

The Andrew W. Mellon Foundation

**Financial Statements
December 31, 2022 and 2021**

The Andrew W. Mellon Foundation
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December 31, 2022 and 2021

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Report of Independent Auditors

To the Board of Trustees of The Andrew W. Mellon Foundation

Opinion

We have audited the accompanying financial statements of The Andrew W. Mellon Foundation (the "Foundation"), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities and of cash flows for the years then ended, including the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' 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 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 the financial statements are issued.

Auditors' 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 auditors' 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 US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.



In performing an audit in accordance with US 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.

PriceWaterhouseCoopers LLP

Florham Park, New Jersey
June 14, 2023

The Andrew W. Mellon Foundation
Statements of Financial Position
December 31, 2022 and 2021

(in thousands of dollars)

	2022	2021
Assets		
Investments	\$ 7,809,799	\$ 9,369,867
Redemptions receivable and prepaid subscriptions	288,869	103,186
	<u>8,098,668</u>	<u>9,473,053</u>
Cash	1,623	4,745
Investment income receivable	4,423	2,521
Other assets, including prepaid taxes	16,800	18,534
Property, at cost, less accumulated depreciation of \$50,029 and \$47,362 at December 31, 2022 and 2021, respectively	68,375	51,314
	<u>68,375</u>	<u>51,314</u>
Total assets	<u>\$ 8,189,889</u>	<u>\$ 9,550,167</u>
Liabilities and Net Assets		
Liabilities		
Grants payable	\$ 279,475	\$ 197,317
Accrued expenses	23,556	22,819
Deferred federal excise tax	30,300	45,300
Debt	344,350	344,350
	<u>677,681</u>	<u>609,786</u>
Total liabilities	677,681	609,786
Net assets without donor restrictions	<u>7,512,208</u>	<u>8,940,381</u>
Total liabilities and net assets	<u>\$ 8,189,889</u>	<u>\$ 9,550,167</u>

The accompanying notes are an integral part of these financial statements.

The Andrew W. Mellon Foundation
Statements of Activities
Years Ended December 31, 2022 and 2021

<i>(in thousands of dollars)</i>	2022	2021
Net investment return	\$ (779,020)	\$ 1,766,010
Expenses		
Program grants	<u>591,918</u>	<u>469,846</u>
Grantmaking operations		
Salaries	25,029	18,798
Employee benefits	8,935	7,444
Other	<u>20,829</u>	<u>13,599</u>
	<u>54,793</u>	<u>39,841</u>
Direct charitable activities		
Salaries	970	995
Employee benefits	347	395
Other	<u>1,125</u>	<u>836</u>
	<u>2,442</u>	<u>2,226</u>
Total expenses	<u>649,153</u>	<u>511,913</u>
Change in net assets	(1,428,173)	1,254,097
Net assets without donor restrictions		
Beginning of year	<u>8,940,381</u>	<u>7,686,284</u>
End of year	<u>\$ 7,512,208</u>	<u>\$ 8,940,381</u>

The accompanying notes are an integral part of these financial statements.

The Andrew W. Mellon Foundation
Statements of Cash Flows
Years Ended December 31, 2022 and 2021

(in thousands of dollars)

	2022	2021
Cash flow from operating activities		
Change in net assets	<u>\$ (1,428,173)</u>	<u>\$ 1,254,097</u>
Adjustments to reconcile change in net assets without donor restrictions to net cash used in operating activities		
Loss (gain) on investments, net	776,891	(1,809,158)
Increase in investment income receivable	(1,902)	(165)
(Decrease) increase in deferred federal excise tax payable	(15,000)	14,000
Decrease (increase) in other assets	1,734	(507)
Increase in grants payable	82,158	53,443
Increase in accrued expenses	2,662	1,697
Depreciation and amortization expense	2,667	2,718
Total adjustments	<u>849,210</u>	<u>(1,737,972)</u>
Net cash used in operating activities	<u>(578,963)</u>	<u>(483,875)</u>
Cash flow from investing activities		
Proceeds from sales of and distributions from investments	2,113,829	3,062,248
Purchases of investments and prepaid subscriptions	(1,516,335)	(2,565,013)
Purchases of fixed assets	<u>(21,653)</u>	<u>(13,085)</u>
Net cash provided by investing activities	<u>575,841</u>	<u>484,150</u>
Net (decrease) increase in cash	(3,122)	275
Cash		
Beginning of year	<u>4,745</u>	<u>4,470</u>
End of year	<u>\$ 1,623</u>	<u>\$ 4,745</u>
Supplemental disclosure of cash flow information		
Taxes paid	\$ 16,875	\$ 19,374
Supplemental disclosure of noncash investing activities		
Change in redemptions receivable	\$ 185,683	\$ (185,494)
Distributions of securities received from alternative investments	49,044	354,760

