MARY REYNOLDS BABCOCK FOUNDATION, INCORPORATED

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED
DECEMBER 31, 2023 AND 2022

MRBf
Mary Reynolds Babcock
FOUNDATION

2023 Directors

LaVeeda Morgan Battle
Chad Berry
Ashleigh Gardere
Jerry Gonzalez
James Mitchell
Holt Mountcastle
Kara Mountcastle
Kathy Mountcastle
Kenneth Mountcastle III
Laura Mountcastle
Mary Mountcastle
Micah Gilmer
Stephanie Tyree

2023 Officers

Ashleigh Gardere
President

Chad Berry
Vice President

Kenneth Mountcastle III
Treasurer

Kara Mountcastle
Secretary

CONTENTS

BALANCE & STRATEGY
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Mary Reynolds Babcock Foundation, Incorporated

Opinion

We have audited the accompanying financial statements of Mary Reynolds Babcock Foundation, Incorporated (a nonprofit organization), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities and changes in net assets, cash flows, and functional expenses for the year 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 Mary Reynolds Babcock Foundation, Incorporated as of December 31, 2023, 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. 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 Mary Reynolds Babcock Foundation, Incorporated, 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.

Prior Period Financial Statements

The financial statements of Mary Reynolds Babcock Foundation, Incorporated as of December 31, 2022, were audited by other auditors whose report dated July 18, 2023 expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 Mary Reynolds Babcock Foundation, Incorporated's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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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 generally accepted auditing standards 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 generally accepted auditing standards, 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 Mary Reynolds Babcock Foundation, Incorporated'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 Mary Reynolds Babcock Foundation, Incorporated'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.

Balance + Strategy

Chapel Hill, North Carolina
July 16, 2024

MARY REYNOLDS BABCOCK FOUNDATION, INCORPORATED

STATEMENTS OF FINANCIAL POSITION

EXHIBIT A

December 31, 2023 and 2022

ASSETS

	2023	2022
ASSETS:		
Cash and cash equivalents	$ 3,989,723	$ 3,083,738
Contributions receivable	4,608,221	6,883,881
Interest and dividends receivable	239,105	156,185
Prepaid expenses and other assets	79,253	53,788
Prepaid excise taxes	61,915	-
Investments	170,795,028	160,992,834
Program-related investments	5,590,782	5,800,421
Beneficial interests in charitable remainder trust	434,133	354,395
Property and equipment, net	14,382	15,737
TOTAL ASSETS	$ 185,812,542	$ 177,340,979

LIABILITIES AND NET ASSETS

	2023	2022
LIABILITIES:		
Accounts payable and accrued expenses	$ 386,400	$ 309,314
Federal excise tax payable	-	3,508
Deferred federal excise tax	522,711	290,622
TOTAL LIABILITIES	909,111	603,444
NET ASSETS:		
Without donor restrictions	179,861,126	169,489,308
With donor restrictions	5,042,305	7,248,227
TOTAL NET ASSETS	184,903,431	176,737,535
TOTAL LIABILITIES AND NET ASSETS	$ 185,812,542	$ 177,340,979

MARY REYNOLDS BABCOCK FOUNDATION, INCORPORATED

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

EXHIBIT B

For the Years Ended December 31, 2023 and 2022

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Totals	Totals
REVENUE, GAINS, AND LOSSES:				
Grant revenue	$ -	$ 94,340	$ 94,340	$ 140,928
Net investment return	21,577,134	-	21,577,134	(50,708,172)
Change in value of charitable remainder trust	-	79,738	79,738	(319,041)
Other income	-	-	-	243,321
	21,577,134	174,078	21,751,212	(50,642,964)
Net assets released from restrictions	2,380,000	(2,380,000)	-	-
TOTAL REVENUE, GAINS, AND LOSSES	23,957,134	(2,205,922)	21,751,212	(50,642,964)
EXPENSES:				
Program:				
Grants awarded	9,802,500	-	9,802,500	21,766,670
Grant making, program related investments, and other program expenses	2,643,420	-	2,643,420	2,149,784
	12,445,920	-	12,445,920	23,916,454
Supporting services:				
Operational support	958,595	-	958,595	792,386
Investment administration	180,801	-	180,801	109,521
	1,139,396	-	1,139,396	901,907
TOTAL EXPENSES	13,585,316	-	13,585,316	24,818,361
CHANGES IN NET ASSETS	10,371,818	(2,205,922)	8,165,896	(75,461,325)
NET ASSETS - BEGINNING OF YEAR	169,489,308	7,248,227	176,737,535	252,198,860
NET ASSETS - END OF YEAR	$ 179,861,126	$ 5,042,305	$ 184,903,431	$ 176,737,535

The accompanying Notes to Financial Statements are an integral part of these statements.

MARY REYNOLDS BABCOCK FOUNDATION, INCORPORATED

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

EXHIBIT B

For the Years Ended December 31, 2023 and 2022

	2022		
	Without Donor Restrictions	**With Donor Restrictions**	**Totals**
REVENUE, GAINS, AND LOSSES:			
Grant revenue	-	$ 140,928	$ 140,928
Net investment return	(50,708,172)	-	(50,708,172)
Change in value of charitable remainder trust	-	(319,041)	(319,041)
Other income	243,321	-	243,321
	(50,464,851)	(178,113)	(50,642,964)
Net assets released from restrictions	2,965,000	(2,965,000)	-
TOTAL REVENUE, GAINS, AND LOSSES	(47,499,851)	(3,143,113)	(50,642,964)
EXPENSES:			
Program:			
Grants awarded	21,766,670	-	21,766,670
Grant making, program related investments, and other program expenses	2,149,784	-	2,149,784
	23,916,454	-	23,916,454
Supporting services:			
Operational support	792,386	-	792,386
Investment administration	109,521	-	109,521
	901,907	-	901,907
TOTAL EXPENSES	24,818,361	-	24,818,361
CHANGES IN NET ASSETS	(72,318,212)	(3,143,113)	(75,461,325)
NET ASSETS - BEGINNING OF YEAR	241,807,520	10,391,340	252,198,860
NET ASSETS - END OF YEAR	$ 169,489,308	$ 7,248,227	$ 176,737,535

The accompanying Notes to Financial Statements are an integral part of these statements.

