AUSTIN COMMUNITY FOUNDATION

CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

As of and for the Years Ended December 31, 2023 and 2022

And Report of Independent Auditor

Cherry Bekaert LLP
Your Guide Forward

AUSTIN COMMUNITY FOUNDATION
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Cherry Bekaert LLP
Your Guide Forward

Report of Independent Auditor

To the Board of Governors
Austin Community Foundation
Austin, Texas

Opinion

We have audited the accompanying consolidated financial statements of Austin Community Foundation (the "Foundation") which comprise the consolidated statements of financial position as of December 31, 2023 and 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the years 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 Foundation as of December 31, 2023 and 2022, and the changes in its net assets and 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. 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 Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibility of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 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 Responsibility 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 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 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 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 audits, significant audit findings, and certain internal controls related matters that we identified during the audit.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental consolidating schedule of financial position and consolidating schedule of activities on pages 26 and 27 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

Austin, Texas
August 29, 2024

AUSTIN COMMUNITY FOUNDATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2023 AND 2022

	2023	2022
ASSETS		
Cash and cash equivalents (Note 3)	$ 94,400,389	$ 52,914,638
Certificates of deposit	3,141,415	4,505,918
Programmatic loans and investments, less allowance for credit losses of $152,489 (Note 4)	10,440,737	10,603,323
Investments, at fair value (Note 5)	369,149,255	327,906,566
Split-interest agreements (Note 5)	15,935,105	17,817,270
Other investments (Note 5)	38,530,212	30,529,174
Property and equipment, net (Note 7)	303,770	39,148
Right-of-use asset - operating lease (Note 13)	1,100,457	795,302
Other assets	373,614	628,975
Total Assets	$ 533,374,954	$ 445,740,314
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts and grants payable	$ 7,511,554	$ 6,950,790
Operating lease liability (Note 13)	1,100,457	795,302
Notes payable (Note 6)	2,711,761	3,611,894
Charitable remainder trusts and gift annuities (Note 5)	1,216,135	1,166,960
Funds held for others - agency	53,059,044	49,432,697
Total Liabilities	65,598,951	61,957,643
Net Assets:		
Without Donor Restrictions:		
Board designated	5,448,225	5,076,200
Undesignated	420,158,017	343,011,426
	425,606,242	348,087,626
With Donor Restrictions	42,169,761	35,695,045
Total Net Assets	467,776,003	383,782,671
Total Liabilities and Net Assets	$ 533,374,954	$ 445,740,314

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

AUSTIN COMMUNITY FOUNDATION
CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Support:			
Contributions	$ 96,729,686	$ 4,306,253	$ 101,035,939
Less contributions to agency funds	(1,897,843)	-	(1,897,843)
Net Contributions	94,831,843	4,306,253	99,138,096
Net investment return	34,110,516	4,676,757	38,787,273
Other income, net	149,183	-	149,183
Net assets released from restrictions	2,508,294	(2,508,294)	-
Total Revenues and Support	131,599,836	6,474,716	138,074,552
Expenses:			
Program Services:			
Community grant funding	52,949,632	-	52,949,632
Less grants from agency funds	(4,750,636)	-	(4,750,636)
Net Community Grant Funding	48,198,996	-	48,198,996
Other programs	4,833,026	-	4,833,026
Total Program Services	53,032,022	-	53,032,022
Supporting Services:			
Management and general	658,162	-	658,162
Fundraising and development	391,036	-	391,036
Total Supporting Services	1,049,198	-	1,049,198
Total Expenses	54,081,220	-	54,081,220
Change in net assets	77,518,616	6,474,716	83,993,332
Net assets, beginning of year	348,087,626	35,695,045	383,782,671
Net assets, end of year	$ 425,606,242	$ 42,169,761	$ 467,776,003

AUSTIN COMMUNITY FOUNDATION
CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Support:			
Contributions	$ 103,470,313	$ 5,636,115	$ 109,106,428
Less contributions to agency funds	(5,693,315)	-	(5,693,315)
Net Contributions	97,776,998	5,636,115	103,413,113
Net investment return	(39,021,322)	(5,036,239)	(44,057,561)
Other income, net	340,625	-	340,625
Net assets released from restrictions	2,798,253	(2,798,253)	-
Total Revenues and Support	61,894,554	(2,198,377)	59,696,177
Expenses:			
Program Services:			
Community grant funding	48,928,499	-	48,928,499
Less grants from agency funds	(542,327)	-	(542,327)
Net Community Grant Funding	48,386,172	-	48,386,172
Other programs	4,583,376	-	4,583,376
Total Program Services	52,969,548	-	52,969,548
Supporting Services:			
Management and general	541,520	-	541,520
Fundraising and development	229,262	-	229,262
Total Supporting Services	770,782	-	770,782
Total Expenses	53,740,330	-	53,740,330
Change in net assets	8,154,224	(2,198,377)	5,955,847
Net assets, beginning of year	339,933,402	37,893,422	377,826,824
Net assets, end of year	$ 348,087,626	$ 35,695,045	$ 383,782,671

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

AUSTIN COMMUNITY FOUNDATION
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2023

	Program Services		Supporting Services		
	Community Grant Funding	Other Program	Management and General	Fundraising and Development	Total
Grants	$ 48,198,996	$ -	$ -	$ -	$ 48,198,996
Fiscal sponsorships and initiatives	-	1,658,160	-	-	1,658,160
Professional fees	-	81,380	189,886	-	271,266
Building rent	-	205,750	31,390	26,642	263,782
Credit card processing	-	49,897	-	2,626	52,523
Personnel	-	2,320,560	354,034	300,483	2,975,077
Depreciation and amortization	-	143,083	21,829	18,527	183,439
Technology and equipment	-	162,728	24,826	21,071	208,625
Marketing and communications	-	118,132	18,023	15,297	151,452
Conferences and travel	-	24,782	3,781	3,209	31,772
Other	-	68,554	14,393	3,181	86,128
Total Expenses	$ 48,198,996	$ 4,833,026	$ 658,162	$ 391,036	$ 54,081,220

AUSTIN COMMUNITY FOUNDATION
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2022

