The Spencer Foundation

Financial Report
March 31, 2023

Contents

Independent Auditor's Report

Board of Directors
The Spencer Foundation

Opinion
We have audited the financial statements of The Spencer Foundation (the Foundation), which comprise the statements of financial position as of March 31, 2023 and 2022, the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of March 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 from material misstatement, whether due to fraud or error.

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

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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.

RSM US LLP

Chicago, Illinois
July 7, 2023

The Spencer Foundation

Statements of Financial Position (In Thousands of Dollars)
March 31, 2023 and 2022

	2023	2022
Assets		
Investments	**$ 565,930**	$ 638,999
Cash	**27,565**	30,581
Operating right of use asset, net	**2,763**	-
Other assets	**1,271**	1,046
	$ 597,529	$ 670,626
Liabilities and Net Assets		
Grants payable, net of present value discount of $242 for 2023 and $185 for 2022	**$ 18,946**	$ 24,434
Accounts payable and accrued expenses	**357**	375
Operating lease liability	**2,985**	-
Federal excise tax payable	**-**	20
Deferred federal excise tax	**2,854**	3,856
Postretirement benefits liability	**3,881**	4,459
	29,023	33,144
Net assets without donor restrictions	**568,006**	637,482
Net assets with donor restrictions	**500**	-
	568,506	637,482
	$ 597,529	$ 670,626

See notes to financial statements.

The Spencer Foundation

Statements of Activities (In Thousands of Dollars)
Years Ended March 31, 2023 and 2022

	2023	2022
Changes in net assets without donor restrictions:		
Income:		
Net investment income (loss):		
Investment (loss) gain	**$ (55,635)**	$ 18,842
Interest and other income	**896**	107
Dividend income	**12,575**	12,642
	(42,164)	31,591
Investment management fees	**(430)**	(418)
Other direct investment expenses	**(53)**	(51)
Total (loss) income	**(42,647)**	31,122
Expenses:		
Grants authorized, net of refunds	**18,397**	19,087
Administrative expenses	**9,713**	8,720
Current federal excise tax, net of tax refund	**573**	626
Deferred federal excise tax	**(1,002)**	57
Components of net periodic postretirement benefit cost other than service cost	**146**	228
Change in postretirement benefit obligation other than net periodic benefit cost	**(998)**	(1,433)
	26,829	27,285
Changes in net assets without donor restrictions	**(69,476)**	3,837
Changes in net assets with donor restrictions:		
Grant income	**500**	-
Changes in net assets with donor restrictions	**500**	-
Change in net assets	**(68,976)**	3,837
Net assets, beginning of year	**637,482**	633,645
Net assets, end of year	**$ 568,506**	$ 637,482

See notes to financial statements.

The Spencer Foundation

Statements of Cash Flows (In Thousands of Dollars)
Years Ended March 31, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Grants paid	**$ (23,886)**	$ (24,248)
Grants received	**500**	-
Interest and dividend income	**13,543**	12,776
Cash paid for payroll and benefits	**(5,842)**	(6,122)
Cash paid for operating lease	**(103)**	-
Cash paid for other administrative expenses	**(3,381)**	(1,849)
Cash paid for investment related expenses	**(483)**	(469)
Excise taxes paid	**(593)**	(628)
Net cash used in operating activities	**(20,245)**	(20,540)
Cash flows from investing activities:		
Purchases of property and equipment	**(203)**	(553)
Purchases of investments	**(35,683)**	(339)
Proceeds from sales of investments	**53,115**	24,436
Net cash provided by investing activities	**17,229**	23,544
Net (decrease) increase in cash	**(3,016)**	3,004
Cash:		
Beginning of year	**30,581**	27,577
End of year	**$ 27,565**	$ 30,581

See notes to financial statements.

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: The Spencer Foundation (an Illinois not-for-profit corporation) (the Foundation), organized in 1962, is the residuary legatee under the will of Lyle M. Spencer, deceased. The Foundation was established to support research aimed at the improvement of education. Support is derived primarily from returns on the Foundation's investments. Activities are conducted from offices in Chicago, Illinois.

