

Inatai Foundation and Subsidiaries

Consolidated Financial Statements as of and
for the Years Ended December 31, 2023 and 2022,
Supplementary Consolidating Information as of
and for the Year Ended December 31, 2023, and
Independent Auditor's Report

INATAI FOUNDATION AND SUBSIDIARIES

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Inatai Foundation and Subsidiaries:

Opinion

We have audited the consolidated financial statements of Inatai Foundation and subsidiaries (the "Foundation"), formerly Group Health Foundation, which comprise the consolidated statements of financial position as of December 31, 2023 and 2022, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements (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, 2023 and 2022, 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 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 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 of 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 that 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 of 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 judgement 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 judgement, 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.

Report on Supplementary Consolidating Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary consolidating information on pages 22–23 is presented for the purpose of additional analysis of the financial statements rather than to present the financial position and the results of operations of the individual companies and is not a required part of the financial statements. This information is the responsibility of the Foundation's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, such information is fairly stated in all material respects, in relation to the financial statements as a whole.

Deloitte & Touche LLP

July 23, 2024

INATAI FOUNDATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF DECEMBER 31, 2023 AND 2022

	2023	2022
ASSETS		
ASSETS:		
Cash and cash equivalents	\$ 25,855,370	\$ 28,690,358
Investments	2,179,087,627	2,053,861,075
Investment receivable	10,000,000	
Other assets	693,999	556,869
Property and equipment—net	5,635,864	364,365
Right-of-use assets—net	6,864,938	257,931
Charitable gift annuities investments	<u>777,802</u>	<u>776,475</u>
TOTAL ASSETS	<u>\$2,228,915,600</u>	<u>\$2,084,507,073</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES:		
Grants payable—net	\$ 50,967,463	\$ 61,574,630
Accounts payable and accrued liabilities	2,880,785	2,435,794
Lease liability	9,941,798	259,717
Charitable gift annuities	<u>428,165</u>	<u>449,011</u>
 Total liabilities	<u>64,218,211</u>	<u>64,719,152</u>
 COMMITMENTS AND CONTINGENCIES (Note 11)		
NET ASSETS:		
Without donor restrictions	2,154,557,197	2,009,246,100
With donor restrictions	<u>10,140,192</u>	<u>10,541,821</u>
 Total net assets	<u>2,164,697,389</u>	<u>2,019,787,921</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$2,228,915,600</u>	<u>\$2,084,507,073</u>

See notes to consolidated financial statements.

INATAI FOUNDATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT:			
Investment return—net	\$ 225,112,300	\$ 501,080	\$ 225,613,380
Contributions	14,088		14,088
Other income—net	7,977		7,977
Net assets released from restrictions and reclassifications	902,709	(902,709)	-
Total revenues, gains and other support	<u>226,037,074</u>	<u>(401,629)</u>	<u>225,635,445</u>
EXPENSES:			
Grant expense	65,246,854		65,246,854
Salaries and benefits	9,289,881		9,289,881
Professional fees:			
Program strategy and grantee support	338,884		338,884
Lobbying	166,580		166,580
Information technology	174,672		174,672
Accounting, legal and human resources	376,249		376,249
Communications	858,369		858,369
Other	869,272		869,272
Board payments	380,250		380,250
Occupancy	386,262		386,262
Travel	552,958		552,958
Meetings and convenings	1,068,156		1,068,156
Employee costs	293,712		293,712
Insurance	90,991		90,991
Technology equipment and software	302,744		302,744
Other expenses	330,143		330,143
Total expenses	<u>80,725,977</u>	<u>-</u>	<u>80,725,977</u>
CHANGE IN NET ASSETS	145,311,097	(401,629)	144,909,468
NET ASSETS—Beginning of year	<u>2,009,246,100</u>	<u>10,541,821</u>	<u>2,019,787,921</u>
NET ASSETS—End of year	<u>\$ 2,154,557,197</u>	<u>\$ 10,140,192</u>	<u>\$ 2,164,697,389</u>

See notes to consolidated financial statements.

INATAI FOUNDATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS (LOSSES), AND OTHER SUPPORT:			
Investment return—net	\$ (350,719,148)	\$ 849,055	\$ (349,870,093)
Contributions	19,249		19,249
Other income—net	146,320		146,320
Net assets released from restrictions and reclassifications	<u>48,707</u>	<u>(48,707)</u>	<u>-</u>
Total revenues, gains (losses), and other support	<u>(350,504,872)</u>	<u>800,348</u>	<u>(349,704,524)</u>
EXPENSES:			
Grant expense	62,870,010		62,870,010
Salaries and benefits	7,003,521		7,003,521
Professional fees:			
Program strategy and grantee support	803,976		803,976
Lobbying	206,925		206,925
Information technology	199,837		199,837
Accounting, legal and human resources	317,128		317,128
Communications	1,101,446		1,101,446
Other	601,616		601,616
Board payments	277,875		277,875
Occupancy	211,028		211,028
Travel	278,375		278,375
Meetings and convenings	768,461		768,461
Employee costs	232,361		232,361
Insurance	71,349		71,349
Technology equipment and software	228,683		228,683
Other expenses	<u>203,370</u>		<u>203,370</u>
Total expenses	<u>75,375,961</u>	<u>-</u>	<u>75,375,961</u>
CHANGE IN NET ASSETS	(425,880,833)	800,348	(425,080,485)
NET ASSETS—Beginning of year	<u>2,435,126,933</u>	<u>9,741,473</u>	<u>2,444,868,406</u>
NET ASSETS—End of year	<u>\$2,009,246,100</u>	<u>\$ 10,541,821</u>	<u>\$2,019,787,921</u>

See notes to consolidated financial statements.

