

**THE HEISING-SIMONS FOUNDATION  
(A NONPROFIT ORGANIZATION)**

**DECEMBER 31, 2021 AND 2020**

---

INDEPENDENT AUDITORS' REPORT AND  
CONSOLIDATED FINANCIAL STATEMENTS

**The Heising-Simons Foundation**  
(A Nonprofit Organization)

**Independent Auditors' Report and  
Consolidated Financial Statements**

---

<b>Independent Auditors' Report</b>	1 - 2
<b>Consolidated Financial Statements</b>	
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities and Changes in Net Assets	4
Consolidated Statement of Functional Expenses	5
Consolidated Statement of Cash Flows	6
Notes to the Consolidated Financial Statements	7 - 20



A Century Strong

## Independent Auditors' Report

THE BOARD OF DIRECTORS  
THE HEISING-SIMONS FOUNDATION  
Los Altos, California

### Opinion

We have audited the consolidated financial statements of **THE HEISING-SIMONS FOUNDATION (the Foundation)** which comprise the consolidated statement of financial position as of December 31, 2021 and 2020, the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Foundation as of December 31, 2021 and 2020, and 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 Auditors' Responsibilities for the Audit of the Consolidated 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 of this report.

## **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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.

*Hood & Strong LLP*

San Francisco, California  
October 20, 2022

**The Heising-Simons Foundation**  
(A Nonprofit Organization)

**Consolidated Statement of Financial Position**

<i>December 31,</i>	2021	2020
<b>Assets</b>		
Cash and equivalents	\$ 733,030	\$ 4,068,775
Investments, at fair value	856,436,379	699,039,857
Investments in transit	-	39,915,960
Program-related investments, net	2,427,401	2,318,767
Prepaid expenses and other assets	1,484,093	1,160,258
Prepaid excise taxes	452,098	452,098
Accounts receivable from affiliate	21,448	47,539
Leasehold improvements and equipment, net of accumulated depreciation	4,769,849	5,850,332
Security deposits	143,011	143,011
<b>Total assets</b>	<b>\$ 866,467,309</b>	<b>\$ 752,996,597</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Accounts payable and accrued expenses	\$ 2,987,287	\$ 2,425,773
Direct charitable activities payable	1,401,214	2,640,152
Grants payable, net of discounts	48,033,056	50,427,330
Deferred excise taxes payable	4,424,000	4,078,000
<b>Total liabilities</b>	<b>56,845,557</b>	<b>59,571,255</b>
<b>Net Assets Without Donor Restrictions</b>	<b>809,621,752</b>	<b>693,425,342</b>
<b>Total liabilities and net assets</b>	<b>\$ 866,467,309</b>	<b>\$ 752,996,597</b>

See accompanying notes to the consolidated financial statements.

**The Heising-Simons Foundation**  
(A Nonprofit Organization)

**Consolidated Statement of Activities and Changes in Net Assets**

<i>Years Ended December 31,</i>	2021	2020
<b>Revenues and Support:</b>		
Contributions	\$ 50,000,000	\$ 50,000,000
Investment income, net:		
Net realized gains on investments	193,929,256	139,129,952
Net unrealized gains on investments	30,097,687	120,700,759
Interest and dividend income	916,395	1,596,503
Management fees	(1,176,556)	(1,342,018)
Net investment income before Federal excise taxes	223,766,782	260,085,196
Less: Federal excise tax expense	5,507,981	3,546,000
<b>Total revenues and support</b>	<b>268,258,801</b>	<b>306,539,196</b>
<b>Expenses:</b>		
Program services:		
Grants to charitable organizations	134,769,782	126,674,043
Other program expenses	12,839,573	11,730,143
Total program services	147,609,355	138,404,186
Management and general	4,453,036	4,033,240
<b>Total expenses</b>	<b>152,062,391</b>	<b>142,437,426</b>
<b>Increase in Net Assets</b>	<b>116,196,410</b>	<b>164,101,770</b>
<b>Net Assets, Without Donor Restrictions - beginning of year</b>	<b>693,425,342</b>	<b>529,323,572</b>
<b>Net Assets, Without Donor Restrictions - end of year</b>	<b>\$ 809,621,752</b>	<b>\$ 693,425,342</b>

See accompanying notes to the consolidated financial statements.

