

**S.H. COWELL FOUNDATION**

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**FINANCIAL STATEMENTS**

December 31, 2023 and 2022



# S.H. COWELL FOUNDATION

## T A B L E O F C O N T E N T S

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	<b>Page(s)</b>
Independent Auditors' Report	1-2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7-17



## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
S.H. Cowell Foundation

### Opinion

We have audited the financial statements of S.H. Cowell Foundation, which comprise the statements of financial position as of December 31, 2023 and 2022, 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 S.H. Cowell Foundation as of December 31, 2023 and 2022 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 ("U.S. GAAP").

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("U.S. GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of S.H. Cowell Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP, 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 S.H. Cowell Foundation's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

### Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with U.S. 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 Directors of  
S.H. Cowell Foundation

In performing an audit in accordance with U.S. 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 S.H. Cowell 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 S.H. Cowell 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.

BPM LLP

San Francisco, California  
August 22, 2024

**S.H. COWELL FOUNDATION**  
**STATEMENTS OF FINANCIAL POSITION**  
As of December 31, 2023 and 2022

	2023	2022
<b>ASSETS</b>		
Cash	\$ 3,345,021	\$ 371,712
Net receivables from unsettled trades	1,601,112	1,572,876
Other assets	178,752	175,733
Investments	103,849,912	99,848,045
Program-related investments, net	1,272,219	1,272,219
Notes receivable, net	6,120,519	6,448,350
Operating lease right-of-use assets, net	1,826,215	2,038,325
Property and equipment, net	140,191	104,022
Total assets	\$ 118,333,941	\$ 111,831,282
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 204,559	\$ 186,828
Operating lease liability	1,892,848	2,083,924
Deferred excise tax liability	537,000	388,000
Total liabilities	2,634,407	2,658,752
Net assets without donor restrictions	115,699,534	109,172,530
Total liabilities and net assets	\$ 118,333,941	\$ 111,831,282

# S.H. COWELL FOUNDATION

## STATEMENTS OF ACTIVITIES

For the years ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Net investment income (loss):		
Realized investment gain	\$ 3,346,040	\$ 1,104,079
Unrealized investment gain (loss)	10,727,534	(19,548,401)
Dividends and interest, net	<u>587,114</u>	<u>591,289</u>
Net investment income (loss) before federal excise and income taxes	14,660,688	(17,853,033)
Federal excise and income tax (expense) benefit	<u>(184,567)</u>	<u>213,000</u>
Total investment income (loss)	<u>14,476,121</u>	<u>(17,640,033)</u>
Expenses:		
Grant programs	6,687,843	7,074,580
Management and general	<u>1,261,274</u>	<u>1,238,260</u>
Total expenses	<u>7,949,117</u>	<u>8,312,840</u>
Change in net assets	6,527,004	(25,952,873)
Net assets without donor restrictions:		
Beginning of year	<u>109,172,530</u>	<u>135,125,403</u>
End of year	<u>\$ 115,699,534</u>	<u>\$ 109,172,530</u>

# S.H. COWELL FOUNDATION

## STATEMENTS OF FUNCTIONAL EXPENSES

For the years ended December 31, 2023 and 2022

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	2023			2022		
	Grant Programs	Management and General	Total	Grant Programs	Management and General	Total
Grants	\$ 5,162,425	\$ -	\$ 5,162,425	\$ 5,692,071	\$ -	\$ 5,692,071
Personnel	1,018,951	915,071	1,934,022	977,677	865,090	1,842,767
Office expenses	339,272	71,125	410,397	159,288	54,526	213,814
Occupancy expenses	149,239	95,453	244,692	144,081	89,842	233,923
Professional fees	294	170,115	170,409	78,830	216,616	295,446
Depreciation and amortization	17,662	9,510	27,172	22,633	12,186	34,819
Total expenses	<u>\$ 6,687,843</u>	<u>\$ 1,261,274</u>	<u>\$ 7,949,117</u>	<u>\$ 7,074,580</u>	<u>\$ 1,238,260</u>	<u>\$ 8,312,840</u>