INATAI FOUNDATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 144,909,468	\$ (425,080,485)
Adjustments to reconcile change in net assets to cash flows used in operating activities:		
Realized loss (gain) on investments	9,258,158	(118,572,223)
Unrealized (gain) loss on investments	(235,950,576)	464,113,654
Depreciation	191,515	55,293
Noncash lease expense	305,542	(26,184)
Change in value of charitable gift annuities investments	73,775	43,647
Change in operating assets and liabilities:		
Investment receivable	(10,000,000)	
Other assets	(137,130)	(240,804)
Grants payable	(10,607,167)	7,725,809
Accounts payable and accrued liabilities	444,991	423,785
Charitable gift annuities	(20,846)	(39,835)
Lease liability	<u>2,769,532</u>	<u>26,289</u>
Net cash used in operating activities	<u>(98,762,738)</u>	<u>(71,571,054)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(5,463,014)	(211,973)
Purchase of investments	(248,577,756)	(549,540,038)
Proceeds from sale of investments	350,043,622	646,711,832
Withdrawal from charitable gift annuities portfolio	<u>21,447</u>	<u>264,652</u>
Net cash provided by investing activities	<u>96,024,299</u>	<u>97,224,473</u>
CASH FLOWS FROM FINANCING ACTIVITIES—Payments under charitable annuity agreements		
	<u>(96,549)</u>	<u>(80,783)</u>
Net cash used in financing activities	<u>(96,549)</u>	<u>(80,783)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	(2,834,988)	25,572,636
CASH AND CASH EQUIVALENTS—Beginning of year	<u>28,690,358</u>	<u>3,117,722</u>
CASH AND CASH EQUIVALENTS—End of year	<u>\$ 25,855,370</u>	<u>\$ 28,690,358</u>
SUPPLEMENTAL NONCASH ACTIVITY—Recognition of right-of-use operating lease assets in exchange lease liabilities		
	<u>\$ 6,912,549</u>	<u>\$ -</u>

See notes to consolidated financial statements.

INATAI FOUNDATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

1. NATURE OF ORGANIZATION

Inatai Foundation and its subsidiaries are composed of six legal entities—Inatai Foundation, a 501(c)(4) nonprofit corporation; Inatai Community Fund, a 501(c)(3) nonprofit corporation; Inatai Investment Management Co. LLC (IIMCO); Inatai Fund LP; Inatai Partners Fund LP; and Inatai Capital GP LLC (collectively, the “Foundation”).

Inatai Foundation (formerly Group Health Foundation) was incorporated on November 24, 2015. The organization was funded by the proceeds from Kaiser Foundation Health Plan of Washington’s acquisition of Group Health Cooperative, a transaction that was finalized in February 2017.

Inatai Community Fund (formerly GHF Community Fund) was incorporated on November 18, 1983. The organization’s resources consist primarily of donations from individuals who were connected to Group Health Cooperative.

Inatai Foundation and Inatai Community Fund are united under a single brand and pursue a shared mission of transforming the balance of power to ensure equity and racial justice across Washington and beyond.

IIMCO was formed on August 2, 2021. Inatai Foundation is the sole member of IIMCO. The purpose of IIMCO is to provide investment management-related services, on a cost-sharing basis, and in furtherance of Inatai Foundation’s mission.

Inatai Fund LP; Inatai Partners Fund LP; and Inatai Capital GP, LLC were incorporated on June 22, 2022. Inatai Foundation is the initial limited partner and Inatai Capital GP LLC is the general partner of Inatai Fund LP and Inatai Partners Fund LP. IIMCO is the sole member of Inatai Capital GP LLC. These entities were formed to build the proper structure to enable IIMCO to manage external capital if and when needed. The Foundation transferred all investment assets into Inatai Fund LP and Inatai Partners Fund LP during fiscal year 2022. As of December 31, 2023, Inatai Foundation was the only limited partner of Inatai Fund LP and Inatai Partners Fund LP.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation—The accompanying financial statements have been prepared on the accrual basis of accounting. These are in conformity with accounting principles generally accepted in the United States of America (US GAAP) applicable to not-for-profit organizations. All intercompany balances and transactions have been eliminated in consolidation.

Net Assets—The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Without Donor Restrictions—Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. These net assets may be used at the discretion of management and the board of directors of the Foundation and the

board of directors retain control to use the funds to achieve the Foundation's purpose. There were no board-designated amounts as of December 31, 2023 and 2022.

With Donor Restrictions—Net assets that are subject to donor-imposed restrictions, some of which are temporary in nature, such as those that are restricted for a particular purpose and that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are to maintain resources in perpetuity. This consists of endowment funds. Donor-restricted endowment funds represent funds that are subject to restrictions of gift instruments requiring that the principal be invested in perpetuity.