Basis of presentation: The Foundation's financial statements have been prepared to present balances and transactions classified in accordance with the existence or absence of donor-imposed restrictions. Net assets without donor restrictions are not subject to donor-imposed restrictions. Net assets with donor restrictions are subject to donor restrictions that may or will be met either by actions of the Foundation or by the passage of time. Net assets with donor restrictions are released and reclassified to net assets without donor restriction when the restriction is met or has expired. The Foundation's net assets with donor restrictions at March 31, 2023 are purpose-restricted for providing research grants.

Investments: Investments are carried at fair value. Purchases and sales of securities are recorded on a trade-date basis. Investment (loss) gain, consisting of realized gains (losses) and change in unrealized gains (losses), interest and other income, and dividend income are reflected in the statements of activities. Interest is recorded when earned. Dividends are recorded as of the dividend date.

Deferred federal excise tax: Deferred federal excise tax represents taxes provided on the net unrealized appreciation on investments, using the applicable tax rate.

Awards and grants: The Board of Directors approves an annual budget for awards and grants. Individual awards and grants, including multiyear grants, are considered obligations when approved by the Foundation's president. Grants expense is shown net of recissions and refunds and net of a present value discount on multiyear grants.

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

Tax status: The Foundation qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (the Code) and, accordingly, is not subject to federal income taxes. However, in accordance with Section 4940(e) of the Code, the Foundation is subject to a federal excise tax of 1.39% of net investment income and net realized taxable gains on security transactions.

The Foundation follows the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Foundation may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Foundation, and various positions related to the potential sources of unrelated business taxable income. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax positions identified or recorded as liabilities for the periods presented in these financial statements. The Foundation files Form 990-PF in the U.S. federal jurisdiction and the state of Illinois.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Leases: Prior to April 1, 2022, the Foundation followed the lease accounting guidance in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 840. Effective April 1, 2022, the Foundation follows the lease guidance in FASB ASC Topic 842. The update requires lessees to recognize most leases on their balance sheet as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Topic 842 also requires additional disclosure of key quantitative and qualitative information for leasing arrangements.

The Foundation adopted Topic 842 using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior-period financial statements. Under this transition provision, the Foundation has applied Topic 842 to reporting periods beginning on April 1, 2022, while prior periods continue to be reported and disclosed in accordance with the Foundation's historical accounting treatment under ASC Topic 840, *Leases*.

The Foundation elected the package of practical expedients under the transition guidance within Topic 842, in which the Foundation does not reassess (1) the historical lease classification, (2) whether any existing contracts at transition are or contain leases or (3) the initial direct costs for any existing leases. The Foundation has not elected to adopt the hindsight practical expedient and, therefore, will measure the ROU asset and lease liability using the remaining portion of the lease term upon adoption of ASC 842 on April 1, 2022.

The Foundation determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when: (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the Foundation obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Foundation also considers whether its service arrangements include the right to control the use of an asset.

The Foundation made an accounting policy election available under Topic 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease (or April 1, 2022, for existing leases upon the adoption of Topic 842). The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives. To determine the present value of lease payments, the Foundation made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of Topic 842).

For lease arrangements with lease and non-lease components, the Foundation has made a policy election to account for lease and non-lease components separately for all classes of assets.

Adoption of Topic 842 resulted in the recording of a ROU asset and lease liability related to the Foundation's operating lease of $3,015,000 at April 1, 2022. The adoption of the new lease standard did not materially impact net assets or cash flows.

Subsequent events: The Foundation has evaluated subsequent events for potential recognition and/or disclosure through July 7, 2023, the date the financial statements were available to be issued.

Note 2. Liquidity and Availability

The Foundation regularly monitors liquidity to meet its grant payments and operating needs (general expenditures). The Foundation relies on investment income, and available financial assets to meet general expenditures over the next 12 months.

