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**Independent Auditor's Report**

**The Board of Directors of  
The Teagle Foundation, Incorporated**

***Opinion***

We have audited the accompanying financial statements of the The Teagle Foundation, Incorporated (the "Foundation"), which comprise the statements of financial position as of June 30, 2023 and 2022 and the related statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the The Teagle Foundation as of June 30, 2023 and 2022 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinion***

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

***Emphasis of Matter***

***Adoption of New Accounting Standard***

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

***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

***Auditor's Responsibility for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but not absolute assurance, and therefore is not a guarantee that an audit conducted in accordance with Generally Accepted Auditing Standards (GAAS) will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS, we:

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

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

*Owen J. Flanagan & Co.*

November 17, 2023

THE TEAGLE FOUNDATION, INCORPORATED  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
<u>ASSETS</u>		
Investments, at fair value		
Cash and short-term investments	\$ 5,303,875	\$ 6,277,549
Global equity	73,608,783	59,521,037
Hedge funds	14,503,997	24,147,294
Private equity	43,226,864	45,607,219
Fixed income	18,623,037	11,892,639
	<hr/>	<hr/>
<u>Total Investments</u>	155,266,556	147,445,738
Operating cash	642,918	554,330
Prepaid expenses and other assets	269,850	121,811
Receivables	592,811	520,692
Leasehold improvements, furniture and equipment, net	94,028	125,369
Right of use assets - operating lease, net	638,693	-
	<hr/>	<hr/>
<u>Total Assets</u>	<u>\$ 157,504,856</u>	<u>\$ 148,767,940</u>
<u>LIABILITIES AND NET ASSETS</u>		
Grants payable	\$ 4,872,200	\$ 4,848,831
Accounts payable and accrued expenses	56,644	92,364
Deferred Federal excise tax payable	490,805	289,459
Lease payable	642,613	-
	<hr/>	<hr/>
<u>Total Liabilities</u>	6,062,262	5,230,654
Net Assets	<hr/> 151,442,594	<hr/> 143,537,286
	<hr/>	<hr/>
<u>Total Liabilities and Net Assets</u>	<u>\$ 157,504,856</u>	<u>\$ 148,767,940</u>

See accompanying notes to financial statements.

THE TEAGLE FOUNDATION, INCORPORATED  
STATEMENTS OF ACTIVITIES  
YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
<u>Revenue</u>		
Net investment return	\$ 16,901,114	\$ (16,239,208)
Less:		
Federal excise and unrelated business income tax	135,402	171,299
Deferred federal excise tax expense (recovery)	<u>201,346</u>	<u>(408,787)</u>
<u>Investment return net of taxes</u>	<u>16,564,366</u>	<u>(16,001,720)</u>
Contributions	<u>1,009,859</u>	<u>559,147</u>
<u>Total Revenue</u>	<u>17,574,225</u>	<u>(15,442,573)</u>
<u>Expenses</u>		
Grants	7,008,642	6,567,467
Program management	1,649,406	1,620,645
Management and governance	654,086	600,033
Investment oversight	<u>356,783</u>	<u>339,350</u>
<u>Total Expenses</u>	<u>9,668,917</u>	<u>9,127,495</u>
Change in Net Assets	7,905,308	(24,570,068)
Net Assets		
Beginning of year	<u>143,537,286</u>	<u>168,107,354</u>
End of year	<u>\$ 151,442,594</u>	<u>\$ 143,537,286</u>

See accompanying notes to financial statements.

