

The Spencer Foundation

Audited Financial Statements

*Years ended March 31, 2025 and 2024
with Report of Independent Auditors*

The Spencer Foundation
Audited Financial Statements
Years ended March 31, 2025 and 2024

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Report of Independent Auditors

Board of Directors
The Spencer Foundation

Opinion

We have audited the financial statements of The Spencer Foundation (the Foundation), which comprise the statement of financial position as of March 31, 2025, and the related statements of activities and cash flows for the year 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, 2025, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

The financial statements of the Foundation for the year ended March 31, 2024 were audited by another auditor who expressed an unmodified opinion on those statements on June 28, 2024.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free 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.

A handwritten signature in black ink that reads "Johnson Lambert LLP". The signature is written in a cursive, flowing style.

Park Ridge, Illinois
June 25, 2025

The Spencer Foundation
Statements of Financial Position

As of March 31, 2025 and 2024

	2025	2024
Assets		
Cash and cash equivalents	\$ 22,986,223	\$ 50,847,011
Investments	636,968,770	612,485,002
ROU assets - operating leases	2,245,380	2,507,333
Other assets	2,618,189	1,579,008
Total assets	\$ 664,818,562	\$ 667,418,354
Liabilities and net assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 377,110	\$ 515,917
Grants payable, net of \$583,368 in 2025 and \$705,000 in 2024	31,862,993	32,251,650
Lease liabilities - operating leases	2,510,972	2,741,441
Federal excise tax payable	198,084	198,084
Deferred federal excise tax	368,795	3,126,036
Postretirement benefits liability	4,368,698	4,177,042
Total liabilities	39,686,652	43,010,170
Net Assets:		
Without donor restrictions	623,631,910	621,908,184
With donor restrictions	1,500,000	2,500,000
Total net assets	625,131,910	624,408,184
Total liabilities and net assets	\$ 664,818,562	\$ 667,418,354

See accompanying notes to the financial statements.

The Spencer Foundation

Statements of Activities

Years ended March 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Changes in net assets without donor restrictions:		
Income:		
Investment income, net:		
Investment gain	\$ 20,826,720	\$ 82,737,746
Interest and other income	137,347	160,568
Dividend income	15,876,418	15,666,548
	<u>36,840,485</u>	<u>98,564,862</u>
Investment management fees	(617,578)	(430,250)
Other direct investment expenses	(67,444)	(57,101)
Investment income, net	36,155,463	98,077,511
Net assets released from restrictions	<u>1,000,000</u>	<u>585,000</u>
Total income	37,155,463	98,662,511
Expenses:		
Grants authorized, net of refunds	22,832,054	33,169,450
Administrative expenses	11,343,825	10,067,711
Current federal excise tax, net of tax refund	3,945,127	1,026,084
Deferred federal excise tax	(2,757,241)	272,082
Components of net periodic postretirement benefit cost other than service cost	204,474	182,000
Change in postretirement benefit obligation other than net periodic benefit cost	<u>(136,502)</u>	<u>43,000</u>
Total expenses	<u>35,431,737</u>	<u>44,760,327</u>
Change in net assets without donor restrictions	1,723,726	53,902,184
Changes in net assets with donor restrictions:		
Grant income	-	2,585,000
Net assets released from restrictions	<u>(1,000,000)</u>	<u>(585,000)</u>
Change in net assets with donor restrictions	<u>(1,000,000)</u>	<u>2,000,000</u>
Change in net assets	723,726	55,902,184
Net assets, beginning of year	<u>624,408,184</u>	<u>568,506,000</u>
Net assets, end of year	<u>\$ 625,131,910</u>	<u>\$ 624,408,184</u>

See accompanying notes to the financial statements.