	Program Services		Supporting Services		
	Community Grant Funding	Other Program	Management and General	Fundraising and Development	Total
Grants	$ 48,386,172	$ -	$ -	$ -	$ 48,386,172
Fiscal sponsorships and initiatives	-	1,654,733	-	-	1,654,733
Professional fees	-	56,158	131,036	-	187,194
Building rent	-	143,167	20,827	11,026	175,020
Credit card processing	-	60,961	-	3,208	64,169
Personnel	-	2,190,388	318,651	168,697	2,677,736
Depreciation and amortization	-	188,029	28,686	24,347	241,062
Technology and equipment	-	132,713	19,307	10,221	162,241
Marketing and communications	-	122,432	17,811	9,429	149,672
Conferences and travel	-	11,567	1,683	891	14,141
Other	-	23,228	3,519	1,443	28,190
Total Expenses	$ 48,386,172	$ 4,583,376	$ 541,520	$ 229,262	$ 53,740,330

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

AUSTIN COMMUNITY FOUNDATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
Cash flows from operating activities:		
Change in net assets	$ 83,993,332	$ 5,955,847
Adjustments to reconcile change in net assets to net cash flows from operations:		
Depreciation	55,312	35,365
Amortization of oil and gas leaseholds	128,127	205,697
Provision for loan losses	152,489	-
Noncash contributions of investments and other investments received	(13,486,419)	(34,074,753)
(Appreciation) depreciation on investments, other investments, and split-interest agreements	(33,065,356)	62,067,540
Change in operating assets and liabilities:		
Other assets	255,361	269,953
Accounts payable and grants payable	560,764	4,906,301
Charitable remainder trusts and gift annuities	49,175	(289,545)
Funds held for others - agency	3,626,347	(751,826)
Net cash flows from operating activities	42,269,132	38,324,579
Cash flows from investing activities:		
Purchase of property and equipment	(319,934)	-
Purchase of certificates of deposits, investments, and other investments	(193,872,269)	(161,926,702)
Proceeds from sale of certificates of deposits, investments, and other investments	194,348,858	134,072,501
Issuance of programmatic loans and investments	(5,391,135)	(5,412,683)
Payments received on programmatic loans and investments	5,351,232	2,303,960
Net cash flows from investing activities	116,752	(30,962,924)
Cash flows from financing activities		
Payments on notes payable	(900,133)	(1,213,575)
Net change in cash and cash equivalents	41,485,751	6,148,080
Cash and cash equivalents at beginning of year	52,914,638	46,766,558
Cash and cash equivalents at end of year	$ 94,400,389	$ 52,914,638
Supplemental disclosure:		
Cash paid for interest	$ 52,361	$ 56,680
Noncash contributions received	$ 13,486,419	$ 34,074,753
Right-of-use assets obtained in exchange for new operating lease liabilities	$ 568,937	$ 1,003,559

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

Note 1—Organization and summary of significant accounting policies

Austin Community Foundation is a Texas not-for-profit corporation chartered in 1977, whose primary mission is to receive gifts, bequests, and donations to be administered in charitable, scientific, literary, educational, social, and public welfare activities for the benefit of Central Texas. The Austin Community Foundation is exempt from federal income tax under the Internal Revenue Code ("IRC") Section 501(c)(3) for income related to its exempt purpose and is classified by the Internal Revenue Service ("IRS") as an organization other than a private foundation.

Austin Community Foundation manages approximately 1,300 charitable funds, established by individual donors, corporations, and not-for-profit agencies, and invests some funds for growth so they can flow back into the community to support a wide range of charitable efforts, including grants and scholarships. Austin Community Foundation's grants, whether from specific charitable funds or from its discretionary funds, support health, human services, arts and culture, the environment, community development and community service, education and training, recreation, and animal-related services. Austin Community Foundation has a spectrum of fund types to help donors meet their philanthropic goals and provides leadership around community issues.

ACF Associates, LLC was formed in July 2008 as a limited liability company subsidiary with Austin Community Foundation being the sole member, to hold certain investments.

ACF Bright Leaf Preserve (a not-for-profit corporation) was formed in October 1991 under the original name "Charitable Holdings", as a support organization to hold title to the 216-acre Bright Leaf Preserve. On July 13, 2021, a state of Texas Probate Court approved the gift of the Bright Leaf Preserve from the Foundation's support organization, ACF Bright Leaf Preserve, to the city of Austin to be operated under the Wildlands Conservation Division of Austin Water and its Balcones Canyonlands Preserve Program. The transaction was completed on August 17, 2021.

Charitable Holdings II (a not-for-profit corporation) was formed in December 2010 as a support organization to receive real property donations.

CH II Charitable Properties, LLC was formed in December 2013 as a limited liability company subsidiary with Charitable Holdings II being the sole member to receive real property donations.

Texas Clinic Emergency Loan Fund LLC ("TXCELF LLC") was formed in July 2020 as a limited liability company subsidiary with Austin Community Foundation being the sole member to hold the assets and activities for a fiscally sponsored project to further the charitable mission of the Austin Community Foundation.

Austin Community Foundation Charitable Trust was formed in March 2021 as a charitable trust in the state of Texas to receive certain donations of appreciated assets.

Central Texas Housing Accelerator Fund, LLC was formed in April 2023 as a limited liability company subsidiary with Austin Community Foundation being the sole member to further the charitable mission of the Austin Community Foundation.

All activity within the subsidiaries, support organizations, and initiatives have been consolidated with the accounts of the Austin Community Foundation.

Basis of Presentation – The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP").

Note 1—Organization and summary of significant accounting policies (continued)

Consolidation – The consolidated financial statements include the accounts of Austin Community Foundation and its subsidiaries, ACF Associates, LLC, TXCELF LLC and Central Texas Housing Accelerator Fund, LLC, Austin Community Foundation Charitable Trust, and its support organizations, Charitable Holdings II and its subsidiary CH II Charitable Properties, LLC; and ACF Bright Leaf Preserve (collectively, the "Foundation"). All intercompany transactions have been eliminated in consolidation.

Net Asset Classifications – In accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 958, *Not-for-Profit Entities,* the Foundation is required to report information regarding its financial position and activities according to the existence or absence of donor-imposed restrictions.

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations. Net assets without donor restrictions may be used for any purpose or designated for specific purposes by the Foundation.

Net Assets With Donor Restrictions – Net assets that are restricted by gift instruments as to use or period of time that do not acknowledge the Foundation's "variance power". This occurs mostly when funds are transferred in a donor's will/bequest without use of a fund agreement, when there is a specific legal contract such as in the case of charitable gift annuities and charitable trusts, or when funds are contributed to support specific programs and initiatives of the Foundation. When donor restrictions expire, either when a stipulated time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. As of December 31, 2023 and 2022, the Foundation's net assets with donor restrictions are restricted for funding various community educational and philanthropic programs specified by donors as further discussed in Note 9.

