

**Texas Business Hall of Fame Foundation**

Financial Statements  
and Independent Auditors' Report  
for the years ended December 31, 2022 and 2021

# Texas Business Hall of Fame Foundation

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## Independent Auditors' Report

To the Board of Directors of  
Texas Business Hall of Fame Foundation:

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of Texas Business Hall of Fame Foundation, which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, of functional expenses, and of cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Texas Business Hall of Fame Foundation as of December 31, 2022 and 2021, and the changes in its net assets and its 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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Texas Business Hall of Fame Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

#### *Auditors' Responsibilities for the Audit of the Financial Statements*

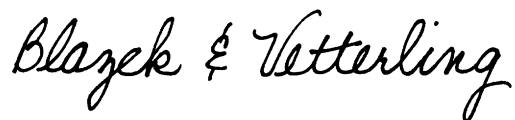
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance 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 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 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 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 Texas Business Hall of Fame 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Texas Business Hall of Fame Foundation's ability to continue as a going concern for a reasonable period of time.

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

A handwritten signature in black ink, reading "Blazeck & Vetterling". The script is cursive and fluid, with the ampersand clearly visible.

August 24, 2023

## Texas Business Hall of Fame Foundation

### Statements of Financial Position as of December 31, 2022 and 2021

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|  | <u>2022</u>         | <u>2021</u>         |
|--|---------------------|---------------------|
| ASSETS   |                     |                     |
| Cash   | \$ 310,649          | \$ 453,541          |
| Other assets                                     | 17,892              | 16,872              |
| Contributions receivable, net ( <i>Note 3</i> )  | 1,697,658           | 1,676,400           |
| Investments ( <i>Note 4</i> )                    | <u>4,418,356</u>    | <u>5,608,911</u>    |
| TOTAL ASSETS                                     | <u>\$ 6,444,555</u> | <u>\$ 7,755,724</u> |
| LIABILITIES AND NET ASSETS                       |                     |                     |
| Liabilities:                                     |                     |                     |
| Accounts payable                                 | <u>\$ 24,274</u>    | <u>\$ 19,662</u>    |
| Net assets:                                      |                     |                     |
| Without donor restrictions                       | 3,071,804           | 3,960,724           |
| With donor restrictions ( <i>Notes 5 and 6</i> ) | <u>3,348,477</u>    | <u>3,775,338</u>    |
| Total net assets                                 | <u>6,420,281</u>    | <u>7,736,062</u>    |
| TOTAL LIABILITIES AND NET ASSETS                 | <u>\$ 6,444,555</u> | <u>\$ 7,755,724</u> |

See accompanying notes to financial statements.

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## Texas Business Hall of Fame Foundation

### Statement of Activities for the year ended December 31, 2022

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|   | WITHOUT DONOR<br>RESTRICTIONS | WITH DONOR<br>RESTRICTIONS | TOTAL               |
|---|-------------------------------|----------------------------|---------------------|
| REVENUE:                                      |                               |                            |                     |
| Annual awards dinner                          | \$ 1,239,964                  |                            | \$ 1,239,964        |
| Direct donor benefits of annual awards dinner | (391,715)                     |                            | (391,715)           |
| Third-party auction proceeds                  | 167,327                       | \$ 10,725                  | 178,052             |
| Financial contributions                       | 65,150                        | 408,639                    | 473,789             |
| Nonfinancial contributions (Note 7)           | 44,263                        |                            | 44,263              |
| Net investment return                         | <u>(645,475)</u>              | <u>(218,080)</u>           | <u>(863,555)</u>    |
| Total revenue                                 | 479,514                       | 201,284                    | 680,798             |
| Net assets released from restrictions:        |                               |                            |                     |
| Program expenditures                          | <u>628,145</u>                | <u>(628,145)</u>           | <u>          </u>   |
| Total   | <u>1,107,659</u>              | <u>(426,861)</u>           | <u>680,798</u>      |
| EXPENSES:                                     |                               |                            |                     |
| Program services:                             |                               |                            |                     |
| Scholars                                      | 1,001,391                     |                            | 1,001,391           |
| Hall of Fame honoree recognitions             | <u>525,725</u>                |                            | <u>525,725</u>      |
| Total program services                        | 1,527,116                     |                            | 1,527,116           |
| Management and general                        | 238,721                       |                            | 238,721             |
| Fundraising                                   | <u>230,742</u>                |                            | <u>230,742</u>      |
| Total expenses                                | <u>1,996,579</u>              |                            | <u>1,996,579</u>    |
| CHANGES IN NET ASSETS                         | (888,920)                     | (426,861)                  | (1,315,781)         |
| Net assets, beginning of year                 | <u>3,960,724</u>              | <u>3,775,338</u>           | <u>7,736,062</u>    |
| Net assets, end of year                       | <u>\$ 3,071,804</u>           | <u>\$ 3,348,477</u>        | <u>\$ 6,420,281</u> |