Contributions and Revenue Recognition—Revenues are reported as increases in net assets without donor restrictions, unless use of the related assets is limited by donor-imposed restrictions. Gains and losses on investments and other assets are reported as increases or decreases in net assets without donor restrictions, unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary donor restrictions are reported as reclassifications between the applicable classes of net assets.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are met. As of December 31, 2023 and 2022, there were no conditional contributions. Contributions of assets other than cash are recorded at their estimated fair value on the date contributed.

Endowment net assets are reported as net assets with donor restrictions as stipulated by the donor. They consist of the original principal to be held in perpetuity. Generally, net appreciation, realized and unrealized, unless restricted by the donor, is available for appropriation by the board of directors for the uses and purposes for which the endowment fund is intended.

Grant Expenses—Grant expense is recognized in the period the grant is approved, provided the grant is not subject to donor-imposed conditions. Conditional grants are recognized as grant expense and as a grant payable in the period in which the grantee meets the terms and conditions of the grant. As of December 31, 2023 and 2022, there were no conditional grants approved.

Grants payable that are expected to be paid in future years are recorded at the present value of expected future payments. As of December 31, 2023 and 2022, grants payable were discounted using the year-end risk-free rate for each year, which was 4.23% in 2023 and ranged from 4.22% to 4.41% in 2022.

Other Expenses—Other expenses primarily include miscellaneous general and administrative expenses, such as depreciation, office phone and internet, office supplies, advertising and promotion, and business and occupation taxes.

Use of Estimates—The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, the Foundation's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The Foundation's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

Cash and Cash Equivalents—Cash and cash equivalents consist of highly liquid investments with original maturities of three months or less. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments. At times throughout the year, the Foundation may maintain deposits with certain bank accounts in excess of the Federal Deposit Insurance Corporation insured limits. As of December 31, 2023 and 2022, such amounts totaled \$25,355,370 and \$27,690,358, respectively.

Fair Value Measurements—Investments are stated at fair value according to US GAAP, which requires that the valuation of investments reported at fair value be made in the context of market conditions as of the valuation date. Whenever available, quotations from organized securities exchanges are used as the basis for fair value. For investments not traded on organized exchanges, fair value estimates are provided by investment managers. For applicable investments, manager-reported net asset value (NAV) is used as a practical expedient to estimate fair value. Valuations provided by fund managers consider variables, such as the financial performance and sales of underlying investments and other pertinent information. In addition, actual market exchanges at year-end provide additional observable market inputs of the exit price. The Foundation reviews valuations and assumptions provided by fund managers for reasonableness and believes that the carrying amounts of these financial instruments are reasonable estimates of the fair value.

Based on the above, the three levels of the fair value hierarchy are as follows:

Level 1—Quoted prices in active markets for identical assets or liabilities. Active markets are those in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2—Pricing inputs are other-than-quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reporting date. Level 2 includes those financial instruments that are valued using models or other valuation methodologies. These models are primarily industry standard models that consider various assumptions, including quoted forward prices for commodities, time value, volatility factors, and current market and contractual prices for the underlying instruments, as well as other relevant economic measures. Substantially, all of these assumptions are observable in the marketplace throughout the full term of the instrument, can be derived from observable data, or are supported by observable levels at which transactions are executed in the marketplace.

Level 3—Pricing inputs include significant inputs that are generally unobservable from objective sources. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value.

Investment Expenses—External and direct internal investment expenses are classified within the consolidated statements of activities, net of investment return.

Property and Equipment—Purchased property and equipment are reported at cost. An asset is capitalized if it has a cost of \$5,000 or more and a useful life when acquired of more than one year. Routine maintenance and repairs are expensed as incurred. The cost of furniture, fixtures, and equipment, and the related accumulated depreciation, are removed from the accounts when sold or retired and the resulting gain or loss is recognized. Depreciation is provided over the estimated useful

life of each depreciable asset and is computed utilizing the straight-line method. The estimated useful lives of furniture, fixtures, and equipment are as follows:

Capital Asset	Useful Life
Computer hardware and software	3 years
Furniture and fixtures	7 years
Machinery and equipment	5–10 years
Leasehold improvements	Shorter of asset’s useful life or term of lease

Charitable Gift Annuities—The Foundation has received contributions conditioned upon the donors receiving current or deferred lifetime annuity payments. The Foundation has a contractual obligation for the annuity payments and is required under Washington law to set aside funds to meet the obligations or have minimal unrestricted net assets. The annuity obligations vary with the terms of the contract, including the age of the donor, the starting date of the annuity, and the assumed interest rate. The Foundation has set aside gift annuities reserves of \$428,165 and \$449,011 as of December 31, 2023 and 2022, respectively.

