



SAN ANGELO AREA FOUNDATION

CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
December 31, 2023 and 2022

SAN ANGELO AREA FOUNDATION

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December 31, 2023 and 2022

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May 1, 2024

**Board of Directors
San Angelo Area Foundation and Affiliate
San Angelo, Texas**

Independent Auditor's Report

Opinion

We have audited the consolidated financial statements of San Angelo Area Foundation and Affiliate (collectively, the Foundation), which comprise the consolidated statements of financial position as of December 31, 2023 and 2022, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2023 and 2022, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Foundation, and have fulfilled our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not to express an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable 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.

Condley and Company, L.L.P.

Certified Public Accountants

SAN ANGELO AREA FOUNDATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31,	
<u>ASSETS</u>	2023	2022
Cash and cash equivalents	\$ 7,715,935	\$ 11,521,962
Investments at market	212,550,520	176,589,314
Prepaid expenses	-	1,278
Beneficial interest in charitable remainder trust	14,118,033	11,454,994
Fixed assets, net	7,003,346	5,473,084
Oil and gas interests	54,082	56,555
TOTAL ASSETS	\$ 241,441,916	\$ 205,097,187
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES:		
Accounts payable	\$ 2,067	\$ 1,960
Grants payable	3,922,973	3,863,773
Present value of split-interest trusts and annuities	2,285,292	2,383,200
Deferred compensation	258,240	203,483
Funds held as agency endowments	67,015,682	56,074,149
Total Liabilities	73,484,254	62,526,565
NET ASSETS:		
Without donor restrictions	3,079,859	2,721,256
With donor restrictions	164,877,803	139,849,366
Net Assets	167,957,662	142,570,622
TOTAL LIABILITIES AND NET ASSETS	\$ 241,441,916	\$ 205,097,187

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

SAN ANGELO AREA FOUNDATION
CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES, GAINS AND OTHER SUPPORT:			
Total amounts raised	\$ 295,514	\$ 17,262,459	\$ 17,557,973
Less: amounts received for agency endowments		<u>(2,490,461)</u>	<u>(2,490,461)</u>
Contributions	<u>295,514</u>	<u>14,771,998</u>	<u>15,067,512</u>
Net investment return	591,130	30,816,282	31,407,412
Less: net investment return for agency endowments		<u>(9,436,285)</u>	<u>(9,436,285)</u>
Net investment return	<u>591,130</u>	<u>21,379,997</u>	<u>21,971,127</u>
Total other income	226,398		226,398
Less: other income for agency endowments			-
Other income	<u>226,398</u>	-	<u>226,398</u>
Net assets released from restrictions	<u>13,614,099</u>	<u>(13,614,099)</u>	-
Total Revenues, Gains and Other Support	<u>14,727,141</u>	<u>22,537,896</u>	<u>37,265,037</u>
GRANTS AND EXPENSES:			
Total grants and distributions	13,459,436		13,459,436
Less: grants and distributions made from agency endowments	<u>(760,878)</u>		<u>(760,878)</u>
Grants and distributions	<u>12,698,558</u>	-	<u>12,698,558</u>
Total other program expenses	380,478		380,478
Less: other program expenses from agency endowments	<u>(117)</u>		<u>(117)</u>
Other program expenses	<u>380,361</u>	-	<u>380,361</u>
Total management and general	654,763		654,763
Less: management and general from agency endowments			-
Management and general	<u>654,763</u>	-	<u>654,763</u>
Fundraising expenses	<u>558,562</u>	-	<u>558,562</u>
Total Grants and Expenses	<u>14,292,244</u>	-	<u>14,292,244</u>
Change in value of split-interest agreements		<u>2,414,247</u>	<u>2,414,247</u>
RECLASSIFICATIONS - DONOR DIRECTED	<u>(76,294)</u>	<u>76,294</u>	-
CHANGE IN NET ASSETS	<u>358,603</u>	<u>25,028,437</u>	<u>25,387,040</u>
NET ASSETS AT BEGINNING OF YEAR	<u>2,721,256</u>	<u>139,849,366</u>	<u>142,570,622</u>
NET ASSETS, END OF YEAR	<u>\$ 3,079,859</u>	<u>\$ 164,877,803</u>	<u>\$ 167,957,662</u>

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

SAN ANGELO AREA FOUNDATION
CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES, GAINS AND OTHER SUPPORT:			
Total amounts raised	\$ 60,968	\$ 34,822,207	\$ 34,883,175
Less: amounts received for agency endowments		(12,939,537)	(12,939,537)
Contributions	<u>60,968</u>	<u>21,882,670</u>	<u>21,943,638</u>
Net investment loss	(307,871)	(37,543,615)	(37,851,486)
Less: net investment loss for agency endowments		10,756,471	10,756,471
Net investment loss	<u>(307,871)</u>	<u>(26,787,144)</u>	<u>(27,095,015)</u>
Total other income	211,652		211,652
Less: other income for agency endowments			-
Other income	<u>211,652</u>	<u>-</u>	<u>211,652</u>
Net assets released from restrictions	<u>11,503,963</u>	<u>(11,503,963)</u>	<u>-</u>
Total Revenues, Gains and Other Support	<u>11,468,712</u>	<u>(16,408,437)</u>	<u>(4,939,725)</u>
GRANTS AND EXPENSES:			
Total grants and distributions	11,319,206		11,319,206
Less: grants and distributions made from agency endowments	(645,351)		(645,351)
Grants and distributions	<u>10,673,855</u>	<u>-</u>	<u>10,673,855</u>
Total other program expenses	380,195		380,195
Less: other program expenses from agency endowments	(25)		(25)
Other program expenses	<u>380,170</u>	<u>-</u>	<u>380,170</u>
Total management and general	618,095		618,095
Less: management and general from agency endowments			-
Management and general	<u>618,095</u>	<u>-</u>	<u>618,095</u>
Fundraising expenses	<u>526,585</u>	<u>-</u>	<u>526,585</u>
Total Grants and Expenses	<u>12,198,705</u>	<u>-</u>	<u>12,198,705</u>
Change in value of split-interest agreements		(333,179)	(333,179)
RECLASSIFICATIONS - DONOR DIRECTED	<u>195,859</u>	<u>(195,859)</u>	<u>-</u>
CHANGE IN NET ASSETS	<u>(534,134)</u>	<u>(16,937,475)</u>	<u>(17,471,609)</u>
NET ASSETS AT BEGINNING OF YEAR	<u>3,255,390</u>	<u>156,786,841</u>	<u>160,042,231</u>
NET ASSETS, END OF YEAR	<u>\$ 2,721,256</u>	<u>\$ 139,849,366</u>	<u>\$ 142,570,622</u>

