

**THE COMMUNITY FOUNDATION
OF THE TEXAS HILL COUNTRY, INC.**

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024 and 2023

CONTENTS

	<u>Pages</u>
Independent Auditor's Report	3 - 4
Consolidated Statements of Financial Position	5
Consolidated Statements of Activities	6 - 7
Consolidated Statements of Functional Expenses	8 - 9
Consolidated Statements of Cash Flows	10
Notes to Consolidated Financial Statements	11 - 21

MASSEY·ITSCHNER & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

August 25, 2025

Board of Trustees
The Community Foundation of the Texas Hill Country, Inc.
Kerrville, Texas

Opinion

We have audited the accompanying consolidated financial statements of The Community Foundation of the Texas Hill Country, Inc. (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2024 and 2023, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Community Foundation of the Texas Hill Country, Inc. and subsidiaries as of December 31, 2024 and 2023, and the changes in its net assets and its cash flows for the year 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. 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 Community Foundation of the Texas Hill Country, Inc. 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 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.

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 Community Foundation of the Texas Hill Country, Inc.'s ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be 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 generally accepted auditing standards 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, including

omissions, 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 generally accepted auditing standards, 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 Community Foundation of the Texas Hill Country, Inc.'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 Community Foundation of the Texas Hill Country, Inc.'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.

Massey Stachurski & Co., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

THE COMMUNITY FOUNDATION OF THE TEXAS HILL COUNTRY, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

ASSETS

	December 31,	
	2024	2023
Cash and cash equivalents	\$ 1,906,749	\$ 1,591,167
Accrued interest receivable	67,574	32,641
Contributions receivable	200,000	450,000
Investments	49,555,576	38,195,080
Prepaid expenses	56,645	15,675
Beneficial interest in perpetual trust	4,088,006	3,677,573
Life insurance - cash surrender value	18,767	22,389
Property and equipment, net	696,162	707,837
	\$ 56,589,479	\$ 44,692,362

LIABILITIES AND NET ASSETS

Liabilities		
Scholarships payable	\$ 479,900	\$ 349,550
Grants payable	58,000	150,000
Accounts payable	7,737	8,729
Long-term debt	355,300	403,871
Funds held for agencies	9,858,006	9,060,703
	10,758,943	9,972,853
Net assets:		
Without donor restriction		
Undesignated	23,615,117	15,777,947
Board designated endowment funds	1,130,699	1,061,742
Total net assets without donor restriction	24,745,816	16,839,689
Total net assets with donor restriction	21,084,720	17,879,820
	45,830,536	34,719,509
	\$ 56,589,479	\$ 44,692,362

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

THE COMMUNITY FOUNDATION OF THE TEXAS HILL COUNTRY, INC.

**CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2024**

	Without donor restriction	With donor restriction	Total
Revenues, gains and other support			
Contributions	\$ 10,280,541	\$ 3,648,793	\$ 13,929,334
Investment income, net	1,679,270	1,740,711	3,419,981
Change in value of perpetual trusts	-	410,433	410,433
Oil royalties	10,766	-	10,766
Special events	50,112	-	50,112
Administrative fees - agency funds	94,820	-	94,820
Other income	250	-	250
Net assets released from restrictions	2,595,037	(2,595,037)	-
Total revenues, gains and other support	14,710,796	3,204,900	17,915,696
Expenses			
Program expenses			
Grants	5,425,709	-	5,425,709
Scholarships	538,125	-	538,125
Other program expenses	309,880	-	309,880
Management and general	377,251	-	377,251
Fundraising	153,705	-	153,705
	6,804,669	-	6,804,669
Change in net assets	7,906,127	3,204,900	11,111,027
Net assets at beginning of year	16,839,689	17,879,820	34,719,509
Net assets at end of year	\$ 24,745,816	\$ 21,084,720	\$ 45,830,536

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

THE COMMUNITY FOUNDATION OF THE TEXAS HILL COUNTRY, INC.

**CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2023**

	Without donor restriction	With donor restriction	Total
Revenues, gains and other support			
Contributions	\$ 2,956,633	\$ 3,339,008	\$ 6,295,641
Investment income, net	2,178,295	2,188,621	4,366,916
Change in value of perpetual trusts	-	338,968	338,968
Oil royalties	8,418	-	8,418
Special events	34,272	-	34,272
Administrative fees - agency funds	86,173	-	86,173
Other income	4,478	-	4,478
Net assets released from restrictions	881,767	(881,767)	-
Total revenues, gains and other support	6,150,036	4,984,830	11,134,866
Expenses			
Program expenses			
Grants	6,482,380	-	6,482,380
Scholarships	340,006	-	340,006
Other program expenses	267,079	-	267,079
Management and general	393,095	-	393,095
Fundraising	121,342	-	121,342
	7,603,901	-	7,603,901
Change in net assets	(1,453,865)	4,984,830	3,530,965
Net assets at beginning of year	18,293,554	12,894,990	31,188,544
Net assets at end of year	\$ 16,839,689	\$ 17,879,820	\$ 34,719,509

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

THE COMMUNITY FOUNDATION OF THE TEXAS HILL COUNTRY, INC.