**The Heising-Simons Foundation**  
(A Nonprofit Organization)

**Consolidated Statement of Functional Expenses**

*Years Ended December 31, 2021 and 2020*

	2021		
	Program Services	Management and General	2021 Total
Grants to charitable organizations	\$ 134,769,782		\$ 134,769,782
Salaries and wages	6,435,969	\$ 1,985,845	8,421,814
Salary related expenses	2,436,647	813,276	3,249,923
Professional services and program consultants	1,016,149	598,462	1,614,611
Facilities	2,398,389	747,312	3,145,701
Operations	108,246	94,064	202,310
Equipment, hardware, and software	223,933	96,578	320,511
Membership and licenses	132,029	14,710	146,739
Insurance	-	28,659	28,659
Travel, meetings, and professional development	88,211	74,130	162,341
	<b>\$ 147,609,355</b>	<b>\$ 4,453,036</b>	<b>\$ 152,062,391</b>

  

	2020		
	Program Services	Management and General	2020 Total
Grants to charitable organizations	\$ 126,674,043		\$ 126,674,043
Salaries and wages	5,087,506	\$ 1,563,602	6,651,108
Salary related expenses	2,827,452	933,783	3,761,235
Professional services and program consultants	1,121,975	375,106	1,497,081
Facilities	2,276,798	784,135	3,060,933
Operations	92,966	144,310	237,276
Equipment, hardware, and software	198,807	92,675	291,482
Membership and licenses	5,034	38,445	43,479
Insurance	-	31,870	31,870
Travel, meetings, and professional development	119,605	69,314	188,919
	<b>\$ 138,404,186</b>	<b>\$ 4,033,240</b>	<b>\$ 142,437,426</b>

See accompanying notes to the consolidated financial statements.

**The Heising-Simons Foundation**  
(A Nonprofit Organization)

**Consolidated Statement of Cash Flows**

<i>Years Ended December 31,</i>	2021	2020
<b>Cash Flows from Operating Activities:</b>		
Increase in net assets	\$ 116,196,410	\$ 164,101,770
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	1,171,933	1,159,549
Net realized gains on investments	(193,929,256)	(139,129,952)
Net unrealized gains on investments	(30,097,687)	(120,700,759)
Program-related investment discount amortization	85,640	(75,000)
Gain on proceeds from program-related investment	(194,274)	
Grants payable discount amortization	(236,277)	473,646
Changes in:		
Prepaid expenses and other assets	(323,835)	5,620
Prepaid excise taxes	-	(228,298)
Accounts receivable from affiliate	26,091	(47,539)
Accounts payable and accrued expenses	561,514	162,047
Direct charitable activities payable	(1,238,938)	(43,915)
Grants payable	(2,157,997)	(5,656,371)
Deferred excise taxes payable	346,000	1,595,000
<b>Net cash used by operating activities</b>	<b>(109,790,676)</b>	<b>(98,384,202)</b>
<b>Cash Flows from Investing Activities:</b>		
Purchases of leasehold improvements and equipment	(91,450)	(11,276)
Investments in transit	39,915,960	(2,288,107)
Proceeds from sale of investments	449,586,693	321,771,645
Proceeds from program-related investment	2,500,000	-
Purchases of investments	(382,956,272)	(226,283,287)
Purchase of program-related investment	(2,500,000)	-
<b>Net cash provided by investing activities</b>	<b>106,454,931</b>	<b>93,188,975</b>
<b>Net Change in Cash and Equivalents</b>	<b>(3,335,745)</b>	<b>(5,195,227)</b>
<b>Cash and Equivalents, beginning of year</b>	<b>4,068,775</b>	<b>9,264,002</b>
<b>Cash and Equivalents, end of year</b>	<b>\$ 733,030</b>	<b>\$ 4,068,775</b>
<b>Supplemental Disclosure:</b>		
Federal excise paid, net of refunds	\$ 5,161,981	\$ 2,179,298

See accompanying notes to the consolidated financial statements.



**The Heising-Simons Foundation**  
**(A Nonprofit Organization)**

**Notes to the Consolidated Financial Statements**

---

**Note 1 - Organization and Summary of Significant Accounting Policies:**

a. Organization

The Heising-Simons Foundation (the “Foundation”) was organized in 2007 under the Nonprofit Public Benefit Corporation Law for charitable purposes. The specific charitable focus of the Foundation is to make grants and perform direct charitable activities for sustainable solutions in climate and clean energy, research in science, enhancing the education of our youngest learners, and supporting human rights for all people.

