

NORTH TEXAS COMMUNITY FOUNDATION

Community Foundation of North Texas, Inc. and Subsidiary

Consolidated Financial Statements

December 31, 2025

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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. and Subsidiary (the "Foundation"), which comprise the consolidated statement of financial position as of December 31, 2025, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Community Foundation of North Texas, Inc. and Subsidiary as of December 31, 2025, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Community Foundation of North Texas, Inc. 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 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, 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 Community Foundation of North Texas, Inc.'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 Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

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

Prior Period Financial Statements

The consolidated financial statements of Community Foundation of North Texas, Inc. as of December 31, 2024, were audited by other auditors whose report dated August 18, 2025, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2024, is consistent in all material respects, with the audited financial statements from which it has been derived.



Dallas, Texas

September 3, 2026

Community Foundation of North Texas, Inc. and Subsidiary

Consolidated Statement of Financial Position

As of December 31, 2025, with Comparative Totals for 2024

	12/31/2025	12/31/2024
ASSETS		
Cash and cash equivalents	\$ 85,746,406	\$ 68,504,946
Accrued interest and dividends	109,700	132,384
Accounts and other receivables	5,586	9,599
Prepaid expenses	161,852	78,717
Investments	633,402,628	470,783,925
Note receivable	1,274,397	2,013,000
Beneficial interest in trusts	685,767	1,764,982
Cash surrender value of life insurance	292,722	303,930
Property and equipment, net	172,831	81,517
Operating lease right-of-use asset	1,023,309	1,238,476
	\$ 722,875,198	\$ 544,911,476
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 182,622	\$ 55,271
Grants payable	9,082,000	5,273,333
Agency fund payable	4,427,894	4,287,070
Operating lease liability	1,023,309	1,238,476
	14,715,825	10,854,150
Net Assets		
Without donor restrictions	\$ 652,333,941	\$ 483,661,646
With donor restrictions	55,825,432	50,395,680
	708,159,373	534,057,326
	\$ 722,875,198	\$ 544,911,476

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, 2025, with Comparative Totals for 2024

	Without donor restrictions	With donor restrictions	2025 Total	2024 Total
Support				
Contributions	\$ 180,027,477	\$ 5,255,344	\$ 185,282,821	\$ 50,898,142
Revenue				
Investment return, net	53,342,197	9,454,765	62,796,962	34,191,725
Other income	304,742	197,000	501,742	302,828
Net assets transferred to (from) restrictions	(1,515,507)	1,515,507	-	-
Net assets released from restrictions	10,992,864	(10,992,864)	-	-
	243,151,773	5,429,752	248,581,525	85,392,695
Expenses				
Program services				
Grants	67,079,301	-	67,079,301	45,388,649
Other	3,849,506	-	3,849,506	3,293,734
	70,928,807	-	70,928,807	48,682,383
Supporting services				
Administrative	1,772,452	-	1,772,452	1,553,956
Development	1,778,219	-	1,778,219	1,507,210
	74,479,478	-	74,479,478	51,743,549
Change in Net Assets	168,672,295	5,429,752	174,102,047	33,649,146
Net Assets Beginning of Year	483,661,646	50,395,680	534,057,326	500,408,180
Net Assets End of Year	\$ 652,333,941	\$ 55,825,432	\$ 708,159,373	\$ 534,057,326

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, 2025

	Program Expense	Administrative Expense	Development Expense	2025 Total
Grants and other assistance	\$ 67,079,301	\$ -	\$ -	\$ 67,079,301
Professional fees	2,305,602	289,343	-	2,594,945
Salaries and wages	614,232	888,807	1,053,585	2,556,624
Employee benefits and pension	80,323	116,229	137,777	334,329
Payroll taxes	52,144	75,453	89,442	217,039
Other project expenses	418,036	-	-	418,036
Occupancy	82,945	103,771	116,915	303,631
Development	63,968	-	219,355	283,323
Marketing and outside printing	89,720	-	89,255	178,975
Equipment	-	173,074	-	173,074
Board and staff development	18,095	25,633	19,102	62,830
Membership dues	21,324	20,003	23,712	65,039
Conferences and meetings	32,531	12,818	15,195	60,544
Insurance and miscellaneous	25,123	24,053	-	49,176
Community outreach	23,717	-	-	23,717
Telephone	4,781	5,304	6,287	16,372
Supplies	2,323	3,362	3,985	9,670
Subscriptions	-	8,405	-	8,405
Postage and shipping	3,779	-	3,609	7,388
Taxes	10,863	(67)	-	10,796
Depreciation	-	26,264	-	26,264
	<u><u>\$ 70,928,807</u></u>	<u><u>\$ 1,772,452</u></u>	<u><u>\$ 1,778,219</u></u>	<u><u>\$ 74,479,478</u></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