The accompanying notes are an integral part of these financial statements.

The Andrew W. Mellon Foundation

Notes to Financial Statements

December 31, 2022 and 2021

1. Organization and Summary of Significant Accounting Policies

The Andrew W. Mellon Foundation (the “Foundation”) is a not-for-profit corporation organized and existing under the laws of the State of New York. The Foundation makes grants in four core program areas: higher learning; arts and culture; public knowledge; and humanities in place. The President’s office also makes grants that align with and exemplify the Foundation’s strategic principles and vision. There is also a small program called Public Affairs.

The financial statements of the Foundation have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”). The significant accounting policies followed are described below.

Investments

Financial assets and financial liabilities are stated at fair value which is defined by ASC 820 Fair Value Measurement 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.

The Foundation utilizes the practical expedient in valuing certain of its limited marketability funds, which are investments where ownership is represented by a portion of partnership capital or shares representing a net asset value investment. The practical expedient is an acceptable method under GAAP to determine the fair value of investments that (i) do not have a readily determinable fair value predicated upon a public market, and (ii) have the attributes of an investment company or prepare their financial statements consistent with the measurement principles of an investment company. All of the Foundation’s limited marketability funds are valued at net asset value using the practical expedient.

A fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date.
- Level 2 Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3 Inputs that are unobservable.

Inputs are used in applying the various valuation techniques and refer to the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, liquidity statistics and other factors. A financial instrument’s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The Foundation considers observable data to be that market data which is readily available and reliable and provided by independent sources. The categorization of a financial instrument within the hierarchy is therefore based upon the pricing transparency of the instrument and does not necessarily correspond to the Foundation’s perceived risk of that instrument.

The Andrew W. Mellon Foundation

Notes to Financial Statements

December 31, 2022 and 2021

Investments whose values are based on quoted market prices in active markets are classified as Level 1 and include active listed equities and certain short term fixed income investments. The Foundation does not adjust the quoted price for such instruments, even in situations where the Foundation holds a large position and a sale of all its holdings could reasonably impact the quoted price.

Investments that trade in markets that are not considered to be active, but are valued based on quoted market prices, dealer quotations, or alternative pricing sources are classified as Level 2. These include certain US government and sovereign obligations, government agency obligations, investment grade corporate bonds and less liquid equity securities.

Investments classified as Level 3 have significant unobservable inputs, as they trade infrequently or not at all. The inputs into the determination of fair value are based upon the best information in the circumstance and may require significant management judgment.

Investments reported at net asset value per share as a practical expedient, are not included within Level 1, 2 or 3 in the fair value hierarchy and are reported separately in the leveling table in Note 2.

Financial instruments such as those described above involve, to varying degrees, elements of market risk and credit risk in excess of the amounts recorded on the Statements of Financial Position. Market risk represents the potential loss the Foundation faces due to the decrease in the value of financial instruments. Credit risk represents the maximum potential loss the Foundation faces due to possible nonperformance by obligors and counterparties as to the terms of their contracts.

The Foundation invests in a variety of fixed income securities and contractual instruments, which by their nature are interest rate sensitive. Changes in interest rates will affect the value of such securities and contractual instruments.

