
Michael Reese Health Trust

Financial Report
June 30, 2025

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Independent Auditor's Report

To the Board of Directors
Michael Reese Health Trust

Opinion

We have audited the financial statements of Michael Reese Health Trust (Michael Reese), which comprise the statement of financial position as of June 30, 2025 and 2024 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Michael Reese as of June 30, 2025 and 2024 and the changes in its net assets, functional expenses, and 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 Audits of the Financial Statements* section of our report. We are required to be independent of Michael Reese and to meet our 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.

Emphasis of Matter

As described in Note 3, the financial statements include investments valued at \$153,390,303 (96.6 percent of net assets) and \$152,996,155 (96.5 percent of net assets) at June 30, 2025 and 2024, respectively, whose fair value has been estimated at net asset value in the absence of observable inputs used to determine fair values. Net asset value is based on information provided by the managers of the underlying funds in which Michael Reese is invested. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 audits 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 financial statements.

To the Board of Directors
Michael Reese Health Trust

In performing audits in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- 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 audits 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 Michael Reese'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 Michael Reese'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 audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Plante & Moran, PLLC

November 10, 2025

Statement of Financial Position

June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Assets		
Cash and cash equivalents	\$ 3,305,834	\$ 1,567,207
Investments	153,390,303	152,996,155
Contributions receivable	210,000	415,000
Redemption receivable	-	2,000,000
Federal and state tax deposits	29,869	36,824
Prepaid expenses	72,266	51,613
Loans receivable	300,000	1,425,000
Beneficial interest in trusts	5,566,269	5,171,122
	<u>\$ 162,874,541</u>	<u>\$ 163,662,921</u>
Total assets		
Liabilities and Net Assets		
Liabilities		
Grants payable	\$ 3,875,055	\$ 4,852,054
Accrued expenses	254,814	329,974
	<u>4,129,869</u>	<u>5,182,028</u>
Total liabilities		
Net Assets		
Without donor restrictions:		
Undesignated	117,511,530	112,523,528
Board designated	9,622,225	9,895,549
	<u>127,133,755</u>	<u>122,419,077</u>
Total without donor restrictions		
With donor restrictions	31,610,917	36,061,816
	<u>158,744,672</u>	<u>158,480,893</u>
Total net assets		
Total liabilities and net assets	<u>\$ 162,874,541</u>	<u>\$ 163,662,921</u>

Michael Reese Health Trust

Statement of Activities and Changes in Net Assets

Years Ended June 30, 2025 and 2024

	2025			2024		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue						
Contributions	\$ 148,543	\$ 1,481,000	\$ 1,629,543	\$ 109,580	\$ 2,020,000	\$ 2,129,580
Contributions - Trusts and estates	413,440	-	413,440	378,192	-	378,192
Investment income - Net of expenses	9,593,118	2,245,377	11,838,495	10,906,627	2,560,563	13,467,190
Other income	3,140	-	3,140	462,468	-	462,468
Net assets released from restrictions	8,744,508	(8,744,508)	-	5,038,941	(5,038,941)	-
Transfers	(172,085)	172,085	-	-	-	-
Reinvestment of unspent appropriations	-	-	-	(3,031,906)	3,031,906	-
Total revenue	18,730,664	(4,846,046)	13,884,618	13,863,902	2,573,528	16,437,430
Expenses						
Allocations of expenses:						
Programs	12,448,703	-	12,448,703	13,991,384	-	13,991,384
Management and general	1,439,797	-	1,439,797	1,134,146	-	1,134,146
Fundraising	127,486	-	127,486	238,311	-	238,311
Total expenses	14,015,986	-	14,015,986	15,363,841	-	15,363,841
Increase (Decrease) in Net Assets - Before change in value of beneficial interests in trusts	4,714,678	(4,846,046)	(131,368)	(1,499,939)	2,573,528	1,073,589
Change in Value of Beneficial Interests in Trusts	-	395,147	395,147	-	376,701	376,701
Increase (Decrease) in Net Assets	4,714,678	(4,450,899)	263,779	(1,499,939)	2,950,229	1,450,290
Net Assets - Beginning of year	122,419,077	36,061,816	158,480,893	123,919,016	33,111,587	157,030,603
Net Assets - End of year	\$ 127,133,755	\$ 31,610,917	\$ 158,744,672	\$ 122,419,077	\$ 36,061,816	\$ 158,480,893

