

**W. K. KELLOGG FOUNDATION AND
W. K. KELLOGG FOUNDATION TRUST**

**Consolidated Financial Statements and
Supplemental Schedule
For the Years Ended August 31, 2023 and 2022
With Independent Auditor's Report**



MITCHELL TITUS
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**W. K. KELLOGG FOUNDATION AND
W. K. KELLOGG FOUNDATION TRUST**
Consolidated Financial Statements and Supplemental Schedule
For the Years Ended August 31, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees and Senior Management of
W. K. Kellogg Foundation and
W. K. Kellogg Foundation Trust

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of W. K. Kellogg Foundation (the Foundation) and W. K. Kellogg Foundation Trust (the Trust), which comprise the consolidated statements of financial position as of August 31, 2023 and 2022, the related consolidated statements of activities 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 consolidated financial position of the Foundation and the Trust as of August 31, 2023 and 2022, and the changes in their consolidated 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 Consolidated Financial Statements section of our report. We are required to be independent of the Foundation and the Trust 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 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.

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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 Foundation and the Trust's ability to continue as a going concern for one year after the date that the consolidated financial statements are 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation and the Trust'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 Foundation and the Trust'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.



MITCHELL TITUS

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of gifts and receipts from inception through August 31, 2023 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Mitchell Titus, LLP

December 6, 2023

**W. K. KELLOGG FOUNDATION AND
W. K. KELLOGG FOUNDATION TRUST**
Consolidated Statements of Financial Position
As of August 31, 2023 and 2022

	2023			2022		
	Consolidated	W. K. Kellogg Foundation	W. K. Kellogg Foundation Trust	Consolidated	W. K. Kellogg Foundation	W. K. Kellogg Foundation Trust
ASSETS						
Cash and cash equivalents	\$ 172,813,715	\$ 80,620,820	\$ 92,192,895	\$ 144,203,348	\$ 110,296,901	\$ 33,906,447
Kellogg Company common stock	3,315,328,755	-	3,315,328,755	4,126,673,896	-	4,126,673,896
Diversified investments	4,366,977,606	195,073,792	4,171,903,814	4,268,827,220	183,565,428	4,085,261,792
Mission-driven investments	89,186,997	89,186,997	-	94,325,163	94,325,163	-
Program-related investments	59,272,165	59,272,165	-	48,805,970	48,805,970	-
Accrued interest and dividends	34,039,654	253,107	33,786,547	34,806,234	225,101	34,581,133
Property and equipment	43,131,440	43,131,440	-	47,144,496	47,144,496	-
Lease - right-of-use assets	3,778,793	3,778,793	-	-	-	-
Other assets*	3,382,099	1,724,254	1,820,011	3,122,088	1,928,894	1,604,248
Interest in irrevocable trusts	1,483,949	1,483,949	-	1,419,313	1,419,313	-
Total assets	\$ 8,089,395,173	\$ 474,525,317	\$ 7,615,032,022	\$ 8,769,327,728	\$ 487,711,266	\$ 8,282,027,516
LIABILITIES AND NET ASSETS						
<i>Liabilities</i>						
Accounts payable	\$ 7,562,256	\$ 7,562,256	\$ -	\$ 4,248,894	\$ 4,248,894	\$ -
Accrued liabilities*	4,800,783	4,800,783	162,166	3,621,340	3,621,340	411,054
Lease liabilities	3,778,793	3,778,793	-	-	-	-
Grant commitments payable	268,660,509	268,660,509	-	151,370,282	151,370,282	-
Long-term debt - social bond	300,000,000	-	300,000,000	300,000,000	-	300,000,000
Social bond accrued interest expense	3,053,750	-	3,053,750	3,053,750	-	3,053,750
Deferred federal excise tax liability	62,458,622	1,136,504	61,322,118	71,494,367	1,131,939	70,362,428
Postretirement liability	61,769,204	61,769,204	-	61,035,337	61,035,337	-
Total liabilities	712,083,917	347,708,049	364,538,034	594,823,970	221,407,792	373,827,232
<i>Net assets</i>						
Without donor restrictions	125,333,319	125,333,319	-	264,884,161	264,884,161	-
With donor restrictions	7,251,977,937	1,483,949	7,250,493,988	7,909,619,597	1,419,313	7,908,200,284
Total net assets	7,377,311,256	126,817,268	7,250,493,988	8,174,503,758	266,303,474	7,908,200,284
Total liabilities and net assets	\$ 8,089,395,173	\$ 474,525,317	\$ 7,615,032,022	\$ 8,769,327,728	\$ 487,711,266	\$ 8,282,027,516

*An intercompany receivable reported within other assets and payable reported within accrued liabilities of \$162,166 and \$411,054 are eliminated in the consolidated totals at August 31, 2023 and 2022, respectively.

The accompanying notes are an integral part of these consolidated financial statements.

**W. K. KELLOGG FOUNDATION AND
W. K. KELLOGG FOUNDATION TRUST**
Consolidated Statements of Activities
For the Years Ended August 31, 2023 and 2022

	2023			2022		
	Consolidated	W. K. Kellogg Foundation	W. K. Kellogg Foundation Trust	Consolidated	W. K. Kellogg Foundation	W. K. Kellogg Foundation Trust
REVENUE AND GAINS (LOSSES)						
Contributions from W. K. Kellogg Foundation Trust*	\$ -	\$ 377,000,000	\$ -	\$ -	\$ 384,020,372	\$ -
Contributions from irrevocable trusts	-	-	-	69,396	69,396	-
Total contributions	-	377,000,000	-	69,396	384,089,768	-
Interest and dividends	151,784,955	4,649,784	147,135,171	147,608,026	3,734,973	143,873,053
Net realized gains on investments, net of costs of earning income	227,874,557	111,779	227,762,778	362,723,264	7,557,541	355,165,723
Change in unrealized losses on investments and change in value in interest in irrevocable trusts	(650,721,901)	(339,880)	(650,382,021)	(38,338,718)	(23,760,132)	(14,578,586)
Net investment (loss) income	(271,062,389)	4,421,683	(275,484,072)	471,992,572	(12,467,618)	484,460,190
Total revenue and (losses) gains	(271,062,389)	381,421,683	(275,484,072)	472,061,968	371,622,150	484,460,190
EXPENSES						
Distributions to the W. K. Kellogg Foundation*	-	-	377,000,000	-	-	384,020,372
Grants	406,544,163	406,544,163	-	306,363,015	306,363,015	-
Interest expense - social bond	7,329,000	-	7,329,000	7,329,000	-	7,329,000
Program expenses	68,859,722	68,859,722	-	54,653,429	54,653,429	-
Supporting expenses	41,940,296	41,940,296	-	32,073,388	32,073,388	-
Federal excise tax (benefit) provision	(1,882,112)	224,664	(2,106,776)	6,880,159	(120,204)	7,000,363
Total expenses	522,791,069	517,568,845	382,222,224	407,298,991	392,969,628	398,349,735
Other components of net periodic benefit cost	(1,359,545)	(1,359,545)	-	(2,081,692)	(2,081,692)	-
Accumulated postretirement benefit (loss) gain	(1,979,499)	(1,979,499)	-	29,892,465	29,892,465	-
Total (decrease) increase in net assets	(797,192,502)	(139,486,206)	(657,706,296)	92,573,750	6,463,295	86,110,455
Net assets, at beginning of year	8,174,503,758	266,303,474	7,908,200,284	8,081,930,008	259,840,179	7,822,089,829
Net assets, at end of year	\$ 7,377,311,256	\$ 126,817,268	\$ 7,250,493,988	\$ 8,174,503,758	\$ 266,303,474	\$ 7,908,200,284
CHANGES IN NET ASSETS BY CATEGORY						
(Decrease) increase in net assets without restrictions	\$ (139,550,842)	\$ (139,550,842)	\$ -	\$ 33,179,139	\$ 33,179,139	\$ -
(Decrease) increase in net assets with donor restrictions	(657,641,660)	64,636	(657,706,296)	59,394,611	(26,715,844)	86,110,455
Total (decrease) increase in net assets	\$ (797,192,502)	\$ (139,486,206)	\$ (657,706,296)	\$ 92,573,750	\$ 6,463,295	\$ 86,110,455

