SISTERSON
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

THE HEINZ ENDOWMENTS AND SUBSIDIARY

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2023 and 2022

Sisterson & Co. LLP
501 Grant Street, Suite 450
Pittsburgh, PA 15219

www.sisterson.com

Phone: 412.281.2025

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Independent Auditor's Report

To the Board of Directors of
The Heinz Endowments

Opinion

We have audited the accompanying consolidated financial statements of The Heinz Endowments and Subsidiary, which comprise the consolidated statements of net assets as of December 31, 2023 and 2022, and the related consolidated statements of 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 consolidated financial statements referred to above present fairly, in all material respects, the net assets of The Heinz Endowments and Subsidiary as of December 31, 2023 and 2022, 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 ("U.S. GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are required to be independent of The Heinz Endowments and Subsidiary and to meet our other ethical responsibilities in accordance with the relevant ethical requirements related to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Heinz Endowments and Subsidiary's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 U.S. 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 U.S. GAAS, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Heinz Endowments and Subsidiary's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Heinz Endowments and Subsidiary'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.

Sisterson & Co. LLP

June 28, 2024

THE HEINZ ENDOWMENTS AND SUBSIDIARY

Consolidated Statements of Net Assets
(in thousands)

	December 31, 2023	December 31, 2022
Assets		
Cash and equivalents	$ 8,440	$ 6,553
Receivables for investments sold	15,116	8,120
Federal taxes receivable	400	1,200
Investments at fair value (Note 3)	2,046,607	1,978,450
Investment properties	1,383	1,399
Program-related investments	55,647	47,866
Other assets	8	4
Fixed assets, net of accumulated depreciation and amortization of $5,447 and $4,809	1,997	2,442
Total assets	2,129,598	2,046,034
Liabilities and Net Assets Without Restriction		
Grants payable (Note 5)	30,468	55,296
Accrued liabilities	2	1
Deferred federal excise tax (Note 7)	11,194	10,085
Total liabilities	41,664	65,382
Net assets without restriction	2,087,934	1,980,652
Total liabilities and net assets without restriction	$ 2,129,598	$ 2,046,034

See accompanying notes to consolidated financial statements.

THE HEINZ ENDOWMENTS AND SUBSIDIARY

Consolidated Statements of Changes in Net Assets
(in thousands)

	Year ended December 31, 2023	2022
Investment return, net	$ 169,587	$ (326,143)
Expenses (Note 6)		
Grants approved, net of refunds (Note 5)	48,035	83,544
Direct charitable activities	476	806
Grantmaking expenses	7,911	7,746
Operational support expenses	3,614	3,384
	60,036	95,480
Federal excise and income tax (benefit) expense (Note 7)	2,269	(4,118)
Total expenses	62,305	91,362
Increase (decrease) in net assets without restriction	107,282	(417,505)
Net assets without restriction, beginning of year	1,980,652	2,398,157
Net assets without restriction, end of year	$ 2,087,934	$ 1,980,652

See accompanying notes to consolidated financial statements.

THE HEINZ ENDOWMENTS AND SUBSIDIARY

Consolidated Statements of Cash Flows
(in thousands)

	Year ended December 31, 2023	2022
Cash flows from operating activities:		
Increase (decrease) in net assets without restriction	$ 107,282	$ (417,505)
Adjustments to reconcile increase (decrease) in net assets without restriction to net cash used in operating activities:		
Net realized and unrealized (gain) loss on investments	(160,404)	334,149
Depreciation and amortization expense	639	708
Loss on disposal of fixed assets	--	3
Deferred federal excise tax (benefit) expense	1,109	(6,204)
Increase (decrease) in cash from changes in:		
Investment properties	16	16
Other assets	(4)	20
Grants payable	(24,828)	356
Federal taxes	800	(2,282)
Accrued liabilities	1	(2)
Net cash used in operating activities	(75,390)	(90,741)
Cash flows from investing activities:		
Purchases of investments	(150,767)	(170,254)
Proceeds from sales and redemptions of investments	243,014	218,306
Change in receivables for investments sold	(6,996)	50,247
Purchases of program-related investments	(7,781)	(8,003)
Purchases of fixed assets	(194)	(165)
Net cash provided by investing activities	77,276	90,131
Net increase (decrease) in cash and equivalents	1,887	(610)
Cash and equivalents, beginning of year	6,553	7,163
Cash and equivalents, end of year	$ 8,440	$ 6,553

See accompanying notes to consolidated financial statements.

