

Financial Statements

**Irving S. Gilmore Foundation**

*Years ended December 31, 2022 and 2021*

# Irving S. Gilmore Foundation

Years ended December 31, 2022 and 2021

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## Independent Auditor's Report

Board of Trustees  
Irving S. Gilmore Foundation

### **Opinion**

We have audited the accompanying financial statements of Irving S. Gilmore 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the 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 audit. 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 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; this includes 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 available to be issued.

### **Auditor's Responsibilities for the Audit 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 an audit conducted in accordance with generally accepted auditing standards 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, including omissions, 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.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- 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 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 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.

### **Adoption of New Accounting Standard**

As described in Note A to the financial statements, The Foundation adopted the provisions of Financial Accounting Standards Board Accounting Standards Update (ASU) No. 2016-02, Leases (Topic 842). Under this guidance. This standard is effective for annual reporting periods beginning after December 15, 2021. This ASU was adopted beginning January 1, 2022. Our opinion is not modified with respect to these matters.

### **Prior Period Financial Statements and Report on Summarized Comparative Information**

The financial statements of the Foundation, as of December 31, 2021, were audited by Jansen, Valk, Thompson, Reahm PC, who combined with UHY LLP as of October 25, 2022, and whose report dated April 19, 2022, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*UHY* **LLP**

Kalamazoo, MI  
May 8, 2023

## Irving S. Gilmore Foundation

### Statement of Financial Position (with Comparative Totals for 2021)

	December 31	
	2022	2021
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 5,357,912	\$ 6,648,425
Investment income receivable	338,416	371,532
Prepaid expenses and other	48,869	39,762
Total current assets	5,745,197	7,059,719
Investments:		
Cash and cash equivalents	26,315,987	16,221,332
U.S. Government and agency securities	14,193,778	21,161,252
Equity securities	134,032,381	195,459,490
Corporate debt securities	26,991,738	29,185,978
Securitized debt instruments	6,708,511	8,417,791
Limited partnership	27,156,430	30,723,551
Mutual funds	49,686,478	80,160,697
Total investments	285,085,303	381,330,091
Property and equipment:		
Leasehold improvements	736,391	736,391
Furnishings and fixtures	236,701	228,088
Equipment	66,907	66,907
Total property and equipment	1,039,999	1,031,386
Less accumulated depreciation	1,015,933	1,010,871
Net property and equipment	24,066	20,515
Operating lease right of use asset	656,994	-
Total assets	\$ 291,511,560	\$ 388,410,325

	December 31	
	2022	2021
<b>Liabilities and net assets</b>		
Current liabilities:		
Accounts payable	\$ 261,661	\$ 280,087
Accrued expenses	5,064	5,063
Pension contribution payable	53,528	51,117
Accrued excise tax	62,000	186,500
Grants payable	286,250	509,000
Current portion of operating lease liability	63,138	-
Total current liabilities	<u>731,641</u>	1,031,767
Operating lease liability, net of current portion	605,624	-
Grants payable, long-term	89,750	350,000
Total long-term liabilities	<u>695,374</u>	350,000
Total liabilities	<u>1,427,015</u>	1,381,767
Net assets without donor restrictions	290,084,545	387,028,558
Total liabilities and net assets	<u><u>\$ 291,511,560</u></u>	<u><u>\$ 388,410,325</u></u>

*See accompanying notes to financial statements.*

# Irving S. Gilmore Foundation

## Statement of Activities (with Comparative Totals for 2021)

	Year ended December 31	
	2022	2021
<b>Revenues and gains (losses):</b>		
Bank interest	\$ 104,331	\$ 395
Investment income:		
Interest	1,573,655	1,355,495
Dividends	4,812,316	8,672,069
Realized and unrealized gains (losses)	(82,443,482)	36,515,092
Other	38,882	27,114
Investment income (loss)	(76,018,629)	46,569,770
Less investment management fees	(1,555,983)	(1,842,788)
Net investment income (loss)	(77,574,612)	44,726,982
Total revenues and gains (losses)	(77,470,281)	44,727,377
<b>Expenses</b>		
Program services	18,033,107	14,604,405
Management and general	1,440,625	241,872
Total expenses	19,473,732	14,846,277
Change in net assets	(96,944,013)	29,881,100
Net assets, beginning of year	387,028,558	357,147,458
Net assets, end of year	\$ 290,084,545	\$ 387,028,558

See accompanying notes to financial statements.