The Foundation's limited marketability funds are primarily made under agreements to participate in limited partnerships and are generally subject to certain withdrawal restrictions. Values for these partnerships, which may include investments in both nonmarketable and market-traded securities, are provided by the general partner and may be based on recent transactions, cash flow forecasts, appraisals and other factors. Investments in these partnerships may be illiquid, and thus there can be no assurance that the Foundation will be able to realize the recorded fair value of such investments in a timely manner.

Realized gains and losses on investments are calculated based on the first-in, first-out identification method.

Redemptions receivable represent estimated proceeds to be received from limited marketability funds where the Foundation has requested either a full or partial redemption. Prepaid subscriptions represent payments made by the Foundation to a limited marketability fund in advance of the date upon which the limited marketability fund recognizes subscriptions.

In accordance with its policy, the Foundation has elected to classify short term liquid investments, including cash equivalents, as Investments.

Grants

Grant appropriations include both unconditional and conditional grants. Unconditional grants are expensed when appropriated. Certain grants approved by the Trustees are conditional subject to the grantee fulfilling specific conditions. Such conditional grants are not recorded as expense until the Foundation determines that the material conditions of the grant are substantially met.

The Andrew W. Mellon Foundation

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Substantially all grants payable are due within one year and are recorded at face value.

Taxes

The Foundation qualifies as a tax-exempt organization under Section 501(c) (3) of the Internal Revenue Code and, accordingly, is not subject to federal income taxes. However, the Foundation is subject to a federal excise tax. The Foundation follows the policy of providing for federal excise tax on the net appreciation (both realized and unrealized) of investments. The deferred federal excise tax in the accompanying financial statements represents tax provided on the net unrealized appreciation of investments. Under federal tax law the Foundation cannot carry forward realized losses resulting from the sale of investments. The Foundation is subject to income tax at corporate rates on certain income that is considered unrelated business income under the Internal Revenue Code. The Foundation's tax returns are subject to examination by federal and various state tax authorities. With few exceptions the Foundation is no longer subject to tax examinations for years prior to 2019.

Property

Property is held at cost and primarily consists of land, buildings and building improvements located in New York City. During 2021, the Foundation entered into a 61-month lease for additional office space in New York City. The lease resulted in the recognition of a right-of-use asset, representing the right to use the underlying asset for the lease term, and a lease liability, representing the obligation to make lease payments arising from the lease. The right-of-use asset and leasehold improvements for this space are included in Property.

Buildings are depreciated on a straight-line basis over their useful lives, generally twenty-five to twenty-eight years. Building improvements are depreciated over the remaining useful life of the building. Depreciation commences in the year following the year an asset is placed in service. Leasehold improvements are amortized on a straight-line basis over the shorter of the estimated useful lives of the assets or the remaining term of the lease. Lease expense is recognized on a straight-line basis over the term of the lease.

Net Investment Return

Investment return includes income and realized and unrealized gains or losses on all investments, net of external and internal management expenses, the current provision for federal and state taxes and interest expense. Unrealized gain or loss comprises the change in unrealized appreciation or depreciation on investments, net of deferred federal excise tax provided on such unrealized appreciation. Realized gains or losses include gains or losses realized on the sale of securities and the Foundation's share of the operating results of partnership investments, whether distributed or undistributed.

Expenses

Grantmaking operations include all costs related to appropriating, paying and administering grants. Direct charitable activities include expenditures primarily for research. Salaries and benefits are allocated to the activities listed above, and also to core administration, based on estimates of the time each staff member devoted to that activity. Core administration expenses are then prorated among the activities listed above based on headcount allocations. Identifiable costs, such as consultants and travel, are charged directly to each activity.

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Amounts for program grants, grantmaking operations, and direct charitable activities shown on the Statements of Activities will not agree with the amounts on the Foundation's Form 990PF, the federal excise tax return, because a cash basis is required for reporting the expenses of distribution for tax purposes as contrasted with the accrual basis used in preparing the accompanying financial statements.

Use of Estimates

The preparation of financial statements in accordance with GAAP 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 revenues and expenses during the reported periods. Actual results could differ from those estimates.

