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MEMBERS OF AMERICAN
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Independent Auditor's Report

The Board of Directors of The Teagle Foundation, Incorporated

Opinion

We have audited the accompanying financial statements of the The Teagle Foundation, Incorporated (the "Foundation"), which comprise the statements of financial position as of June 30, 2024 and 2023 and the related statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the The Teagle Foundation as of June 30, 2024 and 2023 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

Adoption of New Accounting Standard

As discussed in Note 2 to the financial statements, the Foundation adopted Financial Accounting Standards Board ("FASB") Topic 842, Leases, using the effective date method with July 1, 2022, as the date of initial adoption. Our opinion is not modified with respect to this matter.

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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibility 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 not absolute assurance, and therefore is not a guarantee that an audit conducted in accordance with Generally Accepted Auditing Standards (GAAS) will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control—related matters that we identified during the audit.



November 21, 2024
White Plains, NY

THE TEAGLE FOUNDATION, INCORPORATED
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2024 AND 2023

| | <u>2024</u> | <u>2023</u> |
|--|-----------------------|-----------------------|
| <u>ASSETS</u> | | |
| Investments, at fair value | | |
| Cash and short-term investments | \$ 7,788,474 | \$ 5,303,875 |
| Global equity | 81,692,477 | 73,608,783 |
| Hedge funds | 10,610,494 | 14,503,997 |
| Private equity | 37,381,367 | 43,226,864 |
| Fixed income | 23,653,656 | 18,623,037 |
| | <u>161,126,468</u> | <u>155,266,556</u> |
| <u>Total Investments</u> | | |
| Operating cash | 508,489 | 642,918 |
| Prepaid expenses and other assets | 108,538 | 269,850 |
| Receivables | 853,291 | 592,811 |
| Leasehold improvements, furniture and equipment, net | 94,635 | 94,028 |
| Right of use assets - operating lease, net | 2,692,629 | 638,693 |
| | <u>165,384,050</u> | <u>157,504,856</u> |
| <u>Total Assets</u> | | |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| Grants payable | \$ 5,784,272 | \$ 4,872,200 |
| Accounts payable and accrued expenses | 126,268 | 56,644 |
| Federal excise and UBI taxes payable | 172,458 | - |
| Deferred Federal excise tax payable | 508,379 | 490,805 |
| Lease payable | 2,806,885 | 642,613 |
| | <u>9,398,262</u> | <u>6,062,262</u> |
| <u>Total Liabilities</u> | | |
| Net Assets | <u>155,985,788</u> | <u>151,442,594</u> |
| <u>Total Liabilities and Net Assets</u> | <u>\$ 165,384,050</u> | <u>\$ 157,504,856</u> |

See accompanying notes to financial statements.

THE TEAGLE FOUNDATION, INCORPORATED
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2024 AND 2023

| | <u>2024</u> | <u>2023</u> |
|--|-----------------------|-----------------------|
| <u>Revenue</u> | | |
| Net investment return | \$ 17,009,551 | \$ 16,901,114 |
| Less: | | |
| Federal excise and unrelated business income tax | 385,780 | 135,402 |
| Deferred federal excise tax expense | <u>17,574</u> | <u>201,346</u> |
| <u>Investment return net of taxes</u> | <u>16,606,197</u> | <u>16,564,366</u> |
| Contributions | <u>1,014,625</u> | <u>1,009,859</u> |
| <u>Total Revenue</u> | <u>17,620,822</u> | <u>17,574,225</u> |
| <u>Expenses</u> | | |
| Grants | 10,159,053 | 7,008,642 |
| Program management | 1,846,848 | 1,649,406 |
| Management and governance | 712,457 | 654,086 |
| Investment oversight | <u>359,270</u> | <u>356,783</u> |
| <u>Total Expenses</u> | <u>13,077,628</u> | <u>9,668,917</u> |
| Change in Net Assets | 4,543,194 | 7,905,308 |
| Net Assets | | |
| Beginning of year | <u>151,442,594</u> | <u>143,537,286</u> |
| End of year | <u>\$ 155,985,788</u> | <u>\$ 151,442,594</u> |

See accompanying notes to financial statements.