*See accompanying notes to financial statements.*

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## Texas Business Hall of Fame Foundation

Statement of Activities for the year ended December 31, 2021

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|   | WITHOUT DONOR<br>RESTRICTIONS | WITH DONOR<br>RESTRICTIONS | TOTAL               |
|---|-------------------------------|----------------------------|---------------------|
| REVENUE:                                      |                               |                            |                     |
| Annual awards dinner                          | \$ 1,094,937                  |                            | \$ 1,094,937        |
| Direct donor benefits of annual awards dinner | (252,024)                     |                            | (252,024)           |
| Third-party auction proceeds                  | 261,105                       | \$ 3,880                   | 264,985             |
| Financial contributions                       | 131,956                       | 285,868                    | 417,824             |
| Nonfinancial contributions (Note 7)           | 13,000                        |                            | 13,000              |
| Net investment return                         | <u>577,949</u>                | <u>254,267</u>             | <u>832,216</u>      |
| Total revenue                                 | 1,826,923                     | 544,015                    | 2,370,938           |
| Net assets released from restrictions:        |                               |                            |                     |
| Program expenditures                          | <u>458,185</u>                | <u>(458,185)</u>           |                     |
| Total   | <u>2,285,108</u>              | <u>85,830</u>              | <u>2,370,938</u>    |
| EXPENSES:                                     |                               |                            |                     |
| Program services:                             |                               |                            |                     |
| Scholars                                      | 791,501                       |                            | 791,501             |
| Hall of Fame honoree recognitions             | <u>611,052</u>                |                            | <u>611,052</u>      |
| Total program services                        | 1,402,553                     |                            | 1,402,553           |
| Management and general                        | 243,707                       |                            | 243,707             |
| Fundraising                                   | <u>173,745</u>                |                            | <u>173,745</u>      |
| Total expenses                                | <u>1,820,005</u>              |                            | <u>1,820,005</u>    |
| CHANGES IN NET ASSETS                         | 465,103                       | 85,830                     | 550,933             |
| Net assets, beginning of year                 | <u>3,495,621</u>              | <u>3,689,508</u>           | <u>7,185,129</u>    |
| Net assets, end of year                       | <u>\$ 3,960,724</u>           | <u>\$ 3,775,338</u>        | <u>\$ 7,736,062</u> |

*See accompanying notes to financial statements.*

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## Texas Business Hall of Fame Foundation