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2024**

	Program	Management and General	Fundraising	Total
Advertising	\$ -	\$ 20,282	\$ -	\$ 20,282
Bank service charges	-	2,994	-	2,994
Depreciation	-	32,777	-	32,777
Dues and subscriptions	-	14,235	-	14,235
Employee benefits	35,206	31,294	11,735	78,235
Fundraising events	-	-	69,551	69,551
Grants	5,425,709	-	-	5,425,709
Insurance	-	2,209	-	2,209
Interest	6,315	6,315	-	12,630
Meals, entertainment and gifts	-	1,844	-	1,844
Miscellaneous fees	-	5,301	-	5,301
Office expenses	3,004	1,502	1,502	6,007
Postage	1,268	634	634	2,536
Printing, brochures and newsletters	4,556	7,593	3,037	15,186
Professional development and board training	-	6,626	-	6,626
Professional fees	-	33,340	-	33,340
Rent	-	780	-	780
Building utilities and maintenance	27,592	-	-	27,592
Scholarships	538,125	-	-	538,125
Software	21,467	21,467	-	42,933
Taxes	344	344	-	687
Telephone	3,195	3,195	-	6,390
Travel	5,197	5,197	-	10,394
Wages and payroll taxes	201,737	179,322	67,246	448,306
Total Expenses	<u>\$ 6,273,714</u>	<u>\$ 377,251</u>	<u>\$ 153,705</u>	<u>\$ 6,804,669</u>

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

THE COMMUNITY FOUNDATION OF THE TEXAS HILL COUNTRY, INC.

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023**

	Program	Management and General	Fundraising	Total
Advertising	\$ -	\$ 85,822	\$ -	\$ 85,822
Bank service charges	-	3,040	-	3,040
Depreciation	-	26,956	-	26,956
Dues and subscriptions	-	15,606	-	15,606
Employee benefits	30,312	26,944	10,104	67,361
Fundraising events	-	-	50,143	50,143
Grants	6,482,380	-	-	6,482,380
Insurance	-	2,181	-	2,181
Interest	7,041	7,041	-	14,082
Meals, entertainment and gifts	-	2,197	-	2,197
Office expenses	2,477	1,239	1,239	4,954
Postage	1,703	852	852	3,406
Printing, brochures and newsletters	2,355	3,925	1,570	7,849
Professional development and board training	-	6,787	-	6,787
Professional fees	-	25,365	-	25,365
Rent	-	660	-	660
Building utilities and maintenance	19,564	-	-	19,564
Scholarships	340,006	-	-	340,006
Software	22,844	22,843	-	45,687
Taxes	715	715	-	1,430
Telephone	2,660	2,660	-	5,319
Travel	5,104	5,104	-	10,208
Wages and payroll taxes	172,304	153,159	57,435	382,898
Total Expenses	<u>\$ 7,089,465</u>	<u>\$ 393,095</u>	<u>\$ 121,342</u>	<u>\$ 7,603,901</u>

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

THE COMMUNITY FOUNDATION OF THE TEXAS HILL COUNTRY, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	December 31,	
	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Change in net assets	\$ 11,111,027	\$ 3,530,965
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	32,777	26,956
Noncash contribution of assets	(3,577,953)	(1,947,390)
Unrealized (gains) losses on investments	(298,014)	(3,395,137)
Change in value of beneficial interest in trust	(410,433)	(338,968)
Change in assets and liabilities:		
Accrued interest receivable	(34,933)	2,812
Contributions receivable	250,000	(450,000)
Prepaid expenses	(40,970)	-
Cash surrender value adjustment	3,623	2,805
Accounts payable and accrued expenses	(992)	2,426
Grants and scholarships payable	38,350	(146,300)
Net additions to funds held for agencies	797,303	241,147
Net cash provided (used) by operating activities	<u>7,869,785</u>	<u>(2,470,684)</u>
Cash flows from investing activities:		
Purchases of property and equipment	(21,103)	(125,493)
Purchases of securities	(34,748,371)	(13,476,030)
Proceeds from sale of securities	27,263,841	14,677,510
Net cash provided (used) by investing activities	<u>(7,505,632)</u>	<u>1,075,987</u>
Cash flows from financing activities:		
Payments on long-term debt	(48,571)	(47,118)
Net cash provided (used) by financing activities	<u>(48,571)</u>	<u>(47,118)</u>
Net increase (decrease) in cash and cash equivalents	315,582	(1,441,815)
Cash and cash equivalents at beginning of year	<u>1,591,167</u>	<u>3,032,982</u>
Cash and cash equivalents at end of year	<u>\$ 1,906,749</u>	<u>\$ 1,591,167</u>
Supplementary disclosures of cash flow		
Cash paid for interest	<u>12,630</u>	<u>14,082</u>