*Intercompany contributions and distributions of \$377,000,000 and \$384,020,372 for the years ended August 31, 2023 and 2022, respectively, have been eliminated in the consolidated totals.

The accompanying notes are an integral part of these consolidated financial statements.

**W. K. KELLOGG FOUNDATION AND
W. K. KELLOGG FOUNDATION TRUST**
Consolidated Statements of Cash Flows
For the Years Ended August 31, 2023 and 2022

	2023			2022		
	Consolidated	W. K. Kellogg Foundation	W. K. Kellogg Foundation Trust	Consolidated	W. K. Kellogg Foundation	W. K. Kellogg Foundation Trust
CASH FLOWS FROM OPERATING ACTIVITIES						
(Decrease) increase in net assets	\$ (797,192,502)	\$ (139,486,206)	\$ (657,706,296)	\$ 92,573,750	\$ 6,463,295	\$ 86,110,455
<i>Adjustments to reconcile (decrease) increase in net assets to net cash (used in) provided by operating activities</i>						
Depreciation	5,900,968	5,900,968	-	4,213,683	4,213,683	-
Net realized (gains) on long-term investments	(251,918,016)	(2,298,205)	(249,619,811)	(382,316,974)	(8,842,199)	(373,474,775)
Change in net unrealized losses (gains) on investments and change in value in interest in irrevocable trusts	650,120,442	(261,579)	650,382,021	37,861,234	23,282,648	14,578,586
Adjustment for inherent contribution - program-related loans receivable and related amortization and unrealized loss	7,600,995	7,600,995	-	205,309	205,309	-
(Benefit) provision for deferred excise tax	(9,035,745)	4,565	(9,040,310)	(553,455)	(314,871)	(238,584)
<i>Change in operating assets and liabilities</i>						
Accrued interest and dividends	766,580	(28,006)	794,586	776,770	45,144	731,626
Other assets	(11,123)	204,640	(215,763)	(713,834)	325,531	(1,039,365)
Grant receivable - social bond*	-	-	-	-	150,000,000	-
Accounts payable	3,313,362	3,313,362	-	2,936,615	2,936,615	-
Accrued liabilities	930,555	1,179,443	(248,888)	(2,822,409)	(1,886,910)	(935,499)
Grant commitments payable	117,290,227	117,290,227	-	(121,554,722)	(121,554,722)	-
Grant commitments payable - social bond*	-	-	-	-	-	(150,000,000)
Postretirement liability	733,867	733,867	-	(29,067,402)	(29,067,402)	-
Net cash (used in) provided by operating activities	<u>(271,500,390)</u>	<u>(5,845,929)</u>	<u>(265,654,461)</u>	<u>(398,461,435)</u>	<u>25,806,121</u>	<u>(424,267,556)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of investments	(794,606,651)	(45,419,479)	(749,187,172)	(1,508,358,671)	(34,825,400)	(1,473,533,271)
Proceeds from sale of investments	1,114,672,510	41,544,429	1,073,128,081	1,789,074,437	64,369,230	1,724,705,207
Proceeds from payments on loan receivables	1,432,810	1,432,810	-	2,000,430	2,000,430	-
Disbursements for program-related investments	(19,500,000)	(19,500,000)	-	(13,300,000)	(13,300,000)	-
Acquisition of fixed assets	(2,390,614)	(2,390,614)	-	(1,802,140)	(1,802,140)	-
Disposal of fixed assets	502,701	502,701	-	-	-	-
Net cash provided by (used in) investing activities	<u>300,110,756</u>	<u>(23,830,153)</u>	<u>323,940,909</u>	<u>267,614,056</u>	<u>16,442,120</u>	<u>251,171,936</u>
Increase (decrease) in cash and cash equivalents	28,610,366	(29,676,082)	58,286,448	(130,847,379)	42,248,241	(173,095,620)
Cash and cash equivalents, beginning of year	144,203,349	110,296,902	33,906,447	275,050,728	68,048,661	207,002,067
Cash and cash equivalents, end of year	<u>\$ 172,813,715</u>	<u>\$ 80,620,820</u>	<u>\$ 92,192,895</u>	<u>\$ 144,203,349</u>	<u>\$ 110,296,902</u>	<u>\$ 33,906,447</u>

*Changes in the intercompany grant receivable - social bond and grant commitments payable - social bond of \$150,000,000 are eliminated in the consolidated total at August 31, 2022.

The accompanying notes are an integral part of these consolidated financial statements.

**W. K. KELLOGG FOUNDATION AND
W. K. KELLOGG FOUNDATION TRUST**
Notes to Consolidated Financial Statements
For the Years Ended August 31, 2023 and 2022

NOTE 1 NATURE OF BUSINESS

W.K. Kellogg Foundation (the Foundation) was established in 1930 as a Michigan nonprofit corporation functioning as a private grantmaking foundation. The W.K. Kellogg Foundation Trust (the Trust) was established in 1931 as a charitable trust under Michigan law and subsequently restated in 1934. Both entities were established by breakfast cereal innovator and entrepreneur Will Keith Kellogg for the purpose of improving the health, happiness and well-being of children. The Foundation is guided by the belief that all children should have an equal opportunity to thrive and has a goal to promote equitable outcomes for children of all races and ethnicities. To achieve this goal, it works with communities to create conditions for vulnerable children to realize their full potential in school, work, and life.

