The William and Flora Hewlett Foundation

Financial Statements as of and for the Years Ended December 31, 2022 and 2021

Report of Independent Auditors

To the Board of Directors of The William and Flora Hewlett Foundation

Opinion

We have audited the accompanying financial statements of The William and Flora Hewlett Foundation (the "Foundation"), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities and changes in net assets and of cash flows for the years then ended, including the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of December 31, 2022 and 2021, and the results of its operations 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 audit in accordance with auditing standards generally accepted in the United States of America (US 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 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for one year after the date 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 US 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

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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 US 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 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.

PricewaterhouseCoopers LLP

May 25, 2023

The William and Flora Hewlett Foundation
Statements of Financial Position
December 31, 2022 and 2021
(dollars in thousands)

		2022		2021
Assets				
Cash	$	84,295	$	6,787
Investments, at fair value (Notes 3 and 4)		12,625,467		14,778,438
Unrelated business income ("UBI") tax refund due		9,280		12,258
Prepaid expenses and other assets		33,614		34,272
Property and equipment, net (Note 5)		26,453		29,294
Total assets	$	12,779,109	$	14,861,049
Liabilities and Net Assets				
Accounts payable and accrued liabilities	$	17,879	$	17,408
Accrued postretirement health care benefit (Note 6)		4,835		6,724
Deferred federal excise tax liability		56,496		86,045
Grants payable (Note 7)		244,111		244,548
Total liabilities		323,321		354,725
Net assets, unrestricted		12,455,788		14,506,324
Total liabilities and net assets	$	12,779,109	$	14,861,049

See accompanying notes to the financial statements.

The William and Flora Hewlett Foundation
Statements of Activities and Changes in Net Assets
Years Ended December 31, 2022 and 2021
(dollars in thousands)

	2022	2021
Revenue		
Interest, dividends and other income	$ 117,531	$ 62,495
(Loss) gain on investment portfolio (Note 3)	(1,543,402)	2,364,172
Investment management expense	(22,475)	(20,643)
Net investment (loss) income	(1,448,346)	2,406,024
Tax benefit (expense) on net investment income (Note 9)	13,609	(28,829)
Net investment (loss) revenue	(1,434,737)	2,377,195
Expense		
Grants awarded, net of cancellations	(557,601)	(516,671)
Direct and other charitable activities	(7,502)	(5,597)
Program expenses (Note 10)	(34,678)	(29,357)
Supporting expenses (Note 10)	(16,406)	(15,199)
Other tax expense	(1,787)	(1,736)
Post-retirement plan - actuarial gain	2,175	376
Total expense	(615,799)	(568,184)
Change in net assets, unrestricted	(2,050,536)	1,809,011
Net assets, unrestricted		
Beginning of year	14,506,324	12,697,313
End of year	$ 12,455,788	$ 14,506,324

See accompanying notes to the financial statements.

The William and Flora Hewlett Foundation
Statements of Cash Flows
Years Ended December 31, 2022 and 2021
(dollars in thousands)

	2022	2021
Cash flows used in operating activities:		
Interest and dividends received	$ 121,346	$ 62,512
Cash paid for taxes	(12,702)	(16,361)
Cash paid to suppliers and employees	(82,586)	(68,485)
Grants paid	(558,038)	(526,053)
Net cash used in operating activities	(531,980)	(548,387)
Cash flows from investing activities:		
Purchases of property and equipment	(81)	(3,851)
Proceeds from sale of investments	20,545,152	14,628,006
Purchases of investments	(19,935,583)	(13,873,532)
Net cash from investing activities	609,488	750,623
Cash flows used in financing activities:		
Cash paid on lines of credit	-	(250,000)
Net cash used in financing activities	-	(250,000)
Net change in cash	77,508	(47,764)
Cash, beginning of year	6,787	54,551
Cash, end of year	$ 84,295	$ 6,787

See accompanying notes to the financial statements.

The William and Flora Hewlett Foundation
Statements of Cash Flows
Years Ended December 31, 2022 and 2021
(dollars in thousands)

	2022	2021
Reconciliation of change in net unrestricted assets to net cash used in operating activities:		
Change in net assets, unrestricted	$ (2,050,536)	$ 1,809,011
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	2,922	1,741
Net unrealized and realized loss (gain) on investments	1,543,402	(2,364,172)
Changes in operating assets and liabilities:		
Decrease (Increase) in prepaid expenses and other assets	658	(5,197)
Decrease in UBI tax refund due	2,978	1,521
Increase in accounts payable and accrued liabilities	471	3,443
(Decrease) in grants payable	(437)	(9,382)
(Decrease) Increase in deferred federal excise tax liability	(29,549)	14,717
(Decrease) in accrued postretirement health care benefit	(1,889)	(69)
Net cash used in operating activities	$ (531,980)	$ (548,387)

See accompanying notes to the financial statements.

