AUSTIN COMMUNITY FOUNDATION

CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

As of and for the Years Ended December 31, 2022 and 2021

And Report of Independent Auditor

Cherry Bekaert LLP
Your Guide Forward

AUSTIN COMMUNITY FOUNDATION
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Cherry Bekaert LLP
Your Guide Forward

Report of Independent Auditor

To the Board of Governors
Austin Community Foundation
Austin, Texas

Opinion

We have audited the accompanying consolidated financial statements of Austin Community Foundation (the "Foundation") which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2022 and 2021, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Other Matter

As discussed in Note 6 to the consolidated financial statements, the consolidated financial statements include Level 3 assets and additional assets valued using the net asset value as a practical expedient which totaled $76,921,351 (17% of total assets) and $50,434,767 (12% of total assets) as of December 31, 2022 and 2021, respectively, whose fair values have been estimated by management using assumptions or inputs that are supported by limited market activity in the absence of readily determinable fair values. Our opinion is not modified with respect to this matter.

Responsibility of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date the consolidated financial statements are available to be issued.

Auditor's Responsibility for the Audit of the Consolidated Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal controls related matters that we identified during the audits.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental consolidating schedule of financial position information and consolidating schedule of activities and changes in net assets information on pages 26 and 27 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Cherry Bekaert LLP

Austin, Texas
August 23, 2023

AUSTIN COMMUNITY FOUNDATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2022 AND 2021

	2022	2021
ASSETS		
Cash and cash equivalents (Note 3)	$ 52,914,638	$ 46,766,558
Certificates of deposit	4,505,918	3,557,489
Programmatic loans and investments (Note 4)	10,603,323	7,494,600
Investments, at fair value (Note 6)	325,219,719	354,201,322
Split-interest agreements (Note 6)	17,817,270	1,711,049
Other investments (Note 5 and 6)	33,216,021	21,633,351
Property and equipment, net (Note 9)	39,148	74,513
Right-of-use asset - operating lease (Note 15)	795,302	-
Other assets	628,975	898,928
Total Assets	$ 445,740,314	$ 436,337,810
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts and grants payable	$ 6,950,790	$ 2,044,489
Operating lease liability (Note 15)	795,302	-
Notes payable (Note 7)	3,611,894	4,825,469
Charitable remainder trusts and gift annuities (Note 6)	1,166,960	1,456,505
Funds held for others - agency	49,432,697	50,184,523
Total Liabilities	61,957,643	58,510,986
Net Assets:		
Without Donor Restrictions:		
Board designated	5,076,200	6,044,592
Undesignated	343,011,426	333,888,810
	348,087,626	339,933,402
With Donor Restrictions	35,695,045	37,893,422
Total Net Assets	383,782,671	377,826,824
Total Liabilities and Net Assets	$ 445,740,314	$ 436,337,810

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

AUSTIN COMMUNITY FOUNDATION
CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Support:			
Contributions	$ 103,470,313	$ 5,636,115	$ 109,106,428
Less contributions to agency funds	(5,693,315)	-	(5,693,315)
Net Contributions	97,776,998	5,636,115	103,413,113
Net investment return	(39,021,322)	(5,036,239)	(44,057,561)
Other income, net	340,625	-	340,625
Net assets released from restrictions	2,798,253	(2,798,253)	-
Total Revenues and Support	61,894,554	(2,198,377)	59,696,177
Expenses:			
Program Services:			
Community grant funding	48,928,499	-	48,928,499
Less grants from agency funds	(542,327)	-	(542,327)
Net Community Grant Funding	48,386,172	-	48,386,172
Other program	4,424,276	-	4,424,276
Total Program Services	52,810,448	-	52,810,448
Supporting Services:			
Management and general	722,739	-	722,739
Fundraising and development	207,143	-	207,143
Total Supporting Services	929,882	-	929,882
Total Expenses	53,740,330	-	53,740,330
Change in net assets	8,154,224	(2,198,377)	5,955,847
Net assets, beginning of year	339,933,402	37,893,422	377,826,824
Net assets, end of year	$ 348,087,626	$ 35,695,045	$ 383,782,671

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

AUSTIN COMMUNITY FOUNDATION
CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Support:			
Contributions	$ 81,297,541	$ -	$ 81,297,541
Less contributions to agency funds	(15,161,497)	-	(15,161,497)
Net Contributions	66,136,044	-	66,136,044
Net investment return	39,020,052	6,279,962	45,300,014
Paycheck Protection Program grant	327,362	-	327,362
Other income, net	136,251	-	136,251
Net assets released from restrictions	1,768,642	(1,768,642)	-
Total Revenues and Support	107,388,351	4,511,320	111,899,671
Expenses:			
Program Services:			
Community grant funding	41,211,459	-	41,211,459
Less grants from agency funds	(1,539,677)	-	(1,539,677)
Net Community Grant Funding	39,671,782	-	39,671,782
Other program	9,027,073	-	9,027,073
Total Program Services	48,698,855	-	48,698,855
Supporting Services:			
Management and general	643,225	-	643,225
Fundraising and development	135,508	-	135,508
Total Supporting Services	778,733	-	778,733
Total Expenses	49,477,588	-	49,477,588
Change in net assets	57,910,763	4,511,320	62,422,083
Net assets, beginning of year	282,022,639	33,382,102	315,404,741
Net assets, end of year	$ 339,933,402	$ 37,893,422	$ 377,826,824

