



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

Consolidated Financial Statements

December 31, 2022 and 2021

(With Independent Auditors' Report Thereon)

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

**Table of Contents**

	<b>Page(s)</b>
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 statements of financial position as of December 31, 2022 and 2021, and the related consolidated statements of activities and cash flows for the years 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, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

### *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 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 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 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  
July 26, 2023

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

Consolidated Statements of Financial Position

December 31, 2022 and 2021

(\$ in thousands)

	<b>2022</b>	<b>2021</b>
<b>Assets:</b>		
Cash and cash equivalents	\$ 37,316	66,267
Investments	8,123,859	9,189,956
Program-related investments, net	171,544	188,032
Assets held for charitable use	14,805	20,241
Other assets	8,123	13,600
Total assets	\$ 8,355,647	9,478,096
<b>Liabilities and net assets:</b>		
Grants payable	\$ 358,381	474,527
Derivatives liability	111,999	3,007
Other liabilities	92,941	107,440
Excise and income taxes	25,423	35,611
Bonds payable	125,000	125,000
Total liabilities	713,744	745,585
Net assets without donor restrictions	7,641,903	8,731,355
Net assets with donor restrictions	—	1,156
Net assets	7,641,903	8,732,511
Total liabilities and net assets	\$ 8,355,647	9,478,096

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Activities  
Years ended December 31, 2022 and 2021

(\$ in thousands)

	<b>2022</b>	<b>2021</b>
Net assets without donor restrictions		
Investments activity:		
Investment gain (loss)	\$ (5,326)	780,014
Unrealized gain (loss) on investments	(825,995)	892,603
Investment expenses	(11,996)	(10,618)
Excise and income taxes	(15,272)	(10,875)
Net investment return (loss)	(858,589)	1,651,124
Operating revenue:		
Gifts and other income	5,289	12,266
Total investment activity and operating revenue	(853,300)	1,663,390
Operating expenses:		
Grants authorized	191,178	479,218
Administrative:		
Operating support	64,011	56,770
Investment support	5,207	6,366
Total operating expenses	260,396	542,354
Non-operating activity:		
Change in postretirement benefit obligation	23,940	144
Gain (loss) on disposal of assets	304	(454)
Total non-operating activity	24,244	(310)
Change in net assets without donor restrictions	(1,089,452)	1,120,726
Net assets with donor restrictions:		
Operating revenue:		
Gifts and other income	(1,156)	(1,648)
Change in net assets with donor restrictions	(1,156)	(1,648)
Change in net assets	(1,090,608)	1,119,078
Net assets, beginning of year	8,732,511	7,613,433
Net assets, end of year	\$ 7,641,903	8,732,511

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Cash Flows  
Years ended December 31, 2022 and 2021  
(\$ in thousands)

	<b>2022</b>	<b>2021</b>
Cash flows from operating activities:		
Change in net assets	\$ (1,090,608)	1,119,078
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	1,961	2,554
Amortization	(34)	(10)
Realized (gain) loss on investments	7,163	(768,053)
Unrealized (gain) loss on investments	825,995	(892,603)
Decrease in non-investments assets	28,734	9,837
Increase (decrease) in grants payable	(116,146)	140,360
Increase (decrease) in other liabilities	95,576	9,470
Increase (decrease) in excise and income taxes	(10,188)	12,270
Net cash used in operating activities	(257,547)	(367,097)
Cash flows from investing activities:		
Proceeds from sale of investments	5,436,027	3,242,639
Purchase of investments	(5,206,349)	(2,953,261)
Net cash provided by investing activities	229,678	289,378
Cash flows from financing activities:		
Proceeds (redemptions) from notes payable	(1,082)	245
Net cash (used in) provided by financing activities	(1,082)	245
Net decrease in cash and cash equivalents	(28,951)	(77,474)
Cash and cash equivalents at beginning of year	66,267	143,741
Cash and cash equivalents at end of year	\$ 37,316	66,267
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 1,615	3,246
Cash paid for taxes	10,386	7,256

See accompanying notes to consolidated financial statements.