1. The Organization

The William and Flora Hewlett Foundation (the "Foundation") is a private foundation incorporated in 1966 as a non-profit 501(c)(3) charitable organization. The Foundation's grantmaking activities are concentrated in the program areas of education, environment, performing arts, gender equity and governance, U.S. democracy, and advancing the field of philanthropy. More detailed information regarding the Foundation's charitable activities can be obtained from the Foundation's website at www.hewlett.org.

2. Significant Accounting Policies

Basis of Presentation

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

Investments

To the extent available, the Foundation's investments are recorded at fair value based on quoted prices in active markets. The Foundation's investments that are listed on any U.S. or non-U.S. recognized exchanges are valued based on readily available market quotations. When such inputs do not exist, fair value measurements are based on the best available information and usually require a degree of judgment. Futures, forwards, swaps and options that are traded on exchanges are valued at the last reported sale price or, if they are traded over-the-counter, at the most recent bid price. For alternative investments, which are principally limited partnership investments in private equity, real assets, low and intermediate risk assets ("LIRA") funds, the value is primarily based on the net asset value ("NAV") of the underlying investments. The NAV is reported by external investment managers, including general partners, in accordance with their policies as described in their respective financial statements and offering memoranda. These investments are generally less liquid than other investments. For these, the value reported may differ from the values that would have been reported had a ready market for these investments existed, and the difference could be material to the change in net assets of the Foundation.

Investment transactions are recorded on a trade-date basis. Realized gains and losses on sales of investments are determined on the specific identification basis. Foreign currency amounts are translated into U.S. dollars based upon exchange rates as of December 31. Transactions in foreign currencies are translated into U.S. dollars at the exchange rate prevailing on the transaction date. Cash equivalents categorized as investments include money market mutual funds, foreign currency held for investment purposes, and fixed income securities with an original maturity of three months or less.

Cash

Cash consists of funds held in commercial interest-bearing accounts for operating expenses.

Property and Equipment

Property and equipment are recorded at cost and depreciated using the straight-line basis over their estimated useful lives. The headquarters building and associated fixtures are depreciated over ten to fifty years. Furniture, computers and office equipment are depreciated over estimated useful lives of three to ten years. Internally developed software is depreciated over an estimated useful life of 5 years.

Net Asset Classification

The Foundation's net assets are all classified as net assets without donor restrictions. The Foundation has no assets with board restrictions.

Grant Expense

Grant expense is recognized in the period when the grant award is approved by the Foundation.

Taxes

The Foundation is exempt from federal income taxes under Section 501(c)(3) and is classified as a private foundation under Section 509(a) of the Internal Revenue Code. The Foundation is subject to federal excise taxes and taxes on unrelated business income.

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 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. Actual results could differ from those estimates.

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases*, amending the ASC 842. This update requires lessees to recognize operating and financing lease liabilities and corresponding right-of use assets on the statement of financial position. In June 2020, the FASB issued ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842)*, which stated that the new guidance is effective for the Foundation beginning January 1, 2022. The Foundation adopted this guidance effective January 1, 2022.

(dollars in thousands)

3. Investments

The investment goal of the Foundation is to maintain or grow its asset size and spending power in real (inflation adjusted) terms with risk at a level appropriate to the Foundation's program objectives. The Foundation diversifies its investments among various financial instruments and asset categories and uses multiple investment strategies. As a general practice, all financial assets of the Foundation are managed by external investment management firms selected by the Foundation. All financial assets of the Foundation are held in custody by a major commercial bank, except for assets invested with partnerships and commingled funds. These financial assets have separate arrangements related to their legal structure.

The Foundation's investment portfolio at December 31 consists of the following:

	2022	2021
Investments, at fair value		
Public equities	$ 3,090,514	$ 3,927,095
Alternative assets	8,971,291	9,879,651
Fixed income	388,074	704,724
Net payable on forward fixed income transactions	(236,103)	(78,073)
Cash equivalents	422,057	358,991
Net payable to investments	(12,978)	(11,574)
Derivatives	2,612	(2,376)
Total	$ 12,625,467	$ 14,778,438

Approximately 29% and 33% of the Foundation's assets at December 31, 2022 and 2021, respectively, were invested (directly or indirectly) in publicly traded equities, which are listed on national exchanges, quoted on NASDAQ, or in the over-the-counter market; treasury and agency bonds of the U.S. government; and investment grade corporate bonds for which active trading markets exist.

