

PUBLIC WELFARE FOUNDATION, INC.

FINANCIAL STATEMENTS

September 30, 2022 and 2021

PUBLIC WELFARE FOUNDATION, INC.
Washington D.C.

FINANCIAL STATEMENTS
September 30, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Public Welfare Foundation, Inc.
Washington, D.C.

Opinion

We have audited the financial statements of Public Welfare Foundation, Inc. (the Foundation), which comprise the statements of financial position as of September 30, 2022 and 2021, and the related statements of activities, 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 Public Welfare Foundation, Inc. as of September 30, 2022 and 2021, and the 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Public Welfare Foundation, Inc. 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 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 Public Welfare Foundation, Inc.'s ability to continue as a going concern for one year from the date 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 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.

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 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 Public Welfare Foundation, Inc.'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 Public Welfare Foundation Inc.'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.

Crowe LLP
Crowe LLP

Indianapolis, Indiana
April 24, 2023

PUBLIC WELFARE FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
September 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents	\$ 745,096	\$ 683,184
Bond proceeds held in trust	-	574,890
Asset for capital project fund	2,490,000	-
Investments	556,509,059	633,092,213
Prepaid expenses, taxes, and other assets	855,099	1,287,434
Deferred federal income tax benefit	854,158	-
Property and equipment, net	<u>8,675,411</u>	<u>8,074,258</u>
 Total assets	 <u>\$ 570,128,823</u>	 <u>\$ 643,711,979</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accrued expenses, taxes, and other liabilities	\$ 389,586	\$ 864,332
Deferred federal excise and income tax liability	-	1,325,715
Grants payable	60,000	1,230,000
Liability for capital project fund	2,490,000	-
Bonds payable	<u>11,895,011</u>	<u>11,868,273</u>
Total liabilities	14,834,597	15,288,320
 Net assets without donor restrictions	 <u>555,294,226</u>	 <u>628,423,659</u>
 Total liabilities and net assets	 <u>\$ 570,128,823</u>	 <u>\$ 643,711,979</u>

See accompanying notes to financial statements.

PUBLIC WELFARE FOUNDATION, INC.
STATEMENTS OF ACTIVITIES
Years ended September 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
INVESTMENT INCOME AND EXPENSE		
Interest and dividends	\$ 4,256,674	\$ 3,459,883
Other investment funds gain (loss), net	<u>433,274</u>	<u>(35,427)</u>
Total net income	4,689,948	3,424,456
Realized gain on investments, net	6,841,892	23,527,102
Unrealized (loss) gain on investments, net	<u>(59,155,727)</u>	<u>98,466,501</u>
Total net investment (loss) gain	<u>(52,313,835)</u>	<u>121,993,603</u>
Total investment (loss) income	(47,623,887)	125,418,059
Investment advisory, custodial fees and Investment expenses	<u>(1,610,552)</u>	<u>(1,574,903)</u>
Net investment return	(49,234,439)	123,843,156
EXPENSES		
Program expenses:		
Grants approved, net of return	20,648,852	20,827,339
Administrative expenses:		
Salaries and fringe benefits	2,415,223	1,890,516
Professional and consulting fees	757,555	784,056
Other administrative expenses	<u>1,939,941</u>	<u>1,386,929</u>
	25,761,571	24,888,840
(Benefit) Provision for federal excise and other taxes	<u>(1,655,238)</u>	<u>1,365,292</u>
Total expenses	<u>24,106,333</u>	<u>26,254,132</u>
Net operating income	<u>(73,340,772)</u>	<u>97,589,024</u>
OTHER INCOME		
Class action settlements	-	137
Rental and other miscellaneous income	<u>211,339</u>	<u>154,884</u>
Total other income	<u>211,339</u>	<u>155,021</u>
Change in net assets without donor restrictions	(73,129,433)	97,744,045
Net assets without donor restrictions, beginning of year	<u>628,423,659</u>	<u>530,679,614</u>
Net assets without donor restrictions, end of year	<u>\$ 555,294,226</u>	<u>\$ 628,423,659</u>

See accompanying notes to financial statements.

