

Report of Independent Auditors and  
Consolidated Financial Statements

**KFF**

December 31, 2024 and 2023

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## **Report of Independent Auditors**

The Board of Trustees  
KFF

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the consolidated financial statements of KFF (The Henry J. Kaiser Family Foundation), which comprise the consolidated statements of financial position as of December 31, 2024 and 2023, and the related consolidated statements of activities and changes in net assets 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 KFF as of December 31, 2024 and 2023, and the changes in their net assets and their 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 KFF 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 the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the 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 KFF's ability to continue as a going concern within one year after the date that the consolidated financial statements are issued.

### ***Auditor's Responsibilities for the Audit of the 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 auditor's 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 KFF'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 KFF'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.

*Baker Tilly US, LLP*

San Francisco, California

June 26, 2025

## **Consolidated Financial Statements**

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**KFF**  
**Consolidated Statements of Financial Position**  
**December 31, 2024 and 2023**

	2024	2023
<b>ASSETS</b>		
Cash and cash equivalents	\$ 10,982,964	\$ 13,782,370
Receivable for unsettled investment transactions	12,661,190	842,419
Receivable for investment income, net	162,771	262,500
Investments, at fair value	677,648,591	741,446,762
Contributions receivable, net	19,172,161	22,798,288
Accounts receivable, prepaids, and other assets	5,694,315	4,323,732
Operating lease right of use asset	15,371,888	16,701,405
Property and equipment, net	27,260,466	28,916,821
<b>TOTAL ASSETS</b>	<b>\$ 768,954,346</b>	<b>\$ 829,074,297</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable, accrued benefits, and other liabilities	\$ 8,493,151	\$ 8,189,173
Payable for unsettled investment transactions	29,024	43,340
Postretirement liability	25,367,543	27,095,767
Operating lease liability	16,435,431	17,534,140
Bonds payable	100,000,000	100,000,000
<b>TOTAL LIABILITIES</b>	<b>150,325,149</b>	<b>152,862,420</b>
<b>NET ASSETS</b>		
Without donor restrictions		
Undesignated	559,436,158	613,492,715
Designated by the Board for budget stabilization fund	32,690,000	32,690,000
	592,126,158	646,182,715
With donor restrictions	26,503,039	30,029,162
<b>TOTAL NET ASSETS</b>	<b>618,629,197</b>	<b>676,211,877</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 768,954,346</b>	<b>\$ 829,074,297</b>

See accompanying notes.

**KFF**  
**Consolidated Statements of Activities and Changes in Net Assets**  
**Years Ended December 31, 2024 and 2023**

	2024	2023
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Investment (loss) income		
Interest and dividends	\$ 2,004,414	\$ 2,269,483
Net realized and unrealized (losses) gains on investments	(4,770,806)	12,120,346
Rental and other income	-	864
Investment expense	(4,210,034)	(4,352,110)
Net investment (loss) income	(6,976,426)	10,038,583
Net assets released from restrictions	20,897,967	20,615,268
Contributions of cash and other financial assets	237,663	45,770
Contributions of nonfinancial assets (in-kind)	496,542	497,226
Other income	18,126	808
Total net investment (loss) income, net assets released from restrictions, contributions, and other income	14,673,872	31,197,655
Expenses		
Program activities - direct charitable expenses		
Salaries and benefits	38,515,327	35,687,912
Consultants, contractors, and survey fieldwork	7,871,584	9,012,686
Rent, building, and occupancy	5,749,219	5,731,369
Interest	4,126,154	4,315,706
Social impact media	2,579,315	3,341,940
Web development, maintenance, and other technology	1,887,334	1,902,146
Conferences, travel, and other costs	1,686,260	1,724,926
	62,415,193	61,716,685
Administrative expenses		
Salaries and benefits	6,570,133	6,604,186
Rent, building, and occupancy	724,234	589,704
Professional fees, interest, travel, and other costs	1,985,965	2,366,092
	9,280,332	9,559,982
Fundraising expenses		
Salaries and benefits	759,308	724,446
Rent, building, occupancy, interest, and other costs	251,952	282,537
	1,011,260	1,006,983
Federal, state, and local tax benefit	(1,614,442)	(8,255)
Total expenses	71,092,343	72,275,395
Change in postretirement liability - health care benefit plan	2,361,914	(1,498,308)
Change in net assets without donor restrictions	(54,056,557)	(42,576,048)
Net assets without donor restrictions, beginning of year	646,182,715	688,758,763
Net assets without donor restrictions, end of year	592,126,158	646,182,715
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions of cash and other financial assets	17,371,844	25,447,873
Net assets released from restrictions	(20,897,967)	(20,615,268)
Change in net assets with donor restrictions	(3,526,123)	4,832,605
Net assets with donor restrictions, beginning of year	30,029,162	25,196,557
Net assets with donor restrictions, end of year	26,503,039	30,029,162
CHANGE IN TOTAL NET ASSETS	(57,582,680)	(37,743,443)
TOTAL NET ASSETS, beginning of year	676,211,877	713,955,320
TOTAL NET ASSETS, end of year	\$ 618,629,197	\$ 676,211,877

See accompanying notes.