Leases—The Foundation determines if an arrangement is, or contains, a lease at inception. Leases are included in right-of-use (ROU) assets and lease liability in the statements of financial position. ROU assets and lease liability reflect the present value of the future minimum lease payments over the lease term. The ROU asset for each lease is recorded at the amount equal to the initial measurement of lease liability, adjusted for balances of prepaid rent, lease incentives received, and initial direct costs incurred. For all of the Foundation’s leases active during the year, the Foundation has, as an accounting policy election, used the risk-free discount rate for the calculation of lease liability. The Foundation does not report ROU assets and leases liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

Federal Income Tax—Inatai Foundation is a not-for-profit corporation and has been recognized as tax exempt pursuant to Section 501(c)(4) of the Internal Revenue Code (IRC). Inatai Community Fund is a not-for-profit corporation and has been recognized as tax exempt pursuant to Section 501(c)(3) of the IRC. Inatai Foundation and Inatai Community Fund are exempt from federal income tax with the exception of any unrelated business taxable income as defined under IRC Sections 511 through 515. IIMCO and Inatai Capital GP LLC are limited liability companies. The Foundation accounts for uncertain tax positions whereby the effect of the uncertainty would be recorded if the outcome was considered probable and estimable. The Foundation had no uncertain tax positions as of December 31, 2023 and 2022. The federal income tax return has a three-year statute of limitation and the Washington return has a four-year statute of limitations from the latter of a) the due date of the return or b) the date the return is filed. The federal tax returns are subject to examination from 2020–2022 and state income tax returns are subject to examination from 2019–2022.

Recently Adopted Accounting Pronouncements—In June 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. This ASU provides guidance on how to estimate credit losses on financial assets and requires the immediate recognition of estimated expected credit losses over the life of a financial instrument. The current expected credit loss model requires entities to consider current conditions and reasonable and supportable forecasts in developing an estimate of expected credit losses on their receivables and other financial assets. The Foundation

implemented the provisions of ASU No. 2016-13 as of January 1, 2023. The implementation did not have a material impact on the Foundation’s financial statements.

3. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes as of December 31, 2023 and 2022:

	2023	2022
Donor-restricted endowments subject to spending policy and appropriation, to support the following purposes (including net accumulated earnings):		
General endowment	\$ 4,127,691	\$ 4,766,208
Calder Miles Endowment to Support Foundation Activity	182,249	174,301
Children’s Health Care Initiatives Endowment	4,955,112	4,767,960
Aubrey and Henrietta Davis Endowment for Governance Support	786,050	749,008
Ruth Sinton Endowment to Support Foundation Programs	<u>89,090</u>	<u>84,344</u>
	<u>\$ 10,140,192</u>	<u>\$ 10,541,821</u>

4. ENDOWMENT

The Foundation’s endowment consists of multiple endowment funds, which are exclusively held by Inatai Community Fund and are donor-restricted endowments. As required by US GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law—The board of directors interpreted the enacted version of Washington State’s Uniform Prudent Management of Institutional Funds Act (WA-UPMIFA) as requiring the prudent management of donor-restricted gifts based on the spending and other investment policies of the Foundation, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classified the following amounts, which are retained in perpetuity, as net assets with donor restrictions in the financial statements:

- The fair value of the gifts donated to the donor-restricted endowment.
- Accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument or statute at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment funds that is not required to be held in perpetuity consisting of accumulated investment gains and losses are included in net assets with donor restrictions, until those amounts are appropriated to the Foundation in a manner consistent with the donor stipulations.

In accordance with WA-UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund,
- The purpose of the donor-restricted endowment fund,
- General economic conditions,

- The possible effect of inflation and deflation,
- The expected total return from income and the appreciation of investments,
- Other resources of the Foundation, and
- The investment policies of the Foundation.

Endowment Spending Policy—It is the goal of the Foundation to provide annual distributions based on donor intent. The Foundation’s board of directors will approve the maximum endowment allocation. From this allocation, the Foundation may choose to allocate up to 1% of the total market value of the endowment as a management fee for the year. Total spending, including management fee and spending allocations, cannot exceed 5%.

Investment Objective—The investment objective is to rely on diversification of investment instruments, asset classes, investment styles, and philosophies to achieve a balance between three goals:

- Preserve capital to maintain safety of principal,
- Protect long-term purchasing power, and
- Provide liquidity to meeting funding needs for fulfilling its mission.

Asset Allocation—The Foundation recognizes that the strategic allocation of assets across broadly defined financial asset and specific investment classes is important in reducing the volatility of the portfolio and in achieving its performance objectives. Investment decisions shall be made within the confines of the investment policy for optimizing the total rate of return, keeping in mind the desirability of limiting year-to-year risk of income and market fluctuations. Considering the Foundation’s return objectives and risk tolerance, the board of directors set the general asset allocation rules that detail the asset mix between equity and fixed income for each pool.

Funds with Deficiencies—From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or WA-UPMIFA requires the Foundation to retain as a fund of perpetual duration. Deficiencies result from unfavorable market fluctuations that occur after the investment of permanently restricted contributions. There were no such deficiencies as of December 31, 2023 and 2022.