THE TEAGLE FOUNDATION, INCORPORATED

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Change in net assets for year	\$ 7,905,308	\$ (24,570,068)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Amortization of right of use assets - operating lease	270,443	-
Depreciation and amortization	31,341	31,341
Net realized and unrealized (gain) loss on investments	(16,331,292)	16,333,560
Increase in assets:		
Prepaid expenses and other assets	(148,039)	(4,609)
Receivables	(72,119)	(14,619)
Increase (decrease) in liabilities:		
Grants payable	23,369	1,330,094
Accounts payable and accrued expenses	(35,720)	37,352
Deferred federal excise tax	201,346	(408,787)
Lease payable	(266,523)	-
	<u>(8,421,886)</u>	<u>(7,265,736)</u>
Net cash used in operating activities		
Cash flows from investing activities:		
Purchases of investments	(42,340,534)	(21,761,396)
Proceeds from sales of investments	49,877,334	23,315,825
Net change in short-term investments	973,674	5,647,687
	<u>8,510,474</u>	<u>7,202,116</u>
Net cash provided by investing activities		
Change in operating cash	88,588	(63,620)
Operating cash		
Beginning of year	<u>554,330</u>	<u>617,950</u>
End of year	<u>\$ 642,918</u>	<u>\$ 554,330</u>
Supplemental Information		
Unrelated business income taxes paid	\$ 15,000	\$ 10,250
Excise taxes paid	\$ 265,000	\$ 145,000

See accompanying notes to financial statements.

THE TEAGLE FOUNDATION, INCORPORATED  
STATEMENTS OF FUNCTIONAL EXPENSES  
YEARS ENDED JUNE 30, 2023 AND 2022

	<u>Grants and Program Management</u>	<u>Management and Governance</u>	<u>Investment Oversight</u>	<u>2023 Total</u>
Grants	<u>\$ 7,008,642</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,008,642</u>
Salaries	756,606	222,325	215,624	1,194,555
Payroll taxes and benefits	197,278	117,646	47,309	362,233
Occupancy	204,674	60,143	58,330	323,147
Communicatons and grantee convenings	230,774	-	-	230,774
Consulting and professional fees	128,950	152,211	5,905	287,066
Travel, conferences and meetings	32,094	27,597	-	59,691
Office expenses	11,119	48,420	4,474	64,013
Systems and technology support	68,060	19,999	19,396	107,455
Depreciation	19,851	5,745	5,745	31,341
	<u>1,649,406</u>	<u>654,086</u>	<u>356,783</u>	<u>2,660,275</u>
Total	<u>\$ 8,658,048</u>	<u>\$ 654,086</u>	<u>\$ 356,783</u>	<u>\$ 9,668,917</u>
	<u>Grants and Program Management</u>	<u>Management and Governance</u>	<u>Investment Oversight</u>	<u>2022 Total</u>
Grants	<u>\$ 6,567,467</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,567,467</u>
Salaries	706,100	205,200	201,288	1,112,588
Payroll taxes and benefits	186,872	138,436	45,159	370,467
Occupancy	196,254	57,034	55,946	309,234
Communicatons and grantee convenings	228,048	-	-	228,048
Consulting and professional fees	192,448	113,832	6,503	312,783
Travel, conferences and meetings	2,107	22,783	-	24,890
Office expenses	17,755	36,340	4,441	58,536
Systems and technology support	71,170	20,683	20,288	112,141
Depreciation	19,891	5,725	5,725	31,341
	<u>1,620,645</u>	<u>600,033</u>	<u>339,350</u>	<u>2,560,028</u>
Total	<u>\$ 8,188,112</u>	<u>\$ 600,033</u>	<u>\$ 339,350</u>	<u>\$ 9,127,495</u>

See accompanying notes to financial statements.

THE TEAGLE FOUNDATION, INCORPORATED  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022

**1. Organization and Tax Status**

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

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

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

**2. Summary of Significant Accounting Policies**

***Recent Accounting Pronouncements***

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

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

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

THE TEAGLE FOUNDATION, INCORPORATED  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022

**2. Summary of Significant Accounting Policies (continued)**

***Basis of Presentation***

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

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

***Leasehold Improvements, Furniture and Equipment***

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

***Leases***

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

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

***Use of Estimates***

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



THE TEAGLE FOUNDATION, INCORPORATED  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022

**2. Summary of Significant Accounting Policies (continued)**

***Grants***

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

***Cash***

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

***Uncertain Tax Positions***

The Foundation recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the Foundation has no uncertain tax positions that would require financial statement disclosure and/or recognition. The Foundation is no longer subject to examinations by the applicable taxing jurisdictions prior to fiscal year 2020.

