

THE JOYCE FOUNDATION

FINANCIAL STATEMENTS

December 31, 2021 and 2020

THE JOYCE FOUNDATION

FINANCIAL STATEMENTS
December 31, 2021 and 2020

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
The Joyce Foundation
Chicago, Illinois

Report on the Audit of the Financial Statements***Opinion***

We have audited the financial statements of The Joyce Foundation (“the Foundation”), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities 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 The Joyce Foundation as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Joyce 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 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 from the date the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Joyce 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.


Crowe LLP

Chicago, Illinois
July 11, 2022

THE JOYCE FOUNDATION
STATEMENTS OF FINANCIAL POSITION
December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash	\$ 1,203,792	\$ 2,444,497
Due from brokers for sales of securities	4,055,996	3,432,109
Investments at fair value (Note 2)	1,402,094,501	1,243,533,414
Current federal excise tax receivable	-	270,000
Other assets	<u>1,440,593</u>	<u>1,096,097</u>
 Total assets	 <u>\$ 1,408,794,882</u>	 <u>\$ 1,250,776,117</u>
 LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 67,891	\$ 191,133
Due to brokers for purchases of securities	324,253	441,127
Grants payable	22,910,547	7,026,234
Deferred rent	238,244	241,357
Federal excise tax payable	984,500	-
Deferred federal excise tax payable	<u>5,086,000</u>	<u>4,103,000</u>
Total liabilities	29,611,435	12,002,851
 Commitments (Notes 2, 5, 7)	-	-
 Net assets without donor restrictions	 <u>1,379,183,447</u>	 <u>1,238,773,266</u>
 Total liabilities and net assets	 <u>\$ 1,408,794,882</u>	 <u>\$ 1,250,776,117</u>

See accompanying notes to financial statements.

THE JOYCE FOUNDATION
STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Investment return, net	\$ 217,606,087	\$ 206,461,877
Expenses		
Grants awarded, net of grants returned of \$37,818 and \$75,682 in 2021 and 2020, respectively	64,934,672	41,124,103
General and administrative expenses	8,859,742	8,150,424
Federal excise tax expense	2,418,492	148,731
Deferred federal excise tax expense	983,000	905,000
Total expenses (Note 3)	<u>77,195,906</u>	<u>50,328,258</u>
Increase in net assets without donor restrictions	140,410,181	156,133,619
Net assets, beginning of year	<u>1,238,773,266</u>	<u>1,082,639,647</u>
Net assets, end of year	<u><u>\$ 1,379,183,447</u></u>	<u><u>\$ 1,238,773,266</u></u>

See accompanying notes to financial statements.

THE JOYCE FOUNDATION
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Cash paid to employees and suppliers	\$ (9,129,637)	\$ (8,484,606)
Taxes paid	(1,626,590)	(400,000)
Grants paid	(49,088,176)	(44,976,732)
Grants returned	37,818	75,682
Net cash used in operating activities	<u>(59,806,585)</u>	<u>(53,785,656)</u>
Cash flows from investing activities		
Proceeds from sales of investments	163,319,806	127,212,355
Purchase of investments	(103,507,585)	(70,718,096)
Purchase of property and equipment	(81,828)	(14,869)
Other investment expense	(1,164,513)	(697,197)
Net cash provided by investing activities	<u>58,565,880</u>	<u>55,782,193</u>
Net (decrease) increase in cash	(1,240,705)	1,996,537
Cash, beginning of the year	<u>2,444,497</u>	<u>447,960</u>
Cash, end of year	<u><u>\$ 1,203,792</u></u>	<u><u>\$ 2,444,497</u></u>

See accompanying notes to financial statements.

THE JOYCE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities: The Joyce Foundation (the Foundation) is a nonprofit organization that invests in policies to advance racial equity and economic mobility for the next generation in the Great Lakes region.

The financial statements have been prepared on the accrual basis of accounting in conformity with accounting policies applicable to nonprofit organizations.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions affecting the amounts reported in the financial statements and accompanying notes. Actual results could differ from the estimates.

