Community Foundation
of North Texas, Inc.

Consolidated Financial Statements

December 31, 2018

Community Foundation of North Texas, Inc.
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Certified Public Accountants

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Independent Auditor's Report

To the Board of Directors
Community Foundation of North Texas, Inc.

We have audited the accompanying consolidated financial statements of Community Foundation of North Texas, Inc. dba North Texas Community Foundation, and the Community Foundation Project Henry, LLC (collectively referred to as the "Foundation") (a nonprofit organization) which comprise the consolidated statement of financial position as of December 31, 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

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, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Foundation's 2017 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated March 20, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Sproles Woodard LLP

Fort Worth, Texas
March 19, 2019

Community Foundation of North Texas, Inc.
Consolidated Statement of Financial Position
December 31, 2018, with Comparative Totals for 2017

	2018	2017
ASSETS		
Cash and cash equivalents	**$ 18,212,468**	$ 8,885,566
Restricted cash and cash equivalents	**15,246,167**	15,417,065
	33,458,635	24,302,631
Accrued interest and dividends	**131,433**	62,457
Contributions receivable, net	**343,097**	4,267,650
Prepaid expenses	**21,671**	20,207
Investments	**286,025,411**	282,213,880
Beneficial interest in trusts	**1,200,768**	1,358,096
Cash surrender value of life insurance	**317,378**	312,924
Property and equipment, at cost less accumulated depreciation of $153,484	**41,509**	48,468
	$ 321,539,902	$ 312,586,313
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	**$ 697,905**	$ 38,400
Grants payable	**630,000**	4,340,950
Agency fund payable	**17,617,809**	19,803,829
	18,945,714	24,183,179
Net Assets		
Without donor restrictions	**263,961,594**	245,530,664
With donor restrictions	**38,632,594**	42,872,470
	302,594,188	288,403,134
	$ 321,539,902	$ 312,586,313

See accompanying notes to consolidated financial statements.

Community Foundation of North Texas, Inc.
Consolidated Statement of Activities
For the Year Ended December 31, 2018, with Comparative Totals for 2017

	2018			2017
	Without donor restrictions	With donor restrictions	Total	Total
Support				
Contributions	$ 50,160,640	$ 1,307,076	$ 51,467,716	$ 20,161,334
Revenue				
Investment return, net	(11,016,708)	(2,286,310)	(13,303,018)	36,099,191
Other income (loss)	240,612	(167,203)	73,409	111,569
Net assets released from restrictions	3,093,439	(3,093,439)	-	-
	42,477,983	(4,239,876)	38,238,107	56,372,094
Expenses				
Program services				
Grants	21,324,246		21,324,246	22,935,674
Other	839,568		839,568	895,941
	22,163,814	-	22,163,814	23,831,615
Supporting services				
Administrative	1,394,399		1,394,399	522,455
Development	488,840		488,840	437,259
	24,047,053	-	24,047,053	24,791,329
Change in Net Assets	18,430,930	(4,239,876)	14,191,054	31,580,765
Net Assets				
Beginning of Year	245,530,664	42,872,470	288,403,134	256,822,369
End of Year	$ 263,961,594	$ 38,632,594	$ 302,594,188	$ 288,403,134

See accompanying notes to consolidated financial statements.

Community Foundation of North Texas, Inc.
Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2018, with Comparative Totals for 2017