PUBLIC WELFARE FOUNDATION, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
Years ended September 30, 2022 and 2021

	2022		
	Grantmaking And Program Activities	Supporting Activities	Total
EXPENSES:			
Wages and fringe benefits	\$ 1,618,274	\$ 796,949	\$ 2,415,223
Professional and consulting fees	602,007	155,548	757,555
Travel	30,627	30,801	61,428
Office operations	104,615	47,494	152,109
Meetings	202,375	-	202,375
Board expenses	47,125	65,078	112,203
Building expenses	822,812	143,494	966,306
Depreciation and amortization	379,362	66,158	445,520
Total before grants and provision for federal excise and other taxes	<u>3,807,197</u>	<u>1,305,522</u>	<u>5,112,719</u>
Grants	20,648,852		20,648,852
Benefit for federal excise and other taxes	-	(1,655,238)	(1,655,238)
Total expenses	<u>\$ 24,456,049</u>	<u>\$ (349,716)</u>	<u>\$ 24,106,333</u>
	2021		
	Grantmaking And Program Activities	Supporting Activities	Totals
EXPENSES:			
Wages and fringe benefits	\$ 1,086,253	\$ 804,263	\$ 1,890,516
Professional and consulting fees	574,167	209,889	784,056
Travel	2,603	30	2,633
Office operations	66,720	49,172	115,892
Meetings	28,273	-	28,273
Board expenses	28,609	43,868	72,477
Building expenses	600,563	190,272	790,835
Depreciation and amortization	286,157	90,661	376,818
Total before grants and provision for federal excise and other taxes	<u>2,673,345</u>	<u>1,388,155</u>	<u>4,061,500</u>
Grants	20,827,340	-	20,827,340
Provision for federal excise and other taxes	-	1,365,292	1,365,292
Total expenses	<u>\$ 23,500,685</u>	<u>\$ 2,753,447</u>	<u>\$ 26,254,132</u>

See accompanying notes to financial statements.

PUBLIC WELFARE FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
Years ended September 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Change in net assets without donor restrictions	\$ (73,129,433)	\$ 97,744,045
Adjustments to reconcile change in net assets without donor restrictions to net cash used in operating activities		
Depreciation and amortization	445,520	376,818
Realized, unrealized and other losses (gains) on investments, net	49,234,439	(123,843,156)
(Increase) decrease in assets		
Accrued interest and dividends receivable	-	69,819
Accrued interest and dividends receivable	432,335	(701,883)
Increase (decrease) in liabilities		
Accrued expenses, taxes and other liabilities	(474,746)	127,622
Liability for capital project fund	2,490,000	-
Deferred federal excise and income tax asset/liability	(2,179,873)	1,068,886
Grants payable	(1,170,000)	59,000
Net cash used in operating activities	<u>(24,351,758)</u>	<u>(25,098,849)</u>
Cash flows from investing activities		
Acquisition of property and equipment	(1,019,935)	(581,590)
Proceeds from sale and distributions of investments	27,359,814	559,217,455
Purchases of investments	<u>(11,099)</u>	<u>(534,308,506)</u>
Net cash provided by investing activities	<u>26,328,780</u>	<u>24,327,359</u>
Net increase (decrease) in cash and cash equivalents and restricted cash	1,977,022	(771,490)
Cash and cash equivalents and restricted cash, beginning of year	<u>1,258,074</u>	<u>2,029,564</u>
Cash and cash equivalents and restricted cash, end of year	<u>\$ 3,235,096</u>	<u>\$ 1,258,074</u>
Cash and cash equivalents	745,096	683,184
Bond proceeds held in trust	-	574,890
Asset for capital project fund	<u>2,490,000</u>	<u>-</u>
Cash and cash equivalents and restricted cash, end of year	<u>\$ 3,235,096</u>	<u>\$ 1,258,074</u>
Supplemental cash-flow disclosures		
Cash paid for interest	\$ 189,925	\$ 176,499
Cash paid for excise and other taxes	352,625	971,608

See accompanying notes to financial statements.

