



**JOHN D. AND CATHERINE T.
MACARTHUR FOUNDATION**

Consolidated Financial Statements

December 31, 2021 and 2020

(With Independent Auditors' Report Thereon)

**JOHN D. AND CATHERINE T.
MACARTHUR FOUNDATION**

Table of Contents

| | Page(s) |
|--|----------------|
| Independent Auditors' Report | 1–2 |
| Consolidated Financial Statements: | |
| Consolidated Statements of Financial Position | 3 |
| Consolidated Statements of Activities | 4 |
| Consolidated Statements of Cash flows | 5 |
| Notes to Consolidated Financial Statements | 6–22 |
| Supplementary Information: | |
| Consolidating Statements of Financial Position | 23 |
| Consolidating Statements of Activities | 24 |
| Consolidating Statements of Cash flows | 25 |



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Independent Auditors' Report

The Board of Directors
John D. and Catherine T. MacArthur Foundation:

Opinion

We have audited the consolidated financial statements of John D. and Catherine T. MacArthur Foundation (the Foundation), which comprise the consolidated statement of financial position as of December 31, 2021, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

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

Basis for Opinion

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

Other Matter

The accompanying consolidated financial statements of the Foundation as of December 31, 2020 and for the year then ended were audited by other auditors whose report, dated July 13, 2021, on those financial statements was unmodified and included an emphasis-of-matter paragraph that described the change in the Foundation's disclosures for fair value measurements discussed in note 2 to the 2020 consolidated financial statements, due to the adoption of ASU 2018-13 – *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated 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 consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statement of financial position, the consolidating statement of activities, and the consolidating statement of cash flows are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

Chicago, Illinois
August 19, 2022

**JOHN D. AND CATHERINE T.
MACARTHUR FOUNDATION**

Consolidated Statements of Financial Position

December 31, 2021 and 2020

(\$ in thousands)

| | 2021 | 2020 |
|---------------------------------------|--------------|-------------|
| Assets: | | |
| Cash and cash equivalents | \$ 66,267 | 143,741 |
| Investments | 9,189,956 | 7,857,033 |
| Program-related investments | 188,032 | 179,737 |
| Assets held for charitable use | 20,241 | 21,752 |
| Other assets | 13,600 | 20,136 |
| Total assets | \$ 9,478,096 | 8,222,399 |
| Liabilities and net assets: | | |
| Grants payable | \$ 474,527 | 334,167 |
| Derivatives liability | 3,007 | 8,258 |
| Other liabilities | 107,440 | 118,200 |
| Excise and income taxes | 35,611 | 23,341 |
| Bonds payable | 125,000 | 125,000 |
| Total liabilities | 745,585 | 608,966 |
| Net assets without donor restrictions | 8,731,355 | 7,610,629 |
| Net assets with donor restrictions | 1,156 | 2,804 |
| Net assets | 8,732,511 | 7,613,433 |
| Total liabilities and net assets | \$ 9,478,096 | 8,222,399 |

See accompanying notes to consolidated financial statements.

**JOHN D. AND CATHERINE T.
MACARTHUR FOUNDATION**

Consolidated Statements of Activities
Years ended December 31, 2021 and 2020

(\$ in thousands)

| | 2021 | 2020 |
|---|--------------|-------------|
| Net assets without donor restrictions | | |
| Investments activity: | | |
| Investment income | \$ 780,014 | 534,528 |
| Unrealized gain on investments | 892,603 | 712,483 |
| Investment expenses | (10,618) | (10,158) |
| Excise and income taxes | (10,875) | (1,737) |
| Net investment income | 1,651,124 | 1,235,116 |
| Operating revenue: | | |
| Gifts and other income | 12,266 | 3,003 |
| Total investment income and operating revenue | 1,663,390 | 1,238,119 |
| Operating expenses: | | |
| Grants authorized | 479,218 | 224,134 |
| Administrative: | | |
| Operating support | 56,770 | 58,667 |
| Investment support | 6,366 | 4,538 |
| Total operating expenses | 542,354 | 287,339 |
| Non-operating activity: | | |
| Post retirement benefits | 144 | (9,045) |
| Gain (loss) on disposal of assets | (454) | 22 |
| Total non-operating activity | (310) | (9,023) |
| Change in net assets without donor restrictions | 1,120,726 | 941,757 |
| Net assets with donor restrictions: | | |
| Operating revenue: | | |
| Gifts and other income | (1,648) | (1,624) |
| Change in net assets with donor restrictions | (1,648) | (1,624) |
| Change in net assets | 1,119,078 | 940,133 |
| Net assets, beginning of year | 7,613,433 | 6,673,300 |
| Net assets, end of year | \$ 8,732,511 | 7,613,433 |

See accompanying notes to consolidated financial statements.

**JOHN D. AND CATHERINE T.
MACARTHUR FOUNDATION**

Consolidated Statements of Cash Flows
Years ended December 31, 2021 and 2020
(\$ in thousands)

| | 2021 | 2020 |
|---|--------------|-------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ 1,119,078 | 940,133 |
| Adjustments to reconcile change in net assets to net cash used in operating activities: | | |
| Depreciation | 2,554 | 2,231 |
| Amortization | (10) | (117) |
| Realized gain on investments | (768,053) | (516,454) |
| Unrealized gain on investments | (892,603) | (712,483) |
| (Increase) decrease in non-investments assets | 9,837 | (19,732) |
| Increase (decrease) in grants payable | 140,360 | (81,465) |
| Increase in other liabilities | 9,470 | 131,582 |
| Increase in excise and income taxes | 12,270 | 9,882 |
| Net cash used in operating activities | (367,097) | (246,423) |
| Cash flows from investing activities: | | |
| Proceeds from sale of investments | 3,242,639 | 6,388,439 |
| Purchase of investments | (2,953,261) | (6,138,172) |
| Net cash provided by investing activities | 289,378 | 250,267 |
| Cash flows from financing activities: | | |
| Proceeds from bonds payable | — | 125,000 |
| Repayment of notes payable | — | (906) |
| Proceeds from notes payable | 245 | — |
| Net cash provided by financing activities | 245 | 124,094 |
| Net increase (decrease) in cash and cash equivalents | (77,474) | 127,938 |
| Cash and cash equivalents at beginning of year | 143,741 | 15,803 |
| Cash and cash equivalents at end of year | \$ 66,267 | 143,741 |
| Supplemental disclosure of cash flow information: | | |
| Cash paid for interest | \$ 3,246 | 1,650 |

See accompanying notes to consolidated financial statements.