	2018				2017
	Program Expense	Administrative Expense	Development Expense	Total	Total
Grants and other assistance	$ 21,324,246	$ -	$ -	$ 21,324,246	$ 22,935,674
Salaries and wages	336,515	359,530	326,799	1,022,844	996,885
Employee benefits and pension	32,268	34,473	31,334	98,075	98,028
Payroll taxes	29,505	31,523	28,655	89,683	83,061
Occupancy	67,638	52,939	34,133	154,710	148,503
Telephone	3,392	2,473	1,701	7,566	6,624
Professional fees	210,473	92,105		302,578	245,204
Development	23,597	8,736	38,202	70,535	59,621
Community outreach	91,594			91,594	18,312
Membership dues	6,750	13,920	4,335	25,005	14,784
Board and staff development	1,035	33,730	605	35,370	38,161
Conferences and meetings	7,287	5,690	3,913	16,890	10,616
Local transportation				-	3,600
Insurance and miscellaneous	2,992	4,949		7,941	9,056
Supplies	9,925	4,875	3,353	18,153	10,756
Marketing and outside printing	13,236	16,562	13,057	42,855	56,026
Subscriptions	895	732		1,627	2,979
Equipment	198	33,974	264	34,436	30,264
Website	790		1,161	1,951	2,339
Postage and shipping	1,478	1,770	1,328	4,576	3,302
Taxes		679,949		679,949	-
Depreciation		16,469		16,469	17,534
	$ 22,163,814	$ 1,394,399	$ 488,840	$ 24,047,053	$ 24,791,329

See accompanying notes to consolidated financial statements.

Community Foundation of North Texas, Inc.
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2018, with Comparative Totals for 2017

	2018	2017
Cash Flows From Operating Activities		
Change in net assets	**$ 14,191,054**	$ 31,580,765
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net realized and unrealized loss (gain) on investments	**18,310,242**	(29,191,259)
Equity in earnings of partnerships	**(347,103)**	(286,971)
Noncash contributions of investments	**(7,580,815)**	(5,992,621)
Change in value of beneficial interest in trusts	**157,328**	(269,076)
Change in value of cash surrender value of life insurance	**(4,454)**	(4,005)
Loss on disposal of assets		336
Depreciation	**16,469**	17,534
Change in:		
Accrued interest and dividends	**(68,976)**	2,617
Contributions receivable	**3,924,553**	20,242,231
Prepaid expenses	**(1,464)**	(6,604)
Accounts payable	**659,505**	(203,902)
Grants payable	**(3,710,950)**	(1,060,050)
Agency fund payable	**(2,186,020)**	3,889,643
Net cash provided by operating activities	**23,359,369**	18,718,638
Cash Flows From Investing Activities		
Proceeds from sales and maturities of investments	**67,716,227**	35,689,345
Purchases of investments	**(83,984,784)**	(50,463,871)
Change from investing activities related to agency funds	**2,074,702**	(1,384,371)
Purchases of property and equipment	**(9,510)**	(2,250)
Net cash used in investing activities	**(14,203,365)**	(16,161,147)
Net Change in Cash and Cash Equivalents	**9,156,004**	2,557,491
Cash and Cash Equivalents - Beginning of Year	**24,302,631**	21,745,140
Cash and Cash Equivalents - End of Year	**$ 33,458,635**	$ 24,302,631

See accompanying notes to consolidated financial statements.

1. History and Summary of Significant Accounting Policies

Organization and History

The Community Foundation of North Texas, Inc. (the "Foundation"), a nonprofit Texas corporation, was formed in 1989 to receive and manage donations of cash and property and to distribute grants exclusively for charitable purposes. The Foundation administers more than 288 funds comprised of donor advised, designated, field of interest, and discretionary funds, each established with a gift instrument. Primarily, all program expenses are related to these grant distributions. In 2018 the Foundation awarded 2,016 grants with a total value of $21,324,246.

The consolidated financial statements include the accounts of The Community Foundation of North Texas, Inc., and its wholly-owned subsidiary, Community Foundation Project Henry, LLC (collectively referred to as the "Foundation"). All significant intercompany balances have been eliminated in consolidation.

Basis of Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

In August 2016, the FASB issued Accounting Standards Update (ASU) 2016-14, Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classifications, information about liquidity and availability of resources, methods used to allocate costs, underwater endowments, and direction for consistency about the information provided about expenses and investment return. The Foundation has implemented ASU 2016-14 and has adjusted the presentation of these consolidated financial statements accordingly.

