FINANCIAL STATEMENTS

THE GEORGE AND CAROL OLMSTED FOUNDATION

FOR THE YEAR ENDED DECEMBER 31, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021

CONTENTS

CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The George and Carol Olmsted Foundation
Falls Church, Virginia

Opinion

We have audited the accompanying financial statements of The George and Carol Olmsted Foundation (the Foundation), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities and change in net assets, functional expenses and cash flows 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 the Foundation as of December 31, 2022, and the change 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 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.

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 the financial statements that are free from material misstatement, whether due to fraud or error.

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

Report on Summarized Comparative Information

We have previously audited the Foundation's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 24, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Gelman Rozenberg & Freedman

March 1, 2023

THE GEORGE AND CAROL OLMSTED FOUNDATION

STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021

ASSETS

	December 31, 2022	December 31, 2021
CURRENT ASSETS		
Cash and cash equivalents	$ 526,343	$ 399,187
Investments	42,233,449	52,685,881
Estimated Federal excise tax receivable	37,978	-
Total current assets	42,797,770	53,085,068
PROPERTY AND EQUIPMENT		
Furniture	33,779	33,779
Computer equipment	58,792	58,792
	92,571	92,571
Less: Accumulated depreciation and amortization	(76,016)	(61,478)
Net property and equipment	16,555	31,093
NONCURRENT ASSETS		
Office lease security deposit	4,421	4,421
Right-of-use asset	164,341	-
Total noncurrent assets	168,762	4,421
TOTAL ASSETS	**$ 42,983,087**	**$ 53,120,582**

LIABILITIES AND NET ASSETS

	December 31, 2022	December 31, 2021
CURRENT LIABILITIES		
Lease liability	$ 64,347	$ -
Accounts payable and accrued liabilities	58,487	61,477
Grants payable	-	400,000
Olmsted Scholar Program	780,110	775,681
Federal excise tax payable	-	15,247
Deferred rent	-	4,519
Total current liabilities	902,944	1,256,924
NONCURRENT LIABILITIES		
Lease liability, net of current portion	105,907	-
Deferred tax liability	34,652	168,236
Total noncurrent liabilities	140,559	168,236
Total liabilities	1,043,503	1,425,160
NET ASSETS		
Without donor restrictions	41,939,584	51,695,422
TOTAL LIABILITIES AND NET ASSETS	**$ 42,983,087**	**$ 53,120,582**

THE GEORGE AND CAROL OLMSTED FOUNDATION

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS FOR THE YEAR ENDED DECEMBER 31, 2022 WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021

	December 31, 2022	December 31, 2021
REVENUE		
Realized gain	$ 677,699	$ 3,035,876
Unrealized (loss) gain	(9,630,502)	2,827,316
Interest and dividend income	1,368,351	1,229,653
	(7,584,452)	7,092,845
Less investment fees	(208,141)	(220,413)
Net investment (loss) income	(7,792,593)	6,872,432
Other revenue	225	2,079
Total revenue	(7,792,368)	6,874,511
EXPENSES		
Program Services	1,913,561	3,035,708
Supporting Services	151,156	144,535
Total expenses	2,064,717	3,180,243
Change in net assets before excise tax	(9,857,085)	3,694,268
Excise tax (benefit) expense	(101,247)	(14,824)
Change in net assets	(9,755,838)	3,709,092
Net assets at beginning of year	51,695,422	47,986,330
NET ASSETS AT END OF YEAR	**$ 41,939,584**	**$ 51,695,422**

See accompanying notes to financial statements.

THE GEORGE AND CAROL OLMSTED FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021

