THE COMMUNITY FOUNDATION OF THE TEXAS HILL COUNTRY INC.

CONSOLIDATED FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2025

And Report of Independent Auditor

Cherry Bekaert LLP
Your Guide Forward

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Cherry Bekaert LLP
Your Guide Forward

Report of Independent Auditor

To the 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. (the "Community Foundation"), which comprise the consolidated statement of financial position as of December 31, 2025, 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 as of December 31, 2025, and the changes in their net assets and their 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 and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis-of-Matter – Correction of an Error in Previously Issued Financial Statements

As further described in Note 2 to the consolidated financial statements, management determined that several donor funds were misclassified between with and without donor restrictions relating to a period prior to January 1, 2025, which were audited by another independent auditor. Accordingly, net assets classifications have been restated as of January 1, 2025, to reflect this correction. Our opinion is not modified with respect to this matter.

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's ability to continue as a going concern within one year after the date 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'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'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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Statement of Financial Position – Kerr County Flood Relief Fund and Statement of Activities – Kerr County Flood Relief Fund are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Cherry Bekaert LLP

Charlotte, North Carolina
March 30, 2026

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

DECEMBER 31, 2025

ASSETS	
Cash and cash equivalents	$ 25,120,482
Accrued interest receivable	100,853
Investments	142,503,320
Prepaid expenses	4,151
Beneficial interest in perpetual trust	4,400,392
Life insurance - cash surrender value	14,127
Property and equipment, net	1,051,774
Total Assets	$ 173,195,099
LIABILITIES AND NET ASSETS	
Liabilities:	
Scholarships payable, net	$ 492,561
Grants payable, net	11,126,198
Accounts payable	5,281
Funds held for agencies	12,792,324
	24,416,364
Net Assets:	
Without donor restrictions	27,673,867
With donor restrictions	121,104,868
Total Net Assets	148,778,735
Total Liabilities and Net Assets	$ 173,195,099

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

THE COMMUNITY FOUNDATION OF THE TEXAS HILL COUNTRY, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2025 (RESTATED)

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Other Support:			
Contributions	$ 5,709,928	$ 153,511,419	$ 159,221,347
Investment return, net	2,857,581	3,797,094	6,654,675
Change in value of perpetual trusts	-	404,979	404,979
Special events	21,709	6,332	28,041
Administrative fees - agency funds	110,994	-	110,994
Other income	798	9,551	10,349
Loss on sale of donated property	(31,802)	-	(31,802)
Net assets released from restrictions	60,556,428	(60,556,428)	-
Total Revenues, Gains, and Other Support	69,225,636	97,172,947	166,398,583
Expenses:			
Program services	61,683,509	-	61,683,509
Supporting Services:			
Management and general	556,989	-	556,989
Fundraising	1,209,886	-	1,209,886
Total Supporting Services	1,766,876	-	1,766,876
Total Expenses	63,450,384	-	63,450,384
Change in net assets	5,775,252	97,172,947	102,948,199
Net assets, beginning of year, prior to restatement	24,745,816	21,084,720	45,830,536
Restatement (Note 2)	(2,847,201)	2,847,201	-
Net assets, beginning of year, restated	21,898,615	23,931,921	45,830,536
Net assets, end of year	$ 27,673,867	$ 121,104,868	$ 148,778,735

THE COMMUNITY FOUNDATION OF THE TEXAS HILL COUNTRY, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2025

	Program Services	Supporting Services		Total Supporting Services	Total
		Management and General	Fundraising		
Advertising	$ -	$ 40,940	$ -	$ 40,940	$ 40,940
Bank service charges	-	10,219	1,044,069	1,054,288	1,054,288
Building utilities and maintenance	12,464	14,022	4,675	18,697	31,161
Contracted services	298,197	4,256	-	4,256	302,453
Depreciation	7,997	23,991	-	23,991	31,988
Dues and subscriptions	-	15,671	-	15,671	15,671
Employee benefits	43,007	42,761	19,346	62,107	105,114
Grants	60,087,418	-	-	-	60,087,418
Insurance	-	2,923	-	2,923	2,923
Interest	4,218	4,218	-	4,218	8,436
Meals, entertainment, and gifts	-	6,914	-	6,914	6,914
Miscellaneous fees	18	14,082	-	14,082	14,100
Office	5,279	2,640	2,640	5,279	10,558
Postage	5,582	2,791	2,791	5,582	11,163
Printing, brochures, and newsletters	11,176	18,293	7,117	25,410	36,586
Professional development and board training	-	12,091	-	12,091	12,091
Professional fees	381,484	42,156	-	42,156	423,640
Rent	-	780	-	780	780
Scholarships	497,096	-	-	-	497,096
Software	35,878	35,878	-	35,878	71,756
Special events	-	-	35,256	35,256	35,256
Telephone	4,349	4,349	-	4,349	8,698
Travel	7,366	7,366	-	7,366	14,732
Wages and payroll taxes	281,980	250,649	93,993	344,642	626,622
Total Expenses	$ 61,683,509	$ 556,989	$ 1,209,886	$ 1,766,876	$ 63,450,384