MARY REYNOLDS BABCOCK FOUNDATION, INCORPORATED

EXHIBIT C

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	$ 8,165,896	$ (75,461,325)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation	9,502	15,112
Net realized and unrealized (gains) losses on investments	(20,901,462)	51,763,243
Change in value of charitable remainder trust	(79,738)	319,041
Change in discount of program-related investments	(23,573)	(43,706)
Impairment of program-related investments	59,502	157,083
Fair value of donated property and equipment	-	670,000
Loss (gain) on disposal of property and equipments	452	(243,321)
Deferred federal excise tax expense (benefit)	232,089	(849,528)
Changes in assets and liabilities:		
Contributions receivable	2,275,660	2,034,072
Interest and dividends receivable	(82,920)	5,570
Prepaid expenses and other assets	(25,465)	4,047
Prepaid excise taxes	(61,915)	-
Accounts payable and accrued expenses	77,086	48,731
Grants payable	-	(29,998)
Federal excise tax payable	(3,508)	(97,565)
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(10,358,394)	(21,708,544)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of investments	44,620,490	52,604,341
Purchases of investments	(33,521,222)	(34,302,004)
Proceeds from program-related investments	223,278	1,042,428
Purchases of program-related investments	(49,568)	(92,483)
Purchases of property and equipment	(8,599)	(10,935)
NET CASH FLOWS PROVIDED BY INVESTING ACTIVITIES	11,264,379	19,241,347
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on note payable	-	(101,955)
NET CASH FLOWS USED IN FINANCING ACTIVITIES	-	(101,955)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	905,985	(2,569,152)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	3,083,738	5,652,890
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 3,989,723	$ 3,083,738
SUPPLEMENTAL DISCLOSURES:		
Cash payments for Federal excise taxes	$ 140,000	$ 169,945
Cash payments for interest	$ -	$ 1,029

The accompanying Notes to Financial Statements are an integral part of these statements.

MARY REYNOLDS BABCOCK FOUNDATION, INCORPORATED

STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended December 31, 2023 and 2022

EXHIBIT D

	Program			Supporting Services			2023
	Grants	Grant Making, Program Related Investments and Other Program	Program Total	Operational Support	Investment Administration	Supporting Services Total	Total Expenses
Grants awarded	$ 9,802,500	$ -	$ 9,802,500	$ -	$ -	$ -	$ 9,802,500
Compensation	-	1,393,879	1,393,879	524,474	91,795	616,269	2,010,148
Employee taxes and benefits	-	377,143	377,143	143,395	25,047	168,442	545,585
Travel, meetings, and conferences	-	278,604	278,604	90,940	16,384	107,324	385,928
Program support, racial equity, learning and strategy	-	262,883	262,883	-	-	-	262,883
Professional services	-	5,613	5,613	166,526	41,689	208,215	213,828
Technology and equipment	-	110,065	110,065	13,936	2,434	16,370	126,435
Communications	-	80,968	80,968	-	-	-	80,968
Membership	-	77,394	77,394	-	-	-	77,394
Other office expenses	-	29,510	29,510	11,220	1,960	13,180	42,690
Insurance	-	13,699	13,699	2,910	585	3,495	17,194
Bank, payroll, and other fees	-	7,291	7,291	2,772	484	3,256	10,547
Depreciation	-	6,371	6,371	2,422	423	2,845	9,216
	$ 9,802,500	$ 2,643,420	$ 12,445,920	$ 958,595	$ 180,801	$ 1,139,396	$ 13,585,316

MARY REYNOLDS BABCOCK FOUNDATION, INCORPORATED

STATEMENTS OF FUNCTIONAL EXPENSES

EXHIBIT D

For the Years Ended December 31, 2023 and 2022

	Program			Supporting Services			2022
	Grants	Grant Making, Program Related Investments and Other Program	Program Total	Operational Support	Investment Administration	Supporting Services Total	Total Expenses
Grants awarded	$ 21,766,670	$ -	$ 21,766,670	$ -	$ -	$ -	$ 21,766,670
Compensation	-	1,126,577	1,126,577	347,232	43,387	390,619	1,517,196
Employee taxes and benefits	-	313,500	313,500	97,857	12,227	110,084	423,584
Travel, meetings, and conferences	-	229,986	229,986	57,974	7,244	65,218	295,204
Program support, racial equity, learning and strategy	-	118,454	118,454	-	-	-	118,454
Professional services	-	53,242	53,242	253,795	42,224	296,019	349,261
Technology and equipment	-	111,076	111,076	15,392	1,923	17,315	128,391
Communications	-	49,105	49,105	-	-	-	49,105
Membership	-	77,639	77,639	-	-	-	77,639
Other office expenses	-	35,263	35,263	11,009	1,375	12,384	47,647
Insurance	-	14,976	14,976	2,895	362	3,257	18,233
Bank, payroll, and other fees	-	8,884	8,884	2,773	347	3,120	12,004
Depreciation	-	11,082	11,082	3,459	432	3,891	14,973
	$ 21,766,670	$ 2,149,784	$ 23,916,454	$ 792,386	$ 109,521	$ 901,907	$ 24,818,361

MARY REYNOLDS BABCOCK FOUNDATION, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

NATURE OF ORGANIZATION

Mary Reynolds Babcock Foundation, Incorporated (the Foundation) is a nonprofit organization located in Winston-Salem, North Carolina. Its mission is to help people and places to move out of poverty and achieve greater social and economic justice in 11 Southern states. It supports collaborative, multi-strategy, place-based work focused on democracy and civic engagement, economic opportunity and supportive policies and institutions. The Foundation provides grants to nonprofit organizations that advance its mission and invests in program-related investments.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting.

The Foundation's financial statements are presented on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Accordingly, revenues are recognized when earned and expenses are recognized when incurred.

The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets outside of the fiscal year in which they are received. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions.

B. Cash and Cash Equivalents.

Cash and cash equivalents consist of monies on deposit at financial institutions, and other highly liquid investments with maturities of three months or less. At times, the Foundation may have placed deposits with high-quality financial institutions that were in excess of federally insured amounts. The Foundation did not experience any financial loss related to such deposits.

C. Contributions Receivable.

Unconditional contributions receivable are recognized as support and assets in the period received. Unconditional grants contributions receivable that are expected to be collected within one year are recorded at net realizable value. Unconditional contributions receivable that are expected to be collected in future years are initially recorded using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities and changes in net assets. The Foundation provides an allowance for doubtful accounts equal to the estimated losses that are expected to be incurred in their collection. The allowance is based on historical collection experience and a review by management of the current status of the existing grants receivable.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Notes Receivable.

Notes receivable, included in program-related investments, are recorded at total unpaid balance, net of an allowance for credit losses. The Foundation estimates any allowance for credit losses by individual loan based on a combination of factors, including the Foundation's knowledge of the current composition of receivables, historical losses and existing economic conditions. The Foundation considers a note receivable to be past due once a required principal payment has not been received on a timely basis. Receivables that management believes to be ultimately not collectible are written off upon such determination. The Foundation does not recognize interest income on impaired notes to the extent impairment impacts the amount the Foundation believes it will ultimately receive from interest income. Any cash receipts from the maker of the note receivable are recorded first against outstanding interest due and then against the principal of the note. There were no allowances for credit losses related to notes receivable as of December 31, 2023 and 2022.

