



**FINANCIAL
REVIEW**



INDEPENDENT AUDITOR'S REPORT

Samuel H. Kress Foundation
Board of Trustees

Opinion

We have audited the accompanying financial statements of the Samuel H. Kress Foundation (a nonprofit organization), which comprise the statements of financial position as of June 30, 2024 and 2023 and the related statements of activities, functional expenses and cash flows 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 Samuel H. Kress Foundation as of June 30, 2024 and 2023 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Samuel H. Kress 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.

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 Samuel H. Kress 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 Samuel H. Kress 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 Samuel H. Kress 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.

A handwritten signature in cursive script that reads "Owen J. Flanagan + Co.".

October 29, 2024



Moretto da Brescia (Italian, 1498–1554)
Portrait of a Lady in White, c. 1540
Oil on canvas
Samuel H. Kress Collection
National Gallery of Art, Washington, DC

STATEMENTS OF FINANCIAL POSITION

EXHIBIT A

Samuel H. Kress Foundation
June 30, 2024 and 2023

	2024	2023
Assets		
Investments, at fair value	\$ 86,569,130	\$ 79,883,665
Operating cash	447,158	510,021
Accrued interest and dividends receivable	60,151	27,945
Prepaid expenses and other assets	76,140	53,827
Property and equipment, net of accumulated depreciation	1,053,691	1,133,307
Total Assets	\$ 88,206,270	\$ 81,608,765
Liabilities and Net Assets		
Liabilities		
Grants payable	\$ 1,600,500	\$ 3,061,443
Accounts payable and accrued expenses	93,018	173,005
Deferred Federal excise tax payable	226,851	141,644
Total Liabilities	1,920,369	3,376,092
Net Assets without Donor Restriction	86,285,901	78,232,673
Total Liabilities and Net Assets	\$ 88,206,270	\$ 81,608,765

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

STATEMENTS OF ACTIVITIES

EXHIBIT B

Samuel H. Kress Foundation
Years Ended June 30, 2024 and 2023

	2024	2023
Revenue		
Net investment return	\$ 10,855,050	\$ 10,488,511
Less:		
Federal excise tax	61,977	23,111
Deferred federal excise tax	85,207	119,609
	147,184	142,720
Investment Return Net of Taxes	10,707,866	10,345,791
Grants and Expenses		
Grants authorized	833,267	2,797,329
Program administration	763,824	586,830
	1,597,091	3,384,159
Investment administration	269,238	220,913
Management and general	788,309	688,475
Total Grants and Expenses	2,654,638	4,293,547
CHANGE IN NET ASSETS FOR YEAR	8,053,228	6,052,244
Net Assets, beginning of year	78,232,673	72,180,429
NET ASSETS, END OF YEAR	\$ 86,285,901	\$ 78,232,673

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

STATEMENTS OF CASH FLOWS

EXHIBIT C

Samuel H. Kress Foundation
Years Ended June 30, 2024 and 2023

	2024	2023
Cash Flows Provided (Used)		
From operating activities:		
Change in Net Assets for Year	\$ 8,053,228	\$ 6,052,244
Adjustments to reconcile change in net assets to net cash used in operating activities:		
<i>Depreciation</i>	89,916	85,421
<i>Net realized gain on investments</i>	(3,569,858)	(1,500,606)
<i>Change in unrealized appreciation of investments</i>	(6,130,007)	(8,604,956)
(Increase) decrease in assets:		
<i>Accrued interest and dividends receivable</i>	(32,206)	(12,857)
<i>Prepaid expenses and other assets</i>	(22,313)	21,984
Increase (decrease) in liabilities:		
<i>Grants payable</i>	(1,460,943)	(402,738)
<i>Accounts payable and accrued expenses</i>	(79,983)	93,925
<i>Deferred Federal excise tax payable</i>	85,207	119,609
Cash Used in Operating Activities	(3,066,959)	(4,147,974)
From investing activities:		
Capital expenditures	(10,300)	(133,180)
Proceeds from sale of investments	65,193,713	29,747,192
Purchases of investments	(62,179,317)	(25,455,042)
Cash Provided by Investing Activities	3,004,096	4,158,970
Net increase (decrease) in cash for year	(62,863)	10,996
Cash, Beginning of Year	510,021	499,025
Cash, End of Year	\$ 447,158	\$ 510,021
Supplemental Information:		
Taxes paid	\$ 87,825	\$ —

