Keegan Linscott & Associates, PC
Certified Public Accountants
Certified Fraud Examiners
Certified Insolvency & Restructuring Advisors

RESEARCH CORPORATION FOR SCIENCE ADVANCEMENT

AUDITED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2023

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT ..... 1 – 2

AUDITED FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSIITION 4

STATEMENT OF ACTIVITIES 5

STATEMENT OF EXPENSES BY FUNCTION AND NATURE 2023 6

STATEMENT OF CASH FLOWS 7

NOTES TO FINANCIAL STATEMENTS ..... 8 – 17

Keegan Linscott & Associates, PC

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Management
Research Corporation for Science Advancement
Tucson, Arizona

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Research Corporation for Science Advancement (the "Foundation"), which comprise the statement of financial position as of December 31, 2023, the related statements of activities, cash flows, and expenses by function and nature for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of December 31, 2023, and its changes in net assets and cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States ("*Government Auditing Standards*"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 3 to the financial statements in January 2023, the Foundation adopted ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

3443 N Campbell Avenue, Suite 115 | Tucson, AZ 85719
P: 520.884.0176 | F: 520.884.8767 | keeganlinscott.com

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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements 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 and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2024, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

Keegan Linscott & Associates, PC

Tucson, Arizona
June 26, 2024

AUDITED FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2023

Assets		
Cash and cash equivalents	$	3,827,875
Grants and accounts receivable		542,822
Investment redemption receivable		6,203,583
Investments		211,034,792
Other assets		233,814
Operating lease asset		195,173
Property and equipment, net of accumulated depreciation of $837,177		26,998
Total assets	$	222,065,057
Liabilities		
Accounts payable and accrued expenses	$	266,646
Grants and awards payable		1,728,344
Other liabilities		651,425
Operating lease liability		206,949
Total liabilities		2,853,364
Net Assets		
Without donor restrictions		219,211,693
Total liabilities and net assets	$	222,065,057

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2023

Change in net assets without donor restrictions:		
Revenues and support:		
Net investment gains:		
Net capital gains	$	37,387,522
Interest and dividend income		1,624,019
		39,011,541
Support		3,318,039
		42,329,580
Expenses:		
Program services		11,311,526
General and administrative		1,404,046
		12,715,572
Other Income:		
Reduction in LBT liability		233,065
Change in net assets without donor restrictions		29,847,073
Net assets without donor restrictions, beginning of year		189,364,620
Net assets without donor restrictions, end of year	$	219,211,693

STATEMENT OF EXPENSES BY FUNCTION AND NATURE
FOR THE YEAR ENDED DECEMBER 31, 2023

	Program services					
	Grants and Awards	Conferences and Convening	Communications and Outreach	Total Program Services	General and Administrative	Total
Grant and awards approved	$ 7,655,428	$ -	$ -	$ 7,655,428	$ -	$ 7,655,428
Salaries	738,117	284,717	234,121	1,256,955	554,813	1,811,768
Employee benefits	317,258	114,718	88,363	520,339	214,446	734,785
Total personnel	1,055,375	399,435	322,484	1,777,294	769,259	2,546,553
Conferences and meetings	67,363	1,149,117	54,049	1,270,529	172,832	1,443,361
Rent and Occupancy Costs	137,757	43,029	29,519	210,305	70,787	281,092
Professional & outside services	144,297	-	-	144,297	58,075	202,372
Consultants and other expenses	158,058	23,489	72,126	253,673	333,093	586,766
Total expenses	$ 9,218,278	$ 1,615,070	$ 478,178	$ 11,311,526	$ 1,404,046	$ 12,715,572

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023

Cash Flows from Operating Activities		
Change in net assets	$	29,847,073
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation		5,051
Net realized and unrealized gain on investments		(41,304,394)
Reduction in carrying amount of right-of-use asset		193,586
Changes in operating assets and liabilities		
Grants and accounts receivable		(356,057)
Investment redemption receivable		(6,203,583)
Other assets		(9,064)
Accounts payable and accrued expenses		(63,483)
Grants and awards payable		174,382
Other liabilities		(194,279)
Operating lease liability		(199,342)
Net cash used in operating activities		(18,110,110)
Cash Flows from Investing Activities		
Purchase of investments		(12,784,144)
Proceeds from sale of investments		35,239,023
Net cash provided by investing activities		22,454,879
Cash Flows from Financing Activities		
Payment of note payable, bank		(3,000,000)
Net cash used in financing activities		(3,000,000)
Net change in cash and cash equivalents		1,344,769
Cash and cash equivalents, beginning of year		2,483,106
Cash and cash equivalents, end of year	$	3,827,875