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

AUSTIN COMMUNITY FOUNDATION
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2022

	Program Services		Supporting Services		
	Community Grant Funding	Other Program	Management and General	Fundraising and Development	Total
Grants	$ 48,386,172	$ -	$ -	$ -	$ 48,386,172
Fiscal sponsorships and initiatives	-	1,654,733	-	-	1,654,733
Professional fees	-	56,158	131,036	-	187,194
Building rent	-	143,167	20,827	11,026	175,020
Credit card processing	-	60,961	-	3,208	64,169
Personnel	-	2,190,388	318,651	168,697	2,677,736
Depreciation and amortization	-	28,929	209,905	2,228	241,062
Technology and equipment	-	132,713	19,307	10,221	162,241
Marketing and communications	-	122,432	17,811	9,429	149,672
Conferences and travel	-	11,567	1,683	891	14,141
Other	-	23,228	3,519	1,443	28,190
Total Expenses	$ 48,386,172	$ 4,424,276	$ 722,739	$ 207,143	$ 53,740,330

AUSTIN COMMUNITY FOUNDATION
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2021

	Program Services		Supporting Services		
	Community Grant Funding	**Other Program**	**Management and General**	**Fundraising and Development**	**Total**
Grants	$ 39,671,782	$ -	$ -	$ -	$ 39,671,782
Fiscal sponsorships and initiatives	-	3,220,074	-	-	3,220,074
Professional fees	-	65,904	159,224	-	225,128
Building rent	-	139,238	19,819	8,902	167,959
Credit card processing	-	82,567	-	1,685	84,252
Personnel	-	1,769,570	251,881	113,133	2,134,584
Depreciation and amortization	-	23,770	176,585	1,520	201,875
Technology and equipment	-	113,786	16,196	7,275	137,257
Marketing and communications	-	72,339	11,965	163	84,467
Conferences and travel	-	8,455	1,204	541	10,200
Other	-	91,983	6,351	2,289	100,623
Disposition of supporting organizations	-	3,439,387	-	-	3,439,387
Total Expenses	$ 39,671,782	$ 9,027,073	$ 643,225	$ 135,508	$ 49,477,588

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

AUSTIN COMMUNITY FOUNDATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	$ 5,955,847	$ 62,422,083
Adjustments to reconcile change in net assets to net cash flows from operations:		
Depreciation	35,365	28,674
Amortization of oil and gas leaseholds	205,697	173,202
Noncash contributions of financial assets received	(34,074,753)	(16,796,681)
(Appreciation) depreciation on investments	62,067,540	(32,412,776)
Change in operating assets and liabilities:		
Other assets	269,953	(689,457)
Accounts payable and grants payable	4,906,301	476,018
Charitable remainder trusts and gift annuities	(289,545)	95,102
Funds held for others - agency	(751,826)	18,778,132
Net cash flows from operating activities	38,324,579	32,074,297
Cash flows from investing activities:		
Purchase of property and equipment	-	(55,260)
Purchase of investments	(167,339,385)	(78,735,696)
Proceeds from sale of investments	136,376,461	66,126,208
Net cash flows from investing activities	(30,962,924)	(12,664,748)
Cash flows from financing activities		
Payments on notes payable	(1,213,575)	(201,970)
Net change in cash and cash equivalents	6,148,080	19,207,579
Cash and cash equivalents at beginning of year	46,766,558	27,558,979
Cash and cash equivalents at end of year	$ 52,914,638	$ 46,766,558
Supplemental disclosure:		
Noncash contributions received	$ 34,074,753	$ 16,796,681
Right-of-use assets obtained in exchange for new operating lease liabilities	$ 1,003,559	$ -

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

Note 1—Organization and summary of significant accounting policies

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

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

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

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

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

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

Schweitzer Family Foundation was formed in April 2001 as a support organization to further the charitable mission of the Austin Community Foundation. On December 31, 2021, the Schweitzer Family Foundation ceased to be a support organization of the Foundation and transitioned to support another Texas community foundation. The departure was accounted for as a disposition of a segment and the Foundation’s net assets were reduced by $357,250.

Notley Fund (a not-for-profit corporation) was formed in September 2015 as a support organization to further the charitable mission of the Austin Community Foundation. On January 1, 2021, the Notley Fund ceased to be a support organization of the Foundation and was converted to a private operating foundation. The departure was accounted for as a disposition of a segment and the Foundation’s net assets were reduced by $3,082,137. The disposition included the net assets of both the Notley Fund and its controlled public charity initiatives, Philanthropitch, Catalyst Games, HomeFront, and BEAM.

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

Austin Community Foundation Charitable Trust was formed in March 5, 2021 as a charitable trust in the state of Texas to receive certain donations of appreciated assets.