# S.H. COWELL FOUNDATION

## STATEMENTS OF CASH FLOWS

For the years ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Change in net assets without donor restrictions	\$ 6,527,004	\$ (25,952,873)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	27,172	34,819
Amortization of operating right-of-use asset	212,110	209,153
Net realized gain on investments	(3,346,040)	(1,104,079)
Net unrealized (gain) loss on investments	(10,727,534)	19,548,401
Deferred federal excise tax	149,000	(272,000)
Changes in operating assets and liabilities:		
Program-related investments, net	-	(14,833)
Other assets	(3,019)	(84,454)
Notes receivable, net	327,831	978,107
Accounts payable and accrued expenses	17,731	(20,077)
Operating lease liability	(191,076)	(163,554)
Net cash used in operating activities	<u>(7,006,821)</u>	<u>(6,841,390)</u>
Cash flows from investing activities:		
Proceeds from sale of investments	16,733,258	7,839,910
Net receivables from unsettled trades	(28,236)	(1,572,876)
Purchase of investments	(6,661,551)	(944,776)
Purchase of property and equipment	(63,341)	(90,500)
Net cash provided by investing activities	<u>9,980,130</u>	<u>5,231,758</u>
Increase (decrease) in cash	2,973,309	(1,609,632)
Cash, beginning of year	<u>371,712</u>	<u>1,981,344</u>
Cash, end of year	<u>\$ 3,345,021</u>	<u>\$ 371,712</u>
Supplemental disclosure of cash flow information:		
Excise taxes paid	<u>\$ 48,000</u>	<u>\$ 119,000</u>
Non-cash investing and financing activities:		
Operating lease right-of-use asset obtained in exchange for operating lease liability	<u>\$ -</u>	<u>\$ 2,247,478</u>



**S.H. COWELL FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2023 and 2022

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**1. Organization**

The S.H. Cowell Foundation (“the Foundation” or “Cowell”) is a nonprofit public benefit corporation established in 1956 through a bequest by Samuel H. Cowell. The mission of the Foundation is to invest in communities committed to achieving lasting positive change for children and families living in poverty. Recognizing that economic inequality intersects with racial injustice, Cowell promotes antiracist practices and equitable outcomes for people and communities of color. The Foundation’s grantmaking focuses on place-based complementary grants in these program areas: families, education, youth, leadership and organizational health, and community resources.

**2. Summary of Significant Accounting Policies**

***Basis of Presentation and Description of Net Assets***

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

Net assets are classified based on the existence or absence of donor-imposed restrictions. Net assets without donor restrictions represent resources that are not subject to donor-imposed restrictions and are available to support all activities of the Foundation. All net assets of the Foundation are without donor restrictions.

***Use of Estimates***

The preparation of financial statements in conformity with 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 income and expenses during the reporting period. Actual results may differ from those estimates.

***Cash and Cash Equivalents***

The Foundation places its cash and cash equivalents with institutions that the Foundation considers to be of high credit quality. Periodically, such investments may be in excess of federally insured limits. The Foundation believes that it mitigates this risk by maintaining deposits with major financial institutions. There were no cash equivalents as of December 31, 2023 and 2022.

***Other Assets***

Other assets include prepaid expenses and interest receivable.

***Investments***

Purchased investments are initially stated at cost. Investments received by gift are recorded at market value at the date of contribution. Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value with gains and losses included on the statements of activities. The fair value of alternative investments is further described under the fair value measurement policy below.

**S.H. COWELL FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2023 and 2022

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**2. Summary of Significant Accounting Policies**, continued

***Investments***, continued

Investment transactions are recorded on a trade-date basis. Realized gains are recognized using the first-in, first-out method. Receivables or payables from unsettled investment transactions represents cash received subsequent to year-end for sales or purchases of investments consummated prior to year-end. Investment management and advisory fees are recorded with dividends, interest, and other income on the statements of activities and changes in net assets and include direct fees paid to investment advisors, managers, and custodians.