The Foundation is based in Battle Creek, Michigan, and works throughout the U.S. and internationally, as well as with sovereign tribes. Special emphasis is paid to priority places where there are high concentrations of poverty and where children face significant barriers to success. The Foundation's priority places are Michigan, Mississippi, New Mexico, and New Orleans in the U.S.; and internationally, in Mexico and Haiti.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements and accompanying notes have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the U.S. (U.S. GAAP).

The Foundation and the Trust recognize contributions as revenue and expense, respectively, in the period received/made. Contributions, net assets, and changes therein are classified and reported based on the existence or absence of donor-imposed restrictions. Refer to Note 8—Net Assets With Donor Restrictions for additional information.

Principles of Consolidation

The consolidated financial statements include the accounts of the Foundation and the Trust, of which the Foundation is the sole beneficiary. The Foundation and the Trust have separate boards, with the majority of the Trust's board members in common with the Foundation and are under common management. All material intercompany transactions and account balances were eliminated in the consolidation of accounts.

Cash and Cash Equivalents

Cash and cash equivalents include cash and highly liquid securities with original maturities of 90 days or less at the date of acquisition.

**W. K. KELLOGG FOUNDATION AND
W. K. KELLOGG FOUNDATION TRUST**
Notes to Consolidated Financial Statements
For the Years Ended August 31, 2023 and 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Program-Related Investments (PRIs)

The Foundation makes PRIs to other organizations in the U.S. and internationally. PRIs are strategic investments, beyond grants, made by the Foundation for the primary objective of furthering the Foundation's charitable purpose. These investments are comprised primarily of loans and equity investments. The production of income is not the primary driver of a PRI. For the fiscal years ended August 31, 2023 and 2022, the Foundation entered into two and four new PRIs, respectively.

The Foundation's loan portfolio includes loans invested in not-for-profit and private sector entities. These investments enable partner organizations to support the Foundation's mission. The partners use community-led strategies to improve the health, happiness and well-being of children and ensure equitable outcomes for children of all races and ethnicities. Interest payments are due on the outstanding loan amounts at interest rates ranging from 0%-2.5%. Repayment of the outstanding loan amounts is scheduled by the maturity dates, ranging from March 2025 to March 2033.

Loan PRIs consist of loans outstanding bearing a below-market interest rate. Loans are measured at fair value at inception to determine if a contribution element exists. Loans are recorded on a net basis, reflecting a discount on loan receivable (if a contribution element exists) or a reasonable loss reserve. The loss reserve is reviewed on an annual basis and adjusted if collectability risk has significantly changed based on the Foundation's understanding of the borrower's financial health and/or payment history. Management has reviewed all PRIs for the years ended August 31, 2023 and 2022, and no loss reserve has been recorded. Any costs of making loans are expensed as incurred.

Loans receivable are reported net of a discount of \$10,038,911 and \$3,045,817 at August 31, 2023 and 2022, respectively.

Equity PRIs include investments in equity funds. Equity investments are recorded at fair value. To arrive at the fair value, the Foundation obtains regular valuations from the investees, as well as the audited financial statements. The Foundation records unrealized gains or losses throughout the life of the investments and realized gains or losses upon liquidation or sale.

Loan Guarantee

The Foundation has entered into a third-party loan guarantee agreement totaling \$13,500,000 as of August 31, 2023. The guarantee has a ten-year term and there were no losses incurred on the guarantee agreement for the year ended August 31, 2023.

Investments

The Foundation and the Trust report investments at fair value. Investment securities are exposed to various risks, such as interest rate, market, and credit.

**W. K. KELLOGG FOUNDATION AND
W. K. KELLOGG FOUNDATION TRUST**
Notes to Consolidated Financial Statements
For the Years Ended August 31, 2023 and 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments *(continued)*

Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in values could affect the amounts reported in the accompanying consolidated financial statements. On March 11, 2020, the World Health Organization declared an outbreak of a coronavirus (COVID-19) pandemic. On May 11, 2023, the federal government ended the COVID-19 public health emergency and remains in an endemic state.

In June 2022, the Kellogg Company, the Trust's largest investment holding, announced the process of separating into three independent companies. In February 2023, the Kellogg Company announced it would only spinoff its North America cereal division. That process is not expected to be completed until the end of calendar 2023. Refer to Note 12—Subsequent Events for additional information. Due to transaction uncertainties, the impact on the Trust's investment portfolio is unknown at this time.

Three major categories of investments are presented in the consolidated statements of financial position: Kellogg Company common stock, diversified investments, and mission-driven investments (MDIs). Diversified investments represent investments in public equity securities, fixed-income debt securities, mutual funds, commingled funds, hedge funds, real estate funds, and private equity funds.

MDIs consist of temporary investments (see Note 3—Investments and Fair Value for description), fixed-income securities, and private equity investments. MDIs focus on providing both social and financial returns closely aligned with the Foundation's program elements, approaches, and geographic areas of focus as described in Note 1—Nature of Business.

Property and Equipment

Property and equipment are recorded at cost. Depreciation of property and equipment is generally computed on the straight-line basis over the estimated useful lives of the assets that range from three to 40 years. For the years ended August 31, 2023 and 2022, depreciation expense was \$5,900,968 and \$4,213,683, respectively.

Interest in Irrevocable Trusts

During the year ended August 31, 2022, the last survivor of an irrevocable trust that the Foundation had an interest in passed away. The irrevocable trust of \$26,086,834 was liquidated, distributed to the Foundation and the trust was terminated.

The Foundation has irrevocable rights as the beneficiary to one remaining trust and reports the fair value of its interest in irrevocable trust on the consolidated statements of financial position. The change in value in interest in the irrevocable trust is the gains or losses of the investments held in the trust reported on the consolidated statement of activities.

**W. K. KELLOGG FOUNDATION AND
W. K. KELLOGG FOUNDATION TRUST**
Notes to Consolidated Financial Statements
For the Years Ended August 31, 2023 and 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Grants

Unconditional grants are recorded as an expense in the year they are committed. Conditional grants are recorded as an expense when the conditions have been met. As of August 31, 2023 and 2022, the Foundation had conditional grants outstanding of \$26,463,187 and \$40,072,186, respectively.

Line of Credit

The Trust has entered into an unsecured, committed credit facility agreement that totaled \$200 million. Interest on outstanding borrowings was charged at the 30-day LIBOR rate plus an additional stated number of basis points through June 30, 2022. Beginning July 1, 2022, the interest rate on outstanding borrowings was updated to SOFR plus an additional stated number of basis points. There were no outstanding borrowings as of August 31, 2023 and 2022.