NOTES TO FINANCIAL STATEMENTS

1. Organization

Research Corporation is a tax-exempt private operating foundation incorporated in New York doing business as Research Corporation for Science Advancement (the "Foundation"). The Foundation provides catalytic funding for innovative scientific research and the development of academic scientists in the physical sciences at universities and colleges in the United States and Canada.

2. Summary of Significant Accounting Policies

Basis of Presentation

The Foundation follows accounting standards set by the Financial Accounting Standards Board ("FASB"). The FASB sets accounting principles generally accepted in the United States of America ("U.S. GAAP") that the Foundation follows to ensure the consistent reporting of its financial condition, changes in net assets and cash flows. References to U.S. GAAP issued by the FASB are to the FASB Accounting Standards Codification ("ASC").

The Foundation's financial statements have been prepared on the accrual basis of accounting in accordance with the provisions of ASC 958, *Not-for-Profit Entities*. Under this authoritative guidance, the Foundation is required to provide financial statements which are prepared to focus on the Foundation as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. Resources are reported for accounting purposes in separate classes of net assets based on the existence or absence of donor-imposed restrictions.

In the accompanying financial statements, net assets that have similar characteristics have been combined into similar categories as follows:

- **Without Donor Restrictions** – Net assets that are not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Directors or may otherwise be limited by contractual agreements with outside parties. All contributions are considered to be available for use without restriction unless specifically restricted by the donor.

- **With Donor Restrictions** – Net assets whose use by the Foundation is subject to donor-imposed stipulations that can be fulfilled by actions of the Foundation pursuant to those stipulations or that expire through the passage of time. Net assets with donor restritions also includes net assets that are subject to donor-imposed stipulations such that assets must be maintained permanently by the Foundation. The donors of these assets permit the Foundation to use all or part of the investment return of these assets on continuing operations which may be subject to certain restrictions. The Foundation had no net assets with donor restrictions as of December 31, 2023.

Expenses are generally reported as decreases in net assets without donor restrictions. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as increases in net assets with donor restriction. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Foundation reports the support as increases in net assets without donor restrictions.

NOTES TO FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents
For financial statement reporting purposes, the Foundation considers all highly liquid instruments purchased with original maturities of three months or less to be cash equivalents. The carrying amount of cash equivalents approximates their fair values. The Foundation places its cash and cash equivalents with high credit quality institutions. At times, such amounts may be in excess of the FDIC and SIPC insurance limits; however, management does not believe they are exposed to any significant credit risk on cash and cash equivalents.

Investment Redemption Receivable
Investment redemption receivable represents deemed withdrawals from investment managers for which the cash has not yet been received.

Investments
Investments are carried at fair value. All of the Foundation's investments are held in professionally managed mutual funds, unconsolidated limited partnerships or special purpose entities.

Investment transactions are recorded on the trade date. Investment gains and losses include both realized and unrealized gains and losses and are included in the change in net assets in the accompanying statement of activities as increases or decreases in net assets without donor restrictions unless their use is temporarily or permanently restricted by explicit donor-imposed stipulations or legal requirements net of related investment fees. Realized gains or losses are recognized in the period sales or other transactions occur and are computed using the first-in, first-out method. Dividends and interest income are accrued when earned.