Net Asset Classification December 31, 2017	Without Donor Restriction	With Donor Restriction	Total Net Assets
Unrestricted	$ 246,072,813	$ -	$ 246,072,813
Temporarily Restricted		42,330,321	42,330,321
Net assets as previously presented	246,072,813	42,330,321	288,403,134
Reclassification	(542,149)	542,149	-
Net Assets as reported after Reclassification	$ 245,530,664	$ 42,872,470	$ 288,403,134

The Foundation reports information regarding its financial position and activities according to the following two classes of net assets:

> Net assets without donor restrictions are available for use in general operations and not subject to external restrictions and may be used for any purpose designated by the Board.
>
> Net assets with donor restrictions are those which are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, either through the passage of time or the fulfillment of the purpose for which the resource was restricted.

1. History and Summary of Significant Accounting Policies – (cont.)

Use of Estimates
The preparation of consolidated financial statements, in conformity with generally accepted accounting principles, 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 consolidated financial statements and reported revenues and expenses during the reported period. Actual results could differ from those estimates.

Net Asset Classification
As a community foundation, in accordance with United States Treasury Regulations, the Foundation possesses variance power. Variance power is the unilateral right to remove donor-imposed restrictions upon a gift in response to changed circumstances. The Foundation interprets this variance power to apply to time restrictions and endowment restrictions as well as purpose restrictions. This power is exercisable only in narrowly defined circumstances. Since this variance power is incorporated by reference in most gift instruments, the Foundation views its variance power as an explicit expression of donor intent (see Note 5).

Most of the Foundation's contributions are received subject to the terms of a standard fund agreement. Under the terms of the standard fund agreement, the Foundation has the ability to distribute as much of the corpus of any gift, devise, bequest, or fund as the Board in its sole discretion shall determine under the Foundation's current spending policy. As a result of the ability to distribute corpus, the Foundation has determined that all contributions received subject to the standard fund agreement, and subject to the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA"), are classified as without donor restrictions. Generally, if the corpus of a contribution may at some future time become available for spending, it is recorded as with donor restrictions until it is able to be appropriated, at which time the appropriation is reclassified to without donor restrictions net assets. If the corpus never becomes available for spending (i.e., variance power is not specifically incorporated in the gift instrument), it will be reported as with donor restrictions.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

In addition to donor-imposed endowment restrictions, all contributions received with donor-imposed time restrictions are classified as with donor restrictions until the payments are received unless the respective gift is specifically designated for use in the current period by the donor. Contributions received under split-interest agreements, except for charitable gift annuities, are also classified as with donor restrictions due to the implied time restriction on the use of such assets.

1. History and Summary of Significant Accounting Policies – (cont.)

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. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s).

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 to achieve its long-term return objectives within prudent risk constraints.

The Foundation has a policy of appropriating for distribution each year an amount calculated based on a calculation weighted 80% based on the prior year spendable amount, adjusted for inflation, and weighted 20% based on four percent of the trailing 12 quarters average balance of the fund. The Foundation's annual appropriation is subject to a payout floor and ceiling of 3% and 6%, respectively, of the funds 12-quarter average market value. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow annually.

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.

From time to time, certain endowment funds may have their fair value less than the amount required to be maintained by donors or by rule of law (underwater endowments). The Foundation interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under the law. However, the Foundation recognizes that a decline in the value of the endowment below the original gift value may hinder the fund's ability to continue to make future grants. Thus, the Foundation manages any endowment deemed to be underwater in a manner, as described in the spending policy, to preserve the value of the fund as close to the original gift value. As of December 31, 2018, the Foundation had no underwater endowments.

Reclassification

Certain accounts in the prior year consolidated financial statements have been reclassified for comparative purposes to conform to the presentation in the current year consolidated financial statements

Cash Sweep Agreement

The Foundation entered into a cash management sweep agreement with a bank whereby it buys or sells a mutual fund investment in US Government securities based on end of day liquidity requirements of the Foundation's operating account. The balance held in the cash sweep investment account at December 31, 2018, was $18,639,374. The cash sweep investment account balance is included in cash and cash equivalents on the consolidated statement of financial position.

1. History and Summary of Significant Accounting Policies – (cont.)

Restricted Cash and Cash Equivalents
Restricted cash and cash equivalents are donor-restricted amounts limited in use to the purchase of investments or payment of expenses for which the related funds were established. Cash equivalents are certain highly liquid investments with an initial maturity of three months or less held for investment purposes. As of December 31, 2018, of the $15,246,167 in restricted cash and cash equivalents, $5,502,984 was from cash equivalents.