The Foundation uses an internal credit risk grade as its primary credit quality indicator for notes receivable. The Foundation assesses changes to its ratings for each note receivable at each reporting date. These ratings are developed based upon management's judgment about the likelihood of loss on a particular instrument.

E. Property and Equipment.

Property and equipment are stated at cost for purchased assets and at fair value on the date of the gift for donated assets. Property and equipment are capitalized if the life is expected to be greater than one year and if the cost exceeds $1,000. Depreciation is calculated using the straight-line method over the estimated useful lives of the respective assets of three years for equipment and furniture.

F. Investments.

Investments are presented in the financial statements at fair value determined in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 820, *Fair Value Measurement*. U.S. GAAP defines fair value 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.

FASB ASC Topic 820 permits reporting entities, as a practical expedient, to estimate the fair value of their investments in certain entities that calculate net asset value ("NAV") per share (or its equivalent, such as member units or an ownership interest in partners' capital to which a proportionate share of net assets is attributed) by using NAV if the NAV per share (or its equivalent) of the investment is calculated in a manner consistent with the measurement principles of FASB ASC Topic 946, *Financial Services - Investment Companies*, as of the reporting entity's measurement date.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Investments (Continued).

The Foundation elects to use NAV as a practical expedient to estimate the fair value of its equity funds. The investee managers calculate NAV using fair value estimates of the underlying securities and other financial instruments. The estimated fair values of these underlying investments, which may include private placements and other securities for which prices are not readily available, may not reflect amounts that could be realized upon immediate sale nor amounts that ultimately may be realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments. The fair value of the Foundation's equity funds generally represent the amount the Foundation would expect to receive if it were to liquidate its investments, excluding any redemption charges that may apply.

Determining whether an investee fund manager has calculated NAV in a manner consistent with FASB ASC Topic 946 requires the Foundation to independently evaluate the fair value measurement process utilized to calculate the NAV. Such an evaluation is a matter of professional judgment and includes determining that an investee fund manager has an effective process and related internal controls in place to estimate the fair value of its investments that are included in the calculation of NAV. The Foundation's evaluation of the process used by investee fund managers includes initial due diligence, ongoing due diligence and financial reporting controls.

The Foundation's investments include various types of investment securities, which are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is possible that changes in risks in the near term could materially affect amounts reported in the financial statements. Investment transactions are recorded on the trade date. Interest income and expense are recognized under the accrual basis. Dividend income is recognized on the ex-dividend date.

G. Grants Payable.

Grants from the Foundation may include preconditions to be met before the recipient organization can qualify for the award. Grants are not reflected in the financial statements until grantees satisfy all conditions specified in their respective grant agreements. Unconditional grants are recognized as grants awarded in the statements of activities and changes in net assets and grants payable in the statements of financial position. Grants payable represent all unconditional grants that have been awarded prior to year-end, that remain unpaid as of the statements of financial position date.

H. Net Assets.

Net assets, revenue, gains, and losses are classified based on the existence or absence of donor or grantor 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 (or certain grantor) restrictions. These resources include amounts generated from operations, undesignated contributions, and the investment in property and equipment.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Net Assets. (Continued)

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) 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. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

I. Revenue Recognition.

The Foundation receives grants from private foundations. These grants are recognized when cash, securities or other assets, an unconditional contributions receivable, a grant award letter, or notification of a beneficial interest is received. Conditional contributions, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been substantially met. There are no conditional contributions at December 31, 2023 and 2022.

J. Contributed Nonfinancial Assets.

The Foundation recognizes contributed services if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would otherwise be purchased by the Foundation. There were no such services in the years ended December 31, 2023 or 2022.

K. Estimates.

The preparation of financial statements in conformity with the U.S. 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 revenue and expenses during the reporting period. Actual results could differ from those estimates, and those differences can be material.

L. Income Taxes.

The Foundation qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (IRC) and, accordingly, is not subject to federal income tax. However, as a private charitable foundation, it is subject to federal excise tax on its net investment income, including realized gains on securities and investment transactions. Deferred federal excise tax is provided for net unrealized gains on investments that have been recognized in the financial statements. Excise taxes are included as direct investment expenses and are presented net of investment return in the statements of activities and changes in net assets.

Management evaluated the Foundation’s tax positions and concluded that the Foundation had taken no uncertain tax positions that require adjustment to the financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. New Accounting Pronouncements.

In June 2016, the Financial Standards Accounting Board ("FASB") issued Accounting Standards Update ("ASU") 2016-13, *Financial Instruments – Credit Losses*. The standard requires credit impairment to be recognized as an allowance for credit losses, rather than as a direct write-down of the financial asset. This standard was effective January 1, 2023.

CASH AND CASH EQUIVALENTS

The short-term investment funds on deposit with investment advisors are included in cash and cash equivalents on the statements of financial position. These funds, held for investment purposes only, amounted to $3,820,714 and $2,769,954, as of December 31, 2023 and 2022, respectively.

LIQUIDITY AND AVAILABILITY

The following table summarizes the Foundation's financial assets available for general expenditures within one year after December 31, 2023 and 2022, including grants awarded and minimum distributions required by the IRC. The Foundation expects to spend 14% of the amount available for general expenditures within one year and hold the remaining amount for long-term investment purposes.

	2023	2022
Financial assets:		
Cash and cash equivalents	$ 3,989,723	$ 3,083,738
Accounts receivable	1,664	1,814
Interest and dividends receivable	239,105	156,185
Contribution receivable	4,608,221	6,883,881
Investments	170,795,028	160,992,834
Program-related investments	5,590,782	5,800,421
Beneficial interests in charitable remainder trust	434,133	354,395
	$ 185,658,656	$ 177,273,268
Less amounts not available to be used within one year:		
Cash and receivables restricted by donor	(4,609,767)	(6,893,832)
Beneficial interests in charitable remainder trust	(434,133)	(354,395)
Investments with liquidity horizons greater than one year	(29,874,185)	(31,021,306)
Program-related investments with maturities greater than one year	(617,729)	(3,474,070)
	$ (35,535,814)	$ (41,743,603)
Financial assets available to meet general expenditures within one year	$ 150,122,842	$ 135,529,665

The Foundation regularly monitors liquidity required to meet its operating needs, grants and other commitments, while also striving to maximize the investment of its available funds. The Foundation has various sources of liquidity at its disposal including cash, cash equivalents and marketable debt and equity securities. The Foundation's investment objective is to preserve and enhance the real purchasing power of its investment fund while providing a relatively predictable, stable and constant stream of returns in line with the Foundation's spending requirements.

