

# **Lucile Packard Foundation for Children's Health**

**Financial Statements**

**August 31, 2025 and 2024**

**Lucile Packard Foundation for Children’s Health**  
**Index**  
**August 31, 2025 and 2024**

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## **Report of Independent Auditors**

To the Board of Directors of Lucile Packard Foundation for Children's Health

### ***Opinion***

We have audited the accompanying financial statements of Lucile Packard Foundation for Children's Health (the "Foundation"), which comprise the statements of financial position as of August 31, 2025 and 2024, and the related statements of activities and of cash flows for the years then ended, including the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of August 31, 2025 and 2024, and the results of its operations and its 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 audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 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 the Foundation's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

### ***Auditors' Responsibilities for the Audit 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 auditors' 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 US 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.

In performing an audit in accordance with US 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.

*PricewaterhouseCoopers LLP*

San Francisco, California  
December 9, 2025

**Lucile Packard Foundation for Children's Health**  
**Statements of Financial Position**  
**August 31, 2025 and 2024**

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	2025	2024
<b>Assets</b>		
Cash and cash equivalents	\$ 13,684,485	\$ 16,500,466
Contributions receivable designated for LPCH and SOM, net	137,888,521	141,643,895
Investments	179,959,931	167,135,788
Other assets	6,284,133	7,057,380
Right of use asset - real estate	<u>8,720,682</u>	<u>10,153,581</u>
Total assets	<u>\$ 346,537,752</u>	<u>\$ 342,491,110</u>
<b>Liabilities and Net Assets</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 6,469,544	\$ 5,553,224
Due to LPCH and SOM	7,932,235	5,415,900
Deferred revenue	8,715,371	6,594,437
Grants payable	2,990,963	2,659,719
Amounts held for others	7,716,119	8,075,319
Operating lease liability - real estate	<u>9,471,013</u>	<u>10,869,622</u>
Total liabilities	<u>43,295,245</u>	<u>39,168,221</u>
Net assets		
Net assets without donor restrictions	152,878,312	146,813,434
Net assets with donor restrictions	<u>150,364,195</u>	<u>156,509,455</u>
Total net assets	<u>303,242,507</u>	<u>303,322,889</u>
Total liabilities and net assets	<u>\$ 346,537,752</u>	<u>\$ 342,491,110</u>

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

**Lucile Packard Foundation for Children's Health**  
**Statements of Activities**  
**Years Ended August 31, 2025 and 2024**

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	2025	2024
<b>Changes in net assets without donor restrictions</b>		
Revenue and other support		
Investment income, gains and losses, net	\$ 14,151,525	\$ 14,132,154
Other income	107,692	88,259
Net assets released from restrictions	<u>127,300,055</u>	<u>118,467,704</u>
Total revenue and other support without donor restrictions	141,559,272	132,688,117
Reimbursement of development and related finance and administration costs from LPCH and SOM	<u>39,879,066</u>	<u>36,763,408</u>
Total revenue and other support and transfers from LPCH and SOM without donor restrictions	<u>181,438,338</u>	<u>169,451,525</u>
<b>Expenses</b>		
CYSHCN	7,007,965	5,914,585
Development	34,044,954	30,733,651
Finance and administration	<u>7,021,650</u>	<u>6,659,363</u>
Total expenses	48,074,569	43,307,599
Contributions transferred to LPCH and SOM	<u>127,300,055</u>	<u>118,467,704</u>
Total expenses and transfers to LPCH and SOM	175,374,624	161,775,303
Total increase in net assets without donor restrictions	<u>6,063,714</u>	<u>7,676,222</u>
<b>Changes in net assets with donor restrictions</b>		
Contribution income	120,207,515	76,420,924
Investment income, gains and losses, net	173,305	(393,660)
Change in value of investments held in trust	775,139	683,380
Net assets released from restrictions	<u>(127,300,055)</u>	<u>(118,467,704)</u>
Decrease in net assets with donor restrictions	<u>(6,144,096)</u>	<u>(41,757,060)</u>
Total decrease in net assets	(80,382)	(34,080,838)
Total net assets, beginning	<u>303,322,889</u>	<u>337,403,727</u>
Total net assets, ending	<u>\$ 303,242,507</u>	<u>\$ 303,322,889</u>

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

**Lucile Packard Foundation for Children's Health**  
**Statements of Cash Flows**  
**Years Ended August 31, 2025 and 2024**