THE TEAGLE FOUNDATION, INCORPORATED

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2024 AND 2023

| | <u>2024</u> | <u>2023</u> |
|---|--------------------|--------------------|
| Cash flows from operating activities | | |
| Change in net assets for year | \$ 4,543,194 | \$ 7,905,308 |
| Adjustments to reconcile changes in net assets to net cash used in operating activities: | | |
| Amortization of right of use assets - operating lease | 188,481 | 270,443 |
| Depreciation and amortization | 7,092 | 31,341 |
| Net realized and unrealized gain on investments | (15,056,698) | (16,331,292) |
| (Increase) decrease in assets: | | |
| Prepaid expenses and other assets | 161,312 | (148,039) |
| Receivables | (260,480) | (72,119) |
| Increase (decrease) in liabilities: | | |
| Grants payable | 912,072 | 23,369 |
| Accounts payable and accrued expenses | 69,624 | (35,720) |
| Federal excise and UBI taxes payable | 172,458 | - |
| Deferred federal excise tax | 17,574 | 201,346 |
| Lease payable | (78,145) | (266,523) |
| Net cash used in operating activities | <u>(9,323,516)</u> | <u>(8,421,886)</u> |
| Cash flows from investing activities: | | |
| Purchase of fixed assets | (7,699) | - |
| Purchases of investments | (36,887,238) | (42,340,534) |
| Proceeds from sales of investments | 46,696,175 | 49,877,334 |
| Net change in short-term investments | <u>(612,151)</u> | <u>973,674</u> |
| Net cash provided by investing activities | <u>9,189,087</u> | <u>8,510,474</u> |
| Change in operating cash | (134,429) | 88,588 |
| Operating cash | | |
| Beginning of year | <u>642,918</u> | <u>554,330</u> |
| End of year | <u>\$ 508,489</u> | <u>\$ 642,918</u> |
| Supplemental Information | | |
| Unrelated business income taxes paid | \$ 36,000 | \$ 15,000 |
| Excise taxes paid | \$ 70,000 | \$ 265,000 |

See accompanying notes to financial statements.

THE TEAGLE FOUNDATION, INCORPORATED
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2024 AND 2023

| | Grants and Program Management | Management and Governance | Investment Oversight | 2024 Total |
|--|-------------------------------------|---------------------------------|-------------------------|----------------------|
| Grants | \$ 10,159,053 | \$ - | \$ - | \$ 10,159,053 |
| Salaries | 782,841 | 223,594 | 217,341 | 1,223,776 |
| Payroll taxes and benefits | 211,856 | 120,542 | 49,633 | 382,031 |
| Occupancy | 203,712 | 58,184 | 56,557 | 318,453 |
| Communications, program evaluations, and grantee convenings | 380,616 | - | - | 380,616 |
| Consulting and professional fees | 136,684 | 202,028 | 7,932 | 346,644 |
| Travel, conferences and meetings | 31,964 | 41,283 | - | 73,247 |
| Office expenses | 18,438 | 43,784 | 5,374 | 67,596 |
| Systems and technology support | 76,200 | 21,764 | 21,155 | 119,119 |
| Depreciation | 4,537 | 1,278 | 1,278 | 7,093 |
| | <u>1,846,848</u> | <u>712,457</u> | <u>359,270</u> | <u>2,918,575</u> |
| Total | <u>\$ 12,005,901</u> | <u>\$ 712,457</u> | <u>\$ 359,270</u> | <u>\$ 13,077,628</u> |
| | Grants and Program Management | Management and Governance | Investment Oversight | 2023 Total |
| Grants | \$ 7,008,642 | \$ - | \$ - | \$ 7,008,642 |
| Salaries | 756,606 | 222,325 | 215,624 | 1,194,555 |
| Payroll taxes and benefits | 197,278 | 117,646 | 47,309 | 362,233 |
| Occupancy | 204,674 | 60,143 | 58,330 | 323,147 |
| Communications, program evaluations and grantee convenings | 230,774 | - | - | 230,774 |
| Consulting and professional fees | 128,950 | 152,211 | 5,905 | 287,066 |
| Travel, conferences and meetings | 32,094 | 27,597 | - | 59,691 |
| Office expenses | 11,119 | 48,420 | 4,474 | 64,013 |
| Systems and technology support | 68,060 | 19,999 | 19,396 | 107,455 |
| Depreciation | 19,851 | 5,745 | 5,745 | 31,341 |
| | <u>1,649,406</u> | <u>654,086</u> | <u>356,783</u> | <u>2,660,275</u> |
| Total | <u>\$ 8,658,048</u> | <u>\$ 654,086</u> | <u>\$ 356,783</u> | <u>\$ 9,668,917</u> |