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

SAN ANGELO AREA FOUNDATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Year Ended December 31,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 25,387,040	\$ (17,471,609)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net realized/unrealized (gains) losses on investments	(25,014,822)	42,312,803
Change in value of split-interest agreements	(2,414,247)	333,179
Unrealized loss on oil and gas interests	2,473	1,436
Reinvested income	(3,335,595)	(2,580,853)
Non-cash contributions - marketable securities	(2,548,846)	(1,485,756)
Non-cash contributions - land	-	(1,220,000)
Depreciation and amortization	140,427	137,372
Loss on disposal of fixed assets	-	39
(Increase)/Decrease in:		
Prepaid expenses	1,278	(1,278)
Other assets	-	30,789
Increase/(Decrease) in:		
Accounts payable	107	(159)
Grants payable	59,200	2,418
Present value of split-interest trust and annuities	-	510,337
Deferred compensation	54,757	(28,295)
Funds held as agency endowments	10,941,533	1,328,993
 Net Cash Provided by Operating Activities	 3,273,305	 21,869,416
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets	(1,670,689)	(1,774,751)
Purchase of investments	(29,918,396)	(54,055,640)
Proceeds from sales and maturities of investments	24,856,453	36,235,915
 Net Cash Used in Investing Activities	 (6,732,632)	 (19,594,476)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments to beneficiaries under split-interest agreements	(346,700)	(383,578)
 Net Cash Used in Financing Activities	 (346,700)	 (383,578)
 Net Increase (Decrease) in Cash and Cash Equivalents	 (3,806,027)	 1,891,362
Cash and Cash Equivalents at Beginning of Year	11,521,962	9,630,600
 CASH AND CASH EQUIVALENTS AT END OF YEAR	 \$ 7,715,935	 \$ 11,521,962
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Non-cash contributions of charitable remainder annuity trust	\$ -	\$ 1,220,000

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

SAN ANGELO AREA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 1: STATEMENT OF ORGANIZATION AND PURPOSE

The San Angelo Area Foundation was incorporated on January 11, 2002, under the laws of the State of Texas as a non-profit corporation. The purpose of the Foundation is to build a legacy of philanthropy by attracting and prudently managing endowed gifts to match donor interests with the community needs of the area.

SAAF Holdings, L.L.C. was established on June 7, 2011, under the laws of the State of Texas as a limited liability company with the San Angelo Area Foundation being its sole member. The purpose of SAAF Holdings, L.L.C. is to hold and manage real estate for the benefit of the Foundation.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements (collectively, the financial statements) include the accounts of San Angelo Area Foundation and SAAF Holdings, L.L.C. (collectively, the Foundation). All significant inter-company transactions and balances have been eliminated in consolidation.

The accounting and reporting policies of the Foundation conform with accounting principles generally accepted in the United States of America. Policies and practices which materially affect the determination of financial position are summarized as follows:

Basis of Presentation

The financial statements of the Foundation have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the Foundation to report information regarding its consolidated financial position and activities according to the following net asset classifications:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. These net assets may be used at the discretion of the Foundation's management and the Board of Directors.

Net assets with donor restrictions – Net assets are subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the consolidated statements of activities.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid instruments with maturities of three months or less. The Foundation maintains large balances of funds which are held for the benefit of others. These funds are generally held for a relatively short time; therefore, it is the policy of the Foundation to avoid market risk and maintain liquidity by holding cash and cash equivalents for a portion of the funds.

Investments

Investment purchases are recorded at cost, or if donated, at the fair value on the date of donation. Thereafter, investments are reported at their fair values in the consolidated statements of financial position. Cash held in certain brokerage accounts is considered a short-term investment. Net investment return/(loss)

SAN ANGELO AREA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023 and 2022

is reported in the consolidated statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Market value for investments is based on market indices for those items with a readily ascertainable market value. Hedge funds and private equity funds are valued primarily by the respective fund managers based on the underlying investments.

Oil and Gas Interests

Oil and gas interests have been valued by management at three times the estimated annual royalty revenues. Any changes in value are considered to be an unrealized gain or loss.

Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the consolidated statements of activities. The Foundation determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable.

Fixed Assets

Fixed assets are stated at cost, or if acquired by gift, at fair market value at the date of the gift. Depreciation and amortization of fixed assets is provided for in amounts sufficient to relate their cost to operations over their estimated useful lives (3-15 years) on a straight-line basis. Depreciation and amortization expense was \$140,427 and \$137,372 for the years ended December 31, 2023 and 2022, respectively.

Beneficial Interest in Charitable Remainder Trust

Beneficial interest in charitable remainder trust represents the amount held for the benefit of the Foundation under an irrevocable trust agreement between a donor and a third-party trustee and is carried at fair value on the consolidated statements of financial position (see Note 9). The Foundation estimates the fair value of the interest annually and recognizes changes in the fair value as a "Change in value of split-interest agreements" on the consolidated statements of activities.

Present Value of Split-Interest Trust and Annuities

Present value of split-interest trust and annuities on the consolidated statements of financial position represents liabilities under a charitable remainder unitrust, in which the Foundation is the trustee, and charitable gift annuities. At the end of each year, the liabilities are adjusted to reflect the present value of the amounts owed to the beneficiaries. The Foundation utilized the 2000 CM mortality table in valuing its liabilities under the charitable remainder trust and the charitable gift annuities for December 31, 2023 and 2022. The Foundation recognizes changes in the valuation of the liabilities as a "Change in value of split-interest agreements" on the consolidated statements of activities. See Note 9 for additional information regarding the Foundation's split-interest agreements.

Grants Payable

Grants payable are recognized when the Board of Directors approves specific grants. When grant commitments are to be paid over several years, the Foundation records such liabilities at their estimated present values.

SAN ANGELO AREA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023 and 2022

Federal Income Taxes

The San Angelo Area Foundation has been granted an exemption from federal income taxes under Section 501(c)(3) of the Internal Revenue Code in an exemption letter dated July 24, 2002. The Internal Revenue Service has further determined that the Foundation is a publicly supported organization under Section 509(a)(1) and 170(b)(1)(A)(vi) of the Internal Revenue Code.

