596	66,596
Other taxes UBIT	-	-	-	-	153,288	153,288
Total functional expenses	**$ 20,886,558**	**$ 2,888,162**	**$ 23,774,720**	**$ 3,680,301**	**$ 219,884**	**$ 27,674,905**

See notes to financial statements.

Statement of Functional Expenses

Year Ended December 31, 2022

	Program Services			Support Services		
	Grants	Other	Total	Administrative	Taxes	Total
Salaries and payroll	$ -	$ 1,051,051	$ 1,051,051	$ 1,762,178	$ -	$ 2,813,229
Benefits, employee costs, and payroll tax	-	301,969	301,969	501,454	-	803,423
Grant-making and strategic consulting	-	332,141	332,141	155,112	-	487,253
Meetings, conference, and travel	-	37,500	37,500	239,457	-	276,957
Office expense	-	185,801	185,801	236,517	-	422,318
Communication	-	-	-	89,051	-	89,051
Evaluation	-	317,498	317,498	-	-	317,498
Trustee, audit, and legal fees	-	-	-	303,128	-	303,128
Technology solutions and cyber	-	202,530	202,530	217,685	-	420,215
Grants	25,963,054	-	25,963,054	-	-	25,963,054
Grants recovered	(325,754)	-	(325,754)	-	-	(325,754)
Miscellaneous	-	5,450	5,450	44,206	-	49,656
Excise tax	-	-	-	-	430,582	430,582
Other taxes UBIT	-	-	-	-	(858,732)	(858,732)
Total functional expenses	**$ 25,637,300**	**$ 2,433,940**	**$ 28,071,240**	**$ 3,548,788**	**$ (428,150)**	**$ 31,191,878**

See notes to financial statements.

Statement of Cash Flows

Years Ended December 31, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities		
Change in net assets	$ 18,767,234	$ (93,103,934)
Adjustments to reconcile change in net assets to net cash and cash equivalents from operating activities:		
Depreciation	15,442	23,468
Net realized and unrealized (gain) loss on investments	(46,366,105)	60,438,232
Bad debt (recovery) expense	(152,546)	120,620
Changes in deferred excise tax payable	241,473	(1,103,782)
Noncash lease expense	20,549	-
Changes in operating assets and liabilities that (used) provided cash and cash equivalents:		
Interest and other receivables	(35,546)	(80,209)
Taxes receivable	(182,055)	678,302
Accrued liabilities	53,627	(1,122,549)
Deferred rent liability	-	(105,576)
Grants payable	(2,727,182)	3,425,677
Net cash and cash equivalents used in operating activities	(30,365,109)	(30,829,751)
Cash Flows from Investing Activities		
Purchase of fixed assets	(851,371)	-
Purchases of investments	(68,206,706)	(140,304,915)
Change in net unsettled trades	21,736	585,182
Collections of principal of program-related investments	162,569	122,417
Proceeds from sale of investments	97,381,637	162,402,693
Net cash and cash equivalents provided by investing activities	28,507,865	22,805,377
Net Decrease in Cash and Cash Equivalents	(1,857,244)	(8,024,374)
Cash and Cash Equivalents - Beginning of year	12,376,908	20,401,282
Cash and Cash Equivalents - End of year	**$ 10,519,664**	**$ 12,376,908**
Supplemental Cash Flow Information - Cash paid for taxes	$ 690,040	$ 532,100

See notes to financial statements.

Note 1 - Nature of Business

The Skillman Foundation (the "Foundation") was established in 1960 as a private, nonoperating foundation. The Foundation is committed to nurturing the brilliance of Detroit youth by supporting organizations and individuals who advocate for an exceptional and equitable education system. It distributes funds primarily to nonprofits at the direction of its board of trustees.

Note 2 - Significant Accounting Policies

Basis of Accounting

The financial statements of the Foundation have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP), which require the Foundation to report information regarding its financial position and activities according to the following net asset classifications:

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 management and the board of trustees.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. The Foundation had no donor-restricted assets as of December 31, 2023 and 2022.