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

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

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

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

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

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

Net Assets With Donor Restrictions – Net assets that are restricted by gift instruments as to use or period of time that do not acknowledge the Foundation's "variance power". This occurs mostly when funds are transferred in a donor's will/bequest without use of a fund agreement, when there is a specific legal contract such as in the case of charitable gift annuities and charitable trusts, or when funds are contributed to support specific programs and initiatives of the Foundation. When donor restrictions expire, either when a stipulated time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

The Board of Governors, with the advice of legal counsel, determines whether the Foundation's net assets meet the definition of endowments under the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA") which was adopted by the state of Texas on September 1, 2007. For those not meeting the requirements of a UPMIFA-defined endowment, the Foundation intends many of its funds to be permanent and manages them accordingly. Further references to "endowment", "endowment fund", or "endowed assets" in these notes relate to those intentions of the Foundation.

The Board of Governors of the Foundation has interpreted UPMIFA as preserving the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor restrictions to the contrary. As a result of this interpretation, the Foundation retains in perpetuity: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

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

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

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

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

Contributions – Contributions received (including unconditional promises to give) are recorded as revenues without donor restrictions in the period received unless their use is restricted by explicit donor stipulation or by law. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as support within net assets without donor restrictions. Contributions received which are part of the Foundation's ongoing major or central activities are recognized as revenue. Conditional promises to give to the Foundation are recognized as the conditions upon which they depend are substantially met. Promises to give are recognized as revenue only if sufficient evidence exists in the form of verifiable documentation that a promise was made and received. Support that is not restricted by the donor is reported as an increase in net assets without donor restrictions in the reporting period in which the support is recognized. Donated assets are recorded at their estimated fair values at the date of receipt.

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

Contributed Services – Donated services are recognized as contributions if the services: (1) create or enhance non-financial assets, or (2) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. During the years ended December 31, 2022 and 2021, the value of contributed services meeting the requirements for recognition in the consolidated financial statements was not material and no amounts have been recorded. Although individuals volunteer their time and perform a variety of tasks that assist the Foundation, these services do not meet the criteria for recognition as contributed services.

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

Income Taxes – The Foundation is exempt from federal income taxes under Section 501(c)(3) of the IRC. Unrelated business income, of which the Foundation had no significant amounts for the years ended December 31, 2022 and 2021, is subject to federal income taxes. Accordingly, there is no provision or liability for federal income taxes in the accompanying consolidated financial statements. The Foundation recognizes the tax benefits from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by the taxing authorities, based on the technical merits of the positions. As of December 31, 2022, there were no uncertain tax positions taken on significant estimates. The tax benefits recognized in the consolidated financial statements from such positions are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement.

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

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

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

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

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

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

The Foundation is the beneficiary of a charitable remainder trust administered by a third party trustee with a fair value of $117,459 and $150,309 as of December 31, 2022 and 2021, respectively. The Foundation serves as the trustee for a charitable remainder unitrust but is not the charitable beneficiary. A liability has been established for this beneficiary and this obligation totaled $467,580 and $583,125 as of December 31, 2022 and 2021, respectively. The Foundation serves as the trustee and is the beneficiary of a charitable remainder annuity trust with a fair value of $105,885 and $137,244 as of December 31, 2022 and 2021, respectively.

A charitable lead annuity trust pays a set dollar amount to a charity for the term of the trust. At the end of the trust term, the remaining trust assets are paid to the beneficiary recipients. When the Foundation is the lead beneficiary and not the trustee, its interest in the trust assets and specified future distributions is recorded as a beneficial interest in split-interest agreements. Assets are initially recorded as contributions at the present value of the projected, future cash flows using actuarial assumptions and discount rates based on market conditions in effect when the trusts were established. The Foundation is the lead beneficiary of a charitable lead trust administered by a third party trustee with a fair value of $951,371 and $1,205,124 as of December 31, 2022 and 2021, respectively. The Foundation received notice in 2022 that it is the beneficiary of an additional charitable lead annuity trust administered by a third party trustee with a fair value of $16,748,440 as of December 31, 2022. The Foundation serves as a trustee for a charitable lead annuity trust and is the lead beneficiary. A liability has been established for these beneficiaries and these obligations totaled $465,081 and $575,401 as of December 31, 2022 and 2021, respectively.

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

A charitable gift annuity pays a fixed dollar amount for the life of the beneficiary. The assets gifted by the donor become the assets of the Foundation at the time of the gift. Unlike the charitable remainder trusts, the annuities are private contracts between the charity and the donor. The assets received from the donor are recorded at fair value. On an annual basis, the Foundation revalues the liability to make distributions to the designated beneficiaries based on actuarial assumptions. The Foundation has recorded a liability of $128,414 and $160,736 as of December 31, 2022 and 2021, respectively, which represents the estimated present value of the future annuity obligations. The liability has been determined using discount rates as provided by the IRS and applicable mortality tables.

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

Grants Payable – The Foundation recognizes grants payable at the time the Foundation has an unconditional obligation to transfer promised assets in the future. If payments of the unconditional promise to give are to be made to a recipient over several fiscal periods and the recipient is subject only to routine performance requirements, the Foundation recognizes a liability and an expense for the entire amount payable.