THE COMMUNITY FOUNDATION OF THE TEXAS HILL COUNTRY, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2025

Cash flows from operating activities:	
Change in net assets	$ 102,948,199
Adjustments to reconcile change in net assets to net cash flows from operating activities:	
Depreciation	31,988
Realized and unrealized gains on investments	(4,654,228)
Loss on sale of donated property	31,802
Change in value of beneficial interest in perpetual trust	(404,979)
Change in discount on grants payable	416,392
Change in assets and liabilities:	
Accrued interest receivable	(33,279)
Contributions receivable	200,000
Prepaid expenses	52,494
Life insurance - cash surrender value	4,640
Scholarships payable	12,661
Grants payable	10,651,806
Accounts payable	(2,456)
Funds held for agencies	2,934,318
Net cash flows from operating activities	112,189,358
Cash flows from investing activities:	
Purchases of property and equipment	(387,600)
Purchases of investments	(145,690,044)
Proceeds from sale of investments	57,364,726
Proceeds from distributions from beneficial interest in perpetual trust	92,593
Net cash flows from investing activities	(88,620,325)
Cash flows from financing activities:	
Payments on long-term debt	(355,300)
Net change in cash and cash equivalents	23,213,733
Cash and cash equivalents at beginning of year	1,906,749
Cash and cash equivalents at end of year	$ 25,120,482
Supplementary disclosures of cash flows:	
Cash paid for interest	$ 8,435

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

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 nonprofit 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 Community Foundation.

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 of Trustees 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).

During the year ended December 31, 2025, the Texas Hill Country experienced significant flooding. The Community Foundation established the Kerr County Flood Relief Fund to support urgent relief and long-term rebuilding efforts. See further discussion in Note 6.

Note 2—Summary of significant accounting policies

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

Basis of Accounting – The consolidated financial statements of the Community Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP). The Financial Accounting Standards Board ("FASB") has established the Accounting Standards Codification ("ASC") as the source of authoritative accounting principles to be applied in the preparation of financial statements in accordance with U.S. GAAP. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for general use and not subject to donor restrictions. Net assets without donor restrictions may be used for any purpose or designated for specific purposes by the Community Foundation.

Net Assets With Donor Restrictions – Net assets resulting from contributions and endowment investment earnings subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature that may or will be met, either by actions of the Community Foundation and/or the passage of time. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Note 2—Summary of significant accounting policies (continued)

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or 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. Expirations of donor-imposed restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Contributions and Support – Contributions are recognized when cash, other assets, or an unconditional promise to give is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return or right of release, are not recognized until the conditions on which they depend have been substantially met. Contributions of assets other than cash, which are primarily donated investment securities, are recorded at their estimated fair value at the date of donation.

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, 2025, the Community Foundation recognized $7,463,754, in contribution revenue related to the receipt of donated securities. The noncash contributions received during the year ended December 31, 2025 were comprised of publicly traded securities from various donors. All securities were sold as the contributions were received.

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.

Contributions Receivable, Net – Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted rates. Amortization of the discounts is included in contributions revenue. An allowance for doubtful accounts is based on specific identification of possible uncollectible accounts and the Community Foundation's historical collection experience. Management did not deem an allowance to be necessary as of December 31, 2025.

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 support with donor restrictions. The Community Foundation reports expirations of donor restrictions when the acquired assets are placed in service or as instructed by the donor. 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 $5,000.

The Community Foundation reviews the carrying values of property and equipment for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability is assessed by comparing the carrying amount of the asset to the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. If the carrying amount exceeds the estimated undiscounted cash flows, an impairment loss is recognized based on the excess of the carrying amount over fair value.

Management determined no impairment of long-lived assets existed as of December 31, 2025.

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. Donated investments are recorded at fair value at the date of receipt.