Investments are considered to be impaired when a decline in fair value is judged to be other-than-temporary. The Foundation employs a systematic methodology on an annual basis that considers available quantitative and qualitative evidence in evaluating potential impairment of its investments. If the cost of an investment exceeds its fair value, management evaluates, among other factors, general market conditions, the duration and extent to which the fair value is less than cost, and the intent and ability to hold the investment. The Foundation also considers specific adverse conditions related to the financial health of and business outlook for the investee, including industry and sector performance, changes in technology, operational and financing cash flow factors, and rating agency actions. Once a decline in fair value is determined to be other-than-temporary, an impairment charge is recorded and a new cost basis in the investment is established. Through December 31, 2023, the Foundation has not experienced other-than-temporary impairment losses on its investments.

Fair Value Measurements
Fair value is defined as the price to sell an asset or transfer a liability between market participants in an orderly exchange in the principal or most advantageous market for that asset or liability. Mutual funds are valued at quoted market prices. The fair value for the qualifying alternative investments is determined based on the investment's net asset value as a practical expedient. Considerable judgment is required in interpreting market data used to develop the estimates of fair value. Accordingly, the estimates presented in the financial statements are not necessarily indicative of the amounts that could be realized in a current market exchange. The use of different market assumptions and estimation methodologies may have a material effect on the estimated fair value.

NOTES TO FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (continued)

Fair Value Financial Instruments

The Foundation's cash and cash equivalents, receivables, payables and other financial assets and liabilities not remeasured at fair value are carried at cost, which approximates fair value. These assets and liabilities are valued based on quoted prices for similar assets, quoted interest rates and other readily available market information (level 1 inputs). There have been no changes in the valuation methods or significant assumptions used to estimate the fair value. The fair value measurements for assets remeasured at fair value in the accompanying financial statements are disclosed in Note 5.

Leases

The Foundation leases its office space. The determination of whether an arrangement is a lease is made at the lease's inception. Under Topic 842, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed.

Lease 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. Lease assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Foundation uses the implicit rate when it is readily determinable. Since the Foundation's lease does not provide an implicit rate, to determine the present value of lease payments, management uses a risk-free rate based on the information available at lease commencement. The Foundation's lease terms may include options to extend or terminate the lease when it is reasonably certain that the option will be exercised. Operating lease assets also include any lease payments made and exclude any lease incentives. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term.

The Foundation's lease agreement has lease and non-lease components, which are generally accounted for separately, with amounts allocated to the lease and non-lease components based on stand-alone prices.

Property and Equipment, Net

Property and equipment are stated at cost if purchased, or fair value if donated. Depreciation is calculated using the straight-line method over the estimated useful life of the assets as follows:

Tenant improvements	10 years
Computer software	5 years
Furniture, fixtures and equipment	5 years
Office equipment	3 years

Amortization of tenant improvements is computed using the straight-line method over the shorter of the remaining lease term or the estimated useful lives of the improvements and is included in depreciation expense. Acquisitions of property and equipment and repairs or betterments that materially prolong the useful lives of assets in excess of $5,000 are capitalized. Repairs and maintenance for normal upkeep are charged to expense as incurred. When assets are sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is recognized.

NOTES TO FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (continued)

Property and Equipment, Net (continued)
In accordance with ASC 360-10, *Property, Plant and Equipment*, the Foundation periodically reviews the carrying value of long-lived assets held and used, and assets to be disposed of, for possible impairment when events and circumstances warrant such a review. Through December 31, 2023, the Foundation had not experienced impairment losses on its long-lived assets.

Grants and Awards Payable
The Foundation accounts for its unconditional promises to give, which are normally in the form of grants or awards, as an expense in the year the unconditional promise is made. Any unpaid promises to give are reported as grants and awards payable. Grants provided under federal cost reimbursement funding are recorded as expense upon the Foundation's receipt of subrecipient expenditures.

Program Expense Allocation
Expenses that can be identified with a specific program or supporting service are charged directly according to their natural expense classification. Costs incurred that share a common purpose, such as compensation and occupancy costs are allocated based upon estimates made by management of time spent by employees on various activities. Investment expenses, which are netted with revenue include an allocation of internal expenses, such as compensation and occupancy costs, for the Foundation's staff as well as amounts paid to third parties.