	<b>2025</b>	<b>2024</b>
<b>Cash flows from operating activities</b>		
Decrease in net assets	\$ (80,382)	\$ (34,080,838)
Adjustments to reconcile decrease in net assets to net cash used in operating activities		
Gains on investments	(16,093,810)	(13,350,660)
Depreciation expense	836,085	744,365
Provision for doubtful accounts	2,045,622	449,197
Discount on pledges receivable	(2,365,933)	(2,827,275)
Discount on grants payable and write-offs	(16,333)	16,367
Net change in value of investments held in trust	(822,328)	(517,072)
Gifts of interest in trusts	(105,809)	-
Net amortization of right of use asset and lease liability	34,296	79,741
Change in assets and liabilities		
Contributions receivable designated for LPCH and SOM	4,075,685	34,314,421
Other assets	(11,562)	(227,565)
Accounts payable, accrued expenses, and deferred revenue	3,037,255	2,949,422
Grants payable	347,578	271,654
Amounts due to LPCH and SOM	2,516,335	(22,483,741)
Amounts held for others	60,367	177,763
Net cash used in operating activities	<u>(6,542,934)</u>	<u>(34,484,221)</u>
<b>Cash flows from investing activities</b>		
Purchases and capital calls of investments	(16,624,325)	(17,610,203)
Sales and distributions of investments	20,924,224	24,104,470
Capital expenditures	<u>(51,277)</u>	<u>(789,863)</u>
Net cash provided by investing activities	<u>4,248,622</u>	<u>5,704,404</u>
<b>Cash flows from financing activities</b>		
Contributions to charitable remainder trusts	240,552	-
Payments made under split interest agreements	<u>(762,221)</u>	<u>(715,276)</u>
Net cash used in financing activities	<u>(521,669)</u>	<u>(715,276)</u>
Net decrease in cash and cash equivalents	(2,815,981)	(29,495,093)
<b>Cash and cash equivalents at</b>		
Beginning of the year	<u>16,500,466</u>	<u>45,995,559</u>
End of the year	<u>\$ 13,684,485</u>	<u>\$ 16,500,466</u>
<b>Noncash activities</b>		
Capital expenditures included in accounts payable and accrued expenses	\$ -	\$ 2,245
Donated securities	8,157,782	4,330,195

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

# Lucile Packard Foundation for Children's Health

## Notes to Financial Statements

### August 31, 2025 and 2024

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#### 1. Organization

The Lucile Packard Foundation for Children's Health (the Foundation) is a public charity, founded in 1996, whose mission is to unlock philanthropy to transform health for all kids and moms, in Northern California and around the world. The Foundation pursues its mission through two distinct yet complementary activities: (1) fundraising for the Lucile Salter Packard Children's Hospital Stanford (LPCCH) and the pediatric and obstetric programs at the Stanford University School of Medicine (SOM) (development) and (2) programmatic work, including grantmaking, to create a more equitable and efficient healthcare system for children and youth with special healthcare needs (CYSHCN).

The Foundation is incorporated as a non-profit organization under the laws of the State of California. LPCCH is the sole corporate member of the Foundation. The Board of Trustees of the Leland Stanford Junior University (the University) is the sole corporate member of LPCCH.

#### 2. Summary of Significant Accounting Policies

##### Financial Statements

The financial statements of the Foundation are prepared on the accrual basis of accounting and in conformity with U.S. generally accepted accounting principles (GAAP) applicable to non-profit organizations.

##### Use of Estimates

The preparation of financial statements in conformity with GAAP 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. Significant estimates include the reserve for uncollectible pledges, discount on pledges receivable, and valuation of alternative investments. Actual results could differ from those estimates.

##### Net Assets

Net assets and revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. The net assets of the Foundation and changes therein are classified and reported as follows:

- *Net assets without donor restrictions* are net assets that are not subject to donor imposed restrictions. Net assets without donor restrictions may be designated for specific purposes by action of the board of directors or otherwise limited by contractual arrangements with outside parties.
- *Net assets with donor restrictions* are net assets that are subject to donor imposed restrictions on the specific use of the assets or which expire with the passage of time. When a donor stipulated purpose restriction is accomplished or a time restriction ends, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Net assets with donor restrictions relate to funds raised for LPCCH and SOM. The Foundation has no net assets with donor imposed restrictions that require the assets to be invested in perpetuity and which are subject to a spending policy and appropriation.