### Statement of Functional Expenses for the year ended December 31, 2022

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|   | <u>SCHOLARS</u>     | <u>HALL<br/>OF FAME</u> | <u>TOTAL<br/>PROGRAM<br/>SERVICES</u> | <u>MANAGEMENT<br/>AND<br/>GENERAL</u> | <u>FUNDRAISING</u> | <u>TOTAL<br/>EXPENSES</u> |
|---|---------------------|-------------------------|---------------------------------------|---------------------------------------|--------------------|---------------------------|
| Scholarships and awards                       | \$ 647,000          |                         | \$ 647,000                            |                                       |                    | \$ 647,000                |
| Salaries and related expenses                 | 262,077             | \$ 98,202               | 360,279                               | \$ 158,886                            | \$ 91,421          | 610,586                   |
| Professional fees                             | 26,159              | 352,706                 | 378,865                               | 36,587                                | 113,071            | 528,523                   |
| Travel  | 9,667               | 18,200                  | 27,867                                | 8,588                                 | 7,371              | 43,826                    |
| Meeting facilities, food, and beverage        | 6,599               | 24,879                  | 31,478                                | 1,008                                 | 625                | 33,111                    |
| Communications and marketing                  | 11,950              | 9,622                   | 21,572                                | 7,337                                 | 4,151              | 33,060                    |
| Rental and storage                            | 12,774              | 4,787                   | 17,561                                | 7,743                                 | 4,456              | 29,760                    |
| Software and website                          | 11,463              | 2,506                   | 13,969                                | 3,174                                 | 4,522              | 21,665                    |
| Supplies and equipment                        | 10,895              | 3,226                   | 14,121                                | 2,056                                 | 1,436              | 17,613                    |
| Printing and duplication                      | 2,071               | 11,150                  | 13,221                                | 172                                   | 3,373              | 16,766                    |
| Bank and credit card fees                     |                     |                         |                                       | 11,168                                |                    | 11,168                    |
| Other   | <u>736</u>          | <u>447</u>              | <u>1,183</u>                          | <u>2,002</u>                          | <u>316</u>         | <u>3,501</u>              |
| Total expenses                                | <u>\$ 1,001,391</u> | <u>\$ 525,725</u>       | <u>\$ 1,527,116</u>                   | <u>\$ 238,721</u>                     | <u>\$ 230,742</u>  | 1,996,579                 |
| Direct donor benefits of annual awards dinner |                     |                         |                                       |                                       |                    | <u>391,715</u>            |
| Total   |                     |                         |                                       |                                       |                    | <u>\$ 2,388,294</u>       |

*See accompanying notes to financial statements.*

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## Texas Business Hall of Fame Foundation

### Statement of Functional Expenses for the year ended December 31, 2021

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|   | <u>SCHOLARS</u>   | <u>HALL<br/>OF FAME</u> | <u>TOTAL<br/>PROGRAM<br/>SERVICES</u> | <u>MANAGEMENT<br/>AND<br/>GENERAL</u> | <u>FUNDRAISING</u> | <u>TOTAL<br/>EXPENSES</u> |
|---|-------------------|-------------------------|---------------------------------------|---------------------------------------|--------------------|---------------------------|
| Scholarships and awards                       | \$ 548,000        |                         | \$ 548,000                            |                                       |                    | \$ 548,000                |
| Salaries and related expenses                 | 180,653           | \$ 62,206               | 242,859                               | \$ 137,434                            | \$ 24,651          | 404,944                   |
| Professional fees                             | 26,787            | 491,475                 | 518,262                               | 77,071                                | 124,612            | 719,945                   |
| Travel  | 6,677             | 14,772                  | 21,449                                | 1,507                                 | 5,107              | 28,063                    |
| Meeting facilities, food, and beverage        | 7,540             | 20,365                  | 27,905                                | 1,342                                 | 267                | 29,514                    |
| Communications and marketing                  | 5,726             | 12                      | 5,738                                 | 1,366                                 | 92                 | 7,196                     |
| Rental and storage                            | 7,439             | 401                     | 7,840                                 | 5,601                                 | 3,169              | 16,610                    |
| Software and website                          | 5,671             | 6,383                   | 12,054                                | 2,467                                 | 9,931              | 24,452                    |
| Supplies and equipment                        | 1,712             | 5,103                   | 6,815                                 | 3,627                                 | 2,490              | 12,932                    |
| Printing and duplication                      | 236               | 9,528                   | 9,764                                 | 79                                    | 3,049              | 12,892                    |
| Bank and credit card fees                     |                   |                         |                                       | 9,806                                 |                    | 9,806                     |
| Other   | <u>1,060</u>      | <u>807</u>              | <u>1,867</u>                          | <u>3,407</u>                          | <u>377</u>         | <u>5,651</u>              |
| Total expenses                                | <u>\$ 791,501</u> | <u>\$ 611,052</u>       | <u>\$ 1,402,553</u>                   | <u>\$ 243,707</u>                     | <u>\$ 173,745</u>  | 1,820,005                 |
| Direct donor benefits of annual awards dinner |                   |                         |                                       |                                       |                    | <u>252,024</u>            |
| Total   |                   |                         |                                       |                                       |                    | <u>\$ 2,072,029</u>       |

*See accompanying notes to financial statements.*

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## Texas Business Hall of Fame Foundation