Alternative assets consist of private equity, real assets, and low and intermediate risk assets ("LIRA") held in partnership or trust format. Approximately 71% and 67% of the Foundation's investments at December 31, 2022 and 2021, respectively, were invested with various limited partnerships and managers that invest in the securities of companies that are not immediately liquid, such as venture capital and buyout firms, and real estate limited partnerships that have investments in various types of properties. At December 31, 2022 and 2021, the Foundation's commitment to contribute additional capital in future years to various partnerships was approximately $2,960,029 and $2,217,337, respectively.

(dollars in thousands)

Net realized and unrealized gains (losses) on investments are reflected in the statements of activities and changes in net assets. The net gain (loss) on the Foundation's investment portfolio for the years ended December 31, 2022 and 2021 consists of the following:

	2022	2021
Net realized gain	$ 504,220	$ 1,053,386
Net unrealized (loss) gain	(2,047,622)	1,310,786
	$ (1,543,402)	$ 2,364,172

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 and the level of uncertainty related to changes in the value of investment securities, it is possible that the value of the Foundation's investments and total net assets balance could fluctuate materially. The Foundation's holdings in limited partnerships entail liquidity risk. The underlying investments held within these partnerships are generally in privately held companies. There is no readily available market for such privately held companies, and investments in those may be subject to legal restrictions on transfer. As a result, there is no assurance that the Foundation will be able to realize liquidity for such investments in a specified time frame.

The Foundation maintains a custody account with a major custodian bank. Although the Foundation monitors and believes that it is an appropriate custodian, there is no guarantee that the custodian, or any other custodian that the Foundation may use from time to time, will not become insolvent.

The Foundation holds repurchase agreement and reverse repurchase agreement securities in its investment portfolio. The Foundation held reverse repurchase agreements in 2022 and 2021. These securities are held in a separately managed account, and the majority of these securities are in the LIRA portion of the portfolio. In a repurchase agreement, the Foundation buys a security from another party (usually a financial institution) with the agreement that it be sold back in the future at an agreed upon price. In a reverse repurchase agreement, the Foundation sells a security to another party (usually a financial institution) with the agreement that it be bought back in the future at an agreed upon price. Repurchase and reverse repurchase agreements subject the Foundation to counterparty risk, meaning that the Foundation could lose money if the other party fails to perform under the terms of the agreement. For repurchase agreements, the Foundation attempts to mitigate this risk by ensuring that its repurchase agreements are collateralized by U.S. government agency securities and treasury securities. For reverse repurchase agreements, the Foundation attempts to mitigate this risk by ensuring that it receives cash in exchange for the security. All collateral is held by the custodian and is monitored daily to ensure that it continues to meet the terms of the repurchase agreements. Investments in repurchase and reverse repurchase agreements are also based on a review of the credit quality of the counterparty.

For the years ended December 31, 2022 and 2021, purchases and sales of securities included "in-kind" distributions from underlying private equity funds totaling $291,877 and $514,786, respectively.

At December 31, 2022, the Foundation's net payable to investments included a receivable from brokers of $36,993 and a payable to brokers of $49,971. At December 31, 2021, the net payable to investments included a receivable from brokers of $15,307 and a payable to brokers of $26,881.

Derivative Instruments

The Foundation transacts in a variety of derivative instruments, including futures, forwards, swaps and options primarily for trading purposes with each instrument's primary risk exposure being interest rate, credit, foreign exchange or equity risk. The fair value of these derivative instruments, held in the Foundation's separately managed accounts, is included in the investments line item in the statements of financial position with changes in fair value reflected as realized gains (losses) or unrealized gains (losses) on investment portfolio in the statements of activities and changes in net assets.

The Foundation does not designate any derivative instruments as hedging instruments under U.S. GAAP.

For certain derivatives, the Foundation has a master netting arrangement which allows the counterparty to the transactions to net applicable collateral held on behalf of the Foundation against applicable liabilities of the Foundation to the counterparty.

Some investment managers retained by the Foundation have been authorized to use certain financial derivative instruments in a manner set forth by the Foundation's written investment policy, specific manager guidelines or partnership/fund agreement documents. Specifically, financial derivative instruments may be used for the following purposes: (1) currency forward contracts and options are used to hedge non-dollar exposure in foreign investments, or to take positions in managed currency portfolios; (2) futures and swap contracts are used to rebalance asset categories within the portfolio and to manage market exposures in managed portfolios; and (3) futures contracts, swaps and options are used to hedge or leverage positions in managed portfolios.