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

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

**(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.

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.

**(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 generally reported at the net asset value (NAV) reported by the fund managers, which is used as a practical expedient to estimate the fair



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

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

value, unless it is probable that all or a portion of the investment will be sold for an amount different than NAV.

Investments in limited partnerships and other similar instruments that do not meet that criteria to utilize NAV as a practical expedient to approximate fair value are valued based upon the unobservable inputs, such as appraised value or discounted cash flow analysis. Because some investments are not readily marketable, their estimated value is subject to uncertainty.

**(c) Program-Related Investments, net**

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 equity interests 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 (PRIs) 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 \$186.8 million and \$205.9 million as of December 31, 2022 and 2021, 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 \$15.2 million and \$17.8 million as of December 31, 2022 and 2021, respectively. No debts were written off as bad debt in 2022. Debts of \$5.0 million were written off as bad debt in 2021. No loans were more than 30 days past due as of December 31, 2022 and \$1.3 million of loans were more than 30 days past due as of December 31, 2021.

The Foundation had open program-related investment commitments of \$82.8 million and \$89.2 million as of December 31, 2022 and 2021, respectively.

**(d) Mission-Related Investments, Net**

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 \$16.5 million and \$10.4 million as of December 31, 2022 and 2021, respectively. The Foundation has reserved \$365,000 and \$105,000 as of December 31, 2022 and 2021, respectively. These investments are generally recorded at cost net of appropriate reserves for collectability.

The Foundation had open mission-related investment commitments of \$17.3 million and \$11.1 million as of December 31, 2022 and 2021, respectively.

**(e) Assets Held for Charitable Use**

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.

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

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

**(f) Grants**

Unconditional grant awards are expensed when approved by the Board of Directors. Grants payable that are expected to be paid in future years are reported at the present value of expected future payments. MacArthur discounted grants payable using an average rate of 4.11% and 1.12% as of December 31, 2022 and 2021, 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, 2022 and 2021. The Foundation's tax returns are subject to review and examination by federal and state authorities for the years ending December 31, 2019 through December 31, 2021.

**(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 2022 and 2021 plan years, employer contributions were calculated based on 14.3 percentage of the participant's

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

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

compensation. MacArthur is current with its contributions to the plan. Employer contributions to the Plan totaled \$3.4 million and \$3.7 million in 2022 and 2021, respectively.

**(j) Postretirement Benefits**

MacArthur provides healthcare and life insurance benefits to certain retired employees and their eligible dependents. MacArthur has recorded a liability for postretirement benefit obligation of \$29.4 million and \$54.7 million as of December 31, 2022 and 2021, respectively, and is included in other liabilities in the consolidated 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.

**(l) Recently Adopted Accounting Pronouncements**

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. This guidance establishes the principles that lessees shall apply to report useful information to users of the financial statements about the amount, timing, and uncertainty of cash flows arising from a lease for more transparency and comparability among organizations. The core principle of the new guidance is that a lessee should recognize the assets and liabilities that arise from leases. Additional guidance was issued in July 2018 under ASU No. 2018-10, *Codification Improvements to Topic 842 Leases*, ASU No. 2018-11, *Leases (Topic 842): Targeted Improvements*, ASU No. 2021-09, *Leases (Topic 842): Codification Improvements*, and ASU No. 2021-09, *Discount Rate for lessees That Are Not Public Business Entities*. The Company adopted ASU 2016-02 and its related amendments as of January 1, 2022. The adoption of these standards did not have a material impact to the Foundation's consolidated financial statements and related disclosures for 2022.

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets*. FASB issued the update to improve transparency in reporting nonprofit gifts-in-kind. The adoption of this standard did not have a material impact on the Foundation's consolidated financial statements and related disclosures for 2022.

**(m) New Accounting Pronouncements**

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses*, which amends the guidance on impairment of financial instruments. During 2019 and 2020, FASB issued updated guidance on *Credit Losses (Topic 326)*, under ASU Nos. 2018-19, 2019-04, 2019-05, and 2019-11. The new requirements replace the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The standards will become effective in fiscal year 2023 for the Foundation. While the Foundation is currently evaluating the impact

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

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

of the standard on its financial statements and related disclosures, it is not expected that the standard will have a material impact.

