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Report of Independent Auditors

The Board of Directors
Lilly Endowment Inc.

Opinion

We have audited the financial statements of Lilly Endowment Inc. (the Endowment), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities and cash flows for the years then ended, and 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 Endowment at December 31, 2023 and 2022, and the changes in its net assets 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 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 Financial Statements section of our report. We are required to be independent of the Endowment 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 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 of 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 Endowment’s ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor’s 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 of 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 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 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 Endowment'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 Endowment'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.

Ernst + Young LLP

March 20, 2024

Statements of Financial Position

As of December 31	2023	2022
Assets		
Cash and cash equivalents	\$ 113,907,514	\$ 110,729,401
Investments—at fair value:		
United States government and agency, bank, and corporate interest-bearing obligations	1,542,329,653	1,096,249,000
Eli Lilly and Company common stock (cost—\$79,759,010 at December 31, 2023 and \$80,205,370 at December 31, 2022)	58,157,234,725	37,662,792,650
Diversified equity investments	2,366,374,672	1,928,651,392
Other assets	113,321	3,009,755
	<u>\$ 62,179,959,885</u>	<u>\$ 40,801,432,198</u>
Liabilities		
Grants payable	\$ 256,516,989	\$ 40,575,526
Deferred tax liability	816,198,305	525,965,095
	<u>1,072,715,294</u>	<u>566,540,621</u>
Net assets without donor restrictions	61,107,244,591	40,234,891,577
	<u>\$ 62,179,959,885</u>	<u>\$ 40,801,432,198</u>

See accompanying notes.

Statements of Activities

Year Ended December 31	2023	2022
Income:		
Dividends	\$ 505,545,116	\$ 452,695,016
Interest	74,391,666	12,713,914
Total income	<u>579,936,782</u>	<u>465,408,930</u>
Expenses:		
Program grants approved	1,741,727,679	1,284,601,576
Program support	13,537,541	11,661,565
Operational support	9,867,123	7,249,877
Current federal excise tax	28,489,001	26,394,294
Deferred federal excise tax	290,233,210	104,142,811
Total expenses	<u>2,083,854,554</u>	<u>1,434,050,123</u>
Investment return and other:		
Realized gain on sale of investments	1,479,759,733	1,448,262,109
Unrealized gain on investments	20,898,935,388	7,483,715,582
Other	(2,424,335)	(500,813)
Total investment return and other	<u>22,376,270,786</u>	<u>8,931,476,878</u>
Increase in net assets without donor restrictions	20,872,353,014	7,962,835,685
Net assets without donor restrictions:		
Balance at beginning of year	40,234,891,577	32,272,055,892
Balance at end of year	<u>\$ 61,107,244,591</u>	<u>\$ 40,234,891,577</u>

See accompanying notes.

Statements of Cash Flows

Year Ended December 31	2023	2022
Operating activities		
Increase in net assets	\$ 20,872,353,014	\$ 7,962,835,685
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Unrealized gain on investments	(20,898,935,388)	(7,483,715,582)
Realized gain on sale of investments	(1,479,759,733)	(1,448,262,109)
Changes in assets and liabilities:		
Other assets	2,896,434	1,831,300
Grants payable	215,941,463	(29,111,666)
Deferred tax liability	290,233,210	104,142,811
Net cash used in operating activities	(997,271,000)	(892,279,561)
Investing activities		
Purchases of investments	(2,632,027,680)	(2,014,296,050)
Proceeds from sale and maturity of investments	3,632,476,793	2,908,479,775
Net cash provided by investing activities	1,000,449,113	894,183,725
Net increase in cash and cash equivalents	3,178,113	1,904,164
Cash and cash equivalents at beginning of year	110,729,401	108,825,237
Cash and cash equivalents at end of year	\$ 113,907,514	\$ 110,729,401

See accompanying notes.

Notes to Financial Statements

December 31, 2023

1. Significant Accounting Policies

Description of Organization

Lilly Endowment Inc. (the Endowment) is an Indianapolis based, private philanthropic foundation created in 1937 by J.K. Lilly Sr. and sons Eli and J.K. Jr. through gifts of stock in their pharmaceutical business, Eli Lilly and Company. The stock of Eli Lilly and Company continues to be the Endowment's most significant asset. The Endowment supports the causes of religion, education and community development. The Internal Revenue Service has determined that the Endowment is exempt from federal income tax under Section 501(a) of the Internal Revenue Code. It remains a private foundation subject to federal excise tax on net investment income.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP). Preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income, expense and related disclosures at the date of the financial statements and during the reporting period. Actual results could differ from those estimates. Subsequent events have been evaluated through March 20, 2024, the date these financial statements were issued. There were no subsequent events that required recognition or disclosure in the financial statements.