SAAF Holdings, L.L.C. is a disregarded entity for income tax purposes.

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 financial statements to comply with the provisions of this guidance. The Foundation will be subject to income tax examinations by the U.S. federal, state or local tax authorities for three years following the most recent tax filing.

Revenue and Revenue Recognition

Revenue is recognized when earned. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. The Foundation does not have any revenue that would be considered exchange transactions.

Contributed Nonfinancial Assets

There were no nonfinancial assets contributed to the Foundation during the year ended December 31, 2023.

During the year ended December 31, 2022, the Foundation recognized \$768,124 in contribution revenue related to the receipt of a nonfinancial asset. This amount is included in the consolidated statement of activities in the line item, "Total amounts raised," as an increase to net assets with donor restrictions. The nonfinancial contribution received in 2022 is comprised of a single donation of land that was contributed to establish the charitable remainder annuity trust described in Note 9. The land had an appraised value of \$1,220,000. Contribution income related to the receipt was \$768,124, the difference between the appraised value of the land and the initial liability related to the charitable remainder annuity trust totaling \$451,876. The land was sold by the Foundation during the year ended December 31, 2022, with net proceeds totaling \$1,213,902, resulting in a loss of \$6,098.

Administrative Fees

Administrative fees are assessed against the various funds according to a fee schedule set by the Board of Directors. Administrative fees charged to agency funds are recorded as other income as an increase to net assets without donor restrictions. Administrative fees charged to funds with donor restrictions are a component of net assets released from restrictions.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

SAN ANGELO AREA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Concentrations of Credit Risk – Cash and Investments

The Foundation maintains cash balances at financial institutions. Accounts at the institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Foundation also maintains accounts at brokerage firms. The accounts contain cash and securities. Cash and security balances are insured up to \$250,000 and \$500,000, respectively, by the Securities Investor Protection Corporation with a maximum amount of insurance being \$500,000 for each brokerage firm. At various times during the year, the Foundation may have balances at the financial institutions and stock brokerage firms in excess of these limits.

Endowment Investment and Spending Policies

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. The Foundation's spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. The current long-term return objective is to return amounts sufficient to support the spending policy, net of investment fees. Actual returns in any given year may vary from this objective.

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk parameters.

The spending policy calculates the amount of money annually distributed from the Foundation's various endowed funds, including those endowments deemed to be underwater, for grant making and administration. The current target spending amount (subject to request for variances) for the Foundation, which includes administrative fees, is 5% of the previous twelve months rolling average of the portfolio's market value. In the event a fund has less than twelve quarters of history to average, the average will use the value of the fund at inception and subsequent history, until twelve quarters of historical averages have been accumulated. Accordingly, over the long term, the Foundation expects to provide a total return that provides sufficient assets to fund the Foundation's spending policy. This is consistent with the Foundation's objective to maintain the purchasing power of endowment assets as well as to provide additional real growth through new gifts and investment return.

Subsequent Events

The Foundation has evaluated subsequent events through May 1, 2024, the date the financial statements were available to be issued.

Recent Accounting Pronouncements

Recent accounting pronouncements issued by the FASB (including its Emerging Issues Task Force) and the American Institute of Certified Public Accountants did not or are not believed by management to have a material impact on the Foundation's present or future financial statements.

SAN ANGELO AREA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 3: LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor restrictions limiting their use, within one year of the December 31, 2023 consolidated statement of financial position date, comprise the following:

Financial assets:	
Cash and cash equivalents	\$ 7,715,935
Investments at market	<u>212,550,520</u>
Total Financial assets	220,266,455
Less:	
Endowed funds	(94,571,719)
Funds held as agency endowments	(67,015,682)
Quasi-endowed funds	<u>(53,308,657)</u>
	(214,896,058)
Add: Available to spend for endowed funds (5%)	10,744,803
Add: Non-financial assets included in endowed and quasi-endowed funds	<u>3,256,016</u>
	14,000,819
Financial assets available within one year to meet cash needs for general expenditures	<u>\$ 19,371,216</u>

Financial assets available for general expenditure, that is, without donor restrictions limiting their use, within one year of the December 31, 2022 consolidated statement of financial position date, comprise the following:

Financial assets:	
Cash and cash equivalents	\$ 11,521,962
Investments at market	<u>176,589,314</u>
Total Financial assets	188,111,276
Less:	
Endowed funds	(82,060,338)
Funds held as agency endowments	(56,074,149)
Quasi-endowed funds	<u>(43,777,504)</u>
	(181,911,991)
Add: Available to spend for endowed funds (5%)	9,095,600
Add: Non-financial assets included in endowed and quasi-endowed funds	<u>3,379,782</u>
	12,475,382
Financial assets available within one year to meet cash needs for general expenditures	<u>\$ 18,674,667</u>

Donor restricted endowment funds are not available for general expenditures. Endowed funds are funds that the donor intends the original gift amount to be maintained in perpetuity. Quasi-endowed funds are treated as endowed, however, the donor has made a recommendation that should the fair value of the fund fall below the original gift amount, distributions may still be made according to the fund agreement. The Foundation's spending policy is 5% of the previous twelve quarter average of the fund's value.

All of the financial assets included are marketable investments that can easily be converted to cash. Assets that are not considered liquid are excluded from the financial assets noted above.

SAN ANGELO AREA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 4: INVESTMENTS

The securities held by the Foundation in its name consist of the following investment groups as of December 31,:

	<u>2023</u>		<u>2022</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Cash held for investments	\$ 84,653	\$ 84,653	\$ 91,497	\$ 91,497
Equities	15,424,204	19,806,456	14,611,825	15,745,664
Mutual funds & ETFs	182,950,252	180,825,138	173,082,959	150,315,335
Corporate obligations	2,160,772	2,061,900	1,896,920	1,713,970
Government and agency securities	5,484,018	5,432,281	5,731,942	5,531,315
Municipal obligations	20,000	18,054	20,000	17,029
Alternative investments	21,463	21,463	169,504	169,504
Certificates of deposit	4,300,575	4,300,575	3,005,000	3,005,000
Total	<u>\$ 210,445,937</u>	<u>\$ 212,550,520</u>	<u>\$ 198,609,647</u>	<u>\$ 176,589,314</u>

NOTE 5: PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of December 31,:

	<u>2023</u>	<u>2022</u>
Cost:		
Land	\$ 222,954	\$ 222,954
Land improvements	582,538	582,538
Computer software	73,159	73,159
Building	2,855,217	2,855,217
Leasehold improvements	531,768	531,768
Furniture and equipment	195,723	190,556
Construction in progress – Fort Concho	3,723,812	2,058,290
Total cost	<u>8,185,171</u>	<u>6,514,482</u>
Less accumulated depreciation and amortization	<u>(1,181,825)</u>	<u>(1,041,398)</u>
Net book value	<u>\$ 7,003,346</u>	<u>\$ 5,473,084</u>

NOTE 6: GRANTS PAYABLE

The Foundation signed a memorandum of understanding with the City of San Angelo, Texas to bid and construct barracks and mess halls 3 and 4 at Fort Concho, which is a former United States Army installation and National Historic Landmark District located in San Angelo, Texas. The Foundation is responsible for all costs and activities associated with the design, bidding, insurance, and construction of the project. Upon completion of the project and acceptance by the City of San Angelo, the Foundation shall formally in writing transfer all ownership and responsibility for the project to the City.

