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**Community Foundation  
of North Texas, Inc. and Subsidiary**  
*Consolidated Financial Statements*  
**December 31, 2024**

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# **Community Foundation of North Texas, Inc. and Subsidiary**

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## **Independent Auditor’s Report**

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

### **Opinion**

We have audited the accompanying consolidated financial statements of Community Foundation of North Texas, Inc., dba North Texas Community Foundation (the “Community Foundation”) and St. Augustine Trust (the “Trust”) (nonprofit organizations), (collectively “the Foundation”) which comprise the Consolidated Statement of Financial Position as of December 31, 2024, and the related Consolidated Statements of Activities, Functional Expenses, and Cash Flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2024, and the changes in net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (“GAAS”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with GAAP and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

## **Auditor's 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement 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 judgement 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 judgement, 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 audit, significant audit findings, and certain internal control related matters that we identified during the audit.

## **Report on Summarized Comparative Information**

We have previously audited the Foundation's 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 19, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2023 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Sproles Woodard LLP*

Fort Worth, Texas  
August 18, 2025

**Community Foundation of North Texas, Inc. and Subsidiary**  
**Consolidated Statement of Financial Position**  
**As of December 31, 2024, with Comparative Totals for 2023**

	<u>2024</u>	<u>2023</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 39,100,759	\$ 13,222,760
Restricted cash and cash equivalents	<u>29,404,187</u>	<u>36,101,192</u>
	<b>68,504,946</b>	<b>49,323,952</b>
Accrued interest and dividends	<b>681,987</b>	969,895
Contributions receivable, net		2,500
Prepaid expenses	<b>78,717</b>	100,545
Investments	<b>470,243,921</b>	457,410,423
Note receivable	<b>2,013,000</b>	2,013,000
Beneficial interest in trusts	<b>1,764,982</b>	1,687,924
Cash surrender value of life insurance	<b>303,930</b>	451,428
Property and equipment, at cost		
less accumulated depreciation of \$123,589	<b>81,517</b>	106,718
Operating lease right-of-use asset	<u>1,238,476</u>	<u>1,453,577</u>
	<u><b>\$ 544,911,476</b></u>	<u><b>\$ 513,519,962</b></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable	\$ 55,271	\$ 33,345
Grants payable	<b>5,273,333</b>	5,979,000
Agency fund payable	<b>4,287,070</b>	5,645,860
Operating lease liability	<u>1,238,476</u>	<u>1,453,577</u>
	<u><b>10,854,150</b></u>	<u>13,111,782</u>
<b>Net Assets</b>		
Without donor restrictions	<b>483,661,646</b>	453,604,356
With donor restrictions	<u>50,395,680</u>	<u>46,803,824</u>
	<u><b>534,057,326</b></u>	<u>500,408,180</u>
	<u><b>\$ 544,911,476</b></u>	<u><b>\$ 513,519,962</b></u>

*See accompanying notes to consolidated financial statements.*

**Community Foundation of North Texas, Inc. and Subsidiary**  
**Consolidated Statement of Activities**  
**For the Year Ended December 31, 2024, with Comparative Totals for 2023**

	2024			2023
	Without donor restrictions	With donor restrictions	Total	Total
<b>Support</b>				
Contributions	\$ 50,869,570	\$ 28,572	\$ 50,898,142	\$ 60,388,356
<b>Revenue</b>				
Investment return, net	28,203,466	6,281,544	34,485,010	43,002,068
Other income	9,543		9,543	-
Net assets released from restrictions	2,718,260	(2,718,260)	-	-
	<u>81,800,839</u>	<u>3,591,856</u>	<u>85,392,695</u>	<u>103,390,424</u>
<b>Expenses</b>				
Program services				
Grants	45,388,649		45,388,649	35,219,917
Other	3,472,602		3,472,602	2,660,449
	<u>48,861,251</u>	<u>-</u>	<u>48,861,251</u>	<u>37,880,366</u>
Supporting services				
Administrative	1,701,175		1,701,175	1,601,149
Development	1,181,123		1,181,123	1,122,433
	<u>51,743,549</u>	<u>-</u>	<u>51,743,549</u>	<u>40,603,948</u>
<b>Change in Net Assets</b>	<b>30,057,290</b>	<b>3,591,856</b>	<b>33,649,146</b>	<b>62,786,476</b>
<b>Net Assets</b>				
Beginning of Year	<u>453,604,356</u>	<u>46,803,824</u>	<u>500,408,180</u>	<u>437,621,704</u>
End of Year	<u>\$ 483,661,646</u>	<u>\$ 50,395,680</u>	<u>\$ 534,057,326</u>	<u>\$ 500,408,180</u>