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

THE COMMUNITY FOUNDATION OF THE TEXAS HILL COUNTRY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2024 and 2023

Note 1 – Nature of Activities

The Community Foundation of the Texas Hill Country (the Community Foundation) was incorporated in 1982, under the laws of the State of Texas as a non-profit corporation to receive and maintain funds, to make grants to charitable efforts, and award scholarships to students in the Texas Hill Country, an area that includes 10 counties: Bandera, Blanco, Edwards, Gillespie, Kendall, Kerr, Kimble, Mason, Real, and Uvalde.

The Community Foundation Holdings, LLC was established on December 8, 2021, under the laws of the State of Texas as a limited liability company with The Community Foundation being its sole member. The purpose of The Community Foundation Holdings, LLC is to hold and manage real estate for the benefit of the Foundation.

Note 2 – Summary of Significant Accounting Policies

Basis of Accounting – The consolidated financial statements of the Community Foundation have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Accordingly, revenues are recognized when earned, and expenses are recognized when incurred.

Contributions to the Community Foundation are recorded in separate accounting funds (Funds), and each Fund is used exclusively for the charitable purpose(s) designated by the donor. The Board of Trustees has the responsibility for both the investment and distribution of income and/or principle from each Fund for charitable purposes.

Principles of Consolidation – The consolidated financial statements include the accounts of the Community Foundation of the Texas Hill Country and Community Foundation Holdings, L.L.C. (collectively referred to as “the Community Foundation”). All significant inter-company transactions and balances have been eliminated in consolidation.

Basis of Presentation – The Community Foundation reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Net assets without donor restrictions are defined as assets that are free of donor-imposed restrictions, and include all investment income and appreciation not subject to donor-imposed restrictions, as discussed below. Net assets with donor restrictions are net assets whose use has been limited by donor-imposed time or purpose restrictions or those that are defined as net assets required by the donor restrictions or law to be maintained by the Community Foundation in perpetuity. The Community Foundation reflects restricted contributions whose restrictions are met in the same reporting period as unrestricted support.

Liquidity – Assets are presented in the accompanying statement of financial position according to their nearness of conversion to cash and liabilities according to the nearness of their maturity and resulting use of cash.

Cash and Cash Equivalents – The Community Foundation considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash equivalents for purposes of the statement of cash flows exclude permanently restricted cash and cash equivalents.

Property and Equipment – Property and equipment are capitalized at cost or fair market value at date of gift, if donated. Contributions of cash that must be used to acquire property and equipment are reported as restricted support. The Community Foundation reports expirations of donor restrictions when the acquired assets are placed in service or as instructed by the donor. The Community Foundation reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are being depreciated over estimated useful lives using the straight-line method. The Community Foundation capitalizes all property and equipment acquisitions in excess of \$2,500.

THE COMMUNITY FOUNDATION OF THE TEXAS HILL COUNTRY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2024 and 2023

Note 2 – Summary of Significant Accounting Policies (continued)

Investments – Investments in securities, mutual funds, corporate bonds, and government bonds are carried at fair value determined by quoted prices on the last business day of the year. Investments in alternative investment funds that are not readily tradable are carried at an estimated fair value at the end of the period, as determined by management based upon consolidated financial statements, third-party pricing services, and other financial information reported by the administrator of the underlying investment funds.

Donated investments are recorded at fair value at the date of receipt. Investment income may be either with donor restrictions or without donor restrictions resources when earned, determined according to donor-imposed restrictions. The Community Foundation follows a total return concept with regard to investments.

The Community Foundation has significant investments in stocks, bonds, and mutual funds and is, therefore, subject to concentrations of credit risk. Investments are made by investment managers engaged by the Community Foundation, and the investments are monitored by the Community Foundation. Although there are risks associated with market fluctuations, the Board and management believes the investment policy is prudent for the long-term welfare of the Community Foundation and its beneficiaries.