Michael Reese Health Trust

Statement of Functional Expenses

Year Ended June 30, 2025

	Programs	Management and General	Fundraising	Total
Salaries	\$ 1,217,759	\$ 862,461	\$ 99,663	\$ 2,179,883
Taxes and benefits	417,606	291,827	27,625	737,058
Total salaries and related expenses	1,635,365	1,154,288	127,288	2,916,941
Grants and assistance	9,806,524	-	-	9,806,524
Special events	103,755	29,981	-	133,736
Professional fees	356,053	119,015	112	475,180
Public relations and marketing	114,774	-	-	114,774
Computer and IT maintenance	62,400	3,759	-	66,159
Occupancy	67,141	54,191	-	121,332
Printing and publications	2,254	10,436	-	12,690
Conferences and meetings	102,311	9,189	-	111,500
Business insurance	-	28,538	-	28,538
Supplies	12,039	3,030	-	15,069
Telecommunications	13,300	11,504	-	24,804
Training	7,089	1,014	-	8,103
Transportation and travel	28,836	251	86	29,173
Dues and subscriptions	94,303	7,623	-	101,926
Memorials	30,106	971	-	31,077
Other office expenses	12,453	1,694	-	14,147
Bank charges and fees	-	4,313	-	4,313
Total expenses	<u>\$ 12,448,703</u>	<u>\$ 1,439,797</u>	<u>\$ 127,486</u>	<u>\$ 14,015,986</u>

Statement of Functional Expenses

Year Ended June 30, 2024

	Programs	Management and General	Fundraising	Total
Salaries	\$ 1,001,166	\$ 628,386	\$ 80,250	\$ 1,709,802
Taxes and benefits	412,743	220,303	53,270	686,316
Total salaries and related expenses	1,413,909	848,689	133,520	2,396,118
Grants and assistance	11,945,627	-	5,000	11,950,627
Special events	-	12,557	45,841	58,398
Professional fees	318,941	176,868	34,825	530,634
Public relations and marketing	18,185	-	18,069	36,254
Depreciation	946	-	-	946
Computer and IT maintenance	51,398	2,546	-	53,944
Occupancy	61,142	13,879	-	75,021
Printing and publications	3,990	3,316	-	7,306
Conferences and meetings	76,944	12,884	449	90,277
Business insurance	-	22,985	-	22,985
Supplies	4,993	51	29	5,073
Telecommunications	11,781	4,727	200	16,708
Training	1,227	-	-	1,227
Transportation and travel	19,598	311	26	19,935
Dues and subscriptions	49,545	32,417	352	82,314
Memorials	5,050	-	-	5,050
Other office expenses	8,108	2,094	-	10,202
Bank charges and fees	-	822	-	822
Total expenses	\$ 13,991,384	\$ 1,134,146	\$ 238,311	\$ 15,363,841

