Report of Independent Auditors and
Consolidated Financial Statements

The Henry J. Kaiser Family Foundation

December 31, 2021 and 2020

MOSSADAMS

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Report of Independent Auditors

The Board of Trustees
The Henry J. Kaiser Family Foundation

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of The Henry J. Kaiser Family Foundation ("KFF"), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, 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 The Henry J. Kaiser Family Foundation as of December 31, 2021 and 2020, 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 financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 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.

Moss Adams LLP

San Francisco, California
June 14, 2022

Consolidated Financial Statements

The Henry J. Kaiser Family Foundation
Consolidated Statements of Financial Position
December 31, 2021 and 2020

	2021	2020
ASSETS		
Cash and cash equivalents	$ 33,630,482	$ 14,998,507
Receivable for unsettled investment transactions	22,123,439	67,921,106
Receivable for investment income, net	23,330	15,280
Investments, at fair value	983,687,487	738,764,084
Contributions receivable, net	15,776,865	16,469,714
Accounts receivable, prepaids, and other assets	2,685,367	3,264,038
Operating lease right of use assets	13,064,582	16,195,128
Property and equipment, net	32,621,170	34,544,374
TOTAL ASSETS	$ 1,103,612,722	$ 892,172,231
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable, accrued benefits, and other liabilities	$ 7,815,398	$ 7,161,111
Payable for unsettled investment transactions	16,185	5,640,234
Postretirement liability	37,782,382	39,279,871
Operating lease liabilities	13,881,142	17,029,131
Bonds payable	100,000,000	100,000,000
TOTAL LIABILITIES	159,495,107	169,110,347
NET ASSETS		
Without donor restrictions		
Undesignated	895,472,054	685,692,036
Designated by the Board for budget reserve fund	26,200,000	14,400,000
	921,672,054	700,092,036
With donor restrictions		
Purpose and time restrictions	22,049,183	22,491,770
Purpose restrictions	396,378	478,078
	22,445,561	22,969,848
TOTAL NET ASSETS	944,117,615	723,061,884
TOTAL LIABILITIES AND NET ASSETS	$ 1,103,612,722	$ 892,172,231

See accompanying notes.

The Henry J. Kaiser Family Foundation
Consolidated Statements of Activities and Changes in Net Assets
Years Ended December 31, 2021 and 2020

	2021	2020
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Investment income		
Interest and dividends	$ 907,465	$ 962,183
Net realized and unrealized gains on investments	254,128,572	197,101,975
Rental and other income	302,962	49,536
Investment expense	(5,194,756)	(4,524,946)
Net investment income	250,144,243	193,588,748
Net assets released from restrictions	16,289,766	13,229,994
Contributions	17,930,060	1,129,641
Sublease rental income and other income	215,055	635,505
Total net investment income, net assets released from restrictions, contributions, sublease rental income, and other income	284,579,124	208,583,888
Expenses		
Program activities - direct charitable expenses		
Salaries and benefits	29,085,009	26,956,622
Social impact media	8,397,779	2,490,781
Consultants, contractors, and survey fieldwork	7,702,430	5,293,094
Rent, building, and occupancy	5,307,607	5,362,288
Interest	3,355,188	3,167,627
Web development, maintenance, and other technology	1,844,358	1,507,516
Conferences, travel, and other costs	928,410	1,108,951
	56,620,781	45,886,879
Administrative expenses		
Salaries and benefits	4,468,607	4,910,429
Rent, building, and occupancy	2,054,744	3,493,933
Professional fees, interest, travel, and other costs	1,451,650	1,350,296
	7,975,001	9,754,658
Fundraising expenses		
Salaries and benefits	220,853	-
Rent, occupancy, interest, and other costs	184,225	-
	405,078	-
Federal, state, and local tax expense (benefit)	1,775,794	(301,361)
Total expenses	66,776,654	55,340,176
Change in postretirement liability - health care benefit plan	3,777,548	(2,252,198)
Change in net assets without donor restrictions	221,580,018	150,991,514
Net assets without donor restrictions, beginning of year	700,092,036	549,100,522
Net assets without donor restrictions, end of year	921,672,054	700,092,036
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	15,765,479	12,242,208
Net assets released from restrictions	(16,289,766)	(13,229,994)
Change in net assets with donor restrictions	(524,287)	(987,786)
Net assets with donor restrictions, beginning of year	22,969,848	23,957,634
Net assets with donor restrictions, end of year	22,445,561	22,969,848
CHANGE IN TOTAL NET ASSETS	221,055,731	150,003,728
TOTAL NET ASSETS, beginning of year	723,061,884	573,058,156
TOTAL NET ASSETS, end of year	$ 944,117,615	$ 723,061,884

See accompanying notes.