(1) Organization

The Heinz Endowments was formed from the merger of the Howard Heinz Endowment and the Vira I. Heinz Endowment, effective January 1, 2007. The consolidated financial statements as of December 31, 2023 and 2022 include The Heinz Endowments (the "Endowments") and its wholly owned subsidiary, Penn-Liberty Holding Company (the "Company") (collectively referred to as the "Endowments"). All material intra-entity balances and transactions have been eliminated in consolidation.

The Howard Heinz Endowment was created in 1993 as a Pennsylvania nonprofit corporation, to perform the charitable activities of its predecessor organization, a testamentary charitable trust of the same name established under the Will of Howard Heinz in 1941. The Vira I. Heinz Endowment was created in 1995 as a Pennsylvania nonprofit corporation, to perform the charitable activities of its predecessor organization, a testamentary charitable trust of the same name established under the Will of Vira I. Heinz in 1983.

The Endowments was determined to be exempt from federal income tax under the provisions of Section 501(a) of the Internal Revenue Code (the "Code"), as the Endowments is considered an exempt organization under Section 501(c)(3) of the Code. The Endowments has been classified as a private foundation as defined in Section 509(a) of the Code.

The Company is a “title holding company” organized for the exclusive purpose of holding title to property, collecting income therefrom, and turning over the entire amount thereof, less expenses, to the Endowments. The Company is exempt from federal income taxes under the provisions of Section 501(c)(2) of the Code. In the event of dissolution of the Company, all of its remaining assets shall be distributed to or for the use of the Endowments.

(2) Summary of Significant Accounting Policies

Basis of presentation - Under accounting principles generally accepted in the United States of America, the Endowments is required to report information regarding their financial position and activities according to two classes of net assets, as follows:

Without donor restrictions - Net assets without donor restrictions are not subject to any donor-imposed stipulations.

With donor restrictions - Net assets with donor restrictions are subject to donor-imposed stipulations that may or will be met by either actions of the Endowments or the passage of time. The Endowments does not have net assets with donor restrictions as of December 31, 2023 and 2022.

Cash and equivalents - Cash and equivalents consist of cash in banks, money market accounts, and cash reserve accounts, which are highly liquid and have no stated maturity. The Endowments maintains its cash in bank accounts, which, at times, may exceed federally insured limits. The Endowments does not believe it is exposed to any significant credit risk related to cash and equivalents.

Investments - Investments are reported at fair value on the accompanying consolidated statements of net assets. Changes in the fair value of investments as well as realized gains and losses are included in investment return, net in the accompanying consolidated statements of changes in net assets.

Realized gains and losses on disposals of investments are recognized based on trade date determined by the specific identification method, except for certain equity investments for which the cost of shares sold is determined by the average cost method.

Interest and dividend income are recognized on the accrual basis. Distributions from alternative investments are recognized as income to the extent of the Endowments' share of undistributed income of such alternative investments. Investment return, net in the accompanying consolidated statements of changes in net assets is shown net of related external and direct internal investment expenses. Direct internal investment expenses include salaries, benefits, and travel costs associated with the staff responsible for the direct conduct and direct supervision of the execution of investment strategy. Such expenses also include an allocation of costs such as occupancy and depreciation based on estimated time spent on internal investment management.

Investment properties - Investment properties include land and related development costs and are carried at the lower of cost or estimated fair value. Development costs are amortized on the straight-line method over their estimated useful lives of ten years.

Program-related investments - The fair value of program-related investments approximate their cost. Determination of fair value of these investments would require significant management judgment or estimation. These investments are anticipated to have a less than fair value return. As of December 31, 2023, the Endowments is committed to invest up to $51,800,000 for program-related investments.