**KFF**  
**Consolidated Statements of Cash Flows**  
**Years Ended December 31, 2024 and 2023**

	2024	2023
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in total net assets	\$ (57,582,680)	\$ (37,743,443)
Adjustments to reconcile change in total net assets to net cash used in operating activities		
Net realized and unrealized losses (gains) on investments	4,770,806	(12,120,346)
Depreciation and amortization	2,372,887	2,085,412
Change in the discount on contributions receivable	(279,358)	1,062,687
Loss on disposal of property and equipment	135,850	35,979
Changes in operating assets and liabilities		
Contributions receivable	3,905,485	(7,841,730)
Accounts receivable, prepaids, and other assets	(1,370,583)	(1,711,434)
Accounts payable, accrued benefits, and other liabilities	303,978	(234,592)
Postretirement liability	(1,728,224)	1,700,966
Net cash used in operating activities	<u>(49,471,839)</u>	<u>(54,766,501)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments	(93,642,931)	(85,977,874)
Proceeds from sales and maturities of investments	152,670,297	140,909,052
(Increase) decrease in receivable for unsettled investment transactions	(11,818,771)	2,448,216
(Decrease) increase in payable for unsettled investment transactions	(14,316)	2,451
Decrease (increase) in net receivable for investment income	99,729	(148,639)
Purchases of property and equipment	(621,575)	(331,209)
Net cash provided by investing activities	<u>46,672,433</u>	<u>56,901,997</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from line of credit	36,000,000	29,000,000
Payments on line of credit	(36,000,000)	(29,000,000)
Net cash used in financing activities	<u>-</u>	<u>-</u>
(Decrease) increase in cash and cash equivalents	(2,799,406)	2,135,496
Cash and cash equivalents - beginning of year	13,782,370	11,646,874
Cash and cash equivalents - end of year	<u>\$ 10,982,964</u>	<u>\$ 13,782,370</u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Cash paid for interest	<u>\$ (4,921,596)</u>	<u>\$ (4,945,724)</u>
Cash refund from (paid for) taxes on unrelated business income and local taxes	<u>\$ 194,799</u>	<u>\$ (64,869)</u>
<b>NONCASH DISCLOSURE OF INVESTING AND FINANCING ACTIVITIES</b>		
Right of use asset obtained in exchange for amendment to extend the lease term of existing operating lease liability	<u>\$ -</u>	<u>\$ 7,804,303</u>

See accompanying notes.



# KFF

## Notes to Consolidated Financial Statements

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### Note 1 – Organization and Summary of Significant Accounting Policies

**Organization** – The Henry J. Kaiser Family Foundation is a highly specialized health policy research and health communications organization, headquartered in San Francisco, California and operating in Washington, D.C. and numerous other states, that provides timely information on health issues to policymakers, the media, and the public in the United States of America and globally.

**Principles of consolidation** – The accompanying consolidated financial statements include The Henry J. Kaiser Family Foundation and several wholly owned subsidiaries, including Darrin Capital Management and KF Fintech LLC, both founded in 2016 (collectively, KFF). Darrin Capital Management is located in Mauritius and holds private equity investments in India. KF Fintech LLC is a Delaware limited liability company and is the sole trustee of KF PS Trust, a Delaware statutory trust that was founded in 2016. KF PS Trust owned fixed income investments and real estate assets. KF PS Trust ceased operations in 2023 as the assets in its portfolio were fully liquidated. All significant intercompany accounts and transactions among these entities have been eliminated.

**Basis of presentation** – The consolidated financial statements are presented on the basis of net assets without donor restrictions and net assets with donor restrictions in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

**Cash and cash equivalents** – Cash and cash equivalents consist primarily of cash and money market funds. KFF considers investments with maturities of three months or less at the time of purchase to be cash equivalents.

**Estimated fair value of financial instruments** – Contributions receivable that are expected to be collectible in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. Investments and derivative financial instruments are reflected at estimated fair value as described below.

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurement*, defines fair value, establishes a framework for measuring fair value, and requires enhanced disclosures about fair value measurements. Fair value is the amount that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date (i.e., the exit price). Market price observability is impacted by a number of factors, including the type of instrument, the characteristics specific to the instrument, and the state of the marketplace (including the existence and transparency of transactions between market participants). Instruments with readily available actively quoted prices or for which fair value can be measured from actively quoted prices in an orderly market will generally have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

## KFF

### Notes to Consolidated Financial Statements

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Instruments measured and reported at fair value are classified and disclosed in one of the following categories based on inputs:

**Level 1** – Quoted prices are available in active markets for identical instruments as of the reporting date. The type of instruments that would generally be included in Level 1 include listed equity securities. As required by ASC Topic 820, KFF, to the extent that it holds such instruments, does not adjust the quoted price for these instruments, even in situations where KFF holds a large position and a sale could reasonably impact the quoted price.

**Level 2** – Pricing inputs are observable for the instruments, either directly or indirectly, as of the reporting date. Some are quoted prices in markets with limited activity, and some are not the same as those used in Level 1. In the case of the latter, fair value is determined through the use of models or other valuation methodologies. The types of instruments that would generally be included in this category include unlisted derivative financial instruments or publicly traded securities with limited trading activity.

**Level 3** – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant judgment or estimation by KFF. The types of instruments that would generally be included in this category include equity securities issued by private entities and real assets.

**NAV** – Pricing inputs are based on capital statements provided by entities that qualify under U.S. GAAP and calculate fair value using net asset value per share (NAV) or its equivalent.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the determination of which category within the fair value hierarchy is appropriate for any given instrument is based on the lowest level of input that is significant to the fair value measurement. KFF's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the instrument.

