

EAST TEXAS COMMUNITIES FOUNDATION, INC.

CONSOLIDATED FINANCIAL STATEMENTS
(with Independent Auditors' Report thereon)

DECEMBER 31, 2022 AND 2021

EAST TEXAS COMMUNITIES FOUNDATION, INC.
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
East Texas Communities Foundation, Inc.
Tyler, Texas

Opinion

We have audited the accompanying consolidated financial statements of East Texas Communities Foundation, Inc. and ETCF Support Foundation, Inc. ("the Foundation") (a nonprofit organization), 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 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 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditor's Responsibilities 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 audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Emphasis of Matter – Change in Accounting Principle

As described in Note 2 to the financial statements, the Foundation adopted new accounting guidance, ASC 842. Our opinion is not modified with respect to this matter.



PROTHRO, WILHELMI, & COMPANY, PLLC

Tyler, Texas
August 8, 2023

EAST TEXAS COMMUNITIES FOUNDATION, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2022 AND 2021

	2022	2021
ASSETS		
Cash and cash equivalents	\$ 3,092,343	\$ 8,217,994
Pledges receivable	39,306	43,663
Investments	118,676,132	134,147,419
Property and equipment, net	42,213	56,993
Other assets	-	2,729
	\$ 121,849,994	\$ 142,468,798
LIABILITIES		
Grants payable	\$ 136,800	\$ 58,949
Administrative expenses payable	15,535	14,962
Accrued compensated absences	28,452	23,513
Funds held as agency endowments	13,134,443	14,708,076
	13,315,230	14,805,500
NET ASSETS		
Without donor restrictions	2,670,236	3,110,818
With donor restrictions	105,864,528	124,552,480
	108,534,764	127,663,298
Total Liabilities and Net Assets	\$ 121,849,994	\$ 142,468,798

See accompanying notes to financial statements.

EAST TEXAS COMMUNITIES FOUNDATION, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total 2022</u>
Revenue and Other Support:			
Contributions received	\$ 24,580	\$ 12,116,584	\$ 12,141,164
Interest and dividends	57,551	2,745,486	2,803,037
Net realized gains (losses)	(26,504)	319,189	292,685
Net unrealized (losses)	(417,898)	(20,267,692)	(20,685,590)
Income from mineral interests	-	103,071	103,071
Administrative fees from agency endowments	115,248	-	115,248
Other	34,411	32,263	66,674
Net assets released from restrictions	<u>13,736,853</u>	<u>(13,736,853)</u>	<u>-</u>
Total revenue and other support	<u>13,524,241</u>	<u>(18,687,952)</u>	<u>(5,163,711)</u>
Expenses:			
Program	13,468,717	-	13,468,717
Management and general	194,171	-	194,171
Fundraising/marketing	301,935	-	301,935
Total expenses	<u>13,964,823</u>	<u>-</u>	<u>13,964,823</u>
Changes in net assets	(440,582)	(18,687,952)	(19,128,534)
Net assets, beginning of year	<u>3,110,818</u>	<u>124,552,480</u>	<u>127,663,298</u>
Net assets, end of year	<u>\$ 2,670,236</u>	<u>\$ 105,864,528</u>	<u>\$ 108,534,764</u>

See accompanying notes to financial statements.

EAST TEXAS COMMUNITIES FOUNDATION, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total 2021</u>
Revenue and Other Support:			
Contributions received	\$ 130,616	16,770,483	\$ 16,901,099
Interest and dividends	48,640	2,599,801	2,648,441
Net realized gains	190,547	7,169,870	7,360,417
Net unrealized gains	-	1,269,964	1,269,964
Income from mineral interests	-	75,423	75,423
Administrative fees from agency endowments	132,679	-	132,679
Other	26,999	1,140	28,139
Net assets released from restrictions	15,351,161	(15,351,161)	-
Total revenue and other support	<u>15,880,642</u>	<u>12,535,520</u>	<u>28,416,162</u>
Expenses:			
Program	14,796,614	-	14,796,614
Management and general	169,834	-	169,834
Fundraising/marketing	286,563	-	286,563
Total expenses	<u>15,253,011</u>	<u>-</u>	<u>15,253,011</u>
Changes in net assets	627,631	12,535,520	13,163,151
Net assets, beginning of year	2,483,187	112,016,960	114,500,147
Net assets, end of year	<u>\$ 3,110,818</u>	<u>\$ 124,552,480</u>	<u>\$ 127,663,298</u>

See accompanying notes to financial statements.