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 of Trustees and management believes the investment policy is prudent for the long-term welfare of the Community Foundation and its beneficiaries.

Beneficial Interest in Perpetual Trust – The Community Foundation is the beneficiary of a perpetual trust held by a third party. The Community Foundation's interest in the trust is 50%. 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 Community Foundation determines 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 payable represents all unconditional grants that have been authorized prior to year-end but remain unpaid as of the consolidated statement of financial position date. Grants that are expected to be paid in future years are recorded at the present value of their estimated future cash outflows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the grants are approved by the Board of Trustees. Amortization of the discounts is included in grants expense in the accompanying consolidated statement of activities. Conditional grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses by the grant recipient, are expensed and considered payable in the period in which the conditions are substantially satisfied.

Funds Held for Agencies – The Community Foundation recognizes a liability for funds received and held for the sole benefit of other organizations.

Note 2—Summary of significant accounting policies (continued)

Fair Value – FASB ASC 820, *Fair Value Measurement*, 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.

Income Taxes – The Community Foundation is exempt from federal income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code ("IRC"). In accordance with IRC regulations, the Community Foundation is taxed on unrelated business income, which consists of earnings from activities not related to the exempt purpose of the Community Foundation. The Community Foundation accounts for tax uncertainties based on a more-likely-than-not recognition threshold whereby tax benefits are only recognized when the Community Foundation believes they have a greater than 50% likelihood of being sustained upon examination by taxing authorities. The Community Foundation has evaluated all its tax positions and determined it had no uncertain income tax positions as of December 31, 2025.

Functional Allocation of Expenses – The consolidated statement of functional expenses presents the natural classification detail of expenses by function. The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated 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, contracted services, and professional fees, 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.

Restatement – Management determined several donor funds were improperly classified between net assets with and without donor restriction relating to a period prior to January 1, 2025. The reclassification decreased net assets without donor restrictions and increased net assets with donor restrictions as of January 1, 2025, by $2,847,201, respectively. The reclassification did not impact the change in net assets for the year ended December 31, 2024, and was not associated with any activity of the Community Foundation that occurred during the year ended December 31, 2025 and had no impact on the Community Foundation's support and expenditures related to the Kerr County Flood Relief Fund which was created in July of 2025.

Note 3—Property and equipment, net

The following is a summary of property and equipment, net as of December 31, 2025:

Land	$	140,000
Landscaping		8,522
Buildings		984,112
Furniture and equipment		52,187
Less accumulated depreciation		(133,047)
	$	1,051,774

Depreciation expense for the year ended December 31, 2025 was $31,988.

Note 4—Advertising

The Community Foundation expenses the costs of advertising as incurred. Advertising expense for the year ended December 31, 2025 was $40,940.

Note 5—Scholarships and grants payable, net

Scholarships payable are payable in the following periods at December 31, 2025:

Payable in one year	$	303,200
Payable in two years		150,750
Payable in three years		64,900
		518,850
Less discount on scholarships payable		(26,289)
Total scholarships payable, net	$	492,561

Grants payable are payable in the following periods at December 31, 2025:

Payable in one year	$	11,396,301
Payable in two years		120,000
		11,516,301
Less discount on grants payable		(390,103)
Total grants payable, net	$	11,126,198

As of December 31, 2025, scholarships and grants payable beyond one year are reported at the present value of their estimated future cash flows using a discount rate of 3.47%.

Note 6—Net assets

The following summarizes the breakdown of net assets as of December 31, 2025:

	Without Donor Restrictions	With Donor Restrictions	Total
Non-endowment funds:			
Undesignated	$ 7,604,833	$ -	$ 7,604,833
Donor advised	16,894,367	-	16,894,367
Donor-designated	-	6,245,304	6,245,304
Field of interest	-	9,515,719	9,515,719
Kerr County flood relief	-	91,722,530	91,722,530
Scholarship	-	2,120,942	2,120,942
Beneficial interest in perpetual trust	-	4,400,392	4,400,392
Total non-endowment funds	24,499,200	114,004,887	138,504,087
Endowment funds:			
Board-designated	1,217,946	-	1,217,946
Donor advised	1,956,721	-	1,956,721
Donor-designated	-	2,447,413	2,447,413
Field of interest	-	1,768,551	1,768,551
Scholarship	-	2,884,017	2,884,017
Total endowment funds	3,174,667	7,099,981	10,274,648
Total net assets	$ 27,673,867	$ 121,104,868	$ 148,778,735

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors. The following summarizes the releases for the year ended December 31, 2025:

Donor-designated	$ 1,141,372
Field of interest	754,451
Kerr County flood relief	57,951,287
Scholarship	635,244
Passage of time	74,074
Total releases from restriction	$ 60,556,428

Note 7—Endowments

The Community Foundation's endowments consist of approximately 83 individual funds established by donors to provide annual funding for specific activities and general operations. The endowments also includes certain net assets without donor restrictions that have been designated for endowment by the Board of Trustees and by the establishment of endowed donor advised funds.