Investments, in general, are exposed to various risks, such as interest rate risk, credit risk, and overall market volatility. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

***Fair Value Measurements***

The Foundation carries certain assets and liabilities at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer liability in an orderly transaction between market participants at the measurement date. In addition, the Foundation reports certain investments using the Net Asset Value (“NAV”) per share as determined by investment managers under the so-called “practical expedient.” The practical expedient allows net asset value per share to represent fair value for reporting purposes when the criteria for using this method are met.

Fair value measurement standards also require the Foundation to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique. The Foundation classifies its financial assets and liabilities according to three levels and maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value.

*Level 1* – Quoted prices are available in active markets for identical investments as of the reporting date, without adjustment. This category includes active exchange traded money market funds, actively managed fixed income, and equity securities whose values are based on quoted market prices.

*Level 2* – Pricing inputs, including broker quotes, are generally those other than exchange quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

*Level 3* – Pricing inputs are unobservable and include situations where there is little, if any, market activity for the investment.

***Program-Related Investments***

Program-Related Investments (“PRIs”) is funding which specifically furthers the Foundation’s charitable purpose. The Foundation recognizes an allowance for credit losses for PRIs to present the net amount expected to be collected as of the date of the statements of financial position. Such allowance is based on the credit loss expected to arise over the life of the PRIs. The Foundation estimates an allowance for credit losses for each investment that reflects management’s judgment at the time the investment is made. The Foundation reviews its allowance for credit losses on a regular basis for adequacy based on risk assessments and considering economic conditions and trends and credit quality indicators, including past write-off experience and payment history. Management does not believe that an allowance for credit losses was needed as of December 31, 2023 and 2022.

**S.H. COWELL FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2023 and 2022

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**2. Summary of Significant Accounting Policies**, continued

***Program-Related Investments***, continued

The program-related loan is summarized in the table below as of and for the years ended December 31:

	2023		2022	
	# of PRIs	Amount	# of PRIs	Amount
Program-related loan:				
Principal	1	\$ 1,000,000	1	\$ 1,000,000
Interest receivable		272,219		272,219
Total program-related loan		<u>\$ 1,272,219</u>		<u>\$ 1,272,219</u>

The Foundation's PRI loan has an interest rate of 2.5% with repayment of principal and accrued interest due on October 31, 2024.

***Notes Receivable***

Notes receivable are stated at the principal amount or net present value if due beyond one accounting cycle. Interest on notes receivable is recognized over the term of the note and is calculated using the simple interest method on principal amounts outstanding. The Foundation reviews its allowance for credit losses on a regular basis for adequacy based on risk assessments and considering economic conditions and trends and credit quality indicators, including past write-off experience and payment history. Management does not believe that an allowance for credit losses was needed as of December 31, 2023 and 2022.

***Leases – Right-of-Use Assets***

The Foundation recognizes Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2016-02 (Topic 842) and treats all operating leases as right-of-use ("ROU") assets and lease liabilities, in the statements of financial position. The Foundation determines if an arrangement is a lease at inception. Operating leases are included in operating lease ROU assets and operating lease liabilities in the statements of financial position. ROU assets represent the Foundation's right to use an underlying asset for the lease term and lease liabilities represent the Foundation's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As the Foundation's leases do not provide an implicit rate, the Foundation generally use the risk-free rate at commencement date. The operating lease ROU asset also includes any lease payments made and excluded lease incentives. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

**S.H. COWELL FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2023 and 2022

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**2. Summary of Significant Accounting Policies**, continued

***Property and Equipment***

The Foundation capitalizes acquisitions of property and equipment with a cost or value in excess of \$2,500 and with an estimated useful life beyond one year. Purchased assets are recorded at cost. Depreciation is calculated using the straight-line method based upon estimated useful lives ranging from 3 to 5 years. Leasehold improvements are amortized over the shorter of the asset's useful life or the lease term. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. The cost and accumulated depreciation of assets sold or retired are removed from the respective accounts and any gain or loss is reflected in the statements of activities and changes in net assets.