Cash Equivalents

The Foundation considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Investments

Investments in marketable securities, including fixed-income investments, publicly traded securities, and hedge funds, are carried at quoted fair value whenever available. Private equity limited partnerships are valued at fair value based on net asset value of available information, including underlying financial statements and partner reporting, as the limited partnerships do not have readily determinable market values as of December 31. The partnership valuations necessarily involve assumptions and methods that are reviewed by the Foundation. Because of the inherent uncertainty of valuations in the absence of a highly liquid market, private equity, real estate, and natural resources, limited partnerships' estimated values may differ materially from the values that would have been used if a ready market for the securities existed.

At December 31, 2023 and 2022, seven investment funds accounted for approximately 90 and 91 percent, respectively, of total investments held by the Foundation. These investment funds held a variety of underlying investment assets managed by other managers. See Note 4 for additional information.

At December 31, 2023 and 2022, the Foundation had commitments to contribute approximately $145,200,000 and $109,800,000, respectively, in additional capital under the terms of various agreements covering private equity and limited partnership agreements.

Concentration of Credit Risk Arising from Deposit Accounts

The Foundation maintains cash balances at various banks. Accounts at each institution are not fully insured.

Note 2 - Significant Accounting Policies (Continued)

Program-related Investments (PRI)

The Foundation invests in other organizations through direct loans and equity positions to achieve charitable purposes in alignment with the Foundation's strategies.

PRIs are defined in Section 4944 of the Internal Revenue Code as an investment in which its primary purpose is to accomplish a charitable, educational, or other similar purpose and in which the production of income or capital appreciation is not a significant purpose of the investment. Like grants, these investments count toward the Foundation's payout requirement in the year of distribution. Return of PRI principal affects the annual payout requirement in a similar manner as a grant refund.

Debt PRIs consist of outstanding loans generally bearing below-market interest rates. Loans are measured at fair value at inception to determine if a contribution element exists. Available pricing inputs are unobservable for these investments, and the determination of fair value requires management judgment be estimated. These investments are anticipated to have a less than fair market value return. Loans are recorded on a net basis to reflect any reasonable loss reserve. The loss reserve estimate is reviewed on an annual basis and adjusted if collectibility risk has significantly changed based on the Foundation's understanding of the borrower's financial health and/or payment history. There were no loss reserves at both December 31, 2023 and 2022, nor any significant losses incurred.

Fixed Assets

Property and equipment are recorded at cost when purchased. Depreciation on fixed assets is provided on a straight-line basis over the estimated useful lives of the assets, which range from three to seven years. Leasehold improvements are being depreciated over the life of the lease.

Grants

Grants are recognized as an expense at the time of formal approval by the board of trustees. Conditional grants, if any, are expensed when such conditions are substantially met.

The Foundation matches gifts of cash made by current employees and trustees of up to $15,000 annually per person on a two-to-one basis, up to a maximum match of $30,000. Matching grants are made only to exempt organizations or public-supported charities, as listed in Internal Revenue Service (IRS) Publication 78.

Risks and Uncertainties

The Foundation invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

Leases

The Foundation has an operating lease for its office space, as described in Note 7. Certain long-term leases require the Foundation to recognize a right-to-use asset and related lease liability. Leases are classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of activties and changes in net assets. The Foundation recognizes expense for operating leases on a straight-line basis over the lease term. The right-to-use asset and liability are calculated considering available lease options and renewal terms.

The Foundation has operating leases for certain equipment with a lease term of one year or less that the Foundation elected to account for as short-term leases. The Foundation does not recognize a right-to-use asset or lease liability for short-term leases.

Note 2 - Significant Accounting Policies (Continued)

The Foundation elected to use the risk-free rate as the discount rate for calculating the right-to-use asset and lease liability in place of the incremental borrowing rate for the office space.

Functional Allocation of Expenses

The statement of functional expenses presents expenses by function and natural classification. Expenses directly attributable to a specific functional area of the Foundation are reported as expenses of that functional area. A portion of administrative costs that benefit multiple functional areas (indirect costs) has been allocated across all functional areas based on an estimate of time and effort. These costs include office expenses, meetings, conference, travel, and technology.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including June 4, 2024, which is the date the financial statements were available to be issued.