The Foundation initially recognized this commitment during the year ended December 31, 2021. The commitment for the project approximates the amounts under contract for the construction of the project, which is \$3,861,355. Barracks and mess halls 3 and 4 are under contract for \$2,055,755 and \$1,805,600, respectively. The unconditional commitment made to the City of San Angelo, Texas resulted in the recognition of the grants payable, and not the underlying construction contracts.

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As of December 31, 2023, \$3,723,812 had been expended on the project and is included in construction in progress (see Note 5). Grants payable will not be reduced until the commitment has been fulfilled and the project has been transferred to the City. Completion of the project and transfer to the City is expected during the year ended December 31, 2024.

As of December 31, 2023, the Foundation had \$563,513 in outstanding construction commitments.

NOTE 7: COMMITMENTS AND CONTINGENCIES

Grants

As of December 31, 2023, conditional grants payable was due in future years as follows:

<u>Year ending December 31,</u>	
2024	\$ 1,767,653
2025	1,183,150
2026	491,650
2027	258,844
2028	258,844
	<u>\$ 3,960,141</u>

Conditional grants are composed of \$3,739,408 for various scholarships and \$220,733 for other miscellaneous purposes.

NOTE 8: LEASES

The San Angelo Area Foundation currently leases office space from SAAF Holdings, L.L.C. for \$64,800 a year. This agreement expired on December 31, 2023, and was subsequently renewed through December 31, 2024. Rental expense was \$64,800 for the years ended December 31, 2023 and 2022 and has been eliminated for report purposes.

The Foundation leases office space to multiple third parties. These lease arrangements are considered operating leases to the Foundation. Lease income, excluding the related party rental income, was \$214,178 and \$238,948 for the years ended December 31, 2023 and 2022, respectively. Rental income is included in the line item "Net investment return" in the consolidated statements of activities. Anticipated rental income from uncancellable leases, and from lease renewal periods reasonably certain to be exercised, due in future years are as follows:

<u>Year ending December 31,</u>	
2024	\$ 184,742
2025	147,992
2026	123,242
2027	113,942
2028+	893,759
	<u>\$ 1,463,677</u>

The Foundation has an arrangement with a tenant by which the Foundation has paid for certain leasehold improvements and the tenant is paying these back over a period of one hundred and eighty (180) months, beginning August 1, 2020. These payments are in the amount of \$4,545 per month, which includes interest at a rate of 6.5% per annum. The tenant's lease is cancelable after sixty (60) months, at which point the tenant would be required to pay the outstanding principal balance of the amounts due for leasehold improvements. The future payment schedule above is based upon the assumption that the tenant is

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reasonably certain to exercise renewal options for the full one hundred and eighty (180) months. The original principal balance of these improvements was \$521,767. As of December 31, 2023 and 2022, the outstanding principal balance was \$443,091 and \$467,948, respectively. The total leasehold improvement payment, including interest and principal, is included in rental income. In the event this lease is not renewed beyond the initial sixty (60) month term, the outstanding principal balance at that point in time, \$400,285, will be due to the Foundation.

Leased property and equipment (included in Note 5) consisted of the following as of December 31,:

	2023	2022
Cost:		
Building	\$ 1,184,875	\$ 1,184,875
Leasehold improvements	531,768	531,768
Total cost	1,716,643	1,716,643
Less accumulated depreciation and amortization	(316,956)	(274,040)
Net book value	\$ 1,399,687	\$ 1,442,603

NOTE 9: SPLIT-INTEREST AGREEMENTS

Charitable Gift Annuities

At December 31, 2023 and 2022, the Foundation had liabilities under charitable gift annuities amounting to \$158,114 and \$166,135, respectively. These liabilities are included in the consolidated statement of financial position in the line item "Present value of split-interest trusts and annuities." Under the agreements, the Foundation is required to make annual payments to beneficiaries of \$23,289. The change in the value of the liability for the charitable gift annuities was (\$15,745) and 2,589 for the years ended December 31, 2023 and 2022, respectively.

Charitable Remainder Annuity Trust

The Foundation is the sole remainder beneficiary of an irrevocable charitable remainder annuity trust that was created during the year ended December 31, 2022. The Foundation serves as the trustee for the remainder trust, and as such records the assets held in the trust at their fair value. The trust provides for the payment of distributions to a third-party beneficiary over the trust's term, which is the designated beneficiary's lifetime. At the end of the trust's term, the remaining assets will be allocated to a fund within the Foundation that the donors of the charitable remainder trust established with the Foundation. The Foundation records a liability for the estimated present value of the amounts due to the third-party beneficiary. This liability is included in the consolidated statements of financial position in the line item "Present value of split-interest trust and annuities." Annual payments to the beneficiary over the trust period are equal to 8% of the initial net market value of all property transferred to the trust. Land appraised at \$1,220,000 was donated to establish the trust, yielding an annual payment of \$97,600. A prorated payment of \$68,186 was made during the year ended December 31, 2022. The Foundation estimates the present value of the future payments based on the designated beneficiary's life expectancy utilizing the 2000 CM mortality table, annual payments of \$97,600, a rate of return of 2.2%, and a 16 factor of 4.3765 and 4.6545 at December 31, 2023 and 2022, respectively. The liability representing the present value of the future payments was \$427,142 and \$454,277 as of December 31, 2023 and 2022, respectively. The change in value of the liability was (\$70,465) and (\$70,587) for the years ended December 31, 2023 and 2022, respectively. The fair value of the assets in the trust was \$1,235,904 and \$1,158,439 at December 31, 2023 and 2022, respectively. These assets are in the Foundation's general pool of investments.