***Revenue Recognition***

Contributions received are recorded as increases in net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions.

All donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported on the statements of activities and changes in net assets as net assets released from restrictions. There were no contributions received for 2023 and 2022.

***Grants***

Grant awards of \$100,000 or more are expensed when the unconditional promise to give is approved by the Board of Directors (the "Board"). Grant awards of less than \$100,000 can be approved by the President of the Foundation.

Conditional grants are recognized as grant expense in the period in which the recipient meets certain criteria or barriers. As of December 31, 2023 and 2022, the Foundation's Board has agreed to commit the organization to future conditional grant allocations totaling \$935,000 and \$1,570,000, respectively.

***Excise and Income Taxes***

The Foundation is a private foundation and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC") and from California franchise and/or income taxes under Section 23701(d) of the Revenue and Taxation Code. In addition, the Foundation may be subject to tax on unrelated business income, if any, generated by its investments.

The Foundation is subject to federal excise tax on its investment income. A provision for federal excise tax is accrued. Deferred taxes are recorded on the unrealized gain on investments (see Note 6).

***Functional Expense Allocation***

The indirect costs associated with grant program and management and general activities have been allocated on a functional basis in the statements of activities. Certain expenses are not directly identifiable with one specific function. Therefore, these other expenses require the application of a different allocation methodology that is reasonable and consistently applied. These other expenses that are allocated include personnel costs, professional services, depreciation and office expenses, which are allocated on the basis of estimated time and effort. Occupancy expenses are allocated based on square footage.

**S.H. COWELL FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2023 and 2022

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**2. Summary of Significant Accounting Policies**, continued

***Recently Adopted Accounting Standards***

FASB ASU No. 2016-13, *Financial Instruments—Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"), and related amendments, replaces the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The new Current Expected Credit Losses ("CECL") model applies to financial assets at amortized cost, including trade receivables, contract assets and certain off-balance sheet credit exposures, such as loan commitments. ASU 2016-13 is effective for fiscal years beginning after December 31, 2022. The Foundation adopted ASU 2016-13 using the modified retrospective method for program-related investments (loans) and note receivables. The adoption did not have a material effect on report assets, liabilities or net assets.

**3. Liquidity**

The Foundation regularly monitors liquidity to meet its annual operating needs and other contractual commitments, while also striving to preserve the principal and return on investment of its funds. The Foundation's financial assets available within one year of the statements of financial position date for general expenditures were as follows:

	2023	2022
Financial assets, at year-end:		
Cash	\$ 3,345,021	\$ 371,712
Net receivables from unsettled trades	1,601,112	1,572,876
Investments, at fair value	103,849,912	99,848,045
Program-related investments, net	1,272,219	1,272,219
Notes receivable, net	6,120,519	6,448,350
	116,188,783	109,513,202
Less: Financial assets unavailable for general expenditures within one year, due to:		
Investments with liquidity restrictions	(8,335,713)	(16,034,919)
Program-related loans due more than one year	(1,272,219)	(1,272,219)
Notes receivable due more than one year	(6,120,519)	(6,448,350)
Financial assets available to meet cash needs for general expenditures within one year	\$ 100,460,332	\$ 85,757,714

Management is focused on sustaining the financial liquidity of the Foundation throughout the year. This is done through monitoring and reviewing the Foundation's cash flow needs on a weekly basis. As part of its liquidity plan, the Foundation maintains enough cash and liquid investments in mutual funds to cover annual grants and operating costs.