*See accompanying notes to consolidated financial statements.*

**Community Foundation of North Texas, Inc. and Subsidiary**  
**Consolidated Statement of Functional Expenses**  
**For the Year Ended December 31, 2024, with Comparative Totals for 2023**

	2024			2023	
	Program Expense	Administrative Expense	Development Expense	Total	Total
Grants and other assistance	\$ 45,388,649	\$ -	\$ -	\$ 45,388,649	\$ 35,219,917
Salaries and wages	669,891	832,863	748,226	2,250,980	1,979,046
Employee benefits and pension	85,428	106,209	95,417	287,054	249,995
Payroll taxes	55,676	69,223	62,189	187,088	158,316
Occupancy	136,563	108,361	79,819	324,743	339,251
Telephone	7,367	5,676	4,406	17,449	13,621
Professional fees	2,263,842	199,414		2,463,256	1,570,719
Development	26,804	25,804	115,611	168,219	229,029
Community outreach	7,842			7,842	15,157
Membership dues	37,272	15,170	13,870	66,312	39,767
Board and staff development	2,876	19,375	1,855	24,106	138,820
Conferences and meetings	16,577	13,147	10,205	39,929	33,533
Insurance and miscellaneous	51,091	23,413		74,504	52,183
Supplies	3,665	3,045	2,364	9,074	9,589
Marketing and outside printing	89,960	59,192	45,210	194,362	141,915
Subscriptions		10,535		10,535	8,485
Equipment	271	176,784	360	177,415	123,517
Website				-	3,148
Postage and shipping	1,591	2,121	1,591	5,303	5,711
Taxes	15,886			15,886	244,879
Depreciation		30,843		30,843	27,350
	<u>\$ 48,861,251</u>	<u>\$ 1,701,175</u>	<u>\$ 1,181,123</u>	<u>\$ 51,743,549</u>	<u>\$ 40,603,948</u>

*See accompanying notes to consolidated financial statements.*

**Community Foundation of North Texas, Inc. and Subsidiary**  
**Consolidated Statement of Cash Flows**  
**For the Year Ended December 31, 2024, with Comparative Totals for 2023**

	2024	2023
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ 33,649,146	\$ 62,786,476
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net realized and unrealized gains on investments	(20,290,395)	(31,531,944)
Noncash contributions of investments	(10,497,507)	(4,698,710)
Change in value of beneficial interest in trusts	(77,058)	(96,403)
Change in value of cash surrender value of life insurance	147,498	(133,945)
Amortization of right of use asset, operating	215,101	214,975
Depreciation	30,843	27,350
Change in:		
Accrued interest and dividends	287,908	(863,322)
Contributions receivable	2,500	880
Prepaid expenses	21,828	80,084
Accounts payable	21,926	(3,343)
Grants payable	(705,667)	(1,272,200)
Agency fund payable	(1,358,790)	(3,340,809)
Operating lease liability	(215,101)	(214,975)
Net cash provided by operating activities	1,232,232	20,954,114
<b>Cash Flows From Investing Activities</b>		
Proceeds from sales and maturities of investments	125,583,122	141,309,147
Purchases of investments	(107,628,718)	(149,449,102)
Change from investing activities related to agency funds		657,592
Purchases of property and equipment	(5,642)	(19,531)
Issuance from note receivable		(2,013,000)
Net cash provided by (used in) investing activities	17,948,762	(9,514,894)
<b>Net Change in Cash and Cash Equivalents</b>	19,180,994	11,439,220
Cash and Cash Equivalents - Beginning of Year	49,323,952	37,884,732
<b>Cash and Cash Equivalents - End of Year</b>	\$ 68,504,946	\$ 49,323,952
<b>Noncash Investing Activity</b>		
Disposal of property and equipment	\$ 17,371	\$ 55,419
Donated investment stock	\$ 10,497,507	\$ 4,698,710