**JOHN D. AND CATHERINE T.
MACARTHUR FOUNDATION**

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

(1) Organization

John D. and Catherine T. MacArthur Foundation (“MacArthur”) is a private, independent grantmaking foundation that supports creative people, effective institutions, and influential networks building a more just, verdant, and peaceful world. MacArthur is placing a few big bets that truly significant progress is possible on some of the world’s most pressing social challenges, including over-incarceration, global climate change, nuclear risk, and significantly increasing financial capital for the social sector. In addition to the MacArthur Fellows Program, MacArthur continues its historic commitments to the role of journalism in a responsible and responsive democracy, as well as the strength and vitality of our headquarters city, Chicago. MacArthur is one of the nation’s largest independent foundations. Organizations supported by the Foundation work in about 40 countries. In addition to Chicago, MacArthur has offices in India and Nigeria. On December 31, 2020, the Foundation closed its Mexico office and finalized all business operations in March 2021.

Arc Chicago, LLC (“Arc”) is a limited liability company organized under the laws of the State of Delaware. Arc was formed on April 20, 2016, and MacArthur is its sole member. Arc provides loans and other investments to eligible nonprofits and social enterprises that help meet significant community needs in the Chicago region, such as education and childcare, access to healthy food, quality affordable housing, energy conservation, job training, and more.

Lever for Change (“LfC”) is an affiliate of MacArthur and was incorporated as an Illinois not-for-profit corporation on January 4, 2019. LfC’s mission is to unlock significant philanthropic capital and accelerate social change around the world’s biggest challenges, by helping philanthropists source vetted, high-impact philanthropic opportunities and connecting nonprofits and problem solvers to significant amounts of philanthropic capital. This is accomplished through development and management of customized competitions for philanthropists or by matching donors with the top vetted proposals from such competitions in a searchable online database of solutions known as the Bold Solutions Network.

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting and include the accounts of MacArthur, Arc, and LfC (collectively referred to as the “Foundation”). All significant intercompany transactions between these entities have been eliminated from the accompanying consolidated financial statements.

(2) Summary of Significant Accounting Policies

The Foundation prepares its financial statements in conformity with accounting principles generally accepted in the United States of America. The Foundation’s significant accounting policies are as follows:

(a) Cash and Cash Equivalents

Cash and cash equivalents held by the Foundation for use in its operations include temporary investments with original maturities of three months or less. Cash and cash equivalents used by MacArthur in managing its investments are reported in investments.

**JOHN D. AND CATHERINE T.
MACARTHUR FOUNDATION**

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

(b) Investments

Investments are reported at fair value. Fair value is based on quoted market prices when available or quoted market prices of comparable instruments when prices are not available. For investments in limited partnerships and other similar instruments, the fair value is based on valuations provided by external investment managers, including net asset values (NAVs) as of the most recent audited or interim financial statements. The NAVs provided by external managers are based on the underlying securities and investment holdings, which may be valued at quoted market prices, based on comparable instruments, at appraised value, or by discounted cash flows. The external managers' valuations are reviewed by MacArthur management. MacArthur believes the carrying amount of these financial instruments is a reasonable estimate of fair value. Because some investments are not readily marketable, their estimated value is subject to uncertainty.

(c) Program-Related Investments

In accordance with Section 4944 of the Internal Revenue Code (the Code), the Foundation is permitted to make investments that are related to its philanthropic programs. These investments are in the form of loans and equities and are anticipated to have a less than market return. In the year of the investment, the Foundation receives a credit toward its distribution requirement. Return of principal of program-related investments increases the Foundation's distribution requirement in the year of receipt. These investments are generally recorded at cost net of appropriate reserves for collectability.

Outstanding program-related investments totaled \$205.9 million and \$198.3 million as of December 31, 2021 and 2020, respectively. Reserves are based on a review of borrowers' credit risks, including consideration of the financial strength of borrowers, the nature of the investments, payment history, and current economic conditions. The Foundation has reserved \$17.8 million and \$18.6 million as of December 31, 2021 and 2020, respectively. \$5.0 million and \$3.16 million were written off as bad debt in 2021 and 2020, respectively. \$1.3 million of loans were more than 30 days past due as of December 31, 2021 and no loans were more than 30 days past due as of December 31, 2020.

The Foundation had open program-related investment commitments of \$89.2 million and \$102.0 million as of December 31, 2021 and 2020, respectively.

(d) Mission-Related Investments

The Foundation makes certain investments to further its charitable purpose. These investments are made with an objective of achieving a social impact or otherwise advancing the Foundation's charitable purpose. Mission-related Investments (MRI) are included with investments in the statements of financial position, statements of activities, and statements of cash flows and related disclosures. The MRIs totaled \$10.3 million and \$9.8 million as of December 31, 2021 and 2020, respectively. These investments are generally recorded at cost net of appropriate reserves for collectability.

The Foundation had open mission-related investment commitments of \$11.1 million and \$8.6 million as of December 31, 2021 and 2020, respectively.

**JOHN D. AND CATHERINE T.
MACARTHUR FOUNDATION**

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

(e) Assets Held for Charitable Purposes

MacArthur holds certain assets, primarily real estate, for charitable purposes. MacArthur receives a credit toward its distribution requirement equal to the fair value, as determined by appraisal, of the assets at the time they are put into charitable use.

(f) Grants

Grant awards are expensed when approved by the Board of Directors. Grants payable that are expected to be paid in future years are recorded at the present value of expected future payments. MacArthur discounted grants payable using an average rate of 1.12 percent and 0.27 percent as of December 31, 2021 and 2020, respectively.

(g) Investment Return

Interest income is recognized on the accrual basis. Dividend income is recognized on the ex-dividend date. Other income is recognized on the accrual basis.

(h) Federal Taxes

The Foundation is a private foundation within the meaning of Section 509(a) of the Code and is exempt from federal income tax under Section 501(a) of the Code. Accordingly, it is generally not subject to income taxes except to the extent it has unrelated business taxable income from activities that are not related to its exempt purpose.

The Foundation is also subject to federal excise taxes imposed upon private foundations at 1.39 percent of net investment income. Net investment income, as defined under federal tax law, includes dividends, interest, and realized gains on the sale of any investments. Deferred taxes are also provided for the Foundation's unrealized appreciation of securities.

Deferred tax expense or benefit results from certain income and expense items, primarily unrealized gains or losses on investments, being accounted for in different time periods for financial statement purposes than for federal excise and income tax purposes. Appropriate provisions are made in the financial statements for deferred taxes in recognition of these timing differences.

Arc is a single-member limited liability company treated as a disregarded entity for federal income tax purposes. Accordingly, all tax effects of Arc's income or loss are passed through to the Foundation.

LfC has received a determination letter from the Internal Revenue Service indicating that it qualifies as a tax-exempt organization under Section 501(c)(3) of the Code and is not subject to federal income taxes except for income from its unrelated business activities.