## Irving S. Gilmore Foundation

### Statement of Functional Expenses (with Comparative Totals for 2021)

	Year ended December 31			
	2022			2021
	Program Services	Management and General	Total	Total
Salaries and wages	\$ 551,357	\$ 77,887	\$ 629,244	\$ 591,397
Payroll taxes	10,615	34,425	45,040	42,623
Employee benefits	172,548	47,842	220,390	213,355
Conferences and training	9,410	2,491	11,901	3,505
Depreciation	4,303	759	5,062	5,078
Equipment	32,819	6,712	39,531	34,391
Excise tax	228,000	-	228,000	544,348
Grants	16,665,606	-	16,665,606	12,959,645
Insurance	12,673	2,236	14,909	14,522
Miscellaneous	1,245	1,156,855	1,158,100	5,110
Office supplies	-	11,250	11,250	4,233
Parking	8,254	1,182	9,436	9,370
Printing	-	3,680	3,680	3,342
Professional services	264,898	77,130	342,028	339,170
Rent	68,561	12,099	80,660	64,918
Utilities	2,818	6,077	8,895	11,270
<b>Total</b>	<b>\$ 18,033,107</b>	<b>\$ 1,440,625</b>	<b>\$ 19,473,732</b>	<b>\$ 14,846,277</b>

*See accompanying notes to financial statements.*

## Irving S. Gilmore Foundation

### Statement of Cash Flows (with Comparative Totals for 2021)

	Year ended December 31	
	2022	2021
<b>Operating activities</b>		
Change in net assets	\$ (96,944,013)	\$ 29,881,100
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	5,062	5,078
Net realized and unrealized losses (gains) on investments	82,443,480	(36,515,092)
Non-cash lease expense	11,768	-
Changes in operating assets and liabilities:		
Investment income receivable	33,116	(10,890)
Other current assets	(9,107)	20,862
Accounts payable	(18,426)	39,622
Other current liabilities	(122,088)	31,609
Grants payable	(483,000)	(423,481)
Total adjustments	81,860,805	(36,852,292)
Net cash used in operating activities	(15,083,208)	(6,971,192)
<b>Investing activities</b>		
Purchases of investments	(97,818,904)	(84,976,246)
Proceeds from sales of investments	111,620,212	92,354,030
Equipment expenditures	(8,613)	-
Net cash provided by investing activities	13,792,695	7,377,784
Net increase (decrease) in cash and cash equivalents	(1,290,513)	406,592
Cash and cash equivalents, beginning of year	6,648,425	6,241,833
Cash and cash equivalents, end of year	\$ 5,357,912	\$ 6,648,425

*See accompanying notes to financial statements.*

# Irving S. Gilmore Foundation

## Notes to Financial Statements

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### **Note A—Summary of Significant Accounting Policies**

#### **Purpose of Foundation**

The Irving S. Gilmore Foundation (the Foundation) was established to administer the assets received from the estate of Irving S. Gilmore. The Foundation's mission is to support and enrich the cultural, social and economic life of Greater Kalamazoo. The priorities of the Foundation are: the arts, culture, and humanities; human services; education; community development; and health and well-being.

#### **Basis of Accounting**

The financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

#### **Basis of Presentation**

The Foundation follows net asset accounting methods, whereby revenues are classified for accounting and reporting purposes into one of two net classes:

- Net Assets without Donor Restrictions—net assets available for use in general operations which are not subject to donor-imposed restrictions.
- Net Assets with Donor Restrictions—net assets subject to donor-imposed restrictions that may be temporary in nature, such as those that will be met either by actions of the Foundation, the passage of time, or both. Other donor-imposed restrictions are perpetual in nature and require those resources be maintained permanently by the Foundation. The Foundation does not hold any net assets with restrictions.