Statement of Cash Flows

Years Ended June 30, 2025 and 2024

	2025	2024
Cash Flows from Operating Activities		
Increase in net assets	\$ 263,779	\$ 1,450,290
Adjustments to reconcile increase in net assets to net cash and cash equivalents from operating activities:		
Depreciation	-	946
Realized and unrealized gains on investments	(11,782,236)	(13,467,190)
Change in value of beneficial interests in trusts	(395,147)	(376,701)
Gain on excise tax in other income	-	(462,354)
Changes in operating assets and liabilities that provided (used) cash and cash equivalents:		
Contributions receivable	205,000	(415,000)
Redemption receivable	2,000,000	(2,000,000)
Federal and state tax deposits	6,955	17,576
Prepaid expenses	(20,653)	(14,615)
Loans receivable	1,125,000	(1,425,000)
Grants payable	(976,999)	3,055,200
Accrued expenses	(75,160)	148,833
	(9,649,461)	(13,488,015)
Net cash and cash equivalents used in operating activities		
Cash Flows from Investing Activities		
Proceeds from sales of investments	11,410,949	11,974,316
Purchases of investments	(22,861)	(7,500)
	11,388,088	11,966,816
Net cash and cash equivalents provided by investing activities		
Net Increase (Decrease) in Cash and Cash Equivalents	1,738,627	(1,521,199)
Cash and Cash Equivalents - Beginning of year	1,567,207	3,088,406
Cash and Cash Equivalents - End of year	\$ 3,305,834	\$ 1,567,207

Note 1 - Nature of Business

Michael Reese Health Trust (Michael Reese) advances health solutions to ensure all Chicagoans can live healthy and full lives. Through grantmaking, incubation, and advocacy programs, Michael Reese partners with organizations across Chicagoland by providing both funding and strategic support to drive impact.

Michael Reese strives to create a more equitable Chicagoland using the following tools:

Grantmaking

Michael Reese accelerates and strengthens proven solutions to improve the health of all Chicagoans. Michael Reese partners with nonprofits across Chicago addressing health challenges. Whether scaling up a promising new model or sustaining a long-term, proven program, Michael Reese is committed to its partners' success.

Incubation

Michael Reese takes risks on new and experimental ideas to improve the health of all Chicagoans. Michael Reese partners with Chicago's visionary leaders in the startup phase of launching their innovative solutions. As their partner, Michael Reese shares in the risk of launching a new initiative so they can focus on the work they do best.

Advocacy

Michael Reese pushes for lasting change by influencing policymakers to improve the health of all Chicagoans. Michael Reese partners with grassroots organizations and coalitions to protect and expand health care access and to address the underlying causes of health inequities. Michael Reese knows system changes are the only way to fully address Chicago's health challenges.

Note 2 - Significant Accounting Policies

Basis of Accounting

Michael Reese maintains its accounting records and prepares its financial statements on an accrual basis, which is in accordance with accounting principles generally accepted in the United States of America, which requires Michael Reese to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

Classification of Net Assets

Net assets of Michael Reese are classified based on the presence or absence of donor-imposed restrictions.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions, net assets for which donor-imposed restrictions have expired or been fulfilled, or net assets for which board-designated restrictions have been placed. Net assets in this category may be expended for any purpose in performing the primary objectives of Michael Reese.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of Michael Reese or by the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

Earnings, gains, and losses on donor-restricted net assets are classified as net assets without donor restrictions unless specifically restricted by the donor or by applicable state law.

Cash Equivalents

Michael Reese considers all investments with an original maturity of three months or less when purchased to be cash equivalents.

Note 2 - Significant Accounting Policies (Continued)

Michael Reese maintains its cash and cash equivalents in bank deposit accounts at Wintrust Bank, National Association that at times may exceed federally insured limits.

Investments and Related Income, Gains, and Losses

Investments are presented in the financial statements at fair value.

Investment income, gains, losses, and any investment-related expenses are recorded as changes in net assets without donor restrictions in the statement of activities and changes in net assets unless their use is temporarily restricted by explicit donor stipulation or applicable state law. In the absence of donor stipulations or state law to the contrary, losses on the investment of a donor-restricted endowment fund are recognized as reductions of net assets with donor restrictions to the extent that donor-imposed restrictions on net appreciation of the funds have not been met before the loss occurs. Any remaining loss reduces net assets without donor restrictions.

Earnings on net assets with donor restrictions for endowment principal, including realized and unrealized gains or losses, are recorded as investment income with donor restrictions based on specific endowment restrictions.