NOTE 1 - ORGANIZATION

Public Welfare Foundation, Inc. (the Foundation) was established in 1947, incorporated in Texas and reincorporated in Delaware in 1951, for the purpose of supporting benevolent, charitable, educational or missionary organizations that advance justice and opportunity for people in need. These efforts honor the Foundation's core values of racial equality, economic well-being, and fundamental fairness for all. The Foundation's grantmaking is organized around Criminal Justice and Youth Justice. Funds for the Foundation's operations and grant making are provided from the Foundation's investment portfolio.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Foundation is presented to assist in understanding the Foundation's financial statements. The financial statements and notes are representations of the Foundation's management who is responsible for their integrity and objectivity.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) 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 revenues and expenses during the reporting period. Significant accounting estimates reflected in the Foundation's financial statements include the determination of fair value of investments. Actual values could differ from those estimates.

Basis of Accounting: The financial statements of the Foundation are presented in conformity with U.S. GAAP and have been prepared using the accrual basis of accounting, which includes recognition of revenue as earned and expenses as incurred.

Cash and Cash Equivalents: The Foundation considers all highly liquid instruments, which have an original maturity of three months or less, to be cash and cash equivalents except for the cash reserve portions of the long-term investment accounts which are recorded with short-term investments in the statements of financial position.

Bond Proceeds Held in Trust: As of September 30, 2021, the Foundation held proceeds from the 2020 bond issuance that were restricted for a capital project as described in Note 7. There are no proceeds held as of September 30, 2022.

Financial Instruments and Credit Risk: Financial instruments which potentially subject the Foundation to concentrations of credit risk consist principally of cash and cash equivalents and investments held at creditworthy financial institutions. Throughout the year, the balances of the Foundation's cash accounts at times have exceeded the federally insured limit. The Foundation has not experienced losses in these accounts. The Foundation believes it is not exposed to any significant credit risk on its cash and cash equivalents. By policy, investments are kept within limits designed to reduce risks caused by concentration.

Investments: As described in Note 4, effective October 1, 2020, the Foundation transferred substantially all its investment assets to a newly formed limited partnership, PWF Fund, LP, of which the Foundation is the sole limited partner and the Foundation's investment advisor is the general partner. Accordingly, the Foundation's investments as of September 30, 2022 and 2021, are comprised almost exclusively of the Foundation's limited partnership interest in PWF Fund, LP.

Amounts shown as investment income and expense on the Statements of Activities are derived almost exclusively through PWF Fund, L.P. The financial statements of PWF Fund, L.P. are audited by another public accounting firm.

(Continued)

PUBLIC WELFARE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2022 and 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The amount shown as investment advisory, custodial fees and Investment expenses on the Statements of Activities for the year ended September 30, 2021, has been adjusted by an amount immaterial to the financial statements so that the amounts shown for those expenses for both the 2022 and 2021 fiscal years are prepared on the same basis and are thus more readily comparable to one another. This change had no effect on the change in net assets or net assets as previously reported.

Property and Equipment: Property and equipment is stated at cost. Depreciation and amortization are provided by the straight-line method over 3 to 40 years. Expenditures for maintenance, repairs and minor renewals are charged to expense as incurred. Expenditures for additions, improvements, and replacements are capitalized and property replaced is accounted for as retirements. The Foundation capitalizes purchases of property and equipment costing more than \$1,000 with a useful life greater than one year or that result in the betterment of an existing capital asset.

Impairment of Long-Lived Assets: The Foundation reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. No assets of the Foundation were identified as impaired as of the dates of these financial statements. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell.