### Statements of Cash Flows for the years ended December 31, 2022 and 2021

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|  | <u>2022</u>       | <u>2021</u>       |
|--|-------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES:  |                   |                   |
| Changes in net assets  | \$(1,315,781)     | \$ 550,933        |
| Adjustments to reconcile changes in net assets to net cash used by operating activities: |                   |                   |
| Contributions restricted for endowment funds   | (32,043)          |                   |
| Net realized and unrealized (gain) loss on investments                                   | 863,585           | (823,573)         |
| Changes in operating assets and liabilities:   |                   |                   |
| Other assets   | (1,020)           | 1,172             |
| Contributions receivable   | 10,785            | 151,280           |
| Accounts payable   | 4,612             | (8,478)           |
| Deferred revenue   | <u>          </u> | <u>(162,050)</u>  |
| Net cash used by operating activities  | <u>(469,862)</u>  | <u>(290,716)</u>  |
| CASH FLOWS FROM INVESTING ACTIVITIES:  |                   |                   |
| Proceeds from sales and maturities of investments  | 664,860           | 373,793           |
| Purchase of investments  | (385,499)         | (324,288)         |
| Net change in money market mutual funds held as investments                              | <u>47,609</u>     | <u>(11,523)</u>   |
| Net cash provided by investing activities  | <u>326,970</u>    | <u>37,982</u>     |
| NET CHANGE IN CASH   | (142,892)         | (252,734)         |
| Cash, beginning of year  | <u>453,541</u>    | <u>706,275</u>    |
| Cash, end of year  | <u>\$ 310,649</u> | <u>\$ 453,541</u> |

*See accompanying notes to financial statements.*

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# Texas Business Hall of Fame Foundation

Notes to Financial Statements for the years ended December 31, 2022 and 2021

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## NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization – Texas Business Hall of Fame Foundation (the Foundation) was organized in July 1982 as a nonprofit corporation in Texas to recognize Texas business leaders for their personal and professional accomplishments, to provide scholarships for outstanding students, and to perpetuate and inspire the values of entrepreneurial spirit, personal integrity, and community leadership. The Foundation's activities include hosting an annual event where Texas business legends are inducted into the Texas Business Hall of Fame, and scholarships are awarded to entrepreneurial students and veterans attending Texas universities or business incubators.

Federal income tax status – The Foundation is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code and is classified as a public charity under §170(b)(1)(A)(vi).

Contributions receivable that are expected to be collected within one year are reported at net realizable value. Amounts expected to be collected in future years are discounted to estimate the present value of future cash flows. Discounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of discounts is included in contribution revenue. An allowance for contributions receivable is provided when it is believed balances may not be collected in full.

Investments are reported at fair value. Net investment return consists of interest and dividends, realized and unrealized gains and losses, net of external and direct internal investment expenses.

Net asset classification – Net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Net assets without donor restrictions* are not subject to donor-imposed restrictions even though their use may be limited in other respects such as by contract or board designation.
- *Net assets with donor restrictions* are subject to donor-imposed restrictions. Restrictions may be temporary in nature, such as those that will be met by the passage of time or use for a purpose specified by the donor, or may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Net assets are released from restrictions when the stipulated time has elapsed, or purpose has been fulfilled, or both. Donor-restricted endowment earnings are released when scholarships are awarded.

Annual awards dinner revenue is the total amount paid by sponsors and attendees of the event, includes elements of both a contribution and an exchange transaction, and is recognized when the dinner occurs. Direct donor benefit costs represent the cost of goods and services provided to attendees of the dinner. Event sponsorships received for future periods are recognized as refundable advances until the event takes place.

Contributions are recognized as revenue at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are classified as *with donor restrictions*. Conditional contributions are subject to one or more barriers that must be overcome before the Foundation is entitled to receive or retain funding. Conditional contributions are recognized as revenue at fair value when the conditions have been met. Contributions received before conditions have been met are reported as a refundable advance.

Donated materials and services – Donated materials are recognized at fair value when an unconditional commitment is received from the donor. The related expense is recognized as the item is used. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Scholarships are recognized as expense when the Foundation approves an unconditional commitment to a scholarship recipient. Any commitments made but not yet funded are reported as scholarships payable.