Contributions are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor imposed restrictions, in which case contributions are reported as increases in net assets with donor restrictions. Expenses are reported as decreases in net

# Lucile Packard Foundation for Children's Health

## Notes to Financial Statements

### August 31, 2025 and 2024

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assets without donor restrictions. Income, gains, and losses on investments and other assets and liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law.

#### **Cash and Cash Equivalents**

Cash and cash equivalents consist of amounts not held for long-term investment and include bank deposits, highly liquid money market accounts, and other short-term investments with maturities of three months or less at time of purchase. The carrying amount approximates fair value due to the short-term nature of those instruments. As of August 31, 2025 and 2024, cash and cash equivalents were primarily held at a bank and consisted mainly of donor gifts not yet transferred to LPCH and SOM and cash held for operating expenses. While these deposits exceed federally insured limits, the Foundation does not believe the uninsured amounts are at significant risk. Gifts are transferred to LPCH and SOM monthly, and operating cash is expected to be spent or reinvested in the endowment within the first half of the next fiscal year.

#### **Contributions Receivable Designated for LPCH and SOM**

Contributions receivable designated for LPCH and SOM represent unconditional promises to give to the Foundation for the benefit of LPCH and SOM. Conditional promises to give are included in contributions receivable designated for LPCH and SOM only in the period in which the condition is substantially met. Pledges receivable are discounted at an interest rate that reflects the risks inherent in these cash flows. The rate is determined at the date of the unconditional promise to give.

#### **Investments**

The Foundation holds investments in money market funds, domestic equity funds, fixed income funds, real asset funds, debt securities issued by the U.S. government, Treasury, and agencies, and alternative investments. Marketable investments are carried at fair value. Alternative investments are recorded at fair value or net asset value (NAV) under a practical expedient for measuring fair value.

External investment management fees and net investment income excise taxes have been included as a reduction of investment income in the statements of activities.

#### **Investments Held in Trust**

Investments held in trust represent charitable remainder trusts in which the Foundation is the trustee. The trust specifies a beneficiary or beneficiaries who sustain a lifetime interest in a portion of the principal and trust income. LPCH or SOM is the beneficiary of the balance of the trust assets upon termination of the trust. Investments held in trust, which totaled \$12,422,052 and \$13,052,149, respectively, as of August 31, 2025 and 2024, are carried at fair value in investments in the statements of financial position and are held with one commercial institution. The related liabilities as of August 31, 2025 and 2024, are included in amounts held for others in the statements of financial position and are discounted at 4.8% and 5.2%, respectively.

#### **Leases**

The Foundation determines if an arrangement is a lease at the inception of the contract by evaluating whether the arrangement conveys the right to use an identified asset and whether the Foundation obtains substantially all of the economic benefits from and has the ability to direct the use of the asset. The Foundation has chosen to elect the short-term lease measurement and recognition exemption. Leases with an initial term of twelve months or less are not recorded on the statements of financial position and are expensed on a straight-line basis. For leases with an initial term in excess of twelve months, right of use assets and lease liabilities are recognized based on the present value of the future minimum lease payments over the committed lease term at the lease commencement

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## Notes to Financial Statements

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date. The Foundation does not include renewal options in its determination of the lease term unless the renewals are deemed to be reasonably assured at lease commencement.

#### **Deferred Revenue**

Reimbursement of development expenses from LPCH and SOM represents amounts paid by LPCH and SOM to the Foundation in consideration for the Foundation's fundraising efforts on behalf of LPCH and SOM. These amounts are based on actual development costs incurred, including its share of finance and administration. Amounts received in excess of costs incurred are recognized as deferred revenue.

#### **Due to LPCH and SOM and Contribution Income**

Pursuant to Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Subtopic 958-20, *Not-for-Profit Entities*, the Foundation reports contributions for LPCH and SOM as an increase to net assets with donor restrictions. Donor restrictions on contributions generally include restrictions as to beneficiary and purpose. The restrictions on beneficiary are considered satisfied and the funds are released from restrictions when the funds are ready to be transferred or are transferred to LPCH and SOM. Contributions that have been released from restriction are recorded as an increase to amounts due to LPCH and SOM until transferred.

#### **Functional Expenses**

The costs of the Foundation's activities have been summarized on a functional basis in the statements of activities. Expenses related to two or more functions are generally allocated based on headcount except for certain expenses which are allocated based on estimated levels of involvement of staff across each function.