See accompanying notes to financial statements.

THE TEAGLE FOUNDATION, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

1. Organization and Tax Status

The Teagle Foundation, Incorporated (the "Foundation") was established in 1944 by Walter C. Teagle, longtime President and later Chairman of the Board of Standard Oil Company (New Jersey), now Exxon Mobil Corporation ("Exxon"). Its assets are derived from bequests from Mr. Teagle, his wife, Rowena Lee Teagle and their son, Walter C. Teagle, Jr. The Foundation is exempt from income taxes under section 501(c)(3) of the Internal Revenue Code. It has been classified as a private foundation as defined in Section 509(a) of the Internal Revenue Code.

The Teagle Foundation works to support and strengthen liberal arts education, which we see as fundamental to meaningful work, effective citizenship, and a fulfilling life. Our aim is to serve as a catalyst for the improvement of teaching and learning in the arts and sciences while addressing issues of financial sustainability and accountability in higher education.

The Foundation's primary source of financial support for its operations is from the investment portfolio.

2. Summary of Significant Accounting Policies

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which requires organizations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statement of financial position for leases with terms exceeding 12 months. ASU No. 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset.

The Foundation adopted the requirements of the new standard effective July 1, 2022, using the modified retrospective transition method, which applies the provisions of the standard at the effective date without any adjustment to the comparative periods presented. The Foundation adopted the following practical expedients and elected the following accounting policies related to the standard: Carry forward of historical lease classifications and accounting treatment.

Accordingly, the Foundation will recognize lease payments on a straight-line basis over the lease term and variable payments in the period when the corresponding obligation is incurred. Adoption of this standard resulted in the recognition of an initial operating lease right-of-use assets and corresponding lease liability of \$909,136 on the statement of financial position as of July 1, 2022, which represents lease payments of \$953,284, discounted at 2.85%. The standard did not materially impact operating results or liquidity.

THE TEAGLE FOUNDATION, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

2. Summary of Significant Accounting Policies (continued)

Basis of Presentation

The financial statements of the Foundation have been prepared on the accrual basis of accounting.

The Foundation reports information regarding its financial position and activities based upon the existence or absence of donor restrictions on its net assets. Gifts received with donor stipulations that limit the use of the donated assets are reported as net assets with donor restrictions. Contributions with donor restrictions, received and expended in the same period are reflected as contributions without donor restrictions in the accompanying financial statements. The Foundation's net assets are all classified as net assets without donor restriction.

Leasehold Improvements, Furniture and Equipment

Leasehold improvements, furniture and equipment are stated at cost. Depreciation of furniture and equipment is computed using the straight-line method over the estimated useful lives of the assets which range from three to seven years. Leasehold improvements are amortized over the life of the lease.

Leases

The Foundation determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use (ROU) assets and lease liabilities in the statement of financial position. ROU assets and liabilities reflect the present value of the future minimum lease payments over the lease term, and ROU assets also include prepaid or accrued rent. Operating lease expense is recognized on a straight-line basis over the lease term. The Foundation does not report ROU assets and lease liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

The Foundation has lease agreements with lease and non-lease components, which are generally accounted for separately. Variable lease components in these leases are recognized in operating expenses in the period in which the obligation is incurred.

Use of Estimates

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

THE TEAGLE FOUNDATION, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

2. Summary of Significant Accounting Policies (continued)

Grants

Unconditional grants are recognized as expense upon approval by the Board of Directors. Reporting requirements are not considered conditions by the Foundation. Conditional grants are recognized as expense when the conditions have been satisfied by the grantees.