#### **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 the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of support, revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### **Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Foundation considers all highly liquid investments with a maturity of three months or less when purchased outside of the investment portfolio to be cash equivalents.

# Irving S. Gilmore Foundation

## Notes to Financial Statements (continued)

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### **Note A—Summary of Significant Accounting Policies (continued)**

#### **Investments**

Investments of the Foundation are held by a commercial bank and trust department and managed by outside investment management companies. Investments sold are valued using the specific identification method. Net investment return is reported in the accompanying statement of activities and consists of interest and dividend income, realized and unrealized gains and losses, less external investment expenses. Investments are stated at their fair values. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note D for discussion of fair value measurements.

In accordance with Internal Revenue Service regulations, the Foundation is generally required to distribute at least 5% of its investable assets each year. After considering the long-term expected return on its investment assets and the possible effect of inflation, the Foundation's Board of Trustees has established a policy of spending 5% of investable assets annually.

The Foundation's investment policy seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution requirement with acceptable levels of risk. Funds are invested in a well-diversified asset mix, which includes primarily equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 5% of investable assets, while growing the funds if possible. Investment risk is measured in terms of the total investment portfolio; investment assets and allocation between asset classes and strategies are managed to not expose the portfolio to unacceptable levels of risk. It is the Foundation's policy that no more than 8% of the total stock portfolio may be invested in the common stock of any one corporation. Not more than 10% of the outstanding shares of any one corporation may be held. With the exception of securities issued by the U.S. Government and its agencies, no single fixed income issue should represent more than 5% of the total fixed income portfolio. Not more than 5% of any individual issue may be held. With the approval of the chairman of the Investment Committee, occasional exceptions to these policies may be made.

#### **Fair Value**

The carrying amounts reflected in the statement of financial position for cash, receivables and payables approximate the respective fair values due to the short-term nature of those instruments.

#### **Property, Equipment and Depreciation**

Property and equipment are stated at cost. Purchases in excess of \$5,000 are capitalized. Depreciation is recognized over the estimated useful lives of the assets on a straight-line basis.

# Irving S. Gilmore Foundation

## Notes to Financial Statements (continued)

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### **Note A—Summary of Significant Accounting Policies (continued)**

#### **Functional Allocation of Expenses**

The costs of providing the various programs have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program and supporting services benefited. The expenses that are allocated are compensation and benefits, depreciation, equipment, insurance, printing, occupancy costs, supplies, and professional services, which are allocated on the basis of management's estimate of time and effort. Although the methods of allocation used are considered reasonable, other methods could be used that would produce different amounts.

#### **Income Tax Status**

The Internal Revenue Service has determined that the Foundation is a private non-operating foundation which is exempt from income tax under Section 501(a) as a Foundation described in Section 501(c)(3) of the Internal Revenue Code.

#### **Summarized Prior-Year Information**

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2021, from which the summarized information was derived.

#### **Recently Adopted Accounting Pronouncement**

In February 2016, the Financial Accounting Standards Board issued accounting standards update ("ASU") 2016-02 "Leases (Topic 842)". Under this guidance, an entity is required to recognize right-of-use assets and lease liabilities on its balance sheet and disclose key information about leasing arrangements.

The Foundation adopted the new standard effective January 1, 2022, using the modified retrospective approach. This approach allows the Foundation to initially apply the new accounting standards at the adoption date and recognize a cumulative adjustment to the opening balance of retained earnings in the period of adoption. The prior year comparative information has not been restated and continues to be reported under the accounting standards in effect for that period. The adoption of the new standards had no impact on retained earnings. In addition, the Foundation recorded operating lease right-of-use assets and operating lease liabilities totaling \$726,887.

# Irving S. Gilmore Foundation

## Notes to Financial Statements (continued)

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### **Note A—Summary of Accounting Policies (continued)**

The new standard provides a number of optional practical expedients at transition. The Foundation elected certain practical expedients that must be elected as a package, which permit the Foundation to not reassess, under the new standard, prior conclusions about (1) lease identification, (2) lease classification and (3) initial direct costs. Additionally, the Foundation elected a short-term lease exception policy, which allows entities to not apply the new standard to short-term leases (i.e., leases with terms of 12 months or less) and a hindsight policy, which allows an entity to include current considerations for existing leases when determining initial lease terms.