Real Estate Investments – Investments in real estate consist of real property interests, including land and buildings which are used for the production of income. The assets are carried at the lower of cost or fair value on gift date, if donated. All investments in real estate were donated to the Community Foundation and it is the Community Foundation's policy to obtain appraisals from a qualified appraiser at the time of donation. The Community Foundation does not subsequently estimate the fair value of real estate if there are no identified events or changes in circumstances that may have a significant adverse effect on the fair value of the real estate investment due to the prohibitive cost of obtaining periodic appraisals.

Beneficial Interest in Perpetual Trust – The Community Foundation is the beneficiary of a perpetual trust held by a third party. Under the terms of the trust the Community Foundation has the irrevocable right to receive a percentage of the income generated by the trust in perpetuity. The beneficial interest is recorded at fair value, which is based on the fair market value of the underlying assets held in the trust as provided by the trustee. Management evaluates the fair values provided by the trustees and when deemed appropriate, makes adjustments to the trustee's fair values.

Fiduciary Duty and Variance Power – The Community Foundation has a fiduciary duty to comply with the charitable purposes expressed by a donor but the Board of Trustees has the power to vary the charitable purpose of a Fund if the Foundation determines that changes in conditions have made the donor's restrictions on the stated charitable purpose unnecessary, undesirable, incapable of fulfillment, or inconsistent with the needs of the community. The Community Foundation's powers in this regard cannot be exercised arbitrarily. When, and if, the Board of Trustees acquires the authority to vary the charitable purposes of a Fund, it must apply the assets of the Fund to the "most nearly related charitable purpose as in the judgment of the Board of Trustees that will effectively accomplish the original charitable intent of the donor."

Estimates – The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Grants Payable – Grants and scholarships are charged to operations and recognized as liabilities when authorized by the Board, regardless of the year in which they will be paid. The Board authorizes grants based on prudent distribution rate calculation or income earned on investments, depending on each fund's governing language.

THE COMMUNITY FOUNDATION OF THE TEXAS HILL COUNTRY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2024 and 2023

Note 2 – Summary of Significant Accounting Policies (continued)

Fair Value – Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”), Fair Value Measurements and Disclosures, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy are described below:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Community Foundation has the ability to access.
- Level 2 Inputs to the valuation methodology include:
- Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the asset or liability;
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset’s or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Contributions and Support – Contributions received are recorded as support with donor restriction or without donor restriction depending on the existence or nature of any donor restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as with donor restriction support that increases that net asset class.

Unconditional promises to give are recorded as received. Unconditional promises to give due in the next year are reflected as current promises to give and are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reflected as long-term promises to give and are recorded at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are received to discount the amounts. An allowance for uncollectible promises is provided based on management’s evaluation of potential uncollectible promises to give at year-end.

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills that are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation are recorded at their fair values in the period received.

During the year ended December 31, 2024 and 2023, the Foundation recognized \$3,577,953 and \$1,947,390, respectively, in contribution revenue related to the receipt of donated securities. This amount is included in the consolidated statement of activities in the line item, contributions, as an increase to net assets with and without donor restrictions. The non-cash contribution received during 2024 and 2023 was comprised of publicly traded securities from various donors. All securities were sold as the contributions were received.

Federal Income Taxes – The Community Foundation is a not-for-profit Community Foundation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

The Community Foundation Holdings, LLC is a disregarded entity for income tax purposes.

THE COMMUNITY FOUNDATION OF THE TEXAS HILL COUNTRY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2024 and 2023

Note 2 – Summary of Significant Accounting Policies (continued)

Federal Income Taxes (continued) – In accordance with ASC 740-10, *Accounting for Uncertainty in Income Taxes*, Management has evaluated the Foundation's tax positions and concluded that the Foundation had taken no uncertain tax positions that required adjustment to the consolidated financial statements to comply with the provisions of this guidance. With a few exceptions, the Foundation is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2021.

Functional Allocation of Expenses – The costs of providing various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, pass-through funds and grants have been allocated directly to program services and the remaining costs have been allocated both directly and indirectly to either program or supporting services. The expenses that are allocated include compensation and benefits, which are allocated on the basis of estimates of time and effort, as well as depreciation and occupancy expenses, which are allocated on an estimated square footage basis.

