Lower of Cost or Market

The Foundation uses the lower of cost or market method to value its private equity/venture capital and timber investments. This process is completed at various times throughout the year based on best available information. Below is a summary explaining when this method is used and for what purpose.

Year-end Valuation for Accounting Purposes

The Foundation’s custodian, BNY Mellon, performs a lower of cost or market analysis in December and identifies assets that should be written down to cost. The Foundation reviews and approves these adjustments. The adjustments are recorded in accounting only (performance does not include these adjustments). These adjusted values are used when preparing the unaudited December monthly financial statements and the annual audit. The adjustments are reversed in January since BNY will process the actual 12/31 valuations when received by the GP.

These adjustments are included in the spending policy calculation since the calculation includes the 12/31 investment value per the final December monthly financial statements (includes audit adjustments).

Hindsight Analysis for Audit

The Foundation prepares a hindsight analysis for the annual audit. The Foundation receives many (but not all) LP audited financial statements before the Foundation’s audit is complete. The Foundation prepares the hindsight based on the audited financial statements received and best available information for the other funds. An audit entry is made based on this analysis. After the audit report is issued, the Foundation updates the hindsight when the remaining audited financials are received and the final analysis is provided to the auditors during the next year’s audit.

Average Market Value of Investments for Tax Return

The Foundation calculates the average market value of investments in preparation of the Foundation’s tax return. The calculation uses the custodian’s values for the first eleven months but then uses the values per the audited financial statements for December. The calculation then adds back the gains (difference between the market value per the hindsight analysis and the market value (LCM) per the audited financial statements) since the audited values are based on lower of cost or market. The gains that are added back are obtained from the final hindsight analysis.