Note 3 - Investments

Investments consisted of the following at December 31:

	2023		2022	
	Cost	Fair Value	Cost	Fair Value
Global equities and futures contracts	$ 83,766,687	$ 106,938,463	$ 91,119,431	$ 96,479,431
Alternative investments:				
Hedge funds	70,026,035	126,829,323	82,108,943	130,496,702
Private equity limited partnerships	205,326,142	287,182,658	193,984,860	277,863,964
Total alternative investments	275,352,177	414,011,981	276,093,803	408,360,666
Fixed-income investments	31,867,568	32,211,963	33,096,662	31,131,136
Total	$ 390,986,432	$ 553,162,407	$ 400,309,896	$ 535,971,233

Realized and unrealized gains and losses represent the difference between the original cost of the investments and sales proceeds (realized) or the fair market value at the end of the year (unrealized). Cost is determined on a first-in, first-out basis.

	2023	2022
Realized gain on investments	$ 19,851,467	$ 32,821,666
Change in unrealized market appreciation	26,514,638	(93,259,898)
Net realized and unrealized gain (loss) on investments	$ 46,366,105	$ (60,438,232)

Note 3 - Investments (Continued)

A summary of changes in cash equivalents and investments during the years ended December 31, 2023 and 2022 is shown below:

	Cash Equivalents	Global Equities and Futures Contracts	Alternative Investments	Fixed-income Investments
January 1, 2022 - Fair value	$ 18,807,252	$ 142,906,169	$ 439,517,531	$ 36,083,543
Add (deduct) changes during the year ended December 31, 2022:				
Purchases	289,075,437	45,688,624	45,260,274	49,356,017
Sales and maturities - At cost	(297,119,327)	(53,410,669)	(23,301,678)	(52,868,680)
Net depreciation in fair value	-	(38,704,693)	(53,115,461)	(1,439,744)
December 31, 2022 - Fair value	10,763,362	96,479,431	408,360,666	31,131,136
Add (deduct) changes during the year ended December 31, 2023:				
Purchases	306,536,326	10,500,000	27,756,347	29,950,359
Sales and maturities - At cost	(308,110,327)	(17,852,744)	(28,497,973)	(31,179,453)
Net appreciation in fair value	-	17,811,776	6,392,941	2,309,921
December 31, 2023 - Fair value	$ 9,189,361	$ 106,938,463	$ 414,011,981	$ 32,211,963

Note 4 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

The following tables present information about the Foundation's assets measured at fair value on a recurring basis at December 31, 2023 and 2022 and the valuation techniques used by the Foundation to determine those fair values.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Foundation has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset. Significant Level 3 inputs include most recently audited financial statements and performance reports from independent sources.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Foundation's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

Note 4 - Fair Value Measurements (Continued)

	Assets Measured at Fair Value on a Recurring Basis at December 31, 2023				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value	Balance at December 31, 2023
Assets					
Cash equivalents	$ 9,189,361	$ -	$ -	$ -	$ 9,189,361
Global equities and futures contracts	10,254	-	-	106,928,209	106,938,463
Fixed-income investments	32,211,963	-	-	-	32,211,963
Hedge funds	-	-	-	126,829,323	126,829,323
Private equity limited partnerships	-	-	-	287,182,658	287,182,658
Total assets	$ 41,411,578	$ -	$ -	$ 520,940,190	$ 562,351,768

	Assets Measured at Fair Value on a Recurring Basis at December 31, 2022				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value	Balance at December 31, 2022
Assets					
Cash equivalents	$ 10,763,362	$ -	$ -	$ -	$ 10,763,362
Global equities and futures contracts	-	-	-	96,479,431	96,479,431
Fixed-income investments	31,131,136	-	-	-	31,131,136
Hedge funds	-	-	-	130,496,702	130,496,702
Private equity limited partnerships	-	-	157,978	277,705,986	277,863,964
Total assets	$ 41,894,498	$ -	$ 157,978	$ 504,682,119	$ 546,734,595

In 2022, one of the Foundation's limited partnerships is categorized as a Level 3 investment. The Foundation estimates its fair value based on income information provided by the general partner and fund manager, as well as third-party reports, including audit reports, interim financial statements, listing of underlying investments, and performance reports.

There were no transfers into or out of Level 3 of the fair value hierarchy and no purchases or issuances of Level 3 assets during the years ended December 31, 2023 and 2022.

Investments in Entities that Calculate Net Asset Value per Share

The Foundation hold shares or interest in investment companies at year end where the fair value of the investments held is estimated based on net asset value per share (or its equivalent) of the investment companies as a practical expedient.