*See accompanying notes to consolidated financial statements.*

# Community Foundation of North Texas, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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### 1. History and Summary of Significant Accounting Policies

#### *Organization and History*

The Community Foundation of North Texas, Inc. (the “Community 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 393 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 2024 the Foundation awarded 2,756 grants with a total value of \$45,388,649.

#### *St. Augustine*

On December 29, 2023, the Foundation established a supporting organization, St. Augustine Trust (the “Trust”). The Trust commenced principal activities on January 1, 2024.

#### *Principles of Consolidation*

The consolidated financial statements include the accounts of the Community Foundation and its nonprofit supporting organization (collectively, the “Foundation”). The supporting organization is a Texas nonprofit trust that is affiliated with the Community Foundation by its purpose and operation and is deemed to be a publicly supported charity rather than a private foundation. All significant inter-entity activity and balances have been eliminated.

#### *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.

The Foundation reports information regarding its consolidated 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.

#### *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.

# Community Foundation of North Texas, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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

#### *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 6).

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.

# Community Foundation of North Texas, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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

#### *Endowment Investments 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 4% 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 fund's ending balance for the spend policy calculation. 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.

#### *Underwater Endowment Funds*

The Foundation considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the endowment and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. As of December 31, 2024, the Foundation had five underwater endowments. with deficiencies of this nature totaling approximately \$304,703. These deficiencies are reflected in the net assets with donor restrictions. The corpus value of those underwater funds are as follows as of December 31, 2024:

Fair value of underwater endowment	\$	6,353,443
Original endowment gift amount		<u>6,658,146</u>
	\$	<u>(304,703)</u>

# Community Foundation of North Texas, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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### 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, 2024, there were no cash equivalents.

#### *Contributions, Interests and Dividends Receivable*

Outstanding contributions receivables are unconditional promises to give by donors that are expected to be received by the Foundation within one year and are measured at net settlement value. Accrued interest and dividends represent amounts earned from investments not yet paid. The Foundation periodically reviews these receivables for amounts that are considered uncollectible and establishes a valuation allowance when such receivables, if any, are deemed uncollectible. At December 31, 2024, no provision was recorded.

#### *Note Receivable*

The estimated fair value of the note receivable represents the outstanding principal balance under the terms of the respective loan agreement. Interest income is recognized over the term of the note receivable as calculated on the outstanding principal amounts. The note receivable bears interest at 9%. No allowance for uncollectible note receivable is reflected in the accompanying consolidated financial statements as management considers the note receivable to be fully collectible.

#### *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 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, 2024, unfunded commitments were \$471,600.

# Community Foundation of North Texas, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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

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.

The Foundation's interest 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, certain mineral interest rights, and real estate. 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.

#### ***Grants Payable***

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

# Community Foundation of North Texas, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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

#### *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.

#### *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 financial statement presentation on 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 Consolidated 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.

#### *Income Taxes*

The Community Foundation is a nonprofit corporation under Section 501(c)(3) of the Internal Revenue Code (“IRC”). In addition, the Community Foundation has been determined by the Internal Revenue Service (“IRS”) not to be a private foundation within the meaning of Section 509(a) of the IRC.

The Trust is a nonprofit Type I supporting organization under Section 509(a)(3) of the IRC. In addition, the Trust has been determined by the IRS not to be a private foundation within the meaning of Section 509(a) of the IRC.

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 and has no material income subject to unrelated business income tax; therefore, no provision for income taxes has been provided in these consolidated financial statements.