The Spencer Foundation

Statements of Cash Flows

Years ended March 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities		
Change in net assets	\$ 723,726	\$ 55,902,184
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Change in fair value of investments	(20,827,051)	(27,996,864)
Noncash lease expense	261,953	256,020
Changes in operating assets and liabilities:		
Other assets	(1,039,181)	(310,134)
Accounts payable	(138,807)	160,571
Grants payable	(388,657)	13,305,688
Lease liabilities - operating leases	(230,469)	(243,133)
Deferred federal excise tax	(2,757,241)	272,082
Postretirement benefits liability	191,656	295,763
Federal excise tax payable	-	198,084
Net cash from operating activities	<u>(24,204,071)</u>	<u>41,840,261</u>
Cash flows from investing activities		
Purchases of investments	(692,446,016)	(71,673,820)
Proceeds from sales of investments	<u>688,789,299</u>	<u>53,115,251</u>
Net cash from investing activities	<u>(3,656,717)</u>	<u>(18,558,569)</u>
Net change in cash and cash equivalents	(27,860,788)	23,281,692
Cash, beginning of year	<u>50,847,011</u>	<u>27,565,319</u>
Cash, end of year	<u>\$ 22,986,223</u>	<u>\$ 50,847,011</u>

See accompanying notes to the financial statements.

The Spencer Foundation

Notes to the Financial Statements

Years ended March 31, 2025 and 2024

Note 1 - Organization and Significant Accounting Policies

Organization

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 Accounting

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States (GAAP) promulgated by the Financial Accounting Standards Board Codification (ASC or the guidance).

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

Cash and cash equivalents

Cash and cash equivalents include money market accounts. Cash balances held in accounts at financial institutions often exceed federally insured limits. The Foundation has not experienced any losses in such accounts and management believes the Foundation is not exposed to any significant credit risk related to cash.

Investments

The Foundation records investment purchases at cost. Subsequent to initial recording investments are reported at their fair values in the statements of financial position. Net investment income or loss is reported in the statement of activities and consists of interest and dividend income, realized and unrealized gains and losses, less external and direct internal investment expenses.

The Foundation's investments are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to these risk factors, it is reasonably possible that changes in the value of investments will occur in the near term that will materially affect the amounts reported in the financial statements.

The Spencer Foundation

Notes to the Financial Statements (Continued)

Note 1 - Organization and Significant Accounting Policies (Continued)

Fair Value Measurements

Financial assets and liabilities are reported at fair value in the financial statements based on the framework established in the fair value measurement and disclosure accounting guidance. 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 that the Foundation can access at the measurement date, 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.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

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.

The Spencer Foundation

Notes to the Financial Statements (Continued)

Note 1 - Organization and Significant Accounting Policies (Continued)

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, 2025 and 2024, 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:

Equities - Fair value is based on quoted market prices in active markets.

Fixed income - Fair value is based on observable market inputs such as benchmark yields, reported trades, and market indices.

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 rescissions and refunds and net of a present value discount on multiyear grants.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor restrictions.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose has been fulfilled, or both. The Foundation's net assets with donor restrictions as of March 31, 2025 and 2024, are purpose restricted for providing research grants.

The Spencer Foundation

Notes to the Financial Statements (Continued)

Note 1 - Organization and Significant Accounting Policies (Continued)

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.

Leases

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 not to recognize right-of-use (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. 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 nonpublic companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date. ROU assets are subject to review for impairment.

The Spencer Foundation

Notes to the Financial Statements (Continued)

Note 1 - Organization and Significant Accounting Policies (Continued)

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. For operating leases, lease expense relating to fixed payments is recognized on a straight-line basis over the lease term and lease expense relating to variable payments is expensed as incurred.

Subsequent Events

Subsequent events have been evaluated through June 25, 2025, which is 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, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Cash	\$ 22,986,223	\$ 50,847,011
Investments	636,968,770	612,485,002
Less amounts not available to be used within one year:		
Net assets with donor restrictions	<u>1,500,000</u>	<u>2,500,000</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 658,454,993</u>	<u>\$ 660,832,013</u>

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, 2025 and 2024. 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.

The Spencer Foundation

Notes to the Financial Statements (Continued)

Note 3 - Functional Classification of Expenses (Continued)

Expenses by functional classification for the year ended March 31, 2025, consist of the following:

	2025		
	Program Services	Management and General	Total Expenses
Grants authorized, net	\$ 22,832,054	\$ -	\$ 22,832,054
Salary and benefits:			
Employee salaries and taxes	2,965,167	1,648,902	4,614,069
Retirement contributions	427,878	158,394	586,272
Employee benefits	524,069	436,878	960,947
Professional fees	1,701,762	103,822	1,805,584
Operating expenses:			
Rent and utilities	388,313	215,980	604,293
Travel, hosting and meeting	1,250,049	96,347	1,346,396
Other	360,430	887,597	1,248,027
Depreciation and amortization	-	178,237	178,237
Current federal excise tax, net of tax refund	-	3,945,127	3,945,127
Deferred federal excise tax	-	(2,757,241)	(2,757,241)
Components of net periodic postretirement benefit cost other than service cost	149,476	54,998	204,474
Change in postretirement benefit obligation other than net periodic benefit cost	<u>(99,787)</u>	<u>(36,715)</u>	<u>(136,502)</u>
Total expenses	<u>\$ 30,499,411</u>	<u>\$ 4,932,326</u>	<u>\$ 35,431,737</u>