**(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, 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.

Investments at fair value as of December 31, 2022 and 2021 are as follows (000s omitted):

	<b>2022</b>	<b>2021</b>
Cash and cash equivalents	\$ 1,104,475	1,794,671
Public equities	74,817	222,420
Public fixed income	521,599	140,383
Private equity	1,828,684	2,231,749
Private debt	392,228	448,056
Private real estate	319,060	298,684
Natural resources	351,526	301,700
Hedge funds:		
Equity oriented	2,201,049	2,181,723
Fixed income oriented	637,331	917,091
Global macro	243,676	171,354
Other strategies	449,414	482,125
Total investments	8,123,859	9,189,956
Derivatives liability	(111,999)	(3,007)
Total investments and derivatives liabilities, net	\$ 8,011,860	9,186,949

Cash and cash equivalents include cash held for investments of \$219.4 million and \$356.9 million and cash held by MacArthur's custodian totaling \$885.1 million and \$1.4 billion as of December 31, 2022, and 2021, 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 \$837.9 million and \$1.4 billion as of December 31, 2022 and 2021, respectively. Cash held as required margin for outstanding securities trades totaled \$20.5 million and \$9.1 million as of December 31, 2022, and 2021, respectively. Cash held for other investments totaled \$26.7 million and \$18.9 million as of December 31, 2022, and 2021, respectively. The amount of cash held on the reporting dates is a function of the timing of executing the investment strategies.

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

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

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 security trade purchases of \$463.8 thousand as of December 31, 2022, and \$8.9 million as of December 31, 2021, and pending security trade sales of \$3.3 million and \$1.5 million as of December 31, 2022 and 2021, respectively.

There were no funds sent and held uninvested with investment managers as of December 31, 2022, and \$80.0 million sent and held uninvested with investment managers as of December 31, 2021. Investment related receivables as a result of undistributed redemptions or funds sent but not received from investment managers totaled \$86.1 million and \$64.1 million as of December 31, 2022 and 2021, 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. The derivatives asset is included in public equities in the fair value hierarchy table.

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.

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

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

The net notional and fair values of forward contracts, futures, options, and swaps as of December 31, 2022 and 2021, are as follows (000s omitted):

	2022			2021		
	Net notional value	Fair value (asset)	Fair value (liability)	Net notional value	Fair value (asset)	Fair value (liability)
Forward contracts	\$ 42,146	1,606	(974)	67,836	364	(956)
Futures	861,865	—	—	908,084	—	—
Swaps	2,905,226	12,705	(111,025)	3,415,742	159,598	(2,051)
	\$ 3,809,237	14,311	(111,999)	4,391,662	159,962	(3,007)

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.

The following table sets forth the notional value, fair value, and maturity dates of credit default swap contracts as of December 31, 2022 and 2021, respectively (000s omitted):

	2022		2021	
	High-yield	Investment grade	High-yield	Investment grade
Net notional value	\$ 451,000	251,000	493,000	272,000
Fair value	3,316	2,077	46,161	6,737
Maturity date range	through 2027	through 2027	through 2026	through 2026

*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.

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

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

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, 2022 and 2021 (000s omitted). Investments using NAV per share (or its equivalent) as a practical expedient for fair value 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.

Investment-related assets and liabilities as of December 31, 2022:

	<b>Investment assets by Level</b>				<b>Total</b>	<b>Unfunded commitments</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Other</b>		
Cash and cash equivalents	\$ 1,085,119	19,356	—	—	1,104,475	—
Public equities	62,112	12,705	—	—	74,817	—
Public fixed income	—	521,563	36	—	521,599	—
Private equity	—	—	6,376	1,822,308	1,828,684	529,541
Private debt	—	—	6,969	385,259	392,228	187,012
Private real estate	—	—	35,626	283,434	319,060	252,511
Natural resources and sustainable investments	—	—	2,768	348,758	351,526	100,896
Hedge funds:						
Equity oriented	—	—	5,057	2,195,992	2,201,049	—
Fixed income oriented	—	—	—	637,331	637,331	—
Global macro	—	—	—	243,676	243,676	—
Other strategies	—	—	—	449,414	449,414	—
<b>Total investments</b>	<b>1,147,231</b>	<b>553,624</b>	<b>56,832</b>	<b>6,366,172</b>	<b>8,123,859</b>	<b>1,069,960</b>
Derivatives liability	(974)	(111,025)	—	—	(111,999)	—
<b>Total investments and derivatives liabilities, net</b>	<b>\$ 1,146,257</b>	<b>442,599</b>	<b>56,832</b>	<b>6,366,172</b>	<b>8,011,860</b>	<b>1,069,960</b>

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

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

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

	Investment assets by Level					Unfunded commitments
	Level 1	Level 2	Level 3	Other	Total	
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	—
<b>Total investments</b>	<b>1,897,625</b>	<b>259,805</b>	<b>69,277</b>	<b>6,963,249</b>	<b>9,189,956</b>	<b>1,104,251</b>
Derivatives liability	(956)	(2,051)	—	—	(3,007)	—
<b>Total investments and derivatives liabilities, net</b>	<b>\$ 1,896,669</b>	<b>257,754</b>	<b>69,277</b>	<b>6,963,249</b>	<b>9,186,949</b>	<b>1,104,251</b>

The following tables are a rollforward of those investment assets classified as Level 3 as of December 31, 2022 and 2021 (000s omitted):

Rollforward of Level 3 investment assets for the year ended December 31, 2022:

	Public equities	Public fixed income	Private equity	Private debt	Private real estate	Natural resources and sustainable investments	Hedge funds	Total
Beginning balance								
January 1, 2022	\$ —	44	5,858	1,995	36,319	555	24,506	69,277
Transfers in	—	—	—	—	—	1,837	—	1,837
Contributions	—	—	1,298	3,900	2,276	—	—	7,474
Distributions	—	—	—	—	(345)	(97)	(13,386)	(13,828)
Realized (loss) gain	—	—	—	—	(17,557)	(32,599)	—	(50,156)
Unrealized (loss) gain	—	(8)	(780)	1,074	14,933	33,072	(6,063)	42,228
Ending balance								
December 31, 2022	\$ —	36	6,376	6,969	35,626	2,768	5,057	56,832



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

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

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	3,705	38,277	425	26,123	71,188
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	1,995	36,319	555	24,506	69,277

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, 2022 and 2021 (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 3.7 years, ranging from 1 to 16 years, as of December 31, 2022, and 3.9 years, ranging from 1 to 15 years, as of December 31, 2021. 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, 2022:

	90 days or less	91 to 365 days	> 365 days	Total
Cash and cash equivalents	\$ 1,104,475	—	—	1,104,475
Public equities	74,817	—	—	74,817
Public fixed income	521,599	—	—	521,599
Private equity	—	—	1,828,684	1,828,684
Private debt	—	—	392,228	392,228
Private real estate	—	—	319,060	319,060
Natural resources and sustainable investments	—	—	351,526	351,526
Hedge funds:				
Equity oriented	348,232	1,593,551	259,266	2,201,049
Fixed income oriented	81,833	444,351	111,147	637,331
Global macro	105,226	138,450	—	243,676
Other strategies	—	93,987	355,427	449,414
Total investments	\$ 2,236,182	2,270,339	3,617,338	8,123,859

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

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

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

	<u>90 days or less</u>	<u>91 to 365 days</u>	<u>&gt; 365 days</u>	<u>Total</u>
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	<u>\$ 2,952,214</u>	<u>2,247,277</u>	<u>3,990,465</u>	<u>9,189,956</u>

**(4) Excise and Income Taxes**

Excise and income taxes reported in the consolidated financial statements for the years ended December 31, 2022 and 2021, include the following components (000s omitted):