The table below presents information related to financial assets available for general expenditures within one year at March 31, 2023 and 2022:

	2023	2022
Financial assets at year-end:		
Cash	$ 27,565,000	$ 30,581,000
Investments	565,930,000	638,999,000
Total financial assets	593,495,000	669,580,000
Less amounts not available to be used within one year:		
Net assets with donor restrictions	500,000	-
Financial assets available to meet general expenditures over the next twelve months	$ 592,995,000	$ 669,580,000

Note 3. Functional Classification of Expenses

The costs of providing the Foundation’s programs and other activities have been summarized on a functional basis in the table below for the years ended March 31, 2023 and 2022. Direct costs are charged directly to program and management and general categories based upon specific identification where possible. Expenses which are not directly identifiable to program or management and general categories are allocated on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and benefits and rent and utilities, which are allocated on the basis of estimates of time and effort.

Note 3. Functional Classification of Expenses (Continued)

Expenses by functional classification for the year ended March 31, 2023, consist of the following:

	Program	Management and General	Total
Grants authorized, net of refunds	$ 18,397,000	$ -	$ 18,397,000
Salary and benefits:			
Employee salaries and taxes	2,143,000	1,644,000	3,787,000
Retirement contributions	250,000	221,000	471,000
Employee benefits	419,000	489,000	908,000
Professional fees	935,000	658,000	1,593,000
Operating expenses:			
Rent and utilities	236,000	186,000	422,000
Travel, hosting and meeting	1,445,000	72,000	1,517,000
Other	159,000	717,000	876,000
Depreciation and amortization	-	139,000	139,000
Current federal excise tax, net of tax refund	-	573,000	573,000
Deferred federal excise tax	-	(1,002,000)	(1,002,000)
Components of net periodic postretirement benefit cost other than service cost	77,000	69,000	146,000
Change in postretirement benefit obligation other than net periodic benefit cost	(529,000)	(469,000)	(998,000)
	$ 23,532,000	$ 3,297,000	$ 26,829,000

Note 3. Functional Classification of Expenses (Continued)

Expenses by functional classification for the year ended March 31, 2022, consist of the following:

	Program	Management and General	Total
Grants authorized, net of refunds	$ 19,087,000	$ -	$ 19,087,000
Salary and benefits:			
Employee salaries and taxes	2,250,000	1,688,000	3,938,000
Retirement contributions	212,000	214,000	426,000
Employee benefits	407,000	492,000	899,000
Professional fees	910,000	612,000	1,522,000
Operating expenses:			
Rent and utilities	200,000	154,000	354,000
Travel, hosting and meeting	590,000	21,000	611,000
Other	159,000	613,000	772,000
Depreciation and amortization	-	198,000	198,000
Current federal excise tax, net of tax refund	-	626,000	626,000
Deferred federal excise tax	-	57,000	57,000
Components of net periodic postretirement benefit cost other than service cost	112,000	116,000	228,000
Change in postretirement benefit obligation other than net periodic benefit cost	(703,000)	(730,000)	(1,433,000)
	$ 23,224,000	$ 4,061,000	$ 27,285,000

Note 4. Investments

Investments at March 31, 2023 and 2022, are summarized as follows:

	2023		2022	
	Cost	Fair Value	Cost	Fair Value
Marketable securities:				
Equity funds—domestic	$ 108,634,000	$ 282,565,000	$ 92,194,000	$ 329,361,000
Equity funds—international	128,657,000	157,934,000	126,690,000	166,940,000
Bond funds—domestic	139,836,000	125,431,000	147,678,000	142,698,000
	$ 377,127,000	$ 565,930,000	$ 366,562,000	$ 638,999,000

Note 5. Fair Value Measurements

The Foundation's investments are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

The Foundation follows the accounting guidance related to fair value measurements, which provides a framework for measuring fair value under generally accepted accounting principles. This guidance applies to all financial instruments that are being measured and reported on a fair value basis.

Note 5. Fair Value Measurements (Continued)

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Foundation uses various methods including market, income and cost approaches. Based on these approaches, the Foundation often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Foundation utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used on the valuation techniques, the Foundation is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values.

Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1: Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2: Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third-party pricing services for identical or similar assets or liabilities.

Level 3: Valuations for assets and liabilities that are derived from other valuation methodologies, including option-pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Foundation's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment.