Interpretation of Relevant Law – The Board of Trustees has interpreted the Texas Uniform Prudent Management of Institutional Funds Act ("TUPMIFA") as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At December 31, 2025, there were no such donor stipulations. As a result of this interpretation, the Community Foundation retains in perpetuity: (a) the original value of initial and subsequent gifts to the permanent endowment, and (b) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by us in a manner consistent with the standard of prudence prescribed by TUPMIFA. The Community Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purposes of the Community Foundation and the donor-restricted endowment fund;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of the Community Foundation;
- The investment policies of the Community Foundation.

The Community Foundation's changes in endowment net assets for the year ended December 31, 2025 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 2,967,369	$ 5,477,225	$ 8,444,594
Investment return, net	435,133	771,855	1,206,988
Contributions	260	1,139,696	1,139,956
Other income	-	6,860	6,860
Amounts appropriated for expenditure	(228,095)	(295,655)	(523,750)
Endowment net assets, end of year	$ 3,174,667	$ 7,099,981	$ 10,274,648

Funds with Deficiencies – From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Community Foundation has interpreted TUPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law.

At December 31, 2025, funds with deficiencies of $2,690 were included in endowed donor advised funds within net assets without donor restrictions.

Fair value of underwater endowment funds	$ 22,367
Original endowment gift amount	25,057
Deficiencies of underwater endowment funds	$ 2,690

Note 8—Liquidity and availability of financial assets

The Community Foundation considers general expenditures to include program and supporting services, and any other commitments or liabilities to be paid in the subsequent year. The Community 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 of Trustees has variance power, the Board of Trustees designated endowments may be drawn upon at the discretion of the governing board, but this is not the intention of the Board of Trustees. The Community Foundation has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations become due.

The Community Foundation's financial assets available for general use expenditures within one year as of December 31, 2025 consist of the following:

Financial assets:	
Cash and cash equivalents	$ 25,120,482
Accrued interest receivable	100,853
Investments	142,503,320
Beneficial interest in perpetual trust	4,400,392
Total financial assets	172,125,047
Less those unavailable for general expenditure within one year:	
Net assets with donor restrictions	121,104,868
Funds held for agencies	12,792,324
Board-designated and donor advised endowments	3,174,667
Total assets unavailable	137,071,859
Financial assets available within one year to meet Community Foundation cash needs for general expenditures	$ 35,053,188

Note 9—Investments

Following is an analysis of the major types of investments (excluding cash and cash equivalents) at December 31, 2025.

	Cost	Market Value
Certificates of deposit	$ 674,836	$ 664,900
Government obligations	83,803,843	84,146,949
Municipal bonds	2,251,429	2,262,384
Corporate obligations	2,852,721	2,887,711
Mutual funds	13,996,323	14,793,156
Equity securities	18,073,301	23,151,193
Exchange traded funds	12,597,634	14,597,016
Royalty interests	10	11
Total investments	$ 134,250,097	$ 142,503,320

Note 10—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 Community 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 regard 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 are descriptions of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2025.

Certificates of Deposit, Government Obligations, Municipal Bonds, and Corporate Obligations – 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.

Equity Securities and Exchange Traded Funds – Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual Funds – Valued at the quoted net asset value or quoted market prices available in active markets based on shares held by the Community Foundation at year-end.

Life Insurance – Cash Surrender Value – Value based on the accrued statement of cash surrender value provided by the life insurance company.

*Beneficial Interest in Perpetual Trus*t – 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 Community Foundation's beneficial interest is classified as Level 3 in the hierarchy.

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.