The Foundation’s endowment net asset composition as of December 31, 2023 and 2022, is as follows:

	2023	2022
Original donor-restricted gift amount	\$ 4,848,839	\$ 4,848,839
Accumulated investment gains and expenses	<u>5,291,353</u>	<u>5,692,982</u>
Total	<u>\$ 10,140,192</u>	<u>\$ 10,541,821</u>

The changes in the Foundation's endowment net assets for the years ended December 31, 2023 and 2022, are as follows:

	2023	2022
Beginning net asset balance	\$ 10,541,821	\$ 9,741,473
Investment return	501,080	849,055
Amounts appropriated for expenditure	<u>(902,709)</u>	<u>(48,707)</u>
Total	<u>\$ 10,140,192</u>	<u>\$ 10,541,821</u>

5. FUNCTIONAL EXPENSES

The costs of program and supporting activities have been summarized in the consolidated statements of activities. Program activities consist of grantmaking, community engagement, grantee convenings, and other activities in support of the Foundation's mission. The expense analysis in the table below presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting activities benefited. The financial statements report certain categories of expenses that are attributed to more than one program or support function. The expenses that are allocated include salaries and benefits, which are allocated based on estimated time spent on program or general and administrative tasks. Other costs are classified in each functional category based on the underlying purpose of each transaction.

Functional expenses for the years ended December 31, 2023 and 2022, are summarized as follows:

Year Ended December 31, 2023	Program Activities	<u>Supporting Activities</u>	Total Expenses
		Management and General	
Grant expense	\$ 65,246,854	\$ -	\$ 65,246,854
Salaries and benefits	5,783,268	3,506,613	9,289,881
Professional fees:			
Program strategy and grantee support	284,005	54,879	338,884
Lobbying	166,580		166,580
Information technology		174,672	174,672
Accounting, legal, human resources		376,249	376,249
Communications	8,543	849,826	858,369
Other	411,730	457,542	869,272
Board payments		380,250	380,250
Occupancy	247,246	139,016	386,262
Travel	175,097	377,861	552,958
Meetings and convenings	383,004	685,152	1,068,156
Employee costs	18,250	275,462	293,712
Insurance		90,991	90,991
Technology equipment and software	12,457	290,287	302,744
Other expenses	<u>14,201</u>	<u>315,942</u>	<u>330,143</u>
Total expenses	<u>\$ 72,751,235</u>	<u>\$ 7,974,742</u>	<u>\$ 80,725,977</u>

Year Ended December 31, 2022	Program Activities	Supporting Activities	
		Management and General	Total Expenses
Grant expense	\$ 62,870,010	\$ -	\$ 62,870,010
Salaries and benefits	4,301,340	2,702,181	7,003,521
Professional fees:			
Program strategy and grantee support	702,652	101,324	803,976
Lobbying	206,925		206,925
Information technology		199,837	199,837
Accounting, legal, human resources		317,128	317,128
Communications	138,257	963,189	1,101,446
Other	369,450	232,166	601,616
Board payments		277,875	277,875
Occupancy		211,028	211,028
Travel	109,512	168,863	278,375
Meetings and convenings	431,249	337,212	768,461
Employee costs	17,279	215,082	232,361
Insurance		71,349	71,349
Technology equipment and software	8,378	220,305	228,683
Other expenses	<u>7,763</u>	<u>195,607</u>	<u>203,370</u>
Total expenses	<u>\$ 69,162,815</u>	<u>\$ 6,213,146</u>	<u>\$ 75,375,961</u>

6. INVESTMENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS

Investments consist of a long-term portfolio of assets that invests primarily in investment funds, limited partnerships, limited liability companies, or non-US corporations, which provide exposure to a broad array of financial instruments and markets. These are classified according to the investment strategy of the underlying investment fund.

In the normal course of business, the investment funds trade various financial instruments and enter into various investment activities with significant investment risk. These include, but are not limited to, short-selling activities, written options contracts, and equity swaps. Further, investments are subject to interest rate, currency, liquidity, regulatory, market, and credit risks. Due to the level of risk associated with certain investment securities, valuation changes may occur in the near term and such changes may materially affect the Foundation's financial statements.

The following list describes the various investment strategies.

Money Market—Cash product that offers daily liquidity. Assets are held in actively traded interest-bearing money market accounts and are categorized as Level 1.

Investment Redemption Receivables—The equity balance was redeemed from the investment managers on December 31, 2023, amounting to \$10,000,000; however, the cash proceeds were still pending and receivable until January 2024.

Commingled Bond Fund—This strategy holds publicly traded fixed-income bond funds that offer daily liquidity. These are valued at the closing price reported on the major market on which the individual securities are traded and, as such, they are categorized as Level 1.

Comingled Equity Fund—This strategy holds an exchange-traded fund that offers daily liquidity. These are valued at the closing price reported on the major market on which the individual securities are traded or have reported broker trades that may be considered indicative of an active market. To the extent that the values are actively quoted on a public exchange, they are categorized as Level 1.

Common Stocks and Mutual Funds—This strategy is valued at the closing price reported on a major public exchange on which the individual securities are traded. Common stocks and mutual funds are generally classified within Level 1 of the valuation hierarchy.

Commodities—Commodities are tangible assets and are recorded at fair value using quotes market prices or relevant broker quotes and are classified within Level 1 of the valuation hierarchy.

Credit Funds—This strategy includes funds and managers who pursue idiosyncratic investment opportunities, including credit-related investments, across a broad spectrum of markets, both in the United States and internationally. Investments in this strategy are subject to lock-ups ranging from 1–5 years with redemption notice periods of 45–90 days. As a practical expedient, the Foundation measures the fair value of its investment funds as its pro rata interest in the NAV of such investment funds as reported by the respective external fund manager.