The Board of Governors of the Foundation is governed by its articles of incorporation and bylaws and further by its adopted investment policy as well as individual gift instruments and agreements. Although the Foundation's desire is to build endowed assets, the Foundation has variance power as stated in its articles of incorporation. Variance power is the ability to modify any restriction or condition on the distribution of assets, if circumstances warrant.

As a result of the ability to distribute corpus, all contributions not classified as net assets with donor restrictions are classified as net assets without donor restrictions for consolidated financial statement purposes.

Cash and Cash Equivalents – For purposes of the consolidated statements of cash flows, cash and cash equivalents consist of cash held in bank deposit accounts and short-term, highly-liquid investments with original maturities of 90 days or less.

Contributions – Contributions are recorded as revenue when received. Contributions received, including unconditional promises to give, are recorded as revenues without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as support within net assets without donor restrictions. Conditional promises to give to the Foundation are recognized as the conditions upon which they depend are substantially met.

Promises to give are recognized as revenue only if sufficient evidence exists in the form of verifiable documentation that a promise was made and received. Support that is not restricted by the donor is reported as an increase in net assets without donor restrictions in the reporting period in which the support is recognized.

Note 1—Organization and summary of significant accounting policies (continued)

Donated assets are recorded at their estimated fair values at the date of receipt. The Foundation reports contributions of land, buildings, and equipment as revenues without donor restrictions, unless explicit donor restrictions specify how the donated assets must be used. Gifts of assets with explicit restrictions that specify how the assets are to be used are accounted for as restricted support. The Foundation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Contributed Services – Donated services are recognized as contributions if the services: (1) create or enhance non-financial assets, or (2) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. During the years ended December 31, 2023 and 2022, the value of contributed services meeting the requirements for recognition in the consolidated financial statements was not material and no amounts have been recorded. Although individuals volunteer their time and perform a variety of tasks that assist the Foundation, these services do not meet the criteria for recognition as contributed services.

Property and Equipment – Furniture, equipment, and leasehold improvements are capitalized at cost. Property and equipment is depreciated over estimated useful lives of three to five years using the straight-line method. Leasehold improvements are amortized over the lesser of the life of the lease or the useful life of the asset.

Income Taxes – The Foundation is exempt from federal income taxes under Section 501(c)(3) of the IRC. Unrelated business income, of which the Foundation had no significant amounts for the years ended December 31, 2023 and 2022, is subject to federal income taxes. Accordingly, there is no provision or liability for federal income taxes in the accompanying consolidated financial statements. The Foundation recognizes the tax benefits from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by the taxing authorities, based on the technical merits of the positions. As of December 31, 2023, there were no uncertain tax positions taken on significant estimates. The tax benefits recognized in the consolidated financial statements from such positions are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement.

The Foundation files informational returns in the U.S. federal jurisdiction. With few exceptions, the Foundation is no longer subject to U.S. federal tax examinations by tax authorities for the three previous tax years for which filings have been made.

Use of Estimates – The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimated.

Functional Expenses – The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain expenses are allocated between functional categories based on management's estimates. Expenses relating to more than one function are allocated to grant funding, program expense, management and general, and fundraising and development costs based on employee time estimates. Expenses to grant funding and program services are for activities that result in services being distributed to beneficiaries, donors, or others that fulfill the mission of the Foundation. Expenses to management and general expenses include accounting, general management and oversight, audit, budgeting, human resources, legal, and admin support of the Board of Governors. Expenses for fundraising are primarily for fundraising activities for operations and programmatic activities. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide overall support and direction of the Foundation.

Note 1—Organization and summary of significant accounting policies (continued)

Charitable Remainder Trusts, Charitable Lead Trusts, and Charitable Gift Annuities – The Foundation has entered into irrevocable agreements with donors whereby, in exchange for the gift from the donor, the Foundation is obligated to provide annual distributions to a designated beneficiary. Assets and liabilities associated with charitable remainder trusts, charitable lead trusts, and charitable gift annuities are classified as split-interest agreements and charitable remainder trusts and gift annuities in the accompanying consolidated statements of financial position.

A charitable remainder unitrust pays a fixed percentage of the net fair value of the trust's assets value at least annually. A charitable remainder annuity trust pays a fixed dollar amount that will not vary from year to year. Each trust is a separate legal entity. At the end of the trust term, the remainder interest is paid to the beneficiary. The portion of the trust attributable to the future interest of the Foundation is recorded in the consolidated statements of activities as contributions with donor restrictions in the period the trust is established. Assets held in the charitable remainder trust are recorded at fair value, which is based on the present value of the future distributions expected to be received over the term of the agreements, in the Foundation's consolidated statements of financial position. On an annual basis, the Foundation revalues the liability to make distributions to the designated beneficiaries based on actuarial assumptions. The present value of the estimated future payments is calculated using discount rates provided by the IRS and applicable mortality tables.

The Foundation is the beneficiary of a charitable remainder trust administered by a third party trustee with a fair value of $94,881 and $117,459 as of December 31, 2023 and 2022, respectively. The Foundation serves as the trustee for a charitable remainder unitrust but is not the charitable beneficiary. A liability has been established for this beneficiary and this obligation totaled $501,928 and $467,580 as of December 31, 2023 and 2022, respectively. The Foundation serves as the trustee and is the beneficiary of a charitable remainder annuity trust with a fair value of $87,026 and $105,885 as of December 31, 2023 and 2022, respectively.

A charitable lead annuity trust pays a set dollar amount to a charity for the term of the trust. At the end of the trust term, the remaining trust assets are paid to the beneficiary recipients. When the Foundation is the lead beneficiary and not the trustee, its interest in the trust assets and specified future distributions is recorded as a beneficial interest in split-interest agreements. Assets are initially recorded as contributions at the present value of the projected, future cash flows using actuarial assumptions and discount rates based on market conditions in effect when the trusts were established. The Foundation is the lead beneficiary of two charitable lead trusts administered by a third party trustee with a fair value of $15,840,224 and $17,699,811 as of December 31, 2023 and 2022, respectively. The Foundation serves as a trustee for a charitable lead annuity trust and is the lead beneficiary. A liability has been established for these beneficiaries and these obligations totaled $497,383 and $465,081 as of December 31, 2023 and 2022, respectively.