The Spencer Foundation

Notes to the Financial Statements (Continued)

Note 3 - Functional Classification of Expenses (Continued)

Expenses by functional classification for the year ended March 31, 2024, consist of the following:

	2024		
	Program Services	Management and General	Total Expenses
Grants authorized, net	\$ 33,169,450	\$ -	\$ 33,169,450
Salary and benefits:			
Employee salaries and taxes	2,528,784	1,758,581	4,287,365
Retirement contributions	326,190	223,906	550,096
Employee benefits	418,338	468,374	886,712
Professional fees	1,063,580	625,271	1,688,851
Operating expenses:			
Rent and utilities	369,886	252,489	622,375
Travel, hosting and meeting	920,106	81,343	1,001,449
Other	150,451	712,338	862,789
Depreciation and amortization	-	168,074	168,074
Current federal excise tax, net of tax refund	-	1,026,084	1,026,084
Deferred federal excise tax	-	272,082	272,082
Components of net periodic postretirement benefit cost other than service cost	107,000	75,000	182,000
Change in postretirement benefit obligation other than net periodic benefit cost	25,000	18,000	43,000
Total expenses	<u>\$ 39,078,785</u>	<u>\$ 5,681,542</u>	<u>\$ 44,760,327</u>

Note 4 - Investments & Fair Value Measurements

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

<u>2025</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equities:				
Domestic corporate equities and mutual funds	\$ 312,400,203	\$ -	\$ -	\$ 312,400,203
International corporate equities and mutual funds	170,578,687	-	-	170,578,687
Fixed income:				
U.S. Treasuries and Agency	46,246,796	-	-	46,246,796
International corporate	-	6,433,262	-	6,433,262
U.S. corporate and municipal	-	33,158,793	-	33,158,793
Asset backed securities	-	68,151,029	-	68,151,029
Total investments	<u>\$ 529,225,686</u>	<u>\$ 107,743,084</u>	<u>\$ -</u>	<u>\$ 636,968,770</u>

The Spencer Foundation

Notes to the Financial Statements (Continued)

Note 4 - Investments & Fair Value Measurements (Continued)

<u>2024</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Domestic corporate equities and mutual funds	\$ 320,608,087	\$ -	\$ -	\$ 320,608,087
International corporate equities and mutual funds	168,513,329	-	-	168,513,329
U.S. Treasuries and Agency	<u>123,363,586</u>	-	-	<u>123,363,586</u>
Total investments	<u>\$ 612,485,002</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 612,485,002</u>

Note 5 - 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:

2026	\$ 16,982,983
2027	<u>15,463,378</u>
Total	32,446,361
Less discount to reflect grants payable at present value	<u>(583,368)</u>
Grants payable, net	<u>\$ 31,862,993</u>

Grants authorized are shown net of rescissions and refunds of approximately \$246,000 and \$292,000 and net of present value discount of \$583,000 and \$705,000 in fiscal years 2025 and 2024, respectively. Payments on authorized but unpaid grants may be accelerated upon mutual agreement between the Foundation and the grantees.

Note 6 - 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 \$586,272 and \$550,096 for the years ended March 31, 2025 and 2024, 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.

The Spencer Foundation

Notes to the Financial Statements (Continued)

Note 6 - Employee Benefits (Continued)

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, 2025 and 2024, respectively, participating eligible employees made contributions of \$39,000 and \$43,000. 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, 2025 or 2024. Investments held for deferred compensation of \$148,891 and \$160,497 at March 31, 2025 and 2024, respectively, are included in other assets on the statements of financial position and the corresponding liability of \$284,141 and \$255,172, respectively, is included in accounts payable and accrued expenses.

The Foundation established a 457(f) supplemental retirement plan covering certain eligible employees. The Foundation sets aside cash based on the agreements. A liability of \$135,250 and \$95,000 is included in accounts payable and accrued expenses at March 31, 2025 and 2024, respectively.