Programs
The Foundation has two major programs – the Scialog conference program and the Cottrell Scholars program. The Scialog program consists of multi-year thematic conferences administered by the Foundation and generally conducted with the participation of other private foundations and/or governmental agencies as collaborators and funders. Scialog collaborators have the option of participating in the conferences, and 1) administering their own grants or 2) providing funding to the Foundation and having the Foundation administer the grants. In those conferences where the Foundation administers the grants, the accompanying financial statement present the outside funding as support and the related grants are included in program services in the statement of activities. Outside funding received for which program expenditures have not yet been approved or incurred are recorded as deferred revenue and included as part of other liabilities in the accompanying statement of financial position.

Revenue Recognition
Support – Support consists of grants from governmental, nonprofit organizations, and private companies for use by the Foundation in funding its programs. The Foundation accounts for its grants by first determining whether the transaction is an exchange transaction or a contribution. If the transaction is one in which each party to the transaction directly receives commensurate value, then the transaction is considered an exchange transaction, and the Foundation recognizes revenue in accordance with ASC 606. Grants revenues from exchange transactions are recognized as performance obligations are satisfied, which in most cases are as related costs are incurred or services are provided. If the transaction is considered a contribution, then the Foundation recognizes revenue in accordance with ASC 958-605. All grants are nonexchange transactions.

NOTES TO FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)
Contributions - Contributions are classified based on the existence or absence of donor-imposed restrictions as either conditional or unconditional as follows:

- **Conditional** – Includes all contributions with donor-imposed conditions or stipulations representing a barrier that must be overcome before the recipient is entitled to the assets being transferred or promised. A failure to overcome the barrier gives the contributor a right of return of the assets it has transferred or the ability to rescind an obligation to transfer.

- **Unconditional** – Includes all contributions that do not contain a barrier to use and therefore are recorded as revenue once cash or a contribution is received. Donor imposed restrictions for time and/or purpose are not considered a significant barrier and thus these contributions are recorded as unconditional.

Contribution revenue is recorded when the unconditional promise to give is received. Under this method, the recognition of support for financial statement purposes bears no relation to the period in which the expenses are incurred. Revenue related to conditional contributions is recognized once the relevant barriers of each contribution are met. If the funds are received from the donor before the relevant barriers are met, deferred revenue is recorded and included as part of other liabilities in the accompanying statement of financial position for the amount of funds provided by the donor. Consequently, government funded grants revenue which are considered contributions are recognized when the related barriers to provide services are delivered and/or expenditures are incurred.

Income Tax
The Foundation qualifies as a tax-exempt private operating foundation under Internal Revenue Code Section 4940(d). Income from certain activities not directly related to the Foundation's tax-exempt purpose may be subject to taxation as unrelated business taxable income (UBTI).

From time to time, the Foundation may be subject to interest and penalties assessed by various taxing authorities which are classified as general and administrative expenses, if they occur. During the year ended December 31, 2023, the Foundation did not recognize any interest and penalties.

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. In particular, the fair value of certain investments has been estimated using the net asset value per share (or its equivalent) as a practical expedient where quoted market prices are not available, as further described in Note 5. This applies to certain alternative investments that do not have readily determinable fair values. The Foundation evaluates the significance of the inputs and the valuation technique(s) used to measure fair value, which could affect the investment valuations and therefore the financial statements. The use of different assumptions or estimation methods may have a material effect on the reported fair value amounts as discussed in the aforementioned notes.

NOTES TO FINANCIAL STATEMENTS

3. Recent Accounting Pronouncements

Adopted as of December 31, 2023

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which creates a new credit impairment standard for financial assets measured at amortized cost and available-for-sale debt securities. The ASU requires financial assets measured at amortized cost (including loans, trade receivables and held-to-maturity debt securities) to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses. The ASU requires that credit losses on available-for-sale debt securities be presented as an allowance rather than as a direct write-down. The measurement of credit losses for newly recognized financial assets (other than certain purchased assets) and subsequent changes in the allowance for credit losses are recorded in the statement of activities as the amounts expected to be collected change. The ASU is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Early adoption is permitted for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. The Foundation adopted ASC 326 and all related subsequent amendments thereto effective January 1, 2023 using the modified retrospective approach for all financial assets measured at amortized cost. The adoption of ASC 326 and all related subsequent amendments thereto resulted in no new disclosures about the Foundation's allowance for credit losses and did not materially impact the financial statements and did not result in a cumulative-effect adjustment to opening net assets.