The Henry J. Kaiser Family Foundation
Consolidated Statements of Cash Flows
Years Ended December 31, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in total net assets	$ 221,055,731	$ 150,003,728
Adjustments to reconcile change in total net assets to net cash used in operating activities		
Net realized and unrealized gains on investments	(254,128,572)	(197,101,975)
Depreciation and amortization	2,194,490	2,208,028
Discount on contributions receivable	(85,491)	(177,212)
Write-off of construction in progress assets from prior year	1,038	8,363
Loss on disposal of fixed assets	-	24,496
Changes in operating assets and liabilities		
Contributions receivable	778,340	273,547
Accounts receivable, prepaids, and other assets	578,671	(1,356,292)
Accounts payable, accrued benefits, and other liabilities	654,287	840,067
Postretirement liability	(1,497,489)	4,822,353
Net cash used in operating activities	(30,448,995)	(40,454,897)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(128,409,801)	(106,481,409)
Proceeds from sales and maturities of investments	137,614,970	193,690,331
Decrease (increase) in receivable for unsettled investment transactions	45,797,667	(49,554,869)
(Decrease) increase in payable for unsettled investment transactions	(5,624,049)	5,093,601
(Increase) decrease in net receivable for investment income	(8,050)	29,061
Purchases of property and equipment	(289,767)	(416,896)
Net cash provided by investing activities	49,080,970	42,359,819
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line of credit	16,000,000	8,000,000
Payments on line of credit	(16,000,000)	(8,000,000)
Net cash used in financing activities	-	-
Increase in cash and equivalents	18,631,975	1,904,922
Cash and cash equivalents - beginning of year	14,998,507	13,093,585
Cash and cash equivalents - end of year	$ 33,630,482	$ 14,998,507
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid for interest	$ (5,245,364)	$ (5,073,539)
Cash paid for taxes on unrelated business income and local taxes	$ (949,533)	$ (3,526)

See accompanying notes.

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 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 invests in fixed income investments and real assets. 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 – The carrying amounts of cash and cash equivalents, investment receivables, accounts receivable, prepaids, and other assets, contributions receivable that are expected to be collected within one year, accounts payable, accrued benefits, and other liabilities approximate fair value because of the short maturity of these items. 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.

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.

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 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 determined in good faith by KFF.

Investments in 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 tactical exposure to equity, foreign exchange, and fixed income factors. Derivatives are recorded at their estimated fair value in the accompanying consolidated statements of financial position (see Note 3). Changes in the underlying value of derivatives are recorded in net realized and unrealized 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, 2021 and 2020, approximate their net present value. Contributions receivable of approximately $15,777,000 are net of unamortized discounts of approximately $111,000 as of December 31, 2021, and are expected to be received as follows: $10,975,000 in 2022, $3,637,000 in 2023, and $1,276,000 in 2024. Contributions receivable of approximately $16,470,000 are net of unamortized discounts of approximately $196,000 as of December 31, 2020, and are expected to be received as follows: $9,349,000 in 2021, $5,308,000 in 2022, and $2,009,000 in 2023. At December 31, 2021, six of KFF's donors made up 87% of the contributions receivable balance. At December 31, 2020, six of KFF's donors made up 85% 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, 2021 and 2020, KFF had no allowances on the contributions receivable. There were no conditional contributions receivable as of December 31, 2021 and 2020.

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 2021 and 2020.

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 reserve 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.

Donated goods and services are recorded as in-kind donations at their estimated fair value on the date of receipt. Such donations are reported as contribution 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 contribution revenue with donor restrictions. In 2021 and 2020, KFF received in-kind contributions without donor restrictions for online advertising services valued at $5,182,524 and $1,114,309, respectively, and these services were used to promote KFF content and information.