	Program Expense	Administrative Expense	Development Expense	2024 Total
Grants and other assistance	\$ 45,388,649	\$ -	\$ -	\$ 45,388,649
Professional fees	2,263,842	199,414	-	2,463,256
Salaries and wages	540,801	782,550	927,629	2,250,980
Employee benefits and pension	68,965	99,794	118,295	287,054
Payroll taxes	44,942	65,044	77,102	187,088
Other project expenses	-	-	-	-
Occupancy	94,630	107,101	123,012	324,743
Development	44,007	-	124,213	168,220
Marketing and outside printing	121,189	-	73,172	194,361
Equipment	-	177,414	-	177,414
Board and staff development	4,285	12,471	7,350	24,106
Membership dues	16,653	22,723	26,936	66,312
Conferences and meetings	10,166	13,619	16,144	39,929
Insurance and miscellaneous	51,091	23,413	-	74,504
Community outreach	7,842	-	-	7,842
Telephone	4,599	5,880	6,970	17,449
Supplies	2,180	3,155	3,740	9,075
Subscriptions	-	10,535	-	10,535
Postage and shipping	2,656	-	2,647	5,303
Taxes	15,886	-	-	15,886
Depreciation	-	30,843	-	30,843
	<u><u>\$ 48,682,383</u></u>	<u><u>\$ 1,553,956</u></u>	<u><u>\$ 1,507,210</u></u>	<u><u>\$ 51,743,549</u></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, 2025, with Comparative Totals for 2024

	2025	2024
Cash Flows from Operating Activity		
Change in net assets	\$ 174,102,047	\$ 33,649,146
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net realized and unrealized gains on investments	(44,362,224)	(20,290,395)
Donor restricted contributions for permanent endowment	(1,380,675)	(28,572)
Noncash contributions of investments	(64,849,158)	(11,037,513)
Noncash contributions of real estate and other misc. estate assets	(10,485,045)	-
Change in value of beneficial interests in trusts	(110,606)	(77,058)
Change in value of mineral rights	(144,287)	-
Change in value of cash surrender value of life insurance	11,208	8,133
Amortization of right of use asset, operating	215,167	215,101
Depreciation	26,264	30,842
Change in:		
Accruals, receivables, and prepaid expenses	(56,438)	5,582
Accounts, grants, and agency fund payables	4,076,842	(2,042,530)
Operating lease liability	(215,167)	(215,101)
Net cash provided by operating activities	56,827,928	217,635
Cash Flows from Investing Activities		
Proceeds from sales and maturities of investments	192,386,017	126,429,782
Purchases of investments	(251,667,357)	(107,628,718)
Proceeds from sale of estate bequest - real estate and other	13,900,722	-
Proceeds from beneficial interest in trust	3,792,450	-
Proceeds from redemption of life insurance policy	-	139,365
Purchases of property and equipment	(117,578)	(5,642)
Collections on note receivable	738,603	-
Net cash provided by (used in) investing activities	(40,967,143)	18,934,787
Cash Flows from Financing Activities		
Donor restricted contributions for permanent endowment	1,380,675	28,572
Net cash provided by financing activities	1,380,675	28,572
Net Change in Cash and Cash Equivalents	17,241,460	19,180,994
Cash and Cash Equivalents - Beginning of Year	68,504,946	49,323,952
Cash and Cash Equivalents - End of Year	\$ 85,746,406	\$68,504,946
Noncash Investing Activities		
Donated investment stock	\$ 64,849,158	\$ 10,497,507
Donated partnership interest	\$ -	\$ 540,006
Disposal of property and equipment	\$ 5,897	\$ 17,371

See accompanying notes to consolidated financial statements.