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

Recent Accounting Pronouncements – In February 2016, FASB issued Accounting Standards Update (“ASU”) 2016-02, *Leases* (“Topic 842”), which supersedes existing guidance for accounting for leases under Topic 840, *Leases*. FASB also subsequently issued additional ASU’s which amend and clarify Topic 842. The most significant change in the new leasing guidance is the requirement to recognize right-of-use (“ROU”) assets and lease liabilities for operating leases on the consolidated statement of financial position.

The Foundation adopted these ASUs, effective January 1, 2022, using the modified retrospective approach. As a result of adopting these ASUs, the Foundation recorded ROU assets and lease liabilities of $1,003,559. Adoption of the new lease standard did not materially impact the Foundation's consolidated net assets and had no impact on consolidated cash flows.

In September 2020, FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets.* The standard required presentation of contributed nonfinancial assets as a separate line item in the consolidated statement of activities, apart from contributions of cash and other financial assets. It also requires a disclosure of disaggregated contributions of nonfinancial assets by category that depicts the type of contributed nonfinancial assets. This distinction will increase transparency of contributions recognized. This standard was adopted by the Foundation retrospectively and had no impact on the consolidated statement of activities.

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

Management's Review of Subsequent Events – The Foundation evaluates events that occur subsequent to the consolidated statement of financial position date of periodic reports, but before financial statements are issued for periods ending on such dates, for possible adjustment to such financial statements or other disclosure. This evaluation generally occurs through the date at which the Foundation's consolidated financial statements are available for issuance. For the consolidated financial statements for the year ended December 31, 2022, this date was August 23, 2023.

Note 2—Liquidity and availability of resources

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

The following table reflects the Foundation's financial assets as of December 31, 2022 and 2021, reduced by amounts unavailable for grants and other expenses within one year. Financial assets are considered unavailable when they are illiquid, unable to be converted to cash within one year, include funds held for others, or are net asset with donor restrictions:

	2022	2021
Cash and cash equivalents	$ 52,914,638	$ 46,766,558
Certificates of deposit	4,505,918	3,557,489
Programmatic loans and investments	10,603,323	7,494,600
Investments, at fair value	325,219,719	354,201,322
Split-interest agreements	17,817,270	1,711,049
Other investments	33,216,021	21,633,351
Total financial assets	444,276,889	435,364,369
Less amounts not available to be used within one year:		
Net assets with donor restrictions	(35,695,045)	(37,893,422)
Funds held for others	(49,432,697)	(50,184,523)
Certificates of deposit maturing beyond one year	(3,005,918)	(2,057,489)
Programmatic loans and investments	(5,849,823)	(6,809,256)
Limited marketable investments	(59,104,081)	(48,723,718)
Split-interest agreements	(15,879,997)	(1,407,049)
Financial assets available to meet operating and grantmaking expenditures over the next 12 months	$ 275,309,328	$ 288,288,912

Programmatic loans and investments not available to be used within one year were reduced in 2022 by four loans totaling $4,075,000 due within one year and were reduced in 2021 by five notes totaling $678,500 that matured in 2022. Hedge funds, private equity, real estate, and other investments are considered to be limited marketable investments given the existence of lock up terms, specified withdrawal periods, and less liquid markets.

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

Note 3—Cash and cash equivalents

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

	2022	2021
Cash	$ 12,729,235	$ 26,386,004
Money market funds	40,185,403	20,380,554
	$ 52,914,638	$ 46,766,558

Note 4—Programmatic loans and investments

The Foundation has made programmatic loans and equity investments for the purpose of the Foundation's mission. The Foundation also partners with donors to make investments. The Foundation records program-related investments at cost when the investments are made. These investments are evaluated for changes to their fair value based on relevant financial information and adjusted, if appropriate. Interest on loan receivables is generally charged at below market rates. Maturities of loans receivable held at December 31, 2022 are at dates ranging from 2023 to 2026, or upon the occurrence of certain events. Management has reviewed the collectability of the notes receivable and equity investments and has determined an allowance for impairment is not necessary as of December 31, 2022 or 2021. The Foundation had programmatic loans and investments as of December 31, 2022 and 2021 totaling $10,603,323 and $7,494,600, respectively.

Note 5—Other investments

Real estate and other investments consisted of the following as of December 31:

	2022	2021
Land	$ 4,248,700	$ 3,015,750
Oil and gas leasehold	761,488	854,155
Limited marketable investments	28,205,833	17,763,446
	$ 33,216,021	$ 21,633,351

Effective September 1, 2006, Charitable Holdings (now ACF Bright Leaf Preserve) received the ownership interest in approximately 216 acres of land. The 216 acres is required to be maintained as a wildlife park and nature preserve under the donor's will and the deed from the Texas Parks and Wildlife Department and cannot be sold by ACF Bright Leaf Preserve. Under the court order allowing the Texas Parks and Wildlife Department to convey the property to ACF Bright Leaf Preserve, the Foundation has the responsibility to manage access and programs and maintain the property in accordance with the terms of the will and the deed.