***Investments***

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

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

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

THE TEAGLE FOUNDATION, INCORPORATED  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022

**2. Summary of Significant Accounting Policies (continued)**

***Fair Value Measurement of Investments***

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

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

***Subsequent Events***

In connection with the preparation of the financial statements the Foundation evaluated subsequent events after the statement of financial position date of June 30, 2023 through November 17, 2023 which was the date the financial statements were available to be issued.

**3. Investments**

Investments as of June 30, 2023 and 2022 consist of the following:

	<u>2023</u>		<u>2022</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Cash and short-term investments	\$ 5,304,461	\$ 5,303,875	\$ 6,277,556	\$ 6,277,549
Global equity	50,911,205	73,608,783	51,595,830	59,521,037
Hedge funds	14,936,766	14,503,997	26,620,579	24,147,294
Private equity	29,012,236	43,226,864	28,981,035	45,607,219
Fixed income	<u>19,860,011</u>	<u>18,623,037</u>	<u>13,146,386</u>	<u>11,892,639</u>
	<u>\$ 120,024,679</u>	<u>\$ 155,266,556</u>	<u>\$ 126,621,386</u>	<u>\$ 147,445,738</u>

THE TEAGLE FOUNDATION, INCORPORATED  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022

3. **Investments** (Continued)

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

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

THE TEAGLE FOUNDATION, INCORPORATED  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022

3. **Investments** (Continued)

	2022		
	Total	Level 1	Valued at NAV
Global equity			
Common stocks			
Oil and gas	\$ 9,084,263	\$ 9,084,263	\$ -
ETF global equity	17,277,553	17,277,553	-
Developed market funds			
Global equity	11,289,890	-	11,289,890
European equity	7,813,457	-	7,813,457
Asian equity	2,666,777	-	2,666,777
US healthcare	11,389,097	-	11,389,097
Hedge funds			
Long/short	12,977,795	-	12,977,795
Specialized credit	6,708,509	-	6,708,509
US healthcare	1,939,033	-	1,939,033
Special situations	2,521,957		
Private equity	45,607,219	-	45,607,219
Fixed income			
ETF treasuries	11,710,034	11,710,034	-
Other fixed income funds	182,605	-	182,605
	<u>141,168,189</u>	<u>\$ 38,071,850</u>	<u>\$ 100,574,382</u>
Cash and short-term investments	<u>6,277,549</u>		
	<u>\$ 147,445,738</u>		

Included in common stock is the Foundation's holding in Exxon Mobil Corporation common stock. This investment's fair value was \$6,228,544 and \$9,084,263 as of June 30, 2023 and 2022, respectively, which represents approximately four percent and six percent of the total assets of the Foundation in 2023 and 2022, respectively.

THE TEAGLE FOUNDATION, INCORPORATED  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022

**3. Investments** (Continued)

Information about the investments valued at NAV is as follows:

	Fair Value	Unfunded Commitment	Redemption Frequency	Notice Requirement
Global equity funds (a)	\$ 3,539,222	\$ -	Monthly	30 days
Global equity funds (a)	16,269,400	-	Quarterly	30-60 days
Global equity funds (a)	5,357,746	-	Semi-Annual	90 days
Global equity funds (a)	590,078	-	2-3 years for full redemption	60 days
Global equity funds (a)	4,248,347	-	Lock-up through Nov. 2023	90 days
Global equity funds (a)	4,188,104	-	Lock-up through Nov. 2024	90 days
Global equity funds (a)	4,211,274	-	Lock-up through Nov. 2025	90 days
Hedge funds (b)	5,059,142	-	Quarterly	45-90 days
Hedge funds (b)	1,347,183	-	Semi-Annual	60-65 days
Hedge funds (b)	485,269	-	2-3 years for full redemption	60-65 days
Hedge funds (b)	1,699,083	-	Lock-up through Jan. 2024	30 days
Hedge funds (b)	1,635,006	-	Lock-up through Feb. 2024	30 days
Hedge funds (b)	1,694,899	8,264	Lock-up through Mar. 2026	30 days
Hedge funds (b)	2,583,415	390,000	Lock-up through Apr. 2028	30 days
Private equity (c)	43,226,864	10,262,011	Illiquid	
Fixed income (d)	8,756	90,371	Illiquid	
	<u>\$ 96,143,788</u>	<u>\$ 10,750,646</u>		

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

THE TEAGLE FOUNDATION, INCORPORATED  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022

**4. Net Investment Return**

Net investment return for the years ended June 30, 2023 and 2022 consists of the following:

	2023	2022
Interest, dividends and partnership earnings	\$ 2,332,219	\$ 1,973,614
Realized gains	1,913,767	13,075,602
Unrealized gains (losses)	14,417,525	(29,409,162)
	18,663,511	(14,359,946)
Direct investment expenses	(1,762,397)	(1,879,262)
	\$ 16,901,114	\$ (16,239,208)

**5. Liquidity and Availability of Financial Assets**

The following reflects the Foundation's financial assets as of June 30, 2023 and 2022, reduced by amounts not available for general use within one year of that date due to contractual or donor-imposed restrictions:

	2023	2022
Investments, at fair value	\$ 155,266,556	\$ 147,445,738
Operating cash	642,918	554,330
Other receivables	592,811	520,692
	156,502,285	148,520,760
Less:		
Illiquid investments	(64,571,095)	(79,216,898)
Interest in split-term life insurance policy	(387,715)	(396,822)
	\$ 91,543,475	\$ 68,907,040

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

**6. Concentration of Risk**

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

THE TEAGLE FOUNDATION, INCORPORATED  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022

**7. Leasehold Improvements, Furniture and Equipment**

Leasehold improvements, furniture and equipment as of June 30, 2023 and 2022 are comprised of the following:

	2023	2022
Leasehold improvements	\$234,447	\$234,447
Furniture and equipment	234,011	234,011
Paintings	30,480	30,480
	498,938	498,938
Less: accumulated depreciation and amortization	(404,910)	(373,569)
	<b>\$ 94,028</b>	<b>\$125,369</b>

**8. Federal Excise Tax**

In accordance with the applicable provisions of the Internal Revenue Code (the "Code"), the Foundation is subject to a Federal excise tax of 1.39% on its net investment income, as defined, for tax purposes. For the year ended June 30, 2023, excise tax expense was approximately \$22,900. The comparable amount for 2022 was \$164,932.

Some of the Foundation's investments generated unrelated business income. This income is subject to tax at the corporate tax rates. For the year ended June 30, 2023, the unrelated business excise tax was approximately \$84,000 on the Federal level and \$36,000 on the New York State level. For the year ended June 30, 2022, the unrelated business excise tax was approximately \$4,000 on the Federal level and \$2,400 on the New York State level.

The deferred tax liability is calculated at 1.39% of unrealized appreciation at June 30, 2023 and 2022, respectively. Changes to the liability for deferred tax on the unrealized appreciation amounted to an increase of approximately \$201,000 for the year ended June 30, 2023 and a decrease of approximately \$409,000 for the year ended June 30, 2022, respectively.

**9. Retirement Plans**

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

The defined contribution profit sharing plan, was established effective September 1, 2004 and covers all full-time employees. The plan provides for a contribution of ten percent of compensation and is fully vested. The cost of this plan for the years ended June 30, 2023 and 2022 was \$109,806 and \$97,650, respectively.