LIQUIDITY AND AVAILABILITY (CONTINUED)

The current spending policy establishes a goal of spending 5.5% of a 12-quarter moving average of the fair value of the investment fund. However, the board may adjust the spending percentage at its discretion and the board may approve grants not subject to the spending policy.

CONTRIBUTIONS RECEIVABLE

Contributions receivable consists of the following at December 31:

	2023	2022
Contributions receivable in less than one year	$ 2,370,000	$ 2,370,000
Contributions receivable in one to five years	2,285,000	4,655,000
Total gross contributions receivable	4,655,000	7,025,000
Discount at a rate of 2.09%	(46,779)	(141,119)
Net present value of contributions receivable	$ 4,608,221	$ 6,883,881

MISSION INVESTING

The Foundation seeks to align its investments with its values and mission. The Foundation does this in two ways: below-market program-related, or programmatic investments (“PRIs”) and market-rate environmental, social, governance (ESG) investments. PRIs, as defined in IRC 4944(c), have a primary purpose of advancing the mission of the Foundation without a significant purpose of the production of income or the appreciation of property.

PRIs are treated as charitable distributions on Internal Revenue Service form 990-PF, the tax and information return filed by private foundations for minimum-distribution requirement purposes. The Foundation’s current PRIs consist of below-market certificates of deposit, limited partnership interests in community development venture funds, an uninsured deposit in a credit union, a real estate fund and notes receivable from community development revolving loan funds. PRIs are presented net of $716,585 and $657,083, of credit losses as of December 31, 2023 and 2022, respectively. The Foundation expects to hold all PRIs to maturity.

CHARITABLE REMAINDER TRUST

A charitable remainder trust provides for payments to the grantor or other designated beneficiaries over the trust’s term. The terms of the charitable remainder trust, which name the Foundation as a remainder beneficiary, are the lifetimes of the respective distribution recipients. At the end of the respective trust’s term, the remaining assets in which the Foundation has an interest will be distributed to the Foundation.

Upon receipt of a beneficial interest in a charitable remainder trust, the fair value, which is measured at the present value of such interest, is recorded as contribution revenue. The annual change in the fair value of the beneficial interest is recorded as a change in value of charitable remainder trust in the statements of activities and changes in net assets. Such valuations are based on estimated mortality rates and other assumptions that could change in the near term. The discount rates used in the calculation was 6.20% and 6.41%, at December 31, 2023 and 2022, respectively.

MARY REYNOLDS BABCOCK FOUNDATION, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

INVESTMENTS

Investments as of December 31, 2023, consist of the following:

	Cost	Fair Value	Accumulated Appreciation (Depreciation)
Equity securities	$ 49,962,916	$ 70,055,837	$ 20,092,921
Mutual funds	8,300,452	14,294,791	5,994,339
Fixed income securities	29,309,877	28,305,292	(1,004,585)
Fixed income private	500,000	500,000	-
Equity funds:			
Generation IM Global Equity	23,708,242	28,264,925	4,556,683
DBL Partners III LP	4,249,330	7,623,321	3,373,991
DBL Partners IV LP	2,575,330	4,021,188	1,445,858
Generation IM Climate Solutions II	1,427,056	2,347,278	920,222
Generation IM Sustainable Solutions III	4,025,455	4,583,180	557,725
SJF Ventures IV, LP	1,997,888	3,136,457	1,138,569
SJF Ventures V, LP	968,805	1,011,219	42,414
Illumen Capital, LP	532,244	697,508	165,264
Illumen Capital II, LP	378,782	394,856	16,074
Impact America Fund II	404,217	492,214	87,997
Impact America Fund III	55,720	64,304	8,584
MaC Venture Capital 2019, LP	379,155	793,557	414,402
MaC Venture Capital II	712,737	727,655	14,918
Alkeon Innovation Offshore Fund II, LP	1,169,151	998,577	(170,574)
Collab Capital I, LLC	680,074	634,698	(45,376)
Kapor Capital III, LP	156,686	137,770	(18,916)
Apis and Heritage Legacy Fund I, LLC	474,695	474,728	33
Debut Capital Fund I, LLC	464,353	416,451	(47,902)
Ruthless For Good Fund I, LP	156,042	138,571	(17,471)
Mission One Capital Fund I LP	215,549	205,548	(10,001)
Concrete Rose Fund II, LP	104,336	55,964	(48,372)
E2JDJ Delta LP	287,973	419,141	131,168
	$ 133,197,064	$ 170,795,029	$ 37,597,965

INVESTMENTS (CONTINUED)

Investments as of December 31, 2022, consist of the following:

	Cost	Fair Value	Accumulated Appreciation (Depreciation)
Equity securities	$ 54,962,097	$ 67,153,393	$ 12,191,296
Mutual funds	9,268,887	13,193,977	3,925,090
Fixed income securities	23,311,212	21,248,388	(2,062,824)
Fixed income private	500,000	500,000	-
Equity funds:			
Generation IM Global Equity	31,610,331	28,350,790	(3,259,541)
DBL Partners III LP	4,222,532	8,429,380	4,206,848
DBL Partners IV LP	2,549,955	3,884,700	1,334,745
Generation IM Climate Solutions II	1,611,538	3,826,006	2,214,468
Generation IM Sustainable Solutions III	4,329,261	4,925,594	596,333
SJF Ventures IV, LP	2,305,032	3,403,444	1,098,412
SJF Ventures V, LP	775,899	796,441	20,542
Illumen Capital, LP	407,323	672,816	265,493
Illumen Capital II, LP	131,606	253,062	121,456
Impact America Fund II	429,222	603,553	174,331
MaC Venture Capital 2019, LP	407,885	885,268	477,383
MaC Venture Capital II	416,488	525,194	108,706
Alkeon Innovation Offshore Fund II, LP	866,666	830,510	(36,156)
Collab Capital I, LLC	538,798	533,926	(4,872)
Kapor Capital III, LP	124,615	155,158	30,543
Apis and Heritage Legacy Fund I, LLC	172,564	207,523	34,959
Debut Capital Fund I, LLC	417,330	438,935	21,605
Ruthless For Good Fund I, LP	166,307	174,776	8,469
	$ 139,525,548	$ 160,992,834	$ 21,467,286

Cost represents the original value at the time of purchase. For equity funds, cost is adjusted for the Foundation's proportionate share of income, expenses, gains and losses reported by the funds as well as any distributions from the funds.