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

STATEMENTS OF FUNCTIONAL EXPENSES

EXHIBIT D

Samuel H. Kress Foundation
Years Ended June 30, 2024 and 2023

	2024				
	Grants and Program Administration	Investment Administration	Management and General		Total
Grants	\$ 833,267				\$ 833,267
Salaries	469,727	\$ 148,606	\$ 412,563		1,030,896
Payroll taxes and benefits	114,976	37,434	118,976		271,386
Professional and consulting fees	106,434	17,743	39,563		163,740
Trustee honoraria	—	2,310	4,690		7,000
Occupancy and maintenance	33,703	10,973	33,703		78,379
Travel and meetings	10,903	19,627	43,544		74,074
Printing and publications	—	—	7,154		7,154
Office expenses	28,081	10,066	60,679		98,826
Depreciation	—	22,479	67,437		89,916
Subtotal	763,824	269,238	788,309		1,821,371
	\$ 1,597,091	\$ 269,238	\$ 788,309		\$ 2,654,638

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

STATEMENTS OF FUNCTIONAL EXPENSES

EXHIBIT D
continued

Samuel H. Kress Foundation
Years Ended June 30, 2024 and 2023

	2023			
	Grants and Program Administration	Investment Administration	Management and General	Total
Grants	\$ 2,797,329			\$ 2,797,329
Salaries	312,279	\$ 102,983	\$ 328,286	743,548
Payroll taxes and benefits	125,511	40,864	126,933	293,308
Professional and consulting fees	53,970	9,872	40,072	103,914
Trustee honoraria	—	3,630	7,370	11,000
Occupancy and maintenance	41,664	13,565	41,664	96,893
Travel and meetings	10,189	16,589	37,134	63,912
Printing and publications	—	—	8,503	8,503
Office expenses	43,217	12,055	34,447	89,719
Depreciation	—	21,355	64,066	85,421
Subtotal	586,830	220,913	688,475	1,496,218
	\$ 3,384,159	\$ 220,913	\$ 688,475	\$ 4,293,547

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

Samuel H. Kress Foundation
June 30, 2024

NOTE 1
Organization

The Samuel H. Kress Foundation (“the Foundation”) was established on March 6, 1929 by Samuel H. Kress. The Foundation is incorporated in the State of New York for the purpose of promoting the moral, physical and mental well-being and progress of the human race, using or creating such means or agencies as from time to time the Trustees shall deem expedient to accomplish such purpose. The Foundation’s primary source of revenue is from investments.

NOTE 2
Summary of Significant
Accounting Policies

Basis of Presentation

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

Operating Cash

For purposes of cash flows, cash consists of cash maintained in checking accounts.

Investment Valuation and Investment Income Recognition

Investments are carried at fair value. The fair value of some alternative investments has been estimated using the Net Asset Value (“NAV”) as reported by the management of the respective alternative investment fund. Accounting principles generally accepted in the United States of America provide for the use of the NAV as a “Practical Expedient” for estimating the fair value of the Foundation’s interest.

Purchases and sales of securities are recorded on a settlement date basis. Interest and dividend income are recorded when received. Realized and unrealized gains and losses are included in the change in net assets shown on the statement of activities.

Fair Value Measurements

The Foundation follows U.S. Generally Accepted Accounting Principles guidance on 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 I inputs have the

NOTE 2
(continued)

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. Investments valued using the NAV as a practical expedient are excluded from the fair value hierarchy.

Investment Risks and Uncertainties

Alternative investments consist of non-traditional, not readily marketable investments, some of which may be structured as limited partnerships, venture capital funds, hedge funds, private equity funds and common trust funds. The underlying investments of such funds, whether invested in stock or other securities, may not be currently traded in a public market and typically are subject to restrictions on resale. Values determined by investment managers and general partners of underlying securities that are thinly traded or not traded in an active market may be based on historical costs, appraisals, a review of the investees' financial results, financial condition and prospects, together with comparisons to similar companies for which quoted market prices are available or other estimates that require varying degrees of judgment.