New Accounting Pronouncements

In March 2020, the FASB issued ASU No. 2020-04: Facilitation of the Effects of Reference Rate Reform on Financial Reporting (Topic 848), which provides temporary optional expedients and exceptions for applying generally accepted accounting principles to contract modifications resulting from reference rate reform initiatives. The intention of the standard is to ease the potential accounting and financial reporting burden associated with transitioning away from the expiring London Interbank Offered Rate, and other interbank offered rates, to alternative benchmark rates. The standard is effective immediately and can be applied through December 31, 2022. The Foundation implemented ASU No. 2020-04 in 2022 and there was no material impact on the Foundation's financial statements.

2. Investments

Investments held at December 31, 2022 and 2021 are summarized as follows:

<i>(in thousands of dollars)</i>	2022		2021	
	Fair Value	Cost	Fair Value	Cost
Public equity	\$ 142,131	\$ 163,630	\$ 216,091	\$ 225,763
Fixed income	560,940	618,342	609,216	605,793
Short term	320,586	320,586	823,580	823,580
	<u>1,023,657</u>	<u>1,102,558</u>	<u>1,648,887</u>	<u>1,655,136</u>
Limited marketability funds				
Private equity	3,995,544	2,233,231	4,742,586	2,160,820
Diversified strategies	1,867,527	1,524,439	1,879,878	1,603,355
Public equity	922,711	768,107	1,117,947	713,580
	<u>6,785,782</u>	<u>4,525,777</u>	<u>7,740,411</u>	<u>4,477,755</u>
Redemptions receivable and prepaid subscriptions	288,869	288,869	103,186	103,186
Payable from unsettled security transactions	(209)	(209)	(27,785)	(27,785)
Receivable from unsettled security transactions	569	569	8,354	8,354
	<u>\$ 8,098,668</u>	<u>\$ 5,917,564</u>	<u>\$ 9,473,053</u>	<u>\$ 6,216,646</u>

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The classification of investments by level within the valuation hierarchy as of December 31, 2022 is as follows:

<i>(in thousands of dollars)</i>	Quoted Prices (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments at Net Asset Value	Total
Public equity	\$ 142,131	\$ -	\$ -	\$ -	\$ 142,131
Fixed income	-	560,940	-	-	560,940
Short term	320,586	-	-	-	320,586
Limited marketability funds					
Private equity	-	-	-	3,995,544	3,995,544
Diversified strategies	-	-	-	1,867,527	1,867,527
Public equity	-	-	-	922,711	922,711
	<u>\$ 462,717</u>	<u>\$ 560,940</u>	<u>\$ -</u>	<u>\$ 6,785,782</u>	<u>7,809,439</u>
Redemptions receivable and prepaid subscriptions					288,869
Payable from unsettled security transactions					(209)
Receivable from unsettled security transactions					569
					<u>\$ 8,098,668</u>

The classification of investments by level within the valuation hierarchy as of December 31, 2021 is as follows:

<i>(in thousands of dollars)</i>	Quoted Prices (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments at Net Asset Value	Total
Public equity	\$ 216,091	\$ -	\$ -	\$ -	\$ 216,091
Fixed income	-	609,216	-	-	609,216
Short term	823,580	-	-	-	823,580
Limited marketability funds					
Private equity	-	-	-	4,742,586	4,742,586
Diversified strategies	-	-	-	1,879,878	1,879,878
Public equity	-	-	-	1,117,947	1,117,947
	<u>\$ 1,039,671</u>	<u>\$ 609,216</u>	<u>\$ -</u>	<u>\$ 7,740,411</u>	<u>9,389,298</u>
Redemptions receivable and prepaid subscriptions					103,186
Payable from unsettled security transactions					(27,785)
Receivable from unsettled security transactions					8,354
					<u>\$ 9,473,053</u>

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Set forth below is additional information pertaining to limited marketability funds valued at net asset value as of December 31, 2022 and 2021:

<i>(in thousands of dollars)</i>	Fair Value		Redemption Frequency Ranges	Redemption Notice Period
	2022	2021		
Private equity (1)	\$ 3,995,544	\$ 4,742,586	Not applicable For 5% of Diversified investments redemption not permitted during life of the fund.	Not applicable Not applicable
Diversified (2)	1,867,527	1,879,878		
Public equity (3)	922,711	1,117,947	Semi-monthly to 12 Months Monthly to 36 Months	15-90 Days 10-180 Days
	<u>\$ 6,785,782</u>	<u>\$ 7,740,411</u>		