Deferred Federal Excise and Income Tax: Deferred taxes arise due to differences between the reported value of investments and their tax basis. Deferred taxes also arise for the difference between the cash basis used for tax purposes and the accrual basis used for financial statement purposes for investment activities.

Grants Payable: The fair value of grants payable more than one year after the financial statement date is based on present value calculations using rates established for United States Treasury Bills with similar terms as the grants.

Asset and Liability for Capital Project Fund: Under the Internal Revenue Code (IRC) 4942(g)(2), private foundations are permitted to treat as a qualifying distribution in a fiscal year, amounts set-aside during the fiscal year for one or more capital projects, provided the foundation will spend such amounts during the following five-year period. For its fiscal year ended September 30, 2022, the Foundation applied for set-aside treatment for amounts to be spent in subsequent years on certain capital projects being undertaken at the Foundation's headquarters building in Washington, D.C. The application was done through IRS Form 8940 that was submitted on September 22, 2022. The Foundation reflected on its statements of financial position an asset in the amount of \$2,490,000 to reflect the amounts set aside for the capital projects and a corresponding liability in the same amount reflecting its obligation to spend such amounts on the projects.

Grants Expense: Grants are expensed when they are approved by the Board of Directors or the President and Chief Executive Officer the Foundation. Grants paid over more than one year are recorded at the net present value of the future payments. Grant refunds and cancellations are recorded as reductions of grant expense upon receipt of notification from the grantee.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Expenses: Certain categories of expenses are attributable to both program and supporting functions. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Most administrative expenses incurred by the Foundation include shared costs. Wages and fringe benefits are allocated based on estimates of employee time and effort. Office operations expenses are allocated based on the nature of the expense; some are based on employee time and effort and others are based on square footage. Building expenses and depreciation are allocated based on square footage and board expenses are allocated based on estimates of time and effort.

Tax-Exempt Status: The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code) and is a private foundation under Section 509(a) of the Code. The Foundation is subject to federal excise tax as well as federal and state unrelated business income tax related to certain investments. See Note 6.

Recent Accounting Pronouncements to be Adopted: In February 2016, the FASB issued Accounting Standards Update ("ASU") 2016-02, "Leases" (Topic 842). Under the standard, an entity is required to recognize lease assets and lease liabilities on the statement of financial position. The ASU also requires additional disclosure, both quantitative and qualitative, including pertinent information about the leasing arrangement, and the amount, timing, and uncertainty of cash flows arising from leases. This ASU is effective to the Foundation for fiscal year ending September 30, 2023. Management is currently evaluating the impact of this ASU on the Foundation's financial statements.

Subsequent Events: The Foundation evaluated its September 30, 2022 financial statements for subsequent events through April 24, 2023, the date these statements were available to be issued.

NOTE 3 - LIQUIDITY AND AVAILABILITY OF RESOURCES

The Foundation strives to maintain, either directly or through its interest in PWF Fund, LP, cash and cash equivalents sufficient to cover at least six months of general expenditures. The Foundation regularly monitors the availability of resources required to meet its operating needs, while also seeking to maximize the investment of unused funds. The Foundation has various sources of liquidity available, including cash and cash equivalents and marketable debt securities and marketable equity securities held by PWF Fund, LP. Financial assets in excess of monthly cash requirements are invested among these sources in compliance with the Foundation's investment policy.

(Continued)

PUBLIC WELFARE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2022 and 2021

NOTE 3 - LIQUIDITY AND AVAILABILITY OF RESOURCES (Continued)

The following table reflects the Foundation's financial assets as of September 30, 2022 and 2021, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of liquidity restrictions.