KFF's Valuation Committee (the "Committee") is responsible for establishing valuation policy, reviewing ongoing compliance, and overseeing valuation procedures. The Committee meets at least annually to review the valuation policy and make decisions on any valuations requiring the Committee's attention.

**Investments** – Investments are reflected on the consolidated statements of financial position at fair value with changes in unrealized gains and losses resulting from changes in fair value reflected in the consolidated statements of activities and changes in net assets as net realized and unrealized (losses) gains on investments.

Equity and fixed income securities that are classified as Level 1 are publicly traded investments in active markets and are reported at the market closing price as reported by KFF's custodian bank.

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### Notes to Consolidated Financial Statements

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Investments by managers investing in equity and fixed income securities, hedge funds, private equity, and real assets (the Investee Funds) are reported at fair value. Fair value is based on the information provided by the Investee Funds, which reflects KFF's share of the fair value of the net assets of the Investee Fund. If KFF determines, based on its own due diligence and investment valuation procedures, that the valuation for any Investee Fund based on information provided by the management of such Investee Fund does not represent fair value, KFF will estimate the fair value of the Investee Fund in good faith and in a manner that it reasonably chooses in accordance with KFF's valuation policy as determined by the Committee. In addition, KFF invests directly into fixed income and equity securities of public and private companies. These investments are valued by the Committee (see Notes 2 and 3).

The values assigned to investments are based upon available information and do not necessarily represent amounts that might ultimately be realized, since such amounts depend on future circumstances and cannot be reasonably determined until the individual positions are liquidated.

Investment transactions are recorded on a trade-date basis for publicly traded investments or upon closing of the transaction for private investments.

**Derivative financial instruments** – KFF may use derivative financial instruments (“derivatives”) in order to gain strategic exposure to certain financial markets, or as a risk management tool to hedge exposures within the portfolio. Derivatives are recorded at their estimated fair value in the accompanying consolidated statements of financial position (see Note 3). As of December 31, 2024 and 2023, KFF's derivatives consist entirely of interest rate swap agreements (see Note 5). Changes in the underlying value of derivatives are recorded in net realized and unrealized (losses) gains on investments.

**Contributions receivable, net** – Contributions receivable consist of unconditional promises to give. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Management believes the contributions receivable as of December 31, 2024 and 2023, approximate their net present value. Contributions receivable of approximately \$19,172,000 are net of unamortized discounts of approximately \$1,226,000 as of December 31, 2024, and are expected to be received as follows: \$10,439,000 in 2025, \$4,745,000 in 2026, \$3,225,000 in 2027, and \$1,989,000 in 2028. Contributions receivable of approximately \$22,798,000 are net of unamortized discounts of approximately \$1,506,000 as of December 31, 2023, and are expected to be received as follows: \$13,715,000 in 2024, \$5,205,000 in 2025, \$2,090,000 in 2026, \$1,305,000 in 2027, and \$1,989,000 in 2028. At December 31, 2024, six of KFF's donors made up 88% of the contributions receivable balance. At December 31, 2023, six of KFF's donors made up 90% of the contributions receivable balance. An allowance for uncollectible contributions receivable is established based upon estimated losses related to specific accounts. As of December 31, 2024 and 2023, no allowance on contributions receivable was considered necessary by management. Conditional promises to give are not recognized until the conditions on which they depend are met. There were no conditional contributions receivable as of December 31, 2024 and 2023.

## KFF

### Notes to Consolidated Financial Statements

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**Leases** – Lease right of use (ROU) assets and liabilities are recognized on the consolidated statement of financial position at commencement date, which is the date KFF gains access to the property or underlying asset. The lease liability is determined based on the present value of the minimum rental payments using an incremental borrowing rate in effect at the time of the lease commencement. The ROU asset is determined based on the lease liability adjusted for lease incentives received. Lease expense is recognized on a straight-line basis over the lease term in the consolidated statements of activities and changes in net assets. Certain optional renewal periods were not included in the determination of the lease liability and ROU asset if management determined it was not reasonably certain that the lease would be extended. KFF has elected not to recognize ROU assets and lease liabilities for leases of terms less than 12 months.

**Property and equipment, net** – Property and equipment is recorded at cost, less any accumulated depreciation and amortization. KFF's policy is to capitalize all property and equipment additions over \$5,000. Depreciation and amortization are provided on the straight-line method over the estimated useful lives of the assets, which range from 3 to 40 years. Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. No such impairment was recorded during 2024 and 2023.

**Net assets** – Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net assets without donor restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a budget stabilization fund.

*Net assets with donor restrictions* – Net assets subject to donor imposed (or certain grantor imposed) restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource has been restricted has been fulfilled, or both (see Note 8).

**Revenue recognition** – Contributions are recognized as revenue when received or unconditionally promised. KFF reports contributions as donor restricted support if such contributions are received with donor stipulations that limit the use of the donated assets. When a donor restriction ends or is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from restrictions.

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### Notes to Consolidated Financial Statements

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Donated goods and services that create or enhance non-financial assets, or that require specialized skills provided by individuals possessing those skills and would typically need to be purchased if not provided by donation, are recorded as in-kind contributions at their estimated fair value on the date of receipt. Such donations are reported as revenue without donor restrictions unless the donor has restricted the donated asset to a specific purpose or time period. Assets donated with explicit restrictions regarding use are reported as revenue with donor restrictions. In-kind donations without donor restrictions consisted of online advertising services, which were fully utilized to promote KFF content and information, and donated office space. In 2024 and 2023, donated online advertising services totaled \$448,542 and \$449,226, respectively. KFF's policy is to record the estimated fair value of these contributions based on rates provided by the donors, as the donors set the market rate for their advertising services. In 2024 and 2023, donated office space was valued at \$48,000 in each year. KFF's policy is to record the estimated fair value of the contributed office space based on the rental rate per square foot for comparable spaces.