Certain investment managers purchase or sell fixed income securities on a delayed delivery or forward settled basis. These transactions involve a commitment by the Foundation to purchase or sell securities for a predetermined price or yield, with payment and delivery taking place beyond the customary settlement period, typically from 1 to 3 months. If a security is purchased on a delayed delivery basis, the Foundation assumes the rights and risks of ownership of the security at the time of the purchase, including the risk of price and yield fluctuations. Subsequently, the Foundation reflects such fluctuations in its net assets. The investment manager may dispose of or renegotiate a delayed delivery transaction after it is entered into, and may sell the securities before they are delivered, which may result in a realized gain or loss. At December 31, 2022, the Foundation's net liability for these forward purchases and sales included a receivable from investment managers of $417,495 and a payable to investment managers of $653,598. At December 31, 2021, the Foundation's net liability for these forward purchases and sales included a receivable from investment managers of $90,739 and a payable to investment managers of $168,812.

Net premiums received with respect to open options contracts at December 31, 2022 and 2021 were $0 and $35, respectively. The total value of investments pledged with respect to options and futures contracts at December 31, 2022 and 2021 was $0. The value of restricted cash held at brokers as collateral for variation margin at December 31, 2022 and 2021 was $16,288 and $12,107, respectively.

In the opinion of the Foundation's management, the use of financial derivative instruments in its investment program is appropriate and customary for the investment strategies employed. Using those instruments is intended to reduce certain investment risks and may or may not add value to the portfolio. The instruments themselves, however, do involve investment and counterparty risk in amounts greater than what are reflected in the Foundation's financial statements. Management does not anticipate that losses from such instruments would materially affect the financial position of the Foundation.

(dollars in thousands)

The following table lists the fair value of derivative assets and liabilities, and repurchase and reverse repurchase agreements, by contract type. These are included and reported as investments in the statement of financial position at December 31, 2022. The table excludes exposures relating to derivatives held indirectly through commingled funds.

	Assets			Liabilities					
	Average Notional	Average # of Contracts	Gross Amounts of Recognized Assets	Average Notional	Average # of Contracts	Gross Amounts Offset in the Statement of Financial Position	Net Amounts of Assets Presented in the Statement of Financial Position	Collateral Pledged / (Received) [1]	Net Amount
Derivatives not designated as hedging instruments under ASC 815									
Interest rate contracts	$ 31,357	(620)	$ 19,394	$ 20,689	16,556	$ (19,452)	$ (58)	$ 58	$ -
Futures - Interest rate contracts	-	1	3,023	-	(1)	(316)	2,707	-	2,707
Credit contracts	33,261	-	-	4,945	-	-	-	-	-
Equity contracts	-	-	-	-	-	-	-	-	-
Foreign exchange contracts	10,606	-	9,638	(10,610)	-	(9,675)	(37)	-	(37)
Total derivatives			$ 32,055			$ (29,443)	$ 2,612	$ 58	$ 2,670
Repurchase agreements			$ 28,400			$ -	$ 28,400	$ -	$ 28,400
Reverse repurchase agreements			-			(160,454)	(160,454)	158,928	(1,526)
Total offsetting financial instruments			$ 60,455			$ (189,897)	$ (129,442)	$ 158,986	$ 29,544

[1] Excess collateral pledged / received is not shown for financial reporting purposes.

(dollars in thousands)

The following table lists the fair value of derivatives assets and liabilities, and reverse repurchase agreements, by contract type. These are included and reported as investments in the statement of financial position at December 31, 2021. The table excludes exposures relating to derivatives held indirectly through commingled funds.

	Assets			Liabilities					
	Average Notional	Average # of Contracts	Gross Amounts of Recognized Assets	Average Notional	Average # of Contracts	Gross Amounts Offset in the Statement of Financial Position	Net Amounts of Assets Presented in the Statement of Financial Position	Collateral Pledged / (Received) [1]	Net Amount
Derivatives not designated as hedging instruments under ASC 815									
Interest rate contracts	$ 12,874	-	$ 472	$ 16,187	4,780	$ (2,692)	$ (2,220)	$ 1,055	$ (1,165)
Futures - Interest rate contracts	-	1	228	-	(1)	(2,478)	(2,250)	884	(1,366)
Credit contracts	61,504	-	2,152	1,588	-	(6)	2,146	(1,665)	481
Equity contracts	-	-	-	-	-	-	-	-	-
Foreign exchange contracts	4,337	-	7,064	(4,342)	-	(7,116)	(52)	-	(52)
Total derivatives			$ 9,916			$ (12,292)	$ (2,376)	$ 274	$ (2,102)
Repurchase agreements			$ -			$ -	$ -	$ -	$ -
Reverse repurchase agreements			-			(122,376)	(122,376)	122,376	-
Total offsetting financial instruments			$ 9,916			$ (134,668)	$ (124,752)	$ 122,650	$ (2,102)

[1] Excess collateral pledged / received is not shown for financial reporting purposes.

