

Report of Independent Auditors and  
Consolidated Financial Statements  
with Supplementary Information

**Communities Foundation of Texas**

June 30, 2025 and 2024

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## **Report of Independent Auditors**

The Finance and Audit Committee  
Communities Foundation of Texas

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the consolidated financial statements of Communities Foundation of Texas, which comprise the consolidated statements of financial position as of June 30, 2025 and 2024, 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 accompanying consolidated financial statements present fairly, in all material respects, the financial position of Communities Foundation of Texas as of June 30, 2025 and 2024, and the change in their net assets and their 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 (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Communities Foundation of Texas and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the 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 financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Communities Foundation of Texas's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### ***Auditor's Responsibilities for the Audit of the 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 Communities Foundation of Texas'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 Communities Foundation of Texas'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.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating schedule for statement of financial position and consolidating schedule for statement of activities are presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

*Baker Tilly US, LLP*

Dallas, Texas  
December 3, 2025

## **Consolidated Financial Statements**

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**Communities Foundation of Texas**  
**Consolidated Statements of Financial Position**  
**June 30, 2025 and 2024**  
**Presented in thousands**

	2025	2024
<b>ASSETS</b>		
<b>ASSETS</b>		
Cash and cash equivalents	\$ 16,979	\$ 14,576
Interest, dividends, and other receivables	4,489	4,821
Contributions receivable, net	7,014	31,638
Investments	1,631,707	1,454,009
Real estate held for sale	398	1,920
Beneficial interest in charitable remainder trusts	12,818	13,214
Other investments	14,344	14,344
Property and equipment, net	45,914	76,436
Other assets	2,858	2,770
	<b>\$ 1,736,521</b>	<b>\$ 1,613,728</b>
<b>TOTAL ASSETS</b>	<b>\$ 1,736,521</b>	<b>\$ 1,613,728</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 3,091	\$ 6,039
Grants payable, net	33,619	16,254
Funds held for others	55,861	70,718
Deferred revenue	148	164
Loan payable	-	14,505
Liabilities associated with split-interest agreements	4,512	4,655
	97,231	112,335
<b>Total liabilities</b>	<b>97,231</b>	<b>112,335</b>
<b>NET ASSETS</b>		
Without donor restriction	1,175,068	1,110,296
With donor restriction	464,222	391,097
	1,639,290	1,501,393
<b>Total net assets</b>	<b>1,639,290</b>	<b>1,501,393</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,736,521</b>	<b>\$ 1,613,728</b>

See accompanying notes.

**Communities Foundation of Texas**  
**Consolidated Statement of Activities**  
**Year Ended June 30, 2025**  
**Presented in thousands**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES AND GAINS</b>			
Contributions	\$ 108,062	\$ 89,478	\$ 197,540
Investment gain, net	107,685	35,687	143,372
Gain on real estate held for sale	273	-	273
Change in value of split-interest agreements	235	335	570
Rental income	6,110	-	6,110
Educational consulting	6,443	269	6,712
Other income	4,076	870	4,946
Net assets released from restrictions	53,514	(53,514)	-
Total revenues and gains	<u>286,398</u>	<u>73,125</u>	<u>359,523</u>
<b>GRANTS AND EXPENSES</b>			
Programs			
Grants	180,469	-	180,469
Other	19,051	-	19,051
Supporting activities			
General and administrative expenses	18,125	-	18,125
Development	3,981	-	3,981
Total grants and expenses	<u>221,626</u>	<u>-</u>	<u>221,626</u>
<b>CHANGE IN NET ASSETS</b>	64,772	73,125	137,897
<b>NET ASSETS</b>			
Beginning of year	<u>1,110,296</u>	<u>391,097</u>	<u>1,501,393</u>
End of year	<u>\$ 1,175,068</u>	<u>\$ 464,222</u>	<u>\$ 1,639,290</u>

See accompanying notes.