Cash

For purposes of cash flow, the Foundation defines operating cash as checking accounts and petty cash.

Uncertain Tax Positions

The Foundation recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the Foundation has no uncertain tax positions that would require financial statement disclosure and/or recognition. The Foundation is no longer subject to examinations by the applicable taxing jurisdictions prior to fiscal year 2021.

Investments

Investments in marketable securities are valued at quoted market prices. Investments in alternative investment funds are ordinarily valued at the most recent estimate determined by the investment manager or agents based upon the valuation reported by the fund administrators in accordance with the policies established by the relevant funds. As a general matter, the fair value of the Foundation's investment in these funds will represent the amount that the Foundation could reasonably expect to receive from the fund if the Foundation's interest was redeemed at the time of valuation, based upon the information reasonably available at the time the valuation was made.

Valuations provided by these funds may be based upon estimated or unaudited reports and may be subject to later adjustment or revision. Any such adjustments or revision will either increase or decrease the net asset value of the Foundation at the time the Foundation is provided with the information regarding the adjustment.

The Foundation's portfolio of investments is diversified. Investments purchased by the Foundation are recorded at cost. Realized gains and losses from the sale of securities are determined by comparison of cost to proceeds and are determined under the specific identification method on a trade date basis. Net income (interest, dividends, realized gains and management fees) from alternative investments is recorded when reported by the fund, which is normally annually.

THE TEAGLE FOUNDATION, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

2. Summary of Significant Accounting Policies (continued)

Fair Value Measurement of Investments

The Foundation follows Financial Accounting Standards Board (FASB) guidance for *Fair Value Measurements* which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

The fair value of alternative investments has been estimated using the Net Asset Value (“NAV”) or its equivalent, as reported by management of the respective alternative investment funds. U.S. GAAP guidance provides for the use of NAV or its equivalent as a “Practical Expedient” for estimating fair value of alternative investments. When the practical expedient is used, the investment is excluded from the fair value hierarchy.

Subsequent Events

In connection with the preparation of the financial statements the Foundation evaluated subsequent events after the statement of financial position date of June 30, 2024 through November 21, 2024 which was the date the financial statements were available to be issued.

3. Investments

Investments as of June 30, 2024 and 2023 consist of the following:

| | <u>2024</u> | | <u>2023</u> | |
|---------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | <u>Cost</u> | <u>Fair Value</u> | <u>Cost</u> | <u>Fair Value</u> |
| Cash and short-term investments | \$ 7,788,474 | \$ 7,788,474 | \$ 5,304,461 | \$ 5,303,875 |
| Global equity | 54,632,324 | 81,692,477 | 50,911,205 | 73,608,783 |
| Hedge funds | 10,154,727 | 10,610,494 | 14,936,766 | 14,503,997 |
| Private equity | 27,658,046 | 37,381,367 | 29,012,236 | 43,226,864 |
| Fixed income | 24,516,641 | 23,653,656 | 19,860,011 | 18,623,037 |
| | <u>\$ 124,750,212</u> | <u>\$ 161,126,468</u> | <u>\$ 120,024,679</u> | <u>\$ 155,266,556</u> |

THE TEAGLE FOUNDATION, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

3. Investments (Continued)

The following are major categories of investments measured at estimated fair value as of June 30:

| | 2024 | | Valued at NAV |
|---------------------------------|-----------------------|----------------------|----------------------|
| | Total | Level 1 | |
| Global equity | | | |
| Common stocks | | | |
| Oil and gas | \$ 3,957,250 | \$ 3,957,250 | \$ - |
| ETF global equity | 53,689,688 | 53,689,688 | - |
| Developed market funds | | | |
| Global equity | 2,458,788 | - | 2,458,788 |
| European equity | 10,223,655 | - | 10,223,655 |
| Asian equity | 68,065 | - | 68,065 |
| US healthcare | 11,295,031 | - | 11,295,031 |
| Hedge funds | | | |
| Long/short | 3,567,809 | - | 3,567,809 |
| Specialized credit | 6,313,709 | - | 6,313,709 |
| US healthcare | 515,529 | - | 515,529 |
| Special situations | 213,447 | - | 213,447 |
| Private equity | 37,381,367 | - | 37,381,367 |
| Fixed income | | | |
| ETF treasuries | 23,639,628 | 23,639,628 | - |
| Other fixed income funds | 14,028 | - | 14,028 |
| | 153,337,994 | <u>\$ 81,286,566</u> | <u>\$ 72,051,428</u> |
| Cash and short-term investments | <u>7,788,474</u> | | |
| | <u>\$ 161,126,468</u> | | |