Fixed assets - Fixed assets are recorded at cost and depreciated or amortized on the straight-line method over their estimated useful lives of three to ten years. Leasehold improvements are amortized on the straight-line method over the lesser of the lease term or their estimated useful lives.

Grants - The Endowments recognizes a liability and corresponding expense for grants in the amount expected to be paid when approved by the Board of Directors. As of December 31, 2023 and 2022, such liabilities are not recorded at their present value using a discount rate commensurate with the risks involved because the present value is not materially less than the amounts expected to be paid.

Conditional grants approved by the Board of Directors are recorded and disbursed when the recipient organizations meet the conditions established in the grant agreements. As of December 31, 2023, the Endowments has awarded $19,543,000 in conditional grants which are not reflected in the accompanying consolidated financial statements. As of February 6, 2024, all conditions have been released by the Board of Directors.

Use of estimates - The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(3) Investments

The fair values of investments for which market quotations are available are based on the quoted market prices of such investments.

The fair values of all other investments are estimated in good faith by management due to the absence of quoted market values. These estimates of fair values are made primarily by using information regarding an investment's net asset value ("NAV") provided by the general partners and fund managers of the investments. Additionally, these estimates are generally computed based on the Endowments' proportionate share of the overall value of the investee, net of estimated profit participation. The Endowments has not adjusted any of the fair values provided by the general partners. Because of the inherent uncertainty of valuation, those estimated fair values may differ significantly from the values that would have been used had a ready market for those investments existed, and the differences could be material.

The fair values of investments are subject to changes in market conditions, and as such, future fair values may differ significantly from those reported in the consolidated financial statements. Investments considered to be permanently impaired in value are written down to their estimated net realizable value and the write down is recorded as a realized loss on investments.

Investments measured and reported at fair value, except for those measured and reported using NAV, are classified and disclosed in one of the following categories based on the extent of market price observability.

Level I – Quoted prices are available in active markets for identical investments as of the reporting date. The type of investments included in Level I include short-term investments, publicly traded equity securities, and fixed income funds.

Level II – Pricing inputs are other than quoted market prices included within Level I, however, are observable, either directly or indirectly for the investment. The Endowments considers an investment in a real estate limited partnership and its fine art collection to be Level II investments.

Level III – Pricing inputs are unobservable for the investment and includes situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation. The Endowments was not invested in any Level III investments as of December 31, 2023 or 2022.

The valuations of the Endowments' investments by type are as follows as of December 31 (in thousands):

	2023			
	Level I	Level II	Investments measured at NAV	Total fair value
Short-term investments	$ 1,035	$ --	$ --	$ 1,035
Equity securities				
Domestic	105	--	244,003	244,108
Foreign	197	--	375,907	376,104
Fixed income	180,350	--	--	180,350
Alternative investments				
Absolute return	--	--	334,596	334,596
Private equity	--	--	829,208	829,208
Opportunistic	21,341	--	47,631	68,972
Other investments	--	12,234	--	12,234
	$ 203,028	$ 12,234	$ 1,831,345	$ 2,046,607

	2022			
	Level I	Level II	Investments measured at NAV	Total fair value
Short-term investments	$ 661	$ --	$ --	$ 661
Equity securities				
Domestic	111	--	216,034	216,145
Foreign	--	--	364,178	364,178
Fixed income	199,309	--	--	199,309
Alternative investments				
Absolute return	--	--	320,077	320,077
Private equity	--	--	804,270	804,270
Opportunistic	19,823	--	41,753	61,576
Other investments	--	12,234	--	12,234
	$ 219,904	$ 12,234	$ 1,746,312	$ 1,978,450

The following additional information is provided regarding the Endowments' investments valued at NAV included in the above tables.