Functional allocation of expenses – Expenses are reported by their functional classification. Program services are the direct conduct or supervision of activities that fulfill the purposes for which the organization exists. Fundraising activities include the solicitation of contributions of money, securities, materials, facilities, other assets, and time. Management and general activities are not directly identifiable with specific program or fundraising activities. Expenses that are attributable to more than one activity are allocated among the activities benefitted. Professional fees, salaries and related costs are allocated on the basis of estimated time and effort expended. Occupancy costs, technology, communications, and general supplies are allocated in proportion to salaries and related costs.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts of reported revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

## NOTE 2 – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of December 31 comprise the following:

|   | <u>2022</u>         | <u>2021</u>         |
|---|---------------------|---------------------|
| Financial assets:   |                     |                     |
| Cash  | \$ 310,649          | \$ 453,541          |
| Contributions receivable, net   | 1,697,658           | 1,676,400           |
| Investments   | <u>4,418,356</u>    | <u>5,608,911</u>    |
| Total financial assets  | 6,426,663           | 7,738,852           |
| Less financial assets not available for general expenditure:          |                     |                     |
| Donor-restricted endowment assets less planned appropriation          | (1,163,288)         | (1,394,325)         |
| Restricted by donors for use in future periods or for future projects | <u>(1,525,189)</u>  | <u>(1,728,013)</u>  |
| Total financial assets available for general expenditure              | <u>\$ 3,738,186</u> | <u>\$ 4,616,514</u> |

Financial assets available for general expenditures include amounts expected to be appropriated by the Board of Directors from donor-restricted assets and endowment earnings during the upcoming year. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Foundation considers all expenditures related to its ongoing activities of providing scholarships and events that inspire the values of entrepreneurial spirit, personal integrity, and community leadership, to be general expenditures.

The Foundation is substantially supported by the annual dinner and contributions and regularly monitors liquidity required to meet its operating needs while striving to maximize the investment of available funds. As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. Donor-restricted funds are invested for long-term appreciation and current income but, except for endowment assets to be maintained in perpetuity, remain available to be spent as provided for in the donor agreement.

### NOTE 3 – CONTRIBUTIONS RECEIVABLE

Contributions receivable at December 31, 2022 are expected to be collected as follows:

|  |                     |
|--|---------------------|
| Receivable in one year   | \$ 445,168          |
| Receivable in one to five years                                    | 730,000             |
| Receivable thereafter  | <u>625,000</u>      |
| Total contributions receivable                                     | 1,800,168           |
| Discount to net present value at rates ranging from 0.93% to 2.07% | <u>(102,510)</u>    |
| Contributions receivable, net                                      | <u>\$ 1,697,658</u> |

At December 31, 2022 and 2021, approximately 62% and 70%, respectively, of contributions receivable are from one donor.

### NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Generally accepted accounting principles require that certain assets and liabilities be reported at fair value and establish a hierarchy that prioritizes inputs used to measure fair value. Fair value is 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. The three levels of the fair value hierarchy are as follows:

- *Level 1* – Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the reporting date.
- *Level 2* – Inputs are other than quoted prices included in Level 1, which are either directly observable or can be derived from or corroborated by observable market data at the reporting date.
- *Level 3* – Inputs are not observable and are based on the reporting entity's assumptions about the inputs market participants would use in pricing the asset or liability.

Investments which do not have a readily determinable fair value but qualify to be recognized at net asset value or its equivalent as a practical expedient (NAV-PE) are not required to be assigned a level within the fair value hierarchy.

Assets measured at fair value at December 31, 2022 are as follows:

|  | <u>LEVEL 1</u>              | <u>LEVEL 2</u>              | <u>NAV-PE</u>       | <u>TOTAL</u>        |
|--|-----------------------------|-----------------------------|---------------------|---------------------|
| Investments:   |                             |                             |                     |                     |
| Exchange-traded funds  | \$ 1,047,226                |                             |                     | \$ 1,047,226        |
| Fixed-income mutual funds  | 476,930                     |                             |                     | 476,930             |
| Money market mutual funds  | 195,667                     |                             |                     | 195,667             |
| International equity mutual funds  | <u>88,166</u>               |                             |                     | <u>88,166</u>       |
| Total  | 1,807,989                   |                             |                     | 1,807,989           |
| Investments measured at net asset value<br>using the practical expedient (a) | <u>                    </u> | <u>                    </u> | \$ 2,610,367        | <u>2,610,367</u>    |
| Total assets measured at fair value  | <u>\$ 1,807,989</u>         | <u>\$ 0</u>                 | <u>\$ 2,610,367</u> | <u>\$ 4,418,356</u> |