THE TEAGLE FOUNDATION, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

3. Investments (Continued)

| | 2023 | | Valued at NAV |
|---------------------------------|-----------------------|----------------------|----------------------|
| | Total | Level 1 | |
| Global equity | | | |
| Common stocks | | | |
| Oil and gas | \$ 6,228,544 | \$ 6,228,544 | \$ - |
| ETF global equity | 28,976,068 | 28,976,068 | - |
| Developed market funds | | | |
| Global equity | 8,124,108 | - | 8,124,108 |
| European equity | 12,647,725 | - | 12,647,725 |
| Asian equity | 2,240,695 | - | 2,240,695 |
| US healthcare | 15,391,643 | - | 15,391,643 |
| Hedge funds | | | |
| Long/short | 6,276,587 | - | 6,276,587 |
| Specialized credit | 6,398,589 | - | 6,398,589 |
| US healthcare | 1,660,254 | - | 1,660,254 |
| Special situations | 168,567 | - | 168,567 |
| Private equity | 43,226,864 | - | 43,226,864 |
| Fixed income | | | |
| ETF treasuries | 18,614,281 | 18,614,281 | - |
| Other fixed income funds | 8,756 | - | 8,756 |
| | <u>149,962,681</u> | <u>\$ 53,818,893</u> | <u>\$ 96,143,788</u> |
| Cash and short-term investments | <u>5,303,875</u> | | |
| | <u>\$ 155,266,556</u> | | |

Included in common stock is the Foundation's holding in Exxon Mobil Corporation common stock. This investment's fair value was \$3,975,250 and \$6,228,544 as of June 30, 2024 and 2023, respectively, which represents approximately two percent and four percent of the total assets of the Foundation in 2024 and 2023, respectively.

THE TEAGLE FOUNDATION, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

3. Investments (Continued)

Information about the investments valued at NAV is as follows:

| | <u>Fair Value</u> | <u>Unfunded Commitment</u> | <u>Redemption Frequency</u> | <u>Notice Requirement</u> |
|-------------------------|----------------------|--------------------------------|-------------------------------|-------------------------------|
| Global equity funds (a) | \$ 10,223,655 | \$ - | Monthly | 30 days |
| Global equity funds (a) | 8,474,355 | - | Quarterly | 30-60 days |
| Global equity funds (a) | 4,750,724 | - | Semi-Annual | 90 days |
| Global equity funds (a) | 596,805 | - | 2-3 years for full redemption | 60 days |
| Hedge funds (b) | 4,083,338 | - | Quarterly | 45-90 days |
| Hedge funds (b) | 213,447 | - | Semi-Annual | 60-65 days |
| Hedge funds (b) | 454,248 | - | 2-3 years for full redemption | 60-65 days |
| Hedge funds (b) | 5,859,461 | 120,000 | Illiquid | |
| Private equity (c) | 37,381,367 | 9,515,956 | Illiquid | |
| Fixed income (d) | 14,028 | - | Illiquid | |
| | <u>\$ 72,051,428</u> | <u>\$ 9,635,956</u> | | |

- (a) Global equity funds consist of six funds valued at NAV, two using a global equity strategy, two US healthcare funds, one using a European equity strategy, and one Asian equity fund.
- (b) Hedge funds consist of nine investments valued at NAV. Three funds employ a long/short strategy, four employ a specialized credit strategy, one special situations strategy, and one US healthcare fund.
- (c) Private equity consists of fifty-six funds valued at NAV. They use various strategies including real estate, buy-out, venture capital, technology, hospitality, and energy.
- (d) Fixed income funds valued at NAV consist of one fund with specialized credit strategies.