#### **Leases**

The Foundation determines if an arrangement is a lease at inception by determining whether the agreement conveys the right to control the use of the identified asset for a period of time, whether the Foundation has the right to obtain substantially all of the economic benefits from use of the identified asset, and the right to direct the use of the asset. Lease liabilities are recognized at the commencement date based upon the present value of the remaining future minimum lease payments over the lease term using the rate implicit in the lease or the Foundation's incremental borrowing rate. The incremental borrowing rate is defined as the rate of interest the Foundation would have to pay to borrow on a collateralized basis over a similar term in an amount equal to the lease payments in a similar economic environment. The Foundation's lease terms include options to renew or terminate the lease when it is reasonably certain that it will exercise the option.

The lease right-of-use assets are initially measured at the carrying amount of the lease liability and adjusted for any prepaid or accrued lease payments, remaining balance of lease incentives received, unamortized initial direct costs, or impairment charges relating to the right-of-use-asset. Certain leases contain escalation clauses, which are factored into the right-of-use asset where appropriate. Lease expense for minimum lease payments are recognized on straight-line basis over the lease term.

The Foundation's lease agreements do not contain an implicit rate nor does the Foundation have any debt. As such, the Foundation elected a risk-free rate at the date of adoption as a discount rate to calculate the lease right-of-use asset and lease liability.

The Foundation's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

#### **Subsequent Events**

Subsequent events were evaluated through May 8, 2023, which is the date the financial statements were available to be issued.

## Irving S. Gilmore Foundation

### Notes to Financial Statements (continued)

#### Note B—Cash and Cash Equivalents

Cash and cash equivalents at December 31, 2022 and 2021 consist primarily of institutional treasury obligation money market funds valued at \$1 per share. Under certain circumstances, the valuation of the money market shares could decline below \$1. Management does not consider declines in the fair value of the money market funds to be a significant risk.

#### Note C—Investments

The cost, gross unrealized gains and fair values of investments as of December 31 are as follows:

	<b>2022</b>		
	Cost	Unrealized Gain (loss)	Fair Value
Cash and cash equivalents	\$ 26,318,987	\$ —	\$ 26,318,987
U.S. Government and agency securities	16,144,791	(1,951,013)	14,193,778
Equity securities	118,874,978	15,157,403	134,032,381
Corporate debt securities	27,339,009	(347,271)	26,991,738
Securitized debt instruments	7,635,673	(927,162)	6,708,511
Limited partnership	26,820,000	336,430	27,156,430
Mutual funds	39,813,795	9,872,683	49,686,478
Total	\$ 262,944,233	\$ 22,141,070	\$ 285,085,303
	<b>2021</b>		
	Cost	Unrealized Gain	Fair Value
Cash and cash equivalents	\$ 16,221,332	\$ —	\$ 16,221,332
U.S. Government and agency securities	20,910,413	250,839	21,161,252
Equity securities	120,223,855	75,235,635	195,459,490
Corporate debt securities	28,227,668	958,310	29,185,978
Securitized debt instruments	8,357,802	59,989	8,417,791
Limited partnership	26,820,000	3,903,551	30,723,551
Mutual funds	47,613,515	32,547,182	80,160,697
Total	\$ 268,374,585	\$ 112,955,506	\$ 381,330,091

# Irving S. Gilmore Foundation

## Notes to Financial Statements (continued)

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### Note D—Fair Value Measurements

The Foundation reports assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset based on market data obtained from sources independent of the Foundation. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset based on the best information available.

A three-tier hierarchy categorizes the inputs as follows:

*Level 1*—Quoted prices (unadjusted) in active markets for identical assets that the Foundation has the ability to access at the measurement date. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these assets does not entail a significant degree of judgment.

*Level 2*—Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. These include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the assets and market-corroborated inputs.