In determining the appropriate levels, the Foundation performs a detailed analysis of the assets and liabilities that are subject to fair value measurement. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs would be classified as Level 3.

For the fiscal years ended March 31, 2023 and 2022, the application of valuation techniques applied to similar assets and liabilities has been consistent. The following are descriptions of the valuation methodologies used for instruments at fair value:

Marketable securities: The fair value of investment securities is based on quoted market prices in active markets.

Note 5. Fair Value Measurements (Continued)

Fair value on a recurring basis: The tables below present the balances of assets and liabilities measured at fair value on a recurring basis:

	March 31, 2023			
	Level 1	Level 2	Level 3	Total
Equity funds—domestic	$ 282,565,000	$ -	$ -	$ 282,565,000
Equity funds—international	157,934,000	-	-	157,934,000
Bond funds—domestic	125,431,000	-	-	125,431,000
	$ 565,930,000	$ -	$ -	$ 565,930,000

	March 31, 2022			
	Level 1	Level 2	Level 3	Total
Equity funds—domestic	$ 329,361,000	$ -	$ -	$ 329,361,000
Equity funds—international	166,940,000	-	-	166,940,000
Bond funds—domestic	142,698,000	-	-	142,698,000
	$ 638,999,000	$ -	$ -	$ 638,999,000

Note 6. Grants Payable

Grants payable consist primarily of multi-year unconditional grants that are generally payable over one to five years. Grants are discounted at the net present value using the average one- to three-year treasury rates. Management estimates these grants will be paid as follows:

2023	$ 750,000
2024	12,405,000
2025	4,251,000
2026	1,782,000
Total	19,188,000
Less discount to reflect grants payable at present value	(242,000)
Grants payable, net	$ 18,946,000

Grants authorized are shown net of rescissions and refunds of $392,000 and $261,000 and net of present value discount of $242,000 and $185,000 in fiscal years 2023 and 2022, respectively. Payments on authorized but unpaid grants may be accelerated upon mutual agreement between the Foundation and the grantees.

Note 7. Employee Benefits

The Foundation maintains a defined contribution retirement plan covering all active full-time employees. Under the terms of the plan, the Foundation must contribute specified percentages of an employee's salary. The Foundation's contribution to the plan was $477,000 and $433,000 for fiscal years 2023 and 2022, respectively.

In addition, the Foundation maintains a supplemental retirement plan that allows employees to defer a portion of their pretax salaries. No contributions are made to this plan by the Foundation.

In fiscal year 2021, the Foundation established a 457(b) deferred compensation plan covering certain eligible employees. Participating eligible employees are allowed to contribute to the plan and during the years ended March 31, 2023 and 2022, participating eligible employees made contributions of $46,000 and $32,000, respectively. Foundation contributions are at the discretion of the Foundation's Board of Directors and are not required to be made every year. The Foundation did not contribute to the plan during the years ended March 31, 2023 or 2022. Investments held for deferred compensation of $97,000 and $52,000 at March 31, 2023 and 2022, respectively, are included in other assets on the statements of financial position and the corresponding liability of $97,000 and $52,000, respectively, is included in accounts payable and accrued expenses.

The Foundation maintains a postretirement medical benefits plan and records a liability in accordance with the accounting guidance on the employer's accounting for defined benefit pension and other postretirement plans. The plan provides health care benefits to retired employees and their spouses and beneficiaries. Generally, qualified employees may become eligible for these benefits if they retire in accordance with the provisions of the Foundation's medical plan and are participating in the Foundation's medical plan at the time of their retirement. The Foundation's postretirement benefit plan is not funded. The Foundation has the right to modify or terminate the plan. The Foundation uses a March 31 measurement date for its plan.