Long-Term Debt – Social Bond

In October 2020, the Trust and the Foundation executed a historic transaction with the Trust's issuance of an AAA-rated, 30-year, \$300 million taxable social bond. All proceeds of the social bond were then distributed to the Foundation, increasing grantmaking 50% over two fiscal years, to respond to critical and urgent needs within our communities created by the impact of the COVID-19 pandemic (see Note 6—Long-Term Debt – Social Bond).

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, liabilities, income, and expenses. Actual results could differ from those estimates.

Distribution of Trust Receipts

Under the Trust agreement, the Trust is required to distribute to the Foundation, at a minimum, its net interest income and dividends at least quarterly. As funds are distributed to the Foundation from the Trust, net assets are released from restriction.

Tax Status

The Foundation and the Trust are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). As private foundations described in Section 509(a) of the IRC, the Trust and Foundation are subject to federal excise tax of 1.39% on net investment income. The Foundation and the Trust are invested in certain alternative investments that may generate unrelated business taxable income (UBTI) and, therefore, may be subject to unrelated business federal and state income tax at applicable corporate and trust rates.

**W. K. KELLOGG FOUNDATION AND
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Notes to Consolidated Financial Statements
For the Years Ended August 31, 2023 and 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Pension and Other Postretirement Benefits Plan

The Foundation recognizes the funded status of the pension and other postretirement benefit plans on the consolidated statements of financial position, measures the fair value of plan assets and benefit obligations as of the date of the fiscal year-end consolidated statements of financial position, and provides additional disclosures in Note 7—Postretirement Benefits.

Reclassifications

Certain prior-year amounts reported in the consolidated financial statements were reclassified to conform to the current-year presentation.

Adopted Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02, *Leases*. ASU 2016-02 changes the accounting for leases, primarily by lessees in operating leases, by requiring (a) the recognition of (i) a lease asset (right of use) and a lease liability, initially measured at the present value of the lease payments, in the statement of financial position and (ii) a single lease cost, calculated so that the cost of the lease is allocated over the lease term, generally on a straight-line basis, and (b) the classification of all lease payments within the operating activities in the statement of cash flows. In June 2020, the effective date of ASU 2016-02 was deferred to fiscal years beginning after December 15, 2021. During 2023, the Foundation and Trust adopted ASU 2016-02. For leases that commenced before the effective date of ASU 2016-02, the Foundation and Trust elected the permitted practical expedients to not reassess the following: (i) whether any expired or existing contracts contain leases; (ii) the lease classification for any expired or existing leases; and (iii) initial direct costs for any existing leases. As a result of adopting ASU 2016-02, the Foundation and Trust recognized an operating lease liability of \$3,778,793, with a corresponding operating lease right-of-use asset of the same amount. The lease-related disclosures are included in Note 11 – Leases.

Recent Accounting Pronouncement

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which creates a new credit impairment standard for financial assets measured at amortized cost and available-for-sale debt securities. The ASU requires financial assets measured at amortized cost (including loans, trade receivables, and held-to-maturity debt securities) to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses. The measurement of credit losses for newly recognized financial assets (other than certain purchased assets) and subsequent changes in the allowance for credit losses are recorded in the statement of activities as the amounts expected to be collected change. This guidance is effective for annual reporting periods beginning after December 15, 2022, which will be fiscal year ending August 31, 2024 for the Foundation and Trust. The Foundation and Trust are evaluating the requirements of ASU 2016-13 and its impact on the presentation of the consolidated financial statements and disclosures.

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NOTE 3 INVESTMENTS AND FAIR VALUE

The investment goal of the Foundation and the Trust is to maintain or grow its spending power in real (inflation-adjusted) terms, with risk at a level appropriate for the Foundation's programmatic spending and objectives. The Foundation and the Trust diversify investments among various financial instruments and asset categories by using multiple investment strategies.

The financial assets of the Foundation and the Trust are managed by a select group of investment managers and held in custody by a major commercial bank, except for assets invested with private equities, hedge funds, and commingled funds that have separate arrangements appropriate to their legal structure.

Temporary investments consist of cash and cash equivalents, demand deposits, and short-term investment funds maintained at commercial banks. These investments are held as part of the Foundation's and the Trust's long-term investment strategy. Temporary investments are considered highly liquid instruments with maturities of 90 days or less at the time of purchase. The Foundation and the Trust maintain their cash and cash equivalents with high-quality financial institutions and such amounts may exceed Federal Deposit Insurance Corporation limits.

Public equity securities and fixed-income securities, which include stocks and bonds that are listed on national securities exchanges, quoted on the NASDAQ or on the over-the-counter market, are valued at the last reported sale price, or in the absence of a recorded sale, at the most recent bid price at the reporting date. These securities include U.S. and foreign government debt and corporate bonds. The Foundation's and the Trust's investments in corporate and government bonds are exposed to issuer credit risk until these bonds are sold or mature. Futures, forwards, and options, which are traded on exchanges, are valued at the last reported sale price or at the most recent bid price if they are traded over-the-counter market.

The Trust is invested in Kellogg Company common stock and held 54,331,838 and 56,731,838 shares as of August 31, 2023 and 2022, respectively. The Foundation and the Trust are potentially subject to market risk, resulting from its concentration in Kellogg Company common stock. Additional disclosures provided in Note 12 – Subsequent Events.

Commingled, hedge, real estate, and private equity funds are valued based on the net asset value (NAV) reported by the investment manager, which are generally calculated based on the last reported sale price of the underlying assets held by such funds. These funds are typically structured as limited partnerships and limited liability companies.

Since there is no readily available market for investments in limited partnerships and limited liability companies, such investments are stated at fair value as estimated in an inactive market. These investments include securities of companies that may not be immediately liquid, such as private debt and private equity securities and real estate or other assets. The valuations of these investments are based upon values provided by the investment managers, based on guidelines established with those investment managers and in consideration of other factors related to the Foundation's and the Trust's interests in these investments.

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NOTE 3 INVESTMENTS AND FAIR VALUE *(continued)*

The Foundation and the Trust obtain and consider the audited financial statements of such investees when evaluating the overall reasonableness of carrying value. The financial statements of the investees are audited annually by independent auditors, although the fiscal year end for the investees does not coincide with the Foundation's and the Trust's fiscal year end. The Foundation and the Trust utilize the practical expedient methodology in compliance with U.S. GAAP and use NAVs reported in the manager statements to estimate fair value.

The Foundation and the Trust believe this method provides a reasonable estimate of fair value. However, the recorded value may differ from the fair value had a readily available market existed for such investments.

