



**THE BUSH FOUNDATION**

Financial Statements

December 31, 2021 and 2020

(With Independent Auditors' Report Thereon)



KPMG LLP  
4200 Wells Fargo Center  
90 South Seventh Street  
Minneapolis, MN 55402

## Independent Auditors' Report

The Board of Directors  
The Bush Foundation:

### *Opinion*

We have audited the financial statements of the The Bush 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 financial statements referred to above present fairly, in all material respects, the financial position of the 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 U.S. generally accepted accounting principles.

### *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 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 U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

*KPMG LLP*

Minneapolis, Minnesota  
July 14, 2022

**THE BUSH FOUNDATION**  
Statements of Financial Position  
December 31, 2021 and 2020  
(In thousands)

<b>Assets</b>	<b>2021</b>	<b>2020</b>
Cash	\$ 3,401	6,601
Investments and cash equivalents, at fair value	1,785,510	1,594,655
Program-related investments, net	19,657	9,168
Dividends and interest receivable	2,222	817
Unsettled trades receivable	—	5,645
Taxes receivable	1,324	2,018
Other assets	115	173
Total assets	\$ 1,812,229	1,619,077
<b>Liabilities and Net Assets</b>		
Accounts payable	\$ 723	572
Unsettled trades payable	49	472
Accrued and other liabilities	1,080	1,147
Taxes payable	455	245
Deferred taxes	11,646	10,167
Grants payable	15,631	18,843
Bond payable	100,000	100,000
Total liabilities	129,584	131,446
Net assets without donor restriction	1,682,645	1,487,631
Total liabilities and net assets	\$ 1,812,229	1,619,077

See accompanying notes to financial statements.

**THE BUSH FOUNDATION**

Statements of Activities

Years ended December 31, 2021 and 2020

(In thousands)

	<u>2021</u>	<u>2020</u>
Revenue:		
Investment return, net	\$ 261,047	458,054
Other income	6	50
Total revenue	<u>261,053</u>	<u>458,104</u>
Expense:		
Direct program expense	59,757	46,953
General administration expense	3,161	2,833
Tax expense	3,121	557
Total expense	<u>66,039</u>	<u>50,343</u>
Change in net assets without donor restriction	195,014	407,761
Net assets without donor restriction at beginning of year	<u>1,487,631</u>	<u>1,079,870</u>
Net assets without donor restriction at end of year	<u>\$ 1,682,645</u>	<u>1,487,631</u>

See accompanying notes to financial statements.

**THE BUSH FOUNDATION**

Statements of Cash Flows

Years ended December 31, 2021 and 2020

(In thousands)

	<b>2021</b>	<b>2020</b>
Cash flows from operating activities:		
Change in net assets without donor restriction	\$ 195,014	407,761
Adjustments to reconcile change in net assets without donor restriction to net cash used in operating activities:		
Depreciation	11	10
Realized gains on investment transactions	(184,503)	(96,506)
Net change in unrealized gains in fair value of investments	(73,350)	(365,395)
Increase in deferred taxes	1,479	5,163
Changes in assets and liabilities:		
Dividends and interest receivable	(1,405)	(149)
Other assets	58	49
Accounts payable and accrued and other liabilities	84	405
Taxes receivable and payable	904	(1,059)
Grants payable	(3,212)	1,869
Net cash used in operating activities	(64,920)	(47,852)
Cash flows from investing activities:		
Proceeds from sale of investments	297,095	292,944
Purchase of investments	(363,361)	(178,369)
Proceeds from program-related investments	125	—
Funding of program-related investments	(8,035)	(3,450)
Net cash (used in)/provided by investing activities	(74,176)	111,125
Cash flows from financing activities:		
Proceeds from bond issuance	—	100,000
Net cash provided by financing activities	—	100,000
Net change in cash and cash equivalents	(139,096)	163,273
Cash and cash equivalents at beginning of year	176,140	12,867
Cash and cash equivalents at end of year	\$ 37,044	176,140
Cash and cash equivalents:		
Cash	\$ 3,401	6,601
Cash equivalents in investments	33,643	169,539
	\$ 37,044	176,140
Supplemental disclosure of cash flow information:		
Cash paid during the year for taxes	\$ 2,838	1,641

See accompanying notes to financial statements.