Income Taxes: The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and applicable state law. However, as a private charitable foundation, it is subject to a federal excise tax, of 1.39% in 2021 and 2020, based on net investment income. Deferred federal excise tax represents a provision for taxes on the net unrealized appreciation on investments. For the years ended December 31, 2021 and 2020, the federal excise tax rate utilized was 1.39%. The Foundation is subject to income tax at corporate rates on certain income that is considered unrelated business income under the IRC.

Tax positions for open tax years were reviewed by management and it was determined that no provision for uncertain tax positions is required to be recorded. The Foundation would recognize any corresponding interest or penalties associated with this income tax position in income tax expense. Any associated interest or penalties are expected to be minimal for 2021 or 2020.

Investment Valuation: The investments of the Foundation are reported at fair value. The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (the exit price). The fair value is generally based on year-end published quotations or the net asset value (NAV) of investment funds. The Foundation is permitted to measure the fair value of an investment that does not have a readily determinable fair value, based on the NAV of the investment as a practical expedient, without further adjustment, unless it is probable that the investment will be sold at a value significantly different from the NAV. If the practical expedient NAV is not as of the reporting entity's measurement date, then the NAV is adjusted to reflect any significant events that may change the valuation. These prices are only used for financial reporting purposes and do not necessarily represent the ultimate realizable values of such securities.

Cash, securities transactions receivable, and obligations are carried at cost which approximates fair value because of the short maturity of these instruments.

Marketable securities, including cash equivalents, U.S. and non-U.S. equities, and fixed income are reflected at market values based on quoted prices. Common stock, preferred stock, and fixed income securities, including U.S. government and corporate obligations, traded in active markets on national and international securities exchanges are valued at closing prices on the last business day of each period presented. Securities traded in markets that are not considered active are valued based on quoted market prices, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency. Securities that trade infrequently and therefore have little or no price transparency are valued using the Foundation's investment managers' best estimates.

(Continued)

THE JOYCE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Limited liquidity investments (primarily categorized as alternative investments – see Note 2) are stated at their NAV, which approximates its estimated fair value. Limited liquidity investments are primarily made under agreements to participate in limited partnerships and commingled funds and are generally subject to certain withdrawal restrictions. These interests are valued on the basis of the Foundation's equity in the net assets of such investments. Values for these investments, which may include investments in both nonmarketable and market-traded securities, are provided by the general partner or administrator and may be based on appraisals, market values discounted for concentration of ownership, or other estimates. Because of inherent uncertainty of valuing the investments in such partnerships and certain of the underlying investments held by the partnerships and commingled funds, the Foundation's estimate of fair value may differ significantly from the values that would have been used had a ready market for the investments existed. The financial statements of the limited liquidity investments in which the Foundation invests are audited annually by independent public accounting firms.

Some of the Foundation's assets are held in various limited partnerships that invest in the securities of companies that may not be immediately liquid. The partnerships' general partners, who must follow the valuation guidelines stipulated in their respective limited partnership agreements, determine the value of such investments. Given the inherent risks associated with this type of investment, there can be no guarantee that there will not be widely varying gains or losses on these limited partnership investments in future periods.

The Foundation has systems and procedures in place to monitor the fair value of its investments measured at the NAV. Generally, management evaluates the fair value of these assets by using the NAV provided by the investment managers or general partners through the quarterly statements and the respective fund's annual audited financial statements as well as discussions with management.

Investment Income Recognition: Investment sales and purchases are recorded on a trade-date basis, which results in both investment receivables and payables on unsettled investment trades. Dividend income is recorded based upon the ex-dividend date and interest income is recorded as earned on an accrual basis. Realized and unrealized gains and losses from changes in market values are reflected in the Statements of Activities.

Other Assets - Fixed Assets: The Foundation capitalizes the cost of leasehold improvements, furniture and equipment, and website development/redesign costs and is depreciating/amortizing the assets using the straight-line method. Leasehold improvements are amortized over the lesser of the estimated useful life of the improvements or the term of the lease; furniture and equipment are depreciated over five to seven years, the estimated useful life; and website development/redesign costs are amortized over three years, the estimated useful life.