4. Liquidity and Availability of Resources

The Foundation manages its liquidity by maintaining adequate working capital, allocating a portion of its investments equal to 2 years of operating cash needs in highly liquid investments, and maintaining an available line of credit with a financial institution (see Note 7).

The following table shows a determination of the Foundation's financial assets that are available to meet cash needs for general expenditures within one year as of December 31, 2023:

Cash and cash equivalents	$ 3,827,875
Investment redemption and other receivables	6,746,405
Liquid investments without redemption restrictions (less outstanding commitments of $ 21,646,573)	59,541,922
	70,116,202
Contractual restrictions	
Scialog partner funding	(1,143,483)
Minimum cash on hand per LOC Agreement	(1,000,000)
Financial assets available to meet cash needs for general expenditures within one year	$ 67,972,719

The Foundation's current financial assets available to meet cash needs for general expenditure represent over two years of cash on hand. The classification of liquid investments encompasses the fair values of Global Equity and Global Fixed Income mutual funds, which the Foundation has determined to be readily convertible to cash within the next year without any expected redemption constraints or significant market penalties.

NOTES TO FINANCIAL STATEMENTS

5. Investments and Fair Value Measurements

The investment goal of the Foundation is to maintain or grow its spending power in real (inflation adjusted) terms with risk at a level appropriate to the Foundation's programmatic spending and objectives. The Foundation diversifies its investments among various financial instruments and asset categories, including both active and passive approaches. The investments of the Foundation are managed by external management firms. The cost presented in the following tables consists of cash invested less cash returned.

The Foundation utilizes the fair value hierarchy required by ASC 820, which prioritizes the inputs to valuation techniques used to measure fair value into three levels:

Level 1: Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date.

Level 2: Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly.

Level 3: Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Practical Expedient: Investments valued at net asset value per share (or its equivalent) as a practical expedient may not represent fair value as would be determined in a readily available market. The fair value as reported may significantly vary from what could be realized in an active market. This approach is commonly applied to investments in private funds and limited partnerships for which no published price quotations are available.

The investment's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following table represents the Foundation's financial assets that are measured at fair value on a recurring basis as of December 31, 2023 (in thousands):

Description	Cost	Fair value	Practical expedient	Level 1	Unfunded commitments	Redemption frequency	Redemption notice period
Global equity:							
Mutual funds	44,568	81,095	-	81,095	-		
Private equity funds	24,135	61,365	61,365	-	6,950	None	N/A
Global fixed income:							
Mutual funds	96	93	-	93	-		
Limited partnerships (c)	19,437	25,159	25,159	-	10,975	None	N/A
Diversifying strategy:							
Open-ended multi strategy fund (b)	8,579	8,199	8,199	-	-	Annually	90 days
Long Short Funds (a)	14,750	21,254	21,254	-	2,250	2-3 year lock	N/A
Limited partnerships (c)	4,904	4,746	4,746	-	1,097	None	N/A
Real assets:							
Limited partnerships (c)	5,977	9,124	9,124	-	375	None	N/A
Total:	122,446	211,035	129,847	81,188	21,647		

NOTES TO FINANCIAL STATEMENTS

Investments and Fair Value Measurements (continued)

(a) This category consists of investment funds that invest in global public equities on a long/short basis in a highly concentrated fashion or in a very targeted sector fashion. The funds have a lock-up period of 2-3 years after which each has various liquidity or redeemability features.

(b) This category consists of open-end funds, which invests in various strategies including investments in special private credit situations, music, film, and similar royalties, and venture funds that invest in early to mid-stage companies across a diverse array of industries globally.

(c) This category consists of various closed-end limited partnerships with finite lives up to 15 years, which do not permit redemption before termination. These investments consist of various debt-related strategies and other equity-related strategies not considered correlated with the broader market. The debt related strategies include whole loan origination, commercial and residential mortgage-backed securitized lending, European real estate and key facility corporate lease lending. The other strategies include technology and blockchain related strategies. Substantially all of the value of the investments in this category cannot be redeemed until distributions are received through the liquidation of the underlying assets of the funds. It is estimated that the underlying assets will be liquidated over the next 10 years.