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 745,096	\$ 683,184
Investments	<u>556,509,059</u>	<u>633,092,213</u>
Total financial assets	557,254,155	633,775,397
Less: Amounts unavailable for general expenditures within one year due to investments with liquidity horizons greater than one year	<u>(233,240,614)</u>	<u>(208,463,964)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 324,013,541</u>	<u>\$ 425,311,433</u>

NOTE 4 - INVESTMENTS AND FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received for an asset or paid to transfer a liability (an exit price) in the Foundation's principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

GAAP establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. GAAP describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy.

Certain investments are valued using the net asset value (NAV) (or its equivalent) provided by the fund as a practical expedient. Those investments are excluded from the valuation hierarchy.

(Continued)

PUBLIC WELFARE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2022 and 2021

NOTE 4 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

The following table presents the Foundation's assets that are measured at fair value on a recurring basis as of September 30, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	Investments Measured at <u>NAV</u>	<u>Totals</u>
Short-term investments	\$ 469,509	\$ -	\$ -	\$ -	\$ 469,509
Other investments:					
Private equity				11,099	11,099
PWF Fund LP	-	-	-	556,028,451	556,028,451
 Total	 \$ 469,509	 \$ -	 \$ -	 \$ 556,039,550	 \$ 556,509,059

The following table presents the Foundation's assets that are measured at fair value on a recurring basis as of September 30, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	Investments Measured at <u>NAV</u>	<u>Totals</u>
Short-term investments	\$ 467,055	\$ -	\$ -	\$ -	\$ 467,055
Other investments:					
Private equity	-	-	-	48,546	48,546
PWF Fund LP	-	-	-	632,576,612	632,576,612
 Total	 \$ 467,055	 \$ -	 \$ -	 \$ 632,625,158	 \$ 633,092,213

Inputs and Valuation Techniques:

Short-term Investments: The carrying value approximates fair value because of the short maturity of those instruments.

Investments Measured at NAV: As a practical expedient, ASC 820-10 permits the Foundation to estimate fair value of investments based on the NAV, or its equivalent, if the NAV of such investments is calculated in a manner consistent with the measurement principles of ASC 946, Financial Services – Investment Companies. Given the absence of market quotations, their fair value is estimated by management using information provided to the Foundation by the investment managers. The values are based on estimates that require varying degrees of judgment. Individual holdings within the limited partnerships and corporate interests may include investments in both nonmarketable and market-traded securities. Nonmarketable securities may include equity in private companies, real estate, and other investment vehicles. The investments may indirectly expose the Foundation to the effects of securities lending, short sales of securities, and trading in futures and forward contracts, options, swap contracts, and other derivative products. While these financial instruments contain varying degrees of risk, the Foundation's exposure with respect to each such investment is limited to its carrying amount (fair value as described above) in each investment.

(Continued)

PUBLIC WELFARE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2022 and 2021

NOTE 4 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

The Foundation does not directly invest in the underlying securities of the investment funds and due to restrictions on transferability and timing of withdrawals from the limited partnerships and corporate interests, the amounts ultimately realized upon liquidation could differ from reported values that are based on current conditions.

Effective October 1, 2020, the Foundation transferred nearly all investment assets into a newly formed limited partnership, PWF Fund LP, of which the Foundation is the sole limited partner and the Foundation's investment advisor is the general partner.

The following table sets forth a summary of the Foundation's redemption frequency, and redemption notice period for those assets whose fair value is estimated using the net asset value per share or its equivalent for which fair value is not readily determinable as of September 30, 2022 and 2021:

2022				
<u>Investment Type</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Notice Period (Days)</u>
Other investments:				
Private equity	\$ 11,099	\$ -	No immediate liquidity*	N/A
PWF Fund LP	<u>556,028,451</u>	<u>-</u>	No immediate liquidity**	N/A
	<u>\$ 556,039,550</u>	<u>\$ -</u>		
2021				
<u>Investment Type</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Notice Period (Days)</u>
Other investments:				
Private equity	\$ 48,546	\$ -	No immediate liquidity*	N/A
PWF Fund LP	<u>632,576,612</u>	<u>-</u>	No immediate liquidity**	N/A
	<u>\$ 632,625,158</u>	<u>\$ -</u>		

* The private equity investment shown above is subject to restrictions on withdrawal. It is a mature fund. The Foundation is unable to estimate when proceeds, if any, from liquidation of the private equity investment will be received.