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.

	2025	2024
Obligations and funded status:		
Fair value of plan assets	\$ -	\$ -
Accumulated postretirement benefit obligation	(4,368,698)	(4,177,042)
Funded status	\$ (4,368,698)	\$ (4,177,042)
Amounts recognized on the statements of financial position:		
Postretirement benefits liability	\$ 4,368,698	\$ 4,177,042

The Spencer Foundation

Notes to the Financial Statements (Continued)

Note 6 - Employee Benefits (Continued)

The table below summarizes changes in the Foundation's postretirement benefit obligation for the years ended March 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Postretirement benefit obligation, beginning of year	\$ 4,177,042	\$ 3,881,279
Service cost	293,091	214,129
Interest cost	212,886	190,843
Actuarial gain	(181,391)	(11,405)
Benefits paid	(132,930)	(97,804)
Postretirement benefit obligation, end of year	<u>\$ 4,368,698</u>	<u>\$ 4,177,042</u>

Changes in the postretirement benefit obligation are included in the statements of activities in administrative expenses for the years ended March 31, 2025 and 2024, as follows:

	<u>2025</u>	<u>2024</u>
Service cost	\$ 293,091	\$ 214,129
Interest cost	212,886	190,843
Amortization of unrecognized prior service cost	(8,412)	(8,412)
Amortization of unrecognized net loss	(36,477)	(45,769)
Net periodic postretirement benefit cost	<u>\$ 461,088</u>	<u>\$ 350,791</u>
Change in postretirement benefit obligation not included in net periodic postretirement benefit cost	<u>\$ (136,502)</u>	<u>\$ 42,776</u>

The weighted-average actuarial assumptions used to determine benefit obligation and benefit cost for the years ended March 31, 2025 and 2024, were as follows:

	<u>2025</u>	<u>2024</u>
Discount rate for obligations	5.30 %	5.20 %
Discount rate of costs	5.20 %	5.00 %

The Spencer Foundation

Notes to the Financial Statements (Continued)

Note 6 - Employee Benefits (Continued)

The assumed health care cost trend rates used to determine benefit obligation for the years ended March 31, 2025 and 2024, were as follows:

	2025	2024
<u>Assumed health care cost trend rates as of March 31</u>		
Health care cost trend Medicare rate assumed for the next year:		
Initial health care trend rate	6.25 %	6.50 %
Ultimate health care trend rate	4.50 %	4.50 %
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	4.50 %	4.50 %
Year that the rate reaches the ultimate trend rate	2032	2032

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

Years ending March 31:	
2026	\$ 176,653
2027	180,367
2028	182,804
2029	199,876
2030	208,867
Fiscal years 2031-2035	1,457,581
	\$ 2,406,148

Note - 7 - Line of Credit

The Foundation entered into a \$25,000,000 revolving line of credit agreement that is collateralized by marketable securities held by the Foundation and expires in February 2026. Interest is calculated at the greater of the Prime-Based Rate or the Term SOFR-Based (Secured Overnight Financing Rate) rate. There were no amounts drawn or outstanding under this line of credit as of March 31, 2025 and 2024.

The Spencer Foundation

Notes to the Financial Statements (Continued)

Note 8 - 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 ROU 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. 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 Company's lease costs, terms and discount rates are as follows for the years ending March 31, 2025 and 2024:

	2025	2024
Operating lease cost:		
Lease cost	\$ 324,000	\$ 324,000
Total lease cost	\$ 324,000	\$ 324,000
<u>Other Information</u>		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 318,979	\$ 311,000
Weighted-average remaining lease term - operating leases	7.67 years	8.67 years
Weighted-average discount rate - operating leases	2.39 %	2.39 %

The Spencer Foundation

Notes to the Financial Statements (Continued)

Note 8 - Leases (Continued)

Future minimum lease payments and reconciliation to the statement of financial position as of March 31, 2025 are as follows:

	<u>Operating</u>
2026	\$ 326,920
2027	335,078
2028	343,412
2029	352,007
2030	360,820
Thereafter	<u>1,005,759</u>
Total undiscounted future lease payments	2,723,996
Less: present value adjustment	<u>(213,024)</u>
Lease liability	<u><u>\$ 2,510,972</u></u>