#### **Liquidity and Availability**

The Foundation has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Expenditures related to development activities are funded by fees received by LPCH and SOM each month. Expenditures related to CYSHCN are funded by amounts appropriated from the board designated endowment (included in investments in the statement of financial position), subject to the Foundation's spend policy, as further discussed in Note 10. On September 17, 2025 and September 18, 2024, the board appropriated and made available \$6.7 million per year for use within the 2026 and 2025 fiscal years. At the March 5, 2025 board meeting, an additional \$540,000 was authorized, bringing the total approved funding for the 2025 fiscal year to \$7.2 million. The Foundation does not maintain a liquidity reserve or lines of credit. As the need for operating cash arises to fund expenses within its board approved budget, the Foundation prepares a cash forecast and redeems funds from its endowment based on the projected need. Although the Foundation does not intend to spend from its board designated endowment other than amounts appropriated for general expenditure as part of its annual budget, amounts from its board designated endowment could be made available if necessary. The board designated endowment does contain investments with lock up provisions and limited liquidity that would reduce the total amounts that could be made available. As of August 31, 2025 and 2024, 39% and 43% of the board designated endowment is redeemable within one month or less.

#### **Income Taxes**

The Foundation is exempt from federal and state income taxes to the extent provided by Section 501(c)(3) of the Internal Revenue Code and equivalent state provisions, except with regard to unrelated business income which is taxable at corporate income tax rates, compensation excise tax, and, as a result of its relationship with the University, investment income excise tax. Gifts to the Foundation are deductible for income tax purposes under Section 170(b)(1)(A) of the Internal Revenue Code.

**Lucile Packard Foundation for Children’s Health**  
**Notes to Financial Statements**  
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The Foundation follows the provision of FASB ASC Topic 740, Income Taxes, which prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax provision taken or expected to be taken in a tax return and provides guidance on derecognition, classification, interest and penalties, disclosure, and transition. Management believes that no such uncertain tax positions exist requiring accrual or disclosure as of August 31, 2025 or 2024.

Net investment income excise tax - Under the Tax Cuts and Jobs Act, the University is subject to a 1.4% excise tax on its net investment income as defined under the Internal Revenue Code which, among other things, includes net investment income of certain related entities, including the Foundation. Public Law 119-21 (H.R.1) informally known as the One Big Beautiful Bill Act (OBBBA), enacted July 4, 2025, raised the excise tax rate to 8%, effective for the University in fiscal year 2027. As of August 31, 2025, the Foundation recorded an amount due to the University and an expense of \$2.9 million representing the estimated future tax due on its net investment income. There was no related liability or expense recorded as of August 31, 2024. The amount due to the University is included in “Due to LPCH and SoM” in the Statements of Financial Position.

**3. Contributions Receivable Designated for LPCH and SOM**

Contributions receivable designated for LPCH and SOM as of August 31, 2025 and 2024, are due as follows:

	<b>2025</b>	<b>2024</b>
Less than one year	\$ 79,599,058	\$ 70,974,145
One to five years	65,416,268	53,871,960
Greater than five years	<u>7,500</u>	<u>25,013,500</u>
	145,022,826	149,859,605
Less:		
Reserve for uncollectible pledges	(2,876,795)	(1,592,267)
Discount at 1.79% to 5.41%	<u>(4,257,510)</u>	<u>(6,623,443)</u>
Total pledges receivable designated for others	<u>\$ 137,888,521</u>	<u>\$ 141,643,895</u>

	<b>2025</b>	<b>2024</b>
Contributions receivable at August 31 are designated to the following beneficiaries:		
LPCH	\$ 92,880,647	\$ 89,973,410
SOM	<u>45,007,874</u>	<u>51,670,485</u>
	<u>\$ 137,888,521</u>	<u>\$ 141,643,895</u>

Conditional pledges that depend on the occurrence of a specified future or uncertain event are recognized when the conditions are substantially met. Conditional pledge balances as of August 31, 2025 and 2024 were \$5,240,166 and \$5,379,895, respectively.