## THE BUSH FOUNDATION

Notes to Financial Statements

December 31, 2021 and 2020

(In thousands)

### (1) Organization

The Bush Foundation (the Foundation) is an exempt private foundation that invests in great ideas and the people who power them. The Foundation serves Minnesota, North Dakota, South Dakota, and the 23 Native nations that share the same geography.

### (2) Significant Accounting Policies

#### (a) Basis of Accounting

The financial statements are prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles.

#### (b) Tax-Exempt Status

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (the Code) and is a private foundation as defined in Section 509(a) of the Code. The Foundation is subject to applicable state and federal unrelated business income tax and federal excise tax as discussed in note 6. A provision for unrelated business income tax and federal excise tax has been made and is included in the financial statements.

The Foundation's accounting policy provides that a tax expense or benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits. The Foundation has no uncertain tax positions resulting in an accrual of tax expense or benefit.

#### (c) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires the Foundation to make estimates and assumptions that affect the reported amounts of assets and liabilities and revenues and expenses during the year. Actual results could differ from those estimates.

#### (d) Investments and Cash Equivalents

Investments in equity securities that are traded on national or international securities exchanges are carried at fair value, based upon quoted market prices provided by external investment managers and the Foundation's custodian. Corporate and debt securities are valued using market quotations obtained from broker-dealers or pricing services and are carried at fair value. Mutual funds are recorded at net asset value (NAV), which represents a readily determinable fair value.

Investments held in alternative structures including equity limited partnerships, private equity limited partnerships and related structures, real asset funds, commingled funds and hedge funds are recorded at NAV as a practical expedient to fair value based on estimates provided by the respective investment managers if quoted market values are not readily determinable. Those estimated values do not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined. Because of the inherent uncertainty of valuation, those estimated values may be materially higher or lower than the values that would have been used had a ready market for the securities existed. See additional disclosures in note 3.

## THE BUSH FOUNDATION

Notes to Financial Statements

December 31, 2021 and 2020

(In thousands)

Purchases and sales of investments are recorded on the trade-date basis. Interest and dividend income are recorded when earned. Realized gains and losses are recorded as the difference between historical cost and the amount of cash proceeds received when sold. Unrealized gains and losses are recorded as the change in fair value of investments during the year.

The Foundation considers all interest-bearing deposits, money market accounts, and short-term investments purchased with original maturities of three months or less to be cash equivalents.

### **(e) Unsettled Trades Receivable or Payable**

The amounts receivable or payable for investments with settlements pending result from the sales or purchases of investments made prior to the end of the fiscal year but settled after the fiscal year-end.

### **(f) Fair Value of Financial Instruments**

The carrying values of receivables, payables, and deferred taxes are reasonable estimates of their fair value due to the short-term nature of these financial instruments. Investments and program-related investments (PRIs) are stated at fair value, except that PRI loans are stated at the face value of the loan, net of any allowance for uncollectible or permanently impaired loans. Grants payable approximate fair value by discounting multi-year grants. The carrying value of the bond payable is a reasonable estimate of fair value given the terms of the instrument.

### **(g) Grants, Net of Cancellations**

Grants are recorded as an expense when the Foundation makes an unconditional award. Payment of grants reduces the resulting liability incurred at the time of the award. Cancellations of grants occur principally when the grantees do not meet the grant terms or when terms are adjusted and are reflected as a reduction of grant expense. Cancellations were \$15 and \$0 in 2021 and 2020, respectively. Grants awarded, net of cancellations, were \$51,421 and \$37,510 for the years ended December 31, 2021 and 2020, respectively.

### **(h) Reclassifications**

Certain prior period amounts have been reclassified to conform with the current year presentation.