(dollars in thousands)

The following table indicates the gains and losses recognized as income on derivatives, by contract type. These are included and reported as part of gain (loss) on investment portfolio in the statement of activities and changes in net assets for the year ended December 31, 2022.

	Change in Unrealized Gain or (Loss)	Realized Gain or (Loss)
Derivatives not designated as hedging instruments under ASC 815		
Interest rate contracts	$ 3,701	$ 1,166
Futures - Interest rate contracts	4,958	(24,538)
Credit contracts	(86)	(552)
Equity contracts	-	-
Foreign exchange contracts	15	(223)
Total gain (loss) on derivatives, net	$ 8,588	$ (24,147)

The following table indicates the gains and losses recognized as income on derivatives, by contract type. These are included and reported as part of gain (loss) on investment portfolio in the statement of activities and changes in net assets for the year ended December 31, 2021.

	Change in Unrealized Gain or (Loss)	Realized Gain or (Loss)
Derivatives not designated as hedging instruments under ASC 815		
Interest rate contracts	$ 21	$ 67
Futures - Interest rate contracts	168	(3,404)
Credit contracts	(286)	1,241
Equity contracts	-	-
Foreign exchange contracts	(36)	24
Total (loss) on derivatives, net	$ (133)	$ (2,072)

Credit Default Swaps

The Foundation's investment managers enter into credit default swaps. Credit default swaps are used to reduce risk where the Foundation has exposure to the issuer, or to take an active long or short position with respect to the likelihood of an event of default. The reference obligation of the swap can be a single issuer, a "basket" of issuers, or an index. The underlying referenced assets are typically corporate debt, sovereign debt and asset backed securities.

The buyer of a credit default swap is generally obligated to pay the seller fixed periodic payments over the term of the contract in return for a contingent payment upon the occurrence of a credit event with respect to an underlying reference obligation. If a credit event occurs, the seller typically must pay the contingent payment to the buyer, which is typically the par value (equal to the notional amount less recovery value of the security or underlying securities) of the reference obligation, though the actual payment may be mitigated by terms of the International Swaps and Derivative Agreement ("ISDA"), allowing for netting arrangements and collateral.

The contingent payment may be a cash settlement or a physical delivery of the reference obligation in return for payment of the face amount of the obligation. If the Foundation's investment manager is a buyer and no credit event occurs, the Foundation may lose its investment and recover nothing. However, if a credit event occurs, the buyer typically receives full notional value for a reference obligation that may have little or no value. As a seller, the Foundation receives a fixed rate of income throughout the term of the contract, which typically is between one month and five years, provided that no credit event occurs. If a credit event occurs, the Foundation may be obligated to pay the buyer an amount up to the full notional value of the reference obligation.

As of December 31, 2022 and 2021, the Foundation is the buyer ("receiving protection") on a total notional amount of $0 and $0, respectively, and is the seller ("providing protection") on a total notional amount of $0 and $59,278, respectively. The notional amounts of the swaps are not recorded in the financial statements; however, the notional amount does approximate the maximum potential amount of future payments that the Foundation could be required to make if the Foundation were the seller of protection and a credit event were to occur.

Those credit default swaps for which the Foundation was providing protection at December 31, 2022 are summarized as follows:

Written Credit Derivative Contracts	Single Name Credit Default Swaps			Credit Default Swap Index	
Reference Asset:	Corporate Debt	Sovereign Debt	Asset Backed Securities	Corporate Debt	Total
Fair value of written credit derivatives	$ -	$ -	$ -	$ -	$ -
Maximum potential amount of future payments					$ -
Recourse provisions with 3rd parties to recover any amounts paid under the credit derivative					$ -

Maximum Potential Amount of Future Payments By Contract Term

	0-12 months	1-5 years	5-10 years	Over 10 years	Total
Current rating on underlying:					
AAA	$ -	$ -	$ -	$ -	$ -
AA					-
A					-
BBB					-
<BBB					-
Total	$ -	$ -	$ -	$ -	$ -

(dollars in thousands)

Those credit default swaps for which the Foundation was providing protection at December 31, 2021 are summarized as follows:

Written Credit Derivative Contracts	**Single Name Credit Default Swaps**			**Credit Default Swap Index**	
Reference Asset:	**Corporate Debt**	**Sovereign Debt**	**Asset Backed Securities**	**Corporate Debt**	**Total**
Fair value of written credit derivatives	$ 7	$ (4)	$ -	$ 2,143	$ 2,146
Maximum potential amount of future payments	$ 1,168	$ 1,500	$ -	$ 56,609	$ 59,277
Recourse provisions with 3rd parties to recover any amounts paid under the credit derivative					$ -

Maximum Potential Amount of Future Payments By Contract Term

	0-12 months	**1-5 years**	**5-10 years**	**Over 10 years**	**Total**
Current rating on underlying:					
AAA	$ -	$ -	$ -	$ -	$ -
AA					-
A		3,070			3,070
BBB		45,200			45,200
<BBB		11,007			11,007
Total	$ -	$ 59,277	$ -	$ -	$ 59,277

4. Valuation of Investments

U.S. GAAP has established a framework to measure fair value and defined the required disclosures about fair value measurements. FASB Accounting Standards Codification ASC 820 on Fair Value Measurements favors the use of market-based information over entity-specific information. The standard prescribes a three-level hierarchy for fair value measurements based on the transparency of information, such as the pricing source used in the valuation of an asset as of the measurement date.

Investments measured and reported at fair value are classified and disclosed in one of the following categories.

Level I – Investments whose values are based on quoted market prices in active markets for identical securities are classified as Level I. The type of investments in Level I include listed equities, derivatives, and U.S. Treasury securities.

Level II – Investments that trade in markets that are not actively traded, but are valued based on quoted market prices, dealer quotations, or alternative pricing sources for similar assets or liabilities are classified as Level II. These investments include certain U.S. government and sovereign obligations, government agency obligations, derivatives and certain limited marketable securities. In instances where valuation models are used, inputs can include market prices for reference securities, yield curves, exchange rates or interest rates.

Level III – Investments classified as Level III have significant unobservable pricing inputs, as they trade infrequently or not at all. The inputs into the determination of the fair value of these investments are based upon the best information in the circumstances, including the use of models, and may require significant management judgment. Investments in this category include certain thinly traded securities for which quoted market prices are not readily available.

NAV – Investments include privately held investments and securities held in partnership or trust format, and for these, the Net Asset Value ("NAV") as a practical expedient has been used. These investments have not been classified in the fair value hierarchy and the amounts presented are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

(dollars in thousands)

The following table summarizes the valuation of the Foundation's investments by the ASC 820 fair value hierarchy levels as of December 31, 2022:

	Level I	Level II	Level III	NAV	Total
Public Equities	$ 245,052	$ -	$ -	$ 2,845,462	$ 3,090,514
Fixed Income [1]	229,084	158,990			388,074
Cash Equivalents	319,539	102,518			422,057
Alternative Assets:					
Private Equity				4,294,722	4,294,722
Real Assets				1,281,982	1,281,982
LIRA		283,477	17,502	3,093,608	3,394,587
Derivatives - Assets	13,613	18,442			32,055
	$ 807,288	$ 563,427	$ 17,502	$ 11,515,774	$ 12,903,991
Derivatives - Liabilities	(28,101)	(1,342)			(29,443)
	$ 779,187	$ 562,085	$ 17,502	$ 11,515,774	12,874,548
Accrued Income and Net Payables and Receivables					(249,081)
Total Investments					$ 12,625,467

[1] Within the fixed income portion of portfolio, the Foundation holds certain asset-backed securities which are traded on a to be announced ("TBA") basis. At December 31, 2022, the fair value of the long and short positions of these TBA securities were $194,133 and ($35,505), respectively.

(dollars in thousands)

The following table summarizes the valuation of the Foundation's investments by the ASC 820 fair value hierarchy levels as of December 31, 2021:

	Level I	Level II	Level III	NAV	Total
Public Equities	$ 492,637	$ -	$ -	$ 3,434,458	$ 3,927,095
Fixed Income [1]	654,908	49,816			704,724
Cash Equivalents	164,166	194,825			358,991
Alternative Assets:					
Private Equity				5,480,040	5,480,040
Real Assets				1,221,636	1,221,636
LIRA		253,335	15,490	2,909,150	3,177,975
Derivatives - Assets	7,608	2,308			9,916
	$ 1,319,319	$ 500,284	$ 15,490	$ 13,045,284	$ 14,880,377
Derivatives - Liabilities	(12,012)	(280)			(12,292)
	$ 1,307,307	$ 500,004	$ 15,490	$ 13,045,284	14,868,085
Accrued Income and Net Payables and Receivables					(89,647)
Total Investments					$ 14,778,438

[1] Within the fixed income portion of portfolio, the Foundation holds certain asset-backed securities which are traded on a to be announced ("TBA") basis. At December 31, 2021, the fair value of the long and short positions of these TBA securities were $53,272 and ($3,947), respectively.