#### *Cash Surrender Value of Life Insurance Policies*

Cash surrender value of life insurance policies is recorded at the amount that can be realized at the date of the Consolidated Statement of Financial Position and are included in cash surrender value of life insurance in the Consolidated Statement of Financial Position.

# Community Foundation of North Texas, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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

#### *Leases*

The Foundation determines if an arrangement is a lease at inception. A contract/agreement is or contains a lease if the contract/agreement conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Lease right-of-use (ROU) assets and liabilities are recognized at the lease commencement date based on the present value of the lease payments over the lease term, which is determined as the non-cancelable period, including periods for which termination options are reasonably certain of not being exercised, and periods for which renewal options are reasonably certain of being exercised. The lease liabilities are measured by discounting the future lease payments using a risk-free rate. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term.

#### *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.
- 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.

# Community Foundation of North Texas, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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

#### *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:* Hedge funds 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. Partnerships and an investment in a holding company are reported at fair value, as determined in good faith, by the Foundation's management with the assistance of third-party investment managers. 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 classifies all non-marketable securities as Level 3.

*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.

*Closely held stock, and mineral interests:* The Foundation has determined it is not cost effective to determine the fair values of its investments in closely held stock, 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, 2024.

# Community Foundation of North Texas, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

### 2. Investments

Investments consist of the following at December 31, 2024:

Marketable securities	\$ 433,491,073
Non-marketable securities	1,904,509
Other investments	34,848,339
Beneficial interest in trusts	<u>1,764,982</u>
	<u>\$ 472,008,903</u>

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, 2024:

Mutual funds (equity and/or bonds)	\$ 276,582,699
Equity securities	147,611,801
Bonds	9,096,355
Certificates of deposit/US Government securities	200,218
Hedge funds	105,477
Partnerships	1,799,032
Beneficial interest in trusts	<u>1,764,982</u>
	<u>\$ 437,160,564</u>

Other investments consist of closely held equity securities in HIG Holdings, LLC, RHR Holdings, LLC, HIG Legacy LP, Aquinas Companies, and mineral rights interest amounting to \$34,848,339 at December 31, 2024.

The following schedule summarizes the investment return for the year ended December 31, 2024:

	<u>Without Restrictions</u>	<u>With Restrictions</u>	<u>Total</u>
Net investment gains:			
Dividends and interest	\$ 17,022,419	\$ 1,722,751	\$ 18,745,170
Net realized & unrealized gains	<u>15,467,686</u>	<u>4,822,709</u>	<u>20,290,395</u>
	32,490,105	6,545,460	39,035,565
Fees	<u>(4,286,639)</u>	<u>(263,916)</u>	<u>(4,550,555)</u>
	<u>\$ 28,203,466</u>	<u>\$ 6,281,544</u>	<u>\$ 34,485,010</u>

# Community Foundation of North Texas, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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### 3. Note Receivable

On July 31, 2023, the Foundation entered into a note receivable agreement with a Company totaling \$2,013,000, that bears interest at 9%. The note will be payable in (i) 18 equal consecutive monthly installments of \$15,097.50 beginning August 31, 2023, representing only accrued and unpaid interest; immediately followed up (ii) 30 consecutive monthly installments of \$67,100, representing principal amortized over a period of 30 months, plus accrued and unpaid interest beginning on February 28, 2025. The loan matures on July 31, 2027 at which any remaining amounts outstanding, including any principal and accrued and unpaid interest will be due and payable. The outstanding balance on the note receivable was \$2,013,000 as of December 31, 2024. The Foundation recorded interest income on the note receivable in the amount of \$181,170 for the year ended December 31, 2024.

The estimated principal maturities under this note receivable are as follows:

2025	\$	738,100
2026		805,200
2027		<u>469,700</u>
Total estimated aggregate maturities	\$	<u>2,013,000</u>

### 4. 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 2.45% and 5.05%, and the use of a discount rate of 4.58% which amounted to \$1,764,982 at December 31, 2024. The change in the value of beneficial interest in trusts amounted to \$77,058 during 2024 and is included as an increase in investment return, net with donor restrictions in the Consolidated Statement of Activities.