	<u>2022</u>	<u>2021</u>
Federal excise taxes:		
Current	\$ 14,125	10,800
Deferred taxes included in unrealized appreciation	<u>(11,488)</u>	<u>12,385</u>
Total federal excise taxes	2,637	23,185
Federal and state income taxes:		
Current	<u>1,147</u>	<u>75</u>
Total excise and income taxes	<u>\$ 3,784</u>	<u>23,260</u>

**(5) Postretirement 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 postretirement medical benefits. All Medicare eligible retirees, and their eligible dependents, were enrolled in Medicare Part D and pharmacy costs are covered by the EGWP. Most recently, beginning January 1,

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

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

2022, the Foundation adopted a Medicare Advantage Prescription Drug (MAPD) plan for retirees 65 and older.

The following table presents the plan's funded status reconciled with amounts recognized in MacArthur's consolidated statements of financial position at December 31, 2022 and 2021 (000s omitted):

	<u>2022</u>	<u>2021</u>
Accumulated postretirement healthcare benefit obligation:		
Active participants immediately eligible for benefits	\$ 5,377	11,200
Active participants not immediately eligible for benefits	7,498	16,151
Inactive participants	<u>16,484</u>	<u>27,341</u>
Accumulated postretirement healthcare benefits	29,359	54,692
Fair value of plan assets	<u>—</u>	<u>—</u>
Accumulated post-retirement healthcare benefit obligations in excess of plan assets	<u>\$ 29,359</u>	<u>54,692</u>

Net periodic postretirement healthcare benefit costs for the years ended December 31, 2022 and 2021, include the following components (000s omitted):

	<u>2022</u>	<u>2021</u>
Service cost of benefits earned	\$ 1,778	1,897
Interest cost on accumulated post-retirement healthcare benefit obligations	1,554	1,417
Amortization of actuarial (gain) loss	<u>98</u>	<u>377</u>
Net periodic benefit cost	<u>\$ 3,430</u>	<u>3,691</u>

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

2023	\$ 1,194
2024	1,267
2025	1,360
2026	1,467
2027	1,431
2028–2032	8,143

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

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

The following table presents the status of the plan reconciled with the amounts reported in MacArthur's consolidated statements of financial position and statements of activities as of and for the years ended December 31, 2022 and 2021 (000s omitted):

	<u>2022</u>	<u>2021</u>
Accumulated benefit obligation, beginning of year	\$ 54,692	56,237
Service cost of benefits earned	1,778	1,897
Interest cost on obligations	1,554	1,417
Actuarial (gain) loss	(27,272)	(3,458)
Less: Net employer benefits paid	<u>1,393</u>	<u>1,401</u>
Accumulated benefit obligation	<u>\$ 29,359</u>	<u>54,692</u>

The increase in the discount rate used for measurement of the retirement plan benefit obligation as well as the adoption of the MAPD for retirees 65 and older resulted in a significant decrease in the liability as of December 31, 2022. The decrease in the discount rate used for measurement of the retirement plan benefit obligation resulted in an increase in the liability as of December 31, 2021.

Information about assumptions as of December 31, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Weighted average assumptions:		
Discount rate (benefit obligation)	5.00 %	2.79 %
Discount rate (net periodic costs)	2.79	2.47
Expected return on plan assets	N/A	N/A
Healthcare cost trend rate assumptions:		
Trend rate for the next year	5.90 %	5.90 %
Ultimate trend rate	3.61	3.58
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%, and interest payments are due on June 1 and December 1 each year through maturity.

The Foundation used 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 used a portion of the Bond proceeds to fund

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

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

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.

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, 2022 and 2021, a total of \$44.5 million and \$45.6 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, 2022 and 2021, Arc was in compliance with all debt covenants.

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, 2022 and 2021.

**(7) Commitments and Contingencies**

**(a) Guarantees**

MacArthur enters into guarantees to advance its program goals. Total outstanding guarantees were \$46.5 million and \$47.8 million as of December 31, 2022 and 2021, 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 as of December 31, 2022 and 2021.

**(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 consolidated financial statements.

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

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

**(8) Grants Payable**

On December 31, 2022 and 2021, grants payable totaled \$358,381 and \$474,527, respectively.