In a judgment issued July 13, 2021, a state of Texas Probate Court approved the gift of the Bright Leaf Preserve from the Foundation's support organization ACF Bright Leaf Preserve to the city of Austin to be operated under the Wildlands Conversation Division of Austin Water and its Balcones Canyonlands Preserve Program. The transaction was completed on August 17, 2021, resulting in the transfer of land totaling $209,762.

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

Note 6—Fair value of financial instruments

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

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

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

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

The carrying amount of cash and cash equivalents, notes receivable, other assets, accounts and grants payable, and funds held for others approximated fair value at December 31, 2022 and 2021, because of their relatively short maturity and market terms.

Note 6—Fair value of financial instruments (continued)

The following tables represent the Foundation's fair value hierarchy for its investments measured at fair value on a recurring basis as of December 31, 2022 and 2021:

	Fair Value Measurements at December 31, 2022			
Description	**Level 1**	**Level 2**	**Level 3**	**Total**
Measurement at fair value on a recurring basis:				
Investments:				
Marketable securities:				
Equities	$ 34,542,001	$ -	$ -	$ 34,542,001
Mutual funds	243,000,705	-	-	243,000,705
Real asset funds	365,181	-	-	365,181
Government and agency	-	17,913,688	-	17,913,688
Corporate bonds	-	2,839,996	-	2,839,996
Municipal bonds	-	137,447	-	137,447
Mortgage backed securities	-	532,641	-	532,641
	277,907,887	21,423,772	-	299,331,659
Hedge funds (*)	-	-	-	16,407,229
Other private investment funds (*)	-	-	-	9,480,831
Total investments	$ 277,907,887	$ 21,423,772	$ -	$ 325,219,719
Split interest agreements	$ -	$ -	$ 17,817,270	$ 17,817,270
Charitable remainder trusts and gift annuity liability	$ -	$ -	$ 1,166,960	$ 1,166,960

Description	**Level 1**	**Level 2**	**Level 3**	**Total**
Measurement at fair value on a nonrecurring basis:				
Other investments:				
Land and oil and gas leasehold	$ -	$ -	$ 5,010,188	$ 5,010,188
Limited marketable investments	-	-	28,205,833	28,205,833
Total other investments	$ -	$ -	$ 33,216,021	$ 33,216,021

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

Note 6—Fair value of financial instruments (continued)

	Fair Value Measurements at December 31, 2021			
Description	**Level 1**	**Level 2**	**Level 3**	**Total**
Measurement at fair value on a recurring basis:				
Investments:				
Marketable securities:				
Equities	$ 39,043,912	$ -	$ -	$ 39,043,912
Mutual funds	272,909,364	-	-	272,909,364
Real asset funds	97,009	-	-	97,009
Government and agency	-	10,645,267	-	10,645,267
Corporate bonds	-	4,076,039	-	4,076,039
Municipal bonds	-	143,316	-	143,316
Mortgage backed securities	-	196,048	-	196,048
	312,050,285	15,060,670	-	327,110,955
Hedge funds (*)	-	-	-	14,887,384
Other private investment funds (*)	-	-	-	12,202,983
Total investments	$ 312,050,285	$ 15,060,670	$ -	$ 354,201,322
Split interest agreements	$ -	$ -	$ 1,711,049	$ 1,711,049
Charitable remainder trusts and gift annuity liability		$ -	$ 1,456,505	$ 1,456,505

Description	**Level 1**	**Level 2**	**Level 3**	**Total**
Measurement at fair value on a nonrecurring basis:				
Other investments:				
Land and oil and gas leasehold	$ -	$ -	$ 3,869,905	$ 3,869,905
Limited marketable investments	-	-	17,763,446	17,763,446
Total other investments	$ -	$ -	$ 21,633,351	$ 21,633,351

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

The fair value amounts presented in these tables are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position.

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

Note 6—Fair value of financial instruments (continued)

The changes in assets and liabilities measured using significant unobservable inputs (Level 3) for the years ended December 31, 2022 and 2021 were:

	Split Interest Agreements	Other Investments	Charitable Remainder Trusts and Gift Annuity	Total
Balances, December 31, 2020	$ 1,664,322	$ 15,568,164	$ (1,361,403)	$ 15,871,083
Realized and unrealized gains	100,420	211,585	(112,451)	199,554
Purchases and contributions, net	355,617	8,395,703	-	8,751,320
Sale and transfer of investments	(409,310)	(2,368,899)	17,349	(2,760,860)
Amortization of oil and gas leasehold	-	(173,202)	-	(173,202)
Balances, December 31, 2021	1,711,049	21,633,351	(1,456,505)	21,887,895
Realized and unrealized gains (losses)	(976,264)	1,232,950	279,606	536,292
Purchases and contributions, net	19,020,403	13,675,869	-	32,696,272
Sale and transfer of investments	(1,937,918)	(3,233,483)	9,939	(5,161,462)
Amortization of oil and gas leasehold	-	(92,666)	-	(92,667)
Balances, December 31, 2022	$ 17,817,270	$ 33,216,021	$ (1,166,960)	$ 49,866,330

Royalties and bonuses received from oil and gas leaseholds totaled $246,484 and $186,239 at December 31, 2022 and 2021, respectively, and are included in other income, net on the consolidated statements of activities.