Because of the inherent uncertainty of valuations, the estimated fair values may differ significantly from the values that would have been used had a ready market for such investments existed or had such investments been liquidated, and those differences could be material.

Property and Equipment

Property and equipment are recorded at cost and are depreciated using the straight-line method over their estimated useful lives: building, 35 years; building fixtures, 5 to 15 years; office furniture and equipment, 5 to 10 years.

Grants

The Foundation records grants as expenses and liabilities at the time each grant is authorized by the Trustees and the recipient has been notified or the program is announced to the public. Grants are payable to the grantee according to the terms established by the Trustees and may be subject to routine performance requirements by the grantee.

Expense Allocation Methodology

The financial statements report certain categories of expenses, such as occupancy and maintenance, travel and meetings, and office expense that are attributable to one or more program or supporting function of

the Foundation. These expenses are allocated based on estimated time and use. In addition, salary and related benefit costs are allocated based on time and effort of staff.

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 amounts reported in the financial statements. Actual results could differ from these estimates.

Accounting for Uncertainty in Income Taxes

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 recognition or disclosure. The Foundation is no longer subject to examinations by applicable taxing jurisdictions for periods prior to June 30, 2021.

Subsequent Events

In connection with the preparation of the financial statements the Foundation evaluated subsequent events after the statement of financial position date of June 30, 2024 through October 29, 2024, which was the date the financial statements were available to be issued.

NOTE 3
Investments

A summary of investments reported by major categories is as follows:

	2024		2023	
	Cost	Fair Value	Cost	Fair Value
Short-term cash investments	\$ 838,746	\$ 838,746	\$ 7,248,335	\$ 7,248,335
Large capital equity funds	2,750,000	4,822,225	5,000,000	8,358,750
Global strategy equity funds	36,264,382	43,298,948	13,036,898	11,937,597
International bond fund	—	—	3,868,369	3,680,522
Fixed income funds	18,816,204	18,756,494	4,670,992	4,334,614
Hedge funds	6,166,750	8,261,165	16,652,281	19,986,887
Special situation funds	4,987,741	10,166,453	8,834,968	13,955,339
	69,823,823	86,144,031	59,311,843	69,502,044
Net receivable for pending trades	425,099	425,099	10,381,621	10,381,621
	\$ 70,248,922	\$ 86,569,130	\$ 69,693,464	\$ 79,883,665

NOTE 3
(continued)

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

Description	Level I	Investments Valued at	
		NAV	Total
Large capital equity funds	\$ —	\$ 4,822,225	\$ 4,822,225
Global strategy equity funds	43,298,948	—	43,298,948
Fixed income fund	18,756,494	—	18,756,494
Hedge funds	—	8,261,165	8,261,165
Special situation funds	—	10,166,453	10,166,453
Short-term cash investments and pending trades			1,263,845
	\$ 62,055,442	\$ 23,249,843	\$ 86,569,130

Description	Level I	Investments Valued at	
		NAV	Total
Large capital equity funds	\$ —	\$ 8,358,750	\$ 8,358,750
Global strategy equity funds	8,401,946	3,535,651	11,937,597
International bond fund	—	3,680,522	3,680,522
Fixed income fund	4,334,614	—	4,334,614
Hedge funds	—	19,986,887	19,986,887
Special situation funds	—	13,955,339	13,955,339
Short-term cash investments and pending trades			17,629,956
	\$ 12,736,560	\$ 49,517,149	\$ 79,883,665

NOTE 3
(continued)

Information regarding the liquidity of alternative investments valued at the NAV per share or equivalent at June 30, 2024 is as follows:

	Fair Value	Unfunded Commitment	Redemption Frequency (if currently eligible)	Redemption Notice Period
Large capital equity funds (a)	\$ 4,822,225	—	Quarterly up to 25%/33%	45–60 days
Hedge funds (b)	3,770,879	—	Annually	60 days
Hedge funds (b)	1,873,127	—	Semi-annually	180 days
Hedge funds (b)	2,617,159	—	Annually over 5 years	180 days
Special situation funds (c)	5,632,982	—	Quarterly - 20% gate	180 days
Special situation funds (c)	4,533,471	—	Annually up to 5%	90 days
	\$ 23,249,843	\$ —		

(a) *Large capital equity funds* consist of two investment funds that seek to achieve favorable returns through investing in U.S. long-only equities.