Community Foundation of North Texas, Inc. and Subsidiary

Notes to the Consolidated Financial Statements

1. History and Summary of Significant Accounting Policies

Organization and History

The Community Foundation of North Texas, Inc., dba North Texas Community Foundation, is incorporated in Texas as a tax-exempt, nonprofit, publicly supported, nonsectarian philanthropic organization. The Foundation was formed in 1989 to receive and manage donations of cash and property and to distribute grants exclusively for charitable purposes. The Foundation administers approximately 430 funds at December 31, 2025, each established with a gift instrument. Program expenses are primarily related to grant distributions. In 2025 the Foundation awarded 3,309 grants and scholarships, with a total value of \$67,079,301. In 2024 the Foundation awarded 2,756 grants with a total value of \$45,388,649.

St. Augustine Trust

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 Foundation and its nonprofit supporting organization (collectively, the "Foundation"). The supporting organization is a Texas nonprofit trust that is affiliated with the 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.

Management's Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The valuation of certain investments and bequests receivable are determined to be significant estimates. Due to uncertainties in estimating these values, it is possible that the estimates could change in the near term.

Community Foundation of North Texas, Inc. and Subsidiary

Notes to the Consolidated Financial Statements

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 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 can 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 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.

Cash Equivalents

Cash equivalents are certain highly liquid investments with an initial maturity of three months or less held for investment purposes. As of December 31, 2025, cash equivalents totaled \$58,403,420.

Accrued Interest and Dividends

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, 2025 and 2024, 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 and private equity 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. Donated 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.

Community Foundation of North Texas, Inc. and Subsidiary

Notes to the Consolidated Financial Statements

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

Investments (cont.)

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, 2025, unfunded commitments were \$468,000.

The Foundation's interest in hedge funds, private equity funds and private credit 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 partnership interests 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.

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.

Community Foundation of North Texas, Inc. and Subsidiary

Notes to the Consolidated Financial Statements

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

Split-interest agreements

The Foundation has a beneficial interest in three irrevocable charitable remainder trusts in which the Foundation is not the trustee. These split-interest agreements are presented as receivables in the accompanying consolidated statements of financial position, as the Foundation does not manage the underlying investments. Under these agreements, the donor has established and funded trusts under which specified distributions are made to a designated beneficiary or beneficiaries over the trust terms. Upon termination of the trust, the Foundation receives the assets remaining in the trust. Beneficial interests in charitable remainder trusts are recorded at the fair value of the future distributions expected to be received at the end of the term of the agreement which is estimated using a present value discount method.

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, estimated growth rates, and the use of a discount rate of 4.58% which resulted in a value of \$685,767 at December 31, 2025. The change in value of beneficial interest in trusts amounts to \$110,606 during 2025 and is included as an increase in investment return, net with donor restrictions in the Consolidated Statement of Activities.

Cash Surrender Value of Life Insurance Policies

Certain donors have assigned life insurance policies to the Foundation, naming the Foundation as beneficiary. The cash surrender value of the two policies is recorded at the amount that can be realized at the date of the Consolidated Statement of Financial Position. Upon maturity, proceeds more than the carrying value will be recognized as contribution revenue.

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.

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 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.

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 the Consolidated Financial Statements

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

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.

The activity for the agency fund payable is summarized as follows:

	For the year ended	
	December 31, 2025	December 31, 2024
Agency Funds, beginning of year	\$ 4,287,070	\$ 5,645,861
Contributions	12,710	15,950
Investment return, net	462,812	359,889
Grants	(313,607)	(1,708,139)
Administration fees	(21,091)	(26,491)
Agency Funds, end of year	\$ 4,427,894	\$ 4,287,070

Contributions

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.

Contributed nonfinancial assets

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 with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. 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

The Foundation administers various donor-advised, agency, and other funds held on behalf of third parties. To cover the costs of managing these funds, the Foundation charges administrative fees, which are calculated as a percentage of the average fund balance or as a fixed fee, depending on each funding agreement. These fees are recognized in the period earned and are deducted from fund balances before distribution or reporting to the fund holders. These fees support the Foundation's operational activities, including fund management, recordkeeping, grant processing, and compliance monitoring.