**Communities Foundation of Texas**  
**Consolidated Statement of Activities**  
**Year Ended June 30, 2024**  
**Presented in thousands**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES AND GAINS</b>			
Contributions	\$ 88,520	\$ 49,732	\$ 138,252
Investment gain, net	124,783	42,479	167,262
Change in value of split-interest agreements	1,209	847	2,056
Rental income	6,829	-	6,829
Educational consulting	10,265	175	10,440
Other income	4,747	124	4,871
Net assets released from restrictions	33,082	(33,082)	-
Total revenues and gains	<u>269,435</u>	<u>60,275</u>	<u>329,710</u>
<b>GRANTS AND EXPENSES</b>			
Programs			
Grants	120,387	-	120,387
Other	30,043	-	30,043
Supporting activities			
General and administrative expenses	16,583	-	16,583
Development	3,384	-	3,384
Total grants and expenses	<u>170,397</u>	<u>-</u>	<u>170,397</u>
<b>CHANGE IN NET ASSETS</b>	99,038	60,275	159,313
<b>NET ASSETS</b>			
Beginning of year	<u>1,011,258</u>	<u>330,822</u>	<u>1,342,080</u>
End of year	<u>\$ 1,110,296</u>	<u>\$ 391,097</u>	<u>\$ 1,501,393</u>

See accompanying notes.

**Communities Foundation of Texas**  
**Consolidated Statement of Functional Expenses**  
**Year Ended June 30, 2025**  
**Presented in thousands**

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	<u>Programs</u>	<u>General and Administrative</u>	<u>Development</u>	<u>Total</u>
Grants awarded	\$ 180,469	\$ -	\$ -	\$ 180,469
Personnel	8,095	8,262	3,169	19,526
Consultants/professional services	6,217	3,022	16	9,255
Occupancy	2,680	3,932	331	6,943
Information technology	419	419	184	1,022
Special events	935	640	51	1,626
Marketing	264	664	156	1,084
Other	120	1,124	57	1,301
Travel	321	62	17	400
	<u>321</u>	<u>62</u>	<u>17</u>	<u>400</u>
Total	<u>\$ 199,520</u>	<u>\$ 18,125</u>	<u>\$ 3,981</u>	<u>\$ 221,626</u>

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See accompanying notes.

**Communities Foundation of Texas**  
**Consolidated Statement of Functional Expenses**  
**Year Ended June 30, 2024**  
**Presented in thousands**

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	<u>Programs</u>	<u>General and Administrative</u>	<u>Development</u>	<u>Total</u>
Grants awarded	\$ 120,387	\$ -	\$ -	\$ 120,387
Personnel	9,821	7,188	2,661	19,670
Consultants/professional services	12,978	3,701	7	16,686
Occupancy	2,568	3,374	234	6,176
Information technology	1,557	436	193	2,186
Special events	1,018	528	51	1,597
Marketing	1,061	257	165	1,483
Other	319	1,041	51	1,411
Travel	721	58	22	801
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total	<u>\$ 150,430</u>	<u>\$ 16,583</u>	<u>\$ 3,384</u>	<u>\$ 170,397</u>

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See accompanying notes.

**Communities Foundation of Texas**  
**Consolidated Statements of Cash Flows**  
**Years Ended June 30, 2025 and 2024**  
**Presented in thousands**

