The Dallas Foundation and Affiliates

Consolidated Financial Report
Year Ended December 31, 2022

Assurance • Tax • Advisory

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Independent Auditor's Report

To the Board of Governors of
The Dallas Foundation and Affiliates
Dallas, Texas

Opinion

We have audited the consolidated financial statements of The Dallas Foundation and its affiliates (the Foundation), which comprise the consolidated statement of financial position as of December 31, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of The Dallas Foundation and its affiliates as of December 31, 2022, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 2 to the consolidated financial statements, during the year ended December 31, 2022, the Foundation adopted Accounting Standards Update (ASU) 2016-02, *Leases*, and related amendments ("Topic 842") effective January 1, 2022. Our opinion is not modified with respect to this matter.

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 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 for one year after the date that the consolidated financial statements are issued or when applicable, one year after the date that the financial statements are available to be issued.

The Board of Governors of
The Dallas Foundation and Affiliates

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 GAAS 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 GAAS, 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.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
August 25, 2023

The Dallas Foundation and Affiliates

Consolidated Statement of Financial Position

December 31, 2022

ASSETS		
ASSETS		
Cash and cash equivalents	$	22,979,318
Investments		479,525,319
Prepaid expenses and other receivables		483,945
Contributions receivable, net		6,629,692
Interests in irrevocable trusts		42,996,991
Real estate and mineral interests		3,854,889
Operating lease, right-of-use asset		2,237,184
Property and equipment, net		99,377
TOTAL ASSETS	$	558,806,715
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and other liabilities	$	1,308,281
Grants and program services payable, net		11,437,956
Operating lease liability		2,272,812
Assets held for others		17,491,346
Total liabilities		32,510,395
NET ASSETS		
Without donor restrictions		458,130,018
With donor restrictions		68,166,302
Total net assets		526,296,320
TOTAL LIABILITIES AND NET ASSETS	$	558,806,715

The Notes to Consolidated Financial Statements
are an integral part of this statement.

The Dallas Foundation and Affiliates

Consolidated Statement of Activities

Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT			
Donor contributions	$ 164,010,377	$ 3,019,964	$ 167,030,341
Special event revenue	168,467	6,802	175,269
Less amounts raised or received on behalf of others	(4,917,165)	-	(4,917,165)
Net contributions	159,261,679	3,026,766	162,288,445
Provision for uncollectible pledges	-	(9,134,025)	(9,134,025)
Total investment income, net	6,453,328	442,435	6,895,763
Less income on assets held for others	(385,635)	-	(385,635)
Net investment income	6,067,693	442,435	6,510,128
Total investment realized / unrealized gains (losses), net	(31,124,130)	(3,500,467)	(34,624,597)
Less investment gains (losses) on assets held for others	2,844,769	-	2,844,769
Net investment realized / unrealized gains (losses)	(28,279,361)	(3,500,467)	(31,779,828)
Change in value of interests in irrevocable trusts and related income	775,676	(4,361,229)	(3,585,553)
Rental, royalty, and other income	780,456	15,484	795,940
Net assets released from restrictions	12,068,360	(12,068,360)	-
Total revenues and support	150,674,503	(25,579,396)	125,095,107
EXPENSES AND DISTRIBUTIONS			
Total grants and program services	85,786,783	-	85,786,783
Less grants on assets held for others	(3,773,886)	-	(3,773,886)
Educational support	1,482,625	-	1,482,625
Total program services	83,495,522	-	83,495,522
Supporting services and administrative	8,689,862	-	8,689,862
Fundraising	2,324,308	-	2,324,308
Total expenses and distributions	94,509,692	-	94,509,692
Change in net assets	56,164,811	(25,579,396)	30,585,415
NET ASSETS, beginning of year	401,965,207	93,745,698	495,710,905
NET ASSETS, end of year	$ 458,130,018	$ 68,166,302	$ 526,296,320

The Notes to Consolidated Financial Statements are an integral part of this statement.

The Dallas Foundation and Affiliates

Consolidated Statement of Functional Expenses

Year Ended December 31, 2022

	Grants and Program Services	Educational Support	Total Program Services	General and Administrative	Fundraising	Total
Grants and other assistance	$ 69,364,779	$ -	$ 69,364,779	$ -	$ -	$ 69,364,779
Salaries and benefits	862,087	948,296	1,810,383	1,336,235	1,163,818	4,310,436
Professional services	4,902,004	175,369	5,077,373	2,376,305	553,619	8,007,297
Marketing and advertising	204,477	13,145	217,622	35,308	45,283	298,213
Meetings, conferences, and travel	163,758	53,434	217,192	169,385	107,030	493,607
Office expenses	101,028	160,737	261,765	312,810	112,257	686,832
Occupancy	175,391	39,623	215,014	145,134	178,742	538,890
Information technology	47,544	41,798	89,342	99,138	53,334	241,814
Insurance	10,835	11,996	22,831	19,676	14,866	57,373
Other expenses	6,168,222	24,179	6,192,401	4,176,073	78,118	10,446,592
Depreciation	12,772	14,048	26,820	19,798	17,241	63,859
TOTAL EXPENSES	$ 82,012,897	$ 1,482,625	$ 83,495,522	$ 8,689,862	$ 2,324,308	$ 94,509,692

The Notes to Consolidated Financial Statements
are an integral part of this statement.