** The Foundation has the right under the PWF Fund, LP, limited partnership agreement to request withdrawals from the fund upon 30 days' notice or such shorter notice period as permitted by the General Partner. The Foundation routinely withdraws cash as needed for its operations on notice of one week or less. The assets of PWF Fund, LP, are invested according to an Investment Policy Statement that specifies the policy asset allocation guidelines for the fund. The asset allocation guidelines are designed to cause PWF Fund, LP, to be invested in a diversified portfolio of assets with sufficient liquidity so that, at any time, 20% of the fund's total assets are liquid within one month, 35% of total assets are liquid within six months, and 45% of total assets are liquid within one year of notice to the fund. As illustrated in note 3, the fund regularly exceeds these requirements.

(Continued)

PUBLIC WELFARE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2022 and 2021

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of September 30:

	<u>2022</u>	<u>2021</u>
Building and building improvements	\$ 13,416,407	\$ 12,743,618
Land and land improvements	1,690,863	1,690,863
Artwork	10,109	-
Furniture, fixtures and equipment	798,310	1,431,566
	<u>15,915,689</u>	<u>15,866,047</u>
Less: accumulated depreciation and amortization	<u>(7,240,278)</u>	<u>(7,791,789)</u>
Total	<u>\$ 8,675,411</u>	<u>\$ 8,074,258</u>

Depreciation expense was \$406,236 and \$350,078 for the years ended September 30, 2022 and 2021, respectively. Amortization expense was \$39,284 and \$26,740 for the years ended September 30, 2022 and 2021, respectively.

NOTE 6 - FEDERAL EXCISE AND OTHER TAXES

In accordance with applicable provisions of the Code, the Foundation is subject to federal excise tax imposed on private foundations at 1.39% of its net investment income. The excise tax is imposed on net investment income, excluding unrealized gains, as defined under federal law. The Foundation is also subject to corporate income tax on its unrelated business income. The components of tax expense were as follows for the years ended September 30:

	<u>2022</u>	<u>2021</u>
Current tax expense	188,417	\$ 363,205
Deferred tax (benefit) expense	<u>\$ (1,843,655)</u>	<u>1,002,087</u>
Total provision for federal excise and other tax (benefits) expense	<u>\$ (1,655,238)</u>	<u>\$ 1,365,292</u>

Current taxes are related primarily to federal excise tax and unrelated business income generated as a result of the Foundation's investment income in various states. No provisional estimates for income taxes on the state level have been made as the amounts were deemed to be immaterial in 2022 and 2021.

(Continued)

PUBLIC WELFARE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2022 and 2021

NOTE 6 - FEDERAL EXCISE AND OTHER TAXES (Continued)

As of September 30, 2022 and 2021, the Foundation recorded a net deferred federal excise tax asset and liability, respectively, at a rate of 1.39%, of net unrealized investment, which is increased (offset) by a deferred federal tax (asset) liability at a rate of 21% of the Net Operating Loss (NOL) carryforward to each such year. The components of the deferred federal excise tax liability were as follows for the years ended September 30:

	<u>2022</u>	<u>2021</u>
Deferred federal excise tax liability	\$ -	\$ 1,374,241
Deferred federal tax asset	<u>(854,158)</u>	<u>(48,526)</u>
Deferred federal excise tax (asset) liability, net	<u>\$ (854,158)</u>	<u>\$ 1,325,715</u>

In addition, the Code requires private foundations to make certain minimum distributions. The Foundation has made the required minimum distributions as of September 30, 2022 and 2021.