EAST TEXAS COMMUNITIES FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022

Account Description	Program	Management and General Expenses	Fundraising/ Marketing	Total Expenses
Program Services	\$ 12,263,141	\$ -	\$ -	\$ 12,263,141
Investment Related Expenses	628,536	580	-	629,116
Personnel	396,036	132,807	206,159	735,002
Office Expense	65,640	22,097	35,722	123,459
Donor Relations	64,005	21,464	33,318	118,787
Professional Development	23,490	7,877	12,228	43,595
Professional Fees	14,200	4,762	7,392	26,354
Other Administration	7,599	2,548	3,956	14,103
Insurance	6,070	2,036	3,160	11,266
Total Expenses	<u>\$ 13,468,717</u>	<u>\$ 194,171</u>	<u>\$ 301,935</u>	<u>\$ 13,964,823</u>

See accompanying notes to financial statements.

EAST TEXAS COMMUNITIES FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

Account Description	Program	Management and General Expenses	Fundraising/ Marketing	Total Expenses
Program Services	\$ 13,521,320	\$ -	\$ -	\$ 13,521,320
Investment Related Expenses	749,696	309	-	750,005
Personnel	365,439	117,650	198,434	681,523
Office Expense	59,441	19,449	33,439	112,329
Donor Relations	46,908	15,102	25,471	87,481
Professional Development	12,712	4,093	6,903	23,708
Professional Fees	28,732	9,250	15,601	53,583
Other Administration	7,191	2,315	3,905	13,411
Insurance	5,175	1,666	2,810	9,651
Total Expenses	<u>\$ 14,796,614</u>	<u>\$ 169,834</u>	<u>\$ 286,563</u>	<u>\$ 15,253,011</u>

See accompanying notes to financial statements.

EAST TEXAS COMMUNITIES FOUNDATION, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
Cash flows from operating activities		
Change in net assets	\$ (19,128,534)	\$ 13,163,151
Adjustments to reconcile change in net assets to net cash (used in) operating activities:		
Depreciation	17,425	17,197
Donated securities	(3,832,755)	(5,794,264)
Net depreciation (appreciation) of investments	20,392,904	(8,655,818)
Decrease in pledges receivable	4,357	7,103
Decrease (increase) in other assets	2,729	(2,729)
Increase (decrease) in grants payable	77,851	(53,001)
Increase (decrease) in administrative expenses payable	573	(2,476)
Increase (decrease) in accrued compensated absences	4,939	(270)
Increase (decrease) in funds held as agency endowment	(1,573,633)	402,536
Net cash (used in) operating activities	(4,034,144)	(918,571)
Cash flows from investing activities		
Purchase of fixed assets	(2,645)	(6,313)
Purchase of investments	(36,449,093)	(33,425,609)
Proceeds from sales and maturities of investments	35,360,231	40,386,055
Net cash provided by (used in) investing activities	(1,091,507)	6,954,133
Increase (decrease) in cash	(5,125,651)	6,035,562
Cash and cash equivalents, beginning of year	8,217,994	2,182,432
Cash and cash equivalents, end of year	\$ 3,092,343	\$ 8,217,994

See accompanying notes to financial statements.

EAST TEXAS COMMUNITIES FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The Foundation is a non-profit organization that encourages private giving for public purposes and accepts bequests and gifts to be administered according to permissible donor restrictions. In the absence of specific donor restrictions, contributed funds are administered under the direction of the Board of Directors for the benefit of non-profit organizations approved by the Internal Revenue Service in accordance with Internal Revenue Code section 501(c)(3). The Foundation's accounting records, and reporting are on a calendar year.

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting and, accordingly, reflect any significant receivables, payables, and other liabilities.

Financial Statement Presentation

The Foundation's financial statements are presented in accordance with Accounting Standards Codification (ASC) No. 958-205, *Not-for-Profit Entities, Presentation of Financial Statements*. Under ASC No. 958, the Foundation is required to report information regarding its financial position and activities by class.

- Net Assets Without Donor Restrictions are amounts currently available at the discretion of the Board for use in the Foundation's operations and those resources invested in equipment and real estate.
- Net Assets With Donor Restrictions are stipulated by donors for specific operating purposes or for the acquisition of equipment.

In addition, the Foundation is required to present a statement of cash flows. All contributions are considered available for unrestricted use unless specifically restricted by the donor or subject to other legal restrictions. Restricted gains and investment income in which restrictions are met in the same reporting period, are reported as unrestricted support.