The Dallas Foundation and Affiliates

Consolidated Statement of Cash Flows
Year Ended December 31, 2022

OPERATING ACTIVITIES	
Change in net assets	$ 30,585,415
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Provision for losses on uncollectible contributions	(273,359)
Amortization of contributions receivable discount	(24,292)
Amortization of grants payable	687,151
Amortization of charitable remainder trusts	(1,546,474)
Realized and unrealized gains on investments	(34,624,597)
Realized and unrealized losses on beneficial interest trusts	6,660,765
Unrealized gains on real estate and mineral interests	(104,628)
Investment income restricted for long term purposes	(442,435)
Noncash investment contributions	(18,998,304)
Depreciation expense	63,859
Changes in operating assets and liabilities	
Prepaid expenses and other receivables	16,086,964
Contributions receivable	8,093,138
Accounts payable and other liabilities	147,800
Grants and program services payable	2,311,965
Operating lease	22,503
Assets held for others	(1,583,025)
Net cash provided by operating activities	7,062,446
INVESTING ACTIVITIES	
Purchases of investments	(324,034,751)
Proceeds from sales and maturities on investments	298,882,634
Purchases of property and equipment	(111,572)
Net cash used in investing activities	(25,263,689)
FINANCING ACTIVITIES	
Distributions from beneficial interests in charitable remainder trusts	93,864
Investment income restricted for long term purposes	442,435
Net cash provided by financing activities	536,299
Net decrease in cash, cash equivalents, and cash in investments	(17,664,944)
CASH AND CASH EQUIVALENTS, beginning of year	40,644,262
CASH AND CASH EQUIVALENTS, end of year	$ 22,979,318

The Notes to Consolidated Financial Statements
are an integral part of this statement.

Note 1. Nature of Operations

The Dallas Foundation (The Foundation) is a community foundation that brings together people, ideas and investments in Greater Dallas. The Foundation partners with donors and donor families to help them create and execute their philanthropic vision while simultaneously focusing on key community issues. Grants awarded benefit a range of areas including arts and humanities, education, health, animal welfare, and social services. The Foundation also serves as the administrative home for mission-driven initiatives requiring fiscal sponsorship.

Note 2. Summary of Significant Accounting Policies

A summary of the significant accounting policies consistently applied in the preparation of the accompanying consolidated financial statements are as follows:

Principles of Consolidation

The consolidated financial statements include the assets, liabilities, net assets, and changes in net assets, statement of functional expenses, and cash flows of the Foundation and its three affiliated supporting organizations. The affiliated organizations are included with the Foundation in the accompanying consolidated financial statements because the Foundation has an economic interest in the organizations and controls the affiliated organizations' Boards of Directors. All significant inter-organization transactions have been eliminated. The Foundation and its affiliates are collectively referred to as the Foundation throughout these consolidated financial statements.

Basis of Presentation

The Foundation's consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). The financial statement presentation follows the recommendations of the FASB Accounting Standards Codification (ASC) Topic 958, *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC 958, the Foundation is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

<u>Net assets without donor restrictions</u> – Net assets that are not subject to donor-imposed use or time restrictions. When the Board of Governors (the Board) has the ability to remove a donor restriction (i.e., variance power), the contribution is classified as without donor restrictions. Under the terms of certain gift instruments, the assets are held and invested in a manner similar to endowment funds; however, the Board has the authority, if it deems it prudent and appropriate, to expend the entirety of the principal or appreciation.

In addition, the Foundation receives contributions from donors with advice regarding distribution of the assets and their related earnings. The Foundation attempts to meet the desires expressed by the donors at the time of the contribution; however, the Foundation reserves the right to modify any restrictions or conditions on the distribution of funds for any specified charitable purpose or to specified organizations if, in the sole judgment of the Board, such restrictions or conditions become unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. Accordingly, all net assets and related activity over which the management of the Foundation exercises direct control are classified as net assets without donor restrictions in the consolidated financial statements.

Net assets with donor restrictions – Net assets subject to donor-imposed restrictions that will either be met by actions of the Foundation, by the passage of time, or are to be maintained perpetually. Net assets and related activity from term trusts, whereby the Foundation has a beneficial interest in a stream of income over a specified period of time, as well as contributions receivable restricted to use in future periods, are recorded as net assets with donor restrictions. These assets are released from their implicit time restriction when the cash (or other assets) is collected. Net assets and related activity from perpetual trusts, whereby the Foundation has a beneficial interest in a stream of income in perpetuity, are also recorded as net assets with donor restrictions.

The State of Texas has adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and the Board, on the advice of legal counsel, has determined that the Foundation's net assets do not meet the definition of an endowment under UPMIFA. The Foundation is governed subject to the terms of its by-laws and articles of incorporation, and some contributions are subject to the terms of these governing documents. Under the terms of the Foundation's governing documents, the Board has the ability to distribute the corpus of any trust or separate gift, device, bequest, or fund as the Board in its sole discretion shall determine. As a result of the ability to distribute corpus, all contributions to the Foundation (except as previously explained) are classified as without donor restrictions for financial statement purposes. While the assets of the Foundation do not meet the definition of an endowment as defined under UPMIFA, some of the assets function as endowments and are managed by The Foundation similar to endowment funds.

Transfers of financial assets from a resource provider to the Foundation for the benefit of the resource provider and/or its affiliates are recorded at fair value. The Foundation recognizes the assets received concurrent with its recognition of a liability to the specified beneficiary (i.e., assets held for others). The Foundation follows the gross method of reporting such transactions; therefore, all assets of this type, and the activity associated with those assets, are reported as assets held for others in the consolidated statement of financial position (see Note 9).

Cash and Cash Equivalents

The Foundation considers all highly liquid investments with a maturity of three months or less when purchased, excluding cash equivalent funds held in the Foundation's investment portfolio, to be cash equivalents. Amounts included in Cash in investments on the Statement of Cash Flows represent cash balances held in investments accounts. Cash in investments are included in Investments on the Statement of Financial Position.