At September 30, 2022, the Foundation had excess distributions that can be carried over to fiscal year 2023 of approximately \$2,580,000. These carryover distributions can be applied towards the fiscal year 2023 minimum distribution requirement.

Under FASB ASC 740-10, Accounting for Uncertainty in Income Taxes, an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more likely than not that the position will be sustained. The Foundation believes that it has appropriate support for the excise and unrelated business income tax positions taken and, as such, does not have any uncertain tax positions that result in a material impact on the Foundation's financial position or statements of activities.

The Foundation is still open to examination by U.S. tax authorities from fiscal year 2019 forward. The Foundation is also open to examination by state tax authorities for various tax years. For the years ended September 30, 2022 and 2021, no interest or penalties were recorded in the statements of activities that related to amended tax returns.

NOTE 7 - BONDS PAYABLE

On March 30, 2000, the Foundation issued \$11,000,000 in variable interest rate District of Columbia Revenue Series Revenue Bonds, maturing on March 1, 2025.

Effective November 1, 2010, the Foundation entered into a bond agreement with TD Bank to be the new bond holder of the District of Columbia Revenue Series 2000 Revenue Bonds. On July 12, 2011, the Foundation directed the Trustee, on behalf of the District of Columbia, to optionally redeem \$200,000 of the bonds, resulting in an outstanding obligation of \$10,800,000 as of September 30, 2019 to mature on October 31, 2035.

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PUBLIC WELFARE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2022 and 2021

NOTE 7 - BONDS PAYABLE (Continued)

On May 27, 2020, the Foundation issued new tax-exempt bonds to an affiliate of JPMorgan Chase in the principal amount of \$12,100,000. The new bonds bear a fixed rate of interest at 1.57% per annum and are due 10 years following their issuance. The proceeds of the new bonds were used to retire the outstanding \$10,800,000 of bonds held by TD Bank, to pay the costs of issuance of the new bonds, and to provide \$1,058,000 to be used for the cost of replacing windows at the Foundation's headquarters building.

The interest rate as of September 30, 2022 and 2021, was 1.57%. Bond interest expense included in other administrative expenses for the years ended September 30, 2022 and 2021 was \$189,925 and \$174,059, respectively. Payments of interest on the bond during each year totaled \$189,970, of which \$45 and \$15,911 as of September 30, 2022 and 2021, respectively, were capitalized to the cost of building improvements.

The agreements contain certain financial and nonfinancial covenants with which the Foundation complied in 2022 and 2021.

The financial statements reflect the liability for bonds payable as of September 30, offset by related debt issuance costs. Amortization of capitalized interest and refinancing costs of \$26,738, was recognized in 2022 and 2021.

Net bonds payable as of September 30:

	<u>2022</u>	<u>2021</u>
Bonds payable	\$ 12,100,000	\$ 12,100,000
Less: unamortized bond issuance costs	<u>(204,989)</u>	<u>(231,727)</u>
Net bonds payable	<u>\$ 11,895,011</u>	<u>\$ 11,868,273</u>

NOTE 8 - RETIREMENT PLANS

401(k) Plan

Included in salaries and fringe benefits are contributions to a qualified defined contribution 401(k) plan. The Foundation maintains this plan, established under Section 401(k) of the Code, for all of its employees. Upon the start of employment, employees may defer a portion of their salary up to the maximum amount allowable under section 415 of the Code. Employees become eligible for employer contributions upon the completion of one year of service, at which time the Foundation is required to contribute 12% of eligible employees' total compensation to the plan. During 2022 and 2021, the Foundation's contributions to the 401(k) plan and related expenses totaled \$152,845 and \$147,449, respectively. Participants are fully vested in all contributions.