Public Equity Investments—These funds consist of investments in US and international common stocks and long and short equity positions across various markets. As a practical expedient, the Foundation measures the fair value of its investment funds as its pro rata interest in the NAV of such investment funds as reported by the respective external fund manager.

Long Biased—This strategy includes funds that hold long positions in common stocks across both US equity and international equity markets. Investments in this strategy are subject to lock-ups ranging from 1–5 years from the date of investment with redemption notice periods of 30–180 days.

Long/Short—This strategy includes funds that are invested in equity positions that are long and short across a broad range of markets. Investments in this strategy are subject to lock-ups ranging from 1–2 years from the date of investment with redemption notice periods of 45–120 days.

Private Equity Investments—These investments are typically in the form of limited partnership interests that are nonredeemable. Commitments are made to the partnership and are drawn down during the investment period of one to seven years. Periodic distributions may be made at the investment managers' discretion as underlying portfolio assets are liquidated. As a practical expedient, the Foundation measures the fair value of its investment funds as its pro rata interest in the NAV of such investment funds as reported by the respective external fund manager. Unfunded commitments related to private equity investments as of December 31, 2023 and 2022, are as follows:

	Unfunded Commitments	
	2023	2022
Private credit	\$ 18,128,018	\$ 4,666,667
Private equity buyout	56,598,357	66,630,426
Private equity growth	95,581,063	59,519,910
Private equity real estate	43,648,383	51,025,031
Private equity venture capital	<u>142,381,226</u>	<u>108,266,427</u>
	<u>\$ 356,337,047</u>	<u>\$ 290,108,461</u>

Private Credit—This strategy includes funds that invest in corporate loans and collateralized loan obligations.

Private Equity Buyout—This strategy includes funds that invest in leveraged buyouts, subordinated debt, and other situations.

Private Growth Equity—This strategy includes funds that invest in late-stage private companies that are typically generating proven revenue streams and looking for capital to expand operations.

Private Equity Real Estate—This strategy includes investments with exposures to commercial and residential real estate and land.

Private Equity Venture Capital—This strategy includes funds that invest in early-stage private companies across a broad range of sectors and geographies. Assets valued based on cost or valuations provided by current transactions of funds holding the same asset are categorized as Level 3. All other assets are measured, as a practical expedient, at the Foundation’s pro rata interest in the NAV of such investment funds as reported by the respective external fund manager.

Derivative Instruments—The Foundation utilizes derivative contracts that serve as a component of the investment strategy for risk management purposes and to gain opportunity-based market exposure. The fair value of these derivative instruments is included in the investments line item in the consolidated statements of financial position. Changes in fair value are included in investment return—net within the consolidated statements of activities.

While the Foundation may enter into derivative transactions to reduce risk and gain market exposure, the instruments themselves do involve investment and counterparty risk in amounts greater than what is reflected in the Foundation’s financial statements. The Foundation may determine not to economically hedge against certain risks and the investment portfolio will always be exposed to certain risks that cannot be hedged.

The Foundation has entered into put and call spread collar options positions and International Index Futures and International Index Futures options positions to hedge passive equity and gain market exposure. The Foundation records the assets or liabilities associated with derivative instruments at the fair value based on Level 2 inputs. The following presents the gross investment derivative assets and liabilities reported on a net basis as of December 31, 2023 and 2022:

	2023	2022
Derivative assets— futures	<u>\$ 226,399</u>	<u>\$ -</u>
Net futures	<u>\$ 226,399</u>	<u>\$ -</u>

The net gains on put and call options were \$715,109 and \$2,868,518 during the years ended December 31, 2023 and 2022, respectively. The net gains on futures contracts were \$1,827,253 during the year ended December 31, 2023.

Fair Value—Fair values of assets measured as of December 31, 2023 and 2022, are as follows:

December 31, 2023	Fair Value	Level 1	Level 2	Level 3	NAV as Practical Expedient
Fund investments:					
Money market	\$ 31,477,541	\$ 31,477,541	\$ -	\$ -	\$ -
Common stock	4,502,004	4,502,004			
Futures contracts	226,399		226,399		
Credit funds	363,674,070				363,674,070
Public equity long biased	1,076,865,034				1,076,865,034
Public equity long/short	165,773,305				165,773,305
Private Equity Investments:					
Private credit	191,654,193				191,654,193
Private equity buyout	92,176,604				92,176,604
Private growth equity	65,990,215				65,990,215
Private equity real estate	74,146,138				74,146,138
Private equity venture capital	<u>112,602,124</u>			<u>4,999,997</u>	<u>107,602,127</u>
Total	<u>\$ 2,179,087,627</u>	<u>\$ 35,979,545</u>	<u>\$ 226,399</u>	<u>\$ 4,999,997</u>	<u>\$ 2,137,881,686</u>
Charitable gift annuities:					
Money market	\$ 19,610	\$ 19,610	\$ -	\$ -	\$ -
Mutual funds:					
Equity funds	508,860	508,860			
Bond funds	216,157	216,157			
Commodities	<u>33,175</u>	<u>33,175</u>			
Total	<u>\$ 777,802</u>	<u>\$ 777,802</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
December 31, 2022					
Fund investments:					
Money market	\$ 97,240,467	\$ 97,240,467	\$ -	\$ -	\$ -
Commingled bond fund	49,705,851	49,705,851			
Commingled equity fund	67,913,832	67,913,832			
Credit funds	286,834,109				286,834,109
Public equity long biased	823,451,357				823,451,357
Public equity long/short	275,502,522				275,502,522
Private equity investments:					
Private credit	163,848,567				163,848,567
Private equity buyout	79,308,355				79,308,355
Private growth equity	55,091,355				55,091,355
Private equity real estate	64,068,600				64,068,600
Private equity venture capital	<u>90,896,060</u>			<u>4,999,997</u>	<u>85,896,063</u>
Total	<u>\$ 2,053,861,075</u>	<u>\$ 214,860,150</u>	<u>\$ -</u>	<u>\$ 4,999,997</u>	<u>\$ 1,834,000,928</u>
Charitable gift annuities:					
Money market	\$ 32,241	\$ 32,241	\$ -	\$ -	\$ -
Mutual funds:					
Equity funds	525,049	525,049			
Bond funds	179,372	179,372			
Commodities	<u>39,813</u>	<u>39,813</u>			
Total	<u>\$ 776,475</u>	<u>\$ 776,475</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