Contributions and Contribution Receivable

Contributions received (including unconditional promises to give) are recorded as without or with donor-restricted support in the period received depending on the existence and/or nature of any donor restrictions. The Foundation reports contributions as restricted support if the support is received with donor restrictions that limit the use of the donated assets. When and if a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, restricted net assets are reclassified to net assets without restriction and reported in the consolidated statement of activities as net assets released from restriction. Contributions initially restricted by donor stipulation and for which the restriction will be satisfied in the same year are recorded as net assets without donor restrictions. Support that is not restricted by the donor or in cases where the Foundation has clear legal variance power over the funds are reported as an increase in net assets without donor restrictions in the reporting period in which the support is recognized. Contributions of assets other than cash are recorded at their estimated fair value. Conditional promises to give depend on the occurrence of a specified future and uncertain event to bind the potential donor. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. No amounts have been recognized in the consolidated financial statements for conditional promises to give, which generally arise from the Foundation being named as a beneficiary in a revocable will or trust, because the conditions on which such contributions depend have not been substantially met.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional promises to give that are expected to be collected in future years are initially reported at fair value, which is determined using the discounted present value of estimated future cash flows technique and using a discounted rate commensurate with the risks involved. The resulting discount is amortized and reported as restricted contribution revenue.

An allowance for uncollectible accounts is estimated based on management's analysis of specific pledges in addition to a reserve based on historical collection experience, type of contribution, and nature of the fund-raising activity, and is adjusted for those contributions receivable for which collection is uncertain. The allowance for uncollectible accounts is approximately $200,600 for the year ended December 31, 2022. Such amounts will be written-off if they are deemed uncollectible. Management believes that the allowance for uncollectible accounts adequately provides for any unexpected uncollectible contributions. Bad debt losses associated with the allowance for uncollectible accounts for restricted net assets are reported in other changes in net assets. Historically, the Foundation has experienced minimal losses on receivables.

Certain contributed services are reflected in the consolidated financial statements at the estimated fair value of the services received. Contributed services are recognized as revenue in the accompanying consolidated financial statements if the services received (a) create or enhance non-financial assets or (b) require specialized skills that are provided by individuals possessing those skills and (c) would typically need to be purchased if not provided by donation.

The Foundation received $224,770 of donated goods and services primarily for marketing and professional services in the year ended December 31, 2022. Such donated services are included in without donor restrictions contributions revenue and general and administrative expense.

Investments

Investments are made according to the Statement of Investment Policy adopted by the Foundation's Board. These guidelines provide for investment in equities, fixed income, and other securities with performance measured against appropriate indices. The Foundation contracts with outside parties to provide investment management and consulting services.

Investments, including U.S. government securities, fixed income securities, equity securities (including stock funds), land, oil and gas leaseholds, interests in private equity and hedge funds, partnership interests and other investments are carried at fair value.

Other real estate is carried at the lower of cost or fair value. Fair value is determined through valuation techniques using Level 3 inputs.

Investment Income

Investment income includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value calculated based on the cost of the investment sold less the original purchase price less external and direct investment expenses. Interest income is recorded when earned and dividends are recorded on the ex-dividend date.

Investment income and realized gains and losses in restricted net assets are reported as increases in restricted net assets until budgeted for spending. The change in fair value between years along with realized gains or losses are reflected in the consolidated statement of revenues and expenses in the year of the change.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions. Other investment return is reflected in the accompanying consolidated statement of activities with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

Investment Valuation

Investments are comprised of short term funds, certificates of deposit, common and preferred stock, U.S. treasuries, corporate bonds, municipal bonds, mutual funds, and non-marketable securities. The fair value of investments in U.S. government securities, fixed income securities, and equity securities, traded on national securities exchanges is valued at the closing price on the last business day of the fiscal year; securities traded on the over-the-counter market are valued at the last reported bid price.

In establishing the fair value of investments in limited partnerships, the Foundation utilizes the reported net asset value or its equivalent for those investments that are reported consistent with current investment company guidance and do not have a readily determinable fair value. For those investments that do not meet the requirements to be valued using net asset value or its equivalent, the Foundation takes into consideration information received from those partnerships, including their financial statements, issues related to liquidity or redemption requirements and other pertinent information that impacts the fair value determination.

The difference between cost and fair value is reflected as change in net unrealized appreciation or depreciation of investments. Realized gains and losses are the difference between the proceeds of sale and the cost of the investments. Cost of the investment at each redemption is determined based on the percentage of the fair value redeemed. Expenses are recorded on the accrual basis as incurred.

Real property values are initially based on independent appraisals which are updated as deemed necessary by management. Additionally, on an annual basis, Foundation management analyzes comparable sales data sourced from independent third parties to estimate changes in real property fair values.

Oil and gas leaseholds are valued by management based on current cash flow from the properties multiplied by a market multiple to estimate fair value.

The carrying values of certificates of deposit are valued using quoted market value which approximates fair value.

The fair values of mutual funds are determined primarily by reference to quoted market prices.

Nonexchange-traded instruments and over-the-counter positions are primarily valued using independent pricing services, broker quotes or models with externally verifiable inputs. The fair values of alternative investments (interests in private equity, hedge, real estate and other similar funds) for which quoted market prices are not available are generally measured based on reported partner's capital or net asset value (NAV) provided by the associated external investment managers. The reported partner's capital or NAV is subject to management's assessment that the valuation provided is representative of fair value. The Foundation exercises diligence in assessing the policies, procedures and controls implemented by its external investment managers, and thus believes the carrying amount of these assets represents a reasonable estimate of fair value. However, because alternative investments are generally not readily marketable, their estimated value is subject to inherent uncertainty and therefore may differ from the value that would have been used had a ready market for such investments existed.

The Foundation uses NAV to determine fair value of those underlying investments that (a) do not have a readily determinable fair value and (b) either have attributes of an investment company or prepare its financial statements consistent with the measurement principles of an investment company. The Foundation has $12,961,773 of investments that are reported at NAV at December 31, 2022. For these investments, the Foundation has concluded that the NAV reported by the underlying fund is a practical expedient to estimating fair value.

All non-cash contributions are recorded at fair value at the date of receipt. Stock is recorded at the average of the high and low selling price on the date received. The policy of the Foundation is to immediately sell donated stock unless there is a donor restriction not to do so.

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain long term investments, it is reasonably possible that changes in the values of these investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statements of financial position.