Type	Fair value (in thousands) December 31, 2023	2022	Redemption frequency (if currently eligible)	Redemption notice period
Global long short equity (a)	$ 464,203	$ 440,496	weekly, semi-monthly, monthly, quarterly, annually, tri-annually	5 – 180 days
Non-directional (b)	136,853	141,910	quarterly, semi-annually, annually	55 – 90 days
Opportunistic (c)	98,816	90,898	monthly, quarterly	45 – 90 days
US long short equity (d)	253,785	226,891	monthly, quarterly, annually	31 – 60 days
Strategic private investments (e)	776,859	752,379	non-redeemable	--
Real assets (f)	50,349	51,891	non-redeemable	--
Opportunistic (c)	41,668	33,910	non-redeemable	--
Non-directional (b)	6,567	7,628	non-redeemable	--
Co-investment (g)	2,000	--	non-redeemable	--
Global long short equity (a)	245	309	non-redeemable	--

(a) Global long short equity is primarily comprised of strategies investing in global equity securities. As of December 31, 2023, the Endowments is committed to invest approximately $2,500,000 for these investments.

(b) Non-directional is primarily comprised of strategies investing in debt instruments, securities, and derivatives in developed, event driven, multi-strategy, credit, distressed and long short markets. As of December 31, 2023, the Endowments is committed to invest approximately $2,750,000 for these investments.

(c) Opportunistic is comprised of value strategies that search for undervalued or underperforming investment opportunities.

(d) US long short equity is primarily comprised of strategies investing in domestic equity securities.

(e) Strategic private investment funds is primarily comprised of passive investments in private equity funds which invest in a wide range of industries. As of December 31, 2023, the Endowments is committed to invest approximately $340,009,000 for these investments.

(f) Real assets is primarily comprised of limited partnership interests in real estate, energy, timber and sustainable assets. As of December 31, 2023, the Endowments is committed to invest approximately $36,328,000 for these investments.

(g) Co-investment is comprised of a direct investment in an operating company.

The nature of the investments classified in (e), (f), (g), and the non-redeemable portions of (a), (b), and (c) above are such that distributions are received by the Endowments upon the liquidation of the underlying assets of the funds. It is estimated that underlying assets of the funds are typically liquidated over 2 to 10 years. Additionally, the nature of certain redeemable investments classified in (a), (b), (c), and (d) above is such that they may not be readily available for redemption due to initial lock-up periods ranging from 12 to 36 months.

(4) **Liquidity and Availability**

The Endowments' financial assets available within one year of December 31, 2023 and 2022 (in thousands) to meet operating needs include:

	2023	2022
Cash and equivalents	$ 8,440	$ 6,553
Receivables for investments sold	15,116	8,120
Short-term investments	1,035	661
Equity securities	579,579	537,633
Fixed income investments	180,350	199,309
Alternative investments	252,772	246,538
Opportunistic investments	68,972	61,575
Available financial assets	$ 1,106,264	$ 1,060,389

The Endowments structures its financial assets to be available as its grants, general expenditures, liabilities, and other obligations, including commitments for investments, come due. To achieve this, the Endowments forecasts its future cash flows and monitors its liquidity on a monthly basis. In addition, as part of its liquidity management, the Endowments invests cash in excess of daily requirements in various short-term investments, including money market accounts and short-term treasury instruments.

(5) **Grants Payable**

	In thousands			
	Payable as of	2023		Payable as of
Program Area	12/31/2022	Approved	Paid	12/31/2023
Creativity	$ 11,724	$ 11,939	$ 19,479	$ 4,184
Learning	12,816	12,228	21,562	3,482
Sustainability	30,756	23,005	30,984	22,777
Other	--	863	838	25
	$ 55,296	$ 48,035	$ 72,863	$ 30,468

Grants payable as of December 31, 2023 are due to be paid as follows: $17,161,000 in 2024; $8,307,000 in 2025; and $5,000,000 in 2026.

