

THE KRESGE FOUNDATION

Reader's Guide to the 2010 Form 990-PF

A private foundation must make its annual Form 990-PF available for public inspection. The Kresge Foundation posts this form for download on its website, kresge.org. The form provides information about the foundation's financial and charitable activities for the year as well as assesses any taxes owed by the foundation to the IRS.

The tax return form and rules can be complex, so we hope that this reader's guide will aid you in gaining a better understanding of our form. We have provided answers to some frequently asked questions as well as a table of key data points and their relevance by topic related to the return.

Frequently Asked Questions

Payout

How much was Kresge required to distribute in 2010?

The foundation was required to distribute \$150,198,896 as shown on page 8, Part XI, line 7. The term the IRS uses for the minimum 5 percent payout is the distributable amount. The actual amount of adjusted qualifying distributions for the foundation in 2010 was \$149,126,283 as shown on page 8, Part XII, line 6.

How is the required payout calculated?

IRS rules require the foundation to pay out 5 percent of its average non-charitable use assets, which is equivalent to the investment assets and any other assets that are not used directly in the charitable work of the foundation, adjusted for income tax and recoveries of amounts previously treated as qualifying distributions. This calculation is summarized on page 8 in Parts X and XI of the return.

What types of disbursements count toward Kresge's annual payout requirement?

Grants paid, program-related investments, exempt operating costs (those that further the charitable purpose of the foundation) and amounts paid to acquire assets used directly in carrying out charitable purpose all count toward payout.

Administrative and Other Costs

What were Kresge's 2010 exempt expenses as a percentage of qualifying distributions and as a percentage of average assets?

Total exempt expenses as a percentage of qualifying distributions was 9.21 percent (calculated as \$13,733,647 page 1, Part I, line 24, column (d) divided by \$149,126,283 page 8, Part XII, line 4). Survey results of peer foundations with greater than \$2 billion in average assets reveal exempt expenses as a percentage of grant payout of 12.78 percent for 2010.

Total exempt expenses as a percentage of average assets was 0.46 percent (calculated as \$13,733,647 page 1, Part I, line 24, column (d) divided by \$2,962,211,895 page 8, Part X, line 5). Survey results of peer foundations with greater than \$2 billion in average assets reveal exempt expenses as a percentage of average assets of 0.86 percent for 2010.

Frequently Asked Questions (Continued)

Taxes and Other

What kind of taxes does Kresge pay?

The foundation is exempt from income taxes under IRS rules. However, it is required to pay a 2 percent excise tax on net investment income, which can be reduced to 1 percent if certain criteria are met. Net investment income includes interest, dividends, net realized capital gains and other investment income, minus expenses for managing investments. The net investment income figure used in this calculation is shown on page 1, Part I, line 27b, column (b). The 2010 net investment income was \$135,349,997, which resulted in an excise tax of \$2,707,000 as shown on page 4, Part VI, line 5 of the 990-PF.

The foundation also is subject to unrelated business income tax under IRS rules due to the nature of income derived from some of the investment vehicles held in the investment portfolio. This tax is calculated using the tiered corporate tax rate schedule.

Why do some foundations pay 1 percent in excise taxes and others pay 2 percent?

A foundation may reduce its excise tax rate from 2 percent to 1 percent if it disburses an amount above its required minimum distribution amount. In 2010, the foundation needed to distribute \$161,431,431 (page 3, Part V, line 7) to qualify for the lower rate, which it did not qualify for by only distributing \$149,126,283 (page 3, Part V, line 8).

The Kresge Foundation 2010 990-PF Key Data Points

Topic	Line Reference	Dollar Value	Comments
Administrative and other costs	Page 1, Part 1, line 24, column (d)	\$13.73M	Consists of direct grantmaking expenses including salaries and operating costs of the staff who make and manage the grants, direct charitable expenses such as consulting and convening costs paid to support the work of our grantees, administrative costs to operate the foundation, including salaries and benefits for support functions such as finance and human resources, professional fees, office expenses, etc. Represents the costs allocated toward charitable purposes that are included in the foundation's qualifying distributions in Part XII.
Grants paid	Page 1, Part I, line 25, column (d)	\$134.89M	Represents grants approved and paid in 2010. The foundation also made \$500K of PRI's in 2010 for a grand total in giving of \$135.39M.
Minimum distribution ratio	Page 3, Part V, line 3	5.4%	Represents the distribution ratio used in determining the required distribution for the foundation to qualify for the 1 percent excise tax; this ratio is based on the average distribution ratios from the five previous years.
Reduced tax rate minimum distribution	Page 3, Part V, line 7	\$161.43M	The amount of distributions required by the foundation to qualify for the 1 percent excise tax.
Tax based on investment income	Page 4, Part VI, line 5	\$2.71M	The foundation had a net gain position for 2010. The foundation's excise taxes, calculated as 2 percent of its net investment income as shown on page 1, Part I, line 27b, column (b).
Compensation of officers, directors, and trustees	Page 6, Part VIII, line 1(c)	\$1.91M	The attached statement (number 23 in the return) provides a listing of 2010 compensation and benefits paid to the foundation's officers and board trustees.

Topic	Line Reference	Dollar Value	Comments
Compensation of five highest-paid employees (other than officers, directors and trustees)	Page 6, Part VIII, line 2(c)	\$1.56M	Provides a list of the 2010 compensation and benefits paid by person for the highest-paid employees.
Summary of program-related investments	Page 7, Part IX-B, lines 1 & 2	\$500K	Describes the below-market rate loans made to organizations.
Minimum investment return	Page 8, Part X, line 6	\$148.11M	Represents the amount that the foundation must pay out as qualifying distributions. The minimum investment return is generally 5 percent of the total fair market value of the foundation's non-charitable use assets.
Distributable amount	Page 8, Part XI, line 7	\$150.20M	Represents the minimum amount the foundation must distribute by the end of 2011 as qualifying distributions.
Adjusted qualifying distributions	Page 8, Part XII, line 6	\$149.13M	The amount the foundation actually spent for charitable purposes for the year.
Actual distribution ratio	Page 8, part XII, line 6 divided by Page 8 Part X, line 5	5.03%	Although the return doesn't display this ratio, it can be calculated for the 2010 year. The required minimum distribution ratio is 5 percent. Because the foundation had recoveries of prior year qualifying distributions, the foundation's required ratio was slightly higher than the actual.
Cumulative excess distributions	Page 9, Part XIII, line 9(a)	\$99.23M	The amount of excess distributions that the foundation may carry over and apply towards 2011 or following years.