The Foundation invests in a professionally managed portfolio that contains common shares and bonds of publicly-traded companies, U.S. government obligations, private equity or debt securities that are not publicly listed or traded, mutual funds and money market funds. Such investments are exposed to various risks, such as interest rate, market and credit risks. The investment portfolio is regularly reviewed and the extent of its diversification is considered in conjunction with other risk management and performance objectives.

INVESTMENTS (CONTINUED)

The money managers of underlying investments in which the Foundation invests may utilize derivative instruments with off-balance-sheet risk. The Foundation's exposure to risk is limited to the amount of its investment. Investment management fees range from 0.15% to 2.50% of investment values. Performance fees may also apply when established benchmarks are attained.

DISTRIBUTION OF INCOME

The minimum amount required to be distributed by the Foundation during the years ended December 31, 2023 and 2022, computed in accordance with the minimum distribution requirements of the IRC, was approximately $8,558,000 and $10,435,000, respectively. At December 31, 2023 and 2022, the Foundation had excess contributions carryover of approximately $35,800,000 and $35,900,000, respectively.

FAIR VALUE MEASUREMENTS

U.S. GAAP defines fair value 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. It also establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Foundation. Unobservable inputs reflect the Fondation's assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 - Quoted prices are available in active markets for identical assets as of the reporting date.

Level 2 - Valuations based on inputs other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, are valued at prices for similar assets or liabilities in markets that are not active, or determined through the use of models or other valuation methodologies.

Level 3 - Pricing inputs are unobservable and include situations where there is little, if any, market activity for the asset. Fair value for these assets is determined using valuation methodologies that consider a range of factors, including but not limited to the price at which the asset was acquired, the nature of the asset, local market conditions, trading values on public exchanges for comparable securities, current and projected operating performance and financing transactions subsequent to the acquisition of the asset. The inputs into the determination of fair value require significant management judgment. Due to the inherent uncertainty of these estimates, these values may differ materially from the values that would have been used had a ready market for these assets existed.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

FAIR VALUE MEASUREMENTS (CONTINUED)

In determining fair value, the Foundation uses valuation approaches within the FASB ASC 820 fair value measurement framework. The following is a description of the valuation methodologies used for instruments measured at fair value and their classification within the hierarchy.

Equity securities and mutual funds: Equity securities and mutual funds listed on national markets or exchanges are valued at the last sales price, or if there is no sale and the market is considered active, at the mean of the last bid and asked prices on such exchange. Such securities are classified within Level 1 of the valuation hierarchy.

Fixed income securities: Investments in debt securities include corporate bonds and funds and government and government agency obligation bonds and funds. Certain bond funds are listed on national markets or exchanges and are valued at the last sales price, or if there is no sale and the market is considered active, at the mean of the last bid and asked prices on such exchange. Such securities are classified within Level 1 of the valuation hierarchy. All other fixed income investments are valued using market observable data, such as reported sales of similar securities, broker quotes, yields, bids, offers and reference data, and are classified within Level 2 of the hierarchy.

Beneficial interest in charitable remainder trust: Fair value is determined using the income approach based on estimated cash flows, mortality and discounts rates. Such beneficial interests are classified within Level 3 of the valuation hierarchy.

The following table sets forth, by level within the fair value hierarchy, the Foundation's assets measured at fair value subsequent to initial recognition on a recurring basis at December 31, 2023:

Description	Level 1	Level 2	Level 3	Total
Equity securities:				
U.S. Large Cap	$ 36,013,092	$ -	$ -	$ 36,013,092
U.S Small and Mid Cap	15,412,757	-	-	15,412,757
International	16,518,982	-	-	16,518,982
Emerging Market	2,111,006	-	-	2,111,006
Mutual funds:				
Global large-stock blend	14,100,509	-	-	14,100,509
International	194,281	-	-	194,281
Fixed income securities:				
U.S. Corporate	-	16,701,131	-	16,701,131
U.S. Governmental	-	10,688,314	-	10,688,314
International	-	691,321	-	691,321
Emerging markets	-	224,526	-	224,526
Fixed income private	-	500,000	-	500,000
	84,350,627	28,805,292	-	113,155,919
Equity funds*	-	-	-	57,639,109
Total investments	84,350,627	28,805,292	-	170,795,028
Beneficial interest in charitable remainder trust	-	-	434,133	434,133
	$ 84,350,627	$ 28,805,292	$ 434,133	$ 171,229,161

MARY REYNOLDS BABCOCK FOUNDATION, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

FAIR VALUE MEASUREMENTS (CONTINUED)

The following table sets forth, by level within the fair value hierarchy, the Foundation's assets measured at fair value subsequent to initial recognition on a recurring basis at December 31, 2022:

Description	Level 1	Level 2	Level 3	Total
Equity securities:				
U.S. Large Cap	$ 29,434,455	$ -	$ -	$ 29,434,455
U.S Small and Mid Cap	18,296,148	-	-	18,296,148
International	13,734,407	-	-	13,734,407
Emerging Market	3,948,835	-	-	3,948,835
Real estate	1,739,548	-	-	1,739,548
Mutual funds:				
Global large-stock blend	12,066,931	-	-	12,066,931
International	1,127,046	-	-	1,127,046
Fixed income securities:				
U.S. Corporate	-	12,587,524	-	12,587,524
U.S. Governmental	-	7,829,234	-	7,829,234
International	-	674,234	-	674,234
Emerging markets	-	157,396	-	157,396
Fixed income private	-	500,000	-	500,000
	80,347,370	21,748,388	-	102,095,758
Equity funds*	-	-	-	58,897,076
Total investments	80,347,370	21,748,388	-	160,992,834
Beneficial interest in charitable remainder trust	-	-	354,395	354,395
	$ 80,347,370	$ 21,748,388	$ 354,395	$ 161,347,229

* In accordance with the Fair Value Measurements topic, certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

The following tables presents changes in the beneficial interest in charitable remainder trust measured at fair value on a recurring basis using significant unobservable inputs (Level 3 assets) attributable to changes in fair value and the amounts of any transfers into or out of Level 3 of the fair value hierarchy for the year ended December 31, 2023 and 2022:

Balance at January 1, 2022	$ 673,436
Transfer out of Level 3	-
Increase in fair value	(319,041)
Balance at December 31, 2022	$ 354,395
Balance at January 1, 2023	$ 354,395
Transfer out of Level 3	-
Increase in fair value	79,738
Balance at December 31, 2023	$ 434,133

MARY REYNOLDS BABCOCK FOUNDATION, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

FAIR VALUE MEASUREMENTS (CONTINUED)

The following table sets forth attributes related to the nature and risk of equity funds whose fair value is estimated using the NAV per share (or its equivalent) practical expedient as of December 31, 2023.