- (1) This category includes investments in private equity, venture capital, buyout, real estate and energy-related funds. These funds invest both domestically and internationally across a broad spectrum of industries. Generally, these funds cannot be redeemed; instead, the nature of the investments is that distributions will be received as the underlying investments of the fund are liquidated. Unfunded commitments at December 31, 2022 were \$1.27 billion compared to \$1.16 billion at December 31, 2021.
- (2) This category includes investments in funds that invest in a variety of privately held and publicly available securities, including equities, corporate and government bonds, convertibles and derivatives, and includes investments in domestic and international markets. The Foundation estimates that approximately 61% of the value of these funds can be redeemed within 12 months. Unfunded commitments at December 31, 2022 were \$38 million compared to \$49 million at December 31, 2021.
- (3) This category includes investments in funds that invest long and short in international and domestic securities, primarily in equity securities and investments in derivatives. The Foundation estimates that approximately 70% of the value of these funds can be redeemed within 12 months. There are no unfunded commitments in this category.

3. Property

Property at cost at December 31, 2022 and 2021 consisted of the following:

<i>(in thousands of dollars)</i>	2022	2021
Land	\$ 8,422	\$ 8,422
Buildings, lease and improvements	92,887	70,646
Furniture and fixtures	14,749	4,432
Computer and office equipment	2,346	2,233
Construction in progress	-	12,943
	<u>118,404</u>	<u>98,676</u>
Less: Accumulated depreciation and amortization	<u>(50,029)</u>	<u>(47,362)</u>
	<u>\$ 68,375</u>	<u>\$ 51,314</u>

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December 31, 2022 and 2021

Depreciation and amortization expense was \$2.7 million in 2022 and 2021. The right-of-use asset included in buildings, lease and improvements was \$4.2 million and 5.4 million in 2022 and 2021, respectively. The corresponding lease liability of \$4.8 million and \$6.1 million in 2022 and 2021, respectively, is included in Accrued expenses on the Statements of Financial Position.

4. Debt

Debt as of December 31, 2022 and 2021 consists of \$300 million of bonds with a balloon payment of principal due at the maturity date of August 1, 2027 ("Fixed Rate Bonds") and \$44.4 million of bonds with a balloon payment of principal due at the maturity date of December 1, 2032 ("Variable Rate Bonds").

The Fixed Rate Bonds were issued in 2020 and bear a 0.947% fixed rate of interest, payable semi-annually. The proceeds of the Fixed Rate Bonds were used to pay grants and to retire borrowings under the Foundation's line of credit. These bonds may be redeemed at any time by the Foundation at a price equal to the greater of (i) 100% of the principal amount, and (ii) the sum of the present value of the remaining scheduled payments of principal and interest. In connection with the bond offering in 2020, the Foundation incurred \$1.4 million of deferred bond costs, that will be amortized over the life of the bonds. Interest incurred, exclusive of amortization of deferred bond issuance costs, was \$2.8 million in 2022 and 2021.

Interest for the Variable Rate Bonds is reset weekly by the Foundation's bond agent. Bond holders have the right to tender their bonds to the bond agent weekly, and the agent has an obligation to remarket such bonds. Bonds that cannot be remarketed must be redeemed by the Foundation. The average interest rate applicable in 2022 and 2021 for the Bonds was 1.81% and 0.10%, respectively. Interest incurred, exclusive of amortization of deferred bond issuance costs and fees, was \$800 thousand and \$46 thousand in 2022 and 2021, respectively.