**Functional allocation of expenses** – The costs of direct charitable, administrative, and fundraising expenses have been summarized on a functional basis in the consolidated statements of activities and changes in net assets. The consolidated financial statements report certain categories of expenses that are attributed to program, administrative, fundraising or investment function. Therefore, certain expenses require allocation on a reasonable basis. For the fiscal years ended December 31, 2024 and 2023, the expenses that were allocated include rent, building and occupancy, which were allocated on a square footage basis, as well as salaries and benefits, office expenses, information technology, insurance, conferences, travel and other, which were allocated on the basis of estimated full-time equivalents. Certain interest expense was allocated between program, administrative and fundraising costs based on a percentage of total expenses, excluding interest.

**Tax-exempt status** – KFF is a public charity, exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from California franchise and income taxes under Section 23701d of the Revenue and Taxation Code. Single member LLCs owned by KFF and doing business in California are subject to the California minimum tax and gross receipts fee. KF PS Trust was a Delaware statutory trust and has been disregarded for both federal and state purposes.

**Income taxes** – KFF adopted FASB ASC Topic 740, *Income Taxes*, in 2007. As of December 31, 2024, KFF analyzed the inventory of tax positions taken with respect to all applicable income tax issues for all open tax years (in each respective jurisdiction), including December 31, 2024 and 2023, and concluded that no reserve for uncertain tax positions was required.

**Concentrations of credit risk** – Financial instruments that potentially subject KFF to credit risk consist primarily of cash and cash equivalents, investment receivables, accounts receivable, contributions receivable, and investments. KFF maintains cash and cash equivalents with major financial institutions. At times, such amounts may exceed Federal Deposit Insurance Corporation limits. KFF's investments have been placed with high-quality counterparties. KFF closely monitors these investments and has not experienced significant credit losses. KFF's management monitors credit levels and the financial condition of its accounts receivable and contributions receivable and believes that an adequate provision for credit losses has been made in the accompanying consolidated financial statements.

## KFF

### Notes to Consolidated Financial Statements

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**Use of estimates** – The preparation of consolidated financial statements in conformity with U.S. GAAP 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 consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### Note 2 – Investments

As of December 31, 2024 and 2023, KFF's investments consisted of the following:

	2024	2023
Equity securities	\$ 168,529,172	\$ 150,495,183
Fixed income securities	13,343,975	20,305,412
Hedge funds	118,250,218	140,692,726
Private equity	330,544,894	386,120,936
Fixed income options and derivatives	(3,280,316)	(5,763,908)
Real asset funds	50,260,648	49,596,413
	<u>\$ 677,648,591</u>	<u>\$ 741,446,762</u>

KFF had commitments under partnership agreements to make additional capital contributions to investments of \$79,662,585 and \$98,250,271 as of December 31, 2024 and 2023, respectively.

Total realized and unrealized (losses) gains recorded for all investments are reported in net realized and unrealized (losses) gains on investments in the consolidated statements of activities and changes in net assets.

Certain KFF investments are denominated in foreign currencies that may be negatively affected by movements in the rate of exchange between the U.S. dollar and such foreign currencies.

There may also be risk associated with the concentration of investments in one geographic region or in certain industries.

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## Notes to Consolidated Financial Statements

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### Note 3 – Fair Value Measurements

The levels in the ASC Topic 820 fair value hierarchy into which KFF's investments fall as of December 31, 2024 and 2023, were as follows:

	2024	2023
Level 1		
Equities and fixed income securities	\$ 51,457,727	\$ 63,948,656
Level 2		
Fixed income options and derivatives	(3,280,316)	(5,763,908)
Level 3		
Fixed income securities	10,100,002	10,100,002
Private equity	1,831,382	5,596,531
Real asset funds	44,010,760	45,784,125
Total level 3	55,942,144	61,480,658
Investments Measured at Net Asset Value		
Equities and fixed income securities	120,315,418	96,751,937
Hedge funds	118,250,218	140,692,726
Private equity	328,713,512	380,524,405
Real asset funds	6,249,888	3,812,288
Total investments measured at net asset value	573,529,036	621,781,356
	<u>\$ 677,648,591</u>	<u>\$ 741,446,762</u>

The equities and fixed income securities category represents investments with managers investing in a diversified pool of publicly traded small, medium, and large capitalization global equities and fixed income securities, along with direct co-investments into privately held assets. The reported fair value of these investments is based on quoted prices in active markets, or is based on information provided by the Committee, or estimated using the net asset value per share of the investment as a practical expedient.

The hedge funds category represents investments with managers investing globally in a variety of asset classes including, but not limited to, debt and equity securities, real estate, structured products, and foreign exchange instruments. Pending market conditions, these managers have latitude to shift investment strategies and security types to exploit market inefficiencies, as well as employ leverage. This mandate often allows managers to be long or short securities in their portfolios. The fair value of investments in this category has been estimated using the net asset value per share of the investment as a practical expedient.

