

AUSTIN COMMUNITY FOUNDATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

Note 12—Endowments (continued)

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

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

Spending Policy and How the Investment Objectives Relate to Spending Policy – The Foundation has a policy of appropriating for distribution each year approximately 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 13—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, 2021 and 2020, the Foundation contributed \$63,756 and \$64,226, respectively, to the plan.

Note 14—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.

An allowance for uncollectible accounts is provided based on management's evaluation of potential uncollectible accounts and notes receivable at year-end. As of December 31, 2021 and 2020, there was no allowance for uncollectible accounts.

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Note 15—Concentrations

During the year ended December 31, 2021, the Foundation recorded contributions from four donors that amounted to 34% of total contributions. During the year ended December 31, 2020, the Foundation recorded contributions from four donors that amounted to 32% of total contributions.

As of December 31, 2021 and 2020, one fund totaled 51% and two individual funds totaled 34%, respectively, of the Foundation's agency funds held for others.

Note 16—Related party transactions

The Notley Fund entered into a shared services agreement with Notley Ventures, LLC, a Texas limited liability company ("Notley Ventures") owned by one of the Foundation's board members, effective January 1, 2017. Under the agreement, Notley Fund uses employees of Notley Ventures for the performance of accounting, development, finance, legal, marketing, and other general management services. For the year ended December 31, 2020, the Notley Fund paid \$1,352,515 in expenses to Notley Ventures. Since Notley Fund ceased to be a support organization of the Foundation on January 1, 2021, there were no related party transactions in 2021.

Note 17—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. Rent expense was \$159,030 and \$154,398 for the years ended December 31, 2021 and 2020, respectively.

Minimum future rentals for the office space lease as of December 31, 2021 are as follows:

Years Ending December 31,

2022	\$	183,294
2023		189,467
2024		195,678
2025		202,222
2026		202,114
2027		163,659
	\$	<u>1,136,434</u>

Note 18—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.

AUSTIN COMMUNITY FOUNDATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

Note 18—Life insurance policies and life annuity contracts (continued)

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 \$2,975,000 and \$750,000 in proceeds for the years ended December 31, 2021 and 2020, respectively. Of the \$2,975,000 received in 2021, the Foundation distributed \$2,826,300 in charitable grants and retained \$37,500 as an administrative fee. Of the \$750,000 received in 2020, the Foundation distributed \$712,500 in charitable grants and retained \$37,500 as an administrative fee.

SUPPLEMENTARY INFORMATION

AUSTIN COMMUNITY FOUNDATION
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

DECEMBER 31, 2021

	Austin Community Foundation	ACF Associates, LLC	TXCEL, LLC	ACF Bright Leaf Preserve	Charitable Holdings II	Total	Elimination Entries	Consolidated
ASSETS								
Cash and cash equivalents	\$ 46,571,167	\$ -	\$ 111,422	\$ 73,225	\$ 10,744	\$ 46,766,558	\$ -	\$ 46,766,558
Certificates of deposit	3,557,489	-	-	-	-	3,557,489	-	3,557,489
Programmatic loans and investments	2,770,656	-	4,717,100	-	-	7,487,756	-	7,487,756
Investments, at Fair Value:	-	-	-	-	-	-	-	-
Marketable securities	327,110,955	-	-	-	-	327,110,955	-	327,110,955
Real estate and other investments	854,155	-	-	-	3,015,750	3,869,905	-	3,869,905
Hedge funds and private equity	43,967,021	886,792	-	-	-	44,853,813	-	44,853,813
Split-interest agreements	1,711,049	-	-	-	-	1,711,049	-	1,711,049
Accounts receivable	1,229,516	-	76,432	-	-	1,305,948	(901,210)	404,738
Property and equipment, net	74,513	-	-	-	-	74,513	-	74,513
Other assets	126,034	-	-	375,000	-	501,034	-	501,034
Total Assets	\$ 427,972,555	\$ 886,792	\$ 4,904,954	\$ 448,225	\$ 3,026,494	\$ 437,239,020	\$ (901,210)	\$ 436,337,810
LIABILITIES AND NET ASSETS								
Liabilities:								
Accounts and grants payable	\$ 1,974,076	\$ 886,792	\$ 84,831	\$ -	\$ -	\$ 2,945,699	\$ (901,210)	\$ 2,044,489
Notes payable	108,369	-	4,717,100	-	-	4,825,469	-	4,825,469
Charitable remainder trusts	1,456,505	-	-	-	-	1,456,505	-	1,456,505
Funds held for others - agency	50,184,523	-	-	-	-	50,184,523	-	50,184,523
Total Liabilities	53,723,473	886,792	4,801,931	-	-	59,412,196	(901,210)	58,510,986
Net Assets:								
Without Donor Restrictions:								
Board designated	6,044,592	-	-	-	-	6,044,592	-	6,044,592
Undesignated	330,311,068	-	103,023	448,225	3,026,494	333,888,810	-	333,888,810
	336,355,660	-	103,023	448,225	3,026,494	339,933,402	-	339,933,402
With Donor Restrictions	37,893,422	-	-	-	-	37,893,422	-	37,893,422
Total Net Assets	374,249,082	-	103,023	448,225	3,026,494	377,826,824	-	377,826,824
Total Liabilities and Net Assets	\$ 427,972,555	\$ 886,792	\$ 4,904,954	\$ 448,225	\$ 3,026,494	\$ 437,239,020	\$ (901,210)	\$ 436,337,810