For entities that calculate the net asset value per share (or its equivalent), the following table provides information about the probability of investments being sold at amounts different from the net asset value per share for the year ended December 31, 2022.

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge funds [a]	$ 16,407,229	$ -	Quarterly	45-65 days
Other private investment funds [b]	9,480,831	4,208,149	None	None

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

[b] This category includes funds that invest in venture capital, buyout, growth equity, distressed and private credit funds. Funds invested in this category are very long-term in nature, and are considered illiquid until distributions are achieved, with limited secondary market for interests.

The Foundation has unfunded commitment on various other investments, including programmatic investments, that total $2,357,351 and $2,424,745 at December 31, 2022 and 2021, respectively.

Note 7—Notes payable

On July 16, 2020, TXCELF LLC entered into a nonrecourse loan agreement with a health foundation, for the purpose of utilizing the loan funds to make and support secured loans to assist health clinics meet emergency community needs arising as result of the COVID-19 pandemic. The note bears interest at an adjustable annual rate of 0% to 3%. Quarterly principal and interest payments of $172,429 are due beginning July 2021, and will continue until the maturity date of September 30, 2023, at which point, all outstanding and unpaid principal and interest will be due. As of December 31, 2022, the outstanding balance due under the loan agreement was $3,411,894. Additionally, also included in notes payable are other nominal loan agreements totaling $200,000 and $227,439 for the years ended December 31, 2022 and 2021, respectively.

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

Years Ending December 31,	
2023	$ 3,411,894
2024	200,000
	$ 3,611,894

Note 8—Paycheck Protection Program loan

On April 29, 2020, the Foundation received a forgivable Paycheck Protection Program (“PPP”) loan in the amount of $327,362. The loan and accrued interest are forgivable as long as the Foundation uses the loan proceeds for eligible purposes, including payroll, benefits, and utilities and maintains its payroll levels. During the year ended December 31, 2021, the Foundation accounted for the receipt of the loan as an advance of a conditional grant. The PPP loan was forgiven in its entirety on February 26, 2021 and was recorded as PPP grant revenue and is included in total revenues and support on the accompanying consolidated statement of activities.

Note 9—Property and equipment

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

	2022	2021
Furniture and equipment	$ 293,057	$ 293,057
Leasehold improvements	210,453	210,453
	503,510	503,510
Less accumulated depreciation and amortization	(464,362)	(428,997)
Property and equipment, net	$ 39,148	$ 74,513

Depreciation expense was $35,365 and $28,674 for the years ended December 31, 2022 and 2021, respectively.

Note 10—Net assets

Net assets resulting from contributions whose use by the Foundation is limited by donor-imposed restrictions that are not expected to expire are considered net assets with donor restrictions. An example of a net asset with donor restrictions would be the donation of funds, or other assets, to the Foundation subject to a gift instrument in which the donor imposed a restriction that the funds be maintained in perpetuity while allowing the Foundation to use or expend all or part of the income or other economic benefit derived from the donation.

Note 10—Net assets (continued)

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

	2022	2021
Donor-restricted endowment funds	$ 30,884,968	$ 37,133,694
Split interest agreements restricted for passage of time	108,118	150,309
Other purpose restricted nonendowed funds	4,701,959	609,419
	$ 35,695,045	$ 37,893,422

As of December 31, 2022 and 2021, three individual funds made up 77% and 78%, respectively, of the Foundation’s net assets with donor restrictions. As of December 31, 2022 and 2021, one fund made up 54% and 55%, respectively, of the Foundation’s net assets with donor restrictions.

As of December 31, 2022 and 2021, net assets without donor restrictions of $5,076,200 and $6,044,592, respectively, were specifically designated by the board to be managed similar to endowments.

Note 11—Endowments

The Foundation’s endowments consist of more than 384 individual funds established for a variety of purposes. Endowments are defined in Note 1 to the consolidated financial statements. The Foundation considers the following factors in making a determination on the amount, if any, to be available for distribution from each endowment fund:

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

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

December 31, 2022	Without Donor Restrictions	With Donor Restrictions	Total
UPMIFA-defined endowment funds:			
ACF related	$ 14,800	$ 354,656	$ 369,456
Discretionary	27,600	657,473	685,073
Field of interest	719,665	3,804,980	4,524,645
Designated	159,027	10,846,214	11,005,241
Scholarship	219,600	1,007,750	1,227,350
Advised endowment	926,337	14,213,895	15,140,232
Charitable trust	-	108,118	108,118
Other endowment funds:			
Discretionary	9,582,521	-	9,582,521
Field of interest	8,621,240	-	8,621,240
Designated	27,841,887	-	27,841,887
Scholarship	6,466,200	-	6,466,200
Advised endowment	47,643,571	-	47,643,571
	$ 102,222,448	$ 30,993,086	$ 133,215,534

Note 11—Endowments (continued)