Michael Reese's investment portfolio is subject to various risks, such as interest rate, market, and credit risks. Because of these risks, it is possible that changes in the value of the investments may occur and that such changes could materially affect Michael Reese's financial statements.

Loans Receivable

Michael Reese entered into agreements to issue non-interest-bearing loans to two unaffiliated not-for-profit organizations with original principal amounts of \$2,000,000 and \$400,000 and maturity dates of December 31, 2024 and 2025, respectively. Loans receivable are reported at original issue amount less principal repaid.

During the year ended June 30, 2025, the loan with the original principal amount of \$2,000,000 and maturity date of December 31, 2024 was fully collected. The remaining \$300,000 principal balance outstanding as of June 30, 2025 is related to the loan receivable with the original principal amount of \$400,000 and maturity date of December 31, 2025. In September 2025, the board of directors of Michael Reese approved an extension of the maturity date to December 31, 2027.

Michael Reese evaluates loans receivable to determine the allowance for credit losses, considering expected losses, actual historical loss rates adjusted for current economic conditions, and reasonable and supportable forecasts. No allowance for credit losses was recorded as of June 30, 2025 or 2024.

Equipment

Equipment is stated at its estimated market value at the date donated or at cost, if purchased. Depreciation was computed using the straight-line method over the estimated useful lives of the assets. As of June 30, 2025 and 2024, the equipment is fully depreciated.

Beneficial Interest in Trusts

Michael Reese was named an income beneficiary for various beneficial interests in perpetual trusts. Under the terms of the perpetual trusts, Michael Reese is to receive a portion of the trusts' annual net income based on the percentage of the trust allocated to Michael Reese. Payments from these entities range between 6.60 and 100 percent of the net income generated by these trusts.

In addition, Michael Reese is the income beneficiary of a perpetual trust for which the amount of the income distribution rests at the discretion of the advisory committee of this perpetual trust. Due to the uncertainty of the distribution amounts, if any, the financial statements do not reflect the fair value of this perpetual trust.

Note 2 - Significant Accounting Policies (Continued)

Income from all trusts is recorded at the time the payment is received. Income of \$413,440 and \$378,192 was received from these entities during the years ended June 30, 2025 and 2024, respectively.

Grants Payable

Grants payable consist of unconditional grants mostly payable within one year. Unconditional grants are recognized as expense at the time of approval by the grant committee. Conditional grants (those with a measurable performance or other barrier and a right of return) are expensed when such conditions are substantially met. During the years ended June 30, 2025 and 2024, there were no approved conditional grants excluded from expense.

Contributions

Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received, measured at fair value. Donor promises to give in the future are recorded at the present value of estimated future cash flows.

Contributions without donor-imposed restrictions and contributions with donor-imposed time or purpose restrictions that are met in the same period as the gift are both reported as contributions without donor restrictions.

Conditional contributions (those with a measurable performance or other barrier and a right of return) are not recognized as revenue until the conditions on which they depend have been met. Michael Reese records cash received in advance of meeting conditions as a refundable advance on the statement of financial position. As of June 30, 2025 and 2024, there was \$300,000 and \$0, respectively, of conditional contributions that had been received but not yet recognized as revenue.

Federal Income Taxes

Michael Reese operates as a public foundation and is exempt from income tax under the provisions of Internal Revenue Code Section 501(c)(3).

Previously deferred excise tax of \$462,468 that would have been payable if Michael Reese was determined not to be a public foundation by the Internal Revenue Service (IRS) is presented as other income on the statement of activities and changes in net assets in 2024 after the IRS approved the public foundation status.

Functional Allocation of Expenses

Costs of providing the grant program and support services have been reported on a functional basis in the statement of activities and changes in net assets. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Costs are charged to program services and supporting services on an actual basis when available. Salaries and related expenses are allocated on the basis of time study conducted by management. Although the methods of allocation used are considered appropriate, other methods could be used that could produce different amounts.