In 2016, the Foundation established a single member California limited liability company (the Company) with the Foundation as the sole member. The Company was formed for the purpose of making investments in various investment vehicles. The Company has been consolidated with the Foundation’s financial statements.

b. Basis of Accounting and Consolidation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), which recognizes revenue when earned and expenses when incurred and reflect all significant receivables, payables and other liabilities. The consolidated financial statements include the financial statements of the Foundation and the Company. All intercompany transactions and balances have been eliminated.

c. Net Assets

Net assets, revenues, gain and losses are classified based on the existence or absence of donor-imposed restrictions. Net assets without donor restrictions are those that are not restricted by donor-imposed stipulations. There were no net assets with donor restrictions as of December 31, 2021 and 2020.

d. Cash and Cash Equivalents

For purposes of the Consolidated Statement of Cash Flows, the Foundation considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Cash and cash equivalents principally include cash in banks and money market funds except those held for investment purposes.

**The Heising-Simons Foundation**  
(A Nonprofit Organization)

**Notes to the Consolidated Financial Statements**

---

e. Investments

Investments are reported at fair value. Investments in corporate bonds and U.S. Treasuries are carried at fair value, based upon published market values, and all realized and unrealized gains and losses are reported in the Consolidated Statement of Activities and Changes in Net Assets.

In addition, the Foundation reports certain investments using the Net Asset Value (NAV) per share as determined by the investment funds in which the Foundation is invested under the so-called “practical expedient.” The practical expedient allows net asset value per share to represent fair value for reporting purposes when the criteria for using this method are met.

f. Fair Value Measurements

The Foundation carries certain assets and liabilities at fair value. Fair value is defined as the price that would be received if selling an asset or paid if transferring a liability in an orderly transaction between market participants at the measurement date.

Fair value measurement standards also require the Foundation to classify these financial instruments into a three-level hierarchy. The Foundation classifies its financial assets and liabilities according to the three levels, which maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

Level 1 - Inputs are unadjusted quoted market prices for identical assets or liabilities in active markets that the entity has the ability to access at the measurement date.

Level 2 - Inputs are quoted prices for similar assets or liabilities in active markets, or identical assets or liabilities in inactive markets, or by observable market data by correlation or other means.

Level 3 - Unobservable inputs for the asset or liability that are not corroborated by market data.

g. Investments in Transit

Investments in transit consist of funds that are in the process of being liquidated from or transferred to investment accounts.

h. Program-Related Investments

Program-related investments are strategic funding for the specific objective of furthering the Foundation’s charitable purpose and may be in the form of a loan or an equity investment. Debt investments are carried at cost, unless it is determined that a discount is material to the Foundation’s consolidated financial statements. Equity investments are also carried at cost.

**The Heising-Simons Foundation**  
(A Nonprofit Organization)

**Notes to the Consolidated Financial Statements**

---

These investments are evaluated for impairment annually and written down if appropriate. Management reviewed the collectability of the program-related investments and determined no allowance was necessary as of December 31, 2021 or 2020. Interest on the program-related investments loans receivable is generally charged at below-market rates. The Foundation's loans receivable are recorded at the time a loan is agreed to by both parties.

The program-related investment loan receivable on December 31, 2021 was a loan to one organization of \$2,500,000, bearing interest at 2% per annum with a due date of June 1, 2025 for all principal and accrued interest. The loan is uncollateralized and discounted at the rate valid at the date of issuance, amortized over the term of the loan. The discount on the loan was \$72,599 at December 31, 2021. The program-related investment loan receivable on December 31, 2020 was a loan to one organization of \$2,500,000, bearing interest at 2% per annum with a due date of June 1, 2023 for all principal and accrued interest. The loan was uncollateralized and discounted at the rate valid at the date of issuance, amortized over the term of the loan. The discount on the loan was \$181,233 as of December 31, 2020. In 2021, the loan and accrued interest were paid in full before the maturity date.

i. Leasehold Improvements and Equipment

Leasehold improvements and equipment are stated at cost. Leasehold improvements comprised a majority of the balance at December 31, 2021 and 2020. Depreciation is computed using the straight-line method over the estimated useful lives of the assets or lease term, whichever is shorter. Useful lives range from three to twelve years.