	2023	2022
Obligations and funded status:		
Fair value of plan assets	$ -	$ -
Accumulated postretirement benefit obligation	(3,881,000)	(4,459,000)
Funded status	$ (3,881,000)	$ (4,459,000)
Amounts recognized on the statements of financial position:		
Postretirement benefits liability	$ 3,881,000	$ 4,459,000

The table below summarizes changes in the Foundation's postretirement benefit obligation for the years ended March 31, 2023 and 2022:

	2023	2022
Postretirement benefit obligation, beginning of year	$ 4,459,000	$ 5,370,000
Service cost	340,000	360,000
Interest cost	154,000	173,000
Actuarial gain	(1,005,000)	(1,378,000)
Benefits paid	(67,000)	(66,000)
Postretirement benefit obligation, end of year	$ 3,881,000	$ 4,459,000

Note 7. Employee Benefits (Continued)

Changes in the postretirement benefit obligation are included in the statements of activities in administrative expenses for the years ended March 31, 2023 and 2022, as follows:

	2023	2022
Service cost	$ 340,000	$ 360,000
Interest cost	154,000	173,000
Amortization of unrecognized prior service cost	(8,000)	(8,000)
Amortization of unrecognized net loss	-	63,000
Net periodic postretirement benefit cost	$ 486,000	$ 588,000
Change in postretirement benefit obligation not included in net periodic postretirement benefit cost	$ (998,000)	$ (1,433,000)

The weighted-average actuarial assumptions used to determine benefit obligation and benefit cost for the years ended March 31, 2023 and 2022, were as follows:

	2023	2022
Discount rate for obligations	5.00%	3.50%
Discount rate of costs	3.50%	3.25%

The assumed health care cost trend rates used to determine benefit obligation for the years ended March 31, 2023 and 2022, were as follows:

	2023	2022
Assumed health care cost trend rates as of March 31:		
Health care cost trend Medicare rate assumed for the next year:		
Current pre-65 health care trend rate	5.00%	5.00%
Current post-65 health care trend rate	5.00%	5.00%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	4.00%	4.00%
Year that the rate reaches the ultimate trend rate	2024	2023

Annual benefit payments, which reflect expected future service, as appropriate, are expected to be as follows:

Years ending March 31:	
2024	$ 129,000
2025	151,000
2026	164,000
2027	170,000
2028	174,000
Fiscal years 2029-2032	1,013,000
	$ 1,801,000

Note 8. Line of Credit

The Foundation entered into a $25,000,000 revolving line of credit agreement in February 2019. The line of credit is collateralized by marketable securities held by the Foundation. The line of credit was extended in February 2023 and matures in February 2024 with interest at the greater of the Prime-Based Rate or the Term SOFR-Based (Secured Overnight Financing Rate) rate. There were no amounts outstanding under this line of credit as of March 31, 2023 and 2022.

Note 9. Leases

The Foundation leases office space in Chicago, Illinois, under an operating lease agreement that has an initial term of 12 years. The Foundation's lease contains one option to extend the lease an additional five years commencing on December 1, 2032 and expiring on November 30, 2037. Extensions are included in the lease terms when it is reasonably certain that the Foundation will exercise that option. Management has determined that renewal of the lease was not reasonably certain and did not include the renewal period in the lease liability calculation. The Foundation's operating lease does not contain any material restrictive covenants. For lease arrangements with lease and non-lease components, the Foundation has made a policy election to account for lease and non-lease components separately for all classes of assets.

ROU asset and lease liability for operating leases are included in right of use asset and lease liability, respectively, in the statements of financial position. Lease assets represent the Foundation's right to use an underlying asset for the lease term and lease liabilities represent the Foundation's obligation to make lease payments arising from the lease. The operating lease cost and the cash paid for the Foundation was $324,000 and $103,000, respectively, for the year ended March 31, 2023.

Operating lease ROU assets and lease liabilities are recognized based on the present value of future minimum lease payments to be made over the expected lease term, using the risk-free rate at the commencement date in determining the present value of future payments.

The remaining lease term and discount rate at March 31, 2023, is 9.67 years and 2.39%, respectively.

Future undiscounted cash flows for each of the next five years and thereafter and a reconciliation to the lease obligations recognized on the statement of financial position are as follows as of March 31, 2023:

2024	$ 311,000
2025	319,000
2026	327,000
2027	335,000
2028	344,000
Thereafter	1,719,000
Total lease payments	3,355,000
Less imputed interest	(370,000)
Total present value of lease liabilities	$ 2,985,000