The private equity category represents investments with managers investing in a broad range of foreign and domestic privately-owned companies. Underlying strategies within this category include venture capital, leveraged buyouts, and distressed debt. Post investment, managers work closely with portfolio companies to create value within the businesses through a variety of strategies. Investment periods range from three to six years, with initial distributions expected in years five and six. Managers generally attempt to fully liquidate the portfolio of investments within ten years, although managers may extend the time to liquidate if necessary to benefit the portfolio. The fair value for the majority of these investments is estimated using the net asset value per share of the investment as a practical expedient, with the remaining investment values based on information provided by the Investee Funds or by the Committee.

# KFF

## Notes to Consolidated Financial Statements

The fixed income options and derivatives category is comprised of interest rate swap agreements. The fair value of these instruments is based on quotes from the market makers for similar instruments. As such, these investments are classified as Level 2 investments.

The real assets category consists primarily of investments in real estate private partnerships and maritime-related private partnerships. The fair value of investments in this category has been determined based on recent appraisal information, net present value of future cash flows, or cost for recent purchases.

The changes in investments classified as Level 3 for the years ended December 31, 2024 and 2023, were as follows:

	Fixed Income Securities	Private Equity	Real Asset Funds	Total Level 3
Balance, December 31, 2022	\$ 10,210,002	\$ 4,519,448	\$ 54,238,691	\$ 68,968,141
Transfer Fixed Income Level 3 to Real Asset Level 3	(110,000)	-	110,000	-
Purchases and other acquisitions	-	-	1,313,844	1,313,844
Sales and other dispositions	(26,807)	-	(210,000)	(236,807)
Realized appreciation	-	-	100,000	100,000
Unrealized appreciation (depreciation)	26,807	1,077,083	(9,768,410)	(8,664,520)
Balance, December 31, 2023	10,100,002	5,596,531	45,784,125	61,480,658
Purchases and other acquisitions	-	-	7,245,894	7,245,894
Sales and other dispositions	(3,487)	-	(2,402,315)	(2,405,802)
Realized depreciation	(238,142)	(9,419,390)	-	(9,657,532)
Unrealized appreciation (depreciation)	241,629	5,654,241	(6,616,944)	(721,074)
Balance, December 31, 2024	<u>\$ 10,100,002</u>	<u>\$ 1,831,382</u>	<u>\$ 44,010,760</u>	<u>\$ 55,942,144</u>

The following table presents the ranges of significant unobservable inputs used to value certain Level 3 assets. While the inputs described below represent the range of inputs utilized as of December 31, 2024, these inputs may change over time, which may have a material effect on the valuation of these types of investments in the future.

Category	Fair Value	Valuation Techniques	Unobservable Inputs	Range	Weighted Average
Private equity	\$ 1,037,522	Recent transactions	Recent financing and market comparables	N/A	N/A
Real assets	<u>30,655,071</u>	Net present value	Discount rate	8.31% - 15.93%	12%
		Market comparables	Capitalization rate	5.75% - 9.50%	7%
	<u>\$ 31,692,593</u>				



# KFF

## Notes to Consolidated Financial Statements

**Investment strategy and redemption information** – The following table summarizes the investment strategy types, unfunded commitments, and redemption features of the investment portfolio measured at net asset value as of December 31, 2024. The table does not include any option or derivative investments which are held directly by KFF. KFF had commitments under the associated investment agreements to make additional capital contributions as noted.

	Unfunded Commitments	Redemption Frequency (if Currently Available)	Redemption Notice Period
Investments Measured at Net Asset Value			
Equities and fixed income securities	\$ 5,000,000	Daily, monthly, quarterly, annually	1 to 60 days notice
Hedge funds	\$ 15,602,469	Quarterly, semi-annually	60 to 90 days notice
Private equity	\$ 55,058,331	Illiquid	-
Real asset funds	\$ 4,001,785	Illiquid	-

The levels in the ASC Topic 820 fair value hierarchy into which KFF's receivable for unsettled investment transactions fell as of December 31, 2024 and 2023, were as follows:

	2024	2023
Level 3		
Fixed income securities	\$ 49,706	\$ 20,000
Total Level 3	49,706	20,000
Investments Measured at Net Asset Value		
Hedge funds	11,790,981	-
Private equity	820,503	822,419
Total investments measured at net asset value	12,611,484	822,419
	\$ 12,661,190	\$ 842,419

**Derivatives** – KFF may use derivative instruments to manage its exposure to market risks, for income enhancement, and to provide equity exposure without actual ownership of the underlying asset. KFF's management believes the use of such instruments in its investment management program is appropriate in providing for the long-term and short-term financial needs of KFF. Though the use of these instruments reduces certain investment risks and generally adds value to the portfolio, the instruments themselves do involve some investment and counterparty risk. KFF has internal policies to manage its counterparty exposure and actively monitors its margin exposure to any counterparty on a daily basis.

As of December 31, 2024 and 2023, the fair value of derivatives consisted of the following:

	2024	2023
Fixed income options and derivatives liability	\$ (3,280,316)	\$ (5,763,908)

# KFF

## Notes to Consolidated Financial Statements

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Prior to 2015, KFF categorized its interest rate swaps as a derivative liability associated with its 2001 District of Columbia Revenue Bonds (2001 DC Bonds). With KFF's 2015 Bond issue and subsequent repayment of its 2001 DC Bonds, the fair value of the interest rate swaps is included in investments (see Note 5).

The estimated fair value of the interest rate swap agreements is based on quotes from the market makers for similar instruments and, therefore, is classified as Level 2 under the ASC Topic 820 fair value hierarchy.