THE TEAGLE FOUNDATION, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

4. Net Investment Return

Net investment return for the years ended June 30, 2024 and 2023 consists of the following:

| | <u>2024</u> | <u>2023</u> |
|--|----------------------|----------------------|
| Interest, dividends and partnership earnings | \$ 3,401,774 | \$ 2,332,219 |
| Realized gains | 13,922,319 | 1,913,767 |
| Unrealized gains (losses) | <u>1,134,379</u> | <u>14,417,525</u> |
| | 18,458,472 | 18,663,511 |
| Direct investment expenses | <u>(1,448,921)</u> | <u>(1,762,397)</u> |
| | <u>\$ 17,009,551</u> | <u>\$ 16,901,114</u> |

5. Liquidity and Availability of Financial Assets

The following reflects the Foundation's financial assets as of June 30, 2024 and 2023, reduced by amounts not available for general use within one year of that date due to contractual or donor-imposed restrictions:

| | <u>2024</u> | <u>2023</u> |
|--|-----------------------|----------------------|
| Investments, at fair value | \$ 161,126,468 | \$ 155,266,556 |
| Operating cash | 508,489 | 642,918 |
| Other receivables | <u>853,291</u> | <u>592,811</u> |
| | 162,488,248 | 156,502,285 |
| Less: | | |
| Illiquid investments | (43,254,856) | (64,571,095) |
| Interest in split-term life insurance policy | <u>(387,238)</u> | <u>(387,715)</u> |
| | <u>\$ 118,846,154</u> | <u>\$ 91,543,475</u> |

Annually the Foundation determines its budget for grants, programs and supporting services in accordance with its spending guidelines. The Foundation determines which assets to redeem to meet cash needs.

6. Concentration of Risk

During the fiscal year, the Foundation had cash in the bank exceeding federally insured limits. The Foundation manages this risk by only using a well-established bank.

THE TEAGLE FOUNDATION, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

7. Leasehold Improvements, Furniture and Equipment

Leasehold improvements, furniture and equipment as of June 30, 2024 and 2023 are comprised of the following:

| | 2024 | 2023 |
|---|-----------|-----------|
| Leasehold improvements | \$242,147 | \$234,447 |
| Furniture and equipment | 234,011 | 234,011 |
| Paintings | 30,480 | 30,480 |
| | 506,638 | 498,938 |
| Less: accumulated depreciation and amortization | (412,003) | (404,910) |
| | \$ 94,635 | \$ 94,028 |

8. Federal Excise Tax

In accordance with the applicable provisions of the Internal Revenue Code (the "Code"), the Foundation is subject to a Federal excise tax of 1.39% on its net investment income, as defined, for tax purposes. For the year ended June 30, 2024, excise tax expense was approximately \$200,800. The comparable amount for 2023 was \$23,000.

Some of the Foundation's investments generated unrelated business income. This income is subject to tax at the corporate tax rates. For the year ended June 30, 2024, the unrelated business excise tax was approximately \$153,000 on the Federal level and \$32,000 on the New York State level. For the year ended June 30, 2023, the unrelated business excise tax was approximately \$76,000 on the Federal level and \$36,000 on the New York State level.

The deferred tax liability is calculated at 1.39% of unrealized appreciation at June 30, 2024 and 2023, respectively. Changes to the liability for deferred tax on the unrealized appreciation amounted to an increase of approximately \$18,000 for the year ended June 30, 2024 and a decrease of approximately \$201,000 for the year ended June 30, 2023, respectively.

9. Retirement Plans

The Foundation maintains a defined contribution profit sharing plan and a 403(b)-retirement plan.

The defined contribution profit sharing plan, was established effective September 1, 2004 and covers all full-time employees. The plan provides for a contribution of ten percent of compensation and is fully vested. The cost of this plan for the years ended June 30, 2024 and 2023 was \$113,003 and \$109,806, respectively.

