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| W. M. KECK FOUNDATION

In performing an audit in accordance with GAAS, we:

• Exercise professional judgment and maintain professional skepticism throughout the audit.

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

• Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in
the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation’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 the Foundation’s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

May 12, 2022

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Year Ended December (in thousands)

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Change in net assets       
Adjustments to reconcile change in net assets
restrictions to net cash used in operating activities:
Depreciation and amortization  
Net realized gains on investments ( ) ( )
Net change in unrealized gains on investments () ( )
Changes in operating assets and liabilities:
Interest and dividends receivable 
Prepaid federal excise taxes ( ) 
Other assets () 
Receivable from brokers ( ) ( )
Payable to brokers  
Accounts payable and accrued expenses  ()
Lease liabilities () ()
Deferred federal excise taxes payable   
Grants payable   ()
Net cash used in operating activities ( ) (  )

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Purchases of investments (  ) (  )
Proceeds on disposition of investments and return of capital   
Acquisition of xed assets () ()
Net cash provided by investing activities    
Net increase in cash and cash equivalents  
Cash and cash equivalents, beginning of year     
Cash and cash equivalents, end of year      

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Taxes paid during the year     
See accompanying notes.

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Formation and Goals of the Foundation

W. M. Keck established the W. M. Keck Foundation (the Foundation) as a charitable trust in . In , Mr. Keck changed
the trust entity to a corporate entity by forming the W. M. Keck Foundation as a Delaware corporation and transferring the trust’s assets, and eventually by bequeathing the residue of his estate, to the corporation. It is this Delaware corporation that

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Fair Value of Measurement
The Foundation applies the principles of ASC 820, Fair Value Measurement, for all financial assets and liabilities that are recognized or disclosed at fair value in the financial statements. This standard defines fair value, establishes a consistent framework for measuring fair value, and expands disclosure for each major asset and liability category measured at fair value on either a recurring or nonrecurring basis. The standard clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, the Foundation establishes a three-level fair value hierarchy that prioritizes the inputs used in measuring fair value as follows:

Level 1 – Assets that have readily observable prices (quoted prices in active markets accessible at the measurement date for assets). The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2 – Assets that are based on quoted prices for similar instruments in active markets, quoted prices for identical
or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term
of the assets or liabilities. Financial assets and liabilities in this category generally include asset-backed securities, corporate bonds and loans, municipal bonds, forward contracts, future contracts, interest and credit swap agreements, options, and interest rate swaps.

Level 3 – Assets whose fair value cannot be determined by using observable measures and can only be calculated using estimates or risk-adjusted value ranges, when little or no market data is available. The inputs into the determination of fair value require management’s judgment or estimation of assumptions that market participants would use in pricing the assets or liabilities. The fair values are, therefore, determined using factors that involve considerable judgment and interpretations, including, but not limited to, private and public comparable, third-party appraisals, discounted cash flow models, and fund manager estimates. The fair value hierarchy gives lowest priority to Level 3 inputs.

Assets and liabilities measured at fair value are based on one or more of three valuation techniques noted below:
(a) Market approach. Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.
(b)Cost approach. Amount that would be required to replace the service capacity of an asset (replacement cost).
(c) Income approach. Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing, and excess earnings models).

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The Foundations assets measured at fair value on a recurring basis at December 31, 2021, were as follows (in thousands):

Investments
Level 1 Level 2 at NAV Total
Assets:

Common and preferred stock $ 781,851 $  $  $ 781,851
Corporate bonds  31,980  31,980
Municipal bonds  3,569  3,569
Government bonds 31,395 43  31,438
Foreign investments 74,185 32,101  106,286
Mortgage- and asset-backed securities  78,117  78,117
Mutual funds 344,211   344,211
Private equity funds   394,684 394,684
Hedge funds   27,087 27,087
Total $ 1,231,642 $ 145,810 $ 421,771 $ 1,799,223

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The Foundation has made total capital contributions (net of distributions/return of capital) of  to private equity
funds and hedge funds it held as of December  ,  . The hedge fund can be redeemed on a quarterly basis after a one-year lock-up and are invested in Level , Level , and Level  investments. The private equity funds are primarily invested in assets valued using Level  inputs and, as of December  ,  , are subject to lock-up provisions up to nine years subject to certain further extension adjustments. The Foundation had total future capital commitments related to private equity funds of
  as of December  ,  .

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The Foundation quali es as a tax-exempt organization under Section  (c)() of the Internal Revenue Code and, accordingly,
is not subject to federal income taxes. However, the Foundation is classi ed under the Internal Revenue Code (IRC) as a private foundation and, as such, was subject to a at rate  % federal excise tax on net investment.

During  and , the Foundation accrued a  % excise tax on net investment income.

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The following is a functional classification of the Foundation’s expenses:

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8. Lease Commitments
The Foundation has operating leases related to office space and office equipment. New leases commenced for office space and for office equipment in 2019. Statement of financial position information related to operating leases are as follows (in thousands):

Year Ended December 31 (in thousands) 2021 2020
ROU asset $ 3,592 $ 3,981
Lease liabilities 3,715 4,029

As of December 31, 2021, the Foundation’s leases have original lease periods expiring between 2022 and 2029. The office space lease includes an option to renew for an additional five years.

The components of lease costs, lease term, and discount rate are as follows (in thousands):

Year Ended December 31 (in thousands) 2021 2020

Operating lease cost $ 546 $ 546
Variable lease cost 345 361

Total operating lease cost $ 891 $ 907

Year Ended December 31 (in thousands) 2021 2020

Weighted average remaining lease term for operating leases 7.91 years 8.89 years
Weighted average discount rate for operating leases 4.05% 4.04%

The following table summarizes the maturity of the Foundation’s operating lease liabilities as of December 31, 2021
(in thousands):

Year Ended December 31 (in thousands)
2022 $ 487
2023 500
2024 520
2025 541
2026 563
Thereafter 1,772

Total operating lease payments $ 4,383
Less imputed interest (668)
Present value of operating lease liabilities $ 3,715