A charitable gift annuity pays a fixed dollar amount for the life of the beneficiary. The assets gifted by the donor become the assets of the Foundation at the time of the gift. Unlike the charitable remainder trusts, the annuities are private contracts between the charity and the donor. The assets received from the donor are recorded at fair value. On an annual basis, the Foundation revalues the liability to make distributions to the designated beneficiaries based on actuarial assumptions. The Foundation has recorded a liability of $129,798 and $128,414 as of December 31, 2023 and 2022, respectively, which represents the estimated present value of the future annuity obligations. The liability has been determined using discount rates as provided by the IRS and applicable mortality tables.

Note 1—Organization and summary of significant accounting policies (continued)

Funds Held for Others – Agency – The Foundation accepts contributions from various donors, including not-for-profit organizations. If a not-for-profit organization establishes with its own funds a fund at the Foundation for its own benefit, even though variance power is explicitly stated in the gift instrument, the transfer of assets to the Foundation is not contribution revenue and is accounted for as a liability. The Foundation reports the funds as an asset; however, it is required by FASB ASC Topic 985-605 (formerly FASB 136, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raised or Holds Contributions for Others*) to establish a liability for the fair value, representing the present value of the future payments expected to be made to the not-for-profit organization. The liability is reflected under funds held for others – agency on the accompanying consolidated statements of financial position. In addition, related amounts received and distributed are presented separately in the accompanying consolidated statements of activities.

Grants Payable – Grants payable represents all unconditional grants that have been authorized prior to year-end but remain unpaid as of the statements 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 Governors. Amortization of the discounts is included in grants expense in the accompanying statements 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.

Reclassifications – Certain reclassifications of amounts previously reported have been made to the accompanying consolidated financial statements to maintain consistency between periods presented. These reclassifications consisted of the breakout of investment assets to better align with fair value disclosures and consolidation of asset and expense line items. The reclassifications had no impact on previously reported totals of assets, expenses, or net assets.

Recent Accounting Pronouncements – In June 2016, FASB issued Accounting Standards Update 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (CECL)*, which changes the methodology to be used to measure credit losses for certain financial instruments and financial assets, including trade receivables. The new methodology requires recognition of an allowance that reflects the current estimate of credit losses expected to be incurred over the life of the financial asset. The new standard was effective for the Foundation at the beginning of 2023. Adoption of the new standard had no significant impact on the consolidated financial statements.

Management's Review of Subsequent Events – The Foundation evaluates events that occur subsequent to the consolidated statement of financial position date of periodic reports, but before financial statements are issued for periods ending on such dates, for possible adjustment to such financial statements or other disclosure. This evaluation generally occurs through the date at which the Foundation's consolidated financial statements are available for issuance. For the consolidated financial statements for the year ended December 31, 2023, this date was August 29, 2024.

Note 2—Liquidity and availability of resources

As part of the Foundation's liquidity management, financial assets are structured to be available as general expenditures, liabilities, and other obligations become due. The Foundation invests cash in excess of daily requirements in short-term investments and money market funds.

The following table reflects the Foundation's financial assets as of December 31, 2023 and 2022, reduced by amounts unavailable for grants and other expenses within one year. Financial assets are considered unavailable when they are illiquid, unable to be converted to cash within one year, include funds held for others, or are net asset with donor restrictions:

	2023	2022
Cash and cash equivalents	$ 94,400,389	$ 52,914,638
Certificates of deposit	3,141,415	4,505,918
Programmatic loans and investments	10,440,737	10,603,323
Investments, at fair value	369,149,255	327,906,566
Split-interest agreements	15,935,105	17,817,270
Other investments	38,530,212	30,529,174
Total financial assets	531,597,113	444,276,889
Less amounts not available to be used within one year:		
Net assets with donor restrictions	(42,169,761)	(35,695,045)
Funds held for others	(53,059,044)	(49,432,697)
Certificates of deposit maturing beyond one year	-	(3,005,918)
Programmatic loans and investments	(5,876,261)	(5,849,823)
Limited marketable investments	(66,763,774)	(59,104,081)
Split-interest agreements	(14,290,410)	(17,513,270)
Financial assets available to meet operating and grantmaking expenditures over the next 12 months	$ 349,437,863	$ 273,676,055

Programmatic loans and investments not available to be used within one year were reduced in 2023 by five loans totaling $4,564,476 due within one year and were reduced in 2022 by four loans totaling $4,075,000 due within one year. Hedge funds, private equity, real estate, and other investments are considered to be limited marketable investments given the existence of lock up terms, specified withdrawal periods, and less liquid markets.

The Foundation believes the financial assets available to meet operating and grantmaking expenditures is sufficient capital to fund the anticipated growth of the Foundation over the next 12 months as well as any unanticipated contingencies and losses.

Note 3—Cash and cash equivalents

Cash and cash equivalents consisted of the following as of December 31:

	2023	2022
Cash	$ 13,911,167	$ 12,729,235
Money market funds	80,489,222	40,185,403
	$ 94,400,389	$ 52,914,638

Note 4—Programmatic loans and investments

The Foundation has made programmatic loans and equity investments for the purpose of the Foundation's mission. The Foundation also partners with donors to make investments. The Foundation records program-related investments at cost when the investments are made. These amounts are expected to be returned to the Foundation at a later date. An allowance for credit losses is an estimate based upon loss history from similar loans made by the Foundation or by other third parties, facts about the current financial condition of the debtors, and forecasts of future operating results based upon current trends and macroeconomic factors. Credit quality is monitored through the timing of payments compared to payment terms and known facts regarding the financial condition of debtors. Interest on loan receivables is generally charged at below market rates. Maturities of loans receivable held at December 31, 2023 are at dates ranging from 2024 to 2026, or upon the occurrence of certain events. Management has reviewed the collectability of the notes receivable and equity investments and has established an allowance for loan losses of $152,489 and $-0- as of December 31, 2023 and 2022, respectively. The Foundation had programmatic loans and investments, net of allowance for credit losses, as of December 31, 2023 and 2022 totaling $10,440,737 and $10,603,323, respectively.