Community Foundation of North Texas, Inc. and Subsidiary

Notes to the Consolidated Financial Statements

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

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. Further, certain employee positions are allocated based on time and effort. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on personnel activity, including salaries and wages, employee benefits and payroll taxes, occupancy and other expenses. Management and general expenses include those expenses that are not directly identifiable with any specific program but provide for the overall support and direction of the Foundation. Fundraising expenses include those expenses related to the overall solicitation of contributions to the Foundation.

Income Taxes

The Foundation is a nonprofit corporation under Section 501(c)(3) of the Internal Revenue Code ("IRC"). In addition, the 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.

Grants and Scholarships

Grants and scholarships are recorded when approved. In some instances, the recipient is required to meet certain conditions prior to receiving the funds. Recognition of the expense is delayed until such time as the condition is met. Certain grants and scholarships are not conditional but are scheduled to be paid in future years. Management has recorded these at face value, as it has been determined that the applicable discount is not material to the consolidated financial statements as a whole.

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:

Community Foundation of North Texas, Inc. and Subsidiary

Notes to the Consolidated Financial Statements

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

Fair Value Measurements (cont.)

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.

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 and other Private Equity investments 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.

Other investments: The Foundation has determined it is not cost effective to determine the fair values of its investments in partnerships and mineral interests, and, accordingly, the Foundation has not estimated the fair values of these investments. The Foundation classifies all such assets as Level 3.

Community Foundation of North Texas, Inc. and Subsidiary

Notes to the Consolidated Financial Statements

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

Fair Value of Financial Instruments (cont.)

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 and cash equivalents
- 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, 2025.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying consolidated financial statements to maintain consistency between periods presented. The reclassifications had no impact to previously reported net assets.

2. Investments

Investments consist of the following at December 31, 2025 and 2024:

	2025	2024
Marketable securities	\$ 576,975,179	\$ 433,491,073
Non-marketable securities	20,558,421	1,904,509
Other investments	35,869,028	35,388,343
	<u>\$ 633,402,628</u>	<u>\$ 470,783,925</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:

	12/31/2025	12/31/2024
<i>Marketable securities:</i>		
Mutual funds (equity and/or bonds)	\$ 275,890,391	\$ 276,582,699
Equity securities	274,674,554	147,611,801
Investments in trust	8,005,749	-
Bonds	18,404,485	9,296,573
	<u>576,975,179</u>	<u>433,491,073</u>
<i>Non-marketable securities:</i>		
Hedge funds	94,904	105,477
Private equity (including fund of funds)	17,049,179	1,799,032
Privately held stock	3,212,707	-
Private credit	201,631	-
	<u>20,558,421</u>	<u>1,904,509</u>
Total marketable and non-marketable securities	<u>\$ 597,533,600</u>	<u>\$ 435,395,582</u>

Community Foundation of North Texas, Inc. and Subsidiary

Notes to the Consolidated Financial Statements

2. Investments (cont.)

Other investments consist of closely held equity securities in HIG Holdings, LLC, HIG Legacy LP, Aquinas Companies, certain real estate investments, and mineral rights interest amounting to \$35,869,028 and \$35,888,343 at December 31, 2025 and 2024, respectively.

The following schedule summarizes the investment returns for the year ended December 31, 2025:

	Without donor restrictions	With donor restrictions	Total
Net investment gains:			
Dividends and interest	\$ 17,799,050	\$ 2,110,343	\$ 19,909,393
Change in value of split interest agreements	-	110,606	110,606
Change in value of mineral interests	(51,974)	-	(51,974)
Royalty income	99,828	-	99,828
Net realized & unrealized gains	37,035,120	7,327,104	44,362,224
	54,882,024	9,548,053	64,430,077
Fees	(1,539,827)	(93,288)	(1,633,115)
	\$ 53,342,197	\$ 9,454,765	\$ 62,796,962

3. Note Receivable

On July 31, 2023, the Foundation entered into a secured 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 \$15,098 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 \$1,274,397 at December 31, 2025. The Foundation recorded interest income on the note receivable in the amount of \$153,491 and \$181,170 for the years ended December 31, 2025 and 2024, respectively.