Contributions Receivable
Unconditional promises to give by donors are expected to be received by the Foundation within one year and are measured at net settlement value. The Foundation periodically reviews contributions receivable for amounts that are considered uncollectible and establishes a valuation allowance when such receivables, if any, are deemed uncollectible. At December 31, 2018, no provision was recorded.

Investments
Investments consist of marketable securities (certificates of deposit, common stock, fixed income, and equity and fixed income mutual funds), partnership interests, shares of an investment holding company, interests in hedge funds, other investments, and investments in real estate. The Foundation reports investments in marketable securities with readily determinable fair values in the consolidated statement of financial position. The fair value of marketable securities is valued at the closing price on the last business day of the fiscal year. Investment return includes interest and dividends and realized and unrealized gains and losses, net of fees, on investments for the current period. Investment return is included in the consolidated statement of activities as an increase in net assets without donor restrictions, unless the income is restricted by the donor or law.

Investment in partnerships is comprised of interests in certain limited partnerships and limited liability corporations for which observable market prices in active markets do not exist. These investments are reported at fair value, as determined in good faith, by the Foundation's management with the assistance of third-party investment managers using methods they consider appropriate. The amounts realized upon disposition of these investments may differ from the value reflected in the consolidated financial statements and the differences could be material. Certain of the investment in partnerships are restricted as to resale and may require advance notice for redemption or withdrawal. The Foundation's share of earnings or losses is shown as partnership investment return in the consolidated statement of activities. The Foundation's investment in partnerships is subject to various risk factors arising from the investment activities of the underlying vehicles of the partnerships, including market, credit, and currency risk. The Foundation's risk of loss in any of its investments in partnerships is limited to the value of the investment at year end plus any unfunded commitments. As of December 31, 2018, unfunded commitments were $669,450.

The Foundation has one investment in an investment holding company which is subject to a quarterly valuation analysis to determine fair market value. The valuation of the investment includes assumptions and methods that were prepared by an external third party and were reviewed by the Foundation's management. The investment is restricted as to resale and may require advance notice for redemption or withdrawal. An active market does not exist for this investment, and thus the estimated value is subject to inherent uncertainty and a material difference may be realized upon disposition.

1. History and Summary of Significant Accounting Policies – (cont.)

The Foundation's investment in hedge funds for which quoted prices are not available is generally measured based on reported partner's capital or net asset value ("NAV") provided by the associated external investment managers. The reported partner's capital or NAV is subject to management's assessment that the valuation provided is representative of fair value. For these investments, the Foundation has concluded that the net asset value reported by the underlying fund is a practical expedient to estimating fair value. However, because these investments are generally not readily marketable, their estimated value is subject to inherent uncertainty and therefore may differ from the value that would have been used had a ready market for such investments existed, and as such, are not classified in the fair value hierarchy.

The Foundation's other investments consist of equity securities in closely held companies with no readily determinable fair value, real estate which consists of one residential home held for sale, and certain mineral interest rights. These are carried at cost. Contributions of other investments are recorded at the appraised value at the date of contribution, which becomes the Foundation's cost basis.

All non-cash contributions of investments are recorded at fair value at the date of receipt. Stock is recorded at the average of the high and low selling price on the date received. Investments sold are recorded at the amount received.

Property and Equipment
The Foundation capitalizes the cost of significant expenditures for leasehold improvements, equipment, and furniture and fixtures. Depreciation, as determined by the straight-line method, is provided over the estimated useful lives of the related assets, which range from three to ten years.

Agency Fund Payable
The Foundation holds cash and marketable securities received from nonprofit organizations that are named as beneficiary. These organizations did not grant variance power over the funds to the Foundation, which has agreed to make distributions primarily to the transferring organizations. The Foundation has recorded the resulting liability as an agency fund payable in the accompanying consolidated statement of financial position.