The Foundation follows the accounting standards for contingencies in evaluating uncertain tax positions. The guidance prescribes recognition threshold principles for the financial statement recognition of tax positions taken or expected to be taken on a tax return that are not certain to be realized. No liability has been recognized by the Foundation for uncertain tax positions as of December 31, 2021 and December 31, 2020. The Foundation's tax returns are subject to review and examination by federal and state authorities. The Foundation's tax returns are subject to review and

**JOHN D. AND CATHERINE T.
MACARTHUR FOUNDATION**

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

examination by federal and state authorities for the years ending December 31, 2018 through December 31, 2020.

(i) Employee Retirement Plan

MacArthur sponsors a defined contribution retirement plan (the Plan) for its eligible employees. Plan participants are fully vested after one year of service. Employer contributions are discretionary based on a percentage of the participant's compensation as defined in the Plan. For 2021 and 2020 plan years, employer contributions were calculated based on 14.3 percentage of the participant's compensations. MacArthur is current with its contributions to the plan. Employer contributions to the plan totaled \$3.7 million and \$3.6 million in 2021 and 2020, respectively.

(j) Post-retirement Benefits

MacArthur provides health care and life insurance benefits to certain retired employees and their eligible dependents. MacArthur has recorded a liability for post-retirement benefit obligation of \$54.7 million and \$56.2 million as of December 31, 2021 and 2020, respectively, and is included in other liabilities in the statements of financial position.

(k) Estimates

The preparation of the Foundation's 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

(3) Investments

MacArthur's investment objective is to provide a return on its investments sufficient to fund in perpetuity the grants, operating costs, and other qualifying distributions of MacArthur. Investments are made in accordance with an asset allocation policy with the objective of earning a five percent real return over time and preserving the portfolio corpus in real terms. Assets in the investment portfolio may include marketable debt and equity securities traded on public exchanges anywhere in the world; foreign currency investments; private debt and equity securities and partnerships; venture capital partnerships; commodities, including oil and gas assets; real estate; derivative instruments; and cash and cash equivalents. The investment portfolio is diversified to minimize the concentration risk of any single security, class of securities, or asset class.

**JOHN D. AND CATHERINE T.
MACARTHUR FOUNDATION**

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

Investments at fair value as of December 31, 2021 and 2020, are as follows (000s omitted):

| | 2021 | 2020 |
|--|--------------|-------------|
| Cash and cash equivalents | \$ 1,794,671 | 1,616,594 |
| Public equities | 222,420 | 133,703 |
| Public fixed income | 140,383 | 137,926 |
| Private equity | 2,231,749 | 1,815,844 |
| Private debt | 448,056 | 439,021 |
| Private real estate | 298,684 | 230,391 |
| Natural resources | 301,700 | 252,510 |
| Hedge funds: | | |
| Equity oriented | 2,181,723 | 1,920,423 |
| Fixed income oriented | 917,091 | 772,408 |
| Global macro | 171,354 | 188,062 |
| Other strategies | 482,125 | 350,151 |
| Total investments | 9,189,956 | 7,857,033 |
| Derivatives liability | (3,007) | (8,258) |
| Total investments and derivatives liabilities, net | \$ 9,186,949 | 7,848,775 |

Cash and cash equivalents include cash held for investments of \$356.9 million and \$262.5 million and cash held by MacArthur's custodian totaling \$1.4 billion and \$1.3 billion as of December 31, 2021, and 2020, respectively. Cash held by the custodian is at the direction of MacArthur and used to implement MacArthur's investment strategies. Cash held at the direction of MacArthur associated with derivative strategies totaled \$1.4 billion and \$1.3 billion as of December 31, 2021, and 2020, respectively. Cash held as required margin for outstanding securities trades totaled \$9.1 million and \$7.5 million as of December 31, 2021, and 2020, respectively. Cash held for other investments totaled \$18.9 million and \$22.0 million as of December 31, 2021, and 2020, respectively. The amount of cash held on the reporting dates is a function of the timing of executing the investment strategies.

Public investments include transactions associated with marketable equity and fixed income securities that are regularly traded on public exchanges, and public securities held by funds structured either as corporations in which MacArthur owns stock or as partnerships in which MacArthur is a limited partner. Private investments include equity and fixed income investments that are not regularly traded, and private securities held by corporations in which MacArthur owns stock or held by partnerships in which MacArthur is a limited partner. Hedge funds include investments with managers who have the authority to invest in various asset classes at their discretion including the ability to invest long and short.

MacArthur had pending trade purchases of \$8.9 million as of December 31, 2021, and zero as of December 31, 2020; pending sales of \$1.5 million and \$6.2 million as of December 31, 2021 and 2020, respectively; funds sent to investment managers but not invested as of year-end of \$80.0 million as of December 31, 2021, and zero as of December 31, 2020; and investment related receivables as a result of

**JOHN D. AND CATHERINE T.
MACARTHUR FOUNDATION**

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

undistributed redemptions or funds sent but not invested as of year-end of \$64.1 million and \$14.0 million as of December 31, 2021 and 2020, respectively. These amounts are included in investments.

Derivative Instruments – MacArthur’s investment strategy utilizes financial instruments that involve, to varying degrees, elements of market risk, credit risk, currency risk, and counterparty risk. These instruments are held in separately managed accounts, limited partnerships, and other fund structures. Financial instruments include securities sold but not yet purchased and derivative contracts including forward currency contracts, futures, options, and swaps. All of MacArthur’s derivative positions are marked to fair value as a component of investment income. The fair value of these instruments is included in investments and derivatives liability.

In the opinion of MacArthur’s management, the use of financial derivative instruments in its investment program is appropriate and customary for the investment strategies employed. Using these instruments may reduce certain investment risks and add value to the portfolio.

MacArthur enters into forward currency contracts, futures, options, and swaps for tactical investment and hedging purposes. Currency forward contracts and options may be used to hedge or take positions in non-U.S. dollar exposure. Futures and swap contracts may be used to rebalance asset categories within the portfolio or to manage market exposures in portfolios. Futures, options, and swaps may be used to hedge or leverage positions within certain risk parameters.