## **(3) Investments and Cash Equivalents**

Investments and cash equivalents at fair value consisted of the following:

	<u>2021</u>	<u>2020</u>
Cash equivalents	\$ 33,643	169,539
Corporate and debt securities	294,793	144,485
Mutual funds:		
Fixed income funds	1,533	1,549
International equity funds	16,662	16,982
Equity funds	15,563	14,935
Hedge strategy funds	5,844	5,075



**THE BUSH FOUNDATION**  
Notes to Financial Statements  
December 31, 2021 and 2020  
(In thousands)

	<b>2021</b>	<b>2020</b>
Equity securities:		
U.S. equities	\$ 54,008	50,263
Total marketable investments	422,046	402,828
Alternative investments:		
International equity commingled funds	186,981	141,161
Multistrategy hedge funds	82,025	60,019
Long/short hedge funds	68,045	57,469
Fixed income hedge funds	—	45
Real asset funds	15,432	14,367
Equity limited partnerships	126,768	135,561
Private equity limited partnerships and related structures	884,213	783,204
Total alternative investments	1,363,464	1,191,826
Total	\$ 1,785,510	1,594,655

The Foundation follows Accounting Standards Codification Topic 820, *Fair Value Measurement* (ASC 820), which establishes a three-level fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described below:

- Level 1 – quoted prices in active markets for identical securities. Mutual funds, U.S. equities, and international equities traded on securities exchanges are carried at fair value based upon closing market quotations on such exchange on the date of valuation or, in the absence of sales, at values based on the closing bid price or last sale price on the previous trading day. Investments in cash equivalents include money market securities that are valued at closing net asset value.
- Level 2 – other significant observable inputs (including quoted prices for similar securities, interest rates, credit risk, etc.). The current fair values of corporate and debt securities are provided by an independent pricing service, but where an active market exists, are valued using market quotations obtained from broker-dealers or quotation systems.
- Level 3 – significant unobservable inputs that are not corroborated by observable market data. The Foundation does not hold any Level 3 investments.

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. There have been no changes in the valuation methodologies used as of December 31, 2021 and 2020.

**THE BUSH FOUNDATION**  
Notes to Financial Statements  
December 31, 2021 and 2020  
(In thousands)

The summary of inputs used to value the Foundation's investments measured on a recurring basis as of December 31, 2021 is as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash equivalents	\$ 33,643	—	—	33,643
Corporate and debt securities	—	294,793	—	294,793
Mutual funds:				
Fixed income funds	1,533	—	—	1,533
International equity funds	16,662	—	—	16,662
Equity funds	15,563	—	—	15,563
Hedge strategy funds	5,844	—	—	5,844
Equity securities:				
U.S. equities	54,008	—	—	54,008
Marketable investments	127,253	294,793	—	422,046
Investments measured at net asset value as a practical expedient <sup>(1)</sup> :				
Alternative investments				1,363,464
Total alternative investments				1,363,464
Total investments	\$ 127,253	294,793	—	1,785,510

<sup>(1)</sup> Certain investments that are measured at fair value using the net asset value per share (or its equivalent) as a 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 amounts presented in the statements of financial position.

Bond payable and other financial assets and financial liabilities not included within the table above are categorized as Level 2 within the fair value hierarchy.

The Foundation did not have any transfers into or out of Level 3 during the year ended December 31, 2021.

**THE BUSH FOUNDATION**  
Notes to Financial Statements  
December 31, 2021 and 2020  
(In thousands)

The summary of inputs used to value the Foundation's investments measured on a recurring basis as of December 31, 2020 is as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash equivalents	\$ 169,539	—	—	169,539
Corporate and debt securities	—	144,485	—	144,485
Mutual funds:				
Fixed income funds	1,549	—	—	1,549
International equity funds	16,982	—	—	16,982
Equity funds	14,935	—	—	14,935
Hedge strategy funds	5,075	—	—	5,075
Equity securities:				
U.S. equities	50,264	—	—	50,264
Marketable investments	258,344	144,485	—	402,829
Investments measured at net asset value as a practical expedient <sup>(1)</sup> :				
Alternative investments				1,191,826
Total alternative investments				1,191,826
Total investments	\$ 258,344	144,485	—	1,594,655

<sup>(1)</sup> Certain investments that are measured at fair value using the net asset value per share (or its equivalent) as a 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 amounts presented in the statements of financial position.