	2025	2024
<b>OPERATING ACTIVITIES</b>		
Change in net assets	\$ 137,897	\$ 159,313
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	3,080	2,960
Amortization (accretion) of discount on grants payable	(213)	85
Discount on contribution receivable	-	(18)
Net gain on investments	(122,130)	(149,940)
Change in value of split interest agreements	(570)	(2,056)
Gain on sale of real estate	(273)	-
Noncash contributions	(115,520)	(40,495)
Noncash grants	21,840	-
Contribution received for long term purposes	(8,860)	(22,232)
Changes in operating assets and liabilities		
Contributions, interest, dividends, and other receivables	24,956	(10,423)
Beneficial interest in trust	607	2,319
Other assets	(88)	33
Accounts payable and accrued liabilities	(2,948)	2,266
Grants payable	17,578	(1,266)
Funds held for others	(20,742)	(3,915)
Liabilities associated with split-interest agreements	200	398
Net cash used in operating activities	<u>(65,186)</u>	<u>(62,971)</u>
<b>INVESTING ACTIVITIES</b>		
Purchases of investments	(588,427)	(411,843)
Proceeds from the sales of investments	654,264	461,253
Proceeds from the sale of real estate	1,795	-
Purchases of property and equipment	<u>(9,398)</u>	<u>(24,333)</u>
Net cash provided by investing activities	<u>58,234</u>	<u>25,077</u>
<b>FINANCING ACTIVITIES</b>		
Contributions for long term purposes	8,860	22,232
Proceeds on note payable	<u>495</u>	<u>14,505</u>
Net cash provided by financing activities	<u>9,355</u>	<u>36,737</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>2,403</b>	<b>(1,157)</b>
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	<u>14,576</u>	<u>15,733</u>
End of year	<u><u>\$ 16,979</u></u>	<u><u>\$ 14,576</u></u>

See accompanying notes.

**Communities Foundation of Texas**  
**Consolidated Statements of Cash Flows**  
**Years Ended June 30, 2025 and 2024**  
**Presented in thousands**

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	2025	2024
SUPPLEMENTAL DISCLOSURES OF		
CASH FLOW INFORMATION		
Net realized and unrealized gain on agency funds	\$ 5,885	\$ 8,787
Noncash contributions of investments	\$ 115,520	\$ 40,495
Noncash grant (note 14)	\$ 21,840	\$ -
Noncash repayment of loan (note 14)	\$ 15,000	\$ -
Cash paid for taxes	\$ 241	\$ 256

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See accompanying notes.

**Communities Foundation of Texas**  
**Notes to Consolidated Financial Statements**  
**Presented in thousands (unless otherwise noted)**

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**Note 1 – Summary of Significant Accounting Policies**

**General purpose and activities** – Communities Foundation of Texas (the Community Foundation) is a nonprofit Texas corporation with no capital stock and is classified by the Internal Revenue Service as tax exempt under Section 501(c)(3) and as a non-private foundation under Section 509(a)(1) of the Internal Revenue Code of 1986. The Community Foundation administers more than 1,500 funds comprised of donor advised, non-donor advised, trusts, and endowment funds established with an instrument of gift.

The Community Foundation is committed to serving charitable needs both domestically and abroad through charitable grants and services at the discretion of the Board of Trustees.

In addition, the Community Foundation administers the Educate Texas program, a significant program that provides grants and support to Texas schools, as well as North Texas Giving Day, a significant regional online event.

**Reporting entity** – The consolidated financial statements include the Community Foundation and the W.W. Caruth, Jr. Foundation, The Nancy Ann Hunt Foundation, The Robert and Nancy Dedman Foundation, The Dedman Dietz Family Foundation, and Kaleidoscope Park Foundation (collectively, the Supporting Organizations). The Supporting Organizations are consolidated with the Community Foundation in the accompanying consolidated financial statements because the Community Foundation has an economic interest in the organizations, serves as trustee, and/or controls the affiliated organizations' boards of directors. The consolidated financial statements also include the accounts and activities of Expressway Central Control Company, Inc.; Florida Central Control, Inc.; Suncoast Central Control, LLC; Texas Central Control, LLC; Medallion Center Partners, LP; Medallion Center Partners GP, LLC; and SII 1, LLC. The primary purpose of these entities is to hold and manage real estate properties and other investments on behalf of the Community Foundation and certain Supporting Organizations. The Community Foundation, the Supporting Organizations, and all other consolidated entities are collectively referred to as the Foundation throughout these financial statements. All significant inter-organization transactions have been eliminated.