As of December 31, 2021, the endowment assets of the Foundation, as defined by fund type were as follows:

December 31, 2021	Without Donor Restrictions	With Donor Restrictions	Total
UPMIFA-defined endowment funds:			
Discretionary	$ 27,200	$ 804,077	$ 831,277
Field of interest	597,265	4,729,893	5,327,158
Designated	154,477	13,057,300	13,211,777
Scholarship	172,000	1,276,014	1,448,014
Advised endowment	877,412	17,266,410	18,143,822
Charitable trust	-	150,309	150,309
Other endowment funds:			
ACF related	448,372	-	448,372
Discretionary	11,620,714	-	11,620,714
Field of interest	10,295,053	-	10,295,053
Designated	35,983,218	-	35,983,218
Scholarship	7,804,211	-	7,804,211
Advised endowment	55,791,723	-	55,791,723
	$ 123,771,645	$ 37,284,003	$ 161,055,648

Funds with Deficiencies – From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or law (underwater endowments). The Foundation has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required by law. At December 31, 2022 and 2021, there were no funds with deficiencies.

The summary of changes in endowment assets during the year ended December 31, 2022 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment assets as of December 31, 2020	$ 101,563,306	$ 32,895,523	$ 134,458,829
Contributions	7,128,288	-	7,128,288
Transfers and expenses	526,414	(1,737,098)	(1,210,684)
Investment returns, net	18,188,269	6,125,578	24,313,847
Grants or scholarships	(3,634,632)	-	(3,634,632)
Endowment assets as of December 31, 2021	123,771,645	37,284,003	161,055,648
Contributions	1,435,134	-	1,435,134
Transfers and expenses	(3,090,314)	(1,755,229)	(4,845,543)
Investment returns, net	(15,615,459)	(4,969,460)	(20,584,919)
Grants or scholarships	(4,293,158)	-	(4,293,158)
Reclassification of net assets	14,600	433,772	448,372
Endowment assets as of December 31, 2022	$ 102,222,448	$ 30,993,086	$ 133,215,534

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

Note 11—Endowments (continued)

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

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

Note 12—Retirement plan

The Foundation has contracted with a professional employment agency to provide employment services and a 401(k) plan for its eligible employees. For the years ended December 31, 2022 and 2021, the Foundation contributed $71,087 and $63,756, respectively, to the plan.

Note 13—Credit risk

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

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

Note 14—Concentrations

During the year ended December 31, 2022, the Foundation recorded contributions from four donors that amounted to 50% of total contributions. During the year ended December 31, 2021, the Foundation recorded contributions from four donors that amounted to 34% of total contributions.

As of December 31, 2022 and 2021, one fund totaled 44% and 51%, respectively, of the Foundation's agency funds held for others.

Note 15—Lease commitments

In October 2012, the Foundation extended the original lease for its primary office for five years beginning in November 2012 and expiring in October 2017. In October 2017, the Foundation entered into a second amendment which extended the lease for an additional five years beginning in November 2017 and expiring in October 2022. The second amendment includes a clause that the lease may be canceled by the Foundation with a six months' notice to the landlord. In July 2022, the Foundation entered into a third amendment which extended the lease for an additional five years beginning in November 2022 and expiring in October 2027. The third amendment includes the same terms and conditions as the previous lease amendment.

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

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

Future minimum lease payments for the office space lease as of December 31, 2022 are as follows:

Years Ending December 31,	
2023	$ 168,994
2024	175,754
2025	182,784
2026	190,096
2027	163,659
Total undiscounted cash flows	881,287
Less present value discount	(85,985)
Total lease liabilities	$ 795,302

Required supplemental lease information for the year ended December 31, 2022 is as follows:

Cash flows for operating lease payments	$ 175,020
Right-of-use asset obtained in exchange for new operating lease liability	$ 1,003,559
Weighted-average remaining lease term in years for operating lease	4.83
Weighted-average discount rate for operating lease	3.99%

Note 16—Life insurance policies and life annuity contracts

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

As consenting individuals die, the trust will distribute the majority of the death benefit proceeds to the investors and distribute the remaining proceeds, if any, to the Foundation. The organizers of the LILAC transactions have projected that the death benefits to be received by the Foundation are estimated to be approximately $28.2 million with $11.7 million remaining in the future. The Foundation will pay-out the primary portion of the death benefits to other charities by the insured.

For financial accounting purposes, the Foundation will recognize any proceeds from the LILAC transactions as they are received. The Foundation received and recognized $875,000 and $2,975,000 in proceeds for the years ended December 31, 2022 and 2021, respectively. Of the $875,000 received in 2022, the Foundation distributed $831,250 in charitable grants and retained $43,750 as an administrative fee. Of the $2,975,000 received in 2021, the Foundation distributed $2,826,300 in charitable grants and retained $148,750 as an administrative fee.