Renewals and betterments that extend the economic useful lives of the related assets are capitalized. The Foundation expenses, as incurred, expenditures for repairs and maintenance.

j. Contribution Revenue Recognition

Contributions are recognized as revenue when received or unconditionally promised. Contributions of assets other than cash are recorded at their estimated fair value at the date of donation.

k. Grants

The Foundation recognizes grants payable for unconditional promises to give. Conditional promises to give are not recorded until the barriers to entitlement are overcome, at which point the liability is recognized.

Grants payable are recorded at a discount if they extend beyond one year from the date of recognition. Discounts are amortized to grant expense over the life of the grant commitment.

# The Heising-Simons Foundation

## (A Nonprofit Organization)

### Notes to the Consolidated Financial Statements

---

Grants expense consists of grants made to various other charitable organizations as determined by the Foundation's Board of Directors and are recorded when commitments have been formally approved and all conditions have been met by the grantee.

l. Functional Allocation of Expenses

The costs of providing various programs and activities have been summarized on a functional basis in the Consolidated Statement of Activities and Changes in Net Assets. Expenses such as salaries, benefits, and professional fees are allocated among programs and management and general based on actual use. Facility and other expenses are allocated between programs and management and general and are based on head count. Other program expenses include costs related to grant making and direct charitable activities.

m. Tax-Exempt Status

The Foundation is a nonprofit organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code (the "Code") and Section 23701(d) of the Revenue and Taxation Code of the State of California. The Foundation has been determined by the Internal Revenue Service (IRS) to be a private foundation within the meaning of Section 509(a) of the Code. The Foundation is subject to federal excise taxes based on net investment income as defined in the Tax Reform Act of 1969. The Company is a single member LLC that is treated as a disregarded entity for Federal income tax purposes. Deferred taxes are recorded on the unrealized gain on investments. In addition, the Foundation could be subject to tax on unrelated business income, if any, generated by its investments.

The Foundation follows the guidance of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740 for accounting for uncertainty in income taxes. Management evaluated the Foundation's tax positions and concluded that the Foundation had maintained its tax-exempt status and had taken no uncertain tax positions that require adjustment to the consolidated financial statements.

n. Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

o. Concentrations of Risk

Financial instruments, which potentially subject the Foundation to concentrations of credit and other risks, consist of cash and equivalents and investments. The Foundation's investments are exposed to various risks, such as interest rate, market fluctuations and credit risks.

**The Heising-Simons Foundation**  
(A Nonprofit Organization)

**Notes to the Consolidated Financial Statements**

---

Cash balances transferred from investments to operating accounts, as needed, may exceed FDIC insured limits from time to time.

p. Recent Accounting Pronouncements

*Pronouncements Effective in the Future*

In February 2016, the FASB issued ASU 2016-02 – *Leases (Topic 842)*. The guidance in this ASU will supersede much of the existing authoritative guidance for leases. This guidance requires lessees, among other things, to recognize right-of-use assets and liabilities on their balance sheet for all leases with lease terms longer than twelve months. The standard will be effective for the Foundation for the fiscal year beginning after December 15, 2021. The Foundation is currently evaluating the impact of this pronouncement on its consolidated financial statements.

q. Subsequent Events

The Foundation evaluated subsequent events from December 31, 2021 through October 20, 2022, the date these consolidated financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these consolidated financial statements other than Note 4.

**The Heising-Simons Foundation**  
(A Nonprofit Organization)

**Notes to the Consolidated Financial Statements**

**Note 2 - Availability of Financial Assets and Liquidity:**

The Foundation's goal is to maintain financial assets to meet all grant and operating needs. As financial obligations become due, investments are liquidated. Financial assets are considered unavailable when illiquid or not convertible to cash within one year. None of these financial assets are subject to donor restrictions that make them unavailable for general expenditure within one year of the date of the consolidated financial statements.

	2021	2020
Financial assets at year end:		
Cash and equivalents	\$ 733,030	\$ 4,068,775
Investments, at fair value	856,436,379	699,039,857
Investments in transit		39,915,960
Program-related investments, net	2,427,401	2,318,767
Total financial assets	859,596,810	745,343,359
Amounts not available to be used within one year:		
Investments with liquidity restrictions	(27,416,895)	(20,423,937)
Program-related investments with payments due in excess of one year	(2,427,401)	(2,318,767)
Total amounts not available to be used within one year	(29,844,296)	(22,742,704)
Financial assets available to meet general expenditures over the next twelve months	\$ 829,752,514	\$ 722,600,655