Cash and Cash Equivalents

Investments with original maturities of three months or less at the time of purchase are considered to be cash equivalents.

Investments

Investments are stated at fair value in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958, *Not for Profit Entities*. Investments comprise equity and fixed income securities, which are recorded at fair value. Changes in fair value are recorded in the statements of activities.

Realized gains and losses from the sales of Eli Lilly and Company common stock are calculated using the first-in, first-out method of allocating cost.

Grants

The Endowment primarily makes grants to organizations that qualify as public charities under the Internal Revenue Code (the Code). When distributions are made to organizations other than public charities, the Endowment assumes expenditure responsibility as required under applicable federal law. Grants are approved by the Board of Directors or its authorized representatives and are accrued when approved. Grants payable at December 31, 2023, are expected to be paid to grantees as follows: \$254,516,989 in 2024 and \$2,000,000 in 2025.

Functional Allocation of Expenses

The Endowment allocates expenses based on nature and function among its various programs and supporting services.

Income Recognition

Income is recognized when amounts are realizable and earned. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date.

2. Required Distributions

The Code provides that the Endowment generally must distribute for charitable purposes 5% of the average market value of its investment assets. The Endowment must make additional qualifying distributions of approximately \$2.1 billion, before January 1, 2025, to meet the 2023 minimum distribution requirements.

3. Fair Value of Financial Instruments

The Endowment determines fair values based on the framework for measuring fair value under ASC Topic 820, *Fair Value Measurements*. The following table summarizes fair value information at December 31, 2023 and 2022.

Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Fair Value (Carrying Value)
December 31, 2023				
Cash equivalents	\$ 39,793,169	\$ –	\$ –	\$ 39,793,169
Fixed income securities	–	1,542,329,653	–	1,542,329,653
Marketable securities	60,523,609,397	–	–	60,523,609,397
	<u>\$ 60,563,402,566</u>	<u>\$ 1,542,329,653</u>	<u>\$ –</u>	<u>\$ 62,105,732,219</u>
December 31, 2022				
Cash equivalents	\$ 84,489,353	\$ –	\$ –	\$ 84,489,353
Fixed income securities	–	1,096,249,000	–	1,096,249,000
Marketable securities	39,591,444,042	–	–	39,591,444,042
	<u>\$ 39,675,933,395</u>	<u>\$ 1,096,249,000</u>	<u>\$ –</u>	<u>\$ 40,772,182,395</u>

Transfers between levels, if any, are recorded at the beginning of the reporting period. There were no transfers between Levels 1, 2, and 3 during the years ended December 31, 2023 and 2022.

The fair value for marketable securities is determined based on the regular trading session closing price on the exchange or market in which such securities are principally traded on the last business day of each period presented (Level 1).

Fixed income securities are not based on quoted prices in active markets (Level 2). The fair value is determined by pricing models, quoted prices of securities with similar characteristics, or discounted cash flows. Fair values for these fixed income securities are obtained primarily from third-party pricing services.

4. Liquidity and Availability

None of the financial assets as listed on the statements of financial position is subject to donor restrictions, board designations, or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date. As part of the Endowment's liquidity management, the Endowment has policies to structure its financial assets to be available for its general expenditures (grant making activities and other expenses). The Endowment uses dividends, interest and sales of investments to cover these expenditures.

5. Federal Excise Taxes

During 2023 and 2022, the Endowment was subject to federal excise taxes imposed on private foundations at 1.39%. The excise tax is imposed on net investment income, as defined under federal law, which includes interest, dividends, and net realized gains on the sale of investments. Current federal excise tax expense on realized amounts was \$28,489,001 and \$26,394,294 for the years ended December 31, 2023 and 2022, respectively. The Endowment made estimated excise tax payments totaling \$28,500,000 and \$26,450,000 during 2023 and 2022, respectively. Due to estimated tax overpayments during 2023 and 2022, the Endowment recorded a receivable of \$10,999 and \$55,706 at December 31, 2023 and 2022, respectively, within other assets in the statements of financial position.

The deferred tax liability relates to deferred federal excise taxes with respect to unrealized gains on investments.

The Endowment is subject to routine audits by taxing jurisdictions. The Endowment believes it is no longer subject to income tax examinations for years prior to 2020 due to three-year statute of limitations.

If incurred, any interest and penalties would be recorded as a component of federal excise tax.