Contributions Received and Contributions Made
Contributions are recognized when unconditional commitments are received or extended and recorded as net assets without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions. Donated assets are recorded as revenue at their estimated fair values at the date of the gift and are classified as without donor restrictions, or with donor restrictions, depending on the existence and/or nature of any donor restrictions. Gifts of long-lived assets without donor stipulations regarding the length of use are shown as without donor restrictions support in the accompanying consolidated financial statements.

1. History and Summary of Significant Accounting Policies – (cont.)

Grants Payable
Grant commitments are measured at net settlement value, which approximates fair value. Grants payable over one year are discounted to present value when significant as determined by the Foundation.

Income Taxes
The Foundation is a nonprofit corporation under Section 501(c)(3) of the Internal Revenue Code. In addition, the Foundation has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code. Management of the Foundation considers the likelihood of changes by taxing authorities in its filed income tax returns and recognizes a liability for or discloses potential significant changes that management believes are more likely than not to occur, including changes to the Foundation's status as a not-for-profit entity. Management believes the Foundation met the requirements to maintain its tax-exempt status. For the year ended December 31, 2018, the Foundation accrued $679,949 in taxes as a result of the sale of a taxable company in which the Foundation held incentive units. This amount is reflected in administrative expenses in the consolidated statement of activities.

Functional Expense Allocations
The costs of the program and supporting services have been summarized on a functional basis in the consolidated statement of functional expenses. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program and supporting services on a reasonable basis that is consistently applied. Salaries, wages, and benefits are charged directly to the program for which work has been done based on management estimate of time and effort. Overhead costs and depreciation is allocated on a square footage basis.

Administrative and Management Fees
Custodian, investment, and management fees are recognized in the fiscal year in which they occur. The Foundation charges an administrative fee internally for donor funds under management. These fees help fund general operations and are recorded internally both as revenue and expense. These fees are netted for consolidated financial statement presentation on the consolidated statement of activities.

Fair Value Measurements
The Foundation follows FASB Accounting Standards Codification Topic 820, *Fair Value Measurements and Disclosures.* Topic 820 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. Fair value is defined as 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. Topic 820 establishes a fair value hierarchy that prioritizes the inputs to valuation inputs used to measure fair value into three broad levels to ensure consistency and comparability. The valuation hierarchy gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobserved inputs (Level 3) described as follows:

The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices in active markets for identical assets or liabilities.

1. History and Summary of Significant Accounting Policies – (cont.)

Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; discounted cash flows; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities, including general partner estimates and recent third-party appraisals.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the determination of which category within the fair value hierarchy is appropriate, for any given asset or liability, is based on the lowest level of input that is significant to the fair value measurement. The Foundation's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

Fair Values of Financial Instruments
The following methods and assumptions were used by the Foundation in estimating the fair values of its financial instruments on a recurring basis:

Marketable securities: All of the Foundation's marketable securities are valued by the custodian, broker, or the account manager using a nationally recognized third party pricing service. The Foundation gives highest priority to quoted prices in active markets for identical assets accessed at the measurement date and classifies all such assets as Level 1. The Foundation gives a Level 2 priority to valuation prices where the valuation process involves inputs other than quoted prices included in Level 1 that are observable for the asset, either directly or indirectly.

Non-marketable securities: Partnerships, hedge funds, and an investment in a holding company are carried at fair value, which is based on the net asset value (NAV) per share of the fund as provided by the investment manager, except in certain circumstances such as when the fund is in liquidation, in which case the value of the investment is estimated at liquidation value. The Foundation no longer classifies non-marketable securities carried at NAV. This requirement was removed by FASB ASU No. 2015-07, *Fair Value Measurement (Topic 820) – Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent).*

Beneficial interest in trusts: The Foundation estimates the fair value of its interest in various trusts by discounting to present value the future benefits expected to be received at the end of the trust terms based on the designated beneficiaries' life expectancy and an estimated growth rate. The Foundation classifies all such assets as Level 2.

Agency fund payable: Carrying amount approximates fair value due to underlying assets, and the Foundation classifies all such liabilities as Level 1.