Note 4 - Fair Value Measurements (Continued)

	Investments Held at December 31, 2023			
	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Multistrategy hedge fund (a)	$ 233,757,532	$ -	Monthly and quarterly	90 - 100 days
Real estate private equity (b)	8,244	-	N/A	N/A
Natural resources private equity (c)	1,961,130	587,362	N/A	N/A
Private equity - Fund of fund (d)	263,292,824	132,337,390	Annually and N/A	180 days and N/A
Private equity - Direct domestic (e)	269,833	3,664,937	N/A	N/A
Private equity - Legacy domestic (f)	8,874,686	984,980	N/A	N/A
Private equity - Legacy international (g)	12,775,941	7,621,481	N/A	N/A
Total	$ 520,940,190	$ 145,196,150		

	Investments Held December 31, 2022			
	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Multistrategy hedge fund (a)	$ 226,976,132	$ -	Monthly and quarterly	90 - 100 days
Real estate private equity (b)	14,696	67,452	N/A	N/A
Natural resources private equity (c)	2,421,736	587,362	N/A	N/A
Private equity - Fund of fund (d)	250,703,993	97,618,588	Annually and N/A	180 days and N/A
Private equity - Direct domestic (e)	-	2,000,000	N/A	N/A
Private equity - Legacy domestic (f)	9,658,329	1,838,115	N/A	N/A
Private equity - Legacy international (g)	14,907,233	7,673,250	N/A	N/A
Total	$ 504,682,119	$ 109,784,767		

(a) **Multistrategy Hedge Fund** - A hedge fund strategy that involves a combination of any other strategies. Multistrategy managers add value both by their successful management of each of the underlying strategies and also in the relative allocation to different strategies in their fund. Funds in this category may include both direct hedge funds and fund of funds managed by third-party managers.

(b) **Real Estate Private Equity** - This asset class seeks to generate returns predominately through the identification of undervalued or mispriced real estate assets or real estate-related companies. Investments would be expected to be made through either public or private equity securities, convertible notes or warrants, or other acquired or originated debt securities. The exposure within this asset class would be expected to be predominately long-only exposure and will generally be maintaining a long exposure to direct real estate assets or real estate-related companies and securities. Additionally, it is not expected that these assets would be held as marketable securities with an active or easily identifiable market; however, the asset class overall would be expected to generate some level of current income. This exposure is obtained primarily through investments in long-dated limited partnership vehicles managed by third-party managers and is considered illiquid.

Note 4 - Fair Value Measurements (Continued)

(c) **Natural Resources Private Equity** - This asset class seeks to generate returns predominately through the identification of undervalued or mispriced assets or companies engaged in the exploration, production, transportation, or related services in natural resources, such as oil, natural gas, timber, land, minerals, or precious metals, etc. Investments would be expected to be made through either public or private equity securities, convertible notes or warrants, or other acquired or originated debt securities. The exposure within this asset class would be expected to be predominately long-only exposure and will generally be maintaining a long exposure to companies or assets engaged in the basic materials sector. Additionally, it is not expected that these assets would be held as marketable securities with an active or easily identifiable market; however, the asset class overall would be expected to generate some level of current income. This exposure is obtained primarily through investments in long-dated limited partnership vehicles managed by third-party managers and is considered illiquid.

(d) **Private Equity - Fund of Fund** - Investments in private equity fund of funds are typically made through limited partnership structures managed by a third-party manager and are illiquid in nature. Although the private equity fund of funds may have certain redemption terms, investor liquidity is generally dependent on the liquidity of the underlying third-party fund investments. The private equity fund of funds typically invest in underlying third-party funds, which invest in unlisted companies (companies that are not traded on public exchanges) or in some cases listed companies are purchased and taken private. Private equity encompasses a broad array of strategies and securities that may include buyout, growth equity, and venture capital strategies. Other strategies may include real estate, natural resources, and credit. Investments may be in any sector of the economy or geography in the world, though underlying third-party funds may specialize in specific industries and regions.