Fixed assets are included in other assets on the Statements of Financial Position. Depreciation and amortization expense was \$188,439 and \$214,487 for the years ended December 31, 2021 and 2020, respectively.

Grants: Unconditional grants are recorded as expense in the period the grant is approved. Conditional grants, with a barrier and a right of return, are recorded as expense during the year in which the conditions are substantially met or waived by the Foundation. Grants payable within one year are recorded at their fair value at the date of authorization. Future minimum grant disbursements are \$16,663,443, \$3,622,104, \$1,625,000, and \$1,000,000 for the years ended December 31, 2022, 2023, 2024, and 2025, respectively.

(Continued)

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentration of Credit Risk: The Foundation maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts. Management believes that the Foundation is not exposed to any significant credit risk on cash.

Net Assets: The net assets of the Foundation are reported in the following class: net assets without donor restrictions.

Net assets without donor restrictions include resources which are not subject to donor-imposed restrictions plus those resources for which donor-imposed restrictions have been satisfied. Contributions are reported as increases in the appropriate category of net assets. Contributions of assets other than cash are recorded at their estimated fair value. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments are reported in the Statements of Activities as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. The Foundation does not have any net assets with donor restrictions or Board-designated net assets.

Recent Accounting Pronouncements: In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases*. ASU 2016-02 was updated with ASU 2018-01, 2018-10 and 2018-11. ASU 2016-02 establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. ASU 2016-02 is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Foundation is currently evaluating the potential impact of the adoption of ASU 2016-02 on the Foundation's financial statements.

Subsequent Events: The Foundation has evaluated subsequent events through July 11, 2022, the date the financial statements were available to be issued. No material subsequent events have occurred through this date that required recognition or disclosure in these financial statements.

NOTE 2 - INVESTMENTS

The Board has delegated certain responsibilities for portfolio oversight to the Investment Committee, the Foundation President, professional staff, namely the Chief Investment Officer (the "CIO"), and the investment advisor (the "Advisor"). The Investment Committee oversees the implementation of the portfolio's investment strategy allocation in accordance with the Investment Policy Statement including:

- Approve the hiring and termination of investment managers.
- Monitor portfolio performance, positioning, and relevant risk metrics, on a periodic basis.
- Evaluate progress against performance benchmarks, DEI objectives and other success metrics for the portfolio.

The Investment Committee reports to the Board and is responsible for recommending, reviewing, and monitoring policies and programs affecting the investments of the Foundation.

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THE JOYCE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 2 - INVESTMENTS (Continued)

Foundation investments consist of the following at December 31:

	2021		2020	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Cash equivalents	\$ 37,964,739	\$ 37,937,260	\$ 14,633,906	\$ 14,633,906
U.S. equity:				
Large cap	292,268,053	358,195,745	264,686,973	320,459,134
Mid/small cap	50,390,243	81,366,082	41,539,618	64,852,852
Non-U.S. equity:				
Developed markets	193,232,499	238,325,859	164,680,772	193,064,918
Emerging markets	60,176,861	97,186,074	82,955,201	141,151,776
Fixed income	148,268,633	149,740,167	145,150,244	148,487,658
Alternative investments:				
Absolute return hedge funds	29,803,105	36,354,357	39,941,282	44,395,435
Hedged equity hedge funds	18,516,931	49,176,744	18,516,931	46,981,762
Private investments	167,785,025	310,029,700	140,705,226	236,230,686
Real assets	37,643,815	43,590,638	35,354,298	33,083,412
Real estate and mineral rights	191,875	191,875	191,875	191,875
Total	<u>\$ 1,036,241,779</u>	<u>\$ 1,402,094,501</u>	<u>\$ 948,356,326</u>	<u>\$ 1,243,533,414</u>

Fair Value Measurements: Accounting Standards Codification (ASC) 820-10, *Fair Value Measurements*, established a three-tier hierarchy to maximize the use of observable market data and minimize the use of unobservable inputs, and to establish classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability based upon market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the reporting entity's own assumptions of what market participants would use in pricing the asset or liability based upon the best information available. The three-tier hierarchy of inputs is summarized in the three broad levels listed below.