		Fair Value Estimated Using NAV Per Share			
		Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Restrictions
Generation IM Global Equity	(a)	$ 28,264,924	$ -	Quarterly	(a)
DBL Partners III LP	(b)	7,623,321	-		
DBL Partners IV LP	(b)	4,021,188	1,995,000		
Generation IM Climate Solutions II	(c)	2,347,278	512,979		
Generation IM Sustainable Solutions III	(d)	4,583,180	359,799		
SJF Ventures IV, LP	(e)	3,136,457	-		
SJF Ventures V, LP	(e)	1,011,219	1,770,000		
Illumen Capital, LP	(f)	697,508	337,991		
Illumen Capital II, LP	(f)	394,856	1,514,884		
Impact America Fund II, LP	(g)	492,214	229,800		
Impact America Fund III, LP	(g)	64,304	910,000		
MaC Venture Capital 2019, LP	(h)	793,557	33,405		
MaC Venture Capital II	(h)	727,654	224,500		
Alkeon Innovation Offshore Fund II, LP	(i)	998,577	763,000		
Collab Capital Fund I, LLC	(j)	634,698	235,667		
Kapor Capital III, LP	(k)	137,770	299,000		
Apis and Heritage Legacy Fund I, LLC	(l)	474,728	474,382		
Debut Capital Fund I, LLC	(m)	416,451	-		
Ruthless For Good Fund I, LP	(n)	138,571	310,550		
Mission One Capital Fund I LP	(o)	205,548	250,000		
Concrete Rose Fund II LP	(p)	55,964	900,000		
E2JDJ Delta LP	(q)	419,141	403,670		
		$ 57,639,108	$ 11,524,627		

FAIR VALUE MEASUREMENTS (CONTINUED)

The following table sets forth attributes related to the nature and risk of equity funds whose fair value is estimated using the NAV per share (or its equivalent) practical expedient as of December 31, 2022.

		Fair Value Estimated Using NAV Per Share				
		Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Restrictions	Notice Period
Generation IM Global Equity	(a)	$ 28,350,790	$ -	Quarterly	(a)	30 days
DBL Partners III LP	(b)	8,429,380	-			
DBL Partners IV LP	(b)	3,884,700	2,145,000			
Generation IM Climate Solutions II	(c)	3,826,006	512,979			
Generation IM Sustainable Solutions III	(d)	4,925,594	500,000			
SJF Ventures IV, LP	(e)	3,403,444	165,000			
SJF Ventures V, LP	(e)	796,441	2,070,000			
Illumen Capital, LP	(f)	672,816	444,438			
Illumen Capital II, LP	(f)	253,062	1,681,931			
Impact America Fund II, LP	(g)	603,553	229,800			
MaC Venture Capital 2019, LP	(h)	885,268	43,850			
MaC Venture Capital II	(h)	525,194	450,000			
Alkeon Innovation Offshore Fund II, LP	(i)	830,510	984,000			
Collab Capital Fund I, LLC	(j)	533,926	400,667			
Kapor Capital III, LP	(k)	155,158	345,000			
Apis and Heritage Legacy Fund I, LLC	(l)	207,523	783,459			
Debut Capital Fund I, LLC	(m)	438,935	62,500			
Ruthless For Good Fund I, LP	(n)	174,776	310,550			
		$ 58,897,076	$ 11,129,174			

(a) The fund's investment objective is to generate long-term capital appreciation by investing in long-only concentrated portfolio of global equity securities. The fund's investment strategy integrates sustainability research within a fundamental equity analysis framework. The fund invests in the securities of U.S. and foreign issuers. The fund will not invest in equity securities not listed on an exchange; however, it may invest up to 5% of its assets in such securities when the securities are expected to be listed on an exchange within 12 months. The fund's investments are fully redeemable only after the first anniversary of the date of initial contribution. Withdrawals can be made on a quarterly basis; however, withdrawals may be limited to 25% of the fund's NAV during any such quarter.

(b) The private equity investment is made through a limited partnership agreement where the Foundation is one of many limited partners. The partnership's objective is to provide investors the opportunity to realize significant long-term capital appreciation by investing in securities of every kind (including but not limited to stocks, notes, bonds and debentures) in companies that achieve a double bottom line, long-term financial returns as well as positive social, environmental and economic impact. Under the terms of the agreement, the Foundation is required to provide funding, up to the total amount committed by the Foundation, when capital calls are made by the fund manager. The partnership has a stated maturity date, but provides for annual extensions for the purposes of disposing of remaining portfolio and returning capital to the investors.

FAIR VALUE MEASUREMENTS (CONTINUED)

Alternatively, the fund may terminate early in certain circumstances with each investor receiving its share of the investment in accordance with the partnership agreement. While the timing and amount of capital calls and distributions in any particular year are inherently uncertain, the Foundation takes these factors into consideration when allocating to private investments and believes that it has adequate liquidity to meet its obligations.

(c) The private equity investment is made through a limited partnership agreement where the Foundation is one of many limited partners. The partnership's investment objective is to generate attractive long-term risk-adjusted returns by investing in small cap investments and private investments. Under the terms of the agreement, the Foundation is required to provide funding, up to the total amount committed by the Foundation, when capital calls are made by the fund manager. The partnership has a stated maturity date, but provides for annual extensions for the purposes of disposing of remaining portfolio and returning capital to the investors. Alternatively, the fund may terminate early in certain circumstances with each investor receiving its share of the investment in accordance with the partnership agreement. While the timing and amount of capital calls and distributions in any particular year are inherently uncertain, the Foundation takes these factors into consideration when allocating to private investments and believes that it has adequate liquidity to meet its obligations.

(d) The private equity investment is made through a limited partnership agreement where the Foundation is one of many limited partners. The partnership's investment objective is to generate long-term, risk-adjusted returns by investing in growth-stage businesses focused on sustainability providing goods and services for a low-carbon, prosperous, equitable, healthy and safe society. Under the terms of the agreement, the Foundation is required to provide funding, up to the total amount committed by the Foundation, when capital calls are made by the fund manager. The partnership has a stated maturity date but provides for annual extensions for the purposes of disposing of remaining portfolio and returning capital to the investors. While the timing and amount of capital calls and distributions in any particular year are inherently uncertain, the Foundation takes these factors into consideration when allocating to private investments and believes that it has adequate liquidity to meet its obligations.