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**9. Retirement Plans** (Continued)

The Foundation also maintains a 403(b) plan for all employees. The Foundation will match employee contributions to the plan up to five percent of each employee's salary. The cost of this plan for the years ended June 30, 2023 and 2022 was \$53,022 and \$51,450, respectively.

**10. Grants Payable**

The Foundation's Scholarship Program provides grants to the children of employees of Exxon Mobil Corporation and its affiliates. Awards based on financial need are renewable to the completion of the degree up to a maximum of \$10,000 a year for undergraduate study. Conditional commitments to scholarship recipients, which have not been recognized as an expense, totaled approximately \$720,000 as of June 30, 2023.

In addition to the commitments above, the Foundation also has \$3,033,438 in conditional commitments towards the *Cornerstone: Learning for Living* initiative as of June 30, 2023. These commitments are in addition to the commitments listed under Note 11.

Unconditional grants are recognized when approved by the Directors of the Foundation. Grants payable represents amounts authorized but scheduled for future payment. Grants to be paid in more than one year are discounted to present value using the treasury bill rate. The commitments outstanding at June 30, 2023, net of the discount to present value, are scheduled for payment as follows:

Year Ending June 30:	2024	\$ 3,199,550
	2025	1,561,900
	2026	<u>288,000</u>
		5,049,450
Less: Discount to present value		<u>(177,250)</u>
		<u>\$ 4,872,200</u>

**11. National Endowment for the Humanities**

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

During the year ended June 30, 2023, the Foundation recognized \$984,563 in contributions from this grant and incurred \$984,563 of expenses related to this grant. As of June 30, 2023, conditional grant commitments under this agreement totaled \$1,238,438. The remaining balance under this agreement as of June 30, 2023 is \$92,852 which will be spent or committed in future years.



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**12. Commitments and Contingencies**

***Leases***

The Foundation has a fifteen year and four-month lease for space in New York City that commenced June 1, 2010. During the first year and two months of the lease, the Foundation received six months free rent. The Foundation also has a four year lease for a copier that commenced February 1, 2022. The non-variable rent expense component for the years ended June 30, 2023 and 2022 amounted to \$288,709 and \$281,272, respectively. The variable rent expense component amounted to \$6,784 and \$1,285, respectively.

The Foundation amortizes the operating lease right-of use asset over the life of the lease agreements. Right-of-use assets consist of the following as of June 30, 2023:

Right of use assets	\$ 909,136
Less: accumulated amortization	<u>(270,443)</u>
 Present value of operating lease assets	 <u>\$ 638,693</u>

The Foundation evaluated current contracts to determine which met the criteria of a lease. The right-of-use (ROU) assets represent the Foundation's right to use underlying assets for the lease term, and the lease liabilities represent the Foundation's obligation to make lease payments arising from these leases. The ROU asset and lease liabilities, all of which arise from operating leases, were calculated based on the present value of future lease payments over the lease terms. The Foundation has made an accounting policy election to use a risk-free rate as the discount rate. The discount rate applied to calculate the lease liabilities as of July 1, 2022, was 2.85%.

The future minimum annual rental commitment under these leases as of June 30, 2023 are:

2024	\$ 292,529
2025	296,133
2026	<u>75,653</u>
Total undiscounted operating lease payments	664,315
Less: Present value discount	<u>21,702</u>
Present value of operating lease liabilities	<u>\$ 642,613</u>

In August 2023, the Foundation negotiated the office space lease to modify the extension terms. The termination date of the lease changed to August 31, 2036. The future lease commitments under the new agreement from August 1, 2023 through August 31, 2036, including eleven months of free rent, plus the July 2023 rent under the former agreement is \$3,855,602. The commitment under the modified lease through fiscal year 2028 is \$1,154,670 and the annual lease increase is approximately 1.75% thereafter except for the approximate 5.5% increase in fiscal year 2031.