- Level 1 – This level consists of quoted prices in active markets for identical investments.
- Level 2 – This level consists of other significant observable inputs (including quoted prices for similar investments, interest rates, credit risk, etc.).
- Level 3 – This level consists of significant unobservable inputs (including assumptions in determining the fair value of investments).

Cash equivalents consist primarily of cash and short-term investments with initial maturities of three months or less. Such investments are reflected at cost, plus accrued interest, if applicable. U.S. and non-U.S. equities consist primarily of direct or indirect investments in U.S. and international common stock. Fixed income consists primarily of indirect investments in U.S. government agency and treasury securities, mortgage-backed securities, collateralized mortgage obligations, corporate securities, non-U.S. corporate securities, and government securities. Absolute Return and Hedged Equity Hedge Funds consist primarily of commingled vehicles that invest in both nonmarketable and market-traded securities. Fund investments may include both long and short positions, as well as leveraged positions. Private investments consist of limited partnerships, including venture capital funds, buyout funds, and funds that invest in private debt securities. Real assets consist of limited partnerships investing in equity real estate and energy related investments.

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THE JOYCE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 2 - INVESTMENTS (Continued)

The following is a summary of the inputs used as of December 31, 2021 in valuing the Foundation's investments:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>December 31, 2021</u>				
Cash equivalents	\$ 37,937,260	\$ 37,937,260	\$ -	\$ -
U.S. equity:				
Large cap	358,195,745	190,285,951	167,909,794	-
Mid/small cap	81,366,082	5,954,544	75,411,538	-
Non-U.S. equity:				
Developed markets	238,325,859	74,851,525	163,474,334	-
Emerging markets	97,186,074	-	97,186,074	-
Fixed income	149,740,167	120,510,917	29,229,250	-
Total	962,751,187	\$ 429,540,197	\$ 533,210,990	\$ -
Investments valued at net asset value: *				
Alternative investments:				
Absolute return hedge funds	36,354,357			
Hedged equity hedge funds	49,176,744			
Private investments	310,029,700			
Real assets	43,590,638			
Real estate and mineral rights	191,875			
Total	\$ 1,402,094,501			

The following is a summary of the inputs used as of December 31, 2020 in valuing the Foundation's investments:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>December 31, 2020</u>				
Cash equivalents	\$ 14,633,906	\$ 14,633,906	\$ -	\$ -
U.S. equity:				
Large cap	320,459,134	174,927,082	145,532,052	-
Mid/small cap	64,852,852	5,192,969	59,659,883	-
Non-U.S. equity:				
Developed markets	193,064,918	69,334,648	123,730,270	-
Emerging markets	141,151,776	-	141,151,776	-
Fixed income	148,487,658	120,754,384	27,733,274	-
Total	882,650,244	\$ 384,842,989	\$ 497,807,255	\$ -
Investments valued at net asset value: *				
Alternative investments:				
Absolute return hedge funds	44,395,435			
Hedged equity hedge funds	46,981,762			
Private investments	236,230,686			
Real assets	33,083,412			
Real estate and mineral rights	191,875			
Total	\$ 1,243,533,414			

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THE JOYCE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 2 - INVESTMENTS (Continued)

* The investments, which are measured at fair value using the NAV per share (or its equivalent) practical expedient, have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amount presented in the Statements of Financial Position.

The Foundation's policy is to evaluate the classification of Level 1, 2, and 3 assets at the end of each reporting period. The Foundation's policy is to record transfers in or out of the levels at the fair value of the investment at the date of transfer. There were no transfers for 2021 or 2020.

The Foundation follows the concept of the "practical expedient" under U.S. GAAP. The practical expedient is an acceptable method to determine the fair value of certain NAV investments which (1) do not have readily determinable fair value and (2) have financial statements prepared consistent with the measurement principles of an investment company or have attributes of an investment company.