Investment transactions are recorded on the trade-date. Dividend and interest income are accrued when earned. Realized gains or losses recognized upon sales and withdrawals and unrealized appreciation (depreciation) resulting from market fluctuations are recognized when they occur and are computed using the specific-identification method. Gains on distributions from private equity funds, which may be received in cash or securities, are reflected in investment income as realized gains and losses. Investment expenses are netted against realized gains for the years ended August 31, 2023 and 2022, respectively, as outlined in the table below.

Investment Expenses

	<u>2023</u>	<u>2022</u>
Trust	\$ 21,857,033	\$ 18,309,052
Foundation	1,667,226	1,070,379
Consolidated	<u>\$ 23,524,259</u>	<u>\$ 19,379,431</u>

Assets and liabilities denominated in foreign currencies at year end are translated into U.S. dollars based upon exchange rates as of August 31, with any resulting adjustment included in net unrealized gains and losses on investments. Transactions in foreign currencies during the year are translated into U.S. dollars at the exchange rate prevailing on the transaction date and are recorded as realized gains or losses.

Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, establishes a fair value disclosure framework that prioritizes and ranks the level of observable inputs used in measuring investments at fair value.

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

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NOTE 3 INVESTMENTS AND FAIR VALUE *(continued)*

Level 1: Inputs based on quoted prices for identical assets or liabilities in an active market that the Foundation and the Trust can access. An active market for the asset or liability is one in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis. A quoted price in an active market usually provides the most reliable evidence of fair value and is generally used without adjustment if available. This classification includes public equities and other fixed-income securities with observable market prices.

Level 2: Inputs that are observable either directly or indirectly but are not Level 1 inputs. Level 2 inputs include quoted prices for similar instruments, broker quotes, or observable inputs that directly impact value, such as interest rates, prepayment speeds, and credit risk. Pricing inputs, including broker quotes, are generally those other than exchange-quoted prices in active markets, and fair values are determined through the use of models or other valuation methodologies.

Level 3: Inputs that are unobservable. Level 3 inputs are generally used in situations where there is little, if any, market activity for the investment. These inputs into the determination of fair value require significant management judgment or estimation. Due to the inherent uncertainty of these estimates, these values may differ significantly from the values that would have been used had a ready market for these investments existed.

Investments that provide an NAV are considered to be recorded at management's best estimate at fair value. These securities are included in the fair value hierarchy table as investments measured at NAV. Investments in this category generally include private fund investment structures and limited partnership interests.

The following tables present the fair value of investments carried on the consolidated statements of financial position, by level within the fair value hierarchy, as of August 31, 2023 and 2022, respectively.

	2023			
	Total	Level 1	Level 2	Level 3
ASSETS				
Temporary investments	\$ 137,719,394	\$ 137,719,394	\$ -	\$ -
Kellogg Company common stock	3,315,328,755	3,315,328,755	-	-
Equities	494,596,502	494,596,502	-	-
Fixed-income securities	121,548,714	20,169,071	101,379,643	-
Private equities	9,461,190	-	-	9,461,190
Total fair value measurements	4,078,654,555	\$ 3,967,813,722	\$ 101,379,643	\$ 9,461,190
Investments measured at NAV	3,807,326,732			
Total investments	\$ 7,885,981,287			
Interests in irrevocable trusts	\$ 1,483,949	\$ -	\$ -	\$ 1,483,949

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NOTE 3 INVESTMENTS AND FAIR VALUE (continued)

	2022			
	Total	Level 1	Level 2	Level 3
ASSETS				
Temporary investments	\$ 73,867,537	\$ 73,867,537	\$ -	\$ -
Kellogg Company common stock	4,126,673,896	4,126,673,896	-	-
Equities	450,522,744	450,522,744	-	-
Fixed-income securities	106,228,510	-	103,228,510	3,000,000
Private equities	9,520,662	-	-	9,520,662
Total fair value measurements	4,766,813,349	\$ 4,651,064,177	\$ 103,228,510	\$ 12,520,662
Investments measured at NAV	3,781,533,302			
Total investments	\$ 8,548,346,651			
Interests in irrevocable trusts	\$ 1,419,313	\$ -	\$ -	\$ 1,419,313

There was a net receivable on unsettled trades of \$152,837 and \$567,514 as of August 31, 2023 and 2022, respectively. The net receivables are reported in diversified investments in the accompanying consolidated statements of financial position.

The following tables summarize foreign investment holdings as of August 31, 2023 and 2022:

	2023			
	Total	Level 1	Level 2	Level 3
FOREIGN HOLDINGS				
Equities	\$ 137,651,345	\$ 137,651,345	\$ -	\$ -
Fixed-income securities	3,277,635	-	3,277,635	-
Total fair value measurements	140,928,980	\$ 137,651,345	\$ 3,277,635	\$ -
Investments measured at net asset value	1,048,409,076			
Total investments	\$ 1,189,338,056			
	2022			
	Total	Level 1	Level 2	Level 3
FOREIGN HOLDINGS				
Equities	\$ 101,255,390	\$ 101,255,390	\$ -	\$ -
Fixed-income securities	3,444,981	-	3,444,981	-
Total fair value measurements	104,700,371	\$ 101,255,390	\$ 3,444,981	\$ -
Investments measured at NAV	1,085,491,804			
Total investments	\$ 1,190,192,175			

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NOTE 3 INVESTMENTS AND FAIR VALUE *(continued)*

The Foundation and the Trust invest in commingled funds and other alternative investments, which are typically structured as partnerships, limited liability companies, or offshore investment vehicles. The following table summarizes the investment strategy types of the funds as of August 31, 2023 and 2022:

	2023		2022	
	Fair Value	Unfunded Commitments	Fair Value	Unfunded Commitments
Commingled funds ^(a)	\$ 530,553,333	\$ -	\$ 546,821,658	\$ -
Hedge funds ^(b)	1,659,699,497	-	1,601,432,377	-
Fixed-income funds ^(c)	41,258,971	-	38,312,008	-
Private equity funds ^(d)	1,363,131,546	570,834,583	1,373,439,826	540,922,249
Real estate funds ^(d)	212,683,385	94,974,031	221,527,433	98,171,149
Total	\$ 3,807,326,732	\$ 665,808,614	\$ 3,781,533,302	\$ 639,093,398

- (a) "Commingled funds" are highly liquid and the majority of these funds can be redeemed within short-term periods of time.
- (b) The redemption frequency of "hedge funds" can be quarterly, semi-annually, annually, or multi-year, with a notice of redemption ranging from 30 to 180 days. This category includes hedge funds that invest using different strategies, such as long/short equity, credit focused, multi-strategy, arbitrage, and other means.
- (c) "Fixed-income funds" represent participation in fixed-income instruments through private partnerships, which are highly liquid and can be redeemed within short-term periods of time.
- (d) "Private equity funds" and "real estate funds" are liquidated through distributions generated upon the sale of the underlying investments. The private equity funds and real estate funds categories include private funds that invest globally in public and private companies across several industries.