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PUBLIC WELFARE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2022 and 2021

NOTE 8 - RETIREMENT PLANS (Continued)

457(b) Plan

The Foundation also maintains two separate defined contribution retirement plans under Section 457(b) of the Code (the 457(b) Plans) for certain eligible employees. Eligibility to participate in the 457(b) Plans is reviewed by an internal sub-committee that reports to the Finance Committee of the Board of Directors. The Plans are unfunded plans maintained primarily for the purpose of providing deferred compensation benefits for a select group of management employees. Under the 457(b) Plans, all employer contributions and any investment earnings are solely the property and rights of the Foundation and are subject to claims of the Foundation's general creditors until such amounts are paid or made available to the participant or beneficiary. Accordingly, participants' rights under these 457(b) Plans are equal to those of a general creditor of the Foundation until such amounts are paid or made available to the participant or beneficiary. As of September 30, 2022 and 2021, 457(b) Plan assets totaled \$120,041 and \$142,458, respectively, and were included in prepaid expenses, taxes and other assets with an equivalent offset in accrued expenses, taxes, and other liabilities in the accompanying statements of financial position.

Included in salaries and fringe benefits are contributions to the 457(b) Plan and related expenses of \$24,991 and \$14,943 for the years ended September 30, 2022 and 2021, respectively.

NOTE 9 - GRANTS

Grants consisted of the following as of September 30:

	<u>2022</u>	<u>2021</u>
Current year:		
Grants approved	\$ 20,513,900	\$ 20,754,000
Contributed rental space	<u>210,952</u>	<u>154,811</u>
	20,724,852	20,908,811
Prior years:		
Returned grants	<u>(76,000)</u>	<u>(81,472)</u>
Net grants	<u>\$ 20,648,852</u>	<u>\$ 20,827,339</u>

Grants payable were \$60,000 and \$1,230,000 at September 30, 2022 and 2021, respectively, that are payable within a year.

NOTE 10 - LEASING ARRANGEMENTS

The Foundation leases office space to the Washington Legal Clinic for the Homeless (WLCH), a non-profit corporation, pursuant to a lease agreement effective through September 30, 2023. The lease is renewable for additional consecutive one-year periods at WLCH's election. WLCH is required to pay the Foundation an annual Fixed Use Fee of One Dollar per year and has exercised its option to renew on a year-to-year basis.

The Foundation leases office space to IF (formerly Consumer Health Foundation), a non-profit corporation, pursuant to a lease agreement dated April 21, 2021. Unless terminated sooner, the lease terminates on July 31, 2024. The Foundation agreed that IF could occupy the space rent-free.

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PUBLIC WELFARE FOUNDATION, INC.
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NOTE 10 - LEASING ARRANGEMENTS (Continued)

The Foundation leases office space to DC Justice Lab (DCJL), a non-profit corporation, pursuant to a lease agreement effective January 18, 2022. Unless terminated sooner, the lease terminates on January 31, 2024. It may be extended by agreement of the Foundation and DCJL. The Foundation agreed that DCJL could occupy the space rent-free.

The Foundation leases office space to the National Reentry Network for Returning Citizens (NRN), a non-profit corporation, pursuant to a lease agreement effective January 18, 2022. Unless terminated sooner, the lease terminates on January 31, 2024. It may be extended by agreement of the Foundation and NRN. The Foundation agreed that NRN could occupy the space rent-free.

The Foundation leases office space to the Black Swan Academy (BSA), a non-profit corporation, pursuant to a lease agreement effective January 18, 2022. Unless terminated sooner, the lease terminates on January 31, 2024. It may be extended by agreement of the Foundation and BSA. The Foundation agreed that BSA could occupy the space rent-free.

The fair market value of the rental income and grant expense related to these agreements included in the statement of activities was as follows for the year ended September 30:

	<u>2022</u>	<u>2021</u>
WLCH	\$ 151,492	\$ 152,201
IF (Formerly CHF)	7,728	2,610
DCJL	15,516	-
NRN	19,649	-
BSA	<u>16,567</u>	<u>-</u>
Total	<u>\$ 210,952</u>	<u>\$ 154,811</u>