Types of Funds – The Community Foundation receives contributions that are to be used exclusively for charitable purposes. The donor may have designated one or more specific charitable purposes for all future distributions from the contribution. These Funds are classified by charitable purpose as:

- Designated Funds (if the distributions are restricted by the donor to specific charities)
- Donor Advised Funds (if the distributions are made from donor advisement and subsequent Board approval)
- Field of Interest Funds (if distributions are restricted by the donor to a specified charitable purpose)
- Scholarship Funds (if distributions are restricted to scholarships)
- Discretionary or Unrestricted Funds (if the donor placed no restriction on distributions)

Note 3 – Property and Equipment

The following is a summary of property and equipment as of December 31:

	<u>2024</u>	<u>2023</u>
Land	\$ 60,000	\$ 60,000
Landscaping	8,522	8,522
Building	684,112	663,010
Furniture and equipment	44,587	44,587
Less: Accumulated depreciation	<u>(101,059)</u>	<u>(68,282)</u>
Net property and equipment	<u>\$ 696,162</u>	<u>\$ 707,837</u>

Depreciation expense for the years ended December 31, 2024 and 2023 was \$32,777 and \$26,956, respectively.

Note 4 – Advertising

The Community Foundation expenses the costs of advertising as incurred. Advertising expense for the years ended December 31, 2024 and 2023 were \$20,282 and \$85,822, respectively. The Foundation reclassified sponsorships to program grants in 2024, resulting in the variance compared to 2023.

Note 5 – Related Party

The Community Foundation has a note payable to a former board member as of December 31, 2024, and December 31, 2023 with a principal balance due of \$355,300 and \$403,871, respectively. See the Long-Term Debt footnote for additional information.

THE COMMUNITY FOUNDATION OF THE TEXAS HILL COUNTRY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2024 and 2023

Note 6 – Long-Term Debt

Long term debt consists of the following as of December 31:

	<u>2024</u>	<u>2023</u>
Note payable to an individual (see related party footnote), due in monthly installments of \$5,100, including interest at 3.25%, maturing June 2031, collateralized by land and a building.	\$ 355,300	\$ 403,871

Principal payments required on long-term debt as of December 31, 2024, are as follows:

Years ending December 31:	
2025	\$ 50,246
2026	51,927
2027	53,664
2028	55,442
2029	57,314
Thereafter	86,707
	<u>\$ 355,300</u>

Note 7 – Grants Payable

Following is the listing of grants payable as of December 31, 2024:

	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>Total</u>
Scholarships	\$ 233,600	\$ 152,950	\$ 92,100	\$ 1,250	\$ 479,900
Grants	58,000	-	-	-	58,000
Total	<u>\$ 291,600</u>	<u>\$ 152,950</u>	<u>\$ 92,100</u>	<u>\$ 1,250</u>	<u>\$ 537,900</u>

Note 8 – Endowments

The Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) was enacted by the State of Texas effective September 1, 2007 (TUPMIFA). The Board of the Foundation interpreted TUPMIFA to require the Foundation to exercise prudence in determining the spending policy for donor-restricted endowment funds while honoring the perpetual nature expressed by the donor, unless otherwise stipulated.

In accordance with United States Treasury Regulations, the Foundation, as a community foundation, possesses the unilateral right of variance power to remove donor-imposed restrictions upon a gift in response to changed circumstances. This power is exercisable only in narrowly defined circumstances. When this power is specifically incorporated within gift instruments, by reference to variance power or the Foundation's bylaws or Plan, the Foundation views its variance power as an explicit expression of donor intent (collectively referenced throughout these consolidated financial statements as explicit variance power).

In accordance with TUPMIFA, the Community Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purpose of the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Community Foundation, and (7) the investment policies of the Community Foundation.

THE COMMUNITY FOUNDATION OF THE TEXAS HILL COUNTRY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2024 and 2023

Note 8 – Endowments (continued)

The Board has concluded that gifts to the Foundation may be subject to one or more of three types of donor-imposed restrictions: (1) contributions received with restrictions as to the purpose(s) for which the gift may be used (purpose restriction), (2) contributions received with a requirement that some or all of the gift be retained for a specified period of time or until a specified event occurs (time restriction) and (3) contributions received with a requirement that the principal of the gift be retained permanently (endowment restriction). The Board has determined that the Foundation's variance power applies to all three types of restrictions and that only those funds subject to time restrictions or endowment restrictions constitute endowment funds under TUPMIFA.

The Community Foundation would consider an endowment fund to be underwater if the fair value of the fund is less than 80% of the sum of (1) the original value of initial and subsequent gifts donated to the fund and (2) any accumulations to the fund that are required to be maintained in perpetuity in accordance with applicable donor gift instrument. The Community Foundation has interpreted TUPMIFA to permit spending from underwater funds in accordance with prudent measures required under the law.