Assets measured at fair value at December 31, 2021 are as follows:

|  | <u>LEVEL 1</u>              | <u>LEVEL 2</u>              | <u>NAV-PE</u>       | <u>TOTAL</u>        |
|--|-----------------------------|-----------------------------|---------------------|---------------------|
| Investments:   |                             |                             |                     |                     |
| Exchange-traded funds  | \$ 1,360,216                |                             |                     | \$ 1,360,216        |
| Fixed-income mutual funds  | 600,720                     |                             |                     | 600,720             |
| Money market mutual funds  | 148,058                     |                             |                     | 148,058             |
| International equity mutual funds  | <u>201,237</u>              |                             |                     | <u>201,237</u>      |
| Total  | 2,310,231                   |                             |                     | 2,310,231           |
| Investments measured at net asset value<br>using the practical expedient (a) | <u>                    </u> | <u>                    </u> | \$ 3,298,680        | <u>3,298,680</u>    |
| Total assets measured at fair value  | <u>\$ 2,310,231</u>         | <u>\$ 0</u>                 | <u>\$ 3,298,680</u> | <u>\$ 5,608,911</u> |

(a) Investments measured at NAV-PE are held in a Communities Foundation of Texas (CFT) fund. The principal investment objective of the CFT fund is to provide long-term, charitable support. The corpus should grow over time to exceed the effects of grant-making and inflation. The asset allocation can include less liquid assets that should earn a premium over publicly-traded assets. The current target allocation for the CFT fund, including a mix of actively and passively-managed assets, is 51% global equities, 25% alternatives, 18% fixed income, and 6% real assets. The Foundation may redeem its interest in the fund, minus any fees or expenses due, on the trade date plus three days following approval by the Foundation's Vice President of Finance.

Valuation methods used for assets measured at fair value are as follows:

- *Exchange-traded funds* are valued at the closing price reported on the active market on which the individual securities are traded.
- *Mutual funds* are valued at the reported net asset value of shares held.
- *CFT fund* is valued using the net asset value per share as provided by CFT based on a percentage ownership of the underlying investments.

These valuation methods may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate, the use of different methods or assumptions could result in a different fair value measurement at the reporting date.

Investments are exposed to various risks such as interest rate, market and credit risks. Alternative investments include additional risks because of their complex nature and limited regulations resulting in a greater risk of losing invested capital. Such risks include, but are not limited to, limited liquidity, absence of oversight, dependence upon key individuals, emphasis on speculative investments (both derivatives and nonmarketable investments), and nondisclosure of portfolio composition. Because of these risks, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position and statement of activities.

## NOTE 5 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

|  | <u>2022</u>         | <u>2021</u>         |
|--|---------------------|---------------------|
| Subject to expenditure for specified purpose:      |                     |                     |
| Scholarships                                       | \$ 1,851,421        | \$ 2,018,513        |
| Veterans scholarships                              | 255,000             | 315,000             |
| Shaun Kennedy award                                | 33,268              |                     |
| High school entrepreneurial awards                 | <u>500</u>          | <u>2,500</u>        |
| Total subject to expenditure for specified purpose | 2,140,189           | 2,336,013           |
| Endowments:  |                     |                     |
| High school entrepreneurial awards:                |                     |                     |
| Required to be maintained in perpetuity            | 32,043              |                     |
| Texas Legends Endowment:                           |                     |                     |
| Accumulated net investment return                  | 176,245             | 439,325             |
| Required to be maintained in perpetuity            | <u>1,000,000</u>    | <u>1,000,000</u>    |
| Total net assets with donor restrictions           | <u>\$ 3,348,477</u> | <u>\$ 3,775,338</u> |

## NOTE 6 – ENDOWMENT

The Foundation's endowment consists of two donor-restricted funds established to support scholarships. Donor-restricted endowment funds are subject to the Texas Uniform Prudent Management of Institutional Funds Act (TUPMIFA). The Foundation's Board of Directors has interpreted TUPMIFA as allowing the Foundation to appropriate for expenditure or accumulate as much of an endowment fund as the Foundation determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund was established, subject to explicit donor stipulations.