Bond payable and other financial assets and financial liabilities not included within the table above are categorized as Level 2 within the fair value hierarchy.

The Foundation did not have any transfers into or out of Level 3 during the year ended December 31, 2020.

**THE BUSH FOUNDATION**

Notes to Financial Statements

December 31, 2021 and 2020

(In thousands)

The following is a summary of the investments valued using NAV as a practical expedient and the related unfunded commitments and redemption restrictions associated with each major category at December 31, 2021:

	<u>Fair value</u>	<u>Unfunded commitments</u>	<u>Redemption frequency ranges</u>	<u>Redemption notice period</u>
Alternative investments:				
International equity commingled funds (a)	\$ 186,981	—	Weekly – quarterly	5–60 days
Multistrategy hedge funds (b)	82,025	—	None – quarterly	None-90 days
Long/short hedge funds (c)	68,045	—	Monthly – annually	30–90 days
Fixed income hedge funds (d)	—	—	None	None
Real asset funds (e)	15,432	7,302	None	None
Equity limited partnerships (f)	126,768	—	Quarterly	60 days
Private equity limited partnerships and related structures (g)	<u>884,213</u>	<u>65,049</u>	None – monthly	None–30 days
Total	<u>\$ 1,363,464</u>	<u>72,351</u>		

The following is a summary of the investments valued using NAV as a practical expedient and the related unfunded commitments and redemption restrictions associated with each major category at December 31, 2020:

	<u>Fair value</u>	<u>Unfunded commitments</u>	<u>Redemption frequency ranges</u>	<u>Redemption notice period</u>
Alternative investments:				
International equity commingled funds (a)	\$ 141,161	—	Weekly – quarterly	5–60 days
Multistrategy hedge funds (b)	60,019	—	None – quarterly	65–90 days
Long/short hedge funds (b)	57,469	—	Monthly – annually	30–90 days
Fixed income hedge funds (d)	45	—	None	None
Real asset funds (e)	14,367	10,767	None	None
Equity limited partnerships (f)	135,561	—	Quarterly	60 days
Private equity limited partnerships and related structures (g)	<u>783,204</u>	<u>98,911</u>	None	None
Total	<u>\$ 1,191,826</u>	<u>109,678</u>		

## THE BUSH FOUNDATION

### Notes to Financial Statements

December 31, 2021 and 2020

(In thousands)

- (a) This category includes investments in commingled funds that invest in international and global equity markets, including emerging markets. These funds have various redemption and notice of redemption requirements, but do not limit the Foundation's ability to liquidate them.
- (b) This category includes direct investments in multistrategy hedge funds that invest in both fixed income and equity instruments. The managers of these funds have the flexibility to adjust their allocations between fixed income and equity investments based on their particular strategy and view of the market. These funds have various redemption and notice of redemption requirements that generally limit the Foundation's ability to liquidate them in a short period of time.
- (c) This category includes direct investments in long/short hedge funds that invest in equity securities by taking either a long position in a company's equity securities, expecting the price will rise, or a short position, expecting the price will decline. The managers of these funds have the flexibility to change their exposure based on their view of particular securities and the overall market. Long/short hedge funds are generally less volatile than long-only equity funds and have higher manager fees. These funds have various redemption and notice of redemption requirements that generally limit the Foundation's ability to liquidate them in a short period of time.
- (d) This category includes direct investments in a fixed income hedge fund that invested in debt securities, including corporate debt, mortgage debt, and sovereign debt. The Foundation has requested full redemption of this fund as of December 31, 2021 and will continue to receive distributions as the illiquid investments are realized.
- (e) This category includes direct investments in real asset funds, generally through limited partnerships, that invest in commercial real estate, infrastructure projects, and natural resources. These investments cannot be redeemed with the funds. Distributions from each fund will be received as the underlying investments and funds are liquidated. It is estimated that the underlying assets of the funds will be liquidated over the next one to ten years.
- (f) This category includes an equity limited partnership that holds long and short positions primarily in equity securities of companies within the S&P 500 Index and on stock exchanges in emerging market countries. Derivative instruments, such as forward contracts, futures, options, and swaps, may be used to attempt to hedge existing long and short positions in order to maximize returns and reduce risks. The equity limited partnership fund allows quarter-end withdrawals upon prior written notice, subject to performance and balance restrictions that could limit the Foundation's ability to liquidate within the specified time period.
- (g) This category includes private equity limited partnerships and related structures that invest in private companies. The majority of these investments cannot be redeemed with the funds. Distributions from each fund will be received as the underlying investments and fund are liquidated. It is estimated that the underlying assets of the funds will be liquidated over the next one to ten years.