ASC No. 958 and its subsections establish standards for transactions in which a community foundation accepts a contribution from a donor and agrees to transfer those assets, the return on investment of those assets or both to another entity that is specified by the donor. ASC 958-605-25 specifically requires that if a Not-for-Profit Organization (NPO) establishes a fund at a community foundation with its own funds, and specifies itself as the beneficiary of that fund, the community foundation must account for the transfer of such assets as a liability. The Foundation refers to such funds as non-profit funds.

The Foundation maintains variance power and legal ownership of agency endowment funds and as such continues to report the funds as assets of the Foundation. However, in accordance with ASC 958-605-25, a liability has been established for the fair value of the funds.

EAST TEXAS COMMUNITIES FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Contributions

Contributions received are recorded as unrestricted or restricted support depending on the existence and/or nature of any donor restrictions.

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Federal Income Tax

The Foundation is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. The Foundation paid no federal income taxes or interest during the year. The Foundation believes it has filed all required tax reports and has no uncertain tax positions. The years 2019 to 2021 remain open for examination by taxing authorities.

Donated Financial Assets

Donated marketable securities and other non-cash donations are recorded as contributions at their estimated fair values at the date of donation.

Measure of Operations

The Foundation includes in its measure of operations all revenues and expenses that are an integral part of its programs and supporting activities including realized and unrealized gains and losses on investments.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, contingent assets, and liabilities, and amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Foundation considers only unrestricted demand deposits and money market accounts used in operations as an equivalent to demand deposits to be cash equivalents.

EAST TEXAS COMMUNITIES FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Investments

Money market investment funds held under the custody of fund managers, other than those used in operations as an equivalent to demand deposits, are considered short-term investments. Investments in common and preferred stocks, bonds, U.S. Treasury bills and government agencies, and mutual funds are carried at quoted fair market value. Investments in mineral interests are carried at fair market value as determined by valuation conducted by the outside brokerage having custody over those interests.

Property and Equipment

All significant acquisitions of property and equipment and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful life of the asset.

Concentration of Credit Risk

The Foundation places its cash, cash equivalents, short-term fund, and marketable securities in high credit quality financial institutions. These accounts include money market funds which are not covered by Federal Deposit Insurance Corporation insurance. The Foundation has not experienced any losses on such accounts.

Advertising

The policy of the Foundation is to expense all advertising costs as incurred. Advertising expense for the year ended December 31, 2022 and 2021 was \$9,373 and \$19,106.

Reporting Entity

The consolidated financial statements include the East Texas Communities Foundation, Inc. and its affiliated organization, ETCF Support Foundation. ETCF Support Foundation was formed for the benefit of East Texas Communities Foundation, Inc.; East Texas Communities Foundation, Inc. retains an economic interest in ETCF Support Foundation, retains the ultimate power and discretion over all distributions, and has the ability to appoint the majority of the voting board members of its Board of Directors. All significant inter-organization transactions were eliminated.

Revenue Recognition

Accounting Standards Update (ASU) No. 2014-09, “*Revenue from Contracts with Customers*,” requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers.

The Foundation’s revenue comes from contributions and investment earnings, which are not considered contracts under this model because the transactions lack an exchange of commensurate value. Accordingly, the Foundation has no contract balances at the beginning or ending of the years presented herein.

EAST TEXAS COMMUNITIES FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Functional Expense Allocation

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and in detail in the statement of functional expenses. Expenses were either allocated based on relative time spent or occupancy percentages.

NOTE 2 – RECENTLY ADOPTED ACCOUNTING STANDARDS

Leases – Change in Accounting Principle

In February 2016, the FASB issued ASU No. 2016-02, “*Leases*” (Topic 842), which supersedes existing guidance for accounting for leases under *Topic 840, Leases*. The FASB also subsequently issued the following ASUs, which amend and clarify *Topic 842*: ASU 2018-01, *Land Easement Practical Expedient for Transition to Topic 842*; ASU 2018-11, *Leases (Topic 842): Targeted Improvements*; ASU 2018-20, *Narrow-scope Improvements for Lessors*; and ASU 2019-01, *Leases (Topic 842): Discount Rate for Lessees That Are Not Public Business Entities*. The most significant change in the new leasing guidance is the requirement to recognize a right of use (“ROU”) asset and lease liabilities on the statement of financial position. The Foundation elected to adopt these ASUs effective January 1, 2022 and utilized all of the available expedients. The adoption did not have a material impact on the Foundation’s statement of financial position or statement of activities.