### Note 4 – Property and Equipment, Net

As of December 31, 2024 and 2023, property and equipment consisted of the following:

	2024	2023
Land	\$ 7,463,063	\$ 7,463,063
Buildings and improvements	42,865,689	42,769,685
Office furniture and equipment	7,085,499	6,975,672
	<u>57,414,251</u>	<u>57,208,420</u>
Accumulated depreciation	<u>(30,284,379)</u>	<u>(28,420,773)</u>
	27,129,872	28,787,647
Construction in progress	<u>130,594</u>	<u>129,174</u>
Property and equipment, net	<u><u>\$ 27,260,466</u></u>	<u><u>\$ 28,916,821</u></u>

Depreciation expense was \$2,142,080 and \$2,111,615 for the years ended December 31, 2024 and 2023, respectively, and is included in rent, building, and occupancy expenses in the accompanying consolidated statements of activities and changes in net assets.

### Note 5 – Bonds Payable

In June 2015, KFF issued \$100,000,000 in interest-only taxable fixed rate bonds: \$65,000,000 of Henry J. Kaiser Family Foundation Bond 3.356% 12/1/2025 (the 2025 Bonds) and \$35,000,000 of Henry J. Kaiser Family Foundation Bond 4.407% 12/1/2045 (the 2045 Bonds). Interest expense for the years ended December 31, 2024 and 2023, was as follows:

	2024	2023
Henry J. Kaiser Family Foundation Bond 3.356% 12/1/2025 \$65 million	\$ 2,181,400	\$ 2,181,400
Henry J. Kaiser Family Foundation Bond 4.407% 12/1/2045 \$35 million	1,542,450	1,542,450
	<u><u>\$ 3,723,850</u></u>	<u><u>\$ 3,723,850</u></u>

The proceeds of the new bond issue were used to retire the 2001 DC Bonds and a Northern Trust Loan. The issuance is unsecured and rated AAA by Standard and Poor's at issuance and currently.

# KFF

## Notes to Consolidated Financial Statements

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**Interest rate swap agreements** – Prior to 2015, interest rate swap agreements (Swaps) were used by KFF to mitigate the risk of changes in interest rates associated with variable interest rate indebtedness. Under such arrangements, variable rate indebtedness was converted to fixed rates based on a notional principal amount. The Swaps related to the 2001 DC Bonds effectively fixed the interest rate on a notional amount of \$42,000,000 at 3.46% for the remaining term of the 2001 DC Bonds (see Note 3). As KFF retired its variable interest rate indebtedness and did not retire its Swaps, these Swaps no longer mitigate an operational risk, but instead reflect an investment thesis predicated on rising interest rates. As such, the Swaps have been reclassified to investments within KFF's investment portfolio. Interest expense related to these Swaps was approximately \$23,000 and \$52,000 for the years ended December 31, 2024 and 2023, respectively. Additionally, approximately \$59,000 and \$40,000 of interest income was earned related to these Swaps for the years ended December 31, 2024 and December 31, 2023, respectively.

### Note 6 – Line of Credit

KFF has a \$40,000,000 revolving line of credit agreement with Bank of America for operational purposes. For October 16, 2023 through December 31, 2024, any outstanding balance accrued interest at an annual borrowing rate of the daily Secured Overnight Financing Rate (SOFR), plus a SOFR adjustment of 0.10 percentage points per annum and an interest rate spread of 1.10 percentage points. For the period January 1, 2023 through October 15, 2023, any outstanding balance accrued interest at an annual borrowing rate of the daily SOFR, plus a SOFR adjustment of 0.11448 percentage points per annum and an interest rate spread of 1.10 percentage points. Additionally, all undrawn amounts were subject to a commitment fee paid on a quarterly basis of twenty (20) basis points annually for 2024 and 2023. KFF repaid all outstanding principal in December 2024 and 2023. The \$40,000,000 revolving line of credit was renewed on October 24, 2024 with an annual borrowing rate of SOFR, plus a SOFR adjustment of 0.10 percentage points per annum and an interest rate spread of 1.10 percentage points. The renewed agreement includes a commitment fee on undrawn amounts of twenty (20) basis points annually, paid on a quarterly basis, and an expiration date of January 2, 2026. Interest expense for the revolving line of credit was approximately \$1,046,000 and \$1,247,000 for the years ended December 31, 2024 and 2023, respectively.

### Note 7 – Federal, State, and Local Taxes

The provision for current and deferred taxes for the years ended December 31, 2024 and 2023, was as follows:

	2024	2023
Provision for federal taxes		
Current benefit	\$ (235,946)	\$ (14,400)
Deferred (benefit) expense	(1,373,448)	23,294
	(1,609,394)	8,894
Other state and local taxes benefit	(5,048)	(17,149)
	<u>\$ (1,614,442)</u>	<u>\$ (8,255)</u>

# KFF

## Notes to Consolidated Financial Statements

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### Note 8 – Net Assets with Donor Restrictions and Net Assets Released from Restrictions

As of December 31, 2024 and 2023, net assets with donor restrictions consisted of the following:

	2024	2023
Purpose and time restrictions:		
U.S. health policy analysis and journalism	\$ 23,073,333	\$ 28,550,754
Social impact media (GTA and GTC programs)	833,135	820,235
The Health Misinformation and Trust Initiative	2,005,619	127,780
Total purpose and time restrictions	<u>25,912,087</u>	<u>29,498,769</u>
Purpose restrictions:		
U.S. health policy analysis and journalism	590,952	530,393
Total purpose restrictions	<u>590,952</u>	<u>530,393</u>
	<u>\$ 26,503,039</u>	<u>\$ 30,029,162</u>

All net assets with donor restrictions are expected to be released from restrictions by December 31, 2028.