During the years ended December 31, 2023 and 2022, changes in the allowance for credit losses were as follows:

Balance as of December 31, 2022	$ -
Change in expected allowance for credit losses	152,489
Balance as of December 31, 2023	$ 152,489

Note 5—Fair value of financial instruments

The estimated fair value amounts of the Foundation's financial instruments have been determined by the Foundation, using the following methods and assumptions for each class of financial instruments:

- The carrying amount of cash equivalents approximates fair value because of the short-term nature and liquidity of the consolidated financial instrument.
- Fixed income securities are based on the present value of the stream of cash flows it is expected to generate, and the active market of similar bonds being traded in the marketplace.
- Publicly-traded equities and other similar instruments are valued at the closing price on the last business day of the year.
- Fair value of beneficial interest in a charitable remainder trust is calculated by determining the present value of the estimated future cash flows.
- Fair value of the oil and gas royalties are estimated using the trailing 60 months of net revenue, an industry accepted valuation method.
- Fair value of hedge funds and private equity investments in the ACF pools are based on audited consolidated financial statements in compliance with U.S. GAAP.
- Fair value of business interests and privately held stock are recorded at appraised value when received and annually evaluated and adjusted if there is a permanent impairment.
- Programmatic loans and investments are valued based on the present value of the stream of cash flows it is expected to generate and the collectability of the loans and investments.
- Land is valued based on current appraisals or broker's opinions of value. Tax appraisal information is also used to corroborate valuations, where appropriate.
- Insurance policies are valued based on their cash surrender value.

Note 5—Fair value of financial instruments (continued)

However, considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Foundation could realize in a current market exchange. The use of different market assumptions and estimation methodologies may have a material effect on the estimated fair value amounts. The change in fair value between years along with realized gains or losses are reflected in the consolidated statements of activities in the year of the change.

For investments that are remeasured at fair value on a recurring basis, the Foundation discloses the hierarchy of the valuation based on the inputs used to determine the valuation. Financial instruments are considered Level 1 when their values are determined using quoted prices in active markets for identical assets that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1, such as quoted prices for similar assets in active or inactive markets, inputs other than quoted prices that are observable for the asset, or inputs that are derived principally from or corroborated by observable market data by correlation or other means. Financial instruments are considered Level 3 when their values are determined using pricing models, discounted cash flow methodologies or similar techniques, and at least one significant model assumption or input is unobservable. Level 3 financial instruments also include those for which the determination of fair value requires significant management judgment or estimation.

Other investments are recorded based on fair market value appraisals as of the date of the contribution. Values are adjusted as necessary based on annual tax reporting or additional appraisals depending on the length of time the investment is held.

The carrying amount of cash and cash equivalents, notes receivable, other assets, accounts and grants payable, and funds held for others approximated fair value at December 31, 2023 and 2022, because of their relatively short maturity and market terms.

Note 5—Fair value of financial instruments (continued)

The following tables represent the Foundation's fair value hierarchy for its investments measured at fair value on a recurring basis as of December 31, 2023 and 2022:

	Fair Value Measurements at December 31, 2023			
Description	**Level 1**	**Level 2**	**Level 3**	**Total**
Measurement at fair value on a recurring basis:				
Investments:				
Marketable securities:				
Equities	$ 33,665,526	$ -	$ -	$ 33,665,526
Mutual funds	282,434,352	-	-	282,434,352
Real asset funds	18,234,816	-	-	18,234,816
Government and agency	4,049,818	468,422	-	4,518,240
Corporate bonds	-	1,987,824	-	1,987,824
Mortgage backed securities	-	74,935	-	74,935
	338,384,512	2,531,181	-	340,915,693
Hedge funds (*)	-	-	-	16,167,567
Other private investment funds (*)	-	-	-	12,065,995
Total investments	$ 338,384,512	$ 2,531,181	$ -	$ 369,149,255
Split-interest agreements	$ -	$ -	$ 15,935,105	$ 15,935,105
Charitable remainder trusts and gift annuity liability	$ -	$ -	$ 1,216,135	$ 1,216,135

Description	**Level 1**	**Level 2**	**Level 3**	**Total**
Measurement at fair value on a nonrecurring basis:				
Other investments:				
Land and oil and gas leasehold	$ -	$ -	$ 4,949,080	$ 4,949,080
Limited marketable investments	-	-	33,581,132	33,581,132
Total other investments	$ -	$ -	$ 38,530,212	$ 38,530,212

* In accordance with ASC Subtopic 820-10, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy.

Note 5—Fair value of financial instruments (continued)

	Fair Value Measurements at December 31, 2022			
Description	**Level 1**	**Level 2**	**Level 3**	**Total**
Measurement at fair value on a recurring basis:				
Investments:				
Marketable securities:				
Equities	$ 34,542,001	$ -	$ -	$ 34,542,001
Mutual funds	243,000,705	-	-	243,000,705
Real asset funds	365,181	-	-	365,181
Government and agency	17,913,688	532,641	-	18,446,329
Corporate bonds	-	2,839,996	-	2,839,996
Municipal bonds	-	137,447	-	137,447
	295,821,575	3,510,084	-	299,331,659
Hedge funds (*)	-	-	-	16,407,229
Other private investment funds (*)	-	-	-	12,167,678
Total investments	$ 295,821,575	$ 3,510,084	$ -	$ 327,906,566
Split-interest agreements	$ -	$ -	$ 17,817,270	$ 17,817,270
Charitable remainder trusts and gift annuity liability		$ -	$ 1,166,960	$ 1,166,960

Description	**Level 1**	**Level 2**	**Level 3**	**Total**
Measurement at fair value on a nonrecurring basis:				
Other investments:				
Land and oil and gas leasehold	$ -	$ -	$ 5,010,188	$ 5,010,188
Limited marketable investments	-	-	25,518,986	25,518,986
Total other investments	$ -	$ -	$ 30,529,174	$ 30,529,174

* In accordance with ASC Subtopic 820-10, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy.

The estimated fair values of Level 3 investments were determined by the Foundation as described above based on a number of factors, including the costs of investments to the Foundation as well as the current and projected operating performance. Changes in unrealized appreciation or depreciation of the investments are recognized as unrealized gains and losses in the consolidated statements of activities.