Use of Estimates

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

Note 2 - Significant Accounting Policies (Continued)

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including November 10, 2025, which is the date the financial statements were available to be issued.

Note 3 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that Michael Reese has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management’s own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

Net asset value (NAV) inputs include interests in investment companies at year end where the fair value of the investment held is estimated based on net asset value per share (or its equivalent) of the investment company.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. Michael Reese’s assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

The following tables present information about Michael Reese's assets measured at fair value on a recurring basis at June 30, 2025 and 2024 and the valuation techniques used by Michael Reese to determine those fair values:

	Assets Measured at Fair Value on a Recurring Basis at June 30, 2025			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2025
Investments - Beneficial interest in trusts	\$ -	\$ -	\$ 5,566,269	\$ 5,566,269
Investments measured at NAV:				
Pooled endowment portfolio				141,656,797
Private equity funds				11,733,506
Total investments measured at NAV				<u>153,390,303</u>
Total assets measured at fair value				<u>\$ 158,956,572</u>

Note 3 - Fair Value Measurements (Continued)

	Assets Measured at Fair Value on a Recurring Basis at June 30, 2024			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2024
Investments - Beneficial interest in trusts	\$ -	\$ -	\$ 5,171,122	\$ 5,171,122
Investments measured at NAV:				
Pooled endowment portfolio				140,783,866
Private equity funds				12,212,289
Total investments measured at NAV				152,996,155
Total assets measured at fair value				\$ 158,167,277

Level 3 Inputs

Investments in assets measured at fair value using Level 3 inputs are composed of beneficial interests in perpetual trusts. The beneficial interest in trusts is stated at the estimated fair value, which is based on the percentage of the beneficial interest in trust designated to Michael Reese applied to the total fair value of the trust, which is based primarily on quoted market prices. The changes in the fair value of the underlying trust assets, as determined by the trustees that hold and manage these assets, are recognized in the statement of activities and changes in net assets in the periods in which they occur.

Investments in Entities that Calculate Net Asset Value per Share

Michael Reese holds shares or interests in investment companies at year end where the fair value of the investment held is estimated based on net asset value per share (or its equivalent) of the investment company.

At year end, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	Investments Held at June 30, 2025			
	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Private equity (a)	\$ 11,733,506	\$ 2,793,899	N/A	N/A
Pooled endowment portfolio (b)	141,656,797	-	Monthly	30 days
Total	\$ 153,390,303	\$ 2,793,899		
	Investments Held at June 30, 2024			
	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Private equity (a)	\$ 12,212,289	\$ 2,835,594	N/A	N/A
Pooled endowment portfolio (b)	140,783,866	-	Monthly	30 days
Total	\$ 152,996,155	\$ 2,835,594		

Note 3 - Fair Value Measurements (Continued)

(a) This category primarily includes private equity funds that focus on U.S. and international buyout and venture capital, real estate, and/or distressed debt. These investments are not redeemable. Instead, the nature of the investments in this category is that distributions are received through the liquidation of the underlying assets in the fund. The remaining term for these investments ranges from one to four years. The fair values of the investments in this category have been estimated using the practical expedient provided by the investment manager.

(b) The primary objectives of this category of funds are to invest prudently in order to preserve the inflation-adjusted value of the portfolio and guard against material reductions in its value and to maximize risk-adjusted returns over a long period of time. A suitable balance between these objectives requires the pooled endowment portfolio to be highly diversified with respect to asset categories, geographical regions, strategies, and investment managers so as to achieve a reasonable balance between short-term risk and long-term return. The pooled endowment portfolio is structured to protect capital during sharp market downturns, to participate meaningfully during market rallies, and to outperform over typical market environments. The portfolio engages over 80 investment managers, each with expertise across a wide range of asset categories, including domestic and international equities; domestic and international bonds; and nontraditional assets, such as commodities, private equity, real estate, and natural resources.