Net assets released from restrictions for the years ended December 31, 2024 and 2023, were as follows:

	2024	2023
U.S. health policy analysis and journalism	\$ 18,396,852	\$ 17,383,580
Social impact media (GTA and GTC programs)	1,810,916	2,273,272
Public opinion and survey research	75,000	137,000
The Health Misinformation and Trust Initiative	615,199	821,416
	<u>\$ 20,897,967</u>	<u>\$ 20,615,268</u>

### Note 9 – Employee Retirement and Other Accrued Benefits

KFF provides certain postretirement health care benefits to eligible employees. Estimated cost is accrued over periods of employee service on an actuarially determined basis. KFF has determined that prescription drug benefits included in its postretirement health care plan are actuarially equivalent to Part D of the Medicare Prescription Drug Improvement and Modernization Act of 2003. However, as the amount of subsidy that KFF is eligible for is not material, no reduction has been made to the postretirement obligations included in the accompanying consolidated financial statements.

KFF amended the postretirement health care benefit plan in 2018 to close the plan to new entrants.

KFF used a December 31 measurement date for its postretirement health care benefit plan.

# KFF

## Notes to Consolidated Financial Statements

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**Obligations and funded status** – For the years ended December 31, 2024 and 2023, the benefit obligations, fair value of assets, and unfunded status for the postretirement health care benefit plan were as follows:

	2024	2023
Projected benefit obligation as of January 1	\$ 36,737,150	\$ 33,604,509
Service cost	921,964	807,290
Interest cost	1,760,886	1,609,199
Benefits paid	(606,000)	(544,000)
Actuarial (gain) loss	(2,598,460)	1,260,152
Projected benefit obligation as of December 31	36,215,540	36,737,150
Less fair value of plan assets as of December 31	10,847,997	9,641,383
Unfunded status	<u>\$ 25,367,543</u>	<u>\$ 27,095,767</u>

For the year ended December 31, 2024, the decrease in the benefit obligation included a net actuarial gain of approximately \$2.6 million, primarily due to the increase in the discount rate used to determine the benefit obligation to 5.55% in 2024 from 4.85% in 2023.

The costs, contributions, expenses paid, and benefits paid for the years ended December 31, 2024 and 2023, for the postretirement health care benefit plan were as follows:

	2024	2023
Benefit cost	\$ 1,283,690	\$ 852,658
Employer contribution	\$ 650,000	\$ 650,000
Expenses paid	\$ -	\$ -
Benefits paid	\$ (606,000)	\$ (544,000)

Amounts not yet reflected in net periodic benefit cost and the cumulative net periodic benefit cost in excess of employer contributions as of December 31, 2024 and 2023, consisted of the following:

	2024	2023
Prior service cost	\$ -	\$ -
Accumulated gain	(13,141,212)	(10,779,298)
Accumulated other comprehensive income	(13,141,212)	(10,779,298)
Cumulative net periodic benefit cost in excess of employer contributions	38,508,755	37,875,065
Net liability recognized in consolidated statements of financial position	<u>\$ 25,367,543</u>	<u>\$ 27,095,767</u>

# KFF

## Notes to Consolidated Financial Statements

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The components of the postretirement health care benefit-related changes other than net periodic benefit cost reflected in the consolidated statements of activities and changes in net assets for the years ended December 31, 2024 and 2023, were as follows:

	2024	2023
Amortization of prior service cost	\$ -	\$ (45,632)
Amortization of net actuarial gain	724,263	1,034,783
Net actuarial (gain) loss	(3,086,177)	509,157
	<u>\$ (2,361,914)</u>	<u>\$ 1,498,308</u>

**Assumptions** – The weighted-average assumptions used in computing the projected benefit obligations as of December 31, 2024 and 2023, were as follows:

	2024	2023
Discount rate	5.55%	4.85%

The weighted-average assumptions used in computing the net periodic benefit cost for the years ended December 31, 2024 and 2023, were as follows:

	2024	2023
Discount rate	4.85%	5.00%
Expected return on plan assets	7.00%	7.00%

The trend rate for health care benefits pre-65/post-65 for 2024 and 2023, is 7.0%/7.5% and 6.5%/6.25%, respectively. In subsequent years, the rate of increase is assumed to decline until an ultimate rate of 4.50% is attained in 2035.

**Plan assets** – The reconciliation of the changes in the assets of KFF's postretirement health care benefit plan as of December 31, 2024 and 2023, was as follows:

	2024	2023
Fair value as of January 1	\$ 9,641,383	\$ 8,209,708
Actual gain on plan assets	1,162,614	1,325,675
Employer contributions	650,000	650,000
Expenses paid	-	-
Benefits paid	(606,000)	(544,000)
Fair value as of December 31	<u>\$ 10,847,997</u>	<u>\$ 9,641,383</u>

# KFF

## Notes to Consolidated Financial Statements

**Asset classes** – The asset allocation of KFF’s postretirement health care benefit plan as of December 31, 2024 and 2023, was as follows:

	2024	2023
Level 1		
Cash and cash equivalents	\$ 545,989	\$ 1,032,168
Marketable equity securities	8,441,608	6,907,160
Fixed income securities	1,860,400	1,702,055
Total Level 1	<u>\$ 10,847,997</u>	<u>\$ 9,641,383</u>

The plan invests in mutual funds that seek a balanced risk-adjusted return by investing in a portfolio of cash, common stocks, treasuries, corporate bonds, and money market instruments.