SUPPLEMENTARY INFORMATION

AUSTIN COMMUNITY FOUNDATION
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

DECEMBER 31, 2022

	Austin Community Foundation	ACF Associates, LLC	TXCELF, LLC	ACF Bright Leaf Preserve	Charitable Holdings II	Total	Elimination Entries	Consolidated
ASSETS								
Cash and cash equivalents	$ 52,636,466	$ 78,619	$ 115,590	$ 73,224	$ 10,739	$ 52,914,638	$ -	$ 52,914,638
Certificates of deposit	4,505,918	-	-	-	-	4,505,918	-	4,505,918
Programmatic loans and investments	7,190,670	-	3,412,653	-	-	10,603,323	-	10,603,323
Investments, at fair value	325,219,719	-	-	-	-	325,219,719	-	325,219,719
Split-interest agreements	17,817,270	-	-	-	-	17,817,270	-	17,817,270
Other investments	28,080,529	886,792	-	-	4,248,700	33,216,021	-	33,216,021
Property and equipment, net	39,148	-	-	-	-	39,148	-	39,148
Right-of-use asset - operating lease	795,302	-	-	-	-	795,302	-	795,302
Other assets	1,196,728	-	257,742	199,856	-	1,654,326	(1,025,351)	628,975
Total Assets	$ 437,481,750	$ 965,411	$ 3,785,985	$ 273,080	$ 4,259,439	$ 446,765,665	$ (1,025,351)	$ 445,740,314
LIABILITIES AND NET ASSETS								
Liabilities:								
Accounts and grants payable	$ 6,785,632	$ 886,792	$ 303,717	$ -	$ -	$ 7,976,141	$ (1,025,351)	$ 6,950,790
Notes payable	200,000	-	3,411,894	-	-	3,611,894	-	3,611,894
Operating lease liability	795,302	-	-	-	-	795,302	-	795,302
Charitable remainder trusts and gift annuities	1,166,960	-	-	-	-	1,166,960	-	1,166,960
Funds held for others - agency	49,432,697	-	-	-	-	49,432,697	-	49,432,697
Total Liabilities	58,380,591	886,792	3,715,611	-	-	62,982,994	(1,025,351)	61,957,643
Net Assets:								
Without Donor Restrictions:								
Board designated	5,076,200	-	-	-	-	5,076,200	-	5,076,200
Undesignated	338,329,914	78,619	70,374	273,080	4,259,439	343,011,426	-	343,011,426
	343,406,114	78,619	70,374	273,080	4,259,439	348,087,626	-	348,087,626
With Donor Restrictions	35,695,045	-	-	-	-	35,695,045	-	35,695,045
Total Net Assets	379,101,159	78,619	70,374	273,080	4,259,439	383,782,671	-	383,782,671
Total Liabilities and Net Assets	$ 437,481,750	$ 965,411	$ 3,785,985	$ 273,080	$ 4,259,439	$ 446,765,665	$ (1,025,351)	$ 445,740,314

AUSTIN COMMUNITY FOUNDATION
CONSOLIDATING SCHEDULE OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2022

	Austin Community Foundation	ACF Associates, LLC	TXCELF, LLC	ACF Bright Leaf Preserve	Charitable Holdings II	Total	Elimination Entries	Consolidated
Revenues and Support:								
Contributions	$ 112,851,344	$ -	$ 36,000	$ -	$ 5,300	$ 112,892,644	$ (3,786,216)	$ 109,106,428
Less contributions to agency funds	(5,693,315)	-	-	-	-	(5,693,315)	-	(5,693,315)
Net Contributions	107,158,029	-	36,000	-	5,300	107,199,329	(3,786,216)	103,413,113
Net investment return	(45,768,014)	417,882	59,621	-	1,232,950	(44,057,561)	-	(44,057,561)
Other income, net	303,780	36,845	-	-	-	340,625		340,625
Total Revenues and Support	61,693,795	454,727	95,621	-	1,238,250	63,482,393	(3,786,216)	59,696,177
Expenses:								
Program Services:								
Community grant funding	52,163,462	376,108	-	175,145	-	52,714,715	(3,786,216)	48,928,499
Less grants from agency funds	(542,327)	-	-	-	-	(542,327)	-	(542,327)
Net Community Grant Funding	51,621,135	376,108	-	175,145	-	52,172,388	(3,786,216)	48,386,172
Other program	4,291,497	-	128,269	-	4,510	4,424,276	-	4,424,276
Total Program Services	55,912,632	376,108	128,269	175,145	4,510	56,596,664	(3,786,216)	52,810,448
Supporting Services:								
Management and general	722,739	-	-	-	-	722,739	-	722,739
Fundraising and development	206,347	-	-	-	796	207,143	-	207,143
Total Supporting Services	929,086	-	-	-	796	929,882	-	929,882
Total Expenses	56,841,718	376,108	128,269	175,145	5,306	57,526,546	(3,786,216)	53,740,330
Change in net assets	4,852,077	78,619	(32,648)	(175,145)	1,232,944	5,955,847	-	5,955,847
Net assets at beginning of year	374,249,082	-	103,022	448,225	3,026,495	377,826,824	-	377,826,824
Net assets at end of year	$ 379,101,159	$ 78,619	$ 70,374	$ 273,080	$ 4,259,439	$ 383,782,671	$ -	$ 383,782,671