(e) The private equity investment is made through a limited partnership agreement where the Foundation is one of many limited partners. The fund is an expansion-stage venture capital fund that seeks superior financial returns by investing in high-growth, positive-impact companies. Under the terms of the agreement, the Foundation is required to provide funding, up to the total amount committed by the Foundation, when capital calls are made by the fund manager. The partnership has a stated maturity date, but provides for annual extensions for the purposes of disposing of remaining portfolio and returning capital to the investors. While the timing and amount of capital calls and distributions in any particular year are inherently uncertain, the Foundation takes these factors into consideration when allocating to private investments and believes that it has adequate liquidity to meet its obligations.

(f) The private equity fund of funds is focused on investing in impact-generating private funds including venture, growth, private equity and private debt impact funds. The fund seeks to identify, invest in, and add value to the top fund managers who have demonstrated sound, market-driven impact investment strategies. The fund will invest into a diversified set of private funds targeting managers who invest in companies addressing social challenges including increasingly inequitable healthcare systems, education systems, clean energy systems, financial systems, and markets created by race and gender bias and socioeconomic disparities. The fund will combine its investing activities with a research-based intervention process to help managers of underlying funds mitigate their implicit bias.

FAIR VALUE MEASUREMENTS (CONTINUED)

Under the terms of the agreement, the Foundation is required to provide funding, up to the total amount committed by the Foundation, when capital calls are made by the fund manager. The partnership has a stated maturity date but provides for annual extensions. While the timing and amount of capital calls and distributions in any particular year are inherently uncertain, the Foundation takes these factors into consideration when allocating to private investments and believes it has adequate liquidity to meet its obligations.

(g) This private equity investment is made through a limited partnership agreement where the Foundation is one of many limited partners. The limited liability company's investment objective is to realize long-term appreciation, generally from venture capital investments in equity and equity-oriented securities in early stage high growth companies reaching underserved low to moderate income communities. The partnership invests in technology enabled companies with impact built into their operating models and core values. Under the terms of the agreement, the Foundation is required to provide funding, up to the total amount committed by the Foundation, when capital calls are made by the fund manager. The partnership has a stated maturity date, but provides for annual extensions for the purposes of disposing of the remaining portfolio and returning capital to the investors. Alternatively, the fund may terminate early in certain circumstances with each investor receiving its share of the investment in accordance with the partnership agreement. While the timing and amount of capital calls and distributions in any particular year are inherently uncertain, the Foundation takes these factors into consideration when allocating to private investments and believes it has adequate liquidity to meet its objectives.

(h) This private equity investment is made through a limited partnership agreement where the Foundation is one of many limited partners. The partnership's primary purpose is to make venture capital investments, principally by investing in and holding equity and equity-oriented securities of privately held early-stage technology companies. Under the terms of the agreement, the Foundation is required to provide funding, up to the total amount committed by the Foundation, when capital calls are made by the fund manager. The partnership has a stated maturity date, but provides for annual extensions for the purposes of disposing of the remaining portfolio and returning capital to the investors. Alternatively, the fund may terminate early in certain circumstances with each investor receiving its share of the investment in accordance with the partnership agreement. While the timing and amount of capital calls and distributions in any particular year are inherently uncertain, the Foundation takes these factors into consideration when allocating to private investments and believes it has adequate liquidity to meet its objectives.

(i) The private equity investment is made through a limited partnership agreement where the Foundation is one of many limited partners. The partnership's investment strategy is to achieve capital appreciation by investing primarily in securities of private and publicly traded technology companies that are technology innovators or that will otherwise be impacted positively (or adversely, in the case of short sales) by disruptive technology. Under the terms of the agreement, the Foundation is required to provide funding, up to the total amount committed by the Foundation, when capital calls are made by the fund manager. The partnership has a stated maturity date, but provides for annual extensions for the purposes of disposing of the remaining portfolio and returning capital to the investors.

FAIR VALUE MEASUREMENTS (CONTINUED)

Alternatively, the fund may terminate early in certain circumstances with each investor receiving its share of the investment in accordance with the partnership agreement. While the timing and amount of capital calls and distributions in any particular year are inherently uncertain, the Foundation takes these factors into consideration when allocating to private investments and believes it has adequate liquidity to meet its objectives.

(j) The private equity investment is made through a limited liability company operating agreement where the Foundation is one of many limited members. The limited liability company's investment strategy is to invest in Black owned innovation companies that have a viable path to certain revenue targets. The fund's strategy takes advantage of the market opportunities created by systemically closed financial systems. Under the terms of the agreement, the Foundation is required to provide funding, up to the total amount committed by the Foundation, when capital calls are made by the fund manager. The fund has a stated maturity date, but provides for annual extensions for the purposes of disposing of the remaining portfolio and returning capital to the investors. Alternatively, the fund may terminate early in certain circumstances with each investor receiving its share of the investment in accordance with the limited liability company operating agreement. While the timing and amount of capital calls and distributions in any particular year are inherently uncertain, the Foundation takes these factors into consideration when allocating to private investments and believes it has adequate liquidity to meet its objectives.

(k) The private equity investment is made through a limited partnership agreement where the Foundation is one of many limited partners. The partnership's investment strategy is to invest in startups that address urgent social needs and they transform industries including health tech, edtech, and fintech. Under the terms of the agreement, the Foundation is required to provide funding, up to the total amount committed by the Foundation, when capital calls are made by the fund manager. The partnership has a stated maturity date, but provides for annual extensions for the purposes of disposing of the remaining portfolio and returning capital to the investors. Alternatively, the fund may terminate early in certain circumstances with each investor receiving its share of the investment in accordance with the partnership agreement. While the timing and amount of capital calls and distributions in any particular year are inherently uncertain, the Foundation takes these factors into consideration when allocating to private investments and believes it has adequate liquidity to meet its objectives.

(l) The private equity investment is made through a limited liability company agreement where the Foundation is one of many limited members. The limited liability company's investment objective is to invest in debt, equity, and mezzanine securities to support the conversion of operating companies to an ownership structure that provides direct and/or indirect ownership to the workforces of those companies. The fund makes investments in the furtherance of its social mission to positively impact the job quality of and the wealth accumulation by people of color. Under the terms of the agreement, the Foundation is required to provide funding, up to the total amount committed by the Foundation, when capital calls are made by the fund manager. The fund has a stated maturity date, but provides for annual extensions for the purposes of disposing of the remaining portfolio and returning capital to the investors. Alternatively, the fund may terminate early in certain circumstances with each investor receiving its share of the investment in accordance with the limited liability company operating agreement. While the timing and amount of capital calls and distributions in any particular year are inherently uncertain, the Foundation takes these factors into consideration when allocating to private investments and believes it has adequate liquidity to meet its objectives.