	December 31, 2022			December 31, 2021
	Program Services	**Supporting Services**	**Total Expenses**	**Total Expenses**
Olmsted Scholar Program	$ 585,380	$ -	$ 585,380	$ 644,728
Contributions and grants	251,513	-	251,513	1,292,000
Staff salaries	656,102	72,900	729,002	766,572
Directors' compensation	76,800	19,200	96,000	90,000
Investment fees	140	208,141	208,281	220,445
Scholar's reception, orientation and related travel	109,841	-	109,841	119,579
Employee benefits and related taxes	73,957	8,218	82,175	84,131
Occupancy	51,323	12,831	64,154	63,901
Professional fees	39,990	20,879	60,869	50,895
Travel, lodging, meetings and meals	20,430	5,108	25,538	11,141
Supplies	12,880	3,220	16,100	11,510
Depreciation	11,631	2,907	14,538	13,627
Repair and maintenance	10,983	2,746	13,729	15,452
Insurance	7,386	1,846	9,232	9,985
Telephone and internet	4,892	1,223	6,115	6,286
Other	313	78	391	404
	1,913,561	359,297	2,272,858	3,400,656
Less investment fees included in investment income	-	(208,141)	(208,141)	(220,413)
Subtotal before excise tax	1,913,561	151,156	2,064,717	3,180,243
Excise tax (benefit)	-	-	(101,247)	(14,824)
TOTAL	**$ 1,913,561**	**$ 151,156**	**$ 1,963,470**	**$ 3,165,419**

THE GEORGE AND CAROL OLMSTED FOUNDATION

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021

	December 31, 2022	December 31, 2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (9,755,838)	$ 3,709,092
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	14,538	13,627
Net unrealized loss (gain) on sale of investments	9,630,502	(2,827,316)
Net realized gain on sale of investments	(677,699)	(3,035,876)
Deferred tax liability	(133,584)	(69,374)
Change in measurement of operating lease	1,043	-
(Increase) decrease in:		
Estimated Federal excise tax receivable	(37,978)	8,703
Prepaid expenses	-	60,932
(Decrease) increase in:		
Accounts payable and accrued liabilities	(2,990)	(17,973)
Grants payable	(400,000)	400,000
Olmsted Scholar Program	4,429	11,969
Federal excise tax payable	(15,247)	15,247
Deferred rent	351	2,969
Net cash used by operating activities	(1,372,473)	(1,728,000)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	-	(2,732)
Purchase of investments	(22,612,893)	(20,432,452)
Proceeds from sale of investments	24,112,522	22,101,240
Net cash provided by investing activities	1,499,629	1,666,056
Net increase (decrease) in cash and cash equivalents	127,156	(61,944)
Cash and cash equivalents at beginning of year	399,187	461,131
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 526,343**	**$ 399,187**
SUPPLEMENTAL INFORMATION:		
Payment of Excise Taxes	**$ 85,562**	**$ 30,600**
SCHEDULE OF NONCASH FINANCING TRANSACTIONS		
Right-of-Use Asset	**$ 227,715**	**$ -**
Operating Lease Liability for Right-of-Use Asset	**$ 232,585**	**$ -**

See accompanying notes to financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The George and Carol Olmsted Foundation (the Foundation) was established in 1957, and is a Virginia not-for-profit corporation. The primary charitable activities of the Foundation consists of funding the Olmsted Scholar Program and contributing to educational, youth and other charitable organizations. The Foundation's primary source of revenue is investment earnings.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entitie*s. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions.

Descriptions of the two net asset categories are as follows:

- **Net Assets without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Assets restricted solely through the actions of the Board are referred to as Board designated and are also reported as net assets without donor restrictions.

- **Net Assets with Donor Restrictions -** Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in "net assets with donor restrictions", depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities and Change in Net Assets as net assets released from donor restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service. There were no net assets with donor restrictions at December 31, 2022.

The financial statements include certain prior year summarized comparative information in total but not by net asset class; such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2021, from which the summarized information was derived.

New accounting pronouncements adopted -

During 2022, the Foundation adopted ASU 2019-01, *Leases* (Topic 842), which changed the accounting treatment for operating leases by requiring recognition of a lease asset and lease liability at the present value of the lease payments in the Statement of Financial Position and disclosure of key information about leasing arrangements. The Foundation applied the new standard at the date of initial application and also the practical expedient package to not reassess at adoption (i) expired or existing contracts for whether they are or contain a lease, (ii) the lease classification of any existing leases or (iii) initial indirect costs for existing leases. See Note 5 for further details.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Cash and cash equivalents -

The Foundation considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents, excluding the money market funds held with investments.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to a limit of $250,000. The Foundation maintains bank deposit accounts with a commercial bank, which at times, may have cash balances in excess of the FDIC insurance limits. The uninsured portion of this account is backed solely by the assets of the underlying institution. As such, failure of the underlying institution could result in financial loss to the Foundation. Management believes the risk in these situations to be minimal.