*Level 3*—Unobservable inputs for the asset. In these situations, the Foundation develops inputs using the best information available in the circumstances.

The availability of observable inputs can vary from instrument to instrument and is affected by a wide variety of factors, including, for example, the liquidity of markets and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment.

The Foundation uses prices and inputs that are current as of the measurement date, obtained through multiple third-party custodians and from independent pricing services.

## Irving S. Gilmore Foundation

### Notes to Financial Statements (continued)

#### Note D—Fair Value Measurements (continued)

The Foundation's assets measured at fair value on a recurring basis are as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>December 31, 2022</b>				
Cash and cash equivalents	\$ 26,315,987	\$ 26,315,987	\$ —	\$ —
U.S. Government and agency securities	14,193,778	—	14,193,778	—
Equity securities:				
Domestic	128,087,731	128,087,731	—	—
International developed	5,595,461	5,595,461	—	—
Emerging markets	318,571	318,571	—	—
Real estate	30,618	30,618	—	—
Corporate debt securities:				
Domestic	18,605,611	—	18,605,611	—
International developed	2,471,407	—	2,471,407	—
International emerging markets	3,170,034	—	3,170,034	—
High yield	2,744,686	—	2,744,686	—
Securitized debt instruments	6,708,511	—	6,708,511	—
Limited partnership	27,156,430	—	—	27,156,430
Mutual funds:				
Domestic equity	28,657,884	28,657,884	—	—
International developed	21,028,594	21,028,594	—	—
<b>Total</b>	<b>\$ 285,085,303</b>	<b>\$ 210,034,846</b>	<b>\$ 47,894,027</b>	<b>\$ 27,156,430</b>

## Irving S. Gilmore Foundation

### Notes to Financial Statements (continued)

#### Note D—Fair Value Measurements (continued)

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>December 31, 2021</b>				
Cash and cash equivalents	\$ 16,221,332	\$ 16,221,332	\$ —	\$ —
U.S. Government and agency securities	21,161,252	—	21,161,252	—
Equity securities:				
Domestic	185,958,677	185,958,677	—	—
International developed	8,157,590	8,157,590	—	—
International emerging markets	1,306,305	1,306,305	—	—
Real estate	36,918	36,918	—	—
Corporate debt securities:				
Domestic	24,422,643	—	24,422,643	—
International developed	4,222,949	—	4,222,949	—
International emerging markets	118,078	—	118,078	—
High yield	422,308	—	422,308	—
Securitized debt instruments	8,417,791	—	8,417,791	—
Limited partnership	30,723,551	—	—	30,723,551
Mutual funds:				
Domestic equity	42,241,269	42,241,269	—	—
International equity	29,440,628	29,440,628	—	—
International emerging— fixed	4,411,282	4,411,282	—	—
High yield	4,067,518	4,067,518	—	—
<b>Total</b>	<b>\$ 381,330,091</b>	<b>\$ 291,841,519</b>	<b>\$ 58,765,021</b>	<b>\$ 30,723,551</b>

# Irving S. Gilmore Foundation

## Notes to Financial Statements (continued)

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### **Note D—Fair Value Measurements (continued)**

Following is a description of the valuation methodologies used for investments measured at fair value on a recurring basis and recognized in the accompanying statement of financial position:

#### *Cash and Cash Equivalents*

Cash and cash equivalents include cash equivalents and fixed income investments with maturities of less than one year. Short-term investments are valued using observable market data and are categorized as Level 1 to the degree that they can be valued based on quoted market prices in active markets. The majority of these short-term investments are held in U.S. Treasury money market accounts. Although these cash equivalents are readily available, it is the intent of the Foundation to hold them for reinvestment purposes and therefore has classified them as investments.

#### *Equity Securities*

Equity investments consist of securities held in corporate stocks and are generally valued based on quoted market prices in active markets obtained from exchange or dealer markets for identical assets, and are accordingly categorized as Level 1, with no valuation adjustments applied.