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

2026	\$ 805,200
2027	469,197
Total maturities	\$ 1,274,397

Community Foundation of North Texas, Inc. and Subsidiary

Notes to the Consolidated Financial Statements

4. 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, 2025:

To be paid in 2026	\$ 3,928,000
To be paid in 2027	2,478,000
To be paid in 2028	1,103,000
To be paid in 2029	1,103,000
To be paid in 2030	470,000
Total grants authorized but unpaid	<u>\$9,082,000</u>

5. Net Assets

At December 31, 2025, net assets without donor restrictions consist of operational net assets of the Foundation's administrative fund amounting to \$3,836,632 and net assets of donor-advised and other funds maintained separately from the administrative fund amounting to \$648,497,309.

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 \$10,992,864 during 2025 and resulted from grant distributions to other charitable organizations (\$4,660,713), administrative fees and other expenses (\$2,539,701), as well as distribution from residual interest under a split-interest agreement (\$3,792,450), satisfying purposes and time as recommended by the donors.

The Foundation manages more than 430 funds at December 31, 2025. 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.

Community Foundation of North Texas, Inc. and Subsidiary

Notes to the Consolidated Financial Statements

5. Net Assets (cont.)

<i>Net Assets Without Donor Restrictions:</i>	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Donor Funds		
Donor-advised	\$ 411,981,172	\$ 360,063,681
Donor-designated	41,808,305	34,712,514
Field of interest	140,143,508	31,691,492
Discretionary	7,129,967	6,301,052
Foundation project fund	181,757	164,241
Project funds	-	2,319,384
Nonprofit partner funds	12,621,949	11,848,320
Scholarship funds	5,396,882	4,746,985
Support organization	29,233,769	29,104,000
Operating Reserve Funds	3,836,632	2,709,977
	<u>\$ 652,333,941</u>	<u>\$ 483,661,646</u>
<i>Net Assets With Donor Restrictions:</i>	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Beneficial interest in trust	\$ 685,767	\$ 1,764,982
Subject to expenditure for specified purpose:		
Donor-advised endowment	7,239,789	7,817,703
Donor-designated endowment	45,570,964	40,812,995
Project funds	2,328,912	-
	<u>\$ 55,825,432</u>	<u>\$ 50,395,680</u>

Reclassification of Prior Period Net Assets

During the year ended December 31, 2025, management reclassified certain fund balances. Following review of the applicable gift instruments and fund agreements, it was determined that \$1,379,038 previously classified as net assets with donor restrictions should have been classified as net assets without donor restrictions, and that \$2,894,545 previously classified as net assets without donor restrictions should have been classified as net assets with donor restrictions.

These reclassifications had no effect on total net assets, total revenues, total expenses, or the Foundation's cash position in any period presented. The net effect of \$1,515,507 is reflected as a separate line item in the Statement of Activities, Net assets transferred to (from) restrictions and represents a net increase to net assets with donor restrictions with a corresponding decrease to net assets without donor restrictions.

6. Liquidity and Availability

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.

Community Foundation of North Texas, Inc. and Subsidiary

Notes to the Consolidated Financial Statements

6. Liquidity and Availability (cont.)

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. See footnote 8 for additional information related to Endowment Funds.

The Foundation maintains two funds with a balance of \$2,961,521 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 years ended December 31, 2025 and 2024, administrative fee revenue amounted to \$3,451,154 and \$3,108,376, respectively.

The Foundation regularly monitors liquidity required to meet its operating needs and grant obligations by evaluating the timing of sales and purchases of investments, contribution income received, and balances of cash and undesignated investments.

The Foundation's primary investment objective is to prudently manage charitable assets to achieve positive, long-term rates of return. To meet its objectives, the Foundation offers a variety of investment options (as follows) to serve donors' charitable goals and time horizons.