Note 5—Fair value of financial instruments (continued)

The changes in assets and liabilities measured using significant unobservable inputs (Level 3) for the years ended December 31, 2023 and 2022 were:

	Split-Interest Agreements	Other Investments	Charitable Remainder Trusts and Gift Annuity
Balances, December 31, 2021	$ 1,711,049	$ 19,658,476	$ (1,456,505)
Realized and unrealized gains (losses)	(976,264)	1,232,950	279,606
Purchases and contributions, net	19,020,403	12,922,043	-
Sale and transfer of investments	(1,937,918)	(3,191,628)	9,939
Amortization of oil and gas leasehold	-	(92,667)	-
Balances, December 31, 2022	17,817,270	30,529,174	(1,166,960)
Realized and unrealized losses	(321,044)	(2,477,706)	-
Purchases and contributions, net	-	13,447,878	(58,579)
Sale and transfer of investments	(1,561,121)	(2,841,007)	9,404
Amortization of oil and gas leasehold	-	(128,127)	-
Balances, December 31, 2023	$ 15,935,105	$ 38,530,212	$ (1,216,135)

Royalties and bonuses received from oil and gas leaseholds totaled $141,026 and $246,484 at December 31, 2023 and 2022, respectively, and are included in other income, net on the consolidated statements of activities.

For entities that calculate the net asset value per share (or its equivalent), the following table provides information about the probability of investments being sold at amounts different from the net asset value per share for the year ended December 31, 2023.

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge funds [(a)]	$ 16,167,567	$ -	Quarterly	45-65 days
Other private investment funds [(b)]	12,065,995	10,238,843	None	None

(a) This category invests in hedge funds that pursue multiple strategies to diversify risks and reduce volatility. Funds incorporate a multi-strategy approach within the credit space, as well as utilizing convertible arbitrage, risk arbitrage, equity long/short (fundamental & quantitative), distressed debt, pairs trading, private placements, global macro, commodities, real estate, reinsurance, and capital structure arbitrage.

(b) This category includes funds that invest in venture capital, buyout, growth equity, and distressed and private credit funds. Funds invested in this category are very long-term in nature, and are considered illiquid until distributions are achieved, with limited secondary market for interests. These funds are typically returned over the course of several years and may take 10-12 years from the beginning of the investment to fully wind down.

The Foundation has unfunded commitment on various other investments, including programmatic investments, that total $755,620 and $618,120 at December 31, 2023 and 2022, respectively.

Note 6—Notes payable

On July 16, 2020, TXCELF LLC entered into a nonrecourse loan agreement with a health foundation, for the purpose of utilizing the loan funds to make and support secured loans to assist health clinics meet emergency community needs arising as result of the COVID-19 pandemic. Two of the loans matured and were paid off in October 2023. Four other loans were extended for an additional three-year period through September 30, 2026, at a fixed interest rate of 4% and a three-year amortization period. Quarterly principal and interest payments of $228,269 are due beginning December 2023, and will continue until the maturity date of September 30, 2026, at which point, all outstanding and unpaid principal and interest will be due. As of December 31, 2023, the outstanding balance due under the loan agreement was $2,511,761. Additionally, also included in notes payable is another note payable $200,000 for the years ended December 31, 2023 and 2022, respectively that is due in September 2024.

The following schedule shows minimum payments due as of December 31:

Years Ending December 31,	
2024	$ 1,175,922
2025	864,503
2026	671,336
	$ 2,711,761

Note 7—Property and equipment

The following is a summary of furniture, equipment, and leasehold improvements as of December 31:

	2023	2022
Furniture and equipment	$ 443,760	$ 293,057
Leasehold improvements	170,551	210,453
	614,311	503,510
Less accumulated depreciation and amortization	(310,541)	(464,362)
Property and equipment, net	$ 303,770	$ 39,148

Depreciation expense was $55,312 and $35,365 for the years ended December 31, 2023 and 2022, respectively.

Note 8—Net assets

The Foundation's net assets with donor restrictions as of December 31, are as follows:

	2023	2022
Donor-restricted endowment funds	$ 35,086,434	$ 30,884,968
Split interest agreements restricted for passage of time	94,881	108,118
Other purpose restricted nonendowed funds	6,988,445	4,701,959
	$ 42,169,760	$ 35,695,045

As of December 31, 2023 and 2022, net assets without donor restrictions of $5,448,225 and $5,076,200, respectively, were specifically designated by the board to be managed similar to endowments.

Note 9—Endowments

The Foundation's endowments consist of more than 409 individual funds established for a variety of purposes. Endowments are defined in Note 1 to the consolidated financial statements. The Foundation considers the following factors in making a determination on the amount, if any, to be available for distribution from each endowment fund:

- The duration and preservation of the fund;
- The purposes of the organization 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 organization;
- The investment policies of the organization.

The Board of Governors, with the advice of legal counsel, determines whether the Foundation's net assets meet the definition of endowments under the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA") which was adopted by the state of Texas on September 1, 2007. For those not meeting the requirements of a UPMIFA-defined endowment, the Foundation intends many of its funds to be permanent and manages them accordingly. Further references to "endowment", "endowment fund", or "endowed assets" in these notes relate to those intentions of the Foundation. These quasi-endowments are included in net assets without donor restrictions.

The Board of Governors of the Foundation has interpreted UPMIFA as preserving the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor restrictions to the contrary. As a result of this interpretation, the Foundation retains in perpetuity: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) 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 the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

As of December 31, 2023 and 2022, the endowment assets of the Foundation, as defined by fund type were as follows:

December 31, 2023	Without Donor Restrictions	With Donor Restrictions	Total
ACF related	$ -	$ 400,995	$ 400,995
Discretionary	10,440,410	743,839	11,184,249
Field of interest	40,983,162	4,373,637	45,356,799
Designated	47,593,372	11,971,527	59,564,899
Scholarship	7,366,284	1,159,956	8,526,240
Advised endowment	50,769,129	16,436,480	67,205,609
Charitable trust	-	94,881	94,881
	$ 157,152,357	$ 35,181,315	$ 192,333,672

Note 9—Endowments (continued)

December 31, 2022	Without Donor Restrictions	With Donor Restrictions	Total
ACF related	$ 14,800	$ 354,656	$ 369,456
Discretionary	9,610,121	657,473	10,267,594
Field of interest	9,340,905	3,804,980	13,145,885
Designated	28,000,914	10,846,214	38,847,128
Scholarship	6,685,800	1,007,750	7,693,550
Advised endowment	48,569,908	14,213,895	62,783,803
Charitable trust	-	108,118	108,118
	$ 102,222,448	$ 30,993,086	$ 133,215,534

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 law (underwater endowments). The Foundation has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required by law. At December 31, 2023 and 2022, there were no funds with deficiencies.