1. History and Summary of Significant Accounting Policies – (cont.)

Closely held stock, real estate, and mineral interests: The Foundation has determined it is not cost effective to determine the fair values of its investments in closely held stock, real estate, and mineral interests, and, accordingly, the Foundation has not estimated the fair values of these investments.

Other: The carrying amount reported in the consolidated statement of financial position for the following financial instruments approximates fair value because of the short maturities or underlying asset values:

- Cash, cash equivalents, and restricted cash
- Contributions receivable
- Accrued interest and dividends
- Accounts payable
- Grants payable

The Foundation identified no events or changes in circumstances that might have an adverse effect on fair values of their investments at December 31, 2018.

2. Investments

Investments consist of the following at December 31, 2018:

Marketable securities	$ 276,577,922
Non-marketable securities	6,005,466
Other investments	3,442,023
Beneficial interest in trusts	1,200,768
	$ 287,226,179

Investments in marketable and non-marketable securities are held by brokerage firms and in revocable trust accounts with a bank. The Foundation consults with investment advisory firms as to the placement of the investments.

Investments in marketable equity securities, non-marketable securities, and all debt securities are carried at fair value and are comprised of the following at December 31, 2018:

Mutual funds (equity and/or bonds)	$ 159,131,470
Equity securities	102,270,239
Bonds	11,389,262
Certificates of deposit/US Government securities	3,786,951
Hedge funds	184,125
Partnerships	2,530,291
Investment holding company	3,291,050
Beneficial interest in trusts	1,200,768
	$ 283,784,156

2. Investments – (cont.)

Other investments consist of closely held equity securities in Martin Sprocket and Gear, Inc.; HIG Holdings, LLC; Tank Owner Members Insurance Co.; real estate; and mineral rights interest amounting to $3,442,023 at December 31, 2018.

The following schedule summarizes the investment return for the year ended December 31, 2018:

	Without Restrictions	With Restrictions	Total
Net investment losses:			
Dividends and interest	$ 5,870,466	$ 1,637,222	$ 7,507,688
Net investment gains:			
Net realized gains	4,511,038	82,586	4,593,624
Net unrealized losses	(20,705,593)	(4,272,975)	(24,978,568)
	(16,194,555)	(4,190,389)	(20,384,944)
Equity in earnings from partnerships, net		347,103	347,103
Other	90,021		90,021
	(10,234,068)	(2,206,064)	(12,440,132)
Fees	(782,640)	(80,246)	(862,886)
	$ (11,016,708)	$ (2,286,310)	$ (13,303,018)

Fees resulting from investing transactions during 2018 related to program services.

3. Beneficial Interest in Trusts

The Foundation is the remainder beneficiary of charitable remainder trusts established by various donors. The assets of the trusts are held by third-party trustees. Each trust provides for the payment of distributions to other designated beneficiaries over the trust's term (usually the designated beneficiary's lifetime). At the end of the trust's term, the remaining trust 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 trusts' terms based on the designated beneficiaries' life expectancy, an estimated growth rate ranging between (0.32)% and 2.75%, and the use of a discount rate ranging between 2.55% and 5.62%, which amounted to $1,200,768 at December 31, 2018. The change in the value of beneficial interest in trusts amounted to $157,328 during 2018 and is included as a decrease in with donor restrictions contributions in the consolidated statement of activities.

4. Grants Payable

Unconditional grants awarded to various not-for-profit organizations and unpaid at December 31, 2018, amounted to $630,000, of which $590,000 is payable in one year or less, and $40,000 is scheduled to be paid in 2020 and 2021.

5. Net Assets

At December 31, 2018, net assets without donor restrictions consist of operational net assets of the Foundation's administrative fund amounting to $1,692,557 and net assets of donor-advised and other funds maintained separately from the administrative fund amounting to $262,269,037.