- Pooled investments consist of four distinct investment pools (DAF long-term pool, Long-term pool, Intermediate term pool, and Short Term Pool) whose holdings are selected with the objective of seeking long-term capital appreciation, while achieving various degrees of liquidity, and market volatility risks. Pooled investments are managed by third-party investment managers and are monitored by management and the Investment Committee of the Board of Directors.
- Brokered investments are managed by external money managers who are recommended by donors and who are independent of the Foundation and its donors. These managers go through rigorous due diligence protocols, via the Investment Committee, and agree to adhere to investment guidelines and policies prescribed by the Foundations' Investment Policy Statement.
- All other investments are managed on an individual basis to maximize preservation of the original gift value and liquidity.

Community Foundation of North Texas, Inc. and Subsidiary

Notes to the Consolidated Financial Statements

6. Liquidity and Availability (cont.)

The following table reflects the Foundation's financial assets as of December 31, 2025 and 2024, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, trust assets, assets held for others, and endowments net of amounts available to spend within one year in accordance with the spending policy.

	December 31, 2025	December 31, 2024
Financial assets		
Cash and cash equivalents	\$ 85,746,406	\$ 68,504,946
Accrued interest and dividends	109,700	132,384
Accounts and other receivables	5,586	9,599
Notes receivable	1,274,397	2,013,000
Investments	633,402,628	470,783,925
Total financial assets	720,538,717	541,443,854
Amounts without restrictions not available in the next year		
Notes receivable after one year	(469,197)	(1,370,014)
Investments held in St. Augustine Trust	(29,104,000)	(29,104,000)
Investments in real estate partnerships	(540,006)	(540,006)
Investments not convertible to cash within 12 months	(8,137,009)	(7,648,847)
Subtotal available for next year without restrictions	682,288,505	502,780,987
Not available due to designations or restrictions		
Net assets with donor restrictions	(55,825,432)	(50,395,680)
Agency funds	(4,427,894)	(4,287,070)
Board designated endowment funds, net of available to spend	(191,240,510)	(71,017,843)
Financial assets available to meet cash needs for expenditures within one year	\$ 430,794,669	\$ 377,080,394

Community Foundation of North Texas, Inc. and Subsidiary

Notes to the Consolidated Financial Statements

7. Fair Value Measurements

Fair values of assets measured on a recurring basis at December 31, 2025 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)
Marketable securities:				
Pooled investments				
Stocks	\$ 84,436,281	\$ 84,436,281	\$ -	\$ -
Mutual funds	67,886,777	67,886,777	-	-
Total pooled investments	152,323,058	152,323,058	-	-
Brokered investments				
Stocks	190,238,273	190,238,273	-	-
Mutual funds	208,003,614	208,003,614	-	-
Investments in trust	8,005,749	8,005,749	-	-
Bonds	18,404,485	-	18,404,485	-
Total brokered investments	424,652,121	406,247,636	18,404,485	-
Total marketable securities:	576,975,179	558,570,694	18,404,485	-
Non-marketable securities:				
Hedge fund and private equity and credit investments measured at net asset value (a)	17,345,714	-	-	
Privately held stock	3,212,707	-	-	3,212,707
Total non-marketable securities:	20,558,421	-	-	3,212,707
Other investments:				
Partnerships and trust	35,473,024	-	-	35,473,024
Mineral interests	396,004	-	-	396,004
Total other investments:	35,869,028	-	-	35,869,028
Total investments	\$ 633,402,628	\$ 558,570,694	\$ 18,404,485	\$ 39,081,735
Charitable remainder trust held by others	685,767		685,767	
Total assets measured at fair value or NAV	\$ 634,088,395	\$ 558,570,694	\$ 19,090,252	\$ 39,081,735

(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.

Community Foundation of North Texas, Inc. and Subsidiary

Notes to the Consolidated Financial Statements

7. Fair Value Measurements (cont.)

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

	Balance at December 31, 2024	Contributions	Net realized / unrealized gains (losses)	Transfer out of Level 3	Balance at December 31, 2025
Privately held stock	\$ -	\$ 3,212,707	\$ -	\$ -	\$ 3,212,707
Partnerships and trust	35,136,627	-	336,397	-	35,473,024
Mineral interests	251,717	-	144,287	-	396,004
	<u>\$ 35,388,344</u>	<u>\$ 3,212,707</u>	<u>\$ 480,684</u>	<u>\$ -</u>	<u>\$ 39,081,735</u>