The net notional and fair values of forward contracts, futures, options, and swaps as of December 31, 2021 and 2020, are as follows (000s omitted):

| | 2021 | | | 2020 | | |
|-------------------|-----------------------------------|-----------------------------------|---------------------------------------|-----------------------------------|-----------------------------------|---------------------------------------|
| | Net notional value | Fair value (asset) | Fair value (liability) | Net notional value | Fair value (asset) | Fair value (liability) |
| Forward contracts | \$ 67,836 | 364 | (956) | 85,108 | 745 | (2,222) |
| Futures | 908,084 | — | — | 788,619 | — | — |
| Swaps | <u>3,415,742</u> | <u>159,598</u> | <u>(2,051)</u> | <u>3,106,221</u> | <u>153,727</u> | <u>(6,036)</u> |
| | <u>\$ 4,391,662</u> | <u>159,962</u> | <u>(3,007)</u> | <u>3,979,948</u> | <u>154,472</u> | <u>(8,258)</u> |

MacArthur is a seller of certain credit default swap contracts, which are included in the net notional value and fair value of swaps. These contracts provide MacArthur exposure to, or hedge against, a diversified portfolio of credit risks through a liquid, transparent, and standardized basket of securities. The referenced obligations under MacArthur’s credit default swap contracts are composed of baskets of securities sharing similar characteristics. The individual baskets to which MacArthur has exposure under separate contracts are high-yield securities and investment grade debt. The number of individual, underlying securities referenced in each of the contracts range from 100 to 125. MacArthur is required to make payments that are proportionate to the overall notional exposure as credit events occur for individual securities in the referenced baskets. The notional value of these investments reflects the maximum amount of future payments (undiscounted) that MacArthur could be required to make should each individual security in the referenced basket experience a credit event.

**JOHN D. AND CATHERINE T.
MACARTHUR FOUNDATION**

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

The following table sets forth the notional value, fair value, and maturity dates of credit default swap contracts as of December 31, 2021 and 2020, respectively (000s omitted):

| | 2021 | | 2020 | |
|---------------------|--------------|------------------|--------------|------------------|
| | High-yield | Investment grade | High-yield | Investment grade |
| Net notional value | \$ 493,000 | 272,000 | 397,000 | 224,000 |
| Fair value | 46,161 | 6,737 | 3,760 | 5,557 |
| Maturity date range | through 2026 | through 2026 | through 2025 | through 2025 |

Fair Value – The fair value of investments is reported using a hierarchy that 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 or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of inputs within the fair value hierarchy are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets and observable market indices. Additionally, the inputs are observable for the asset either directly or indirectly, for substantially the full term of the financial instrument. This includes securities that are infrequently traded, derivatives, and mortgage-backed securities.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Inputs include recent transaction prices for similar assets, secondary market transaction prices for MacArthur interests in limited partnerships, independent appraisals, and private indices.

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. MacArthur has certain investments categorized as Level 3 where the inputs are not readily observable, but the underlying assets are public investments.

The following tables set forth by level, within the fair value hierarchy, investment assets at fair value as of December 31, 2021 and 2020 (000s omitted). Investments using NAV per share (or its equivalent) as a fair value expedient have not been classified in the fair value hierarchy. These investments are presented as "Other" in the following tables to permit reconciliation of the fair value hierarchy table to the total investments at fair value presented in the consolidated statements of financial position. The unfunded commitments, which are not included in investments, represent contractual obligations for future investments.

**JOHN D. AND CATHERINE T.
MACARTHUR FOUNDATION**

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

Investment-related assets and liabilities as of December 31, 2021:

| | Investment assets by Level | | | | Total | Unfunded commitment: |
|--|-----------------------------------|----------------|----------------|------------------|------------------|---------------------------------|
| | Level 1 | Level 2 | Level 3 | Other | | |
| Cash and cash equivalents | \$ 1,777,901 | 16,770 | — | — | 1,794,671 | — |
| Public equities | 119,724 | 102,696 | — | — | 222,420 | — |
| Public fixed income | — | 140,339 | 44 | — | 140,383 | — |
| Private equity | — | — | 5,858 | 2,225,891 | 2,231,749 | 483,023 |
| Private debt | — | — | 1,995 | 446,061 | 448,056 | 280,315 |
| Private real estate | — | — | 36,319 | 262,365 | 298,684 | 234,227 |
| Natural resources and sustainable investments | — | — | 555 | 301,145 | 301,700 | 106,686 |
| Hedge funds: | | | | | | |
| Equity oriented | — | — | 24,506 | 2,157,217 | 2,181,723 | — |
| Fixed income oriented | — | — | — | 917,091 | 917,091 | — |
| Global macro | — | — | — | 171,354 | 171,354 | — |
| Other strategies | — | — | — | 482,125 | 482,125 | — |
| Total investments | 1,897,625 | 259,805 | 69,277 | 6,963,249 | 9,189,956 | 1,104,251 |
| Derivatives liability | (956) | (2,051) | — | — | (3,007) | — |
| Total investments and derivatives liabilities, net | \$ <u>1,896,669</u> | <u>257,754</u> | <u>69,277</u> | <u>6,963,249</u> | <u>9,186,949</u> | <u>1,104,251</u> |

**JOHN D. AND CATHERINE T.
MACARTHUR FOUNDATION**

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

Investment-related assets and liabilities as of December 31, 2020:

| | Investment assets by Level | | | | Total | Unfunded commitment: |
|---|----------------------------|----------------|---------------|------------------|------------------|-------------------------|
| | Level 1 | Level 2 | Level 3 | Other | | |
| Cash and cash equivalents | \$ 1,616,594 | — | — | — | 1,616,594 | — |
| Public equities | 24,702 | 108,407 | — | 594 | 133,703 | — |
| Public fixed income | — | 137,916 | 10 | — | 137,926 | — |
| Private equity | — | — | 2,648 | 1,813,196 | 1,815,844 | 477,777 |
| Private debt | — | — | 3,704 | 435,317 | 439,021 | 282,080 |
| Private real estate | — | — | 38,277 | 192,114 | 230,391 | 246,996 |
| Natural resources sustainable investments | — | — | 425 | 252,085 | 252,510 | 103,278 |
| Hedge funds: | | | | | | |
| Equity oriented | — | — | 26,123 | 1,894,300 | 1,920,423 | — |
| Fixed income oriented | — | — | — | 772,408 | 772,408 | — |
| Global macro | — | — | — | 188,062 | 188,062 | — |
| Other strategies | — | — | — | 350,151 | 350,151 | — |
| Total investments | 1,641,296 | 246,323 | 71,187 | 5,898,227 | 7,857,033 | 1,110,131 |
| Derivatives liability | (2,222) | (6,036) | — | — | (8,258) | — |
| Total investments and derivatives liabilities, net | \$ 1,639,074 | 240,287 | 71,187 | 5,898,227 | 7,848,775 | 1,110,131 |

The following tables are a rollforward of those investment assets classified as Level 3 as of December 31, 2021 and 2020 (000s omitted):