During 2022, the Foundation maintained a \$200 million committed revolving line of credit and a \$100 million uncommitted line of credit ("Credit Agreements") which matured on April 17, 2023. At December 31, 2022 and December 31, 2021, no borrowings were outstanding under the Credit Agreements. Borrowings under the Credit Agreements are to be used to pay grants or other qualifying distributions. Pursuant to the Credit Agreements (as amended on September 13, 2022 converting LIBOR based rates to SOFR based rate), and at the option of the Foundation, the borrowing rate is Daily Simple SOFR plus 50 basis points, or Term SOFR plus 50 basis points or Prime-Based Rate. The default rate is borrowing rate plus 200 basis points. On April 17, 2023, the Foundation entered into a new credit agreement for a \$200 million committed line of credit and a \$200 million uncommitted line of credit with the same terms and conditions, apart from elimination of the financial covenants requirement of minimum unrestricted net assets of \$1 billion, as under the previous Credit Agreements.

The Foundation is in compliance with the financial covenants, as applicable, in its Fixed Rate Bonds, Variable Rate Bonds and Credit Agreements as of December 31, 2022 and 2021.

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5. Taxes

The Internal Revenue Code (“Code”) imposes an excise tax on private foundations equal to 1.39 percent of net investment income (principally interest, dividends, and net realized capital gains, less expenses incurred in the production of investment income). Certain income defined as unrelated business income by the Code may be subject to tax at ordinary corporate rates. A refund from the Internal Revenue Service of \$3.1 million for certain alternative minimum taxes paid in prior years, which was received in 2023, is included in Other assets on the Statements of Financial Position.

The current and deferred provision (benefit) for taxes for 2022 and 2021 are as follows:

<i>(in thousands of dollars)</i>	2022	2021
Current provision		
Federal excise tax on net investment income	\$ 4,011	\$ 18,364
Federal and state taxes on unrelated business income	<u>8,623</u>	<u>845</u>
	<u>\$ 12,634</u>	<u>\$ 19,209</u>
Deferred (benefit) provision		
Change in unrealized appreciation (1)	<u>\$ (15,000)</u>	<u>\$ 14,000</u>

(1) The deferred tax (benefit) provision is reflected in Net investment return on the Statements of Activities and represents the change in net unrealized appreciation of investments at 1.39 percent.

6. Grants

Grant payable activity consisted of the following:

<i>(in thousands of dollars)</i>	2022	2021
Grants payable at January 1	\$ 197,317	\$ 143,874
Grant expense	591,918	469,846
Less: Grants paid	(504,760)	(416,403)
Other non-cash contributions	<u>(5,000)</u>	<u>-</u>
Grants payable at December 31	<u>\$ 279,475</u>	<u>\$ 197,317</u>

Conditional grants were \$14.9 million and \$50.8 million at December 31, 2022 and December 31, 2021, respectively.

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Grants payable at December 31, 2022 are to be paid in future years as follows:

(in thousands of dollars)

Year Payable	
Within one year	\$ 254,738
Two years	<u>24,737</u>
	<u>\$ 279,475</u>

7. Liquidity

As part of its cash management strategy, the Foundation seeks to maintain sufficient liquidity to meet all of its financial obligations for the following year. The Foundation's financial assets available for use within one year as of December 31, 2022 and December 31, 2021 to meet its cash needs are estimated as follows:

(in thousands of dollars)

	2022	2021
Cash and short term investments	\$ 322,209	\$ 828,325
Investment income receivable	4,423	2,521
Public equity investments	142,131	216,091
Fixed income investments	560,940	609,216
Redemptions receivable and prepaid subscriptions	128,752	93,930
Public equity and diversified strategies limited marketability investments	<u>1,791,968</u>	<u>1,840,244</u>
	<u>\$ 2,950,423</u>	<u>\$ 3,590,327</u>

The Foundation also receives distributions each year from its private equity limited marketability funds either in cash or marketable equity securities. These distributions, which are a source of liquidity, totaled \$690 million and \$1.38 billion in 2022 and 2021, respectively. The Foundation's annual cash disbursements are comprised of capital calls, grants, and other operating expenses. These disbursements totaled \$1 billion and \$1.03 billion in 2022 and 2021, respectively.

As more fully described in Note 4 in the notes to the financial statements, the Foundation also maintains lines of credit.

8. Subsequent Events

The Foundation has evaluated subsequent events through June 14, 2023, the date the financial statements were issued, and believes no additional disclosures are required in its financial statements.