Note 4 - Net Assets with Donor Restrictions

Net assets with donor restrictions as of June 30 are available for the following purposes:

	2025	2024
Subject to the appropriation and satisfaction of purpose restriction:		
Endowment - Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	\$ 20,064,531	\$ 20,064,531
Endowment - Accumulated investment gains	5,980,117	10,826,163
Total	26,044,648	30,890,694
Beneficial interest in trusts	5,566,269	5,171,122
Total net assets with donor restrictions	\$ 31,610,917	\$ 36,061,816

Note 5 - Donor-restricted and Board-designated Endowments

Michael Reese's endowment consists of 28 individual funds established for a variety of purposes. The endowment includes both endowment funds with donor restrictions (26 such funds) and funds designated by the board of directors to function as endowments (2 such funds). Net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. Michael Reese does not consider its beneficial interest in the perpetual trusts to be part of its endowment since it has no control over the assets included in the perpetual trusts.

Note 5 - Donor-restricted and Board-designated Endowments (Continued)

Interpretation of Relevant Law

Michael Reese is subject to the State Prudent Management of Institutional Funds Act (SPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the board of directors appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The board of directors of Michael Reese has interpreted SPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, Michael Reese considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. Michael Reese has interpreted SPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with SPMIFA, Michael Reese considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purpose of Michael Reese and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of Michael Reese
- The investment policies of Michael Reese

	Endowment Net Asset Composition by Type of Fund as of June 30, 2025		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 7,873,476	\$ -	\$ 7,873,476
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	-	20,064,531	20,064,531
Accumulated investment gains	-	5,980,117	5,980,117
Total donor-restricted endowment funds	-	26,044,648	26,044,648
Total	\$ 7,873,476	\$ 26,044,648	\$ 33,918,124

	Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2025		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	\$ 7,411,447	\$ 30,890,694	\$ 38,302,141
Interest and dividends	41,399	153,430	194,829
Realized and change in unrealized gain	564,456	2,091,947	2,656,403
Appropriation of endowment assets for expenditure	(397,224)	(7,263,508)	(7,660,732)
Transfers	253,398	172,085	425,483
Endowment net assets - End of year	\$ 7,873,476	\$ 26,044,648	\$ 33,918,124

Note 5 - Donor-restricted and Board-designated Endowments (Continued)

	Endowment Net Asset Composition by Type of Fund as of June 30, 2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 7,411,447	\$ -	\$ 7,411,447
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	-	20,064,531	20,064,531
Accumulated investment gains	-	10,826,163	10,826,163
Total donor-restricted endowment funds	-	30,890,694	30,890,694
Total	\$ 7,411,447	\$ 30,890,694	\$ 38,302,141
	Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	\$ 14,224,274	\$ 27,427,800	\$ 41,652,074
Contributions	28,020	-	28,020
Interest and dividends	69,864	158,647	228,511
Realized and change in unrealized gain	1,057,748	2,401,916	3,459,664
Appropriation of endowment assets for expenditure	(4,936,553)	(2,129,575)	(7,066,128)
Reinvestment of unspent appropriations	(3,031,906)	3,031,906	-
Endowment net assets - End of year	\$ 7,411,447	\$ 30,890,694	\$ 38,302,141

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires Michael Reese to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were \$8,310 and \$183,800 as of June 30, 2025 and 2024, respectively. These deficiencies resulted from unfavorable market fluctuations.

Return Objectives and Risk Parameters

The investment objective is to increase the purchasing power of Michael Reese's assets while reducing, to the greatest extent possible, the possibility of loss. Endowment assets include those assets of funds with donor restrictions that Michael Reese must hold in perpetuity, as well as board-designated funds. Michael Reese invests in a portfolio mix of Jewish Federation Pooled Endowment Portfolio, private equity investments, and beneficial interests in trusts.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, Michael Reese relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Michael Reese targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Note 5 - Donor-restricted and Board-designated Endowments (Continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy

The spending policy was designed to further Michael Reese's mission, while balancing the sustainability and growth of its financial assets. The target spending range is 5-7 percent of the three-year rolling average market value of its financial assets. If actual expenditures from the endowment exceed 7 percent of the three-year rolling average market value in a given year, the spending for the subsequent year will be capped at 6 percent of the updated rolling average. If the actual expenditures fall below 5 percent of the three-year rolling average, the budget for the following year will be set at a minimum of 5 percent of the updated rolling average. Through the finance committee, the policy's targets are tracked and reported against annual budgeted and actual spending.