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. Additionally, the Finance Committee of the Board reviews the investment policy and recommends changes when necessary.

Interest in Irrevocable Trusts

The Foundation is the beneficiary of various trusts created by donors, the assets of which are not in the possession of the Foundation. The Foundation has an irrevocable right to a portion of the net income of these trusts. The Foundation's interest in these trusts is recorded at fair value of the estimated future cash flows, which is measured using the fair value of the underlying trust assets adjusted for the Foundation's beneficial interest percentage of the total trust. The trusts are recorded in the period in which the Foundation receives notice that the trust agreement conveys an unconditional right to receive specified benefits. The trusts generally distribute 5% of the average fair market value of the trust for the previous three years or the actual trust income to the Foundation. The beneficial interest is classified as net assets with donor restrictions.

Distributions received from these trusts are recorded as investment income based upon relevant restrictions, and changes in the market value are recorded as a change in value of interest in irrevocable trusts and related income in the consolidated statement of activities. These trusts totaled $33,749,000 as of December 31, 2022 and are included in interest in irrevocable trusts on the consolidated statement of financial position.

Under a charitable lead trust agreement, the Foundation receives annual benefits over the term of the trust with remaining trust assets at the end of the trust's term being distributed to a third party beneficiary. For irrevocable charitable lead trusts when the Foundation is not the trustee, assets of the trust are classified as restricted and carried at fair value in the consolidated statement of financial position based on the present value of amounts which the Foundation expects to receive over the terms of the agreement. The assets of the trusts are valued over an initial period ranging from 15 to 20 years using the current discount rate of 6% at December 31, 2022 and the estimated net investment return of the trust which is estimated at 8.0% at December 31, 2022. The trust will terminate in December 2025. Changes in the fair value of beneficial interests are reflected as restricted changes in value of interest in irrevocable trusts in the consolidated statement of activities. These trusts totaled $123,225 as of December 31, 2022 and are included in interest in irrevocable trusts on the consolidated statement of financial position.

The Foundation is the beneficiary of various charitable remainder trusts. The fair value of the assets, net of associated liabilities as of December 31, 2022, is $9,124,772. Specified distributions are to be made to designated beneficiaries over the trusts' terms. Upon termination of the trusts, the Foundation receives the assets remaining in the trust. The trusts are recorded as an increase to net assets at the fair value of the trusts' assets, less the present value of the estimated future payments to be made under the specific terms of the trust.

Revenue and Expenses

Contribution revenue is reported as an increase in net assets without donor restriction unless use of the related asset is limited by a donor-imposed time restriction. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets and liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is limited by a donor-imposed time restriction. Expirations of temporary restrictions on net assets (i.e., the stipulated time period has elapsed or the cash has been collected) are reported as net assets released from restrictions.

Grants

Support funded by grants is recognized as the Foundation meets the condition prescribed by the grant agreement, performs the contracted services, or incurs outlays eligible for reimbursement under the grant agreement. Grant activities and outlays are subject to audit and acceptance by the granting agency, and as a result of such audit, adjustments could be required.

Property and Equipment

Furniture and equipment are stated at cost or, if donated, the fair market value at the date of the gift, less accumulated depreciation. The Foundation capitalizes purchases (or donations) of furniture and equipment in excess of $5,000. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The estimated useful lives are seven years for furniture and fixtures, three to five years for software, and three to seven years for equipment. Leasehold improvements are amortized over the life of the lease.

The Foundation evaluates whether events and circumstances have occurred that indicate the remaining estimated useful life of long-lived assets may warrant revision or that the remaining balance of an asset may not be recoverable.

The assessment of possible impairment is based on whether the carrying amount of the asset exceeds the expected total undiscounted cash flows expected to result from the use of the assets and their eventual disposition. No impairments were recorded in 2022.

Grants and Program Service Payable

Grants and program services payable consist of unconditional amounts awarded, but not paid, to not-for-profit organizations or vendors on their behalf. Unconditional grants are recognized as an expense in the period in which they are approved by the Board. Management has the ability, as permitted by the Board, to approve certain types of grants which are not ratified by the Board until the subsequent year. Grants are made from available principal and income in accordance with the designations of donors. Grants dependent on the occurrence of a specified and uncertain event are not recognized until the conditions on which they depend are substantially met. Grants to be paid after one year are initially recognized at fair value using risk and an adjusted discount rate of 6.87% at December 31, 2022. Amortization of the discount is recorded as additional grant expense.

Income Taxes

The Foundation is a public charitable trust organized under the laws of the State of Texas and is exempt from federal income tax under Section 501(c) (3) of the Internal Revenue Code (the Code).

Highland Dallas Foundation, Inc., Empower Dallas Foundation, Inc., Okada Family Foundation, Inc., The Suder Foundation, Reis Bisor Foundation, JSR Foundation, and Schweitzer Family Foundation are public charities organized under the laws of the State of Delaware and Texas and are exempt from federal income tax under Section 501(c)(3) of the Code. They are organized to operate exclusively to support and benefit the Foundation (and are classified as Type 1 supporting organizations). Generally, all revenue earned outside the purpose for which the Foundations are created is taxable as earned income. No income tax provision has been recorded as the net income, if any, from any unrelated trade or business, in the opinion of management, is not material to the consolidated financial statements taken as a whole.

The Foundation follows the provisions of ASC 740-10, *Income Taxes*, related to unrecognized tax positions. 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. 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 does not believe there are any material uncertain tax positions and accordingly, it will not recognize any liability for unrecognized tax benefits. For the year ended December 31, 2022 there were no interest or penalties recorded or included in the financial statements.

The Foundation is relying on its tax-exempt status and its adherence to all applicable laws and regulations to preserve that status. However, the conclusions regarding accounting for uncertainty in income taxes will be subject to review and may be adjusted at a later date based on factors including, but not limited to, ongoing analysis of tax laws, regulations, and interpretations thereof.