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, 2021 and 2020, 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 exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the “Code”) and from California franchise and income taxes under Section 23701d of the Revenue and Taxation Code. KFF received an advance ruling from the Internal Revenue Service (“IRS”) of public charity status for a 60-month period beginning January 1, 2014. In February 2019, after the completion of the 60-month period, KFF filed with the IRS documentation to support that it satisfied the requirements of Section 507(b)(1)(B) of the Code, and in June 2019, KFF received a determination letter from the IRS confirming its public charity status. Previously, KFF had been a private operating foundation. As a public charity, KFF is no longer subject to federal excise tax on net investment income. 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 is a Delaware statutory trust and is disregarded for both federal and state purposes.

Income taxes – KFF adopted FASB ASC Topic 740, *Income Taxes*, in 2007. As of December 31, 2021, 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, 2021 and 2020, 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.

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.

COVID-19 – In March 2020, the World Health Organization publicly characterized COVID-19 as a global pandemic. As a result of the ongoing pandemic, there has been increased volatility in financial markets and a negative impact on the global economy. This volatility has not significantly impacted KFF's ability to advance its mission and operate as planned.

Reclassifications – Certain reclassifications have been made to the 2020 consolidated financial statements to conform to the 2021 consolidated financial statement presentation. These reclassifications had no impact on the change in net assets or net asset balances.

Recent accounting pronouncements – 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*, which increases the transparency of contributed nonfinancial assets for not-for-profit organizations through enhancements to presentation and disclosure. The update addresses certain stakeholders' concerns about the lack of transparency about the measurement of contributed nonfinancial assets recognized by not-for-profit organizations, as well as the amount of those contributions used in a not-for-profit organization's programs and other activities. The adoption is effective for KFF for calendar year ending December 31, 2022. Management is currently evaluating the impact of the provisions of ASU No. 2020-07 on the consolidated financial statements.

NOTE 2 – INVESTMENTS

As of December 31, 2021 and 2020, KFF's investments consisted of the following:

	2021	2020
Equity securities	$ 174,470,913	$ 140,577,981
Fixed income securities	32,129,456	26,602,995
Hedge funds	126,309,044	104,111,055
Private equity	607,596,132	443,143,306
Fixed income options and derivatives	(17,157,794)	(20,856,205)
Real assets	60,339,736	45,184,952
	$ 983,687,487	$ 738,764,084

KFF had commitments under partnership agreements to make additional capital contributions to investments of $99,895,465 and $52,088,735 as of December 31, 2021 and 2020, respectively.

Total realized and unrealized gains recorded for all investments are reported in net realized and unrealized 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.

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, 2021 and 2020, were as follows:

	2021	2020
Level 1		
Equities and fixed income securities	$ 62,465,248	$ 34,480,202
Level 2		
Fixed income options and derivatives	(17,157,794)	(20,856,205)
Level 3		
Fixed income securities	11,410,002	11,516,501
Private equity	6,015,512	8,030,305
Real assets	60,339,736	45,184,952
Total level 3	77,765,250	64,731,758
Investments Measured at Net Asset Value		
Equities and fixed income securities	132,725,119	121,184,273
Hedge funds	126,309,044	104,111,055
Private equity	601,580,620	435,113,001
Total investments measured at net asset value	860,614,783	660,408,329
	$ 983,687,487	$ 738,764,084

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 internally-managed investments managed by KFF's investment team. 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 across the globe, both long and short positions, 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, managers have latitude to shift investment strategies and security types to exploit market inefficiencies, as well as employ leverage. 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 values for the majority of these investments are 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.

The fixed income options and derivatives category is comprised of interest rate swap agreements. The fair values of these instruments are based on quotes from the market makers for similar instruments. As such, these investments have been reclassified to Level 2 investments, effective January 1, 2019.

The real assets category is comprised of KFF's investments in real estate and natural resources-related private partnerships. The fair values of investments in this category have 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, 2021 and 2020, were as follows:

	Fixed Income Securities	Private Equity	Real Assets	Total Level 3
Balance, December 31, 2019	$ 12,475,304	$ 18,741,255	$ 51,450,753	$ 82,667,312
Transfer fixed income securities to real assets	(172,250)	-	172,250	-
Purchases and other acquisitions	-	-	6,309,548	6,309,548
Sales and other dispositions	(1,322,366)	(2,820,808)	(10,025,145)	(14,168,319)
Realized appreciation	272,105	1,676,346	4,130,041	6,078,492
Unrealized appreciation (depreciation)	263,708	(9,566,488)	(6,852,495)	(16,155,275)
Balance, December 31, 2020	11,516,501	8,030,305	45,184,952	64,731,758
Purchases and other acquisitions	-	35,026	4,194,576	4,229,602
Sales and other dispositions	(808,492)	(121,229)	(40,300)	(970,021)
Realized appreciation (depreciation)	262,098	(1,198,771)	40,300	(896,373)
Unrealized appreciation (depreciation)	439,895	(729,819)	10,960,208	10,670,284
Balance, December 31, 2021	$ 11,410,002	$ 6,015,512	$ 60,339,736	$ 77,765,250

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, 2021, 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
Fixed income securities	$ 1,310,002	Collateral coverage market risk factor	Collateral	100%	100%
Private equity	6,015,512	Market comparables	Recent transactions	N/A	N/A
Real assets	55,062,552	Net present value	Discount rate	11% - 28%	18%
		Discount for lack of marketability	Discount rate	10%	10%
	$ 62,388,066				

Investment strategy and redemption information – The following table summarizes the investment strategy types, unfunded commitments, and redemption features of the investment portfolio classified as Level 3 or measured at net asset value as of December 31, 2021. 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
Level 3			
Private equity	$ -	Illiquid	-
Investments Measured at Net Asset Value			
Equities and fixed income securities	$ -	Monthly, quarterly	5 to 60 days notice
Hedge funds	$ 30,000,000	Quarterly, semi-annually	60 to 90 days notice
Private equity	$ 69,895,465	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, 2021 and 2020, were as follows:

	2021	2020
Level 1		
Equities and fixed income securities	$ -	$ 27,160,402
Level 3		
Fixed income securities	16,000	-
Private equity	62,733	147,836
Total Level 3	78,733	147,836
Investments Measured at Net Asset Value		
Equities and fixed income securities	18,196,753	39,719,577
Hedge funds	3,000,000	-
Private Equity	847,953	893,291
Total investments measured at net asset value	22,044,706	40,612,868
	$ 22,123,439	$ 67,921,106

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, 2021 and 2020, the fair values of derivatives consisted of the following:

	2021	2020
Fixed income options and derivatives liability	$ (17,157,794)	$ (20,856,205)

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") and Northern Trust Loan. With KFF's 2015 Bond issue and subsequent repayment of its 2001 DC Bonds and Northern Trust Loan, the fair value of the interest rate swaps is included in investments (see Note 5). The interest rate swap related to the Northern Trust Loan expired in February 2017.

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

NOTE 4 – PROPERTY AND EQUIPMENT, NET

As of December 31, 2021 and 2020, property and equipment consisted of the following:

	2021	2020
Land	$ 7,463,063	$ 7,463,063
Buildings and improvements	42,596,885	42,515,333
Office furniture and equipment	7,161,080	7,335,490
	57,221,028	57,313,886
Accumulated depreciation	(24,764,457)	(22,784,370)
	32,456,571	34,529,516
Construction in progress	164,599	14,858
Property and equipment - net	$ 32,621,170	$ 34,544,374

Depreciation expense was $2,211,933 and $2,251,618 for the years ended December 31, 2021 and 2020, respectively, and is included in rent, building, and occupancy 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, 2021 and 2020, was as follows:

	2021	2020
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
	$ 3,723,850	$ 3,723,850

The proceeds of the new bond issue were used to retire the 2001 DC Bonds and the Northern Trust Loan (see Note 3). The new issuance is unsecured and rated AAA by Standard and Poor's at issuance and currently.

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 $1,415,000 and $1,310,000 for the years ended December 31, 2021 and 2020, respectively.