**Lucile Packard Foundation for Children’s Health**  
**Notes to Financial Statements**  
**August 31, 2025 and 2024**

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**4. Investments**

The Foundation holds the following investments at August 31, 2025 and 2024:

	<b>Fair Value</b>	
	<b>2025</b>	<b>2024</b>
Money market funds	\$ 4,668,589	\$ 5,822,976
Fixed-income funds	9,869,623	10,608,251
Debt securities issued by U.S. government, Treasury, and agencies	4,331,839	5,147,316
Domestic equity funds	15,183,103	14,676,149
Alternative investments		
Fixed income funds	7,429,182	6,010,285
Hedge funds	20,691,746	21,918,595
Global equity funds	47,261,679	44,305,450
Stanford University Merged Pool	17,657,681	8,558,869
Private capital funds	40,246,593	36,659,948
Real asset funds	12,619,896	13,427,949
Total investments	<u>\$ 179,959,931</u>	<u>\$ 167,135,788</u>

The table below summarizes the distribution of the investment balance:

	<b>2025</b>	<b>2024</b>
Foundation assets held as board-designated endowment	\$ 155,705,193	\$ 143,069,557
Term investments held for LPCH and SOM	11,189,172	10,635,248
Funds designated for others	643,514	378,834
Investments held in trust	12,422,052	13,052,149
	<u>\$ 179,959,931</u>	<u>\$ 167,135,788</u>

The Foundation’s investment holdings included the following investments constituting 5% or greater of the total investment balance at August 31, 2025 and 2024:

	<b>2025</b>	<b>2024</b>
Stepstone VC Global Partners	6.0%	6.4%
Wellington Management Company	6.0%	5.9%
Stanford University Merged Pool	9.8%	5.1%

**Fair Value of Financial Instruments**

The fair values of the financial instruments as of August 31, 2025 and 2024, represent management’s best estimate of the amounts that would be received to sell those assets or that would be paid to transfer those liabilities in an orderly transaction between market participants at that date. Those fair value measurements maximize the use of observable inputs. However, in situations where there is little, if any, market activity for the asset or liability at the measurement date, the fair value measurement reflects the Foundation’s own judgments about the assumptions that market participants would use in

# Lucile Packard Foundation for Children's Health

## Notes to Financial Statements

### August 31, 2025 and 2024

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pricing the asset or liability. Those judgments are developed by the Foundation based on the best information available in the circumstances.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

#### ***Marketable Investment Securities***

Marketable securities, including money market funds, fixed income funds, and domestic equity funds are measured using quoted market prices at the reporting date multiplied by the quantity held.

#### ***Debt Securities***

Debt securities issued by the U.S. government, Treasury, and agencies are measured using significant other observable inputs, particularly dealer market prices for comparable investments as of the valuation date.

#### ***Alternative Investment Securities***

- (1) Fixed income funds include alternative investments in investment grade securities and corporate and structured credit, including collateralized loan obligations (CLOs), bank loans, traditional asset-backed securities (ABS), residential mortgage-backed securities (RMBS), commercial mortgage-backed securities (CMBS), and short duration corporate bonds. The fair values of fixed income funds have been estimated using NAV. Fixed income funds include investments that are redeemable semi-monthly with 5 days' notice.
- (2) Hedge funds include alternative investments in marketable equity, convertible, fixed income and debt securities, merger arbitrage, derivatives, credit, options, and certain illiquid securities. The fair values of hedge funds have been estimated using NAV. Hedge funds include both redeemable and nonredeemable investments. Approximately \$21 million and \$22 million of total hedge funds are redeemable as of August 31, 2025 and 2024, respectively, and are redeemable in periods from one month to one year, with 45 to 65 days' notice. There were no nonredeemable assets in this category as of August 31, 2025 and 2024.
- (3) Global equity funds include alternative investments primarily in marketable equity and equity related securities. The fair values of investments in this category have been estimated using NAV or have alternative pricing as sources and are classified as Level 2. Global equity funds include both redeemable and nonredeemable investments. As of August 31, 2025 and 2024, redeemable investments in this category totaled \$47 million and \$35 million, respectively, and are redeemable in periods from one day to six months, with 2 to 90 days' notice. There are no nonredeemable assets in this category as of August 31, 2025. Nonredeemable assets in this category as of August 31, 2024 total approximately \$9 million.
- (4) The Stanford University Merged Pool (MP) holds a variety of investments including investments in cash and cash equivalents, government and corporate debt securities, equity securities and mutual funds, real estate, private capital, and other. The fair values of investments in the MP have been estimated using NAV and are subject to a 7 year lock up. Following the lock up, investments are redeemable with 90 days' notice and are limited to the greater of 10% of the aggregate value of shares held at the beginning of each fiscal year or \$5 million. As of August 31, 2025 and 2024, none of the investment was redeemable within one year.
- (5) Private capital funds include alternative investments in private equity, leveraged buyouts, and venture capital in a variety of industries. The fair values of investments in this category have been estimated using NAV. These investments are nonredeemable but receive distributions on liquidation

# Lucile Packard Foundation for Children's Health

## Notes to Financial Statements

### August 31, 2025 and 2024

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of the investee's underlying assets. The Foundation expects underlying assets of approximately 28% of these investments to be liquidated and distributed within the next 5 years and approximately 72% to be liquidated and distributed in 6 to 15 years.