**Note 3 - Investments:**

The estimated fair values of the Foundation's investments were as follows at December 31:

	2021	2020
Cash equivalents (investment related)	\$ 43,052,389	\$ 754,588
U.S. Treasuries	189,947,554	160,271,708
Corporate bonds	6,630,923	46,129,300
Alternative investments	616,805,513	491,884,261
Total	\$ 856,436,379	\$ 699,039,857

**The Heising-Simons Foundation**  
(A Nonprofit Organization)

**Notes to the Consolidated Financial Statements**

**Note 4 - Fair Value Measurements:**

The table below presents investments at December 31, 2021 measured at fair value on a recurring basis:

	Level 1	Level 2	Total
Cash Equivalents (investment related)	\$ 43,052,389		\$ 43,052,389
U.S. Treasury Notes and Bills		\$ 189,947,554	189,947,554
Corporate Bonds:			
Consumer		2,035,694	2,035,694
Financial Services		2,056,029	2,056,029
Industrials		1,532,571	1,532,571
Technology		1,006,629	1,006,629
Total corporate bonds		6,630,923	6,630,923
Total investments in fair value hierarchy	\$ 43,052,389	\$ 196,578,477	239,630,866
Investments measured at net asset value per share (a):			
Alternative Investment Funds			616,805,513
Total investments measured at fair value			\$ 856,436,379

**The Heising-Simons Foundation**  
(A Nonprofit Organization)

**Notes to the Consolidated Financial Statements**

The table below presents investments at December 31, 2020 measured at fair value on a recurring basis:

	Level 1	Level 2	Total
Cash Equivalents (investment related)	\$ 754,588		\$ 754,588
U.S. Treasury Notes and Bills		\$ 160,271,708	160,271,708
Corporate Bonds:			
Consumer		9,335,600	9,335,600
Financial Services		11,006,851	11,006,851
Healthcare		6,271,520	6,271,520
Personal Services		1,784,133	1,784,133
Utilities		10,426,812	10,426,812
Communications		1,014,069	1,014,069
Industrials		1,058,338	1,058,338
Technology		5,231,977	5,231,977
Total corporate bonds		46,129,300	46,129,300
Total investments in fair value hierarchy	\$ 754,588	\$ 206,401,008	207,155,596
Investments measured at net asset value per share (a):			
Alternative Investment Funds			491,884,261
Total investments measured at fair value			\$ 699,039,857

(a) In accordance with ASC Subtopic 820-10, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified 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 amounts presented in the Consolidated Statement of Financial Position.

**Net Asset Value (NAV)**

The Foundation uses the Net Asset Value (NAV) to determine the fair value of all the investments which do not have readily determinable fair value and which prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company.



**The Heising-Simons Foundation**  
(A Nonprofit Organization)

**Notes to the Consolidated Financial Statements**

The following table lists investments valued at NAV, which were all alternative investments held at December 31, 2021 and 2020.

	<u># of Funds 2021/2020</u>	<u>2021 Fair Value</u>	<u>2020 Fair Value</u>	<u>2021 Unfunded Commitment</u>	<u>Redemption</u>	<u>Notice Period (days)</u>
Multi-Strategy (a)						
Redeemable	2/2	\$ 368,964,268	\$ 323,973,110		Monthly - Quarterly	10-45
Hedge funds (b)						
Redeemable with restrictions	1/1	209,965,397	137,697,042		Semi-Annual	120
Debt Vehicles (c)						
Redeemable	1/1	10,458,953	9,790,172		Monthly	30
Real Assets (d)						
Non-redeemable	2/2	7,236,234	6,707,588	\$ 280,507	None	N/A
Mortgage Backed Securities (e)						
Non-redeemable	2/2	4,964,133	4,265,740	1,505,600	None	N/A
Real Estate Debt (f)						
Non-redeemable	2/1	1,869,002	758,918	12,441,532	None	N/A
Social Impact (g)						
Non-redeemable	1/1	11,947,526	8,691,691	1,217,808	None	N/A
Venture Capital (h)						
Non-redeemable	1/0	1,400,000	-	28,600,000	None	N/A
	<u>12/10</u>	<u>\$ 616,805,513</u>	<u>\$ 491,884,261</u>	<u>\$ 44,045,447</u>		