The Foundation's alternative investments in commingled funds (category (a) above) are redeemable with the fund at NAV under the original terms of the partnership agreements and/or subscription agreements and based on operations of the underlying funds. Hedge funds (categories (b), (c) and (d) above) are redeemable with the fund at NAV under the original terms of the partnership agreements and/or

## THE BUSH FOUNDATION

### Notes to Financial Statements

December 31, 2021 and 2020

(In thousands)

subscription agreements and based on operations of the underlying funds. However, it is possible that these redemption rights may be restricted or eliminated by the funds in the future in accordance with the underlying fund agreements. The Foundation's alternative investments in real asset funds and private equity limited partnerships (categories (e) and (g) above) cannot be redeemed with the funds. Due to the nature of the investments held by the funds, changes in market conditions and the economic environment may significantly impact the NAV of the funds and, consequently, the fair value of the Foundation's interests in the funds. The Foundation's alternative investments in equity limited partnerships (category (f) above) are redeemable with the fund at NAV subject to redemption restrictions noted above.

Components of Investment return, net:

	<u>2021</u>	<u>2020</u>
Dividends	\$ 377	758
Interest	7,357	3,039
Other investment income	7	38
Realized gains on investment transactions	184,503	96,506
Net change in unrealized gains (losses), net of deferred federal excise tax	<u>71,871</u>	<u>360,232</u>
	264,115	460,573
Less investment related fees	<u>(3,068)</u>	<u>(2,519)</u>
Investment return, net	<u>\$ 261,047</u>	<u>458,054</u>

#### (4) Program-Related Investments

In accordance with Section 4944 of the Internal Revenue Code, the Foundation is permitted to make Program-Related Investments (PRIs) that are related to its philanthropic programs. A PRI is defined as an investment: (i) whose primary purpose is to further the exempt objectives of the foundation, (ii) where the production of income or appreciation in property is not a significant purpose, and (iii) which is not used to lobby or support lobbying. The Foundation's PRIs consist primarily of low-interest loans with varying repayment terms. These PRIs are anticipated to have lower returns or higher risks than the institutional market for these types of investments. In the year of the investment, the Foundation receives a credit toward its IRS distribution requirement. To the extent the investment is recovered and not recycled by the Foundation, the recovery is recognized as a negative distribution, increasing its distribution requirement in the year that it is received.

##### (a) Loan PRIs

The Foundation's loan portfolio includes low-interest loans invested primarily in not-for-profit entities. The loans are carried at cost, which approximates fair value. The loans support the Foundation's impact investing strategy of making a positive impact on the region it serves and on equity issues in capital markets. Repayment of the outstanding loan amounts is scheduled through 2031; most of the loans require interest-only payments with a full principal payment due at the end of the term. In the

## THE BUSH FOUNDATION

Notes to Financial Statements

December 31, 2021 and 2020

(In thousands)

event that a loan PRI is determined to be uncollectible, or the value is permanently impaired, the Foundation may establish an allowance for the uncollectible amount. An allowance for loan PRIs is established based on an annual review of the portfolio by management. An allowance of \$1,400 was recorded at December 31, 2021. An allowance of \$1,000 was recorded at December 31, 2020.