The Foundation recognizes interest and penalties, if any, related to uncertain tax positions as income tax expense. The Foundation's informational returns are generally subject to examination for three years after the later of the due date or date of filing. As a result, the Foundation is no longer subject to income tax examinations by tax authorities for years prior to 2019.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Certain costs have been allocated among the programs, management and general supporting services, and fundraising categories based on head counts, time and effort spent, and other methods. Costs are allocated based on evaluations of the related activities into four functional categories as follows:

Grants and Program Services: Grants and program services represent amounts awarded to various not-for-profit organizations and/or fiscal sponsorships to assist with funding of general operations or specific programs.

Educational Support: Educational support includes activities to educate current donors, affiliated professional advisors, and the local community on philanthropic issues and opportunities. This education process involves researching and disseminating information about the not-for-profit community and educating others on methods to leverage resources more effectively.

Supporting Services and Administrative: General and administrative costs include activities which are not directly identifiable with any other specific function but provide for the overall support and direction of the Foundation. General and administrative expenses include oversight, business management, general record keeping, budgeting, financing, and other similar activities.

Fundraising: Fundraising includes development costs as well as the cost of special events. Development costs include activities which involve inducing potential donors to contribute money, securities, other assets, or time. They include publicizing and conducting fundraising campaigns, maintaining donor mailing lists, and other similar activities. Special event expenses include the costs of direct benefits to donors attending various special events hosted by the Foundation.

Concentration of Credit Risk

The Foundation places its cash, cash equivalents, short-term funds, and marketable securities with high credit quality financial institutions which, at times, may exceed federally insured limits. The Foundation has not experienced any losses on such accounts.

The majority of the Foundation's donors are located in Dallas, Texas and the surrounding areas. In 2022, the Foundation received contributions from five donors totaling approximately $82,020,000 (51% of total donor contribution revenue).

The Foundation's grants payable reflected in the consolidated statement of financial position are primarily due to one fund with outstanding commitments representing approximately 45% of gross grants payable at December 31, 2022.

Use of Estimates

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

Significant Estimates

Estimates that are particularly susceptible to significant change include the valuation of investments, interest in irrevocable trusts, and pledges receivable. Investments and interest in irrevocable trusts in general are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with these assets, it is reasonably possible that changes in the values of investments and interest in irrevocable trusts will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statement of financial position. Significant fluctuations in fair values could occur from year to year, and the amounts the Foundation will ultimately realize could differ materially. Management's estimate of pledges receivable is based on consideration of all relevant available information and an analysis of the collectability of individual contributions, which arise primarily from pledges and estates at the financial statement date.

Fair Value Measurements

The Foundation follows FASB ASC Topic 820, *Fair Value Measurements*, which provides the framework for measuring fair value. FASB ASC 820 established a three-tier hierarchy to maximize the use of observable market data and minimize the use of unobservable inputs, and to establish classification of fair value measurements for disclosure purposes.

Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

Assets measured at NAV: Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient, which is a reasonable estimate of fair value, have not been classified in the fair value hierarchy. The fair value amounts are presented to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statement of financial position.

The three-tier hierarchy of inputs is summarized in the three broad levels listed as follows:

Level 1 inputs: Quoted prices are available in active markets that the Organization has the ability to access for identical investments as of the reporting date, without adjustment. The types of investments in Level 1 include listed equities held in the name of the Organization.

Level 2 inputs: Other significant observable inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices of identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from, or corroborated by, observable market data by correlation or other means; and
- If the asset or liability has a specified contractual term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 inputs: Significant unobservable inputs. Pricing inputs are unobservable for the investment and includes situations where there is little, if any, market activity for the investment. Investments that are included in this category generally include privately held investments and securities.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the determination of which category within the fair value hierarchy is appropriate for any given asset or liability is based on the lowest level of input that is significant to the fair value measurement. The Foundation's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

Financial assets and liabilities carried at fair value on a recurring basis include investments, interest in irrevocable trusts, and the liability for agency transfers.

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842), a comprehensive new standard that amends various aspects of existing accounting guidance for leases, including the recognition of a right of use asset and a lease liability for leases with duration greater than one year. The guidance is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. This standard can be implemented using a modified retrospective approach, under which provisions are applied to all applicable leases as of the beginning of the earliest period presented, or at the date of adoption with the recognition of a cumulative effect adjustment to the opening balance of net assets in the period of adoption. Early adoption is permitted. The Dallas Foundation implemented this standard effective January 1, 2022.

Additionally, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* to increase transparency of contributed nonfinancial assets for nonprofit entities through enhancements to presentation and disclosure. The guidance is effective for fiscal years beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. This standard should be applied on a retrospective basis. Early adoption is permitted. The Dallas Foundation implemented this standard effective January 1, 2022, with no material impact in the current year.

Note 3. Investments

Investments are stated at fair value and consisted of the following as of December 31, 2022:

Investments	
Common and preferred stocks	$ 61,392,843
U.S. Treasury notes	62,361,374
Corporate bonds	5,586,395
Mutual funds	172,315,408
Non-marketable securities	177,869,299
Total investments	$ 479,525,319

Investment income consisted of the following for the year ended December 31, 2022:

Interest and dividends	$ 6,895,763
Beneficial interest distributions	1,515,714
	8,411,477
Less: interest and dividends on assets held for others	(385,635)
Total investment income	$ 8,025,842
Net realized gains on investments	6,354,687
Net unrealized losses on investments	(39,948,733)
Less: external and direct investment expenses	(1,030,551)
	(34,624,597)
Add: realized and unrealized gains on assets held for others, net	2,844,769
Total realized and unrealized losses	$ (31,779,828)

Note 4. Fair Value Measurements

The following methods and assumptions were used to estimate the fair value of assets and liabilities in the consolidated financial statements and to determine the resulting classification within the fair value hierarchy.

Cash and Cash Equivalents

Cash and cash equivalents are stated at fair value based on quoted market prices and accordingly are classified as Level 1 in the fair value hierarchy.