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Charitable Remainder Unitrusts

The Foundation is the remainder beneficiary of an irrevocable charitable remainder unitrust. The assets of the trust are held by a third-party trustee. The trust provides for the payment of distributions to a third-party beneficiary over the trust's term, which is the designated beneficiary's lifetime. At the end of the trust's term, the remaining assets are to be distributed to the Foundation. The Foundation estimates the present value of the future benefits expected to be received at the end of the trust's term based on the designated beneficiary's life expectancy utilizing the 2010 CM mortality table, and a discount rate of 5.8% and 5.2% at December 31, 2023 and 2022, respectively. The fair value of the beneficial interest was \$14,118,033 and \$11,454,994 at December 31, 2023 and 2022, respectively. The fair value of the entire trust was \$32,263,153 and \$27,101,508 as of December 31, 2023 and 2022, respectively. The change in value of the beneficial interest was \$2,663,039 and (\$1,028,746) for the years ended December 31, 2023 and 2022, respectively.

The Foundation is the sole remainder beneficiary of an irrevocable charitable remainder unitrust that was created during the year ended December 31, 2021. The Foundation serves as the trustee for the remainder trust, and as such records the assets held in the trust at their fair value. The trust provides for the payment of distributions to a third-party beneficiary over the trust's term, which is the designated beneficiary's lifetime. At the end of the trust's term, the remaining assets will be allocated to a fund within the Foundation that the donors of the charitable remainder trust established with the Foundation. The Foundation records a liability for the estimated present value of the amounts due to the third-party beneficiary. This liability is included in the consolidated statement of financial position in the line item "Present value of split-interest trusts and annuities." The Foundation estimates the present value of the future payments based on the designated beneficiary's life expectancy utilizing the 2000 CM mortality table, a payout percentage of 6%, a rate of return of 1.6%, and a factor of .4527 and .4694 at December 31, 2023 and 2022, respectively. The liability representing the present value of the future payments was \$1,700,036 and \$1,762,788 at December 31, 2023 and 2022, respectively. The change in value of the liability was (\$162,582) and \$763,565 for the years ended December 31, 2023 and 2022, respectively. The fair value of the assets in the trust was \$4,100,539 and \$3,755,559 at December 31, 2023 and 2022, respectively. These assets are in the Foundation's general pool of investments.

NOTE 10: FUNDS HELD AS AGENCY ENDOWMENTS

The Foundation adopted ASC 958, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others*. This statement establishes standards for transactions in which a community foundation accepts a contribution from a donor and agrees to transfer those assets, the return on investment of those assets, or both to another entity that is specified by the donor. ASC 958 specifically requires that if a not-for-profit organization (NPO) establishes a fund at a community foundation with its 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 Foundation refers to such funds as agency endowments.

The Foundation maintains variance power and legal ownership of agency endowment funds and as such continues to report the funds as assets of the Foundation. However, in accordance with ASC 958, a liability has been established for the fair value of the funds, which is generally equivalent to the present value of future payments expected to be made to the NPOs.

As of December 31, 2023 and 2022, the Foundation held seventy-nine (79) and seventy-six (76) agency endowment funds, with a combined fair value of \$67,015,682 and \$56,074,149, respectively. All financial activity for the years then ended related to these funds are segregated on the consolidated statements of activities and have been reclassified to the agency endowment liability.

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The following is a progression of the liability for funds held as agency endowments as of December 31,:

	<u>2023</u>	<u>2022</u>
Beginning balance	\$ 56,074,149	\$ 54,745,156
Contributions	2,490,461	12,939,537
Net investment return (loss)	9,436,285	(10,756,471)
Grants	(760,878)	(645,351)
Administrative fees	(224,218)	(208,697)
Other expenses	<u>(117)</u>	<u>(25)</u>
Ending balance	<u>\$ 67,015,682</u>	<u>\$ 56,074,149</u>

NOTE 11: NET ASSETS

Total net assets consist of the following as of December 31, 2023:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment funds:			
Undesignated	\$ 1,557,459	\$ -	\$ 1,557,459
Field of interest	-	11,922,978	11,922,978
Scholarship	-	31,873,301	31,873,301
Donor advised	-	3,838,527	3,838,527
Designated	-	<u>45,379,454</u>	<u>45,379,454</u>
Total endowment funds	<u>1,557,459</u>	<u>93,014,260</u>	<u>94,571,719</u>
Non-endowment funds:			
Undesignated	1,522,400	-	1,522,400
Field of interest	-	7,107,632	7,107,632
Scholarship	-	11,387,665	11,387,665
Donor advised	-	21,833,533	21,833,533
Designated	-	<u>14,207,415</u>	<u>14,207,415</u>
Total non-endowment funds	<u>1,522,400</u>	<u>54,536,245</u>	<u>56,058,645</u>
Split-interest agreements and perpetual trusts	-	<u>17,327,298</u>	<u>17,327,298</u>
Total Net Assets	<u>\$ 3,079,859</u>	<u>\$ 164,877,803</u>	<u>\$ 167,957,662</u>

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Total net assets consist of the following as of December 31, 2022:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment funds:			
Undesignated	\$ 1,362,262	\$ -	\$ 1,362,262
Field of interest	-	10,590,904	10,590,904
Scholarship	-	28,343,342	28,343,342
Donor advised	-	3,358,927	3,358,927
Designated	-	38,404,903	38,404,903
Total endowment funds	<u>1,362,262</u>	<u>80,698,076</u>	<u>82,060,338</u>
Non-endowment funds:			
Undesignated	1,358,994	-	1,358,994
Field of interest	-	5,896,153	5,896,153
Scholarship	-	9,051,868	9,051,868
Donor advised	-	17,338,980	17,338,980
Designated	-	12,712,361	12,712,361
Total non-endowment funds	<u>1,358,994</u>	<u>44,999,362</u>	<u>46,358,356</u>
Split-interest agreements and perpetual trusts	-	14,151,928	14,151,928
Total Net Assets	<u>\$ 2,721,256</u>	<u>\$ 139,849,366</u>	<u>\$ 142,570,622</u>

NOTE 12: ENDOWMENTS

The Foundation's Board of Directors has interpreted the Texas Uniform Prudent Management of Institutional Funds Act (UPMIFA) 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. As of December 31, 2023 and 2022, there were no such donor stipulations. As a result of this interpretation, the Foundation retains in perpetuity: (a) the original value of initial and subsequent gift amounts donated to the Endowment, and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. 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 UPMIFA.