(b) *Hedge funds* consist of three investments which all seek to preserve and grow capital through different combinations of long and short investments in different foreign and domestic equity sectors. Three funds have restrictions on redemptions spanning three years.

(c) *Special situation funds* consist of two funds which seek to invest in undervalued companies that may be overlooked or misunderstood, in order to generate favorable, high returns. The funds have limitation on annual withdrawals and full redemptions over three to five years.

NOTE 4
Investment Return

The following is a summary of the net return on investments:

	2024	2023
Interest	\$ 3,049	\$ 15,411
Dividends	1,363,798	772,181
Realized gains on sale of investments	3,569,858	1,500,606
Net change in unrealized appreciation	6,130,007	8,604,956
Direct investment expenses	(211,662)	(404,643)
	\$ 10,855,050	\$ 10,488,511

NOTE 5
Liquidity and
Availability of
Financial Assets

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

	2024	2023
Investments, at fair value	\$ 86,569,130	\$ 79,883,665
Operating cash	447,158	510,021
Accrued interest and dividends receivable	60,151	27,945
	87,076,439	80,421,631
Less: Illiquid investments	9,622,578	11,150,700
	\$ 77,453,861	\$ 69,270,931

Annually the Foundation determines its budget for grants, programs and supporting services in accordance with its spending guidelines. The investment committee, with the assistance of its investment advisor, determines which investments to redeem to meet cash needs.

NOTE 6
Taxes

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been classified as a "private foundation." The Foundation is subject to an excise tax on net investment income at a flat rate of 1.39%.

Deferred federal excise tax on unrealized appreciation of investments is provided at the 1.39% tax rate.

Deferred federal excise expense for 2024 and 2023 was \$85,207 and \$119,609, respectively.

NOTE 7
Retirement Plan and Commitments

The Foundation maintains a deferred annuity retirement plan under Section 403(b) of the Internal Revenue Code ("IRC") for all eligible employees. Under this plan, the Foundation contributes 10% of each employee's salary annually. The expense for the retirement plan for the years ended June 30, 2024 and 2023 totaled \$66,593 and \$66,904, respectively.

The Foundation has a separate retirement plan under Section 457(b) of the IRC, which limits participation in the plan to only management. The President contributes to this plan and there are no matching provisions.

NOTE 8
Grants Payable

A reconciliation of grants payable is as follows:

	<u>2024</u>	<u>2023</u>
Grants payable, July 1	\$ 3,061,443	3,464,181
Grants approved	823,445	2,864,007
Grants paid	(2,341,745)	(3,283,807)
Change in discount to present value	57,357	17,062
Grants payable, June 30	\$ 1,600,500	3,061,443

The Foundation received grant refunds of \$47,535 and \$83,740 in fiscal years 2024 and 2023, respectively.

NOTE 8
(continued)

The Foundation operates on a five-year grant cycle, and the current cycle is FY2020–FY2024.

In FY2023 the current five-year grant cycle (2020–2024) was extended by one year and now ends in the year ending June 30, 2025.

The Foundation expects all grants payable will be paid during the year ending June 30, 2025.

NOTE 9
Property and Equipment

Property and equipment consist of the following:

	2024	2023
Land	\$ 500,000	\$ 500,000
Building	2,804,558	2,804,558
Furniture, fixtures, and equipment	1,518,924	1,536,364
	<u>4,823,482</u>	<u>4,840,922</u>
Less: Accumulated depreciation	3,769,791	3,707,615
Net Property and Equipment	\$ 1,053,691	\$ 1,133,307

Depreciation expense for 2024 and 2023 was \$89,916 and \$85,421, respectively.

NOTE 10
Concentration of Risk

During the years ended June 30, 2024 and 2023, the Foundation had cash in banks exceeding federally insured limits. The Foundation manages this risk by using only large, established financial institutions.