#### *Corporate Debt Securities, U.S. Government and Agency Securities and Securitized Debt Instruments*

Debt securities held by the Foundation often do not trade in active markets on the measurement date. In the absence of a trade on the measurement date for the identical security in an active market, corporate debt securities, U.S. government and agency securities and securitized debt instruments are valued using inputs including yields currently available on comparable securities of issuers with similar credit ratings, recent market price quotations (where observable), bond spreads, and fundamental data relating to the issuer, and are accordingly categorized as Level 2.

#### *Mutual Funds*

Daily traded mutual funds are generally valued based on quoted market prices in active markets obtained from exchange or dealer markets for identical assets, and are accordingly categorized as Level 1, with no valuation adjustments applied.

#### *Limited Partnership*

The fair value of the limited partnership is estimated based on the net asset values of the underlying securities held by the limited partnership. The limited partnership holds international equities which are traded in active markets, however, the investment in the limited partnership is considered Level 3 because the specifics of the inputs used are unobservable to other market participants.

# Irving S. Gilmore Foundation

## Notes to Financial Statements (continued)

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### Note E—Grants

Grants payable are summarized as follows at December 31:

	<u>2022</u>	<u>2021</u>
Payable in less than one year	\$ 286,250	\$ 509,000
Payable in one to five years	89,750	350,000

The Foundation periodically makes conditional grants to donees (i.e., matching and challenge grants). These grants are not recorded as a liability until all grant conditions have been met by the donee. There were no conditional grants outstanding at December 31, 2022 or 2021.

The present value discount for grants payable in more than one year is \$10,250.

Cash paid for grants totaled \$17,148,606 in 2022 and \$13,383,126 in 2021.

### Note F—Operating Lease

The Foundation leases its office facility from a third party under a noncancelable operating lease that expires in September 2026, with an option for an additional five years. Monthly payments are approximately \$6,000. Operating lease expense totaled approximately \$80,700 in 2022 and \$65,000 in 2021.

Future minimum lease payments under the noncancelable operating lease for the office space are as follows:

<u>Year ending December 31</u>	<u>Amount</u>
2023	\$ 72,775
2024	74,958
2025	77,207
2026	79,523
2027	81,910
Thereafter	329,398
Total undiscounted cash flows	715,772
Less: present value discount	(47,011)
Total lease liability	<u>\$ 668,762</u>

# Irving S. Gilmore Foundation

## Notes to Financial Statements (continued)

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### **Note F—Operating Lease (continued)**

The weighted average remaining lease term of operating leases as of December 31, 2022, was 8.75 years.

The weighted average discount rates of operating leases as of December 31, 2022, was 1.52%.

Operating lease payments in the table on previous page include approximately \$399,400 related to options to extend lease terms that are reasonably certain to be exercised.

### **Note G—Retirement Plan**

The Foundation has a non-contributory qualified defined contribution retirement plan covering substantially all employees. The Foundation makes a contribution to the plan each year of at least 5% of participants' compensation, as defined. Total contributions to the plan were \$53,528 in 2022 and \$51,117 in 2021.

### **Note H—Excise Taxes**

The Foundation is exempt from federal income taxes and is classified as a private foundation under Section 501 of the Internal Revenue Code (IRC). It is subject to a federal excise tax on net investment income, including realized gains, as defined by the IRC. Excise tax expense was \$228,000 in 2022 and \$544,348 in 2021.

The Foundation is subject to a 1.39% excise tax rate.

### **Note I—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 investment balances and the amounts reported in the statement of financial position.

## Irving S. Gilmore Foundation

### Notes to Financial Statements (continued)

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#### Note J—Liquidity and Availability

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

	<u>2022</u>	<u>2021</u>
Cash	\$ 5,357,912	\$ 6,648,425
Investment income receivable	338,416	371,532
Investments	<u>285,085,303</u>	<u>381,330,091</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 290,781,631</u>	<u>\$ 388,350,048</u>

#### Note K—Supplemental Cash Flow Information

Cash paid for operating leases was \$68,689 in 2022 and \$64,918 in 2021.

Cash paid for excise tax totaled \$166,000 in 2022 and \$357,848 in 2021.