Note 10—Fair value of financial assets (continued)

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, 2025:

	Level 1	Level 2	Level 3	Total
Measurement at fair value on a recurring basis:				
Certificates of deposit	$ -	$ 664,900	$ -	$ 664,900
Government obligations	-	84,146,949	-	84,146,949
Municipal bonds	-	2,262,384	-	2,262,384
Corporate obligations	-	2,887,711	-	2,887,711
Mutual funds	14,793,156	-	-	14,793,156
Equity securities	23,151,193	-	-	23,151,193
Exchange traded funds	14,597,016	-	-	14,597,016
Life insurance - cash surrender value	-	14,127	-	14,127
Beneficial interest in perpetual trust	-	-	4,400,392	4,400,392
Total financial assets at fair value on a recurring basis	52,541,365	89,976,071	4,400,392	146,917,828
Measurement at fair value on a nonrecurring basis:				
Royalty interests	-	-	11	11
Total financial assets at fair value	$ 52,541,365	$ 89,976,071	$ 4,400,403	$ 146,917,839

For assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the period, the following table provide a reconciliation of beginning and ending balances for the year ended December 31, 2025.

Balance at January 1, 2025	$ 4,088,006
Distributions	(92,593)
Change in fair value of beneficial interest in perpetual trust	404,979
Balance at December 31, 2025	$ 4,400,392

Note 11—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 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.

Note 11—Funds held for agencies (continued)

As of December 31, 2025, the Community Foundation was the owner of 44 funds held for agencies with a combined value of $12,792,324. The following table summarizes the combined activity in such funds for the year ended December 31, 2025:

Funds held for agencies - beginning of year	$	9,858,006
Contributions		1,796,535
Investment income		331,373
Unrealized and realized gains		1,107,295
Grants		(146,518)
Administrative fees		(110,994)
Investment expenses		(43,373)
Funds held for agencies - end of year	$	12,792,324

Note 12—Employee retirement plan

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% of the employee's annual compensation. The Community Foundation made contributions of $14,315 for the year ended December 31, 2025.

Note 13—Concentration of credit risk and other concentration

The Community Foundation places its cash and cash equivalents on deposit with financial institutions in the United States of America. The Federal Deposit Insurance Corporation covers $250,000 for substantially all depository accounts. The Community Foundation from time to time may have amounts on deposit in excess of the insured limits.

A substantial amount of the Community Foundation's support is generated through contributions and pledges from other organizations or individuals, primarily in Kerrville, Texas and the surrounding area. Changes in economic conditions can directly affect a donor's ability and willingness to make future contributions to the Community Foundation. Also, the limited geographic area in which the Community Foundation's contributors reside increases the Community Foundation's exposure to certain business concentrations.

Note 14—Related parties

During the year ended December 31, 2025, the Community Foundation received contributions totaling $104,479 from members of the Board of Trustees.

The Community Foundation had a note payable to a former board member as of December 31, 2024. The remaining balance of the note totaled $317,836 and was paid off in October 2025.

Note 15—Subsequent events

The Community Foundation has evaluated its consolidated financial statements for subsequent events through March 30, 2026, the date the consolidated financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

THE COMMUNITY FOUNDATION OF THE TEXAS HILL COUNTRY, INC.
STATEMENT OF FINANCIAL POSITION – KERR COUNTY FLOOD RELIEF FUND

DECEMBER 31, 2025

ASSETS	
Cash and cash equivalents	$ 620,778
Investments	102,231,582
Total Assets	**$ 102,852,360**
LIABILITIES AND NET ASSETS	
Liabilities:	
Grants payable, net	$ 11,126,198
Accounts payable	3,632
Total Liabilities	11,129,830
Net Assets:	
Total Net Assets With Donor Restrictions	91,722,530
Total Liabilities and Net Assets	**$ 102,852,360**

THE COMMUNITY FOUNDATION OF THE TEXAS HILL COUNTRY, INC.
STATEMENT OF ACTIVITIES – KERR COUNTY FLOOD RELIEF FUND

YEAR ENDED DECEMBER 31, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Other Support:			
Contributions	$ -	$ 148,527,183	$ 148,527,183
Investment return, net	-	1,146,634	1,146,634
Net assets released from restrictions	57,951,287	(57,951,287)	-
Total Revenues, Gains, and Other Support	57,951,287	91,722,530	149,673,817
Expenses:			
Program services	53,888,164	-	53,888,164
Supporting Services:			
Management and general	2,995,861	-	2,995,861
Fundraising	1,067,262	-	1,067,262
Total Supporting Services	4,063,123	-	4,063,123
Total Expenses	57,951,287	-	57,951,287
Change in net assets	-	91,722,530	91,722,530
Net assets, beginning of year	-	-	-
Net assets, end of year	$ -	$ 91,722,530	$ 91,722,530