Net assets with donor restrictions include contributions received with time restrictions and those received under split-interest agreements with an implied time restriction. In addition, the Foundation continues to classify contributions (and related net assets) received under gift instruments (generally grants), which specifically do not reference variance power and require the return of assets if not used for the donor specified purpose until such funds are expended in accordance with the donor restricted purpose, as with donor restrictions. Net assets with donor restrictions which were released from restriction amounted to $3,093,439 during 2018, and resulted from grant distributions to other charitable organizations and other program expenses, satisfying purposes as recommended by the donors.

The Foundation manages more than 288 donor advised funds at December 31, 2018. Although grant recommendations are accepted from the donors or other advisors of these funds, the ultimate discretion of the use of these funds lies with the Board of Directors. Non-donor advised funds represent amounts held by the Foundation designated for specific purposes by donors and/or the Foundation.

Net Assets Without Donor Restrictions:

Donor Funds	
Donor advised	$ 230,736,993
Discretionary	1,065,987
Designated	9,349,768
Field of interest	17,026,604
Scholarship	3,710,419
Project fund	379,266
Operating Reserve Fund	1,692,557
	$ 263,961,594

Net Assets With Donor Restrictions:

Net assets with donor restrictions at December 31, 2018, are restricted for the following purposes or periods:

Beneficial interest in trust	$ 1,200,768
Subject to expenditure for specified purpose	37,431,826
	$ 38,632,594

6. Liquidity and Availability

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

Financial assets	
Cash and cash equivalents	$ 18,212,468
Restricted cash	15,246,167
Accounts receivable	131,433
Investments	286,025,411
Contributions receivable	343,097
Total financial assets at December 31, 2018	319,958,576
Less amounts not available to be used within one year, due to:	
Net assets with donor restrictions	38,632,594
Agency funds	17,617,809
	56,250,403
Financial assets available to meet general expenditures within one year	$ 263,708,173

Although most donor funds are not classified as net assets with donor restrictions based on a variance provision in the donor agreement, those funds would not normally be considered as being available for general expenditure. However, because of the variance provision, these funds could be made available to the Foundation for general use in the event of a liquidity need and if no other funding is available.

The Foundation maintains endowment funds which consist of donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes and are not available for general expenditure.

The Foundation maintains six funds with a balance of $1,692,557, which may be used for general operating requirements as determined and approved by the Board during its annual budget approval and appropriation process.

The Foundation charges an administrative fee internally for donor funds under management. Administrative fees are the Foundation's primary source of liquidity for operations and are recorded internally as both revenue and expense. For the year ended December 31, 2018, administrative fee revenue amounted to $1,986,597.

7. Fair Value Measurements

Fair values of assets measured on a recurring basis at December 31, 2018, are as follows:

		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Marketable securities:				
Certificates of deposit	$ 3,786,951	$ 3,786,951	$ -	$ -
Stocks				
Domestic large cap	70,064,857	70,064,857		
Domestic mid cap	25,000,978	25,000,978		
Domestic small cap	4,687,716	4,687,716		
Foreign	2,516,688	2,516,688		
Mutual funds equity				
Domestic large cap	29,785,318	29,785,318		
Domestic mid cap	9,756,612	9,756,612		
Domestic small cap	16,776,886	16,776,886		
Foreign	28,831,011	28,831,011		
Bank loan fund	44,745	44,745		
Prefered stock fund	46,964	46,964		
Long-short equity	39,740	39,740		
Energy	6,719,093	6,719,093		
Commodity	5,875,497	5,875,497		
Real estate	11,792,572	11,792,572		
Mutual funds fixed income				
Duration bonds	30,161,327	30,161,327		
Global bond fund	10,428,081	10,428,081		
Inflation protected bonds	8,587,570	8,587,570		
Nontraditional bonds	57,527	57,527		
Multisector bonds	77,104	77,104		
High yield bond fund	151,423	151,423		
Bonds				
Corporate bonds	8,303,726		8,303,726	
Government bonds	3,085,536		3,085,536	
Total marketable securities:	276,577,922	265,188,660	11,389,262	-
Non-marketable securities:				
Hedge fund investments measured at net asset value[(a)]	184,125			
Partnerships	2,530,291			2,530,291
Investment holding company	3,291,050			3,291,050
Total non-marketable securities:	6,005,466	-	-	5,821,341
Beneficial interest in trusts	1,200,768		1,200,768	
	$ 283,784,156	$ 265,188,660	$ 12,590,030	$ 5,821,341
Liabilities				
Agency fund payable	$ 17,617,809	$ 17,617,809	$ -	$ -

(a) In accordance with 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 fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statement of financial position.