**Basis of presentation** – The Foundation follows the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). The ASC is the single source of authoritative guidance for accounting principles generally accepted in the United States of America (U.S. GAAP) for nongovernmental entities. The Foundation's consolidated financial statements have been prepared on the accrual basis of accounting.

**Estimates** – The preparation of the consolidated financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses for the period. Actual results could differ significantly from those estimates.

**Communities Foundation of Texas**  
**Notes to Consolidated Financial Statements**  
**Presented in thousands (unless otherwise noted)**

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**Significant estimates** – Estimates that are particularly susceptible to significant change include the discount on long-term contributions receivable and grants payable, fair value of investments, beneficial interest in charitable remainder trusts, functional allocation and contributions receivable and the related allowance for doubtful accounts. Due to the level of risk associated with these financial instruments, it is reasonably possible that changes in the values of the investments and beneficial interests will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statements 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 contributions receivable and the related allowance for uncollectible amounts is based on consideration of all relevant available information and an analysis of the collectability of individual contributions at the consolidated financial statements date.

**Net asset classification** – Without donor restriction is defined as that portion of net assets that has no use or time restrictions. As a community foundation, in accordance with United States Treasury Regulations, the Foundation possesses variance power. Variance power is the unilateral right to remove donor-imposed restrictions upon a gift in response to changed circumstances. The Foundation interprets this variance power to apply to endowment restrictions as well as purpose restrictions. This power is exercisable only in narrowly defined circumstances. Since this variance power is incorporated by reference in most gift instruments, the Foundation views its variance power as an explicit expression of donor intent. Based on this provision, except as noted below, the Foundation classifies contributions as without donor restriction for financial statement presentation. A portion of these net assets may be designated by the Foundation’s Board of Trustees for the maintenance of the property as well as the funding of program and services.

With donor restriction is defined as that portion of net assets that consists of a restriction on the specific use or the occurrence of a certain future event.

The Board of Trustees, on the advice of legal counsel, has determined that the majority of the Foundation’s endowment funds meet the definition of endowment funds under the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) enacted by the State of Texas effective September 1, 2007 (TUPMIFA). Most of the Foundation’s endowment contributions are received subject to the terms of a standard fund agreement. Under the terms of the standard fund agreement, the Board of Trustees has the ability to distribute as much of the corpus of any gift, devise, bequest, or fund as the Board of Trustees, in its sole discretion, shall determine. As a result of the ability to distribute corpus, the Board of Trustees has determined that all endowment contributions received subject to the standard fund agreement, and subject to TUPMIFA, are classified as with donor restriction until appropriated, at which time the appropriation is reclassified to without donor restriction.

In accordance with TUPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate with donor restriction endowment funds:

- The duration and preservation of the fund
- The purposes of the Foundation and the endowment fund with donor restriction
- General economic conditions

**Communities Foundation of Texas**  
**Notes to Consolidated Financial Statements**  
**Presented in thousands (unless otherwise noted)**

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- The possible effect of inflation and deflation
- The expected total return from income and the appreciation and depreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

In addition to with donor restricted endowments, all contributions received with donor-imposed time restrictions are classified as with donor restriction until the payments are received unless the respective gift is specifically designated for use in the current period by the donor. Contributions received under split-interest agreements, except for charitable gift annuities, are also classified as with donor restriction due to the implied time restriction on the use of such assets.

**Endowment investment and spending policies** – The Foundation has adopted investment and spending policies for endowments that attempt to provide a predictable stream of funding to programs supported by its endowments. The Foundation’s investment and spending policies work together to achieve this objective. The current long-term return objective is compared to a similarly weighted benchmark representing appropriate market-based indices. The performance is also compared to the general inflation rate as measured by the Consumer Price Index. 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.

The spending policy calculates the amount of money annually distributed from the Foundation’s various endowment funds. The spending policy is to distribute an amount not greater than 4.5% of the average preceding 16 quarters’ net asset balance in the fund at June 30, 2025 and 2024.