The following table includes the Foundation's Level III activity for the year ended December 31, 2022:

	Purchases	Transfers Into Level III	Transfers Out of Level III
LIRA	$ -	$ -	$ -
Total	$ -	$ -	$ -

The following table includes the Foundation's Level III activity for the year ended December 31, 2021:

	Purchases	Transfers Into Level III	Transfers Out of Level III
LIRA	$ 6,953	$ -	$ -
Total	$ 6,953	$ -	$ -

(dollars in millions)

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

The following table lists investments in investment funds (in partnership or trust format) by major category as of December 31, 2022:

	Strategy	Fair Value	Remaining Life (Years)	Unfunded Commitments	Redemption Terms
Public Equities	Global, primarily long-only in equities	$ 2,845	0 to 5	$ 118	Generally, lock up provisions ranging from 0 to 3 years. After initial lock up expires, daily to annual redemptions are available with 1 to 120 days prior notice.
Private Equity	Global venture and buyout	4,295	0 to 14	1,424	Not eligible for redemption
Real Assets	Real estate and natural resources, primarily in the U.S.	1,282	0 to 14	979	Not eligible for redemption
LIRA	Credit, fixed income, distressed assets, and market neutral strategies	3,094	0 to 14	439	12% by value are in private equity structure, not eligible for redemption. Otherwise, generally, lock up provisions ranging from 0 to 2 years. After initial lock up expires, daily to annual redemptions are available with 1 to 90 days prior notice.
Total		$ 11,516		$ 2,960	

(dollars in millions)

The following table lists investments in investment funds (in partnership or trust format) by major category as of December 31, 2021:

	Strategy	Fair Value	Remaining Life (Years)	Unfunded Commitments	Redemption Terms
Public Equities	Global, primarily long-only in equities	$ 3,434	0 to 5	$ 118	Generally, lock up provisions ranging from 0 to 3 years. After initial lock up expires, daily to annual redemptions are available with 1 to 365 days prior notice.
Private Equity	Global venture and buyout	5,480	0 to 14	1,257	Not eligible for redemption
Real Assets	Real estate and natural resources, primarily in the U.S.	1,222	0 to 14	499	Not eligible for redemption
LIRA	Credit, fixed income, distressed assets, and market neutral strategies	2,909	0 to 12	343	5% by value are in private equity structure, not eligible for redemption. Otherwise, generally, lock up provisions ranging from 0 to 2 years. After initial lock up expires, daily to annual redemptions are available with 1 to 90 days prior notice.
Total		$ 13,045		$ 2,217	

(dollars in thousands)

5. Property and Equipment, Net

Property and equipment consist of the following at December 31, 2022 and 2021:

	2022	2021
Building, land lease and land improvements	$ 35,134	$ 35,134
Furniture and fixtures	6,340	6,220
Internally developed software	9,249	9,249
Computer and office equipment	2,220	3,178
Work in progress	-	38
	52,943	53,819
Less: accumulated depreciation and amortization	(26,490)	(24,525)
	$ 26,453	$ 29,294

6. Benefit Plans

Retirement Plans

The Foundation sponsors a 403(b) defined contribution plan for its eligible employees. Foundation contributions to the plan totaled $2,820 and $2,938 in 2022 and 2021, respectively.

The Foundation also has an unfunded 457(b) deferred compensation plan. Subject to statutory limits, the Foundation contributes to the plan on behalf of eligible employees that did not receive their full contributions to the defined contribution plan due to Internal Revenue Service limits. In relation to this plan, at December 31, 2022 and 2021 the Foundation held assets of $2,920 and $3,296, respectively, which are included in Prepaid expenses and other assets. These assets are designated by the Foundation to pay future 457(b) plan liabilities. The corresponding liability of $2,920 and $3,296, respectively, are included in accounts payable and accrued liabilities.

Postretirement Health Care Benefit

The Foundation provides a health care benefit to retired employees and their eligible dependents. Net periodic benefit costs totaled $421 and $424 in 2022 and 2021, respectively. The liability for the postretirement benefit obligation was $4,835 and $6,724 as of December 31, 2022 and 2021, respectively.