### (b) Equity PRIs

The Foundation's equity portfolio includes a private equity investment in a social business seed fund and a combined loan and equity investment in a social business loan fund. The equity PRIs are recorded using the net asset value as a practical expedient to fair value based on estimates provided by the investment manager if quoted market values are not readily determinable. At December 31, 2021, the Foundation had remaining capital commitments on its PRI equity portfolio of \$240.

### (5) 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, 2021 and 2020, the Foundation has adequate cash, cash equivalents, and investments to cover operating expense needs within the next year. The following assets could be readily made available within one year of the statement of financial position to meet general expenditures:

	<u>2021</u>	<u>2020</u>
Financial assets:		
Cash	\$ 3,401	6,601
Investments and cash equivalents	1,785,510	1,594,655
Dividends and interest receivable	2,222	817
Unsettled trades receivable	—	5,645
Taxes receivable	1,324	2,018
Less investments valued at NAV unavailable within one year	<u>(899,810)</u>	<u>(797,844)</u>
Financial assets available within one year to meet general expenditures	<u>\$ 892,647</u>	<u>811,892</u>

The Foundation maintains liquidity guidelines for its investment portfolio to ensure operating cash is available for grants and expenses. The guidelines require at least 5% of assets be maintained in investments that can be liquidated within one month; at least 10% of assets be maintained in investments that can be liquidated within three months; and at least 20% of assets be maintained in investments that can be liquidated within six months.

### (6) Federal Taxes and Distribution Requirements

*Federal Excise Taxes* – For fiscal years 2021 and 2020, the Foundation is subject to a 1.39% excise tax on its taxable net investment income, which principally includes income from investments plus net realized capital gains (net capital losses, however, are not deductible).

## THE BUSH FOUNDATION

Notes to Financial Statements

December 31, 2021 and 2020

(In thousands)

Deferred federal excise taxes arise from unrealized gains in the market value of investments, as well as from differences in the recognition of income from certain investments (timing differences). As of December 31, 2021, and 2020, the Foundation had unrealized gains in the market value of investments and has recorded a deferred tax liability of \$11,646 and \$10,167, respectively.

*Distribution Requirements* – The Foundation is subject to distribution requirements of the Internal Revenue Code. Accordingly, within one year after the end of each fiscal year, it must distribute 5% of the average market value of its assets as defined in the Code. The investments includible for the 5% distribution requirement are exclusive of those investments deemed to be held for charitable activities (representing 1.5% of the investments). Qualifying distributions are determined on a cash basis and include grant payments and certain other expenses incurred by the Foundation. The Foundation has complied with distribution requirements through December 31, 2021.

*Unrelated Business Income Taxes* – In accordance with Section 511(a)(1) of the Code, the Foundation is subject to corporate tax rates on net income earned from unrelated business activities. The Foundation's investments produce varying amounts of unrelated business income depending on the performance, composition of and levels of debt of the underlying investments. Income from the Foundation's bond proceeds, which are invested in short term fixed income investments, is subject to unrelated business income taxes until the proceeds are fully utilized for charitable purposes.

### (7) Functional Expenses

The Foundation's operating expenses have been categorized between direct program and general administration expenses in the accompanying statements of activities. Management analyzes expenses as incurred and charges them to direct program or general administration expenses based on their nature. General administration expenses do not include those which constitute direct conduct or direct supervision of the Foundation's programs. The detail of expenses for the years ended December 31, 2021 and 2020 is as follows:

	<u>Direct program</u>	<u>General administration</u>	<u>2021 Total expenses</u>
Grants, net of cancellations	\$ 51,821	—	51,821
Non-grant expenses:			
Salaries and benefits	3,704	1,922	5,626
Consulting	925	105	1,030
Convenings expense	37	—	37
Communications expense	166	2	168
Staff travel, expense, and development	1	43	44
Rent and utilities	—	318	318
Board expenses	—	250	250
Bond interest	2,759	—	2,759
Professional fees	65	129	194
Other	279	392	671
	<u>59,757</u>	<u>3,161</u>	<u>62,918</u>