### 5. Grants Payable

Grants authorized but unpaid at year-end are reported as liabilities in Grants payable in the Consolidated Statement of Financial Position. The following is a summary of grants authorized and payable at December 31, 2024:

To be paid in 2025	\$	1,893,333
To be paid in 2026		1,660,000
To be paid in 2027		1,160,000
To be paid in 2028		310,000
To be paid in 2029		<u>250,000</u>
Grants authorized but unpaid	\$	<u>5,273,333</u>

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# Community Foundation of North Texas, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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### 6. Net Assets

At December 31, 2024, net assets without donor restrictions consist of operational net assets of the Foundation's administrative fund amounting to \$2,709,977 and net assets of donor-advised and other funds maintained separately from the administrative fund amounting to \$480,951,669.

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 \$2,718,260 during 2024 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 393 funds at December 31, 2024. 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	\$ 360,063,681
Donor-designated	34,712,514
Field of interest	31,691,492
Discretionary	6,301,052
Project fund	2,483,625
Agency fund	11,848,320
Scholarship	4,746,985
Support organization	29,104,000
<b>Operating Reserve Fund</b>	<u>2,709,977</u>
	<u>\$ 483,661,646</u>

*Net Assets With Donor Restrictions:*

Net assets with donor restrictions at December 31, 2024 are restricted for the following purposes or periods:

Beneficial interest in trust	\$ 1,764,982
Subject to expenditure for specified purpose	<u>48,630,698</u>
	<u>\$ 50,395,680</u>

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# Community Foundation of North Texas, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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### 7. 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:

<b>Financial assets</b>	
Cash and cash equivalents	\$ 39,100,759
Restricted cash	29,404,187
Accrued interest and dividends	681,987
Investments	<u>470,243,921</u>
<b>Total financial assets at December 31, 2024</b>	<b>539,430,854</b>
<b>Less amounts not available to be used within one year, due to:</b>	
Net assets with donor restrictions	50,395,680
Agency funds	<u>4,287,070</u>
	<u>54,682,750</u>
<b>Financial assets available to meet general expenditures within one year</b>	<b><u>\$ 484,748,104</u></b>

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 two funds with a balance of \$2,709,977 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, 2024, administrative fee revenue amounted to \$3,108,376.

# Community Foundation of North Texas, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

### 8. Fair Value Measurements

Fair values of assets measured on a recurring basis at December 31, 2024 are as follows:

	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets</b>				
Marketable securities:				
Certificates of deposit	\$ 200,218	\$ 200,218	\$ -	\$ -
Stocks	147,611,801	147,611,801		
Mutual funds	276,582,699	276,582,699		
Bonds	9,096,355		9,096,355	
Total marketable securities:	433,491,073	424,394,718	9,096,355	-
Non-marketable securities:				
Hedge fund investments measured at net asset value(a)				
Partnerships	1,799,032			1,799,032
Total non-marketable securities:	1,904,509	-	-	1,799,032
Beneficial interest in trusts	1,764,982		1,764,982	
	<u>\$ 437,160,564</u>	<u>\$ 424,394,718</u>	<u>\$ 10,861,337</u>	<u>\$ 1,799,032</u>
<b>Liabilities</b>				
Agency fund payable	\$ 4,287,070	\$ 4,287,070	\$ -	\$ -

(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 Statement of Financial Position.