	<b>2022</b>	<b>2021</b>
Grants payable balance, beginning of year	\$ 474,527	334,167
Current year activity:		
New grants	206,950	478,284
Payments	(323,096)	(337,924)
Grants payable balance, end of year	\$ 358,381	474,527

As of December 31, 2022, based on specific grant agreements, grant payable expected to be paid in the following years:

2023	\$ 232,625
2024	78,652
Thereafter	58,600
	369,877
Less discount to reflect grant payable at present value	(11,496)
Grants payable, net	\$ 358,381

**(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, 2022 and 2021

Expenses by natural classification and function as of December 31, 2022 (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	\$ 21,340	1,510	7	1,673	24,530	10,116	—	34,646
Supplies and equipment	112	—	8	—	120	163	—	283
Professional services	(74)	4,669	6,075	2,933	13,603	12,196	165	25,964
Travel, conferences, meetings	1,756	115	73	65	2,009	86	—	2,095
Occupancy	161	—	186	—	347	450	6	803
Grants	190,596	—	582	—	191,178	—	—	191,178
Depreciation	—	—	—	—	—	1,961	—	1,961
Interest and finance fees	3,342	—	—	—	3,342	124	—	3,466
Total	<u>\$ 217,233</u>	<u>6,294</u>	<u>6,931</u>	<u>4,671</u>	<u>235,129</u>	<u>25,096</u>	<u>171</u>	<u>260,396</u>

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>

**(10) Liquidity**

The Foundation's financial assets readily available within one year of December 31, 2022 and 2021 to meet general expenditures include (000s omitted):

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 37,316	66,267
Principal and interest payments from program-related investments	19,827	20,065
Investment assets	<u>4,506,521</u>	<u>5,199,491</u>
Total	<u>\$ 4,563,664</u>	<u>5,285,823</u>

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

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

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 consolidated financial statements for the year ended December 31, 2022. Management has performed its analysis through July 26, 2023, the date the financial statements were available to be issued, and noted no material subsequent events that require disclosure.



## **SUPPLEMENTARY INFORMATION**

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

Consolidating Statements of Financial Position

December 31, 2022

(\$ in thousands)

	<u>MacArthur</u>	<u>Arc</u>	<u>Lever for change</u>	<u>Eliminations</u>	<u>Total</u>
<b>Assets:</b>					
Cash and cash equivalents	\$ 13,799	9,395	14,122	—	37,316
Investments	8,116,890	6,969	—	—	8,123,859
Program-related investments, net	118,018	53,526	—	—	171,544
Assets held for charitable use	14,805	—	—	—	14,805
Other assets	6,579	1,048	496	—	8,123
Equity interest in Arc Chicago, LLC	26,196	—	—	(26,196)	—
Total assets	<u>\$ 8,296,287</u>	<u>70,938</u>	<u>14,618</u>	<u>(26,196)</u>	<u>8,355,647</u>
<b>Liabilities and net assets:</b>					
Grants payable	\$ 358,381	—	—	—	358,381
Derivatives liability	111,999	—	—	—	111,999
Other liabilities	47,504	44,742	695	—	92,941
Excise and income taxes	25,423	—	—	—	25,423
Bonds payable	125,000	—	—	—	125,000
Total liabilities	<u>668,307</u>	<u>44,742</u>	<u>695</u>	<u>—</u>	<u>713,744</u>
Net assets without donor restrictions	7,627,980	26,196	13,923	(26,196)	7,641,903
Net assets with donor restrictions	—	—	—	—	—
Net assets	<u>7,627,980</u>	<u>26,196</u>	<u>13,923</u>	<u>(26,196)</u>	<u>7,641,903</u>
Total liabilities and net assets	<u>\$ 8,296,287</u>	<u>70,938</u>	<u>14,618</u>	<u>(26,196)</u>	<u>8,355,647</u>

See accompanying independent auditors' report.