The Foundation's equity investments are managed by independent managers utilizing a global investment strategy. This strategy includes allocations to emerging markets, aiming to optimize returns and distribute risks by investing in diverse geographic regions that have different economic growth potentials.

Net capital gains consist of the following:

		2023
Net realized and unrealized gains on investments	$	41,304,394
Investment advisory fees		(3,665,310)
Internal investment management costs		(251,562)
Total	$	37,387,522

6. Leases

The Foundation leases its office space under a noncancelable operating lease expiring in 2024.

Operating lease cost	$	195,913
Variable lease payments		23,981
Total lease cost	$	219,894

NOTES TO FINANCIAL STATEMENTS

Leases (continued)

Supplemental cash flow information related to leases is as follows:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	$ 201,689
Weighted-average remaining lease term:	
Operating lease	1 year
Weighted-average discount rate:	
Operating lease	0.78%

The maturities of operating lease liabilities as of December 31, 2023 were as follows:

Year Ending December 31,		Operating Leases
2024		$ 207,689
	Total lease payments	
	Less imputed interest	(740)
	Total present value of lease liabilities	$ 206,949

7. Line of Credit

The Foundation has a $10,000,000 uncollateralized revolving line of credit with a major commercial bank with interest at the Daily Simple SOFR (5.3% at December 31, 2023) plus 1.5%. The Foundation repaid $3,000,000 during 2023 and incurred interest of $192,229. The line expires in September 2024. The outstanding balance as of December 31, 2023 totaled $0.

8. Benefit Plans

Defined Contribution Plan

The Foundation has a noncontributory defined contribution plan for all eligible employees. The Foundation makes fully vested contributions ranging from 10% - 15% of compensation, based on years of service. The Foundation incurred defined contribution plan expense of $219,803 for the year ended December 31 2023.

Flexible Benefits Plan

The Foundation has a flexible benefits plan whereby it contributes 10% of compensation for eligible employees to be used for medical, retirement, education and other expenses. The Foundation contributed $198,635 to the plan for the year ended December 31, 2023.

NOTES TO FINANCIAL STATEMENTS

Benefit Plans (continued)

Postretirement Benefits Plan

The Foundation maintains a postretirement benefit plan, which provides certain health care benefits to retired employees and their spouses, as defined by the plan. No employees of the Foundation are or will be eligible to participate, as the plan was frozen to participation in 2006. The Foundation made contributions and the Plan paid benefits of $31,622 during 2023. The Foundation's estimated remaining obligation under this plan is included in other liabilities on the statement of financial position.

9. Commitments and Contingencies

Large Binocular Telescope Project

Through December 31, 2018, the Foundation held a 12.5% interest in the LBT project and had sold or granted all its viewing rights, along with the obligation to pay the related operating costs, to other universities. The Foundation's interest, including the viewing rights contracts for three other universities, was transferred to The Ohio State University. Subsequent to this transfer, all universities involved have signed agreements acknowledging the transfer and relieving the Foundation of any further obligation. As a result, the Foundation has no remaining contingent liability in relation to the LBT project. Reflecting this closure, the Foundation has recorded a reduction in the LBT-related liability amounting to $233,065, which is included in other income in the statement of activities for the year ended December 31, 2023.

Legal Contingency

From time to time, the Foundation may be party to certain pending or threatened lawsuits arising out of or incident to the ordinary course of business for which it carries general liability and other insurance coverages. In the opinion of management and based upon consultation with legal counsel, resolution of any pending or threatened lawsuits will not have a material adverse effect on the Foundation's financial statements.

10. Subsequent Events

The Foundation evaluated subsequent events through June 26, 2024, the date the financial statements were available to be issued, and concluded that no additional disclosures are required, except for the following new commitments: In February 2024, the Foundation committed $5,000,000 to FEG Private Opportunities Fund VII, L.P. In June 2024, the Foundation committed $5,000,000 to TPG AG CS Holdings Fund III, L.P. and $5,000,000 to AG Net Lease Realty Fund V, L.P.