The Foundation is governed subject to the governing documents of the Foundation and the majority of contributions are received subject to the terms of the governing document. These governing documents give the Foundation variance power over these contributions. Certain contributions are received subject to other gift instruments or are subject to specific agreements with the Foundation. Endowments recorded as a component of net assets without donor restrictions contain no purpose restrictions, and although subject to donor imposed time restrictions, these funds are subject to the Foundation's governing documents and are thereby considered a component of net assets without donor restrictions. Contributions subject to the Foundation's governing documents are only recorded as a component of net assets with donor restrictions if the contribution contains a purpose restriction.

Under the terms of the governing documents, the Board of Directors can distribute so much of the corpus of any trust or separate gift, devise, bequest, or fund as the Board in its sole discretion shall determine. In accordance with UPMIFA, the Foundation considers the following factors in deciding to appropriate or accumulate donor-restricted endowment funds:

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1. The duration and preservation of the fund,
2. The purposes of the Foundation and 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 appreciation of the investments,
6. Other resources of the Foundation, and
7. The investment policies of the Foundation.

Changes in endowment net assets consist of the following as of December 31, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 1,362,262	\$ 80,698,076	\$ 82,060,338
Net investment return	223,007	12,973,672	13,196,679
Contributions	39,003	2,119,087	2,158,090
Reclassifications – donor directed	(45,491)	(103,152)	(148,643)
Amounts appropriated for expenditure	-	(2,147,771)	(2,147,771)
Administrative fees	(21,322)	(525,652)	(546,974)
Endowment net assets, end of year	<u>\$ 1,557,459</u>	<u>\$ 93,014,260</u>	<u>\$ 94,571,719</u>

Changes in endowment net assets consist of the following as of December 31, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 1,602,371	\$ 96,069,886	\$ 97,672,257
Net investment loss	(310,488)	(17,037,841)	(17,348,329)
Contributions	50,688	3,791,739	3,842,427
Reclassifications – donor directed	41,247	470,771	512,018
Amounts appropriated for expenditure	-	(2,082,262)	(2,082,262)
Administrative fees	(21,556)	(514,217)	(535,773)
Endowment net assets, end of year	<u>\$ 1,362,262</u>	<u>\$ 80,698,076</u>	<u>\$ 82,060,338</u>

“RECLASSIFICATION – DONOR DIRECTED” included on the consolidated statements of activities for the years ended December 31, 2023 and 2022, represents amounts that have been reclassified by management due to a change requested by the grantor or other circumstances that have changed the purpose or restriction related to the original contributions.

The Foundation considers an endowed fund to be underwater if the fair value of the fund is less than the original value of the initial and subsequent gift amounts donated to the fund. The Foundation has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law.

Each endowment fund requires that the funds be managed in accordance with the Foundation’s governing instruments. The Foundation has a policy that permits spending from underwater endowment funds when market conditions may cause the market value of the fund to become less than the principal. It is the policy of the Board to suspend distributions when the market value of the endowed fund, at the preceding year

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end, is less than eighty percent (80%) of the principal, unless specifically restricted or allowed in the gift agreement. Distributions may resume when the market value of the fund equals at least ninety percent (90%) of the principal, as of the close of the previous quarter. This policy will allow distributions to occur during cyclical movement in fund value during adverse market conditions. From time to time, the fair value of assets associated with individual endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. These deficiencies result from unfavorable market fluctuations that occurred shortly after the investment of new contributions for donor-restricted endowments and continued appropriation for certain programs that was deemed prudent by the Board. Management believes the unrealized losses are temporary and are caused by general market fluctuations. Management has the intent and ability to hold the investments until recovery of market value.

Underwater endowment funds as of December 31,:

	<u>2023</u>	<u>2022</u>
Original gift amount	\$ 15,890,084	\$ 28,198,764
Fair value at year end	<u>14,220,687</u>	<u>24,541,930</u>
Deficiency at year end	<u>\$ 1,669,397</u>	<u>\$ 3,656,834</u>

NOTE 13: FAIR VALUE MEASUREMENTS

The Foundation has adopted ASC 820, *Fair Value Measurements*, which provides a framework for measuring fair value under generally accepted accounting principles. ASC 820 applies to all financial instruments that are being measured and reported on a fair value basis.

As defined in ASC 820, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Foundation uses various methods including market, income, and cost approaches. Based on these approaches, the Foundation often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Foundation utilized valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques the Foundation is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 – Quoted prices for identical assets and liabilities traded in active exchange markets.

Level 2 – Observable inputs other than Level 1 including quoted prices for similar assets or liabilities, quoted prices in less active markets, or other observable inputs that can be corroborated by observable market data.

Level 3 – Unobservable inputs supported by little or no market activity for financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgement or estimation; also includes observable inputs for nonbinding single dealer quotes not corroborated by observable market data.

For fiscal years ended December 31, 2023 and 2022, the application of valuation techniques applied to similar assets has been consistent. The following is a description of the valuation methodologies used for instruments measured at fair value.

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Equity securities and fixed income: valued at the closing price reported on the active market on which the individual securities are traded. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs to the limited market activity of the instrument.

Mutual funds and ETFs: valued at the net asset value of shares held at year end at the closing price reported on the active market.

Alternative investments: valued based on models externally developed by management of the respective instrument using unobservable inputs to the limited market activity of the partnership. Where external valuations were not available, cost is utilized which approximates fair value.

Beneficial interest in charitable remainder trust: valued based on the present value of the future distributions expected to be received over the trust term based on the designated beneficiary's life expectancy and a discount rate.

Cash held for investments and certificates of deposit: cash is valued at its denomination amount and certificates of deposit are valued at their current principal balance which approximates fair value.

Oil and gas interests: valued at the monthly cash flow received from the properties since ownership was conveyed multiplied by thirty-six months to estimate future cash flows expected.

Present value of annuities: recorded at the present value of estimated amounts due to beneficiaries of the charitable gift agreements and the charitable remainder unitrust based on Internal Revenue Service annuity and mortality tables.