During the years ended December 31, 2023 and 2022, the Foundation purchased \$0 and \$4,999,997, respectively, of investments classified as Level 3. There were no transfers in and out of Level 3 during the years ended December 31, 2023 and 2022.

7. LIQUIDITY AND AVAILABILITY

The Foundation regularly monitors liquidity required to meet its operating needs, liabilities, and other obligations as they become due. As of December 31, 2023 and 2022, the Foundation has ample cash, cash equivalents, and investments to cover operating expenses. The following assets could be readily made available within one year of the consolidated statements of financial position to meet general expenditures:

	2023	2022
Financial assets:		
Cash and cash equivalents	\$ 25,855,370	\$ 28,690,358
Investments	2,179,087,627	2,053,861,075
Investment receivable	10,000,000	
Charitable gift annuities investments	777,802	776,475
Less those unavailable for general expenditures within one year due to:		
Investments not redeemable within one year	(1,081,788,310)	(891,052,420)
Restricted by donor with time or purpose restrictions	(10,140,192)	(10,541,821)
Charitable gift annuities	<u>(428,165)</u>	<u>(449,011)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,123,364,132</u>	<u>\$1,181,284,656</u>

8. PROPERTY AND EQUIPMENT—NET

A summary of property and equipment as of December 31, 2023 and 2022, are as follows:

	2023	2022
Computer equipment and software	\$ 117,898	\$ 194,042
Furniture and fixtures	753,964	30,335
Equipment	10,692	10,692
Art	106,541	8,422
Leasehold improvements	<u>4,961,658</u>	<u>340,285</u>
	5,950,753	583,776
Less accumulated depreciation	<u>(314,889)</u>	<u>(219,411)</u>
Property and equipment—net	<u>\$ 5,635,864</u>	<u>\$ 364,365</u>

Depreciation expense was \$191,515 and \$55,293 for the years ended December 31, 2023 and 2022, respectively.

9. RETIREMENT PLAN

The Foundation has a defined contribution 401(k) plan, which covers employees who meet certain eligibility requirements. Employees make voluntary contributions to the plan subject to Internal Revenue Service (IRS) limits. The Foundation has elected a safe harbor 401(k) nonelective contribution (7% of employee compensation) and a safe harbor 401(k) matching contribution (100% of the first 3% of employee compensation contributed to the plan).

In addition, the Foundation has a 457(b) deferred compensation plan, which covers highly compensated employees who meet certain eligibility requirements. Employees make voluntary contributions to the plan subject to IRS limits. The Foundation has elected to contribute 10% of employee compensation in excess of the IRC Section 401(c)(17) annual limit, which were \$330,000 and \$305,000 for the years ended December 31, 2023 and 2022, respectively.

Retirement plan benefit expense under the 401(k) plan and 457(b) plans totaled \$733,605 and \$481,872 for the years ended December 31, 2023 and 2022, respectively.

10. GRANTS PAYABLE—NET

Multiyear grants as of December 31, 2023 and 2022, are scheduled to be paid as follows:

Years Ending December 31	2023
2024	\$ 38,103,750
2025	<u>13,975,000</u>
Total grants payable	52,078,750
Discounts on grants payable	<u>(1,111,287)</u>
Grants payable—net	<u>\$ 50,967,463</u>
Years Ending December 31	2022
2023	\$ 49,450,000
2024	13,025,000
2025	<u>200,000</u>
Total grants payable	62,675,000
Discounts on grants payable	<u>(1,100,370)</u>
Grants payable—net	<u>\$ 61,574,630</u>

11. COMMITMENTS AND CONTINGENCIES

The Foundation may be party to various legal actions in the ordinary course of business. In the opinion of management, the outcome of these matters would not have a material effect on the financial statements.

12. SUBSEQUENT EVENTS

IIMCO, which manages Inatai Fund, LP and Inatai Partners Fund, LP, became a Registered Investment Advisor (RIA) with the Securities Exchange Commission as of March 6, 2024. The RIA registration was required in order to manage external capital and IIMCO accepted its first external investor on April 1, 2024.