**S.H. COWELL FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2023 and 2022

**4. Investments and Fair Value Measurements**

The table below presents the balances of assets measured at fair value on a recurring basis as of December 31, 2023:

	Level 1	Level 2	Level 3	NAV	Total
Mutual funds:					
Fixed income	\$ 15,286,014	\$ -	\$ -	\$ -	\$ 15,286,014
Global equity	8,103,248	-	-	-	8,103,248
Equity funds:					
Domestic and global equity	-	-	-	52,497,218	52,497,218
Emerging markets	-	-	-	4,747,597	4,747,597
Alternative equity funds:					
Private equity/venture capital	-	-	-	5,620,803	5,620,803
Distressed debt	-	-	-	232,891	232,891
Multi-strategy hedge	-	-	-	13,195,274	13,195,274
Mineral rights	-	-	165,000	-	165,000
Total	<u>\$ 23,389,262</u>	<u>\$ -</u>	<u>\$ 165,000</u>	<u>\$ 76,293,783</u>	<u>\$ 99,848,045</u>

The table below presents the balances of assets measured at fair value on a recurring basis as of December 31, 2022:

	Level 1	Level 2	Level 3	NAV	Total
Mutual funds:					
Fixed income	\$ 15,969,323	\$ -	\$ -	\$ -	\$ 15,969,323
Global equity	9,744,761	-	-	-	9,744,761
Equity funds:					
Domestic and global equity	-	-	-	53,829,021	53,829,021
Emerging markets	-	-	-	5,763,112	5,763,112
Alternative equity funds:					
Private equity/venture capital	-	-	-	4,937,663	4,937,663
Distressed debt	-	-	-	180,285	180,285
Multi-strategy hedge	-	-	-	13,260,747	13,260,747
Mineral rights	-	-	165,000	-	165,000
Total	<u>\$ 25,714,084</u>	<u>\$ -</u>	<u>\$ 165,000</u>	<u>\$ 77,970,828</u>	<u>\$ 103,849,912</u>

**Level 3 Assets**

The fair value of mineral rights is based on inputs that are not observable in the market; thus, the Foundation has categorized these investments as Level 3 in the fair value hierarchy. The otherwise required disclosures are not included due to the immateriality of mineral rights.

**Net Asset Value Disclosure**

The Foundation uses the NAV as a practical expedient to determine the fair value of all the underlying investments which do not have readily determinable fair value and prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company.

**S.H. COWELL FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2023 and 2022

**4. Investments and Fair Value Measurements**, continued

**Net Asset Value Disclosure**, continued

The following table lists investments by major category as of December 31:

Strategies	Number of Funds	2023	Number of Funds	2022	2023	Redemption Frequency	Notice Period	Lock-ups, Gates and Holdbacks
		Valuation		Valuation	Unfunded Commitments			
Equity funds:								
Domestic and global equity (a)	10	\$ 53,829,021	9	\$ 52,497,218	\$ -	Monthly/Quarterly/ Semi-annually	4 days to 6 months	(a)
Emerging markets (b)	1	5,763,112	1	4,747,597	-	Monthly	30 days	Not Applicable
Alternative equity funds:								
Private equity/venture capital (c)	5	4,937,663	5	5,620,803	1,057,761	Not Permitted	Not Permitted	Not Applicable
Distressed debt (d)	1	180,285	1	232,891	418,546	Not Permitted	Not Permitted	Not Applicable
Multi-strategy hedge (e)	3	13,260,747	3	13,195,274	-	Quarterly	60 days	(e)
Total	20	\$ 77,970,828	19	\$ 76,293,783	\$ 1,476,307			

(a) This strategy seeks to obtain long-term returns through pooled funds invested in domestic, international, and global equities. One fund has a redemption within the commitment period of three-years rolling. One fund has quarterly redemption at 25% per quarter. One fund has quarterly redemption frequency with three-year rolling restrictions. Investments have four liquidity dates based on initial purchase dates, December 31, 2021 and 2022, and June 30, 2022 and 2023. One fund has a quarterly redemption frequency with a 33%, three-year investor level gate. One fund has a three-year lock-up until October 2026 with quarterly redemption at 25% per quarter.