The fair value of each asset and liability in the tables below was measured using FASB ASC 820 input guidance and valuation techniques. The following tables set forth carrying amounts and estimated fair values of assets and liabilities measured and recorded at fair value on a recurring and non-recurring basis as of December 31, 2023 and 2022:

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Description	December 31, 2023			
	Total	Level 1	Level 2	Level 3
Recurring Fair Value Measurements:				
Cash held for investments	\$ 84,653	\$ 84,653	\$ -	\$ -
Equity securities:				
Basic materials	645,801	645,801	-	-
Consumer goods & services	3,024,845	3,024,845	-	-
Energy	717,329	717,329	-	-
Financial	2,322,526	2,302,777	19,749	-
Healthcare	2,754,472	2,754,472	-	-
Industrials	2,775,044	2,775,044	-	-
Technology	6,639,010	6,639,010	-	-
Utilities	643,878	643,878	-	-
Other	283,551	283,551	-	-
Fixed Income:				
Corporate obligations	2,061,900	-	2,061,900	-
Government & agency securities	5,432,281	-	5,432,281	-
Municipal obligations	18,054	-	18,054	-
Mutual funds & ETFs:				
Large value	13,646,566	13,646,566	-	-
Large blend	50,607,890	50,607,890	-	-
Large growth	25,663,761	25,663,761	-	-
Fixed income	21,198,772	21,198,772	-	-
Intermediate government	7,718,743	7,718,743	-	-
International	60,082,181	60,082,181	-	-
Other	1,907,225	1,907,225	-	-
Alternative investments	21,463	-	-	21,463
Certificates of deposit	4,300,575	4,300,575	-	-
Beneficial interest in charitable remainder trust	14,118,033	7,919,394	2,565,828	3,632,811
Oil and gas interests	54,082	-	-	54,082
Total	\$ 226,722,635	\$ 212,916,467	\$ 10,097,812	\$ 3,708,356
Present value of annuities	\$ 2,285,292	\$ -	\$ -	\$ 2,285,292

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Description	December 31, 2022			
	Total	Level 1	Level 2	Level 3
Recurring Fair Value Measurements:				
Cash held for investments	\$ 91,497	\$ 91,497	\$ -	\$ -
Equity securities:				
Basic materials	440,496	440,496	-	-
Consumer goods & services	2,760,482	2,760,482	-	-
Energy	942,291	942,291	-	-
Financial	2,034,101	2,014,352	19,749	-
Healthcare	2,708,630	2,708,630	-	-
Industrials	2,114,048	2,114,048	-	-
Technology	3,792,374	3,792,374	-	-
Utilities	608,992	608,992	-	-
Other	344,250	344,250	-	-
Fixed Income:				
Corporate obligations	1,713,970	-	1,713,970	-
Government & agency securities	5,531,315	-	5,531,315	-
Municipal obligations	17,029	-	17,029	-
Mutual funds & ETFs:				
Large value	12,474,240	12,474,240	-	-
Large blend	40,162,767	40,162,767	-	-
Large growth	19,312,047	19,312,047	-	-
Fixed income	18,360,968	18,360,968	-	-
Intermediate government	7,422,075	7,422,075	-	-
International	50,127,799	50,127,799	-	-
Other	2,455,439	2,455,439	-	-
Alternative investments	169,504	-	-	169,504
Certificates of deposit	3,005,000	3,005,000	-	-
Beneficial interest in charitable remainder trust	11,454,994	6,070,797	2,274,637	3,109,560
Oil and gas interests	56,555	-	-	56,555
Total	<u>\$ 188,100,863</u>	<u>\$ 175,208,544</u>	<u>\$ 9,556,700</u>	<u>\$ 3,335,619</u>
Present value of annuities	<u>\$ 2,383,200</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,383,200</u>

NOTE 14: RETIREMENT PLAN

On January 1, 2007, the Foundation converted their 403(b) plan to a Safe Harbor 401(k) profit sharing plan. All employees previously covered by the 403(b) plan were automatically eligible for the 401(k) plan. The plan is available to all employees over the age of twenty-one who have completed twelve consecutive months of service with a minimum of 1,000 service hours. The Foundation may elect to make matching contributions up to 6% of an employees' salary. The Foundation's cost related to the retirement plan for the years ended December 31, 2023 and 2022, was \$44,312 and \$41,201, respectively.

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NOTE 15: DEFERRED COMPENSATION PLAN

The Foundation entered into a deferred bonus compensation plan during 2014 in which the Foundation agreed to pay the Executive a deferred bonus upon achievement of terms outlined in the plan of continued employment, payable in 2024. An annual base amount is awarded which is adjusted based on the return of the Foundation for that specific year. The Foundation has accrued a liability based on the service rendered since inception and will continue to accrue a liability over the expected service period. As of December 31, 2023 and 2022, the accrual totaled \$258,240 and \$203,483, respectively.

NOTE 16: EXPENSES BY NATURE AND FUNCTION

The table below presents expenses by both their nature and their function for the year ended December 31, 2023.

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Grants and distributions	\$ 13,459,436	\$ -	\$ -	\$ 13,459,436
Personnel	243,638	402,515	323,448	969,601
Professional fees	-	44,586	-	44,586
Information technology and office expenses	44,750	73,932	59,409	178,091
Promotion	-	-	42,329	42,329
Bank charges	-	4,441	4,267	8,708
Depreciation	31,742	59,634	49,051	140,427
Insurance	6,796	11,227	9,022	27,045
Utilities	5,824	9,622	7,732	23,178
Repairs and maintenance	16,751	27,674	22,238	66,663
Other	30,977	21,132	41,066	93,175
	<u>\$ 13,839,914</u>	<u>\$ 654,763</u>	<u>\$ 558,562</u>	<u>\$ 15,053,239</u>

The table below presents expenses by both their nature and their function for the year ended December 31, 2022.

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Grants and distributions	\$ 11,319,206	\$ -	\$ -	\$ 11,319,206
Personnel	209,149	345,570	277,961	832,680
Professional fees	-	42,974	-	42,974
Information technology and office expenses	48,229	79,822	64,204	192,255
Promotion	-	-	62,243	62,243
Bank charges	-	5,449	5,235	10,684
Depreciation	60,948	41,844	34,580	137,372
Insurance	6,729	11,137	8,958	26,824
Utilities	6,368	10,539	8,477	25,384
Repairs and maintenance	15,030	24,876	20,009	59,915
Other	33,742	55,884	44,918	134,544
	<u>\$ 11,699,401</u>	<u>\$ 618,095</u>	<u>\$ 526,585</u>	<u>\$ 12,844,081</u>

SAN ANGELO AREA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023 and 2022

Expenses which apply to more than one functional category have been allocated among program services, management and general, and fundraising based on the time spent on these functions by specific employees as estimated by management. Indirect expenses such as facilities costs are allocated based on square footage used by functional departments. Other indirect expenses, such as information technology and general office supplies are allocated based on the overall number of staff in the various functional categories. All other costs are charged directly to the appropriate functional category.