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9. Retirement Plans (Continued)

The Foundation also maintains a 403(b) plan for all employees. The Foundation will match employee contributions to the plan up to five percent of each employee's salary. The cost of this plan for the years ended June 30, 2024 and 2023 was \$56,865 and \$53,022, respectively.

10. Grants Payable

The Foundation's Scholarship Program provides grants to the children of employees of Exxon Mobil Corporation and its affiliates. Awards based on financial need are renewable to the completion of the degree up to a maximum of \$10,000 a year for undergraduate study. Conditional commitments to scholarship recipients, which have not been recognized as an expense, totaled approximately \$720,000 as of June 30, 2024.

In addition to the commitments above, the Foundation also has \$894,813 in conditional commitments towards the *Cornerstone: Learning for Living* initiative as of June 30, 2024. These commitments are in addition to the commitments listed under Note 11.

Unconditional grants are recognized when approved by the Directors of the Foundation. Grants payable represents amounts authorized but scheduled for future payment. Grants to be paid in more than one year are discounted to present value using the treasury bill rate. The commitments outstanding at June 30, 2024, net of the discount to present value, are scheduled for payment as follows:

| | | | |
|---------------------------------|------|---------------------|--|
| Year Ending June 30: | 2025 | \$ 3,659,858 | |
| | 2026 | 1,868,333 | |
| | 2027 | <u>480,000</u> | |
| | | 6,008,191 | |
| Less: Discount to present value | | <u>(223,919)</u> | |
| | | <u>\$ 5,784,272</u> | |

11. National Endowment for the Humanities

On September 25, 2020, the Foundation received notification it has been awarded a \$3,000,000 grant from the National Endowment for the Humanities (NEH) to run *Cornerstone: Learning for Living*, an initiative to revitalize the role of the humanities in general education. It is anticipated that this grant will be used over a five-year period.

During the year ended June 30, 2024, the Foundation recognized \$1,014,625 in contributions from this grant and incurred \$1,014,625 of expenses related to this grant. As of June 30, 2024, conditional grant commitments under this agreement totaled \$265,813. The remaining balance under this agreement as of June 30, 2024 is \$50,852 which will be spent or committed in future years.

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12. Commitments and Contingencies

Leases

The Foundation's lease for office space in New York City that commenced June 1, 2010 was due to expire in March 2026. In August 2023, the Foundation negotiated modified terms and extended the lease through August 31, 2036. The Foundation will receive eleven months of free rent. The lease contains annual escalations of approximately 1.75% except for fiscal year 2031 which is approximately 5.5%. The Foundation also has a four year lease for a copier that commenced February 1, 2022. The non-variable rent expense component for the years ended June 30, 2024 and 2023 amounted to \$290,854 and \$288,709, respectively. The variable rent expense component amounted to \$575 and \$6,784, respectively.

The Foundation amortizes the operating lease right-of use asset over the life of the lease agreements. Right-of-use assets consist of the following as of June 30, 2024:

| | |
|---|---------------------|
| Right of use assets | \$ 3,148,342 |
| Less: accumulated amortization | <u>(455,713)</u> |
| Present value of operating lease assets | <u>\$ 2,692,629</u> |

The Foundation evaluated current contracts to determine which met the criteria of a lease. The right-of-use (ROU) assets represent the Foundation's right to use underlying assets for the lease term, and the lease liabilities represent the Foundation's obligation to make lease payments arising from these leases. The ROU asset and lease liabilities, all of which arise from operating leases, were calculated based on the present value of future lease payments over the lease terms. The Foundation has made an accounting policy election to use a risk-free rate as the discount rate. The discount rate applied to calculate the lease liabilities for the modified lease was 4.18%. The previous leases were calculated using 2.85%.

The future minimum annual rental commitment under these leases as of June 30, 2024 are:

| | |
|--|---------------------|
| 2025 | \$ 180,839 |
| 2026 | 191,404 |
| 2027 | 291,421 |
| 2028 | 296,520 |
| 2029 | 301,709 |
| 2030-2036 | <u>2,399,222</u> |
| Total undiscounted operating lease payments | 3,661,115 |
| Less: Present value discount | <u>854,230</u> |
| Present value of operating lease liabilities | <u>\$ 2,806,885</u> |