(b) This strategy seeks to obtain long-term returns through investments in emerging markets.

(c) Private equity and venture capital funds invest in various companies, both domestic and international. These funds are private partnerships or fund of funds which typically have a legal life span of 8-10 years with very limited redemption rights for the Limited Partners. Liquidity is expected in the form of distributions from the funds when the underlying assets are sold.

(d) This fund seeks to generate current income and long-term capital appreciation through investments in a range of distressed and undervalued credit investments primarily in North America and Western Europe.

(e) Redeemable multi-strategy hedge funds include fund of funds that seeks to achieve absolute returns over the longer term, primarily through investing and taking positions in a range of equities and equity related instruments of companies without geographic or sector restrictions. One fund has quarterly redemption with a 25% investor gate. Full redemption will take four quarters maximum withdrawal requests. One fund has quarterly redemption with a 16.7% investor gate. Full redemption will take six quarters of maximum withdrawal requests.

**S.H. COWELL FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2023 and 2022

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**5. Notes Receivable**

A \$5,500,000 note secured by a first deed of trust relating to the sale of real property with a variable interest rate of the five year United States Treasury Rate, as reported by the Department of Labor, plus 2.70%. The effective rate will be adjusted annually on March 1st, with a minimum interest rate of 3.50% and maximum of 5.50%. A \$1,000,000 repayment of principal was made in 2022. Interest payments are due quarterly and the remaining principal of \$4,500,000 is due by June 23, 2025.

A \$1,000,000 unsecured recoverable grant (a note receivable) issued in December 2006. The note receivable was renewed in December 2023, and calls for repayment of principal due December 31, 2030, with interest payable annually at 2.50% per annum. As of December 31, 2023 and 2022, the principal amount outstanding, net of unamortized discount of \$334,943 and nil, respectively, was \$665,067 and \$1,000,000, respectively.

A \$1,000,000 unsecured recoverable grant (a note receivable) issued in December 2014 was renewed in September 2021 with interest payable annually at 2.50% per annum. The principal repayments commence in the seventh year, as follows: \$300,000 by December 23, 2028; \$300,000 by December 23, 2029; and \$400,000 by December 23, 2030. As of December 31, 2023, the principal amount outstanding, net of unamortized discount of \$44,538 was \$955,462. As of December 31, 2022, the principal amount outstanding, net of unamortized discount of \$51,650 was \$948,350.

As of December 31, 2023, payments on notes receivable are due as follows:

Year ending December 31:		
2024	\$	-
2025		4,500,000
2026		-
2027		-
2028		300,000
Thereafter		<u>1,700,000</u>
		6,500,000
Less: discount		<u>(379,481)</u>
Total notes receivable, net	\$	<u><u>6,120,519</u></u>

**6. Excise and Income Taxes**

In accordance with the applicable provisions of the IRC, the Foundation is a private foundation and qualifies as a tax-exempt organization.

The Foundation's estimated tax provisions, both current and deferred, were recorded at the 1.39% rate. Adjustments between estimated and actual tax expense are made to deferred taxes in subsequent year in which the tax return is filed.



**S.H. COWELL FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2023 and 2022

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**6. Excise and Income Taxes**, continued

The provision for current and deferred excise taxes is as follows for the years ended December 31:

	2023	2022
Current:		
Excise	\$ (35,567)	\$ (59,000)
Total	(35,567)	(59,000)
Deferred:		
Excise (expense) benefit	(149,000)	272,000
Total excise tax (expense) benefit	\$ (184,567)	\$ 213,000

The Foundation is subject to distribution requirements of the IRC. Accordingly, it must distribute within one year after the end of each fiscal year, 5% of the fair value of its investment assets, as defined. The investments includable for the 5% distribution requirement are based on average monthly balances and are exclusive of those assets deemed to be held for charitable activities or other program-related investments. In determining qualifying distributions, grant payments are considered on a cash basis and certain expenses are considered as qualifying distributions. The Foundation complied with the distribution requirements for 2023 and 2022.