The Foundation has evaluated subsequent events through July 23, 2024, which is the date the financial statements were available to be issued, and concluded that there were no other events or transactions that needed to be disclosed or recorded.

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SUPPLEMENTARY CONSOLIDATING INFORMATION

INATAI FOUNDATION AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2023

	Inatai Foundation	Inatai Community Fund	Eliminations	Consolidated Total
ASSETS				
CASH AND CASH EQUIVALENTS	\$ 25,619,947	\$ 235,423	\$ -	\$ 25,855,370
DUE FROM INATAI COMMUNITY FUND	259,843		(259,843)	-
INVESTMENTS	2,163,308,202	15,779,425		2,179,087,627
INVESTMENT RECEIVABLE	10,000,000			10,000,000
OTHER ASSETS	683,983	10,016		693,999
PROPERTY AND EQUIPMENT—Net	5,635,864			5,635,864
RIGHT-OF-USE ASSETS	6,864,938			6,864,938
CHARITABLE GIFT ANNUITIES INVESTMENTS		<u>777,802</u>		<u>777,802</u>
TOTAL ASSETS	<u>\$2,212,372,777</u>	<u>\$16,802,666</u>	<u>\$(259,843)</u>	<u>\$2,228,915,600</u>
LIABILITIES AND NET ASSETS				
LIABILITIES:				
Grants payable—net	\$ 50,967,463	\$ -	\$ -	\$ 50,967,463
Due to Inatai Foundation		259,843	(259,843)	-
Accounts payable and accrued liabilities	2,880,785			2,880,785
Lease liability	9,941,798			9,941,798
Charitable gift annuities		<u>428,165</u>		<u>428,165</u>
Total liabilities	<u>63,790,046</u>	<u>688,008</u>	<u>(259,843)</u>	<u>64,218,211</u>
NET ASSETS:				
Without donor restrictions	2,148,582,731	5,974,466		2,154,557,197
With donor restrictions		<u>10,140,192</u>		<u>10,140,192</u>
Total net assets	<u>2,148,582,731</u>	<u>16,114,658</u>	<u>-</u>	<u>2,164,697,389</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$2,212,372,777</u>	<u>\$16,802,666</u>	<u>\$(259,843)</u>	<u>\$2,228,915,600</u>

INATAI FOUNDATION AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2023

	Inatai Foundation			Inatai Community Fund			Consolidated Total		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT:									
Investment return—net	\$ 223,948,727	\$ -	\$ 223,948,727	\$ 1,163,573	\$ 501,080	\$ 1,664,653	\$ 225,112,300	\$ 501,080	\$ 225,613,380
Contributions				14,088		14,088	14,088		14,088
Other income—net	7,838		7,838	139		139	7,977		7,977
Net assets released from restrictions and reclassifications				902,709	(902,709)		902,709	(902,709)	-
Total revenues, gains and other support	<u>223,956,565</u>	<u>-</u>	<u>223,956,565</u>	<u>2,080,509</u>	<u>(401,629)</u>	<u>1,678,880</u>	<u>226,037,074</u>	<u>(401,629)</u>	<u>225,635,445</u>
EXPENSES:									
Grant expense	64,390,431		64,390,431	856,423		856,423	65,246,854		65,246,854
Salaries and benefits	9,250,427		9,250,427	39,454		39,454	9,289,881		9,289,881
Professional fees:									
Program strategy and grantee support	338,884		338,884				338,884		338,884
Lobbying	166,580		166,580				166,580		166,580
Information technology	174,672		174,672				174,672		174,672
Accounting, legal, human resources	372,249		372,249	4,000		4,000	376,249		376,249
Communications	858,369		858,369				858,369		858,369
Other	869,272		869,272				869,272		869,272
Board payments	380,250		380,250				380,250		380,250
Occupancy	386,262		386,262				386,262		386,262
Travel	552,958		552,958				552,958		552,958
Meetings and convenings	1,068,156		1,068,156				1,068,156		1,068,156
Employee costs	293,712		293,712				293,712		293,712
Insurance	90,991		90,991				90,991		90,991
Technology equipment and software	302,744		302,744				302,744		302,744
Other expenses	319,816		319,816	10,327		10,327	330,143		330,143
Total expenses	<u>79,815,773</u>	<u>-</u>	<u>79,815,773</u>	<u>910,204</u>	<u>-</u>	<u>910,204</u>	<u>80,725,977</u>	<u>-</u>	<u>80,725,977</u>
CHANGE IN NET ASSETS	144,140,792	-	144,140,792	1,170,305	(401,629)	768,676	145,311,097	(401,629)	144,909,468
NET ASSETS—Beginning of year	<u>2,004,441,939</u>		<u>2,004,441,939</u>	<u>4,804,161</u>	<u>10,541,821</u>	<u>15,345,982</u>	<u>2,009,246,100</u>	<u>10,541,821</u>	<u>2,019,787,921</u>
NET ASSETS—End of year	<u>\$2,148,582,731</u>	<u>\$ -</u>	<u>\$2,148,582,731</u>	<u>\$5,974,466</u>	<u>\$10,140,192</u>	<u>\$16,114,658</u>	<u>\$2,154,557,197</u>	<u>\$10,140,192</u>	<u>\$2,164,697,389</u>