The summary of changes in endowment assets during the year ended December 31, 2023 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment assets as of December 31, 2021	$ 123,771,645	$ 37,284,003	$ 161,055,648
Contributions	1,435,134	-	1,435,134
Transfers and expenses	(3,090,314)	(1,755,229)	(4,845,543)
Investment returns, net	(15,615,459)	(4,969,460)	(20,584,919)
Grants or scholarships	(4,293,158)	-	(4,293,158)
Reclassification of net assets	14,600	433,772	448,372
Endowment assets as of December 31, 2022	102,222,448	30,993,086	133,215,534
Contributions	44,989,605	-	44,989,605
Transfers and expenses	254,514	(369,320)	(114,806)
Investment returns, net	14,417,302	4,557,549	18,974,851
Grants or scholarships	(4,731,512)	-	(4,731,512)
Endowment assets as of December 31, 2023	$ 157,152,357	$ 35,181,315	$ 192,333,672

Return Objectives and Risk Parameters – 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 assets while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Governors, the endowment assets are invested in a manner that is intended to produce total investment returns that preserve the endowment's purchasing power while still meeting the Foundation's spending policy, investment and administrative expenses, and inflation over a long-time horizon, while assuming a moderate level of investment risk. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives – 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 constraints.

Note 9—Endowments (continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy – The Foundation has a policy of appropriating for distribution each year 4% of its endowment funds average fair value over the prior 20 quarters through the fiscal year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Foundation considered the long-term expected return on its endowment. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Note 10—Retirement plan

The Foundation has contracted with a professional employment agency to provide employment services and a 401(k) plan for its eligible employees. For the years ended December 31, 2023 and 2022, the Foundation contributed $83,741 and $71,087, respectively, to the plan.

Note 11—Credit risk

Certain financial instruments potentially subject the Foundation to concentrations of credit risk. These financial instruments consist primarily of cash and cash equivalents, investments, and notes receivable. The cash policy of the Foundation limits the amount of credit exposure and requires that cash be placed with high credit quality financial institutions. Credit risk on investments is limited due to wide diversification of the investment portfolio.

The Foundation maintains its cash and cash equivalents in bank deposit accounts which, at times, may exceed federally insured limits. Accounts are generally guaranteed by the Federal Deposit Insurance Corporation up to $250,000. The Foundation has not experienced any losses in such accounts. The Foundation also maintains accounts with multiple brokerage firms, which include industry-grade money market funds, mutual funds, equities, government obligations, and other asset classes. Balances in qualifying accounts are insured up to $500,000 (with a limit of $250,000 for cash) by the Securities Investor Protection Corporation. At times, balances within these accounts may exceed the insured limits. Management believes the Foundation is not exposed to any significant risk with respect to its cash and cash equivalents.

Note 12—Concentrations

During the year ended December 31, 2023, the Foundation recorded contributions from two donors that amounted to 54% of total contributions. During the year ended December 31, 2022, the Foundation recorded contributions from four donors that amounted to 50% of total contributions.

As of December 31, 2023 and 2022, one fund totaled 40% and 44%, respectively, of the Foundation's agency funds held for others.

Note 13—Lease commitments

In October 2012, the Foundation extended the original lease for its primary office for five years beginning in November 2012 and expiring in October 2017. In October 2017, the Foundation entered into a second amendment which extended the lease for an additional five years beginning in November 2017 and expiring in October 2022. The second amendment includes a clause that the lease may be canceled by the Foundation with a six month notice to the landlord. In July 2022, the Foundation entered into a third amendment which extended the lease for an additional five years beginning in November 2022 and expiring in October 2027. The third amendment includes the same terms and conditions as the previous lease amendment. In January 2023, the Foundation entered into a fourth amendment for the remaining term of the lease through October 2027, to move into a larger suite on the same floor.

Note 13—Lease commitments (continued)

ROU assets and lease liabilities are recognized at the commencement date based on the present value of the future minimum lease payments over the lease term. Renewal and termination clauses are factored into the determination of the lease term if it is reasonably certain that these options would be exercised. Lease assets are amortized over the lease term unless there is a transfer of title or purchase option reasonably certain of exercise, in which case the asset life is used. In order to determine the present value of lease payments, the Foundation uses the risk-free discount rate to determine the present value of lease payments.

The Foundation has elected the practical expedient not to recognize leases with terms if 12 months or less on the statement of financial position and instead recognize the lease payments on a straight-line basis over the term of the lease and variable lease payments in the period in which the obligation for the payments is incurred. Therefore, short-term lease expense for the period does not reflect ongoing short-term lease commitments. Lease expense for such short-term leases was not material for the years ended December 31, 2023 and 2022.

Future minimum lease payments for the office space lease as of December 31, 2023 are as follows:

Years Ending December 31,	
2024	$ 293,893
2025	305,649
2026	317,875
2027	273,667
Total undiscounted cash flows	1,191,084
Less present value discount	(90,627)
Total lease liabilities	$ 1,100,457

Required supplemental lease information for the years ended December 31, 2023 and 2022 are as follows:

	2023	2022
Cash flows for operating lease payments	$ 263,782	$ 175,020
Right-of-use asset obtained in exchange for new operating lease liability	$ 568,937	$ 1,003,559
Weighted-average remaining lease term in years for operating lease	3.8	4.8
Weighted-average discount rate for operating lease	3.84%	3.99%

Note 14—Life insurance policies and life annuity contracts

In 2003 and 2004, the Foundation participated in life insurance policies and life annuity contracts or “LILAC” transactions. In LILAC transactions, an unrelated entity forms a statutory business trust as a vehicle for paying the proceeds of life annuity contracts and life insurance policies to investors and charities. After the business trust is formed, the trust obtains life insurance and life annuities on the lives of consenting individuals, sells equity securities to investors, and issues a second class of securities to the charitable organization designated by the consenting individuals, such as the Foundation. The trust uses the life annuity payments to pay the life insurance premiums and to provide a return to the investors.

As consenting individuals die, the trust will distribute the majority of the death benefit proceeds to the investors and distribute the remaining proceeds, if any, to the Foundation. The organizers of the LILAC transactions have projected that the death benefits to be received by the Foundation are estimated to be approximately $28.2 million with $7.6 million remaining in the future. The Foundation will pay-out the primary portion of the death benefits to other charities by the insured.