The following tables describe such investments by major category and redemption frequency:

December 31, 2021	Redemption Frequency				Fair Value	Unfunded Commitments
	90 Days or Less	91 to 365 Days	>365 Days	Liquidated		
Cash and Cash Equivalents	\$ 37,937,260	\$ -	\$ -	\$ -	\$ 37,937,260	\$ -
Public Equities(a)	755,159,482	-	19,914,278	-	775,073,760	-
Public Fixed Income(a)	149,740,167	-	-	-	149,740,167	-
Absolute return hedge funds (b)	36,259,181	-	-	95,176	36,354,357	-
Hedged equity hedge funds (b)	-	49,176,744	-	-	49,176,744	-
Private investments (c)	-	-	310,029,700	-	310,029,700	90,579,632
Real assets (c)	-	-	43,782,513	-	43,782,513	26,360,469
Total	\$ 979,096,090	\$ 49,176,744	\$ 373,726,491	\$ 95,176	\$ 1,402,094,501	\$ 116,940,101

December 31, 2020	Redemption Frequency				Fair Value	Unfunded Commitments
	90 Days or Less	91 to 365 Days	>365 Days	Liquidated		
Cash and Cash Equivalents	\$ 14,633,906	\$ -	\$ -	\$ -	\$ 14,633,906	\$ -
Public Equities(a)	710,217,222	-	9,311,458	-	719,528,680	-
Public Fixed Income(a)	148,487,658	-	-	-	148,487,658	-
Absolute return hedge funds (b)	44,240,913	-	-	154,522	44,395,435	-
Hedged equity hedge funds (b)	-	46,981,762	-	-	46,981,762	-
Private investments (c)	-	-	236,230,686	-	236,230,686	114,427,483
Real assets (c)	-	-	33,275,287	-	33,275,287	33,322,278
Total	\$ 917,579,699	\$ 46,981,762	\$ 278,817,431	\$ 154,522	\$ 1,243,533,414	\$ 147,749,761

(a) Public investments – This category includes transactions associated with marketable equity and fixed income securities that are regularly traded on public exchanges, and public securities held by funds structured as commingled or separate accounts or as partnerships in which the Foundation is a limited partner.

(b) Hedge funds and absolute return strategies – This category includes multiple strategies to diversify risk and reduce volatility that are delegated to investment managers who have authority to invest in various asset classes on a discretionary basis. These strategies may include distressed and non-distressed bond strategies, long/short equity strategies, event-oriented strategies, real assets, and private equity.

(Continued)

THE JOYCE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
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NOTE 2 - INVESTMENTS (Continued)

- (c) Private investments – This category includes equity, fixed income, and real asset investments that are not regularly traded and private securities or entities in which the Foundation may own shares, or investments held by partnerships in which the Foundation is a limited partner.

Investment Partnerships Open Commitments: The Foundation had open commitments to make additional partnership investments of \$116,940,101 and \$147,749,761 at December 31, 2021 and 2020, respectively. Returned unused capital contributions may be recalled and all distributions are subject to repayment to cover liabilities of the partnerships. The amount of this contingency cannot be determined.

NOTE 3 - FUNCTIONAL EXPENSES

This Note presents expenses by function and natural classification. Natural expenses are defined by their nature, such as compensation, depreciation, and occupancy. Functional expenses are classified by type of activity for which the expenses were incurred. Expenses were allocated using a reasonable and consistent approach based on staffing attributable to each function. Costs which are associated with grant making are applied directly.

The table below presents expenses by both their nature and function for fiscal year 2021:

<u>December 31, 2021</u>	<u>General and Administrative</u>	<u>Grant Making</u>	<u>Total</u>
Compensation and benefits	\$ 1,962,085	\$ 3,771,313	5,733,398
Legal fees	23,305	47,157	70,462
Accounting fees	22,643	45,817	68,460
Other professional	-	592,393	592,393
Taxes	1,125,021	2,276,471	3,401,492
Depreciation and amortization	62,325	126,114	188,439
Occupancy	242,581	490,861	733,442
Travel, conferences and meetings	49,415	99,992	149,407
Printing and publications	21,359	43,221	64,580
Other	416,460	842,701	1,259,161
Grants awarded (net of grants returned)	-	64,934,672	64,934,672
Total expenses by nature and function	<u>\$ 3,925,194</u>	<u>\$ 73,270,712</u>	<u>\$ 77,195,906</u>

(Continued)

THE JOYCE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 3 - FUNCTIONAL EXPENSES (Continued)