Rollforward of Level 3 investment assets for the year ended December 31, 2021:

| | Public equities | Public fixed income | Private equity | Private debt | Private real estate | Natural resources and sustainable investments | Hedge funds | Total |
|-----------------------------------|-----------------|---------------------|----------------|--------------|---------------------|---|-------------|---------|
| Beginning balance January 1, 2021 | \$ — | 10 | 2,648 | 3,704 | 38,277 | 425 | 26,123 | 71,187 |
| Transfers in | — | — | — | — | — | 171 | — | 171 |
| Contributions | — | — | 3,311 | 600 | 904 | — | — | 4,815 |
| Distributions | — | — | (98) | (3,900) | (1,358) | (108) | — | (5,464) |
| Realized (loss) gain | — | — | — | — | (2,033) | (14) | — | (2,047) |
| Unrealized (loss) gain | — | 34 | (3) | 1,590 | 529 | 81 | (1,617) | 614 |
| Ending balance December 31, 2021 | \$ — | 44 | 5,858 | 1,994 | 36,319 | 555 | 24,506 | 69,276 |

**JOHN D. AND CATHERINE T.
MACARTHUR FOUNDATION**

Notes to Consolidated Financial Statements
December 31, 2021 and 2020

Rollforward of Level 3 investment assets for the year ended December 31, 2020:

| | Public equities | Public fixed income | Private equity | Private debt | Private real estate | Natural resources and sustainable investments | Hedge funds | Total |
|------------------------|--------------------|---------------------------|-------------------|-----------------|---------------------------|--|----------------|----------|
| Beginning balance | | | | | | | | |
| January 1, 2020 | \$ 504 | 13 | 2,908 | 3,774 | 36,888 | 1,356 | — | 45,443 |
| Transfers in | — | — | — | — | — | — | 35,610 | 35,610 |
| Contributions | — | — | 230 | 2,007 | 1,149 | 26 | 8,000 | 11,412 |
| Distributions | — | — | (300) | (1,720) | — | (739) | — | (2,759) |
| Realized (loss) gain | — | — | — | (686) | — | 739 | — | 53 |
| Unrealized (loss) gain | (504) | (3) | (190) | 329 | 240 | (957) | (17,487) | (18,572) |
| Ending balance | | | | | | | | |
| December 31, 2020 | \$ — | 10 | 2,648 | 3,704 | 38,277 | 425 | 26,123 | 71,187 |

The following tables set forth investment assets by the amount of time, including notice period and redemption period, in which the Foundation has the legal right to receive redemptions of its investments as of December 31, 2021 and 2020 (000s omitted). For investment assets with a redemption period greater than 365 days, MacArthur's capital is expected to be liquidated over a weighted average period of 3.9 years, ranging from 1 to 15 years, as of December 31, 2021, and 3.8 years, ranging from 1 to 13 years, as of December 31, 2020. MacArthur has certain investments classified as Level 3 where it has the right to give notice and exit the investments if the investments have sufficient liquidity available. These investments are categorized with a redemption period of 90 days or less.

Investment assets by redemption periods as of December 31, 2021:

| | 90 days or less | 91 to 365 days | > 365 days | Total |
|--|--------------------|-------------------|------------|-----------|
| Cash and cash equivalents | \$ 1,794,671 | — | — | 1,794,671 |
| Public equities | 222,420 | — | — | 222,420 |
| Public fixed income | 140,383 | — | — | 140,383 |
| Private equity | — | — | 2,231,749 | 2,231,749 |
| Private debt | — | — | 448,056 | 448,056 |
| Private real estate | — | — | 298,684 | 298,684 |
| Natural resources and sustainable investments | — | — | 301,700 | 301,700 |
| Hedge funds: | | | | |
| Equity oriented | 417,886 | 1,587,985 | 175,852 | 2,181,723 |
| Fixed income oriented | 328,285 | 440,668 | 148,138 | 917,091 |
| Global macro | 48,569 | 122,785 | — | 171,354 |
| Other strategies | — | 95,839 | 386,286 | 482,125 |
| Total investments | \$ 2,952,214 | 2,247,277 | 3,990,465 | 9,189,956 |

**JOHN D. AND CATHERINE T.
MACARTHUR FOUNDATION**

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

Investment assets by redemption periods as of December 31, 2020:

| | <u>90 days or less</u> | <u>91 to 365 days</u> | <u>> 365 days</u> | <u>Total</u> |
|--|----------------------------|---------------------------|----------------------|------------------|
| Cash and cash equivalents | \$ 1,616,594 | — | — | 1,616,594 |
| Public equities | 133,703 | — | — | 133,703 |
| Public fixed income | 137,926 | — | — | 137,926 |
| Private equity | — | — | 1,815,844 | 1,815,844 |
| Private debt | — | — | 439,021 | 439,021 |
| Private real estate | — | — | 230,391 | 230,391 |
| Natural resources and sustainable investments | — | — | 252,510 | 252,510 |
| Hedge funds: | | | | |
| Equity oriented | 403,064 | 1,410,690 | 106,669 | 1,920,423 |
| Fixed income oriented | 264,437 | 367,213 | 140,758 | 772,408 |
| Global macro | 44,418 | 143,644 | — | 188,062 |
| Other strategies | — | 71,102 | 279,049 | 350,151 |
| Total investments | <u>\$ 2,600,142</u> | <u>1,992,649</u> | <u>3,264,242</u> | <u>7,857,033</u> |

(4) Excise and Income Taxes

Excise and income taxes in the financial statements for the years ended December 31, 2021 and 2020, include the following components (000s omitted):

| | <u>2021</u> | <u>2020</u> |
|--|------------------|---------------|
| Federal excise taxes: | | |
| Current | \$ 10,800 | 2,095 |
| Deferred taxes included in unrealized appreciation | <u>12,385</u> | <u>10,043</u> |
| Total federal excise taxes | 23,185 | 12,138 |
| Federal and state income taxes: | | |
| Current | <u>75</u> | <u>(358)</u> |
| Total excise and income taxes | <u>\$ 23,260</u> | <u>11,780</u> |

(5) Post-Retirement Benefits

MacArthur provides healthcare and life insurance benefits to eligible retired employees and their eligible dependents. Beginning in 2019, MacArthur implemented an Employer Group Waiver Plan (EGWP) for pharmacy costs. EGWP is a group Medicare Part D prescription drug plan available to employers that offer post-retirement medical benefits. All Medicare eligible retirees, and their eligible dependents, were enrolled in Medicare Part D and pharmacy costs are covered by the EGWP.