Investments -

Investments are recorded at their readily determinable fair value. Realized and unrealized gains and losses are presented separately in the Statement of Activities and Change in Net Assets.

Property and equipment -

Property and equipment in excess of $1,000 are capitalized and stated at cost. Property and equipment are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to five years. The cost of maintenance and repairs is recorded as expenses are incurred. Depreciation expense for the year ended December 31, 2022 totaled $14,538.

Income taxes -

The Foundation is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. The Foundation is classified as a private foundation. As a private foundation, it is subject to an excise tax of 1.39% on its investment income, including dividend, interest income and realized gains on the sales of its marketable securities. Because of this, the Foundation also computes a deferred tax liability or asset on the cumulative unrealized gain or loss on its investments held at December 31, 2022.

The Foundation is also required to make qualifying annual distributions of its principal. The Foundation has met this requirement for 2022.

Uncertain tax positions -

For the year ended December 31, 2022, the Foundation has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

Revenue recognition -

Contributions and grants -

The Foundation may receive contributions from individual donors and other entities. Contributions are recognized in the appropriate category of net assets in the period received.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Revenue recognition (continued) -

Contributions and grants (continued) -

The Foundation performs an analysis of the individual contribution to determine if the revenue streams follow the contribution rules or if they should be recorded as an exchange transaction depending upon whether the transactions are deemed reciprocal or nonreciprocal under ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made.*

For contributions qualifying under the contribution rules, revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions and grants qualifying as contributions that are unconditional that have donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions; such funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying financial statements.

Contributions qualifying as conditional contributions contain a right of return and a barrier. Revenue is recognized when the condition or conditions are satisfied. Most grants and contract awards for direct and indirect program costs are nonreciprocal and classified as conditional and are recognized as contributions when the revenue becomes unconditional. Typically, these agreements also contain a right of return or right of release from obligation provision and the entity has limited discretion over how funds transferred should be spent. As such, the Foundation recognizes revenue for these conditional contributions when the related barrier has been overcome (generally, when qualifying expenditures are incurred). Funds received in advance of the incurrence of qualifying expenditures are recorded as refundable advances. The Foundation had no unrecognized conditional awards as of December 31, 2022.

Use of estimates -

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses directly attributed to a specific functional area of the Foundation are reported as direct expenses to the programmatic area and those expenses that benefit more than one function are allocated on a basis of estimated time and effort or other reasonable basis.

Risks and uncertainties -

The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Risks and uncertainties (continued) -

Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

Fair value measurement -

The Foundation adopted the provisions of FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements. The Foundation accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

New accounting pronouncement not yet adopted -

Accounting Standard Update (ASU) 2016-13, *Financial Instruments – Credit Losses* (Topic 326), replaces the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The ASU is effective for the Foundation for the year ending December 31, 2023. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach.

The Foundation plans to adopt the new ASU at the required implementation date and management is currently in the process of evaluating the adoption method and the impact of the new standard on its accompanying consolidated financial statements.

2. FAIR VALUE MEASUREMENTS AND INVESTMENTS

In accordance with FASB ASC 820, *Fair Value Measurement*, the Foundation has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Investments recorded in the Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market the Foundation has the ability to access.

Level 2. These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3. These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

2. FAIR VALUE MEASUREMENTS AND INVESTMENTS (Continued)

The Foundation follows the measurement provisions of Accounting Standards Update (ASU) No. 2009-12, *Investments in Certain Entities that Calculate Net Asset per Share (or Its Equivalent).*

The guidance permits, as a practical expedient, the fair value of investments within its scope to be estimated using net asset value (NAV) or its equivalent. NAV or its equivalent is the value per share or value of ownership interest in partner's capital, as provided by the fund, whose financial statements are prepared in a manner consistent with measurement principles of an investment company or that have the attributes of an investment company. In many instances, NAV will not equal the fair value that would be calculated pursuant to the Fair Value Measurement Topic.