7. Fair Value Measurements – (cont.)

The following table summarizes the changes in the fair value of the Foundation's Level 3 financial assets:

	Partnerships	Investment Holding Company
Balance at December 31, 2017	$ 2,334,092	$ 3,897,960
Investment income		
Net realized gains		
Net unrealized gains	347,103	(606,910)
Transfer out of Level 3		
Contributions		
Distributions	(150,904)	
Sales of investments		
Purchases		
Balance at December 31, 2018	$ 2,530,291	$ 3,291,050

The following table summarizes the valuation techniques and significant unobservable inputs used for the Foundation's investments that are categorized within Level 3 of the fair value hierarchy at December 31, 2018:

	Quantitative Information about Level 3 Fair Value Measurements			
	Fair Value	Valuation Techniques	Unobservable Inputs	Range of Input Values
Partnerships	$ 2,530,291	Independent or company valuation	Company financials	N/A
Investment holding company	3,291,050	Asset-based approach	Discount for lack of marketability	0% - 30%
			Discount for lack of control	0% - 10%

The Foundation's investments in certain entities that calculate net asset value per share include the following at December 31, 2018:

	Fair Value	Redemption or Liquidity	Redemption Notice Period
Multi-strategy	$ 184,125	Quarterly	60 days

7. Fair Value Measurements – (cont.)

At December 31, 2018, the Foundation had no remaining lock-up periods for any of its investments, and the Foundation had no unfunded commitments in entities that calculate net asset value per share. A description of the significant investment strategies and additional relevant information for investments carried at NAV is summarized as follows:

Multi-strategy fund: Strategies that engage in a variety of investment strategies to achieve long-term capital appreciation. Strategies adopted in a multi-strategy fund may include, but are not limited to, securities, commodities, other financial instruments, affiliated and unaffiliated investment funds, and managed portfolios.

8. Retirement Plan

The Foundation sponsors a tax-deferred employee benefit plan for its full-time employees under the provisions of Internal Revenue Code Section 403(b). Under the plan, the Foundation makes periodic discretionary contributions. Employees are allowed to make contributions within limits established by the IRS. Employer contributions to the plan amounted to $81,950 during 2018.

9. Commitments

The Foundation leases office space and equipment under noncancelable operating leases. The Foundation's rental expense during 2018 amounted to $109,975. Future minimum lease payments on these lease obligations amounted to $65,889 for 2019.

10. Concentrations

Financial instruments which potentially subject the Foundation to concentrations of credit risk are cash and cash equivalents. The Foundation places its cash with financial institutions and periodically maintains deposits in amounts which exceed FDIC insurance coverage. At December 31, 2018, the Foundation held cash amounting to $1,472,620, which exceeded insurance coverage. Management believes the risk of incurring material losses related to this credit risk is remote.

The majority of the Foundation's donors are located in Fort Worth, Texas and the surrounding areas. Contributions received from donors, which individually exceeded five percent of contribution revenue, consisted of gifts from four donors amounting to $24,465,643 (47% of total contribution revenue).

The Foundation currently invests primarily in certificates of deposit, common and preferred stock, fixed income, equity and fixed income mutual funds, partnership interests, an investment holding company, interests in hedge funds, and closely held stock. The Foundation has an investment in one corporate stock which comprises approximately 34% of equity securities, 12% of marketable securities, and 12% of total investments.

11. Subsequent Events

During the fourth quarter of 2018, the stock market declined sharply and 2018 ended with negative returns for the year overall. Subsequent to December 31, 2018, financial market conditions improved and unrealized losses from 2018 were either partially or fully recovered by the date that these consolidated financial statements were issued.

The Foundation has evaluated subsequent events through March 19, 2019, which is the date the consolidated financial statements were available to be issued.