(e) **Private Equity - Direct Domestic** - Investments in private equity are typically made through limited partnership structures managed by third-party managers and are illiquid in nature. Investments are typically made in unlisted companies (companies that are not traded on public exchanges), or, in some cases, listed companies are purchased and taken private. Private equity encompasses a broad array of strategies and securities. Buyout, growth equity, and venture capital strategies purchase equity in private companies at different stages of the company's life cycle. Other strategies such as mezzanine or special situations will invest in debt, preferred equity, or other parts of a company's capital structure. Investments may be in any sector of the economy, though funds may specialize in specific industries.

(f-g) **Private Equity - Legacy Domestic and International** - Investments in private equity are typically made through limited partnership structures managed by third-party managers and are illiquid in nature. Investments are typically made in unlisted companies (companies that are not traded on public exchanges), or, in some cases, listed companies are purchased and taken private. Private equity encompasses a broad array of strategies and securities. Buyout, growth equity, and venture capital strategies purchase equity in private companies at different stages of the company's life cycle. Other strategies such as mezzanine or special situations will invest in debt, preferred equity, or other parts of a company's capital structure. Investments may be in any sector of the economy or geography in the world, though funds may specialize in specific industries and regions.

Note 5 - Program-related Investments

The Foundation's PRI portfolio included two loans and one equity investment at both December 31, 2023 and 2022. The investments are summarized in the table below as follows:

	2023	2022
Debt principal amount	$ 134,861	$ 297,430
Equity investment	231,926	79,380
Total program-related investments	$ 366,787	$ 376,810

Quarterly interest payments are due on the outstanding loans at an interest rate of 2 percent. The loans are due in 2024 and 2025.

Note 6 - Fixed Assets

The cost of fixed assets as of December 31, 2023 and 2022 is summarized as follows:

	2023	2022
Furniture and fixtures	$ 203,066	$ 212,050
Computer equipment	28,091	99,196
Leasehold improvements	141,320	190,973
Construction in progress	867,641	-
Total cost	1,240,118	502,219
Less accumulated depreciation	341,614	439,644
Net fixed assets	$ 898,504	$ 62,575

Depreciation expense for 2023 and 2022 was $15,442 and $23,468, respectively.

Note 7 - Leases

The Foundation is obligated under an operating lease primarily for office space, expiring in 2025. A seven-year renewal option is available to exercise. The Foundation has included this option at estimated costs through 2032. The right-to-use asset and related lease liability have been calculated using the discount rate of 2.49 percent. The lease requires the Foundation to pay taxes, insurance, utilities, and maintenance costs. Total rent expense under the lease was $303,815 and $302,058 for 2023 and 2022, respectively.

Future annual commitments under the operating lease are as follows:

Years Ending December 31	Amount
2024	$ 310,449
2025	314,404
2026	319,120
2027	323,906
2028	328,765
Thereafter	1,365,120
Total	2,961,764
Less amount representing interest	317,326
Present value of net minimum lease payments	$ 2,644,438

Expenses recognized under the lease for the year ended December 31, 2023 consist of the following:

Operating lease cost	$ 303,815
Other information:	
Weighted-average remaining lease term - Operating lease	9 years
Weighted-average discount rate - Operating lease	2.5 %

Note 8 - Grants for Charitable, Educational, and Other Authorized Purposes

Grants are recognized as an expense at the time of formal approval by the board of trustees.

The following summarizes the changes in grants payable as of December 31, 2023 and 2022:

	2023	2022
Grants payable - Beginning of year	$ 8,003,902	$ 4,578,225
Grants approved	21,045,323	25,842,434
Payments made	(23,772,505)	(22,416,757)
Grants payable - End of year	$ 5,276,720	$ 8,003,902

Grant commitments outstanding at December 31, 2023 and 2022 are scheduled for payment as follows:

Amount Due In	2023	2022
2023	$ -	$ 6,553,902
2024	4,201,720	1,250,000
2025	950,000	100,000
2026	125,000	100,000
Total	$ 5,276,720	$ 8,003,902

On June 3, 2014, the board of trustees approved a $3.5 million grant, payable over 20 years, to the Foundation for Detroit's Future (FDF), a supporting organization of the Community Foundation of Southeast Michigan, for the purpose of funding, in part, the City of Detroit, Michigan's pension obligations. The payment of the grant installments is conditional upon the City of Detroit, Michigan's pension funds and others being in compliance with the grant conditions of both an initial and ongoing nature, which have been memorialized in agreements between the parties. The Foundation has made cumulative payments of $1,750,000 since 2014. The remaining $1,750,000 will be payable upon fulfillment of the conditions, as monitored by FDF. This amount is not included in grants payable consistent with the Foundation’s policy for conditional grants.