Grant Commitments Payable

The fair value of grant commitments payable is determined at the time of award. The fair values of grants payable in more than one year, which totaled \$178,342,059 and \$38,799,556 at August 31, 2023 and 2022, respectively, were evaluated based on discounted cash flows analyses, utilizing an assumed risk-free rate of interest. For the fiscal year ended August 31, 2023, grant commitments payable is reported net of a discount of \$38,499,791. For fiscal year 2022, no change in the present value discount was recognized as the Foundation asserted the fair value approximated the recorded value and the adjustment was deemed to be immaterial. Total grant commitments payable at August 31, 2023, are expected to be paid to grantees as follows: approximately \$128,818,241 in fiscal year 2024, \$54,573,067 in fiscal year 2025, \$20,938,165 in fiscal year 2026 and \$102,830,827 thereafter.

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NOTE 4 INCOME TAXES AND SUPPLEMENTAL CASH FLOW INFORMATION

The Foundation's and Trust's current and deferred provision for federal excise tax is based on a 1.39% rate for the fiscal years ended August 31, 2023 and 2022. The deferred provision is based on unrealized appreciation and assumes complete liquidation of all assets. Unrelated business taxable income, as defined by the IRC, may be subject to tax at applicable corporate and trust rates and is included in the current tax provision. The current and deferred tax provisions and cash flows associated with taxes are reflected in the table below.

	Foundation		Trust	
	2023	2022	2023	2022
Current tax provision (benefit)	\$ 220,098	\$ 194,667	\$ 6,933,534	\$ 7,238,947
Deferred tax provision (benefit)	4,566	(314,871)	(9,040,310)	(238,584)
Total current and deferred tax provision (benefit)	\$ 224,664	\$ (120,204)	\$ (2,106,776)	\$ 7,000,363
Cash payments for federal excise tax	\$ 527,433	\$ 126,302	\$ 6,075,000	\$ 8,200,000
Cash (refunds) payments for federal UBI tax	(8,000)	76,000	975,000	5,026
Total cash payments for federal taxes	\$ 519,433	\$ 202,302	\$ 7,050,000	\$ 8,205,026

To ensure compliance with the Internal Revenue Service (IRS) guidelines, the Foundation continues to develop and manage internal budgets on the cash or modified-cash basis. Cash expenditures for the fiscal years ended August 31, 2023 and 2022, were as follows:

	2023	2022
Grants	\$ 285,845,825	\$ 429,217,687
Program activities and general operations	102,527,903	83,545,571
Costs of earning income and excise tax	2,186,427	1,297,095
	\$ 390,560,155 *	\$ 514,060,353 *

* Amounts presented are based on preliminary tax preparation. As the return is finalized, the listed amounts may be subject to change.

Management evaluated all tax positions and concluded that the Foundation and the Trust have no uncertain tax positions that require recognition in the accompanying consolidated financial statements or further disclosure in the notes to the consolidated financial statements. The Foundation and the Trust file annual informational returns with the IRS and state and local tax authorities. The entities are subject to audits by taxing jurisdictions; however, no audits for any periods are currently in progress. Management believes that the entities are no longer subject to audits for years prior to 2019 under federal, state, and local tax jurisdictions.

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NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment at August 31, 2023 and 2022, are summarized as follows:

	<u>2023</u>	<u>2022</u>
Land and land improvements	\$ 19,005,438	\$ 19,005,438
Buildings and building improvements	62,989,850	63,274,428
Equipment	2,451,151	2,848,461
Furniture and fixtures	5,964,929	5,873,341
Capitalized software costs	17,965,724	20,716,403
Work in process	1,117,360	486,765
	<u>109,494,452</u>	<u>112,204,836</u>
Accumulated depreciation	<u>(66,363,012)</u>	<u>(65,060,340)</u>
Total	<u><u>\$ 43,131,440</u></u>	<u><u>\$ 47,144,496</u></u>

NOTE 6 LONG-TERM DEBT – SOCIAL BOND

In October 2020, the Trust issued \$300,000,000 of Series 2020 taxable social bonds that will mature on October 1, 2050. The bonds were not registered with the U.S. Securities Act of 1933 or the securities laws of any jurisdiction, but instead were offered and sold only to qualified institutional buyers in reliance on Rule 144A under the Securities Act. Interest is due semiannually at a fixed rate of 2.443% and a balloon payment of principal is due at maturity on October 1, 2050. The outstanding balance of long-term debt related to this issuance was \$300,000,000 as of August 31, 2023 and 2022.

NOTE 7 POSTRETIREMENT BENEFITS

The Foundation offers a defined contribution retirement plan to full- and part-time employees. New hires may participate immediately upon hire and receive a matching contribution from the Foundation. Additional employer contributions are made after the employee works 900 hours in a plan year. The Foundation funded and charged to expense contributions of \$4,381,768 and \$3,985,241 in 2023 and 2022, respectively, related to the defined contribution plan.

The Foundation has a defined benefit retirement plan funded in amounts sufficient to meet the minimum funding requirements of the Employee Retirement Income Security Act of 1974, as amended. The Foundation contributed \$900,000 and \$400,000 to the defined benefit retirement plan during years ended August 31, 2023 and 2022, respectively. The defined benefit retirement plan was closed to employees hired after June 1, 2012, and the plan formula was changed for prospective benefit accruals beginning September 1, 2012. The pension plan's assets consist of mutual funds that are considered Level 1 assets in accordance with ASC 820. The Foundation also provides postretirement medical and life insurance benefits ("Other benefits") to employees who meet eligibility requirements.