**JOHN D. AND CATHERINE T.
MACARTHUR FOUNDATION**

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

The following table presents the plan's funded status reconciled with amounts recognized in MacArthur's statements of financial position at December 31, 2021 and 2020 (000s omitted):

| | <u>2021</u> | <u>2020</u> |
|--|------------------|---------------|
| Accumulated post-retirement health care benefit obligation: | | |
| Active participants immediately eligible for benefits | \$ 11,200 | 10,015 |
| Active participants not immediately eligible for benefits | 16,151 | 17,256 |
| Inactive participants | <u>27,341</u> | <u>28,966</u> |
| Accumulated post-retirement health care benefits | 54,692 | 56,237 |
| Fair value of plan assets | <u>—</u> | <u>—</u> |
| Accumulated post-retirement health care benefit obligations in excess of plan assets | <u>\$ 54,692</u> | <u>56,237</u> |

Net periodic post-retirement health care benefit costs for the years ended December 31, 2021 and 2020 include the following components (000s omitted):

| | <u>2021</u> | <u>2020</u> |
|--|-----------------|--------------|
| Service cost of benefits earned | \$ 1,897 | 1,441 |
| Interest cost on accumulated post-retirement health care benefit obligations | 1,417 | 1,564 |
| Amortization of Actuarial (Gain) or Loss | <u>377</u> | <u>—</u> |
| Net periodic benefit cost | <u>\$ 3,691</u> | <u>3,005</u> |

Future expected health care payments are as follows (000s omitted):

| | |
|-----------|----------|
| 2022 | \$ 1,531 |
| 2023 | 1,584 |
| 2024 | 1,633 |
| 2025 | 1,706 |
| 2026 | 1,763 |
| 2027–2031 | 9,870 |

**JOHN D. AND CATHERINE T.
MACARTHUR FOUNDATION**

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

The following table presents the status of the plan reconciled with the amounts reported in MacArthur's statements of financial position and statements of activities as of and for the years ended December 31, 2021 and 2020 (000s omitted):

| | <u>2021</u> | <u>2020</u> |
|---|------------------|---------------|
| Accumulated benefit obligation, beginning of year | \$ 56,237 | 48,522 |
| Service cost of benefits earned | 1,897 | 1,441 |
| Interest cost on obligations | 1,417 | 1,564 |
| Actuarial (gain) loss | (3,458) | 6,041 |
| Less: Net employer benefits paid | <u>1,401</u> | <u>1,331</u> |
| Accumulated benefit obligation | <u>\$ 54,692</u> | <u>56,237</u> |

Information about assumptions as of December 31, 2021 and 2020 is as follows:

| | <u>2021</u> | <u>2020</u> |
|--|-------------|-------------|
| Weighted average assumptions: | | |
| Discount rate (benefit obligation) | 2.79 % | 2.47 % |
| Discount rate (net periodic costs) | 2.47 | 3.18 |
| Expected return on plan assets | N/A | N/A |
| Health care cost trend rate assumptions: | | |
| Trend rate for the next year | 5.90 % | 5.20 % |
| Ultimate trend rate | 3.58 | 3.53 |
| Year ultimate trend rate is reached | 2060 | 2060 |

(6) Bonds Payable and Lines of Credit

On August 27, 2020 MacArthur issued Social Bonds, Series 2020 (Taxable) bonds totaling \$125,000,000. The bonds are unsecured general obligations of the Foundation and are not restricted by Bond Indenture or otherwise from incurring additional indebtedness, and additional indebtedness, if incurred may be either secured or unsecured. The bonds mature on December 1, 2030. The interest rate is 1.299 percent, and interest payments are due on June 1 and December 1 each year through maturity.

The Foundation intends to use the proceeds of the bonds to provide grant funding to address the consequences of the COVID-19 pandemic across a range of issues, particularly as it has affected communities of color and the not-for-profit sector generally, and issues exposed by the pandemic and the protests in response to police use of violence against persons of color, especially African Americans, as well as to pay costs related to the issuance of the Bonds. The Foundation also expects to use a portion of the Bond proceeds to fund organizations seeking to address systemic inequities, discrimination, and racism in America through a variety of strategies, including voter registration, voter protection, and get out the vote efforts in compliance with applicable law.

**JOHN D. AND CATHERINE T.
MACARTHUR FOUNDATION**

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

On June 17, 2016, Arc established a line of credit (the “facility”) with Calvert Social Investment Foundation, Inc. (“Lender”). On the same day, Arc entered into a promissory note with Lender, wherein Arc promises to repay any principal amount due, up to the maximum amount of \$50 million, to Lender on June 17, 2031. As of December 31, 2021 and 2020, a total of \$45.6 million and \$45.3 million, respectively, was drawn on the facility.

As a registered investment adviser, Lender is selling up to \$50 million in Chicago-based Community Investment Notes (“CINs”) to investors who wish to participate indirectly in the mission and impact investments of Arc. Lender will set certain borrowing thresholds for Arc based on the outstanding balances of targeted Chicago CINs purchased (“TCCPs”) by investors, and Arc must make quarterly draw requests equal to the borrowing threshold. Each draw matures quarterly, and upon maturity, each draw is required to be rolled over for at least the “Minimum Balance”, which represents the amount Lender has in outstanding balances on TCCPs at that time.

As of December 31, 2021 and 2020, Arc was in compliance with all debt covenants or has received waivers with respect to any noncompliance thereof.

MacArthur has an unsecured line of credit for \$250 million, of which \$175 million is committed and \$75 million is uncommitted carrying an interest rate of either LIBOR plus 45 basis points or a prime-based rate as defined by the lender. MacArthur has no amounts outstanding under this line of credit agreement as of December 31, 2021 and 2020.

(7) Commitments and Contingencies

(a) Guarantees

MacArthur enters into guarantees to advance its program goals. Total outstanding guarantees were \$47.8 million and \$52.5 million as of December 31, 2021 and 2020, respectively. MacArthur records a liability if it is more likely than not a guarantee will be called and the expected amount to be called can be estimated. These liabilities totaled \$6.5 million and \$8.6 million as of December 31, 2021 and 2020, respectively.

(b) Legal Actions

MacArthur is not currently involved in any legal actions or aware of any legal claims that would upon final disposition based on the opinion of legal counsel have a material effect on the financial statements.