Note 9 - Excise and Other Taxes

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. As a private foundation, the Foundation is subject to an excise tax on net investment income, including realized gains, as defined in the Tax Reform Act of 1969.

The Foundation's excise tax expense (recovery) as of December 31, 2023 and 2022 is composed of the following approximate amounts:

	2023	2022
Current excise and other tax (recovery) expense	$ (21,589)	$ 675,632
Deferred excise tax expense (recovery)	241,473	(1,103,782)
Total tax expense (recovery)	$ 219,884	$ (428,150)

The deferred excise tax expense represents the tax on unrealized gains on investment securities. At December 31, 2023 and 2022, the deferred tax liability was approximately $2,251,775 and $2,010,302, respectively. The standard rate of tax on net investment income is 1.39 percent.

Note 9 - Excise and Other Taxes (Continued)

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Foundation and recognize a tax liability if the Foundation has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS or other applicable taxing authorities. Management has analyzed the tax positions taken by the Foundation and has concluded that, as of December 31, 2023 and 2022, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements except for the estimated liability recorded for pass-through unrelated business income (UBI) from investments in partnerships.

Note 10 - Line of Credit

The Foundation has an unsecured, guaranteed line of credit agreement with a bank, which provides for borrowings up to $15,000,000. The line of credit expires on May 16, 2024; however, the Foundation received notice from the bank extending the line of credit term to May 16, 2026. Interest on the amount outstanding is calculated using the Daily Bloomberg Short-Term Bank Yield Index (BSBY) rate plus 32.0 basis points, and a quarterly fee (assessed daily) is calculated using 15.0 basis points on the unused portion if less than 50 percent of the note is disbursed or 10.0 basis points on the unused portion if 50 percent or more of the note is disbursed. There were no borrowings on the line of credit as of December 31, 2023 or 2022.

Note 11 - Postretirement Benefits

The Foundation assists its eligible retirees with the payment of the cost of medical insurance coverage during retirement. Net periodic postretirement health care cost was approximately $53,000 and $46,000 for the years ended December 31, 2023 and 2022, respectively, and increases the postretirement liability for use for future premiums of current employees. In addition, current postretirement health care expenses for current retirees are taken against this liability, as it has already been expensed. The Foundation had accrued postretirement benefits of approximately $803,000 and $791,000 as of December 31, 2023 and 2022, respectively, which are included within accrued liabilities on the accompanying statement of financial position.

Note 12 - Defined Contribution Plan

The Foundation sponsors a defined contribution 401(k) plan for all eligible full-time employees. The employees may make elective contributions to the 401(k) plan in accordance with IRS regulations. The Foundation makes contributions to the 401(k) plan based upon eligible compensation.

Contributions to the plan totaled $345,665 and $270,684 for the years ended December 31, 2023 and 2022, respectively.

Note 13 - Related Party Transactions

The following is a description of transactions between the Foundation and a related party:

The Foundation has been advising and supporting the activities of another not-for-profit organization, Detroit Children's Fund (DCF). The Foundation is performing certain management functions for DCF based on a formal management services agreement. The Foundation was involved in the formation of DCF and they share a common board member. Related party transactions and balances as of and for the years ended December 31, 2023 and 2022 are shown below:

	2023	2022
Contributed services related to management functions	$ 59,138	$ 283,260
Granted funds to DCF	10,000	20,000
Grants payable to DCF	-	650,000

Note 14 - Liquidity

The Foundation’s financial assets available within one year of December 31 for general expenditure are as follows:

	2023	2022
Cash and cash equivalents	$ 10,519,664	$ 12,376,908
Accounts and interest receivable	823,265	627,400
Short-term investments	32,211,963	31,131,136
Total	$ 43,554,892	$ 44,135,444

None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date.

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its awarded grants, general expenditures, liabilities, and other obligations come due. The Foundation invests cash in excess of daily requirements in various short-term investments. As more fully described in Note 10, the Foundation also has a committed line of credit in the amount of $15,000,000 that it could draw upon in the event of an unanticipated liquidity need.