From time to time, certain donor-restricted endowment funds may have fair values less than the corpus value (underwater endowments). At June 30, 2025 and 2024, the Foundation had four and six endowment funds with deficiencies of this nature totaling approximately \$442 and \$564, respectively.

These deficiencies are reflected in net assets with donor restrictions. The corpus value of those underwater funds are as follows at June 30 (in thousands):

	2025	2024
Fair value of underwater endowments	\$ 1,459	\$ 1,896
Original endowment gift amount	1,901	2,460
Deficiencies of underwater endowment funds	\$ (442)	\$ (564)

**Communities Foundation of Texas**  
**Notes to Consolidated Financial Statements**  
**Presented in thousands (unless otherwise noted)**

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The Community Foundation has interpreted UPMIFA to permit spending from underwater endowments with the following reductions in the spending policy to maintain the purchasing power of the underwater funds. The table below illustrates the reduction in spending policy for grants from funds with balances that are under historic gift value at June 30, 2025 and 2024:

<u>Amount Underwater</u>	<u>Reduction in Spending</u>
Under 5.00%	None
5.00% to 10.00%	25%
10.01 to 15.00%	50%
More than 15.00%	100% until fair value reaches at least 90% of corpus

**Reclassifications-donor directed** – Donor-directed reclassifications are net asset reclassifications that occur when a donor withdraws or court action removes previously imposed restrictions, when a donor imposes restrictions on amounts otherwise without donor restrictions, when a donor changes or modifies their existing restriction, and/or when an existing donor restriction requires certain amounts to be reclassified.

**Net assets released from restrictions** – Net assets released from restrictions are net asset reclassifications that result from fulfillment of the purposes for which the net assets were restricted and/or restrictions which expired with the passage of time.

**Cash and cash equivalents** – Cash and cash equivalents consist of highly liquid investments with an original maturity of three months or less when purchased, excluding cash equivalent funds held in the Foundation’s investment portfolio.

**Interests, dividends, and other receivables** – Outstanding receivables are unsecured amounts due from third parties for reimbursement grants, tenant reimbursements on rental property, and interest and dividends earned from investments not yet paid and are expected to be received in less than one year. The Foundation regularly monitors the recovery of these other receivables, and no allowance for credit losses was considered necessary at June 30, 2025 and 2024.

**Contributions receivable** – Contributions receivable are unsecured and carried at net realizable value, net of a discount to present value using a rate which is commensurate with the risks involved on the gift date and an allowance for uncollectible accounts at the financial reporting date. Risks associated with individual gifts are assessed annually through the Foundation’s review of the status of each gift. The Foundation regularly monitors the collection of these amounts, and no allowance for doubtful accounts was considered necessary at June 30, 2025 and 2024.

**Investments** – The Foundation reports investments at fair value. In accordance with U.S. GAAP, certain investments are measured at fair value using the net asset value per share (or its equivalent) practical expedient. The practical expedient allows for the use of net asset value (NAV), either as reported by the investee fund or as adjusted by Foundation management. All unrealized gains and losses related to the investment portfolio are included in the change in net assets in the consolidated statements of activities. Realized gains and losses are computed on the average cost basis, net of investment expenses.

**Communities Foundation of Texas**  
**Notes to Consolidated Financial Statements**  
**Presented in thousands (unless otherwise noted)**

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**Beneficial interest in charitable remainder trusts** – Beneficial interest in charitable remainder trusts represents the amount held for the benefit of the Foundation under irrevocable trust agreements between donors and third-party trustees and are carried at fair value in the consolidated statements of financial position. The Foundation estimates the fair value of the interest annually and recognizes any changes in the fair value as a change in value of split-interest agreements in the consolidated statements of activities.