NOTE 6 – LINE OF CREDIT

KFF has a $40,000,000 revolving line of credit agreement with Bank of America for operational purposes. During 2021, the outstanding balance accrued interest at the annual rate of the London Interbank Offered Rate ("LIBOR") Daily Floating rate plus one percentage point (1.00%), paid on a monthly basis in arears on amounts drawn. During 2020, the outstanding balance accrued interest at the annual rate of LIBOR Daily Floating rate plus fifty (50) basis points, paid on a monthly basis in arrears on amounts drawn. Additionally, all undrawn amounts were subject to a commitment fee paid on a quarterly basis of twenty (20) basis points annually for 2021 and ten (10) basis points annually for 2020. KFF repaid all outstanding principal in December 2021. The $40,000,000 revolving line of credit was renewed on December 9, 2021 with an effective date of January 3, 2022, and with an annual borrowing rate of the daily Secured Overnight Financing Rate ("SOFR"), plus a SOFR adjustment of 0.11448 percentage points per annum and plus an interest rate spread of 0.65 percentage points. The renewed agreement includes a commitment fee on undrawn amounts of fifteen (15) basis points annually, paid on a quarterly basis, and an expiration date of January 2, 2023. Interest expense for the revolving line of credit was approximately $114,000 and $83,000 for the years ended December 31, 2021 and 2020, respectively.

NOTE 7 – FEDERAL, STATE, AND LOCAL TAXES

The provision for current and deferred taxes for the years ended December 31, 2021 and 2020, was as follows:

	2021	2020
Provision for federal taxes		
Current expense (benefit)	$ 468,054	$ (190,768)
Deferred expense (benefit)	972,600	(57,119)
	1,440,654	(247,887)
Other state and local taxes expense (benefit)	335,140	(53,474)
	$ 1,775,794	$ (301,361)

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS AND NET ASSETS RELEASED FROM RESTRICTIONS

As of December 31, 2021 and 2020, net assets with donor restrictions consisted of the following:

	2021	2020
Purpose and time restrictions:		
U.S. health policy analysis and journalism	$ 21,398,240	$ 22,166,311
Social impact media (GTA and GTC)	501,673	250,459
Public opinion and survey research	149,270	75,000
Total purpose and time restrictions	22,049,183	22,491,770
Purpose restrictions:		
U.S. health policy analysis and journalism	396,378	478,078
Total purpose restrictions	396,378	478,078
	$ 22,445,561	$ 22,969,848

All net assets with donor restrictions are expected to be released from restrictions by December 31, 2024.

Net assets released from restrictions for the years ended December 31, 2021 and 2020, were as follows:

	2021	2020
U.S. health policy analysis and journalism	$ 13,036,370	$ 12,457,414
Social impact media (GTA and GTC)	3,090,666	772,580
Publc opinion and survey research	162,730	-
	$ 16,289,766	$ 13,229,994

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.

Obligations and funded status – For the years ended December 31, 2021 and 2020, the benefit obligations, fair value of assets, and unfunded status for the postretirement health care benefit plan were as follows:

	2021	2020
Projected benefit obligation as of January 1	$ 47,253,472	$ 41,247,136
Service cost	2,225,995	2,048,733
Interest cost	1,163,568	1,366,504
Benefits paid	(384,000)	(382,208)
Actuarial (gain) loss	(2,820,579)	2,973,307
Projected benefit obligation as of December 31	47,438,456	47,253,472
Less: Fair value of plan assets as of December 31	9,656,074	7,973,601
Unfunded status	$ 37,782,382	$ 39,279,871

The costs, contributions, expenses paid, and benefits paid for the years ended December 31, 2021 and 2020, for the postretirement health care benefit plan were as follows:

	2021	2020
Benefit cost	$ 2,895,059	$ 3,030,155
Employer contribution	$ 615,000	$ 460,000
Expenses paid	$ -	$ -
Benefits paid	$ (384,000)	$ (382,208)

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, 2021 and 2020, consisted of the following:

	2021	2020
Prior service cost	$ 109,280	$ 172,928
Accumulated loss	2,063,790	5,777,690
Accumulated other comprehensive income	2,173,070	5,950,618
Cumulative net periodic benefit cost in excess of employer contributions	35,609,312	33,329,253
Net liability recognized in consolidated statements of financial position	$ 37,782,382	$ 39,279,871

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, 2021 and 2020, were as follows:

	2021	2020
Amortization of prior service cost	$ (63,648)	$ (63,648)
Amortization of net actuarial loss	-	(26,543)
Net actuarial (gain) loss	(3,713,900)	2,342,389
	$ (3,777,548)	$ 2,252,198

Assumptions – The weighted-average assumptions used in computing the projected benefit obligations as of December 31, 2021 and 2020, were as follows:

	2021	2020
Discount rate	2.85%	2.55%

The weighted-average assumptions used in computing the net periodic benefit cost for the years ended December 31, 2021 and 2020, were as follows:

	2021	2020
Discount rate	2.55%	3.25%
Expected return on plan assets	7.00%	7.00%

The trend rate for health care benefits pre-65/post-65 for 2021 and 2020, is 6.75%/6.50% and 6.25%/6.00%, respectively. In subsequent years, the rate of increase is assumed to decline until an ultimate rate of 4.50% is attained in 2033.