**JOHN D. AND CATHERINE T.
MACARTHUR FOUNDATION**

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

(8) Grants Payable

On December 31, 2021 and 2020, grants payable totaled \$474,527 and \$334,167, respectively.

| | 2021 | 2020 |
|---|-------------|-------------|
| Grants payable balance, beginning of year | \$ 334,167 | 429,719 |
| Current year activity: | | |
| New grants | 478,284 | 208,957 |
| Payments | (337,924) | (304,509) |
| Grants payable balance, end of year | \$ 474,527 | 334,167 |

As of December 31, 2021, based on specific grant agreements, grant payable expected to be paid in the following years:

| | |
|---|------------|
| 2022 | \$ 273,036 |
| 2023 | 100,810 |
| Thereafter | 103,141 |
| | 476,987 |
| Less discount to reflect grant payable at present value | (2,460) |
| Grants payable, net | \$ 474,527 |

(9) Natural and Functional Classification of Expenses

Expenses are reported below by natural and functional classifications. The natural classification of expenses, groups expenses based on the benefits received, such as salaries and services. The functional classification of expenses groups expenses according to the purpose for which expenses are incurred, and includes Program Activities of Grantmaking, Program Evaluation, External Competitions, Communications, and Supporting Activities of Management and General and Fundraising expenses. Grantmaking expenses include activities such as reviewing proposals, and awarding, monitoring, and evaluating grants. Communications expenses are incurred to develop communication strategies for the grantmaking function. External Competitions include activities such as design of competition, development of platform and website, due diligence on finalists, and technical review of proposals. Program Evaluation expenses provide assessment and development of grantmaking strategies. Management and General and Fundraising expenses are incurred to support the program activities. Expenses attributable to more than one functional expense category are allocated using various allocation methods such as square footage, salaries, and time and effort.

**JOHN D. AND CATHERINE T.
MACARTHUR FOUNDATION**

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

Expenses by natural classification and function as of December 31, 2021 (000s omitted):

| <u>Expense Classification</u> | <u>Grant making</u> | <u>Program evaluation</u> | <u>External competitions</u> | <u>Communi-cations</u> | <u>Programs Subtotal</u> | <u>Management and general</u> | <u>Fundraising activities</u> | <u>Total</u> |
|--------------------------------|---------------------|---------------------------|------------------------------|------------------------|--------------------------|-------------------------------|-------------------------------|----------------|
| Salaries and employee benefits | \$ 20,497 | 1,256 | — | 1,550 | 23,303 | 10,118 | — | 33,421 |
| Supplies and equipment | 72 | — | — | — | 72 | 97 | — | 169 |
| Professional services | 1,545 | 3,364 | 6,064 | 2,120 | 13,093 | 8,548 | 143 | 21,784 |
| Travel, conferences, meetings | 504 | 15 | 15 | 29 | 563 | 148 | — | 711 |
| Occupancy | 280 | — | 169 | — | 449 | 579 | 5 | 1,033 |
| Grants | 479,093 | — | 125 | — | 479,218 | — | — | 479,218 |
| Depreciation | 26 | — | — | — | 26 | 2,518 | — | 2,544 |
| Interest and finance fees | 3,332 | — | — | — | 3,332 | 142 | — | 3,474 |
| Total | <u>\$ 505,349</u> | <u>4,635</u> | <u>6,373</u> | <u>3,699</u> | <u>520,056</u> | <u>22,150</u> | <u>148</u> | <u>542,354</u> |

Expenses by natural classification and function as of December 31, 2020 (000s omitted):

| <u>Expense Classification</u> | <u>Grant making</u> | <u>Program evaluation</u> | <u>External competitions</u> | <u>Communi-cations</u> | <u>Programs subtotal</u> | <u>Management and general</u> | <u>Fundraising activities</u> | <u>Total</u> |
|--------------------------------|---------------------|---------------------------|------------------------------|------------------------|--------------------------|-------------------------------|-------------------------------|----------------|
| Salaries and employee benefits | \$ 20,910 | 1,298 | — | 1,572 | 23,780 | 10,756 | — | 34,536 |
| Supplies and equipment | 44 | — | 123 | — | 167 | 233 | — | 400 |
| Professional services | 4,671 | 4,589 | 4,511 | 1,814 | 15,585 | 6,414 | — | 21,999 |
| Travel, conferences, meetings | 875 | 128 | 13 | 59 | 1,075 | 213 | — | 1,288 |
| Occupancy | 378 | — | 120 | — | 498 | 543 | 3 | 1,044 |
| Grants | 224,134 | — | — | — | 224,134 | — | — | 224,134 |
| Depreciation | 740 | 63 | — | 106 | 909 | 1,205 | — | 2,114 |
| Interest and finance fees | 1,646 | — | — | — | 1,646 | 178 | — | 1,824 |
| Total | <u>\$ 253,398</u> | <u>6,078</u> | <u>4,767</u> | <u>3,551</u> | <u>267,794</u> | <u>19,542</u> | <u>3</u> | <u>287,339</u> |

**JOHN D. AND CATHERINE T.
MACARTHUR FOUNDATION**

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

(10) Liquidity

The Foundation's financial assets readily available within one year of December 31, 2021 and 2020 to meet general expenditures include (000s omitted):

| | <u>2021</u> | <u>2020</u> |
|---|---------------------|------------------|
| Cash and cash equivalents | \$ 66,267 | 143,741 |
| Principal and interest payments from program-related investments | 20,065 | 23,161 |
| Investment assets | <u>5,199,491</u> | <u>4,572,959</u> |
| Total | <u>\$ 5,285,823</u> | <u>4,739,861</u> |

The Foundation's investments consist almost exclusively of unrestricted funds and are not subject to donor restrictions. The Foundation's policy is to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. In addition, the Foundation has a committed line of credit in the amount of \$250 million, which it could draw upon if needed to meet liquidity needs and will only be used to fund grant and program-related obligations.

(11) Subsequent Events

Management has performed an analysis of the activities and transactions subsequent to December 31, 2022, to determine the need for any adjustments to or disclosures within the audited financial statements for the year ended December 31, 2021. Management has performed its analysis through August 19, 2022, the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

**JOHN D. AND CATHERINE T.
MACARTHUR FOUNDATION**

Consolidating Statements of Financial Position

December 31, 2021

(\$ in thousands)

| | <u>MacArthur</u> | <u>Arc</u> | <u>Lever for change</u> | <u>Eliminations</u> | <u>Total</u> |
|---------------------------------------|---------------------|---------------|-----------------------------|---------------------|------------------|
| Assets: | | | | | |
| Cash and cash equivalents | \$ 39,697 | 15,430 | 11,140 | — | 66,267 |
| Investments | 9,187,961 | 1,995 | — | — | 9,189,956 |
| Program-related investments | 135,065 | 52,967 | — | — | 188,032 |
| Assets held for charitable use | 20,241 | — | — | — | 20,241 |
| Other assets | 10,944 | 1,012 | 6,232 | (4,588) | 13,600 |
| Equity interest in Arc Chicago, LLC | 25,573 | — | — | (25,573) | — |
| Total assets | <u>\$ 9,419,481</u> | <u>71,404</u> | <u>17,372</u> | <u>(30,161)</u> | <u>9,478,096</u> |
| Liabilities and net assets: | | | | | |
| Grants payable | \$ 479,115 | — | — | (4,588) | 474,527 |
| Derivatives liability | 3,007 | — | — | — | 3,007 |
| Other liabilities | 61,201 | 45,831 | 408 | — | 107,440 |
| Excise and income taxes | 35,611 | — | — | — | 35,611 |
| Bonds Payable | 125,000 | — | — | — | 125,000 |
| Total liabilities | <u>703,934</u> | <u>45,831</u> | <u>408</u> | <u>(4,588)</u> | <u>745,585</u> |
| Net assets without donor restrictions | 8,715,547 | 25,573 | 11,220 | (20,985) | 8,731,355 |
| Net assets with donor restrictions | — | — | 5,744 | (4,588) | 1,156 |
| Net assets | <u>8,715,547</u> | <u>25,573</u> | <u>16,964</u> | <u>(25,573)</u> | <u>8,732,511</u> |
| Total liabilities and net assets | <u>\$ 9,419,481</u> | <u>71,404</u> | <u>17,372</u> | <u>(30,161)</u> | <u>9,478,096</u> |

See accompanying independent auditors' report.