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, 2025:

	Fair Value	Valuation Technique	Unobservable Inputs	Range of Input Values
Privately held stock	\$ 3,212,707	Independent or company valuation	Company financials	N/A
Partnerships and trust	35,473,024	Market / Income Approach	Discount for lack of marketability	10% - 20%
Mineral interests	396,004	Discounted Cash Flow	Discount rate	10% - 25%
	<u>\$ 39,081,735</u>			

The Foundation's investments in certain entities that calculate net asset value per share include the following at December 31, 2025:

	Net Asset Value	Unfunded Commitment	Redemption or Liquidity	Redemption Notice Period
Hedge Funds				
Multi-Strategy	\$ 94,904	-	Quarterly	60 days
Private Equity (including fund of funds)				
Capital Partners V	1,232,113	158,250	Illiquid	N/A
Natural Resources Partners IX	306,939	21,000	Illiquid	N/A
SS Real Estate Opportunity Fund	76,401	288,750	Illiquid	N/A
Alkeon	3,648,637	-	Illiquid	N/A
Nineteen77	1,559,918	-	Illiquid	N/A
Summit/Crestline	4,402,285	-	Illiquid	N/A
Nineteen77 GMSA	5,815,410	-	Illiquid	N/A
Braeside	7,477	-	Illiquid	N/A
Private Credit				
Oaktree Strategic Credit Fund S	201,631	-	Illiquid	N/A
Total	<u>\$ 17,345,714</u>	<u>\$ 468,000</u>		

Community Foundation of North Texas, Inc. and Subsidiary

Notes to the Consolidated Financial Statements

8. Endowment Net Assets

The Foundations' net assets without donor restrictions include various funds established for a variety of purposes that function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Foundation to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The state of Texas adopted the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA") effective September 1, 2007. The Board of Directors (the "Board") of the Foundation has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. At December 31, 2025, the Foundation had one donor-restricted endowment fund. The Board has determined that the remaining Foundation's endowments do not meet the definition of donor-restricted endowments under UPMIFA.

In accordance with UPMIFA, the Foundation considers the following factors in deciding 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

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.

Community Foundation of North Texas, Inc. and Subsidiary

Notes to the Consolidated Financial Statements

8. Endowment Net Assets (cont.)

The composition of and changes in endowment net assets as of December 31, 2025, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets at December 31, 2024	\$ 72,004,382	\$ 49,109,780	\$ 121,114,162
Contributions	103,968,704	1,380,675	105,349,379
Investment Return			
Investment income, net of fees	4,171,701	1,994,043	6,165,744
Net realized and unrealized gains	11,603,818	7,327,103	18,930,921
Distribution received on split interest agreement	3,792,450	(3,792,450)	-
Change in value of split interest agreements	-	110,606	110,606
Total revenue	123,536,673	7,019,977	130,556,650
Grants	(3,075,375)	(2,913,213)	(5,988,588)
Administration and other expenses	(743,146)	(202,048)	(945,194)
Total disbursements	(3,818,521)	(3,115,261)	(6,933,782)
Net assets transferred to (from) restrictions	(482,024)	482,024	-
Endowment Net Assets at December 31, 2025	\$ 191,240,510	\$ 53,496,520	\$ 244,737,030

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, 2025, the Foundation had no underwater endowments. 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 at December 31, 2024. The fair value of underwater endowments at December 31, 2024 was \$6,353,443 with original endowment gifts amounting to \$6,658,146.

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 \$107,295 and \$94,917 during 2025 and 2024, respectively.

Community Foundation of North Texas, Inc. and Subsidiary

Notes to the Consolidated Financial Statements

10. Commitments

The Foundation leases office space through a non-cancelable operating lease, which expires 2030. The adoption of ASU 2016-02 *Leases (Topic 842)* resulted in the recognition of an operating lease liability in 2022. The operating lease liability and corresponding operating lease right of use asset balance is \$1,023,309 at December 31, 2025. The right of use asset assumes the value of the operating lease liability 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 \$218,532, for the year ended December 31, 2025.