Following is a description of the valuation methodology used for investments measured at fair value. There were no transfers between levels in the fair value hierarchy during the year ended December 31, 2022. Transfers between levels are recorded at the end of the reporting period, if applicable.

- *Mutual Funds* - Valued at the daily closing price as reported by the fund. Mutual funds held are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily value and to transact at that price and are deemed to be actively traded.

- *Private Equity* - Valued at net asset value (NAV) as determined by the registered investment advisor. The NAV is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the fund less its liability. This practical expedient is not used when it is determined to be probable that the fund will sell the investment for an amount different than the reported NAV.

The following summarizes the Foundation's investments measured at fair value on a recurring basis, as of December 31, 2022.

	Level 1	Level 2	Level 3	Total
Investments:				
Mutual funds:				
Equity funds:				
Large cap funds	$ 12,110,783	$ -	$ -	$ 12,110,783
Small cap funds	4,388,960	-	-	4,388,960
Internationally developed	2,044,816	-	-	2,044,816
Mid cap funds	4,221,659	-	-	4,221,659
Growth/hedge funds	3,049,045	-	-	3,049,045
Emerging market and small cap funds	2,045,637	-	-	2,045,637
Real Estate	2,308,503	-	-	2,308,503
Commodities	1,031,861	-	-	1,031,861
Total equity funds	31,201,264	-	-	31,201,264
Bond funds:				
Investment grade taxable	6,151,723	-	-	6,151,723
Global high yield	637,889	-	-	637,889
Internationally developed	405,238	-	-	405,238
Total bond funds	7,194,850	-	-	7,194,850
Total mutual funds	38,396,114	-	-	38,396,114
Money market funds	1,092,911	-	-	1,092,911
Total investments using fair value hierarchy	**39,489,025**	**-**	**-**	**39,489,025**
Investments measured at NAV per practical expedient - Private equity funds				2,744,424
TOTAL INVESTMENTS				**$ 42,233,449**

2. FAIR VALUE MEASUREMENTS AND INVESTMENTS (Continued)

Investments that are measured at fair value using NAV per share as a practical expedient have been omitted from the fair value hierarchy.

The private equity funds consist of NB Private Market Fund III (TE) LLC (Excelsior) and NB Crossroads Private Market Funds V (TE) LP (Crossroads).

The Foundation has committed to invest $1,400,000 in Excelsior. As of December 31, 2022, the unfunded portion of the Foundation's commitment totaled $658,000.

The Foundation has committed to invest $1,500,000 in Crossroads. As of December 31, 2022, the unfunded portion of the Foundation's commitment totaled $450,000.

The private equity funds have not yet identified all the potential investments that will ultimately be made with the commitments received. Commitments may be drawn down at any time by making the capital call upon at least 10 business days written notice. The private equity funds seek to achieve their investment objective through investments in a diversified portfolio of professionally managed private equity portfolio funds and select direct investments in portfolio companies. The private equity funds will primarily invest in newly formed private equity portfolio funds.

These investments should be considered illiquid. The return of capital and the realization of gains, if any, generally will occur only upon partial or complete disposition of an underlying investments by a portfolio fund. While an investment may be sold at any time, it is not generally expected that this will occur for a number of years after the initial investment. Before such time, there may be no current return on the investments.

3. LIQUIDITY AND AVAILABILITY

Financial assets available for use for general expenditures within one year of the Statement of Financial Position date comprise the following:

Cash and cash equivalents	$ 526,343
Investments	42,233,449
Estimated Federal excise tax receivable	37,978
Less private equity funds	(2,744,424)
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	**$ 40,053,346**

The Foundation funds its annual operations by spending approximately 5% of its investment balance. The Foundation draws down equal portions of its annual funding on a monthly basis to satisfy requirements as they become due. Additional funding could be obtained if approved by the Board.

4. CONTRIBUTIONS AND GRANTS

The Olmsted Scholar Program, in cooperation with the three U.S. military departments and the Department of Homeland Security, selects career officers each year to receive educational grants for a two-year period of study in a foreign country. The officers are graduates of military academies, or are commissioned through the Reserve Officer Training Corps (ROTC) program or another source of commission.