Investments

All of the Foundation's marketable securities are valued by the custodian, broker, or the fund/account manager using nationally recognized third party pricing services. The Foundation gives highest priority to quoted prices in active markets for identical assets accessed at the measurement date and classifies all such assets as Level 1. The Foundation gives a Level 2 priority to valuation prices where the valuation process involves inputs other than quoted prices included in Level 1 that are observable for the asset, either directly or indirectly. The values provided by the pricing services use the market approach and the income approach. Observable Level 2 inputs under the market approach include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets where there is not sufficient activity, and/or where price quotations vary substantially either over time or among market makers, or in which little information is released publicly. Mid-market pricing or other pricing conventions may be used for fair value measurements within a bid-ask spread. Observable Level 2 inputs under the income approach include commonly quoted interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks, and default rates.

Interests in Irrevocable Trusts

The Foundation maintains interests in Charitable Lead Trusts, Charitable Remainder Trusts, and Perpetual Trusts. These Trusts have various investment mixes and various level investments. The Foundation values these investments based on the valuation of the custodian of the Trust and then applying the Foundation's contractual allocation of the investments in the underlying trusts. Due to the significant and unobservable nature of the key inputs, the measurement is classified as Level 3 in the fair value hierarchy.

Real Estate and Mineral Interests

The assets are carried at fair value using the income approach. Real estate is valued using discounted cash flows from related leases and mineral interests are valued using a multiple of related revenues. Due to the significance and unobservable nature of key inputs, the measurement is classified as Level 3 in the fair value hierarchy.

Assets Held for Others

The liability is carried at fair value as determined using the income approach. Fair value is based on the fair value of the cash and investment assets held by the Foundation for the benefit of the recipient agencies; however, as there is no market for similar liabilities, the key input is the future cash flow obligations to the recipients. The specific assets held have been classified within the hierarchy for investment (as discussed above). The assets held for others are directly offset by a corresponding liability for the full amount of the assets held.

The related and associated liability is classified as Level 3 in the hierarchy as there is no market for a similar liability and principal input (i.e., fair value of future cash flows to recipients is based on the fair market value of the assets in the portfolio and management's allocation for shares in the pool) are unobservable and significant to the overall fair value measurement.

Assets and liabilities measured at fair value on a recurring basis are classified within the fair value hierarchy at December 31, 2022 as follows:

	NAV	Level 1	Level 2	Level 3	Total
ASSETS					
Cash and cash equivalents	$ -	$ 22,979,318	$ -	$ -	$ 22,979,318
INVESTMENTS					
Marketable securities					
Cash and short-term funds	$ -	$ -	$ -	$ -	$ -
Common and preferred stocks	-	61,392,843	-	-	61,392,843
U.S. Treasury notes	-	-	62,361,374	-	62,361,374
Corporate bonds	-	-	5,586,395	-	5,586,395
Mutual funds					
Fixed income funds					
Index funds	-	72,558,452	-	-	72,558,452
Equity funds					
Index funds	-	99,756,956	-	-	99,756,956
	-	233,708,251	67,947,769	-	301,656,020
Non-marketable securities					
Common funds, hedge funds and limited partnership					
Equity funds	882,913	-	-	-	882,913
Fixed income funds	765,667	-	-	-	765,667
REIT	10,680,000	-	-	-	10,680,000
Funds of funds	-	-	2,050,098	-	2,050,098
Income funds	633,194	-	-	-	633,194
Collateralized loan obligations	-	-	-	76,654,941	76,654,941
Other limited partnerships	-	-	-	86,202,486	86,202,486
	12,961,774	-	2,050,098	162,857,427	177,869,299
Total investments	$ 12,961,774	$ 233,708,251	$ 69,997,867	$ 162,857,427	$ 479,525,319
Interests in irrevocable trusts	$ -	$ -	$ -	$ 42,996,991	$ 42,996,991
Real estate and mineral interests	$ -	$ -	$ -	$ 3,854,889	$ 3,854,889
	$ 12,961,774	$ 256,687,569	$ 69,997,867	$ 209,709,307	$ 549,356,517
LIABILITIES					
Assets held for others	$ -	$ -	$ -	$ (17,491,346)	$ (17,491,346)

The following tables summarize the changes in the fair value of the Foundation's Level 3 financial assets and liabilities:

	Collateralized Loan Obligations	Other Limited Partnerships
Balance at January 1, 2022	$ 70,521,019	$ 24,520,770
Net unrealized gains	11,513,565	4,717,706
Distributions	(5,379,643)	(485,000)
Contributions	-	57,525,985
Sale of investments	-	(2,738)
Investment fees	-	(74,237)
Balance at December 31, 2022	$ 76,654,941	$ 86,202,486

	Assets		Liabilities
	Interests in Irrevocable Trusts	Real Estate and Mineral Interests	Liability for Assets Held for Others
Balance at January 1, 2022	$ 48,205,146	$ 3,750,261	$ 19,074,371
Investment income	-	-	385,634
Net realized gains	-	-	667,818
Net unrealized gains	(6,660,765)	104,628	(3,567,588)
Change in value of interests in irrevocable trusts	-	-	-
Amortization	1,546,474	-	-
Administrative and other fees	-	-	(207,670)
Grants payments	-	-	(3,773,885)
Distributions	(93,864)	-	-
Contributions	-	-	4,912,666
Balance at December 31, 2022	$ 42,996,991	$ 3,854,889	$ 17,491,346

The summary of changes in fair value of Level 3 assets and liabilities has been prepared to reflect the same categories as those used in the statement of activities and cash flows, except (1) net realized gains and net unrealized gains (losses) presented above are combined in the consolidated statement of activities as net investment realized/unrealized losses and (2) although the liability for assets held for others has been prepared to reflect the same categories as those used in the consolidated statement of activities, none of this activity is included in the change in net assets, except administrative and other fees which increase net assets and decrease the liability for assets held for others.