**THE BUSH FOUNDATION**  
Notes to Financial Statements  
December 31, 2021 and 2020  
(In thousands)

	<u>Direct program</u>	<u>General administration</u>	<u>2021 Total expenses</u>
Excise and unrelated business income tax expense	\$ —	3,121	3,121
Total expenses	<u>\$ 59,757</u>	<u>6,282</u>	<u>66,039</u>

	<u>Direct program</u>	<u>General administration</u>	<u>2020 Total expenses</u>
Grants, net of cancellations	\$ 38,510	—	38,510
Non-grant expenses:			
Salaries and benefits	4,009	1,871	5,880
Consulting	1,917	36	1,953
Convenings expense	911	—	911
Communications expense	363	—	363
Staff travel, expense, and development	45	25	70
Rent and utilities	—	327	327
Board expenses	—	288	288
Bond interest	332	—	332
Professional fees	229	111	340
Other	637	175	812
	<u>46,953</u>	<u>2,833</u>	<u>49,786</u>
Excise and unrelated business income tax expense	<u>—</u>	<u>557</u>	<u>557</u>
Total expenses	<u>\$ 46,953</u>	<u>3,390</u>	<u>50,343</u>

**(8) Retirement Plans**

The Foundation has a defined contribution retirement plan managed by Teachers Insurance and Annuity Association of America. In 2021 and 2020, the amount of the employer contribution was 8% of the employee's salary and a 2:1 employer match on employee contributions up to a maximum of 4% of the employee's salary, subject to the maximum includible compensation limit per Section 401(a)(17) of the Code. The expense to the Foundation for contributions made to the plan was \$479 and \$521 for the years ended December 31, 2021 and 2020, respectively.

The Foundation has a nonqualified deferred compensation 457(b) plan for the benefit of certain employees of the Foundation who are eligible to participate in the plan. The Foundation does not make contributions to the plan. There is no expense to the Foundation for this plan.

**THE BUSH FOUNDATION**  
Notes to Financial Statements  
December 31, 2021 and 2020  
(In thousands)

**(9) Grants Payable**

The following table provides the activity within the grants payable account:

	<u>2021</u>	<u>2020</u>
Unpaid grants payable, at beginning of year	\$ 18,843	16,974
Grants appropriated, net of cancellations	51,421	37,510
Grants paid	(54,709)	(35,814)
Refund of previous years' grants	76	173
Unpaid grants payable, at end of year	<u>\$ 15,631</u>	<u>18,843</u>

Grants payable in more than one year are stated at their net present value using discount rates established in the year the grant was made with resulting discount rates ranging from 2.59% to 0.09%. The following is a summary of grants authorized and payable at December 31:

	<u>2021</u>	<u>2020</u>
To be paid in less than one year	\$ 11,348	11,145
To be paid in one to five years	4,456	8,010
	15,804	19,155
Discount	(173)	(312)
	<u>\$ 15,631</u>	<u>18,843</u>

As of December 31, 2021 and 2020, the Foundation has approximately \$1,465 and \$2,635, respectively, of conditional grant obligations.

**(10) Bond Payable**

On November 17, 2020, the Foundation issued \$100 million of Taxable Bonds Series 2020, the proceeds of which will be used by the Foundation to provide grant funding in furtherance of its charitable purpose, including but not limited to making grants to counter systemic racial injustice experienced by Native Americans and Black/African Americans. The bonds were sold at par with a coupon rate of 2.754% per annum payable semiannually and a balloon payment of principal to be paid in full anytime between April 1, 2050 and October 1, 2050, but not later than October 1, 2050. Interest expense was \$2,759 and \$332 for the years ended December 31, 2021 and 2020, respectively.

**(11) Subsequent Events**

The Foundation has evaluated subsequent events through July 14, 2022, the date on which the financial statements were available to be issued. This evaluation did not result in any subsequent events that necessitated disclosures and/or adjustments.