**Real estate held for sale** – The Foundation measures assets held for sale at the lower of its carrying amount or fair value less cost to sell. Gains or losses are recognized for any subsequent changes to fair value less cost to sell. Property is classified as held for sale when (1) management with the appropriate authority commits to a plan to sell the asset, (2) the asset is available for immediate sale in its present condition, (3) an active program to locate a buyer and other actions required to complete the plan have been initiated, (4) the sale of the property or asset within one year is probable and will qualify for accounting purposes as a sale, (5) the asset is being actively marketed for sale at a price that is reasonable in relation to its current fair value, and (6) actions required to complete the plan of sale indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. Assets held for sale are not depreciated.

The Foundation recognizes income on land sales during the periods in which such sales are closed and are recorded as gain/(loss) on real estate held for sale in the accompanying consolidated statements of activities.

**Other investments** – Other investments consist of equity interests in privately held corporations, limited partnerships, and limited liability companies which do not have readily determinable fair values.

Investments that give the Foundation the ability to exercise significant influence over operating and financial policies of an investee and/or where ownership interest is between 20% and 50% are accounted for under the equity method of accounting.

For investments where the fair value of an investment in equity securities is not readily determinable and does not qualify to be accounted for under the equity method of accounting, the Foundation uses the measurement alternative of cost, minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer.

For investments that qualify for the equity method of accounting, the Foundation evaluates its ownership interest and ability to exercise significant influence over an entity in determining whether to carry the investment under the equity method or at cost at the time of purchase or donation. Under the equity method, the interest's carrying amount is (1) increased for the Foundation's proportionate share of earnings, or (2) decreased for the Foundation's proportionate share of losses and distributions received. No impairment of other investments were recorded for the years ended June 30, 2025 and 2024.

**Communities Foundation of Texas**  
**Notes to Consolidated Financial Statements**  
**Presented in thousands (unless otherwise noted)**

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**Property and equipment** – Property and equipment are recorded at estimated fair value at the date of donation or at cost, if purchased. The Foundation capitalizes all contributions or purchases of equipment with an original cost basis of \$2,500 or more. Depreciation is recorded using the straight-line method based on expected useful lives. The estimated useful lives are 3 to 5 years for furniture, office equipment, and computer equipment and software. The estimated useful lives for building and building improvements is 3 to 30 years. The Foundation records impairments of its property and equipment when it becomes probable that the carrying value of the assets will not be fully recovered over the estimated useful life. Impairments are recorded to reduce the carrying value of the assets to their net realizable value based on facts and circumstances at the time of the determination. No property or equipment impairments were recorded for the years ended June 30, 2025 and 2024.

**Cash surrender value of life insurance policies** – Cash surrender value of life insurance policies are recorded at the amount that can be realized at the date of the consolidated statements of financial position and are included in other assets in the consolidated statements of financial position.

**Impairment of long-lived assets and other assets** – The Foundation reviews long-lived assets, including property and equipment, real estate held for sale, and limited partnership and limited liability company interests, for impairment whenever events or changes in circumstances indicate that the carrying value of the assets may not otherwise be recoverable. In connection with this review, the Foundation also re-evaluates applicable periods of depreciation and amortization for these assets. The Foundation assesses recoverability by determining whether the carrying value of the related asset will be recovered through the projected undiscounted future cash flows of the asset. If the Foundation determines that the carrying value of the asset may not be recoverable, it measures any impairment based on the asset's fair value as compared to the asset's carrying value. Once impairment is recognized, the asset will not be written back to cost, even if the asset or investment subsequently increases in fair value. The Foundation did not record any impairment during the years ended June 30, 2025 and 2024.

**Grants payable and program expenses** – Grants represent amounts awarded to various not-for-profit organizations to assist with funding of general operations or special programs. Other program expenses are primarily related to operation of Educate Texas and other Foundation initiatives. Grants are recorded as an expense when they are approved by the Foundation officers for payment and all conditions of the grant have been met by the grantee. The Board of Trustees ratifies grants at their quarterly meetings. Grants payable consist of unconditional amounts awarded, but not paid, to not-for-profit organizations. Grants to be paid after one year are discounted to net present value using a rate commensurate with the risks involved on the grant date.