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

	2025	2024
Cash paid for amount included in measuring operating lease liabilities:		
Operating cash flow from operating lease	\$215,167	\$215,101
Lease asset obtained in exchange for lease obligation:		
Operating lease	\$ -	\$ -
Weighted-average remaining lease term (years)	4.75	5.75
Weighted-average discount rate	1.63%	1.63%

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

2026	\$ 235,686
2027	239,432
2028	243,178
2029	246,924
2030	187,924
	<u>1,153,144</u>
Less: interest	(129,835)
	<u>\$ 1,023,309</u>

Community Foundation of North Texas, Inc. and Subsidiary

Notes to the Consolidated Financial Statements

11. Concentrations

Concentrations of Credit Risk

The Foundation is exposed to credit risk to the extent that financial institutions and custodians with which it maintains cash deposits, investment accounts, and sweep arrangements may be unable to fulfill their obligations. The Foundation manages this risk by maintaining accounts at institutions with strong regulatory standing, utilizing deposit placement programs that extend insurance coverage beyond standard limits, and ensuring that overnight sweep balances are fully collateralized by U.S. government or agency securities. The Foundation periodically reviews its banking and custodial relationships as part of its investment and cash management oversight.

Cash held in standard bank deposit accounts is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor, per insured institution, per ownership category. At times during the year, and at year end, certain deposit account balances exceeded standard FDIC insurance limits. As of December 31, 2025, the Foundation maintained cash balances of approximately \$1,335,284 in standard deposit accounts, of which approximately \$1,085,284 was uninsured under standard FDIC limits.

The Foundation participates in an overnight repurchase sweep agreement program administered through its primary banking institution. Under this arrangement, operating account balances exceeding a designated threshold are automatically swept each business day into repurchase agreements collateralized by U.S. Treasury securities and/or U.S. government agency obligations with a market value equal to or greater than the Foundation's invested funds. The securities are held in safekeeping by the bank or its designated custodian on behalf of the Foundation. Funds are returned to the Foundation's operating account each morning, preserving daily liquidity while generating a return on overnight balances. Repurchase sweep agreements are classified as cash and cash equivalents on the Statement of Financial Position, as the agreements have original maturities of one business day. As of December 31, 2025, the Foundation held \$29,310,000 in overnight repurchase sweep agreements.

Repurchase sweep agreements are not deposits and are not insured by the FDIC or any other government agency. The Foundation's protection against loss is derived from the pledged collateral, and in the event of a bank failure, the Foundation's recourse would be to those underlying securities. The Foundation has not experienced any losses under this program.

Cash and securities held in brokerage and investment custodial accounts are protected by the Securities Investor Protection Corporation (SIPC) up to \$500,000 per customer per separate capacity, including up to \$250,000 for uninvested cash balances, in the event of a broker-dealer failure. SIPC protection does not cover investment losses or market risk. As of December 31, 2025, the Foundation held assets in custodial accounts with an aggregate value of approximately \$576,975,180. Certain custodians utilized by the Foundation carry excess SIPC coverage through private insurers, providing additional protection above standard SIPC limits. As of December 31, 2025, the Foundation maintained cash balances of approximately \$2,282,836 in multiple custodial accounts, of which approximately \$338,902 was uninsured under standard limits.

The Foundation has not experienced any losses in deposit, sweep, or custodial accounts. Management believes the Foundation's overall exposure to credit risk is mitigated by the financial strength of its banking and custodial counterparties, the collateralized structure of its repurchase sweep arrangements and its diversification across multiple institutions.

Community Foundation of North Texas, Inc. and Subsidiary

Notes to the Consolidated Financial Statements

11. Concentrations (cont.)

Revenue and Support Concentrations

The majority of the Foundation's donors are in Fort Worth, Texas and the surrounding areas. Contributions received from donors, which individually exceeded 5% of contribution revenue, consisted of gifts from two donors amounting to \$110,973,406 (59.89% of total contribution revenue).

Investment Concentration

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 investments in one corporate stock which comprise approximately 11.7% of equity securities, 5.6% of marketable securities, and 5.1% of total investments.

12. Subsequent Events

The Foundation has evaluated subsequent events through September 3, 2026, which is the date the consolidated financial statements were available to be issued.