4. CONTRIBUTIONS AND GRANTS (Continued)

Grants are recorded in the year in which they are awarded. In addition, Olmsted Scholars are reimbursed for various expenses incurred related to the Olmsted Scholar Program. These reimbursements are expensed in the year requested.

The Internal Revenue Service (IRS), in a letter dated November 24, 1971, approved this scholarship program. Pursuant to the Foundation's request, the IRS approved a modification of the program in a letter dated October 30, 1997. Grants for this program totaled $585,380 in 2022. The following is a schedule of the future estimated scholars payments:

Year Ending December 31,	
2023	$ 482,779
2024	257,336
2025	39,995
	$ 780,110

Contribution and grants expenses for the year ended December 31, 2022 consisted of the following:

US Air Force Academy	$ 98,000
Title 10 Senior Military Colleges	90,000
US Coast Guard Academy	17,000
Society of the Cincinnati	15,000
US Naval Academy	13,000
US Military Academy	13,000
Norfolk State University ROTC	5,000
Memorial Contribution	513
TOTAL OTHER CONTRIBUTIONS	**$ 251,513**

5. LEASE COMMITMENTS

In April 2013, the Foundation signed a 74-month lease, commencing January 2014. This agreement was amended in June 2014, to change the lease commencement date to March 25, 2014, as the space was not ready for occupancy in January. Rent payments commenced on June 2014. In addition to two months of abated rent, the Foundation received a rent credit for the amount of liquidated damages owed due to late delivery of the office space. Base rent was $50,400 for the first year of the lease, with an annual increase of 3% per year thereafter. In January 2020, the Foundation signed an amendment to the lease extending the term of the lease to June 2025.

ASU 2019-01, *Leases* (Topic 842), changes the accounting treatment for operating leases by requiring recognition of a lease asset and lease liability at the present value of the lease payments in the Statement of Financial Position and disclosure of key information about leasing arrangements. The Foundation elected to implement the ASU at the date of initial application and elected the practical expedient package to not reassess at adoption (i) expired or existing contracts for whether they are or contain a lease, (ii) the lease classification of any existing leases or (iii) initial indirect costs for existing leases. The Foundation also elected the practical expedient that allows lessees to choose to not separate lease and non-lease components by class of underlying asset and are applying this expedient to all relevant asset classes.

5. LEASE COMMITMENTS (Continued)

The Foundation adopted the package of practical expedients to not perform any lease reclassification, did not reevaluate embedded leases and did not reassess initial direct costs. As a result, the Foundation recorded a right-of-use asset in the amount of $227,715 and an operating lease liability in the amount of $232,585 by calculating the present value using the discount rate of 0.21%.

The following is a schedule of the future minimum lease payments:

Year Ending December 31,	
2023	$ 64,643
2024	66,582
2025	39,511
	170,736
Less: imputed interest	(482)
	170,254
Less: Current portion	(64,347)
LONG-TERM PORTION	**$ 105,907**

The lease expense, including imputed interest and amortization of the right-of-use asset plus the straight-line rent expense for the year ended December 31, 2022, was $64,154. Rent payments made during the year ended December 31, 2022 totaled $62,670.

6. RETIREMENT PLAN

In 2004, the Foundation adopted retirement arrangements for the benefit of its employees. Employees may contribute a portion of their pre-tax current compensation into a 403b salary deferral plan. The Foundation also established a SEP IRA retirement plan and currently, on behalf of each employee, makes a 5% contribution of base compensation to this separate retirement plan. Contributions to the Plan during the year ended December 31, 2022 totaled $35,903.

7. EXCISE TAXES

The Foundation is subject to excise tax on its net investment income. During the year ended December 31, 2022, the Foundation had net taxable investment earnings of approximately $2,046,000, which resulted in current excise taxes of approximately $32,337. The excise tax rate was 1.39% for 2022.

As of December 31, 2022, the market value of the Foundation's investment portfolio was approximately $2,493,000 greater than the portfolio's original cost. The Foundation recorded a deferred tax benefit of $133,584 due to the decrease in the fair value of its investments during the year. A deferred tax liability of $34,652 is reflected in the accompanying Statement of Financial Position as of December 31, 2022.

8. SUBSEQUENT EVENTS

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through March 1, 2023, the date the financial statements were issued.