Note 6 - Public Foundation Status

Effective July 1, 2018, Michael Reese was operating as a public foundation under a five-year evaluation period. The evaluation period ended June 30, 2023 measured public support, with IRS Section 509(a)(1) requiring the organization to have received at least one-third of its support from contributions from the general public or to have met the 10 percent facts and circumstances test. As of June 30, 2023, Michael Reese filed for reclassification of foundation status. During the year ended June 30, 2024, the IRS approved Michael Reese's status as a public foundation.

Note 7 - Related Party Transactions

The Jewish Federation of Metropolitan Chicago (the "Jewish Federation") is the sole member of Michael Reese. The majority of the board of directors of Michael Reese is appointed by the Jewish Federation. As of June 30, 2025 and 2024, grants payable to the Jewish Federation and its affiliates were \$509,061 and \$793,400, respectively. Grants awarded to the Jewish Federation and its affiliates were \$1,868,224 and \$1,776,894 for the years ended June 30, 2025 and 2024, respectively.

Michael Reese maintains an investment pool to the Jewish Federation of Metropolitan Chicago's Pooled Endowment Portfolio (the "PEP"). The primary investor in the PEP is the Jewish Federation. Certain Jewish Federation affiliate beneficiary agencies, such as Michael Reese, are also allowed to invest in the PEP. As of June 30, 2025 and 2024, Michael Reese had investments of approximately \$142 million and \$141 million in the PEP, making up approximately 92 percent of Michael Reese's investments.

Note 8 - Liquidity

The following reflects Michael Reese's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30:

	2025	2024
Cash and cash equivalents	\$ 3,305,834	\$ 1,567,207
Investments	153,390,303	152,996,155
Beneficial interest in trusts	5,566,269	5,171,122
Contributions receivable	210,000	415,000
Redemption receivable	-	2,000,000
Loans receivable	300,000	1,425,000
	162,772,406	163,574,484
Financial assets - At year end		
Less amounts not available for general expenditures within one year due to - Contractual or donor-imposed restrictions:		
Subject to appropriation and satisfaction of donor restrictions	5,766,518	10,780,843
Perpetual restrictions	20,064,531	20,064,531
Beneficial interest in trusts	5,566,269	5,171,122
Investments held in private equity funds	11,733,506	12,212,289
Loans receivable collectible after one year	300,000	300,000
Board-designated net assets - Net	9,225,002	9,498,326
	\$ 110,116,580	\$ 105,547,373
Financial assets available to meet cash needs for general expenditures within one year		

Michael Reese's endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use, if applicable. As of June 30, 2025 and 2024, donor-restricted endowment funds are not available for general expenditure.

Michael Reese's board-designated net assets of \$9,622,225 and \$9,895,549 as of June 30, 2025 and 2024, respectively, are subject to annual approval by the board of directors of \$397,223 to be appropriated in the next fiscal year. Although Michael Reese does not intend to spend from these endowments (other than amounts appropriated for general expenditure as part of the board's annual budget approval and appropriation), these amounts could be made available if necessary. Michael Reese's accumulated investment gains on the donor-restricted endowment funds of \$5,980,117 and \$10,826,163 as of June 30, 2025 and 2024, respectively, have \$213,599 and \$45,320, respectively, expected to be appropriated in the next fiscal year.

As part of Michael Reese's liquidity management plan, cash in excess of daily requirements is invested in pooled endowment portfolios and private equity funds.