- (a) The multi-strategy funds are master fund investment portfolios consisting principally of readily marketable securities, which are valued at quoted market prices. As of December 31, 2021 and 2020, the Foundation owned 11% and 12%, respectively, of one of the funds in this category. No termination or liquidation date has been communicated by the fund as of December 31, 2021.
- (b) The hedge fund is a so-called “fund of hedge funds.” The fund consists principally of investments in hedge funds and other funds of hedge funds. As of December 31, 2021 and 2020, the Foundation owned 21.5% of this fund. No termination or liquidation date has been communicated by the fund.
- (c) The investment objective of the funds that are redeemable is to invest in investment grade debt tranches of collateralized loan obligation issuers. As of December 31, 2021 and 2020, the Foundation owned 20.85% of the fund. No termination or liquidation date has been communicated.

**The Heising-Simons Foundation**  
(A Nonprofit Organization)

**Notes to the Consolidated Financial Statements**

---

- (d) Real assets are funds with investments in real property, improvements, and other such assets (real or personal) located in the five boroughs of New York City and the greater New York City metropolitan area. As of December 31, 2021 and 2020, the Foundation owned 10% of one of the funds in this category. The funds are scheduled to dissolve in 2023 and 2025.
- (e) The investment objective of these funds is to invest directly or indirectly in mortgage backed securities and other investments and to engage in related activity. The funds are scheduled to dissolve in 2028 and 2033, unless otherwise extended or terminated under the funds' respective limited partnership agreements.
- (f) The investment objective of this fund is to invest directly or indirectly in certain real estate debt and other investments and to engage in related activity. The fund is scheduled to dissolve in 2024, unless otherwise extended or terminated under the fund's limited partnership agreement.
- (g) The investment objective of this fund is to invest in companies driving social and environmental impact alongside strong returns through acquisitions and restructurings. The fund is scheduled to dissolve in December 31, 2027, unless otherwise extended or terminated under the fund's limited partnership agreement.
- (h) The purpose of the partnership is to seek income and gains through the acquisition, holding, and distribution or other disposition of securities, which shall consist principally of securities of private companies with a particular focus on the technology industry. The partnership will continue until June 30, 2031.

In June 2022, the Foundation was informed by one of its multi-strategy holdings that it was discontinuing all investment offerings that were not subject to management fees and performance allocations. This included all investments in that offering that had been available to private foundations. Accordingly, the investment will be liquidated and the liquidated funds will be reinvested in other favorable investment vehicles once received.

**The Heising-Simons Foundation**  
(A Nonprofit Organization)

**Notes to the Consolidated Financial Statements**

**Note 5 - Leasehold Improvements and Equipment, Net:**

Leasehold improvements and equipment at December 31, 2021 and 2020 consisted of the following at December 31:

	2021	2020
Leasehold improvements	\$ 7,157,226	\$ 7,157,226
Furniture and equipment	1,223,176	1,213,728
Artwork	382,933	382,933
Computers and software	818,552	837,896
<hr/>		
Total leasehold improvements and equipment	9,581,887	9,591,783
Less: accumulated depreciation	(4,812,038)	(3,741,451)
<hr/>		
Leasehold improvements and equipment, net	\$ 4,769,849	\$ 5,850,332

Depreciation expense for the years ended December 31, 2021 and 2020 was \$1,171,933 and \$1,159,549, respectively.

**Note 6 - Grants Payable and Direct Charitable Activities Payable:**

The Foundation's Board of Directors authorizes certain grants to charitable organizations to be paid over multiple years. Grants payable and direct charitable activities payable at December 31, 2021 are scheduled to be paid in the following years:

	Grants Payable	Direct Charitable Activities Payable
Year Ending December 31		
2022	\$ 35,534,179	\$ 1,401,214
2023	10,902,755	
2024	2,127,324	
<hr/>		
Subtotal	48,564,258	1,401,214
Less discounts	(531,202)	
<hr/>		
Grants payable and direct charitable activities, net	\$ 48,033,056	\$ 1,401,214

At December 31, 2020, grants payable were \$50,427,330 net of discounts of \$294,926, and direct charitable activities payable were \$2,640,152.

**The Heising-Simons Foundation**  
(A Nonprofit Organization)

**Notes to the Consolidated Financial Statements**

**Note 7 - Excise Taxes:**

In accordance with applicable Treasury regulations, the Foundation is classified as a private foundation subject to an excise tax on net investment income, including realized gains. In 2019, tax legislation was enacted which changed the tax rate for private foundations to a flat rate of 1.39%, effective January 1, 2020. The Foundation used the rate of 1.39% to calculate its current and deferred tax provisions at December 31, 2021 and 2020.