Plan assets – The reconciliation of the changes in the assets of KFF's postretirement health care benefit plan as of December 31, 2021 and 2020, was as follows:

	2021	2020
Fair value as of January 1	$ 7,973,601	$ 6,789,618
Actual gain on plan assets	1,451,473	1,106,191
Employer contributions	615,000	460,000
Expenses paid	-	-
Benefits paid	(384,000)	(382,208)
Fair value as of December 31	$ 9,656,074	$ 7,973,601

Asset classes – The asset allocation of KFF's postretirement health care benefit plan as of December 31, 2021 and 2020, was as follows:

	2021	2020
Level 1		
Cash and cash equivalents	$ 834,042	$ 742,226
Marketable equity securities	7,593,595	6,302,769
Fixed income securities	1,228,437	928,606
Total Level 1	$ 9,656,074	$ 7,973,601

The plan invests in mutual funds that seek a high total 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, 2021 and 2020, were as follows:

	2021		2020	
	Target Allocation	Actual	Target Allocation	Actual
Cash and cash equivalents	3.00%	9.00%	3.00%	9.00%
Marketable equity securities	80.00%	78.00%	80.00%	79.00%
Fixed income securities	15.00%	13.00%	15.00%	12.00%
Other	2.00%	0.00%	2.00%	0.00%
	100.00%	100.00%	100.00%	100.00%

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,		
2022	$	618,000
2023	$	668,000
2024	$	795,000
2025	$	891,000
2026	$	1,011,000
2027-2031	$	6,778,000

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 $3,884,000 and $3,597,000 for the years ended December 31, 2021 and 2020, respectively.

In addition, accounts payable, accrued benefits, and other liabilities on the consolidated statements of financial position included approximately $955,000 and $865,000 of accrued employee benefits associated with certain unfunded executive compensation plans, and approximately $5,091,000 and $4,718,000 of accrued flexible time off and sabbatical leave as of December 31, 2021 and 2020, respectively.

NOTE 10 – LEASE COMMITMENTS

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. KFF has the option to renew the lease for two additional ten-year terms. KFF also leased office facilities in Menlo Park, CA under a noncancellable operating lease for a ten-year period, which expired June 30, 2021. KFF had subleased the Menlo Park space to multiple organizations for the remainder of the lease. Rental expense for the office facilities was approximately $3,442,000 and $4,554,000 for the years ended December 31, 2021 and 2020, respectively.

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

Year Ending December 31,	
2022	$ 2,287,906
2023	2,356,490
2024	2,427,130
2025	2,499,890
2026	2,574,833
Thereafter	2,652,024
Total lease payments	14,798,273
Less: Present value discount	(917,131)
Operating lease liability	$ 13,881,142

Lease Term and Discount Rate

Weighted average remaining lease term (in years)	6.00
Weighted average discount rate	2.07%

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, 2021 and 2020, comprised the following:

	2021	2020
Financial assets, at year end		
Cash and cash equivalents	$ 33,630,482	$ 14,998,507
Receivable for unsettled investment transactions	22,123,439	67,921,106
Receivable for investment income, net	23,330	15,280
Contributions receivable, net	15,776,865	16,469,714
Investments, at fair value	983,687,487	738,764,084
	1,055,241,603	838,168,691
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	(399,508)	(691,700)
Receivable for unsettled transactions and investment income receivable, non-current	(918,546)	(15,879,787)
Contributions receivable, non-current	(4,884,110)	(7,317,161)
Investments with liquidity restrictions	(745,397,472)	(533,927,794)
Board designated budget reserve fund	(26,200,000)	(14,400,000)
	(777,799,636)	(572,216,442)
Financial assets available to meet cash needs for general expenditures within one year	$ 277,441,967	$ 265,952,249

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 $26,200,000 as a budget reserve 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 14, 2022, the date the consolidated financial statements were issued, and determined that no additional disclosures were necessary.