Allocation of plan assets may change over time based upon investment manager determination of the relative attractiveness of each security type. KFF periodically assesses allocation of plan assets by investment type and evaluates external sources of information regarding the long-term historical returns and expected future returns for each investment type. KFF’s target and actual asset allocation at December 31, 2024 and 2023, were as follows:

	2024		2023	
	<u>Target Allocation</u>	<u>Actual Allocation</u>	<u>Target Allocation</u>	<u>Actual Allocation</u>
Cash and cash equivalents	3%	5%	3%	11%
Marketable equity securities	80%	78%	80%	71%
Fixed income securities	15%	17%	15%	18%
Other	2%	0%	2%	0%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

**Estimated future benefit payments** – Anticipated future benefit payments, which reflect future services, to be paid either from future contributions to the plan or directly from plan assets, are as follows:

**Year Ending December 31,**

2025	\$ 810,000
2026	\$ 926,000
2027	\$ 1,079,000
2028	\$ 1,250,000
2029	\$ 1,442,000
2030-2034	\$ 9,577,000

KFF also sponsors a qualified defined contribution pension plan covering substantially all of its employees. The plan is funded by employee and employer contributions. KFF contributes an amount based upon eligible compensation as defined in the plan. Pension expense related to this plan was approximately \$5,323,000 and \$5,132,000 for the years ended December 31, 2024 and 2023, respectively.

# KFF

## Notes to Consolidated Financial Statements

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In addition, accounts payable, accrued benefits, and other liabilities on the consolidated statements of financial position included approximately \$1,280,000 and \$1,162,000 of accrued employee benefits associated with certain unfunded executive compensation plans, and approximately \$5,751,000 and \$5,525,000 of accrued flexible time off and sabbatical leave as of December 31, 2024 and 2023, respectively.

### Note 10 – Lease Commitment

In May 2017, KFF entered into a ten-year agreement to lease office space in San Francisco, CA as part of the move of KFF's headquarters to San Francisco in March 2018. The initial lease term commenced on January 1, 2018, and expires ten years after lease commencement date. In December 2023, the lease agreement was amended to increase the lease term for an additional six years, through 2033, with a reduction in annual base rent through 2027. The lease amendment resulted in an increase in the value of the right to use lease asset of approximately \$7,804,000 in December 2023. KFF has the option to renew the amended lease for two additional ten-year terms. Rental expense for the office space was approximately \$2,342,000 and \$2,330,000 for the years ended December 31, 2024 and 2023, respectively.

The maturities of lease liabilities with an initial term in excess of one year are as follows:

<u>Year Ending December 31,</u>	
2025	\$ 2,175,000
2026	2,240,000
2027	2,307,000
2028	1,914,000
2029	2,544,000
Thereafter	<u>10,963,000</u>
Total lease payments	22,143,000
Less present value discount	<u>(5,708,000)</u>
Operating lease liability	<u><u>\$ 16,435,000</u></u>

### Lease Term and Discount Rate

	<u>2024</u>	<u>2023</u>
Weighted average remaining lease term (in years)	9	10
Weighted average discount rate	6.52%	6.52%



# KFF

## Notes to Consolidated Financial Statements

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### Note 11 – Liquidity and Availability

Financial assets available for general expenditure within one year of the consolidated statements of financial position date at December 31, 2024 and 2023, comprised the following:

	2024	2023
Financial assets, at year end		
Cash and cash equivalents	\$ 10,982,964	\$ 13,782,370
Receivable for unsettled investment transactions	12,661,190	842,419
Receivable for investment income, net	162,771	262,500
Contributions receivable, net	19,172,161	22,798,288
Investments, at fair value	677,648,591	741,446,762
	<u>720,627,677</u>	<u>779,132,339</u>
Less assets unavailable for general expenditures within one year		
Cash held with donor restrictions, net of amounts expected to be released from restrictions in the following year	(444,854)	(496,564)
Receivable for unsettled transactions and investment income receivable, non-current	(843,485)	(849,262)
Contributions receivable, non-current	(9,393,115)	(9,724,781)
Investments with liquidity restrictions	(504,240,104)	(568,551,809)
Board designated budget stabilization fund	(32,690,000)	(32,690,000)
	<u>(547,611,558)</u>	<u>(612,312,416)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 173,016,119</u>	<u>\$ 166,819,923</u>

To maintain the real value of its assets and spending over time, KFF uses a formula-based budgeting approach. The formula establishes an annual spending target based on average asset levels over the most recent twelve quarters at an established percentage payout rate. Further, the board has designated \$32,690,000 as a budget stabilization fund to cushion spending in the event of a prolonged recession. In addition, KFF has a practice of holding liquid investments, redeemable within one year, adequate to cover three years of operating expenses, debt service, and investment commitments. KFF also has available for general expenditures the \$40,000,000 line of credit agreement with Bank of America (see Note 6).

### Note 12 – Subsequent Events

FASB ASC Topic 855, *Subsequent Events*, requires accounting for and disclosures of events that occur after the date of the consolidated statements of financial position, but before the consolidated financial statements are issued.

KFF evaluated subsequent events through June 26, 2025, the date the consolidated financial statements were issued, and determined that no additional disclosures were necessary.