**JOHN D. AND CATHERINE T.
MACARTHUR FOUNDATION**

Consolidating Statement of Activities

December 31, 2021

(\$ in thousands)

| | <u>MacArthur</u> | <u>Arc</u> | <u>Lever for Change</u> | <u>Eliminations</u> | <u>Total</u> |
|--|---------------------|---------------|-----------------------------|---------------------|------------------|
| Net assets without donor restrictions: | | | | | |
| Investment activity: | | | | | |
| Investment income | \$ 775,505 | 4,509 | — | — | 780,014 |
| Unrealized gain on investments | 895,059 | — | — | (2,456) | 892,603 |
| Investment expenses | (10,618) | — | — | — | (10,618) |
| Excise and income taxes | (10,875) | — | — | — | (10,875) |
| Net investment income | <u>1,649,071</u> | <u>4,509</u> | <u>—</u> | <u>(2,456)</u> | <u>1,651,124</u> |
| Operating revenue: | | | | | |
| Gifts and other income | — | — | 18,352 | (6,086) | 12,266 |
| Total investment income and operating revenue | <u>1,649,071</u> | <u>4,509</u> | <u>18,352</u> | <u>(8,542)</u> | <u>1,663,390</u> |
| Operating expenses: | | | | | |
| Grants authorized | 479,327 | 123 | 125 | (357) | 479,218 |
| Administrative: | | | | | |
| Operating support | 47,278 | 1,930 | 7,648 | (86) | 56,770 |
| Investment support | 6,366 | — | — | — | 6,366 |
| Total operating expenses | <u>532,971</u> | <u>2,053</u> | <u>7,773</u> | <u>(443)</u> | <u>542,354</u> |
| Non-operating activity: | | | | | |
| Post retirement benefits | 144 | — | — | — | 144 |
| Loss on disposal of assets | (454) | — | — | — | (454) |
| Total non-operating activity | <u>(310)</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>(310)</u> |
| Change in net assets without donor restrictions | <u>1,115,790</u> | <u>2,456</u> | <u>10,579</u> | <u>(8,099)</u> | <u>1,120,726</u> |
| Net assets with donor restrictions: | | | | | |
| Operating revenue: | | | | | |
| Gifts and other income | — | — | (7,291) | 5,643 | (1,648) |
| Change in net assets with donor restrictions | <u>—</u> | <u>—</u> | <u>(7,291)</u> | <u>5,643</u> | <u>(1,648)</u> |
| Change in net assets | 1,115,790 | 2,456 | 3,288 | (2,456) | 1,119,078 |
| Equity contribution from member | — | 10,000 | — | (10,000) | — |
| Net assets, beginning of year | <u>7,599,757</u> | <u>13,117</u> | <u>13,676</u> | <u>(13,117)</u> | <u>7,613,433</u> |
| Net assets, end of year | <u>\$ 8,715,547</u> | <u>25,573</u> | <u>16,964</u> | <u>(25,573)</u> | <u>8,732,511</u> |

See accompanying independent auditors' report.

**JOHN D. AND CATHERINE T.
MACARTHUR FOUNDATION**

Consolidating Statement of Cash Flows

December 31, 2021

(\$ in thousands)

| | <u>MacArthur</u> | <u>Arc</u> | <u>Lever for Change</u> | <u>Eliminations</u> | <u>Total</u> |
|---|--------------------|-----------------|-----------------------------|---------------------|--------------------|
| Cash flows from operating activities | | | | | |
| Changes in net assets | \$ 1,115,790 | 2,456 | 3,288 | (2,456) | 1,119,078 |
| Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities: | | | | | |
| Depreciation | 2,541 | — | 13 | — | 2,554 |
| Amortization of Grant Discount | — | 27 | (394) | 357 | (10) |
| Realized gain on investments | (768,053) | — | — | — | (768,053) |
| Unrealized gain on investments | (895,059) | — | — | 2,456 | (892,603) |
| (Increase) decrease in non-investment assets | 10,662 | (2,335) | 7,497 | (5,987) | 9,837 |
| Increase (decrease) in grants payable | 134,717 | — | — | 5,643 | 140,360 |
| Increase (decrease) in other liabilities | 10,223 | 10 | (750) | (13) | 9,470 |
| Increase in excise and income taxes | 12,270 | — | — | — | 12,270 |
| Net cash provided by (used in) operating activities | <u>(376,909)</u> | <u>158</u> | <u>9,654</u> | <u>—</u> | <u>(367,097)</u> |
| Cash flows from investing activities: | | | | | |
| Proceeds from sale of investments | 3,234,333 | 8,306 | — | — | 3,242,639 |
| Purchase of investments | <u>(2,938,562)</u> | <u>(14,699)</u> | <u>—</u> | <u>—</u> | <u>(2,953,261)</u> |
| Net cash provided by (used in) investing activities | <u>295,771</u> | <u>(6,393)</u> | <u>—</u> | <u>—</u> | <u>289,378</u> |
| Proceeds from notes payable | — | 245 | — | — | 245 |
| Capital contribution | <u>(10,000)</u> | <u>10,000</u> | <u>—</u> | <u>—</u> | <u>—</u> |
| Net cash provided by financing activities | <u>(10,000)</u> | <u>10,245</u> | <u>—</u> | <u>—</u> | <u>245</u> |
| Net increase (decrease) in cash and equivalents | (91,138) | 4,010 | 9,654 | — | (77,474) |
| Cash and cash equivalents at beginning of year | 130,835 | 11,420 | 1,486 | — | 143,741 |
| Cash and cash equivalents at end of year | <u>\$ 39,697</u> | <u>15,430</u> | <u>11,140</u> | <u>—</u> | <u>66,267</u> |
| Supplemental disclosure of cash flow information: | | | | | |
| Cash paid for interest | \$ 1,624 | 1,622 | — | — | 3,246 |

See accompanying independent auditors' report.