The Foundation's investments in certain entities that calculate net asset value per share include the following at December 31, 2022:

	Fair Value	Redemption or Liquidity	Days Notice
Equity funds	$ 882,913	Daily	1-3
Fixed income funds	765,667	Daily	1-3
REIT	10,680,000	Daily	15
Income funds	633,194	Daily	1-3
	$ 12,961,774		

At December 31, 2022, the Foundation had no remaining lock-up periods or unfunded commitments for any of its investments. A summary of the significant investment strategies and additional relevant information for investments carried at NAV are summarized as follows:

Equity funds – other: This class seeks to provide long-term capital growth through investment in primarily domestic companies with market capitalization ranging from $100 million to $15 billion.

Equity funds – global: The class seeks to achieve capital appreciation through investment in companies primarily headquartered in emerging markets and through exposure to international stock markets.

Fixed income funds: This class seeks to maximize total investment return through investment in intermediate to high yield bond portfolios.

Fixed income funds – global: This class seeks to capture interest income and generate principal growth through capital appreciation by investing in a portfolio of sovereign debt and currencies of non-U.S. countries and investment and non-investment grade corporate bonds.

REIT: This class seeks to acquire and operate income-producing hotel properties in the United States, focusing on extended-stay and select service properties with a value enhancement strategy.

Income funds: This class seeks to provide a high level of current income through investment in dividend-paying common stocks, preferred stocks, convertibles securities, partnerships, trusts, and selected debt instruments.

The following table summarizes the valuation techniques and significant unobservable inputs used for the Foundation's assets and liabilities that are categorized within Level 3 of the fair value hierarchy at December 31, 2022:

Investment Type	Fair Value	Valuation Techniques	Unobservable Input [c]	Range of Inputs (Weighted Averages)
Interests in irrevocable trusts	$ 42,996,991	Discounted cash flows and Income approach [c]	Discount rate [a] Expected rate of return [b]	6% (6%) 5% - 8% (5%)

[a] Represents amounts used when the Foundation has determined that market participants would take into account these discounts when pricing the investments.

[b] Represents the amounts used when the Foundation has determined that market participants would take into account these returns when pricing the investments.

[c] Fair value of the asset/liability is the expected future cash inflows/outflows, which are based on the fair value of the underlying investment assets, and at this time, management believes no discounts to the fair value are appropriate.

Approximately $167,000,000 and 18,000,000 of level 3 investment assets and liabilities, respectively, have been valued based on the use of specialist, audited reports, agreed upon procedures, and other valuation techniques that are not reported in the above table as no discounting was required related to valuation approach.

Note 5. Liquidity and Funds Available

The Foundation's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position date, are as follows:

Cash and cash equivalents	$ 22,979,318
Investments	479,525,319
Contributions receivable, net	6,629,692
Interests in irrevocable trusts	42,996,991
Real estate and mineral interests	3,854,889
Total financial assets, year end	555,986,209
Less	
Contributions receivable, long term	138,906
Real estate and mineral interests	3,854,889
Other illiquid assets	30,515,379
Interests in irrevocable trusts	42,996,991
Perpetual Endowment assets not in irrevocable trusts	7,243,182
Board designated funds functioning as Endowments	11,372,954
All remaining Endowment funds	75,527,841
Agency funds	19,074,371
Donor objective funds	174,758,858
Supporting organizations	161,774,601
Total financial assets not available to be used within one year	527,257,972
Total financial assets available to meet general expenditures within one year	$ 28,728,237

Donor objective funds represent funds for which the Foundation has variance power and therefore are classified as net assets without donor restrictions. However, these types of funds have associated donor wishes. The balance represents funds for fiscal sponsorships, donor advised funds as well as other funds with charitable intent.

Agency funds represent assets from a nonprofit resource provider to the Foundation for the benefit of the resource provider and/or its affiliates. These assets are considered as assets held for others.

Supporting organizations assets relate to the assets of the Foundation's affiliates which are consolidated in this financial statement. The financial assets related to these types of funds are not considered to be available to meet the general expenditures of the Foundation.

Note 6. Contributions Receivable

Contributions receivable consists of unconditional promises to give to the Organization in the future and are recorded at their estimated fair value. Contributions receivable are summarized as follows at December 31, 2022:

Contributions receivable due in less than one year	$	6,511,472
Contributions receivable due in one to five years		350,000
Gross contributions receivable		6,861,472
Less: allowance for uncollectible pledges		(31,186)
Less: discount on contributions receivable		(200,594)
Contributions receivable, net	$	6,629,692

Note 7. Property and Equipment

Property and equipment are summarized as follows at December 31, 2022:

Furniture and fixtures	$	1,470
Software		248,413
		249,883
Less: accumulated depreciation		(150,506)
	$	99,377

Depreciation expense for the year ended December 31, 2022 was $63,859.

Note 8. Grants and Program Services Payable

Grants and program services payable consist of unconditional amounts awarded, but not paid, to various not-for-profit organizations or vendors on their behalf. Unconditional grants and program services payable are summarized as follows at December 31, 2022:

Grants and program services payable	
in less than one year	$ 6,230,188
in one to five years	5,881,794
Gross grants and program services payable	12,111,982
Less discount to net present value	(674,026)
Grants and program services payable, net	$ 11,437,956

For the year ending December 31, 2022, grants and program services payable beyond one year are reported at the present value of their estimated future cash flows using a discount rate of 6.87%.

Note 9. Assets Held for Others

The Foundation follows the ASC guidance for *Transfers of Assets to a Not-for- Profit Organization or Charitable Trust That Raises or Holds Contributions for Others,* which establishes standards for transactions in which the 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. This guidance specifically requires that if a not-for-profit organization establishes a fund at a community foundation with its own funds and specifies itself or one of its affiliated organizations as the beneficiary of that fund, the community foundation must account for the transfer of such assets and the activity associated with those assets as a liability.