Unfunded commitments for private capital fund alternative investments totaled approximately \$13 million and \$15 million, respectively, as of August 31, 2025 and 2024.

- (6) Real asset funds include alternative investments in equity, equity related, and debt securities in commercial and residential real estate and natural resources. The fair values of investments in this category have been estimated using NAV. As of August 31, 2025 and 2024, redeemable investments in this category totaled approximately \$9 million and \$10 million, respectively, and are redeemable monthly with 8 to 15 days' notice. Nonredeemable assets in this category total approximately \$3 million and \$4 million as of August 31, 2025 and 2024. These investments receive distributions on liquidation of the investee's underlying assets. The Foundation expects underlying assets of approximately 61% of the nonredeemable investments in this category to be liquidated and distributed within the next 5 years and approximately 39% to be liquidated and distributed in 6 to 15 years.

Unfunded commitments for nonredeemable real asset fund alternative investments totaled approximately \$1 million as of August 31, 2025 and 2024.

#### **Fair Value Hierarchy**

In accordance with the authoritative guidance on fair value measurements and disclosures under GAAP, the Foundation discloses and recognizes fair value of its investments in a hierarchy that prioritizes the inputs of valuation techniques used to measure fair value. The guidance provides a consistent definition of fair value that focuses on an exit price that would be received upon sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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 measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1      Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date.
- Level 2      Inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3      Inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

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The following table presents assets that are measured at fair value on a recurring basis at August 31, 2025:

	Investments Measured at NAV	Fair Value Measurements at Reporting Date Using		Total
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	
Assets				
Money market funds	\$ -	\$ 4,668,589	\$ -	\$ 4,668,589
Fixed-income funds	-	9,869,623	-	9,869,623
Debt securities issued by the U.S. government, Treasury, and agencies	-	-	4,331,839	4,331,839
Domestic equity funds	-	15,183,103	-	15,183,103
Alternative investments				
Fixed income funds	7,429,182	-	-	7,429,182
Hedge funds	20,691,746	-	-	20,691,746
Global equity funds	42,637,569	-	4,624,110	47,261,679
Stanford University Merged Pool	17,657,681	-	-	17,657,681
Private capital funds	40,246,593	-	-	40,246,593
Real asset funds	12,619,896	-	-	12,619,896
	<u>\$ 141,282,667</u>	<u>\$ 29,721,315</u>	<u>\$ 8,955,949</u>	<u>\$ 179,959,931</u>

The following table presents assets that are measured at fair value on a recurring basis at August 31, 2024:

	Investments Measured at NAV	Fair Value Measurements at Reporting Date Using		Total
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	
Assets				
Money market funds	\$ -	\$ 5,822,976	\$ -	\$ 5,822,976
Fixed-income funds	-	10,608,251	-	10,608,251
Debt securities issued by the U.S. government, Treasury, and agencies	-	-	5,147,316	5,147,316
Domestic equity funds	-	14,676,149	-	14,676,149
Alternative investments				
Fixed income funds	6,010,285	-	-	6,010,285
Hedge funds	21,918,595	-	-	21,918,595
Global equity funds	39,396,692	-	4,908,758	44,305,450
Stanford University Merged Pool	8,558,869	-	-	8,558,869
Private capital funds	36,659,948	-	-	36,659,948
Real asset funds	13,427,949	-	-	13,427,949
	<u>\$ 125,972,338</u>	<u>\$ 31,107,376</u>	<u>\$ 10,056,074</u>	<u>\$ 167,135,788</u>

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**5. Grants Payable**

Grants payable are payables related to CYSHCN that are due as of August 31, 2025 and 2024, as follows:

	<b>2025</b>	<b>2024</b>
Less than one year	\$ 1,895,891	\$ 1,880,372
One to five years	1,152,580	820,522
	<u>3,048,471</u>	<u>2,700,894</u>
Less: Discount at 4.00% to 4.75%	<u>(57,508)</u>	<u>(41,175)</u>
	<u>\$ 2,990,963</u>	<u>\$ 2,659,719</u>

**6. Amounts Held for Others**

Amounts held for others include primarily amounts due to beneficiaries, as specified by the underlying trust, who sustain a lifetime interest in a portion of the trust income and principal, as follows:

	<b>2025</b>	<b>2024</b>
Investments held in trust due to beneficiaries	\$ 7,005,313	\$ 7,424,882
Other	<u>710,806</u>	<u>650,437</u>
	<u>\$ 7,716,119</u>	<u>\$ 8,075,319</u>

**7. Related Party Transactions**

Approximately \$17.1 million and \$7.0 million of pledges receivable designated for others were due from members of the board of directors of the Foundation and LPCH as of August 31, 2025 and 2024, respectively.