Tax regulations require that certain minimum distributions be made in accordance with a specified formula. The Foundation is in full compliance with the regulations.

The provision for current and deferred excise taxes was as follows:

	December 31,	
	2021	2020
Current excise tax expense	\$ 5,161,981	\$ 1,951,000
Deferred excise expense	346,000	1,595,000
<b>Total</b>	<b>\$ 5,507,981</b>	<b>\$ 3,546,000</b>

**Note 8 - Commitments:**

*Operating Lease Commitments*

The Foundation leases office space in Los Altos and San Francisco, California under agreements in effect through 2027. Rent expense for the years ended December 31, 2021 and 2020 was approximately \$1,629,945 and \$1,630,446, respectively.

Minimum future rental payments under these lease arrangements are estimated as follows:

Year Ending		
December 31,		
2022		\$ 1,682,400
2023		1,732,900
2024		1,784,900
2025		1,838,400
2026		1,472,821
Thereafter		335,588
<b>Total</b>		<b>\$ 8,847,009</b>

**The Heising-Simons Foundation**  
(A Nonprofit Organization)

**Notes to the Consolidated Financial Statements**

---

**Note 9 - Retirement Plan:**

The Foundation has a 401(k) retirement plan covering all employees who have met minimum service and age requirements. The Foundation will match 200% of the employees' contribution up to 8% of eligible compensation subject to legal limits. In addition, the Foundation may make additional contributions at the discretion of the Board of Directors. The Foundation's contributions to the plan amounted to approximately \$1,266,388 and \$1,089,355 for the years ended December 31, 2021 and 2020, respectively.

*Deferred Compensation Plan*

The Foundation established the Heising-Simons Foundation 457(b) Plan effective on January 1, 2016 for key employees. Deferrals are made at the discretion of the participants, subject to certain limitations. Related assets and liabilities total approximately \$1,078,292 and \$772,838 and are included in the consolidated financial statements at December 31, 2021 and 2020, respectively.

**Note 10 - Related Party Transactions:**

For the years ended December 31, 2021 and 2020, the Foundation received contributions from individuals or Trust arrangements created by governance involving persons or having beneficiaries related to the Foundation's Directors.

The Foundation is affiliated with the Heising-Simons Action Fund (the Fund), which is a California nonprofit public benefit corporation that is exempt from federal income tax under Section 501(c)(4) and is an organization that advances ideas and supports institutions to advance social good. The two organizations are operated as distinct entities with their own separate (albeit complementary) missions. The Foundation does not control the Fund's board or day-to-day operations or subsidize it in any way. The operational and legal relationship between the Fund and the Foundation is set forth in a Resource Sharing Agreement stipulating that the Fund must pay fair value for all services provided by the Foundation, including but not limited to staff time, office space, computers, payroll, benefits, and bookkeeping. The Resource Sharing Agreement requires that the staff of the Foundation and the Fund keep detailed time records so that their time may be accounted for and charged to the appropriate entity.

Amounts incurred by the Foundation under the Resource Sharing Agreement with the Fund totaled \$479,831 for the year ending December 31, 2021. Amounts owed to the Foundation from the Fund totaled \$21,448 and \$47,539 as of December 31, 2021 and December 31, 2020 respectively. Amounts incurred by the Foundation under the Resource Sharing Agreement with the Fund totaled \$720,979 for the period from the Fund's inception on January 13, 2020 through December 31, 2020.

**The Heising-Simons Foundation**  
(A Nonprofit Organization)

**Notes to the Consolidated Financial Statements**

---

**Note 11 - COVID-19 Pandemic:**

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a “Public Health Emergency of International Concern” and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines and forced closures of public places and businesses. On October 1, 2021, the Foundation allowed staff to work in its offices and will require staff to work at least 10 days in the office each quarter beginning April 1, 2022. The coronavirus and actions taken to mitigate the spread of it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries. In addition, financial markets volatility has significantly impacted the value of major market indices. Other financial impacts could occur though such potential impact is unknown at this time.

The Foundation responded to the COVID-19 crisis with rapid response funds to its program grantees and regional pandemic response funds as well as specific grants for personal protective equipment, addressing the digital divide and improved health care access through clinics in California.