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NOTE 7 POSTRETIREMENT BENEFITS *(continued)*

The Foundation sponsored the Retiree Medical Plan, covering healthcare claims for retirees and eligible dependents. The plan was closed to employees hired after June 1, 2012 and was replaced by a Retiree HRA plan, a reimbursement-only plan, covering the value of premiums of other non-Foundation medical plans, beginning September 1, 2012. The total postretirement benefits liability of \$61,769,204 and \$61,035,337 at August 31, 2023 and 2022, respectively, is comprised of the following components:

	Pension Benefits		Other Benefits	
	2023	2022	2023	2022
Benefit obligation—August 31	\$ 6,914,003	\$ 4,327,864	\$ 61,068,925	\$ 61,742,428
Fair value of plan assets—August 31	6,213,724	5,034,955	-	-
Funded (unfunded) status	\$ (700,279)	\$ 707,091	\$ (61,068,925)	\$ (61,742,428)
Accrued benefit cost recognized in the consolidated statements of financial position	\$ (700,279)	\$ 707,091	\$ (61,068,925)	\$ (61,742,428)
Accumulated benefit obligation	\$ 3,574,018	\$ 2,911,913		
Amounts not yet reflected in net periodic benefit costs				
Accumulated gain (loss)	\$ (1,174,364)	\$ 1,275,961	\$ 22,834,953	\$ 22,364,127
Total	\$ (1,174,364)	\$ 1,275,961	\$ 22,834,953	\$ 22,364,127
Changes in amounts not yet reflected in net periodic benefit costs				
Net actuarial gain (loss)	\$ (2,356,007)	\$ 2,817,523	\$ 1,707,639	\$ 27,116,698
Amortization of prior service cost (credit)	-	-	-	-
Amortization of actuarial (gain) loss	(94,318)	(41,756)	(1,236,813)	-
Total	\$ (2,450,325)	\$ 2,775,767	\$ 470,826	\$ 27,116,698
Amortization amounts to be reflected in net periodic benefit costs for fiscal year 2023				
Net actuarial gain (loss)	\$ 94,318	\$ (76,022)	\$ 1,236,813	\$ -
Total	\$ 94,318	\$ (76,022)	\$ 1,236,813	\$ -
Benefit costs, employer contribution and benefits paid				
Benefit cost	\$ (142,955)	\$ (13,914)	\$ 2,514,707	\$ 3,822,853
Employer contribution	900,000	400,000	2,717,384	2,583,876
Benefits paid	269,981	399,485	2,717,384	2,583,876
Assumptions to determine benefits obligations				
Discount rate	5.36%	4.66%	5.36%	4.66%
Expected rate of return on plan assets	6.50%	6.50%	N/A	N/A
Rate of compensation increase	4.00%	4.00%	N/A	N/A
Measurement date	August 31	August 31	August 31	August 31
Assumptions used to determine expense				
Discount rate	4.66%	2.64%	4.66%	2.64%
Expected rate of return on plan assets	6.50%	6.50%	N/A	N/A
Rate of compensation increase	4.00%	4.00%	N/A	N/A
Health care cost trend rate assumptions				
Immediate trend rate assumption pre-/post-Medicare	N/A	N/A	6.00%	6.20%
Ultimate trend rate	N/A	N/A	4.00%	4.00%
Year trend rate is reached pre-/post-Medicare	N/A	N/A	2041	2041

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NOTE 7 POSTRETIREMENT BENEFITS *(continued)*

During fiscal year 2023, the Foundation utilized the same mortality assumption used in fiscal year 2022. During fiscal year 2022, the Foundation changed its mortality assumption to the PRI-2012 table for non-annuitants, annuitants and contingent surviving spouses with the MP2021 projection scale.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid by the defined benefit retirement plan and the postretirement medical plan based on the same assumptions used to measure the Foundation's benefit obligation at August 31, 2023:

<u>Year Ending August 31</u>	<u>Pension</u>	<u>Postretirement</u>
2024	\$ 878,450	\$ 3,062,539
2025	515,031	3,225,260
2026	542,714	3,365,260
2027	788,964	3,523,152
2028	755,212	3,680,584

Investment Policy

The Foundation's Retirement Plan Committee oversees and monitors the pension plan investment policy with technical expertise provided by the Fund Evaluation Group. To realize the plan's expected rate of return and be within an actuarial tolerance range based on asset allocation, pension plan assets are split (80%/20%) between the Vanguard Total World Stock Index Fund Institutional Shares (VTWIX) and the Western Asset Core Plus Bond Fund (WACPX), respectively, with accounts held at and reported by The Vanguard Group. The VTWIX equity fund tracks the performance of a benchmark index that measures the investment return for large-, mid-, and small-capitalization global stocks. The WACPX bond fund focuses mainly on a high-quality, U.S. domestic core fixed-income portfolio that may be enhanced with an allocation to high-yield, non-U.S. and emerging market debt. The asset allocation was selected to maximize the return as pension plan cash flow requirements may be met by the Foundation's operating budget, as needed.

Basis Used to Determine the Overall Expected Rate of Return on Plan Assets

To develop the expected long-term rate of return on plan assets assumption, the Foundation considered the historical returns and the future expectations for returns for each asset class in the fund, as well as its target asset allocation. This strategy resulted in the selection of the 6.50% long-term rate of return on plan assets assumption for each of 2023 and 2022.

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NOTE 7 POSTRETIREMENT BENEFITS *(continued)*

Risks and Uncertainties

Contributions are made to the employee benefit plans based on the present value of accumulated plan benefits, which are based on certain assumptions pertaining to interest rates, inflation rates, and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimation and assumption processes, it is at least reasonably possible that changes in these estimates and assumptions in the near term could materially affect the amounts reported and disclosed in the consolidated financial statements.

NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions of the Trust include all net assets, which are restricted until released to the Foundation. Releases from restrictions of \$377,000,000 and \$384,020,372 were recorded for the years ended August 31, 2023 and 2022, respectively. Donor restrictions are deemed satisfied at the time the Trust makes a contribution to the Foundation.

Net assets with donor restrictions of the Foundation consist of contributions receivable from irrevocable trusts, which are restricted until such assets are received. The Foundation's net assets with donor restrictions increased by \$64,636 and decreased by \$26,715,844 for the years ended August 31, 2023 and 2022, respectively, which represented the change in the fair value of the trusts to which the Foundation has irrevocable rights as beneficiary.

NOTE 9 FUNCTIONAL EXPENSES

The Foundation's grant and administrative expenses have been allocated between programs and supporting activities. Grants and charitable costs relate to activities of the Foundation, such as reviewing grant applications, awarding, monitoring and evaluating the grants, as well as the actual grant expenses. Certain costs, principally employee benefits, occupancy and telecommunication services, are allocated among the programs and supporting services on the basis of headcount in the respective functional areas.