The Foundation received approximately \$28.0 million and \$20.3 million of contributions designated for others from members of the board of directors of the Foundation and LPCH for the years ending August 31, 2025 and 2024, respectively.

The Foundation transferred approximately \$58.4 million and \$68.9 million of contributions to LPCH and SOM, respectively, for the year ended August 31, 2025.

The Foundation transferred approximately \$54.8 million and \$63.7 million of contributions to LPCH and SOM, respectively, for the year ended August 31, 2024.

The Foundation received \$42.0 million and \$38.5 million from SOM and LPCH, shared equally, for reimbursement of development and associated finance and administrative costs as of August 31, 2025 and 2024, respectively.

The Foundation had investments in the Stanford University Merged Pool totaling approximately \$17.7 million and \$8.6 million as of August 31, 2025 and 2024, respectively.

The Foundation had grants payable to LPCH and SOM related to CYSHCN totaling \$439,295 and \$180,000 as of August 31, 2025 and 2024, respectively.

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**8. Operating Leases**

The Foundation’s lease portfolio consists of an operating lease for its office space. The Foundation’s current operating lease has a remaining term of six years and includes an option to renew or extend the lease term for two consecutive ten-year terms. The Foundation did not include the renewal options in its determination of its lease term.

The components of operating lease costs for the years ended August 31, 2025 and 2024 were:

	<b>2025</b>	<b>2024</b>
Operating lease cost	\$ 1,545,377	\$ 1,546,810
Variable cost	483,329	426,148
Short-term lease cost	<u>51,625</u>	<u>49,132</u>
Total lease expense	<u>\$ 2,080,331</u>	<u>\$ 2,022,090</u>

Supplemental cash flow information related to leases for the years ended August 31, 2025 and 2024 were as follows:

	<b>2025</b>	<b>2024</b>
Operating cash outflows from operating leases	\$ 1,511,082	\$ 1,467,070

Lease terms and discount rates as of August 31 are as follows:

	<b>2025</b>	<b>2024</b>
Remaining lease term	5.75 years	6.75 years
Discount rate	1.60 %	1.60 %

The following table includes the future maturities of lease payments for operating leases for periods subsequent to August 31, 2025:

	<b>Operating Lease</b>
<b>Year ended August 31</b>	
2026	\$ 1,607,094
2027	1,655,307
2028	1,704,967
2029	1,756,116
2030	1,808,799
Thereafter	<u>1,386,896</u>
Total lease payments	9,919,179
Less: Imputed interest	<u>(448,166)</u>
Total lease liabilities	9,471,013
Less: Current lease liabilities	<u>(1,468,366)</u>
Total long-term liabilities	<u>\$ 8,002,647</u>

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**9. Employee Benefit Plan**

The Foundation participates in a defined contribution plan (the Plan) covering substantially all Foundation employees. The Plan provides for discretionary contributions to be made by both participants and the Foundation. Participants are fully vested in the Foundation’s contributions after five years. The Foundation’s contributions for the years ended August 31, 2025 and 2024 were \$2,184,438 and \$1,902,757, respectively.

**10. Board Designated Endowment**

The Foundation’s endowment consists of one fund, which is board designated. As required by GAAP, 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.

The Foundation’s board has adopted investment and spending policies that attempt to provide a predictable stream of funding to CYSHCN activities which are supported by the Foundation’s board designated endowment while seeking to maintain the purchasing power of endowment assets. Under these policies, board designated endowment assets are invested in a manner that is intended to provide an inflation adjusted total return, net of investment management fees, over time at least equal to the contemplated spending rate of 5% per year. Actual returns in any given year may vary from this goal. To satisfy its long-term rate of return objectives, the Foundation 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). The Foundation 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.