The Foundation maintains variance power, as described in the governing documents of the Foundation, and legal ownership over these funds and, as such, continues to report the funds as assets of the Foundation. Variance power assures donors that if the charitable purpose of their contribution becomes impractical or impossible, the distributions will be directed to similar purposes in the community. At December 31, 2022, the consolidated statement of financial position includes a liability for agency transfers at the fair value of the assets held for the benefit of not-for-profit organizations in the amount of $17,491,346.

Note 10. Net Assets

Net assets restricted in perpetuity at December 31, 2022 are designated for the following purposes:

Community competitive grants	$	15,367,129
Phlanthropic education programs		1,015,233
Arts and education		5,239,951
Religious support		988,000
Social services		18,340,054
	$	40,950,367

Time and purpose restricted net assets restricted for beneficial interests in charitable lead trusts consist of the following at December 31, 2022:

Subject to passage of time	$	15,180,591
Beneficial interest in CLTs		123,225
Subject to expenditure for specified purpose		11,912,119
	$	27,215,935

Net assets without donor restrictions consist of the following at December 31, 2022:

Undesignated	$	2,402,166
Board designated		13,115,962
Donor objectives		281,019,289
Supporting organizations		161,592,601
	$	458,130,018

Net assets were released from restrictions by incurring expenses to satisfy the following purpose restrictions or by the passage of time during the year ended December 31, 2022:

Expiration of time restrictions	$	(7,472,512)
Satisfaction of purpose restriction		(4,595,848)
	$	(12,068,360)

Note 11. Endowment Disclosures

Endowment net asset composition by type of fund is as follows at December 31, 2022:

Net assets without donor restrictions	$	79,526,626
Net assets with donor restrictions		18,098,096
Net assets with donor restrictions in perpetuity		40,950,366
Total endowment funds	$	138,575,088

Changes in endowment net assets are as follows as of December 31, 2022:

	As of December 31, 2022			
	Without Donor Restrictions	With Donor Restrictions	With Donor Restrictions in Perpetuity	Total
Endowment net assets, beginning of year	$ 91,019,954	$ 30,650,006	$ 43,649,001	$ 165,318,961
Investment return, net	(16,867,403)	(4,902,918)	(2,699,135)	(24,469,456)
Contributions	1,394,775	39,240	500	1,434,515
Appropriation of endowment assets for expenditures	3,735,887	(7,688,232)	-	(3,952,345)
Other changes:				
Transfer to affiliated accounts	243,413	-	-	243,413
Endowment net assets, end of year	$ 79,526,626	$ 18,098,096	$ 40,950,366	$ 138,575,088

Return Objectives and Risk Parameters, Strategies Employed for Achieving Objectives, and Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation's endowment consists of approximately 182 individual funds established for a variety of purposes. The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. The Foundation's spending and investment policies work together to achieve these objectives.

Generally, the Foundation follows a spending policy of 5% of total assets calculated over twelve-quarters, which based on the expected rate of return is designed to ensure preservation of capital. The investment policy establishes an achievable long-term return objective through diversification of asset classes.

To achieve 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 parameters.

Note 12. Employee Benefit Plan

The Foundation has a defined contribution plan (the Plan) under Section 401(k) of the Internal Revenue Code (IRC), which covers all eligible employees. Employees may contribute up to 100% of their compensation to the Plan, but not to exceed the annual limit set by the Internal Revenue Service. The Foundation's contributions are voluntary and at the discretion of the Board. The Foundation contributed $121,097 to the Plan in 2022.

Note 13. Leases

The Foundation enters into non-cancelable operating lease agreements for office space and office equipment in the normal course of business. The Foundation determines if an arrangement is a lease at inception. The accounting for these leases follows the requirements of the New Lease Standard, which the Foundation adopted as of January 1, 2022.

As of December 31, 2022 the Foundation has leases for Office Space and office equipment. These leases are classified as operating lease agreements and have lease terms remaining ranging from 3 to approximately 13 years.

The Foundation has lease agreements with lease and non-lease components, which are generally accounted for separately. These variable lease payments, which are primarily comprised of common area maintenance, utilities, and real estate taxes that are passed on from the lessor, are recognized in operating expenses in the period in which the obligation for those payments was incurred.

The lease terms may include options to extend the lease when it is reasonably certain that the option will be exercised. The optional renewal period was considered for all leases. The Foundation determined that lease renewal to be reasonably certain for one of their leases and considered the renewal lease rates into their calculation.

None of the Foundation's lease agreements contain contingent rental payments, material residual value guarantees or material restrictive covenants. The Foundation has no sublease agreements.

During 2022, the Foundation recognized rent expense associated with leases as follows:

	2022
Operating Lease Cost	
Rent and Lease Expense	$ 165,039

Amounts recognized as right-of-use (ROU) assets related to leases and lease liabilities are included in in the accompanying statement of financial position. As of December 31, 2022, the right-of-use assets and lease liabilities related to leases were as follows:

	2022
Operating lease ROU assets	$ 2,237,184
Operating lease liabilities	2,272,812

During the year ended December 31, 2022, the Foundation had the following cash and non-cash activities associated with our leases:

	2022
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	165,039
Additions to ROU assets obtained from:	
New operating lease liabilities	2,237,184

The future payments due under those leases as of December 31, 2022 are as follows:

Year ending December 31,		
2023	$	200,591
2024		200,591
2025		200,591
2026		188,628
Thereafter		1,766,008
Total minimum lease payments	$	2,556,409

As of December 31, 2022, the weighted-average remaining lease term for all operating leases is 8.58 years. The Foundation elected practical expedient for nonpublic business entities to use a risk-free rate for a period comparable to the lease term.

Note 14. Subsequent Events

Management has evaluated subsequent events through August 25, 2023, the date the consolidated financial statements were available to be issued. During this period, there were no material subsequent events that required recognition or additional disclosure in these consolidated financial statements.