Contributed Nonfinancial Assets

In September 2020, the FASB issued ASU No. 2020-07, “*Not-For-Profit Entities*” (Topic 958): *Presentation And Disclosures By Not-For-Profit Entities For Contributed Nonfinancial Assets*. ASU 2020-07 is effective for fiscal years beginning after June 15, 2021. Under the new guidance, contributed nonfinancial assets, including food, used clothing and household items, supplies, pharmaceuticals, medical equipment, intangibles, contributed use of long-lived assets, and contributed services, will be reported as a separate line item on the statement of activities, apart from contributions of cash and other financial assets.

Along with the change to the face of the financial statements, it is also required to disclose for each category of nonfinancial assets:

- Qualitative information about whether the gift-in-kind was monetized (i.e., sold) or used during the reporting period. If it was used, also disclose a description of the programs or other activities in which the assets were used. A best practice is to use the same program or activity names in the disclosure that are used in the expense section of the statement of activities.
- The Foundation’s policy, if applicable, regarding monetizing rather than using gifts-in-kind.
- A description of any donor-imposed restrictions associated with the gift-in-kind.
- A description of the valuation techniques and inputs used to arrive at the fair value measurement.

EAST TEXAS COMMUNITIES FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 2 – RECENTLY ADOPTED ACCOUNTING STANDARDS (continued):

Contributed Nonfinancial Assets (continued)

- The principal market (or most advantageous market) used to arrive at a fair value measurement if it is a market in which the Foundation is prohibited by a donor-imposed restriction from selling or using the contributed nonfinancial assets.

For contributed services, the disclosures above are in addition to the disclosures currently required for contributed services.

The Foundation elected to adopt these ASUs effective January 1, 2022. The adoption did not have a material impact on the Foundation’s statement of financial position or statement of activities.

NOTE 3 – RECLASSIFICATIONS

Certain reclassifications have been made to prior year financial statements to conform to classifications used in the current year. These reclassifications had no impact on net assets or changes in net assets.

NOTE 4 – NET ASSETS WITH DONOR RESTRICTIONS

Restricted funds are donations received which are to be distributed to the particular area of community life or institution as the Board of Directors so designates, based on recommendations from the donors. The restricted funds at December 31, 2022 and 2021 consist of donations received and the income earned from investing those donations less distributions.

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment is summarized as follows at December 31, 2022 and 2021, respectively:

	<u>2022</u>	<u>2021</u>
Equipment	\$ 75,626	\$ 72,980
Leasehold improvements	75,959	75,959
Total Property and Equipment	<u>151,585</u>	<u>148,939</u>
Less: Accumulated depreciation	<u>(109,372)</u>	<u>(91,946)</u>
Net Property and Equipment	<u>\$ 42,213</u>	<u>\$ 56,993</u>

EAST TEXAS COMMUNITIES FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 6 – INVESTMENTS

Statements of Financial Accounting Standards (SFAS) No. 157, Fair Value Measurements, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable information for similar items in active or inactive markets and have a lower priority, and Level 3 inputs have the lowest priority. The Foundation uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Foundation measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. The Foundation's available-for-sale securities are reported at fair value.

All debt and equity securities have readily determinable values and include the following as of December 31, 2022 and 2021, respectively:

	Fair Value Measurements			
	12/31/2022			
	(Level 1)	(Level 2)	(Level 3)	Total
Donor Advised	\$ 8,133,948	\$ 26,248,392	\$ 2,430,900	\$ 36,813,240
Donor Designated	31,481,793	-	-	31,481,793
Non-profit Funds	22,509,594	-	-	22,509,594
Field of Interest	15,600,278	-	-	15,600,278
Scholarship	11,645,661	-	-	11,645,661
Unrestricted Charitable	578,311	-	-	578,311
Project	47,255	-	-	47,255
Total Investments	\$ 89,996,840	\$ 26,248,392	\$ 2,430,900	\$ 118,676,132

	Fair Value Measurements			
	12/31/2021			
	(Level 1)	(Level 2)	(Level 3)	Total
Donor Advised	\$ 8,260,800	\$ 32,187,983	\$ 1,250,000	\$ 41,698,783
Donor Designated	35,928,910	-	-	35,928,910
Non-profit Funds	26,540,626	-	-	26,540,626
Field of Interest	15,188,117	-	-	15,188,117
Scholarship	14,021,446	-	-	14,021,446
Unrestricted Charitable	712,182	-	-	712,182
Project	57,355	-	-	57,355
	\$ 100,709,436	\$ 32,187,983	\$ 1,250,000	\$ 134,147,419

EAST TEXAS COMMUNITIES FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 6 – INVESTMENTS - continued

As of December 31, 2022 and 2021, respectively, investments by type of fund are as follows:

	Fair Value Measurements			
	12/31/2022			
	(Level 1)	(Level 2)	(Level 3)	Total
Money Market Funds	\$ 11,160,256	\$ -	\$ -	\$ 11,160,256
US Treasuries & Government Agencies	11,872,534	-	-	11,872,534
Corporate Bonds and Notes	4,596,034	415,678	-	5,011,712
Exchange-Traded Funds	40,179,855	-	-	40,179,855
Mutual Funds	-	22,209,809	-	22,209,809
Common Stock	21,658,714	-	-	21,658,714
Preferred Stock	520,033	-	-	520,033
Investment in Mineral Interests	-	394,969	-	394,969
Privately Held Stock	9,414	3,227,936	2,430,900	5,668,250
Total Investments	\$ 89,996,840	\$ 26,248,392	\$ 2,430,900	\$ 118,676,132

	Fair Value Measurements			
	12/31/2021			
	(Level 1)	(Level 2)	(Level 3)	Total
Money Market Funds	\$ 11,512,665	\$ -	\$ -	\$ 11,512,665
US Treasuries & Government Agencies	17,318,318	-	-	17,318,318
Corporate Bonds and Notes	2,364,644	-	-	2,364,644
Exchange-Traded Funds	24,307,203	-	-	24,307,203
Mutual Funds	-	28,960,015	-	28,960,015
Common Stock	45,197,192	-	-	45,197,192
Investment in Mineral Interests	-	32	-	32
Other	9,414	3,227,936	1,250,000	4,487,350
	\$ 100,709,436	\$ 32,187,983	\$ 1,250,000	\$ 134,147,419

During the year ended December 31, 2022, the unfavorable market conditions resulted in a \$15.5 million decrease in the fair value measurement of investments.

NOTE 7 – EMPLOYEE BENEFIT PLANS

The Foundation has in place, for its employees, a SIMPLE IRA defined contribution retirement plan (Plan) qualified for deferred income tax treatment by the Internal Revenue Service. Under the Plan, the Foundation contributes 3% of the employee’s annual pay to the Plan. The Foundation’s contributions to the Plan were \$17,838 and \$16,728 for 2022 and 2021, respectively.

NOTE 8 – ACCRUED COMPENSATED ABSENCES

The Foundation offers paid time off to its employees, who are permitted to carry over unused time to future years. Total accrued compensated absences as of December 31, 2022 and 2021, were \$28,452 and \$23,513, respectively.

EAST TEXAS COMMUNITIES FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 9 – LIQUIDITY AND AVAILABILITY OF RESOURCES

The Foundation is substantially supported by restricted contributions. Because a donor’s restriction requires resources to be used in a particular manner or in a future period, the Foundation must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. The Foundation maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The Foundation’s financial assets available within one year of December 31, 2022 and 2021, respectively, for general expenditure are as follows:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 3,092,343	\$ 8,217,994
Pledges receivable, current	39,306	43,663
Investments	<u>118,676,132</u>	<u>134,147,419</u>
Total financial assets available within one year	121,807,781	142,409,076
Less:		
Amounts unavailable for general expenditures within one year, due to:		
Restricted by donors with time or purpose restrictions	<u>(119,212,076)</u>	<u>(134,697,229)</u>
Total financial assets available to management for general expenditure within one year	<u>\$ 2,595,705</u>	<u>\$ 7,711,847</u>

EAST TEXAS COMMUNITIES FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 10 – UNDERWATER ENDOWMENT FUNDS

According to ASC No. 958, underwater endowment funds are funds which have a fair value that is less than either the original gift amount or the amount required to be maintained by the donor. Decisions regarding possible underwater endowment funds fall to the discretion of the Program Manager. The Foundation has several endowment funds with a gift amount that exceeds the fair value. However, the majority of the aforementioned funds were in compliance with the respective donor’s requirement. Based on the definition of an underwater endowment, the Foundation considers only those funds that are non-compliant with donor requirements to be underwater. Total underwater endowments are calculated as below. Since the total amount deemed underwater is small compared to total endowments, the underwater funds do not affect the Foundation’s spending policies or financial flexibility.

As of December 31, 2022 and 2021, respectively, underwater endowments are as follows:

	2022	2021
Aggregate original gift amount	\$ 81,426	\$ 81,426
Aggregate fair value of funds	<u>(46,859)</u>	<u>(58,346)</u>
Total underwater endowments	<u><u>\$ 34,567</u></u>	<u><u>\$ 23,080</u></u>

NOTE 11 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 8, 2023, the date the financial statements were available to be issued. There were no subsequent events requiring recognition or disclosure.