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

Consolidating Statement of Activities

Year ended December 31, 2022

(\$ 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 gain (loss)	\$ (7,163)	1,837	—	—	(5,326)
Unrealized gain on investments	(826,672)	1,300	—	(623)	(825,995)
Investment expenses	(11,996)	—	—	—	(11,996)
Excise and income taxes	(15,272)	—	—	—	(15,272)
Net investment income	(861,103)	3,137	—	(623)	(858,589)
Operating revenue:					
Gifts and other income	—	—	10,382	(5,093)	5,289
Total investment activity and operating revenue	(861,103)	3,137	10,382	(5,716)	(853,300)
Operating expenses:					
Grants authorized	190,827	593	170	(412)	191,178
Administrative:					
Operating support	54,674	1,921	7,509	(93)	64,011
Investment support	5,207	—	—	—	5,207
Total operating expenses	250,708	2,514	7,679	(505)	260,396
Non-operating activity:					
Change in postretirement benefit obligation	23,940	—	—	—	23,940
Gain on disposal of assets	304	—	—	—	304
Total non-operating activity	24,244	—	—	—	24,244
Change in net assets without donor restrictions	(1,087,567)	623	2,703	(5,211)	(1,089,452)
Net assets with donor restrictions:					
Operating revenue:					
Gifts and other income	—	—	(5,744)	4,588	(1,156)
Change in net assets with donor restrictions	—	—	(5,744)	4,588	(1,156)
Change in net assets	(1,087,567)	623	(3,041)	(623)	(1,090,608)
Equity contribution from member	—	—	—	—	—
Net assets, beginning of year	8,715,547	25,573	16,964	(25,573)	8,732,511
Net assets, end of year	\$ 7,627,980	26,196	13,923	(26,196)	7,641,903

See accompanying independent auditors' report.

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

Consolidating Statement of Cash Flows

Year ended December 31, 2022

(\$ 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	\$ (1,087,567)	623	(3,041)	(623)	(1,090,608)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:					
Depreciation	1,948	—	13	—	1,961
Amortization of grant discount	—	26	(472)	412	(34)
Realized loss on investments	7,163	—	—	—	7,163
Unrealized loss on investments	826,672	(1,300)	—	623	825,995
(Increase) decrease in non-investment assets	26,848	692	6,194	(5,000)	28,734
Increase (decrease) in grants payable	(120,734)	—	—	4,588	(116,146)
Increase (decrease) in other liabilities	95,295	(7)	288	—	95,576
Increase (decrease) in excise and income taxes	(10,188)	—	—	—	(10,188)
Net cash provided by (used in) operating activities	<u>(260,563)</u>	<u>34</u>	<u>2,982</u>	<u>—</u>	<u>(257,547)</u>
Cash flows from investing activities:					
Proceeds from sale of investments	5,432,711	3,316	—	—	5,436,027
Purchase of investments	<u>(5,198,046)</u>	<u>(8,303)</u>	<u>—</u>	<u>—</u>	<u>(5,206,349)</u>
Net cash provided by (used in) investing activities	<u>234,665</u>	<u>(4,987)</u>	<u>—</u>	<u>—</u>	<u>229,678</u>
Proceeds (redemptions) from notes payable	<u>—</u>	<u>(1,082)</u>	<u>—</u>	<u>—</u>	<u>(1,082)</u>
Net cash (used in) financing activities	<u>—</u>	<u>(1,082)</u>	<u>—</u>	<u>—</u>	<u>(1,082)</u>
Net increase (decrease) in cash and equivalents	<u>(25,898)</u>	<u>(6,035)</u>	<u>2,982</u>	<u>—</u>	<u>(28,951)</u>
Cash and cash equivalents at beginning of year	39,697	15,430	11,140	—	66,267
Cash and cash equivalents at end of year	<u>\$ 13,799</u>	<u>9,395</u>	<u>14,122</u>	<u>—</u>	<u>37,316</u>
Supplemental disclosure of cash flow information:					
Cash paid for interest	\$ —	1,615	—	—	1,615
Cash paid for taxes	10,386	—	—	—	10,386

See accompanying independent auditors' report.