**7. Commitments and Contingencies**

***Operating Lease***

In September 2021, the Foundation entered into a lease agreement for office space under an operating lease from January 2022 through December 2031.

Total ROU assets, net of accumulated amortization, was \$1,826,215 and \$2,038,325 as of December 31, 2023 and 2022, respectively.

Operating lease expense was \$244,656 for the years ended December 31, 2023 and 2022. The remaining lease term is 8 years, and the discount rate is 1.63%, as of December 31, 2023.

**S.H. COWELL FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2023 and 2022

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**7. Commitments and Contingencies**, continued

**Operating Lease**, continued

As of December 31, 2023, the aggregate future minimum lease payments under the operating lease are as follows:

Year ending December 31:		
2024	\$	229,752
2025		236,652
2026		243,744
2027		251,064
2028		258,588
Thereafter		823,248
Total lease payments		2,043,048
Less: present value discount		(150,200)
Total operating lease liability, net		1,892,848
Less: current portion		215,298
Operating lease liability, net of current portion	\$	1,677,550

**Investments**

The Foundation had capital commitments for investments totaling approximately \$1,476,307 as of December 31, 2023 and 2022.

**8. Concentration of Risk**

**Cash**

The Foundation maintains its cash in various bank deposit accounts which, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts. The Foundation is exposed to credit risk in the event of default by its primary banking institution to the extent amounts exceed FDIC insured amounts.

**Investments**

The Foundation invests in various investments that are not covered by federal insurance. These investments 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 Foundation's balances and the amounts reported in the statements of financial position. The Foundation's Investment Committee attempts to minimize its exposure to these risks.

**Program-Related Investments**

For the years ended December 31, 2023 and 2022, one PRI represented 100% of total PRI.

**S.H. COWELL FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2023 and 2022

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**8. Concentration of Risk**, continued

***Notes Receivable***

For the years ended December 31, 2023 and 2022, one note receivable represented 75% of total notes receivable.

**9. Related Party Transactions**

Various members of the Board and employees of the Foundation are also Board members or officers of organizations that have been awarded grants from the Foundation. For the years ended December 31, 2023 and 2022, the Foundation paid \$0 and \$55,000, respectively, to an organization, of which a Foundation board member or employee was also a board member or officer of the grantee. The Foundation's Board members and employees do not receive any compensation from grantees when serving as a board member or officer of the grantee. The Foundation's Board members also recuse themselves from decisions to award grants to organizations on whose boards they serve. The Foundation's Board members are not compensated for their services.

The Foundation has a Conflict-of-Interest Policy, whereby directors and employees are expected to make full disclosure whenever a prospective grantee is one with which they have a close professional or family relationship, and they are expected to abstain from making decisions relating to that grantee. All members of the Board are prohibited from benefiting from any grants awarded by the Foundation.

For the years ended December 31, 2023 and 2022, the Foundation also has a matching grant policy that will match up to \$3 for every \$1 donated by directors or employees, up to a maximum of \$20,000, for each individual and a maximum of \$30,000 in matching grants for the president. For the years ended December 31, 2023 and 2022, the Foundation made matching grants of \$162,425 and \$177,071, respectively.

**10. Retirement Plans**

The Foundation has a defined contribution retirement plan (the "Plan") established under IRC §403(b). All employees are eligible to participate in the Plan and make voluntary contributions by salary reductions to the Plan up to the limit allowed by the IRC.

The Foundation also has a money purchase pension plan and contributes up to 15% of each eligible employee's annual compensation following three months of service. For the years ended December 31, 2023 and 2022, the Foundation contributed \$190,596 and \$184,147, respectively, to the money purchase pension plan.

**11. Subsequent Events**

The Foundation evaluated subsequent events for recognition and disclosure through August 22, 2024, the date which these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since December 31, 2023 that required recognition or disclosure in such financial statements.