(6) Natural and Functional Expenses

The tables below present expenses by both their nature and function (in thousands):

	2023			
	Direct charitable	Grantmaking	Operational support	Total expenses
Grants approved, net of refunds	$ --	$ 48,035	$ --	$ 48,035
Salary, benefits and taxes	304	4,572	2,317	7,193
Legal, accounting and professional fees	40	378	138	556
Programmatic consulting	--	1,138	--	1,138
Depreciation and amortization	--	398	194	592
Occupancy	--	570	277	847
Travel, conferences and meetings	--	253	137	390
Media and public affairs	--	67	28	95
Printing and publications	132	--	--	132
Other general administrative	--	535	523	1,058
	$ 476	$ 55,946	$ 3,614	$ 60,036

	2022			
	Direct charitable	Grantmaking	Operational support	Total expenses
Grants approved, net of refunds	$ --	$ 83,544	$ --	$ 83,544
Salary, benefits and taxes	542	4,482	2,093	7,117
Legal, accounting and professional fees	74	401	151	626
Programmatic consulting	--	1,107	--	1,107
Depreciation and amortization	--	455	204	659
Occupancy	--	568	252	820
Travel, conferences and meetings	--	138	102	240
Media and public affairs	--	51	22	73
Printing and publications	190	--	--	190
Other general administrative	--	544	560	1,104
	$ 806	$ 91,290	$ 3,384	$ 95,480

The Endowments' expenses have been allocated between direct charitable activities, grantmaking, and operational support activities based on estimates made by management of time spent by employees on various activities. Direct charitable activities promote the charitable purpose of the Endowments and are conducted in whole or in part by the Endowments staff. Grantmaking activities pertain to the general grantmaking activities of the Endowments, such as reviewing proposals and awarding, monitoring, and evaluating grants. Operational support expenses are the management and general expenses of the Endowments.

(7) Federal Taxes

In accordance with the applicable provisions of the Code, the Endowments is subject to an excise tax on net investment income, including net realized gains. The Endowments provides for deferred excise taxes resulting from net unrealized gains, which become taxable in the year they are realized. The increase in the deferred federal excise tax liability relating to the net unrealized gain for the year ended December 31, 2023 was approximately $1,109,000. The decrease in the deferred federal excise tax liability relating to the net unrealized loss for the year ended December 31, 2022 was approximately $6,204,000.

Additionally, the Endowments is obligated to pay income taxes on its unrelated business income (as defined), if any.

As a private foundation, the Endowments is also required to make certain minimum distributions in accordance with a specified formula and within one year of the close of the tax year. The Endowments expects to make sufficient minimum distributions during 2024 to satisfy this requirement. The Endowments' tax returns for tax years 2020 and beyond remain subject to examination by the Internal Revenue Service ("IRS").

(8) Defined Contribution Plans

The Endowments sponsored both a 401(a) defined contribution plan for employees hired on or after January 1, 2008 and a 403(b) defined contribution plan for which all employees were eligible to participate. Effective January 1, 2016, the Endowments terminated the 401(a) plan and rolled the provisions of that plan into the 403(b) plan, described below. The participants in the 401(a) plan were entitled to receive a distribution of the total balance of the vested amount.

The amended 403(b) plan removed the hire date qualification of on or after January 1, 2008, but added a minimum age requirement of 21 to be eligible to participate. The 403(b) plan provides for employer contributions totaling 13% of the employees' annual compensation starting the first of the month following hire date. Additionally, the 403(b) plan permits employees to make deferred salary contributions up to the maximum amount allowable by the IRS and, after one year of service, the Endowments matches 100% of the employees' contribution up to 2% of salary and up to statutory limits. The Endowments made contributions totaling $763,635 and $731,366 into the plan during the years ended December 31, 2023 and 2022, respectively.

(9) Commitments

The Endowments has an operating lease for office space that expires on January 31, 2025. Future base lease payments are approximately $844,000 in 2024 and $71,000 for 2025. Rent expense for the operating lease for the years ended December 31, 2023 and 2022 was approximately $871,000 and $846,000, respectively. The Endowments has not recorded a right-of-use asset and corresponding lease liability for these leases under FASB ASU 2016-02, as the amounts are not material to the consolidated financial statements as a whole.

In March 2024, the Endowments extended its operating lease for office space through August 30, 2030.

The Endowments is the loan guarantor on a note for one unrelated nonprofit corporation. The balance of the loan as of December 31, 2023 was approximately $900,000.

(10) Subsequent Events

The Endowments evaluates events and transactions occurring subsequent to the date of the consolidated financial statements. The accompanying consolidated financial statements consider events through June 28, 2024, the date on which the consolidated financial statements were available to be issued.