Donor-restricted endowment net assets are classified as *net assets with donor restrictions* until awarded as scholarships. The Foundation identifies contributions to the endowment, plus any donor-stipulated accumulations, as *required to be maintained in perpetuity*. However, TUPMIFA does not preclude the Foundation from spending below the amount required to be maintained in perpetuity subject to prudent standards. An endowment fund is *underwater* if the fair value of the fund's investments fall below the amount required to be maintained in perpetuity because of declines in the fair value of investments and/or continued appropriation and spending in accordance with prudent measures. There were no underwater funds at December 31, 2022 and 2021.

Changes in the donor-restricted endowment fund are as follows:

|   | <u>WITH DONOR RESTRICTIONS</u>                   |  |                     |
|---|--|--|---------------------|
|   | <u>ACCUMULATED<br/>NET INVESTMENT<br/>RETURN</u> | <u>REQUIRED TO BE<br/>MAINTAINED IN<br/>PERPETUITY</u> | <u>TOTAL</u>        |
| Endowment net assets, December 31, 2020 | \$ 230,057                                       | \$ 1,000,000   | \$ 1,230,057        |
| Net investment return                   | 254,268  |  | 254,268             |
| Appropriations                          | <u>(45,000)</u>                                  | <u>                    </u>                            | <u>(45,000)</u>     |
| Endowment net assets, December 31, 2021 | 439,325  | 1,000,000  | 1,439,325           |
| Net investment return                   | (218,080)  |  | (218,080)           |
| Contributions                           |  | 32,043   | 32,043              |
| Appropriations                          | <u>(45,000)</u>                                  | <u>                    </u>                            | <u>(45,000)</u>     |
| Endowment net assets, December 31, 2022 | <u>\$ 176,245</u>                                | <u>\$ 1,032,043</u>                                    | <u>\$ 1,208,288</u> |

#### Spending Policies and Investment Return Objectives

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by the endowment in such a manner as to preserve and enhance the net asset value. The Finance Committee and the Executive Committee provide investment guidance for, and monitor the growth and maintenance of, the endowment fund.

Distributions of up to 4.5% may be approved on an annual basis based upon the average market value of the investments as of December 31 of the preceding year.

#### **NOTE 7 – NONFINANCIAL CONTRIBUTIONS**

Contributed nonfinancial assets were recognized as follows:

| <u>CONTRIBUTED<br/>NONFINANCIAL<br/>ASSETS</u>                | <u>MONETIZED OR<br/>UTILIZED IN<br/>PROGRAMS/<br/>ACTIVITIES</u> | <u>DONOR<br/>RESTRICTIONS</u> | <u>VALUATION<br/>TECHNIQUES<br/>AND INPUTS</u>                             | <u>FISCAL YEAR<br/>2022</u> | <u>FISCAL YEAR<br/>2021</u> |
|---|--|-------------------------------|--|-----------------------------|-----------------------------|
| Printing services, decorations, and awards                    | Utilized for induction dinner and scholar and veterans awards    | None                          | Fair value estimated based on selling price of similar services and goods. | \$17,263                    | \$13,000                    |
| Annual membership to an on-line educational streaming service | Utilized by Foundation members                                   | None                          | Fair value estimated based on current subscription price for 150 members.  | \$27,000                    |                             |
| Total contributed nonfinancial assets                         |  |                               |  | <u>\$44,263</u>             | <u>\$13,000</u>             |



## NOTE 8 – JOINT COST ALLOCATION

In 2022 and 2021, the Foundation held an annual induction dinner that included fundraising components as well as program components. The cost of producing the dinner included a total of \$450,945 and \$498,448 for joint staging, decorating, audio/visual and video production costs in 2022 and 2021, respectively, which are not specifically attributable to particular components of the activities (joint costs). These joint costs were allocated as follows:

|                                   | <u>2022</u>       | <u>2021</u>       |
|-----------------------------------|-------------------|-------------------|
| Fundraising                       | \$ 112,736        | \$ 124,612        |
| Hall of Fame honoree recognitions | <u>338,209</u>    | <u>373,836</u>    |
| Total joint costs                 | <u>\$ 450,945</u> | <u>\$ 498,448</u> |

## NOTE 9 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 24, 2023, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.

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