Underwater endowment funds as of December 31:

	2024	2023
Original gift amount	\$ 84,580	\$ 948,312
Fair Value at year-end	82,415	935,996
Deficiency at year-end	<u>\$ 2,165</u>	<u>\$ 12,316</u>

The Community Foundation's changes in endowment net assets for the year ended December 31, 2024 are as follows:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	\$ 1,153,639	\$ 5,586,659	\$ 6,740,298
Interest and dividends	40,324	131,808	172,132
Realized/unrealized gain(loss) on investments	184,954	393,736	578,690
Contributions	-	131,044	131,044
Amounts appropriated for expenditure	(50,069)	(448,021)	(498,090)
Endowment net assets, end of year	<u>\$ 1,328,848</u>	<u>\$ 5,795,226</u>	<u>\$ 7,124,074</u>

	Without Donor Restriction	With Donor Restriction	Total
Endowment funds	\$ 1,328,848	\$ 5,795,226	\$ 7,124,074
Non-endowment funds	22,286,269	11,201,488	33,487,757
Board designated endowment funds	1,130,699	-	1,130,699
Beneficial interest in perpetual trust	-	4,088,006	4,088,006
Total net assets	<u>\$ 24,745,816</u>	<u>\$ 21,084,720</u>	<u>\$ 45,830,536</u>

THE COMMUNITY FOUNDATION OF THE TEXAS HILL COUNTRY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2024 and 2023

Note 8 – Endowments (continued)

The Community Foundation's changes in endowment net assets for the year ended December 31, 2023 are as follows:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	\$ 907,857	\$ 5,011,330	\$ 5,919,187
Interest and dividends	42,190	111,114	153,304
Realized/unrealized gain(loss) on investments	200,551	584,162	784,713
Contributions	100,000	90,253	190,253
Amounts appropriated for expenditure	(96,959)	(210,200)	(307,159)
Endowment net assets, end of year	<u>\$ 1,153,639</u>	<u>\$ 5,586,659</u>	<u>\$ 6,740,298</u>

	Without Donor Restriction	With Donor Restriction	Total
Endowment funds	\$ 1,153,639	\$ 5,586,659	\$ 6,740,298
Non-endowment funds	14,624,308	8,615,588	23,239,896
Board designated endowment funds	1,061,742	-	1,061,742
Beneficial interest in perpetual trust	-	3,677,573	3,677,573
Total net assets	<u>\$ 16,839,689</u>	<u>\$ 17,879,820</u>	<u>\$ 34,719,509</u>

Note 9 – Board Designated Endowment Funds

The Foundation classifies as board-designated endowment net assets (a) the original value of gifts designated by the Board as endowment, (b) the original value of subsequent gifts to the board-designated endowment, and (c) accumulations of investment earnings and/or losses to the board-designated endowment in accordance with Board designations. The Foundation considers all earnings and/or losses on board-designated endowment funds to accumulate in the board-designated endowment fund.

The Foundation has a policy to determine the endowment distribution each year. In establishing this policy, the Foundation considers the long-term expected return on its endowment net of investing fees, inflation, and administrative fees. The Foundation's goal is to provide sustainable funding to nonprofits in perpetuity.

Board-designated endowment funds were \$1,061,742 and \$1,037,066 as of December 31, 2024 and 2023, respectively, all of which was designated for grant making.

Board-designated endowment net asset composition as of December 31, 2024 and 2023 and during the years then ended is as follows:

	2024	2023
Board-designated net assets – Beginning of year	\$ 1,061,742	\$ 1,037,006
Investment return:		
Contributions	370,400	174,197
Investment income	112,869	34,721
Investment expenses	(4,740)	(4,314)
Net appreciation (depreciation)	24,973	131,515
Amounts appropriated for expenditures	(434,545)	(311,383)
Board-designated net assets – End of year	<u>\$ 1,130,699</u>	<u>\$ 1,061,742</u>

THE COMMUNITY FOUNDATION OF THE TEXAS HILL COUNTRY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2024 and 2023

Note 10 – Split-Interest Agreements

The Community Foundation is the beneficiary of a perpetual trust in which it is not the trustee. The Community Foundation's interests in the trust is 50 percent. The Community Foundation relies on the fair market values provided by the trustee.

Note 11 – Liquidity and Availability of Financial Assets

The Foundation's financial assets are considered unavailable when illiquid or not convertible to cash within one year, trust assets, assets held for others, endowments and board designated endowments. Because the Board has variance power, the Board designated endowments may be drawn upon at the discretion of the governing board, but this is not the intention of the Board. The Foundation has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations become due.