Note 14—Life insurance policies and life annuity contracts (continued)

For financial accounting purposes, the Foundation will recognize any proceeds from the LILAC transactions as they are received. The Foundation received and recognized $199,955 and $875,000 in proceeds for the years ended December 31, 2023 and 2022, respectively. Of the $199,955 received in 2023, the Foundation distributed $190,000 in charitable grants and retained $9,955 as an administrative fee. Of the $875,000 received in 2022, the Foundation distributed $831,250 in charitable grants and retained $43,750 as an administrative fee.

SUPPLEMENTARY INFORMATION

AUSTIN COMMUNITY FOUNDATION
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

DECEMBER 31, 2023

	Austin Community Foundation	ACF Associates, LLC	TXCELF, LLC	ACF Bright Leaf Preserve	Charitable Holdings II	CTX Housing Accelerator Fund, LLC	Total	Elimination Entries	Consolidated
ASSETS									
Cash and cash equivalents	$ 94,178,784	$ -	$ 68,047	$ 3,225	$ 13,895	$ 136,438	$ 94,400,389	$ -	$ 94,400,389
Certificates of deposit	3,141,415	-	-	-	-	-	3,141,415	-	3,141,415
Programmatic loans and investments, net	8,203,900	-	2,413,138	-	-	3,973,699	14,590,737	(4,150,000)	10,440,737
Investments, at fair value	369,143,076	-	-	-	-	6,179	369,149,255	-	369,149,255
Split-interest agreements	15,935,105	-	-	-	-	-	15,935,105	-	15,935,105
Other investments	33,876,447	394,095	-	-	4,259,670	-	38,530,212	-	38,530,212
Property and equipment, net	303,770	-	-	-	-	-	303,770	-	303,770
Right-of-use asset - operating lease	1,100,457	-	-	-	-	-	1,100,457	-	1,100,457
Other assets	633,974	-	82,678	100,112	-	15,157	831,921	(458,307)	373,614
Total Assets	$ 526,516,928	$ 394,095	$ 2,563,863	$ 103,337	$ 4,273,565	4,131,473	$ 537,983,261	$ (4,608,307)	$ 533,374,954
LIABILITIES AND NET ASSETS									
Liabilities:									
Accounts and grants payable	$ 7,488,590	$ 394,095	$ 87,176	$ -	$ -	$ -	$ 7,969,861	$ (458,307)	$ 7,511,554
Notes payable	196,063	-	2,511,761	-	-	4,153,937	6,861,761	(4,150,000)	2,711,761
Operating lease liability	1,100,457	-	-	-	-	-	1,100,457	-	1,100,457
Charitable remainder trusts and gift annuities	1,216,135	-	-	-	-	-	1,216,135	-	1,216,135
Funds held for others - agency	53,059,044	-	-	-	-	-	53,059,044	-	53,059,044
Total Liabilities	63,060,289	394,095	2,598,937	-	-	4,153,937	70,207,258	(4,608,307)	65,598,951
Net Assets:									
Without Donor Restrictions:									
Board designated	5,448,225	-	-	-	-	-	5,448,225	-	5,448,225
Undesignated	415,838,653	-	(35,074)	103,337	4,273,565	(22,464)	420,158,017	-	420,158,017
	421,286,878	-	(35,074)	103,337	4,273,565	(22,464)	425,606,242	-	425,606,242
With Donor Restrictions	42,169,761	-	-	-	-	-	42,169,761	-	42,169,761
Total Net Assets	463,456,639	-	(35,074)	103,337	4,273,565	(22,464)	467,776,003	-	467,776,003
Total Liabilities and Net Assets	$ 526,516,928	$ 394,095	$ 2,563,863	$ 103,337	$ 4,273,565	4,131,473	$ 537,983,261	$ (4,608,307)	$ 533,374,954

AUSTIN COMMUNITY FOUNDATION
CONSOLIDATING SCHEDULE OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2023

	Austin Community Foundation	ACF Associates, LLC	TXCELF, LLC	ACF Bright Leaf Preserve	Charitable Holdings II	CTX Housing Accelerator Fund, LLC	Total	Elimination Entries	Consolidated
Revenues and Support:									
Contributions	$ 104,668,059	$ -	$ -	$ -	$ 8,802	$ 68,000	$ 104,744,861	$ (3,708,922)	$ 101,035,939
Less contributions to agency funds	(1,897,843)	-	-	-	-	-	(1,897,843)	-	(1,897,843)
Net Contributions	102,770,216	-	-	-	8,802	68,000	102,847,018	(3,708,922)	99,138,096
Net investment return	38,601,566	58,504	96,355	-	10,970	19,878	38,787,273	-	38,787,273
Other income, net	98,657	10,526	-	-	-	40,000	149,183		149,183
Total Revenues and Support	141,470,439	69,030	96,355	-	19,772	127,878	141,783,474	(3,708,922)	138,074,552
Expenses:									
Program Services:									
Community grant funding	56,341,162	147,649	-	169,743	-	-	56,658,554	(3,708,922)	52,949,632
Less grants from agency funds	(4,750,636)	-	-	-	-	-	(4,750,636)	-	(4,750,636)
Net Community Grant Funding	51,590,526	147,649	-	169,743	-	-	51,907,918	(3,708,922)	48,198,996
Other program	4,556,827	-	201,803	-	4,799	69,597	4,833,026	-	4,833,026
Total Program Services	56,147,353	147,649	201,803	169,743	4,799	69,597	56,740,944	(3,708,922)	53,032,022
Supporting Services:									
Management and general	577,417	-	-	-	-	80,745	658,162	-	658,162
Fundraising and development	390,189	-	-	-	847	-	391,036	-	391,036
Total Supporting Services	967,606	-	-	-	847	80,745	1,049,198	-	1,049,198
Total Expenses	57,114,959	147,649	201,803	169,743	5,646	150,342	57,790,142	(3,708,922)	54,081,220
Change in net assets	84,355,480	(78,619)	(105,448)	(169,743)	14,126	(22,464)	83,993,332	-	83,993,332
Net assets at beginning of year	379,101,159	78,619	70,374	273,080	4,259,439	-	383,782,671	-	383,782,671
Net assets at end of year	$ 463,456,639	$ -	$ (35,074)	$ 103,337	$ 4,273,565	(22,464)	$ 467,776,003	$ -	$ 467,776,003