	2022	2021
Discount rate to determine benefit obligations	4.97%	2.69%
Discount rate to determine the net periodic benefit cost	2.69%	2.31%

(dollars in thousands)

7. Grants Payable

At December 31, 2022 and 2021, grants payable totaled $244,111 and $244,548, respectively. Grants payable activity consisted of the following:

	2022	2021
Grants payable balance, beginning of year	$ 244,548	$ 253,930
Awards	560,795	520,272
Payments	(558,099)	(526,548)
Cancellations and adjustments	(3,133)	(3,106)
Grants payable balance, end of year	$ 244,111	$ 244,548

Grants authorized but unpaid at December 31, 2022 are payable as follows:

Year Payable	Amount
2023	$ 170,812
2024	60,023
2025	9,181
2026	2,195
2027	1,900
	$ 244,111

8. Credit Facilities and Liquidity

The Foundation has an uncommitted revolving line of credit ("LOC") of $300,000. This LOC does not have an expiration date and is collateralized by three securities accounts. In addition, as of December 31, 2022, the Foundation has a one-year committed revolving LOC of $500,000 which was scheduled to expire on October 2, 2023. On April 7, 2023, the Foundation renewed the $500,000 revolver, and it is now scheduled to expire on April 2, 2024.

At December 31, 2022 and 2021, there were no outstanding balances on either of the LOCs. The interest rates on these lines of credit were variable and indexed to the Secured Overnight Financing Rate ("SOFR"), plus spreads ranging from 45 to 60 basis points.

In addition to the two separate line of credit agreements which can be drawn upon in the event of immediate liquidity needs, the Foundation has various sources of liquidity at its disposal including cash equivalents and marketable debt and equity securities to meet short-term needs.

(dollars in thousands)

9. Federal Excise and Unrelated Business Income Tax

The Foundation is a private foundation and qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and corresponding California provisions.

The Foundation's provision for current federal excise tax is based on a 1.39% excise tax rate on net investment income in 2022 and 2021.

Deferred tax items are created when certain income and expense items are accounted for in different time periods for financial statement purposes than for tax purposes. Deferred federal excise taxes result from unrealized gains/(losses) on investments. The financial statements for the year ended December 31, 2022 and 2021 reflect deferred taxes at the 1.39% rate, resulting in a deferred federal excise tax liability of $56,496 and $86,045 as of December 31, 2022 and 2021, respectively.

The Foundation is also subject to current federal and state unrelated business income ("UBI") tax, in connection with certain of its limited partnership interests.

The Foundation believes that it has appropriate support for the excise and other 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 change in total net assets.

	2022	2021
Current federal excise tax expense	$ 12,901	$ 16,382
Deferred federal excise tax (benefit) expense	(29,921)	16,864
Excise tax (benefit) expense	(17,020)	33,246
Current UBI tax expense	3,411	83
Deferred UBI tax benefit	-	(4,500)
UBI tax expense (benefit)	3,411	(4,417)
Tax (benefit) expense on net investment income	$ (13,609)	$ 28,829

(dollars in thousands)

10. Functional Expenses

The Foundation's operating expenses include costs for programs and supporting services. These expenses have been summarized on a functional basis in the accompanying statement of activities and changes in net assets. Certain costs, principally occupancy, telecommunications and technology, and staff functions & development are allocated among the programs and supporting services on the basis of headcount in the respective functional area. Other expenses include legal, tax and audit fees, and other miscellaneous costs.

These expenses are summarized on a functional basis below:

	2022		
	Program	**Supporting**	**Total**
Compensation and Benefits	$ 18,323	$ 10,720	$ 29,043
Professional services	9,954	1,363	11,317
Occupancy	2,998	702	3,700
Travel	1,505	610	2,115
Telecommunications and technology	337	1,253	1,590
Recruitment and relocation	991	106	1,097
Staff functions & development	475	427	902
Interest (income) expense	-	(429)	(429)
Other	95	1,654	1,749
Total program and supporting expenses	$ 34,678	$ 16,406	$ 51,084

	2021		
	Program	**Supporting**	**Total**
Compensation and Benefits	$ 15,938	$ 10,122	$ 26,060
Professional services	9,530	1,516	11,046
Occupancy	1,764	697	2,461
Telecommunications and technology	375	1,293	1,668
Recruitment and relocation	1,113	265	1,378
Travel	406	80	486
Staff functions & development	150	134	284
Interest (income) expense	-	104	104
Other	81	988	1,069
Total program and supporting expenses	$ 29,357	$ 15,199	$ 44,556

11. Subsequent Events

The Foundation has evaluated subsequent events for the period from December 31, 2022 through May 25, 2023, the date the financial statements were issued, and believes no additional disclosures are required in the financial statements.