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

	Investment	
	Partnerships	Holding Company
Balance at December 31, 2023	\$ 1,951,230	\$ 3,832,745
Net realized/unrealized loss	64,479	(3,832,745)
Transfer out of Level 3	(216,677)	
Balance at December 31, 2024	<u>\$ 1,799,032</u>	<u>\$ -</u>

# Community Foundation of North Texas, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

### 8. Fair Value Measurements – (cont.)

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, 2024:

	Quantitative Information about Level 3 Fair Value Measurements			
	Fair Value	Valuation Techniques	Unobservable Inputs	Range of Input Values
Partnerships	\$ 1,799,032	Independent or company valuation	Company financials	N/A
	2024	Redemption or liquidity	Redemption notice period	Unfunded Commitments
Capital Partners V	\$ 1,351,786	Illiquid	N/A	\$ 158,250
Natural Resources Partners IX	360,307	Illiquid	N/A	24,600
SS Real Estate Opportunity Fund	86,939	Illiquid	N/A	288,750

The Foundation’s investments in certain entities that calculate net asset value per share include the following at December 31, 2024:

	Fair Value	Redemption or Liquidity	Redemption Notice Period
Multi-strategy	\$ 105,477	Quarterly	60 days

At December 31, 2024, 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.

### 9. Retirement Plan

The Foundation sponsors a tax-deferred employee benefit plan for its full-time employees under the provisions of IRC 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 \$94,917 during 2024.

# Community Foundation of North Texas, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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### 10. Commitments

The Foundation leases office space through a noncancelable operating lease, which expires 2030. The adoption of ASU 2016-02 *Leases (Topic 842)* resulted in the recognition of an operating lease liability of \$1,238,476 for the year ended December 31, 2024, with a corresponding operating lease right of use asset of the same amount based on the present value of future minimum rental payments of the lease. The discount rate used for the lease accounted for under ASU 2016-02 is the 10-year daily treasury- rate of 1.63% as of January 1, 2022.

The Foundation's lease agreement contains lease and non-lease components, which are generally accounted for separately. These variable lease payments, which are primarily comprised of common area maintenance, utilities, and real estate taxes that are passed on from the lessor, are recognized in operating expenses in the period in which the obligation for those payments was incurred.

The lease terms may include options to extend the lease when it is reasonably certain that the option will be exercised. The optional renewal period was not considered for the Foundation's lease as it was not reasonably certain they would renew.

Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Foundation's lease agreement does not contain any material residual value guarantees. Total lease expense was approximately \$257,873, for the year ended December 31, 2024.

Additional information about the Foundation's lease are as follows:

	<u>2024</u>
Other information:	
Cash paid for amount included in measuring operating lease liabilities:	
Operating cash flow from operating lease	\$ 215,101
Lease asset obtained in exchange for lease obligation:	
Operating lease	\$ -
Weighted-average remaining lease term (years)	6.7
Weighted-average discount rate	1.63%

Future minimum lease payments on this lease obligation are as follows:

2025	\$ 231,940
2026	235,686
2027	239,432
2028	243,178
2029	246,924
Thereafter	<u>187,924</u>
	1,385,084
Less: interest	<u>(146,608)</u>
	<u>\$ 1,238,476</u>

# Community Foundation of North Texas, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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### 11. Concentrations

Financial instruments which potentially subject the Foundation to concentrations of credit risk are cash and cash equivalents. The Community Foundation places its cash with financial institutions and periodically maintains deposits in amounts which exceed FDIC insurance coverage. The Community Foundation maintained a repurchase sweep agreement for its bank account. As a result the Community Foundation had uninsured cash of \$1,673,215 at December 31, 2024. Management believes the risk of incurring material losses related to this credit risk is remote.

The majority of the Community Foundation's donors are located in Fort Worth, Texas and the surrounding areas. Contributions received from donors, which individually exceeded 5% of contribution revenue, consisted of gifts from five donors amounting to \$21,620,434 (42% of total contribution revenue).

The Community 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 Community Foundation has investments in one corporate stock which comprise approximately 23% of equity securities, 7% of marketable securities, and 7% of total investments.

### 12. Subsequent Events

Subsequent to December 31, 2024, the Foundation learned there was a diversion of assets in one of its closely held equity securities, included in *Other investments*. The Foundation valued the investment at zero and recognized the loss of the investment, as of December 31, 2024, in investment return, net in the Consolidated Statement of Activities. The Foundation is not pursuing any further corrective actions as of now.

The Foundation has evaluated subsequent events through August 18, 2025, which is the date the consolidated financial statements were available to be issued.