The Foundation has a policy of appropriating for distribution each year an amount determined annually based on budget needs. The annual distribution is expected to average no more than 5% of the endowment fund’s fair value. For individual years, it is expected to fall within a target range of 4.75% to 5.25% of the endowment fund’s average fair value over the prior 12 quarters. Unspent budget may be spent in future years subject to certain limits. The board of directors may also appropriate an amount outside this target range. Accordingly, depending on anticipated activity and timing of grant opportunities, actual spending may fall outside of the range. In establishing this policy, the Foundation considered the long term expected return on its endowment. Over the long term, the Foundation expects the current spending policy to allow its endowment to grow at a rate of expected inflation. This is consistent with the Foundation’s objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through investment return.

Changes in endowment net assets without donor restrictions for the years ended August 31, 2025 and 2024, are as follows:

	<b>2025</b>	<b>2024</b>
<b>Board designated endowment at beginning of year</b>	\$ 143,069,556	\$ 135,605,574
Investment income gains and losses, net	16,547,007	13,289,880
Endowment assets appropriated for expenditure	<u>(3,911,370)</u>	<u>(5,825,898)</u>
<b>Board designated endowment at end of year</b>	<u>\$ 155,705,193</u>	<u>\$ 143,069,556</u>

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**11. Net Assets With Donor Restrictions**

The composition of net assets with donor restrictions as of August 31, 2025 and 2024 is as follows:

	<b>2025</b>	<b>2024</b>
Restricted to LPCH	\$ 98,461,327	\$ 97,695,947
Restricted to SOM	48,728,727	55,466,196
Restricted to LPCH or SOM	<u>3,174,141</u>	<u>3,347,312</u>
Total	<u>\$ 150,364,195</u>	<u>\$ 156,509,455</u>

**12. Classification of Expenses by Natural and Functional Classification**

The following tables represent expenses by natural and functional classification for the years ended August 31, 2025 and 2024:

	<b>2025</b>			
	<b>Program Services</b>		<b>Finance and Administration</b>	
	<b>CYSHCN</b>	<b>Development</b>	<b>Administration</b>	<b>Total</b>
Advertising and marketing	\$ 19,702	\$ 378,577	\$ -	\$ 398,280
Grants and strategic contracts	4,681,720	52,500	37,802	4,772,022
Outside services	278,049	3,671,389	1,651,252	5,600,690
Personnel	1,833,478	25,731,190	4,235,175	31,799,843
Rent and depreciation	108,014	2,497,426	288,032	2,893,472
Subscriptions and supplies	25,018	1,328,337	581,790	1,935,145
Taxes and business insurance	27,584	129,149	188,553	345,286
Travel and entertainment	34,400	256,386	39,046	329,831
	<u>\$ 7,007,965</u>	<u>\$ 34,044,954</u>	<u>\$ 7,021,650</u>	<u>\$ 48,074,569</u>

	<b>2024</b>			
	<b>Program Services</b>		<b>Finance and Administration</b>	
	<b>CYSHCN</b>	<b>Development</b>	<b>Administration</b>	<b>Total</b>
Advertising and marketing	\$ 14,159	\$ 272,483	\$ 15,677	\$ 302,319
Grants and strategic contracts	3,767,603	-	-	3,767,603
Outside services	212,292	3,693,525	2,052,110	5,957,927
Personnel	1,723,447	22,822,492	3,676,250	28,222,189
Rent and depreciation	108,274	2,366,730	267,573	2,742,577
Subscriptions and supplies	30,984	1,274,074	440,671	1,745,729
Taxes and business insurance	6,799	(15,977)	176,403	167,225
Travel and entertainment	51,027	320,324	30,679	402,030
	<u>\$ 5,914,585</u>	<u>\$ 30,733,651</u>	<u>\$ 6,659,363</u>	<u>\$ 43,307,599</u>

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**13. Commitments and Contingencies**

In the normal course of business, the Foundation receives various threats of litigation. In the opinion of management, the outcome of such litigation will not materially affect operations or the financial position of the Foundation.

The Foundation's development activities are funded by fees received from LPCH and SOM. The Foundation partners closely with LPCH and SOM to understand risks that may impact the ability of LPCH and/or SOM to cover expected development costs. In addition, the Foundation closely monitors its CYSHCN work, which is funded by a payout from the Foundation's board designated endowment, to ensure that current financial commitments can be covered in the event of significant fluctuations in investment performance of the board designated endowment.

**14. Subsequent Events**

The Foundation has evaluated subsequent events from the balance sheet date through December 9, 2025, the date at which the financial statements were available to be issued.