The Foundation's financial assets available for general use expenditures within one year as of December 31, 2024 and 2023 consist of the following:

	<u>2024</u>	<u>2023</u>
Financial assets:		
Cash and cash equivalents	\$ 1,906,749	\$ 1,591,167
Other assets and receivables	267,574	482,641
Investments	49,555,576	38,195,080
Beneficial interest in perpetual trust	<u>4,088,006</u>	<u>3,677,573</u>
Total financial assets	<u>55,817,905</u>	<u>43,946,460</u>
Less those unavailable for general expenditure within one year:		
Investments and other financial assets held for others	9,858,006	9,060,703
Investments in board designated endowments	1,130,699	1,061,742
Donor restricted to maintain as an endowment	5,795,226	5,586,659
Donor restricted to specific purpose	15,289,494	12,300,715
Beneficial interests	<u>4,088,006</u>	<u>3,677,573</u>
Total assets unavailable	<u>36,161,431</u>	<u>31,687,392</u>
Financial assets available within one year to meet Foundation cash needs for general expenditures	<u>\$ 19,656,474</u>	<u>\$ 12,259,068</u>

Note 12 – Investments

Investments are reported in these consolidated financial statements at fair value. Any unrealized gains and losses are reported in the statements of activities.

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended December 31, 2024:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Interest and dividends	\$ 458,510	\$ 471,674	\$ 930,184
Realized gains (losses)	1,034,651	1,109,211	2,143,862
Unrealized gains	93,932	204,082	298,014
Investment fees	(54,926)	(81,032)	(135,958)
Income from beneficial interest in perpetual trust	<u>147,103</u>	<u>36,776</u>	<u>183,879</u>
Total investment return	<u>\$ 1,679,270</u>	<u>\$ 1,740,711</u>	<u>\$ 3,419,981</u>

THE COMMUNITY FOUNDATION OF THE TEXAS HILL COUNTRY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2024 and 2023

Note 12 – Investments (continued)

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended December 31, 2023:

	Without Donor Restriction	With Donor Restriction	Total
Interest and dividends	\$ 326,593	\$ 382,700	\$ 709,293
Realized gains (losses)	134,819	68,086	202,905
Unrealized gains (losses)	1,632,238	1,762,901	3,395,139
Investment fees	(48,148)	(58,264)	(106,412)
Income from beneficial interest in perpetual trust	132,793	33,198	165,991
Total investment return	<u>\$ 2,178,295</u>	<u>\$ 2,188,621</u>	<u>\$ 4,366,916</u>

Following is an analysis of the major types of investments (excluding cash and cash equivalents) at December 31, 2024 and 2023.

	2024		2023	
	Cost	Market Value	Cost	Market Value
Certificates of deposit	\$ 989,626	\$ 958,822	\$ 1,489,416	\$ 1,414,908
Government obligations	1,383,359	1,363,911	1,324,417	1,324,284
Municipal bonds - taxable	1,960,406	1,904,043	1,105,279	1,109,710
Corporate obligations	2,551,915	2,499,757	1,597,825	1,535,691
Mutual funds	9,961,686	10,155,767	4,249,724	4,299,839
Equity securities	14,851,301	17,754,734	11,528,834	14,345,548
Exchange traded funds	10,766,202	11,870,290	12,371,641	12,545,724
Alternative investments	2,524,340	2,677,726	1,515,001	1,619,362
	44,988,835	49,185,050	35,182,137	38,195,066
Real estate investments	370,512	370,512	-	-
Royalty interests	13	14	13	14
Total investments	<u>\$45,359,360</u>	<u>\$ 49,555,576</u>	<u>\$37,182,150</u>	<u>\$ 38,195,080</u>

Note 13 – Fair Value of Financial Assets

The Community Foundation's Investment Committee, appointed by the Board of Trustees, is responsible for the overall management of the Foundation's investments in cash equivalent funds and securities (excluding investments in cash equivalent funds and securities held in trusts), including the hiring and termination of investment managers.

The Community Foundation's investment managers are responsible for sourcing, evaluating and selecting investments and for the day-to-day operations involving due diligence and other testing procedures in regards to reviewing the reasonableness of fair value for all investments. This includes evaluating the accuracy and adequacy of information provided by custodians and brokers.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2024.

Cash and cash equivalents: Valued at carrying value due to the initial maturities of the instruments being three months or less. (Level 1 Measurements)

Common stocks: Valued at the closing price reported on the active market on which the individual securities are traded. (Level 1 Measurements)

THE COMMUNITY FOUNDATION OF THE TEXAS HILL COUNTRY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2024 and 2023

Note 13 – Fair Value of Financial Assets (continued)

Mutual funds: Valued at the net asset value ('NAV') of shares held by the Community Foundation at year end. (Level 1 Measurements)

Corporate and Municipal bonds, and U.S. government securities: Valued using inputs, including yields currently available on comparable securities of issues with similar credit ratings, price quotations in inactive markets (where observable), bond spreads, and fundamental data relating to the issuer. (Level 2 Measurements)

Life insurance: Value based on the accrued statement of cash surrender value provided by the life insurance company. (Level 2 Measurement)

Real estate: Value based on the appraised value using the sales comparison approach, obtained upon receipt of the property. (Level 3 Measurements)

Royalty interests: Certain other investment assets are comprised of non-producing mineral interests. These holdings are valued at a nominal amount for tracking purposes. Producing royalty mineral interests are also tracked but a value is not recorded as they are not considered material to the total investments. (Level 3 Measurements)

Beneficial interest in perpetual trust: Fair value is based on the fair market value of the underlying trust assets as determine by the third-party trustee. Due to the significant unobservable inputs required to estimate the fair value of underlying assets, the Foundation's beneficial interest is classified as Level 3 in the hierarchy.