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NOTE 9 FUNCTIONAL EXPENSES *(continued)*

The expenses are summarized on a functional basis in the tables below for 2023 and 2022:

	2023	
	<u>Program</u>	<u>Support</u>
Salaries and benefits	\$ 30,868,458	\$ 12,608,243
Professional services	26,476,027	23,478,741
Depreciation	4,425,726	1,475,242
Occupancy	1,207,846	1,028,906
Travel, conferences and meetings	1,553,563	731,088
Technology and equipment	2,369,061	1,514,645
Other expenses	1,959,041	1,103,431
	<u>68,859,722</u>	<u>41,940,296</u>
Grants	406,544,163	-
	<u>\$ 475,403,885</u>	<u>\$ 41,940,296</u>

	2022	
	<u>Program</u>	<u>Support</u>
Salaries and benefits	\$ 28,186,850	\$ 11,512,939
Professional services	17,919,254	15,890,659
Depreciation	3,160,262	1,053,421
Occupancy	1,238,066	1,054,648
Travel, conferences and meetings	454,128	213,707
Technology and equipment	2,754,307	1,760,950
Other expenses	940,562	587,064
	<u>54,653,429</u>	<u>32,073,388</u>
Grants	306,363,015	-
	<u>\$ 361,016,444</u>	<u>\$ 32,073,388</u>

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NOTE 10 LIQUIDITY AND AVAILABILITY OF RESOURCES

The Foundation and the Trust's financial assets available to meet cash needs for general expenditures within one year of the consolidated statement of financial position are as follows at August 31, 2023 and 2022:

	2023		
	Consolidated	Foundation	Trust
Cash, including cash held in investments	\$ 195,400,043	\$ 80,897,799	\$ 114,502,244
Actively traded investments	3,931,473,971	107,201,770	3,824,272,201
Investments measured at NAV	1,782,548,900	70,099,789	1,712,449,111
Available financial assets	\$ 5,909,422,914	\$ 258,199,358	\$ 5,651,223,556

	2022		
	Consolidated	Foundation	Trust
Cash, including cash held in investments	\$ 159,428,478	\$ 112,726,154	\$ 46,702,324
Actively traded investments	4,680,425,149	100,868,000	4,579,557,149
Investments measured at NAV	1,810,941,224	59,380,575	1,751,560,649
Available financial assets	\$ 6,650,794,851	\$ 272,974,729	\$ 6,377,820,122

The Foundation and the Trust structure their financial assets to be available for general expenditures, grant disbursements and other operational obligations as they arise. The Trust's assets are subject to an annual minimum spending policy of 5% and are appropriated annually by the Board of Directors for distribution to the Foundation as its sole beneficiary. The Foundation's assets are also subject to an annual minimum spending policy of 5% and are appropriated annually by the Board of Directors for grantmaking. While the amounts depicted in the table above are available to meet cash needs within one year of the date of the consolidated statements of financial position, they are further subject to the annual appropriations by the Board of Directors. Although the Foundation and Trust do not intend to liquidate assets other than for amounts needed for general expenditures appropriated during the year, these assets could be made available to increase the spending policy, if necessary.

NOTE 11 LEASES

The Foundation has operating leases (collectively, leases) for office space with terms ranging from five to eight years. Total lease expense for all operating leases was \$886,194 and \$739,213 for the years ended August 31, 2023 and 2022, respectively, and is included in program and supporting expenses in the accompanying statements of activities.

**W. K. KELLOGG FOUNDATION AND
W. K. KELLOGG FOUNDATION TRUST**
Notes to Consolidated Financial Statements
For the Years Ended August 31, 2023 and 2022

NOTE 11 LEASES *(continued)*

Future minimum payments required under all the operating leases are as follows:

<u>Year Ending</u>	<u>Amounts</u>
2024	\$ 734,495
2025	789,273
2026	802,855
2027	816,580
2028	418,198
Thereafter	<u>581,635</u>
	4,143,036
Less: Present value discount	<u>(364,243)</u>
Total	<u>\$ 3,778,793</u>

Other information related to leases after the adoption date of August 31, 2023, was as follows:

Cash paid for rent was \$761,782 and \$571,840 for the years ended August 31, 2023 and 2022, respectively.

The weighted-average remaining lease term for operating leases is 120 months.

The weighted-average discount rate for operating leases is 4.09%.

No sublease income or expense is recorded as of August 31, 2023.

NOTE 12 SUBSEQUENT EVENTS

Since its establishment in 1930 by Mr. Kellogg, the Trust has continued to own substantial equity in Kellogg Company. On October 2, 2023, the Kellogg Company announced the completion of a previously announced spin-off, resulting in two independent public companies, whereby holders of Kellogg Company stock received stock in Kellanova through a 1:1 stock split and W.K. Kellogg Co through a 4:1 stock dividend. Kellanova (the company formerly known as Kellogg Company) continued to trade on the NYSE under the ticker symbol "K." On October 2, 2023, W.K. Kellogg Co began trading on the NSYE under the ticker symbol "KLG." Kellanova, W.K. Kellogg Co, the Foundation, and the Trust continue to be separate, independent organizations. The Foundation and Trust also continue to be governed by their own independent boards of trustees and are not managed or directed by either Kellanova or W.K. Kellogg Co.

The Foundation and the Trust evaluated events and transactions occurring between September 1, 2023, and December 6, 2023, which is the date that the consolidated financial statements were available to be issued, for disclosure and recognition purposes.

SUPPLEMENTAL SCHEDULE

**W. K. KELLOGG FOUNDATION AND
W. K. KELLOGG FOUNDATION TRUST**
Supplemental Schedule of Gifts and Receipts
From Inception through August 31, 2023

This schedule represents an analysis of the Foundation's gifts and the Trust's receipts at historical value from inception through August 31, 2023. The Foundation and the Trust were established in 1930 and 1934, respectively.

Assets stated at estimated values at dates received

Gifts from founder and his estate \$ 8,449,738

Distribution from W. K. Kellogg Foundation Trust

Kellogg Company preferred stock	\$ 7,541,625	
Securities received under terms of founder's will and W. K. Kellogg Distribution Trust	4,109,252	11,650,877

Gifts from others

Pomona Ranch and Gull Lake Estate contributed by U.S. Government	1,077,562	
Assets contributed by Fellowship Corporation	203,207	
Gift from Morris estate	3,231,208	
Gift from Tuttle estate	677,568	
Miscellaneous gifts	208,108	5,397,653

Assets acquired through dissolution of trusts

W. K. Kellogg Foundation Trust at Old Merchants National Bank and Trust Company	514,861	
Boys' Club Trust	171,076	
Gull Lake Estate Trust	358,538	
Palm Springs Trust	60,910	
Karl H. Kellogg Trust	108,654	
Chapin-Rhodes-Beldon Trust	229,020	
Belden-Chapin Trust	143,138	
Bernhard Peterson Trust	33,029	
Clara Way Trusts	380,370	
Williamson Trusts	1,389,816	
W. K. Kellogg Northwestern Mutual Insurance Trust	523,413	
J.H. Williamson Trust	258,401	
Glenn A. Cross Trust	4,353,834	
Carrie Staines Trust	52,463,328	
W.K. Kellogg Annuity Trust	26,086,834	87,075,222
		\$ 112,573,490