NOTE 17: RELATED PARTY TRANSACTIONS

One of the Foundation's leasehold tenants is a company that is owned by an individual that is on the Foundation's Board of Directors. Rental income from this company was \$36,600 and \$34,800 for the years ended December 31, 2023 and 2022, respectively.

NOTE 18: SUBSEQUENT EVENT

Effective January 1, 2024, the Foundation's Board of Directors amended the Foundation's spending policy for underwater endowments on February 15, 2024. In the event the market value of an endowed fund, at the preceding year end, is less than eighty (80%) percent of the principal, the amount available for distribution shall be 3% of the previous twelve quarter average of the fund's value as of the close of the previous calendar year and shall remain the same until investment returns increase the market value of the endowed fund to at least ninety (90%) percent of the principal, as of the close of a previous quarter.

SUPPLEMENTARY INFORMATION

May 1, 2024

**Board of Directors
San Angelo Area Foundation
San Angelo, Texas**

Independent Auditor's Report on Supplementary Information

We have audited the consolidated financial statements (collectively, the financial statements) of San Angelo Area Foundation and Affiliate (collectively, the Foundation) as of and for the years ended December 31, 2023 and 2022, and have issued our report thereon, which contains an unmodified opinion on those financial statements. See pages 1-2. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information is presented for the purpose of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Condley and Company, L.L.P.

Certified Public Accountants

SAN ANGELO AREA FOUNDATION
CONSOLIDATING STATEMENT OF FINANCIAL POSITION

December 31, 2023

	San Angelo Area Foundation	SAAF Holdings, L.L.C.	Eliminations	Consolidated San Angelo Area Foundation
<u>ASSETS</u>				
Cash and cash equivalents	\$ 7,281,268	\$ 434,667	\$ -	\$ 7,715,935
Investments at market	212,550,520			212,550,520
Investment in SAAF Holdings, L.L.C.	3,104,441		(3,104,441)	-
Beneficial interest in charitable remainder trust	14,118,033			14,118,033
Fixed assets, net	3,747,330	3,256,016		7,003,346
Oil and gas interests	54,082			54,082
Due from SAAF Holdings, L.L.C.	586,242		(586,242)	-
TOTAL ASSETS	\$ 241,441,916	\$ 3,690,683	\$ (3,690,683)	\$ 241,441,916
<u>LIABILITIES, NET ASSETS AND MEMBER'S EQUITY</u>				
LIABILITIES:				
Accounts payable	\$ 2,067	\$ -	\$ -	\$ 2,067
Grants payable	3,922,973			3,922,973
Present value of split-interest trusts and annuities	2,285,292			2,285,292
Deferred compensation	258,240			258,240
Due to San Angelo Area Foundation		586,242	(586,242)	-
Funds held as agency endowments	67,015,682			67,015,682
Total Liabilities	\$ 73,484,254	586,242	(586,242)	73,484,254
NET ASSETS AND MEMBER'S EQUITY:				
Without donor restrictions	3,079,859			3,079,859
With donor restrictions	164,877,803			164,877,803
Member's equity		3,104,441	(3,104,441)	-
Net Assets and Member's Equity	167,957,662	3,104,441	(3,104,441)	167,957,662
TOTAL LIABILITIES, NET ASSETS AND MEMBER'S EQUITY	\$ 241,441,916	\$ 3,690,683	\$ (3,690,683)	\$ 241,441,916

SAN ANGELO AREA FOUNDATION
CONSOLIDATING STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2023

	San Angelo Area	SAAF	Eliminations	Consolidated		Total
	Foundation	Holdings, L.L.C.		San Angelo Area		
	Without Donor	Without Donor		Without Donor	With Donor	
	Restrictions	Restrictions		Restrictions	Restrictions	
REVENUES, GAINS AND OTHER SUPPORT:						
Total amounts raised	\$ 295,514	\$	\$	\$ 295,514	\$ 17,262,459	\$ 17,557,973
Less: amounts received for agency endowments					(2,490,461)	(2,490,461)
Contributions	295,514	-	-	295,514	14,771,998	15,067,512
Net investment return	361,660	260,728	(31,258)	591,130	30,816,282	31,407,412
Less: net investment return for agency endowments					(9,436,285)	(9,436,285)
Net investment return	361,660	260,728	(31,258)	591,130	21,379,997	21,971,127
Total other income	256,398		(30,000)	226,398		226,398
Less: other income for agency endowments						-
Other income	256,398	-	(30,000)	226,398	-	226,398
Net assets released from restrictions	13,614,099			13,614,099	(13,614,099)	-
Total Revenues, Gains and Other Support	14,527,671	260,728	(61,258)	14,727,141	22,537,896	37,265,037
GRANTS AND EXPENSES:						
Total grants and distributions	13,459,436			13,459,436		13,459,436
Less: grants and distributions made from agency endowments	(760,878)			(760,878)		(760,878)
Grants and distributions	12,698,558	-	-	12,698,558	-	12,698,558
Total other program expenses	322,791	73,943	(16,256)	380,478		380,478
Less: other program expenses from agency endowments	(117)			(117)		(117)
Other program expenses	322,674	73,943	(16,256)	380,361	-	380,361
Total management and general	589,505	122,162	(56,904)	654,763		654,763
Less: management and general from agency endowments						-
Management and general	589,505	122,162	(56,904)	654,763	-	654,763
Fundraising expenses	482,037	98,165	(21,640)	558,562		558,562
Total Grants and Expenses	14,092,774	294,270	(94,800)	14,292,244	-	14,292,244
Change in value of split-interest agreements					2,414,247	2,414,247
RECLASSIFICATIONS - DONOR DIRECTED	(76,294)			(76,294)	76,294	-
CHANGE IN NET ASSETS	358,603	(33,542)	33,542	358,603	25,028,437	25,387,040
NET ASSETS AT BEGINNING OF YEAR	2,721,256	3,137,983	(3,137,983)	2,721,256	139,849,366	142,570,622
NET ASSETS, END OF YEAR	\$ 3,079,859	\$ 3,104,441	\$ (3,104,441)	\$ 3,079,859	\$ 164,877,803	\$ 167,957,662