MARY REYNOLDS BABCOCK FOUNDATION, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

FAIR VALUE MEASUREMENTS (CONTINUED)

(m) The private equity investment is made through an operating agreement of Debut Capital Fund I, LLC, of which the Foundation is one of many limited members. The LLC's investment strategy is to invest in early stage technology-based or technology-enabled companies founded or led by Black, Latinx, and/or Indigenous founders. Under the terms of the agreement, the Foundation is required to provide funding, up to the total amount committed by the Foundation, when capital calls are made by the fund manager. The LLC has a stated maturity date, but provides for up to three annual extensions for the purposes of disposing of the remaining portfolio and returning capital to the investors. Alternatively, the fund may terminate early in certain circumstances with each investor receiving its share of the investment in accordance with the operating agreement. While the timing and amount of capital calls and distributions in any particular year are inherently uncertain, the Foundation takes these factors into consideration when allocating to private investments and believes it has adequate liquidity to meet its objectives.

(n) The private equity investment is made through a limited partnership agreement where the Foundation is one of many limited partners. The partnership's investment strategy is to invest pre-seed and seed investments in BIPOC and women founders that are building companies in education, the future of work, and access innovations. Under the terms of the agreement, the Foundation is required to provide funding, up to the total amount committed by the Foundation, when capital calls are made by the fund manager. The partnership has a stated maturity date, but provides for annual extensions for the purposes of disposing of the remaining portfolio and returning capital to the investors. Alternatively, the fund may terminate early in certain circumstances with each investor receiving its share of the investment in accordance with the partnership agreement. While the timing and amount of capital calls and distributions in any particular year are inherently uncertain, the Foundation takes these factors into consideration when allocating to private investments and believes it has adequate liquidity to meet its objectives.

(o) The private equity investment is made through a limited partnership agreement where the Foundation is one of many limited partners. The partnership's investment strategy is to invest in early-stage climate technologies that are building solutions to mobility, food, and the built environment, some of which may be at the intersections of opening access in emerging markets. Under the terms of the agreement, the Foundation is required to provide funding, up to the total amount committed by the Foundation, when capital calls are made by the fund manager. The partnership has a stated maturity date but provides for annual extensions for the purposes of disposing of the remaining portfolio and returning capital to investors. Alternatively, the fund may terminate early is certain circumstances with each investor receiving its share of the investment in accordance with the partnership agreement. While the timing and amount of capital calls and distributions in any particular year are inherently uncertain, the Foundation takes these factors into consideration when allocating to private investments and believes it has adequate liquidity to meet its objectives.

FAIR VALUE MEASUREMENTS (CONTINUED)

(p) The private equity investment is made through a limited partnership agreement where the Foundation is one of many limited partners. The partnership's investment strategy is to invest in early-stage companies led by Black or Latinx founders, building products for Black or Latinx communities and companies committed to diversity, equity, and inclusion. Under the terms of the agreement, the Foundation is required to provide funding, up to the total amount committed by the Foundation, when capital calls are made by the fund manager. The partnership has a stated maturity date but provides for annual extensions for the purposes of disposing of the remaining portfolio and returning capital to investors. Alternatively, the fund may terminate early if certain circumstances with each investor receiving its share of the investment in accordance with the partnership agreement. While the timing and amount of capital calls and distributions in any particular year are inherently uncertain, the Foundation takes these factors into consideration when allocating to private investments and believes it has adequate liquidity to meet its objectives.

(q) The private equity investment is made through a limited partnership agreement where the Foundation is one of many limited partners. The partnership's investment strategy is to invest in early-stage agriculture and sustainable food technology companies. Under the terms of the agreement, the Foundation is required to provide funding, up to the total amount committed by the Foundation, when capital calls are made by the fund manager. The partnership has a stated maturity date but provides for annual extensions for the purposes of disposing of the remaining portfolio and returning capital to investors. Alternatively, the fund may terminate early if certain circumstances with each investor receiving its share of the investment in accordance with the partnership agreement. While the timing and amount of capital calls and distributions in any particular year are inherently uncertain, the Foundation takes these factors into consideration when allocating to private investments and believes it has adequate liquidity to meet its objectives.

NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of December 31, 2023 and 2022, consist of time and purpose restrictions of $4,608,172 and $6,893,832, respectively, for a strategic grantmaking program and time restrictions of $434,133 and $354,395, respectively, related to the beneficial interests in charitable remainder trust. Net assets with donor restrictions released from restrictions during the years ended December 31, 2023 and 2022, were $2,380,000 and $2,965,000, respectively, for grants.

RELATED-PARTY TRANSACTIONS

The Foundation has a conflict-of-interest policy that requires any director or member of management to abstain from participating in a decision when that director or member of management has a conflict of interest. Several of the Foundation's directors and employees are associated with other organizations to which the Foundation makes grants. The total amount awarded to these organizations was $1,450,000 and $897,000, respectively, during the years ended December 31, 2023 and 2022. The Foundation had $250,000 in PRIs in both years ended December 31, 2023 and 2022, with organizations with which board members were associated. No director receives any direct benefit from the Foundation associated with these transactions.

RETIREMENT PLANS

The Foundation has an 403(b) defined contribution plan and tax deferred annuity plan. Employees are eligible to participate in both plans if they are 21 years of age and expect to work at least 1,000 hours per year. The Foundation contributes 9% of the employee's salary starting on date of hire to the defined contribution plan. Contributions by the Foundation totaled $177,254 and $128,573, for the years ended December 31, 2023 and 2022, respectively. Employee are fully vested immediately in all employee and employer contributions. Employees can contribute to the tax deferred annuity plan through a salary reduction agreement. There is no employer contribution to this plan.

The Foundation also has a 457(b) plan for the Chief Executive Office ("CEO"). The CEO can contribute their own funds into the plan on a pre-tax basis. There are no employer contributions to this plan.

COMMITMENTS

At December 31, 2023, the Foundation had approved and committed additional investments of approximately $11,500,000 in private equity funds and $419,000 for PRIs.

FUNCTIONAL EXPENSES

The Foundation's expenses have been allocated between grant making, operational support and investment administration, based on estimates made by the Foundation's management of time spent by employees and directors on various activities. Grant making expenses pertain to the general grant making activities of the Foundation, such as reviewing proposals and awarding, monitoring and evaluating grants. Operation support expense includes costs related to managing the Foundation. Investment administration includes costs that are not directly attributable to investment strategy or oversight, but needed to support investment functions (for example, staff and office costs for investment recordkeeping and financial reporting) and are exclusive of external and direct internal investment expenses presented net of investment return.

SUBSEQUENT EVENTS

Management has evaluated subsequent events for recognition or disclosure through July 16, 2024, which was the date that the financial statements were available to be issued. Management did not identify any events that occurred subsequent to year-end that require disclosure in the financial statements.