The following table sets forth by level, within the fair value hierarchy, the Community Foundation's financial assets at fair value as of December 31, 2024:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 1,906,749	\$ -	\$ -	\$ 1,906,749
Investments	42,856,043	6,699,533	-	49,555,576
Life insurance	-	18,767	-	18,767
Beneficial interest in perpetual trust	-	-	4,088,006	4,088,006
Real estate investment	-	-	370,512	370,512
Royalty interests	-	-	14	14
Total financial assets at fair value	<u>\$ 44,762,792</u>	<u>\$ 6,718,300</u>	<u>\$ 4,458,532</u>	<u>\$ 55,939,624</u>

The following table sets forth by level, within the fair value hierarchy, the Community Foundation's financial assets at fair value as of December 31, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 1,591,167	\$ -	\$ -	\$ 1,591,167
Investments	34,225,395	3,969,685	-	38,195,080
Life insurance	-	22,389	-	22,389
Beneficial interest in perpetual trust	-	-	3,677,573	3,677,573
Royalty interests	-	-	14	14
Total financial assets at fair value	<u>\$ 35,816,562</u>	<u>\$ 3,992,074</u>	<u>\$ 3,677,587</u>	<u>\$ 43,486,223</u>

Level 3 Beneficial interest in perpetual trust:

Balance at December 31, 2023	\$ 3,677,573
Change in fair value of beneficial interest in perpetual trust	410,493
Balance at December 31, 2024	<u>\$ 4,088,006</u>

THE COMMUNITY FOUNDATION OF THE TEXAS HILL COUNTRY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2024 and 2023

Note 14 – Funds Held for Agencies

FASB establishes standards for transactions in which a community foundation accepts a contribution from a nonprofit organization and agrees to transfer those assets, the return on investment of those assets, or both back to that nonprofit organization. FASB specifically requires that if a nonprofit organization establishes a fund at a community foundation with its own funds and specifies itself as the beneficiary of that fund, the community foundation must account for the transfer of such assets as a liability. The Community Foundation maintains variance power and legal ownership of agency liability funds and as such, continues to report the funds as assets of the Community Foundation. However, in accordance with FASB, a liability has been established for the full value of such funds. The Community Foundation refers to such funds as funds held for agencies.

As of December 31, 2024 and 2023, the Community Foundation was the owner of 49 and 44 funds, respectively, held for agencies with a combined value of \$9,858,006 and \$9,060,703. The following table summarizes the combined activity in such funds for the years ended December 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Funds held for agencies – beginning of year	\$ 9,060,703	\$ 8,819,556
Contributions	315,792	215,445
Transfers	-	-
Investment income	244,866	206,609
Unrealized and realized gains (losses) – net	731,883	1,085,727
Grants	(363,875)	(1,146,594)
Administrative fees	(94,818)	(86,173)
Investment expenses	(36,545)	(33,867)
Funds held for agencies – end of year	<u>\$ 9,858,006</u>	<u>\$ 9,060,703</u>

Note 15 – Employee Retirement

On January 15, 2002, the Board of Trustees approved the establishment of a Savings Incentive Match Plan for Employees of Small Employers (SIMPLE). For each calendar year, the Community Foundation will contribute a matching contribution to each eligible employee's SIMPLE IRA equal to the employee's salary reduction contributions up to a maximum of 3 percent of the employee's annual compensation. The Community Foundation made contributions of \$11,256 and \$9,810 for 2024 and 2023, respectively.

Note 16 – Subsequent Events

The Community Foundation has evaluated its consolidated financial statements for subsequent events through August 25, 2025, the date the consolidated financial statements were available to be issued. Kerr County experienced severe flooding on July 4, 2025, which resulted in a federally declared disaster. In response to the flooding event, the Community Foundation established a designated purpose fund to assist in flood relief efforts. As a result, the Community Foundation received over one hundred million dollars over a 30 day period. The Foundation was able to address the significant increase in activity, and does not anticipate any negative financial impact to the Organization.