AUSTIN COMMUNITY FOUNDATION
CONSOLIDATING SCHEDULE OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2021

	Austin Community Foundation	ACF Associates, LLC	TXCELF, LLC	ACF Bright Leaf Preserve	Charitable Holdings II	CH II Charitable Properties, LLC	Schweitzer Family Foundation	Notley Fund	Notley Initiative - Philanthropitch	Notley Initiative - BEAM	Notley Initiative - HomeFront	Total	Elimination Entries	Consolidated
Revenues and Support:														
Contributions	\$ 87,606,066	\$ -	\$ 150,000	\$ 540,000	\$ 1,588,290	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 89,884,356	\$ (8,586,815)	\$ 81,297,541
Less contributions to agency funds	(15,161,497)	-	-	-	-	-	-	-	-	-	-	(15,161,497)	-	(15,161,497)
Net Contributions	72,444,569	-	150,000	540,000	1,588,290	-	-	-	-	-	-	74,722,859	(8,586,815)	66,136,044
Net investment income	43,915,790	171,616	12,043	-	1,117,765	-	82,800	-	-	-	-	45,300,014	-	45,300,014
Paycheck Protection Program grant	327,362	-	-	-	-	-	-	-	-	-	-	327,362	-	327,362
Other income, net	162,878	9,785	-	36,413	-	-	-	-	-	-	-	209,076	(72,825)	136,251
Total Revenues and Support	116,850,599	181,401	162,043	576,413	2,706,055	-	82,800	-	-	-	-	120,559,311	(8,659,640)	111,899,671
Expenses:														
Program Services:														
Community grant funding	45,205,082	196,915	-	284,762	2,529,640	1,581,875	-	-	-	-	-	49,798,274	(8,586,815)	41,211,459
Less grants from agency funds	(1,539,677)	-	-	-	-	-	-	-	-	-	-	(1,539,677)	-	(1,539,677)
Net Community Grant Funding	43,665,405	196,915	-	284,762	2,529,640	1,581,875	-	-	-	-	-	48,258,597	(8,586,815)	39,671,782
Program expense	5,501,881	-	106,262	45,763	5,514	-	358,340	2,905,917	(40,835)	43,094	173,962	9,099,898	(72,825)	9,027,073
Total Program Services	49,167,286	196,915	106,262	330,525	2,535,154	1,581,875	358,340	2,905,917	(40,835)	43,094	173,962	57,358,495	(8,659,640)	48,698,855
Supporting Services:														
Management and general	628,895	-	-	9,890	896	-	3,544	-	-	-	-	643,225	-	643,225
Fundraising and development	135,508	-	-	-	-	-	-	-	-	-	-	135,508	-	135,508
Total Supporting Services	764,403	-	-	9,890	896	-	3,544	-	-	-	-	778,733	-	778,733
Total Expenses	49,931,689	196,915	106,262	340,415	2,536,050	1,581,875	361,884	2,905,917	(40,835)	43,094	173,962	58,137,228	(8,659,640)	49,477,588
Increase (decrease) in net assets	66,918,910	(15,514)	55,781	235,998	170,005	(1,581,875)	(279,084)	(2,905,917)	40,835	(43,094)	(173,962)	62,422,083	-	62,422,083
Net assets at beginning of year	307,330,172	15,514	47,242	212,227	2,856,489	1,581,875	279,084	2,905,917	(40,835)	43,094	173,962	315,404,741	-	315,404,741
Net assets at end of year	\$ 374,249,082	\$ -	\$ 103,023	\$ 448,225	\$ 3,026,494	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 377,826,824	\$ -	\$ 377,826,824