The table below presents expenses by both their nature and function for fiscal year 2020:

<u>December 31, 2020</u>	<u>General and Administrative</u>	<u>Grant Making</u>	<u>Total</u>
Compensation and benefits	\$ 1,821,176	\$ 3,450,903	5,272,079
Legal fees	28,708	53,461	82,169
Accounting fees	26,675	49,675	76,350
Other professional	-	701,661	701,661
Taxes	368,151	685,580	1,053,731
Depreciation and amortization	74,937	139,550	214,487
Occupancy	264,323	492,229	756,552
Travel, conferences and meetings	59,025	109,919	168,944
Printing and publications	20,802	38,739	59,541
Other	286,015	532,626	818,641
Grants awarded (net of grants returned)	-	41,124,103	41,124,103
Total expenses by nature and function	<u>\$ 2,949,812</u>	<u>\$ 47,378,446</u>	<u>\$ 50,328,258</u>

NOTE 4 - DEFINED CONTRIBUTION PENSION PLAN

The Foundation maintains a defined contribution pension plan for eligible employees. Employer contributions are discretionary and are calculated as a percentage of salaries as determined by the Board of Directors. Total employer and employee contributions may not exceed the lesser of 100% of salaries or \$58,000 per employee. Pension expense was \$553,314 and \$524,782 for 2021 and 2020, respectively.

NOTE 5 - COMMITMENTS

On May 17, 2012, the Foundation entered into a 15-year lease agreement with a lease commencement date of February 1, 2013. The noncancelable operating lease for the office space provides for minimum monthly payments through January 31, 2028 plus additional amounts to cover the proportionate share of the cost of operating the property. Rent expense, including related operating expenses, totaled \$733,442 in 2021 and \$756,552 in 2020. At December 31, 2021, minimum payments under the lease are as follows:

2022	\$ 370,171
2023	378,993
2024	387,828
2025	396,656
2026	405,490
2027 and thereafter	<u>448,909</u>
Total	<u>\$ 2,388,047</u>

The accompanying Statements of Activities reflect rent expense on a straight-line basis over the term of the office lease and considers rent abatements granted over the lease term. The described accounting treatment results in deferred rent as shown in the Statements of Financial Position.

(Continued)

THE JOYCE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 6 - LIQUIDITY AND AVAILABILITY OF RESOURCES

The Foundation's financial assets available within one year of the Statements of Financial Position date for general expenditures and grant obligations are as follows:

	<u>2021</u>	<u>2020</u>
Total assets	\$ 1,408,794,882	\$ 1,250,776,117
Less: fixed assets	<u>(965,739)</u>	<u>(1,072,351)</u>
Total financial assets available to management	1,407,829,143	1,249,703,766
Within One Year		
Less:		
Amounts unavailable for general expenditures and grant obligations within one year, due to:		
Redemption restrictions:		
US Equity	(19,914,278)	(9,311,458)
Alternative investments:		
Hedged equity funds	(49,176,744)	(46,981,762)
Private investments	(310,029,700)	(236,230,686)
Real assets	<u>(43,782,513)</u>	<u>(33,275,287)</u>
Total amounts unavailable for general expenditures and grant obligations within one year	<u>(422,903,235)</u>	<u>(325,799,193)</u>
Total financial assets available to management for general expenditures and grant obligations within one year	<u>\$ 984,925,908</u>	<u>\$ 923,904,573</u>

The Foundation structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the Foundation maintains a line of credit that can be drawn upon as needed during the year to manage cash flows.

NOTE 7 - LINE OF CREDIT

On August 17, 2020, The Foundation entered into a 364-day revolving credit agreement ("Revolver") with the bank, subject to annual renewal. The Revolver provides for the ability to borrow, subject to certain terms and conditions, up to \$25,000,000. An amendment to the credit agreement on August 17, 2021 resulted in the previously committed Revolver becoming uncommitted. Borrowings on the Revolver are subject to an interest rate at either the Prime rate or LIBOR quoted rate plus 1% with a 1% LIBOR floor. There was no outstanding balance on the line of credit at December 31, 2021 and the agreement matures on August 15, 2022.