**Funds held for others** – The Foundation accounts for assets that are received from a not-for-profit organization for the benefit of that not-for-profit organization, or one of its affiliated organizations, as a liability to the specified beneficiary concurrent with its recognition of the assets received. All asset transfers of this type, and the activity associated with those assets, are recognized as agency transactions and are not reflected in the consolidated statements of activities. In the consolidated statements of financial position, the assets held on behalf of the agency are included in cash and investments, and the related liability is classified as funds held for others. Assets and liabilities related to such funds totaled approximately \$55,861 and \$70,718 at June 30, 2025 and 2024, respectively.

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**Split-interest agreements and gift annuities** – Under charitable remainder trust and annuity agreements, the Foundation pays annual benefits from the trust's assets over the term of the trust to third-party beneficiaries, with remaining trust assets at the end of the trust's term being distributed to the Foundation and/or other charities as directed by the trust instrument. Under charitable gift annuities, assets received are available for immediate use by the Foundation, and annual benefits paid from Foundation assets are distributed to third-party beneficiaries over the term of the agreement.

**Contribution revenue recognition** – Unconditional contributions are recognized as revenue when they are received or promised. Bequests are recognized as contribution revenue at the date the will is declared valid by the probate court and the amount to be received by the Foundation can be estimated.

Contributions of assets other than cash are recorded at their estimated fair value on the gift date. Contributions to be received after one year are recorded at the present value of their estimated future cash flows using a discount rate that is commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in the same net asset class and fund as the original contribution.

The Foundation reports gifts of cash and other assets as contributions with donor restriction when they are received under gift instruments with donor stipulations that limit their use (i.e., gifts without variance power) and/or time restrictions (including implied time restrictions). When a restriction expires (that is, when a stipulated time restriction ends or donor restriction is accomplished), the net assets are reclassified to without donor restriction and reported in the consolidated statements of activities as net assets released from restriction.

Conditional promises to give are defined as donor's promises to give with stipulation that represents a barrier that must be overcome before the donee is entitled to the assets promised or transferred and a right of return to the donor of assets promised or transferred. Conditional contributions are recognized in the consolidated financial statements when the conditions on which they depend are met.

The Foundation recognized contributed nonfinancial assets within revenue, including contributions of partnerships, real estate, and household goods. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

Nonfinancial assets are valued based on the most recently available appraisal. It is the Foundation's policy to sell all contributed nonfinancial assets upon receipt unless the asset is restricted for a specific purpose.

**Investment return** – Investment gain is recorded when earned and consists of interest, dividends, and realized and unrealized gains and losses on investments. Investment income immediately reinvested is reflected simultaneously as investment income and purchases of investments. Investment income is net of external and direct internal investment expenses. Investment transactions are recorded on a trade date basis, which results in receivables and payables on investment income that have not yet settled at the consolidated financial statements date.

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**Rental revenue** – The Foundation, as a lessor, retains substantially all of the risks and benefits of ownership of the investment properties and accounts for all related leases as operating leases. Minimum rents are accrued on a straight-line basis over the terms of their respective leases, and the resulting deferred lease asset is included in other assets on the consolidated statements of financial position. Certain retail tenants are also required to pay overage rents based on sales over a stated base amount during the lease year.

Certain leases require the tenant to reimburse the Foundation for a substantial portion of the operating expenses, including common area maintenance, real estate taxes, and insurance. Operating expenses typically include utilities, insurance, security, janitorial, landscaping, and other administrative expenses. The reimbursable portions of these tenant expenses are recognized as revenue (and receivable) in the period the applicable expenditures are incurred and are included in other income in the consolidated statements of activities.

**Educational consulting** – The Foundation, through the Educate Texas program, provides educational consulting services to school districts in Texas through contacts with the State of Texas and other funders. Revenue is recognized as the services are performed and the revenue is expected to be received. Amounts earned but not yet received are included in interest, dividends, and other receivables in the consolidated statements of financial position.

**Functional allocation of expenses** – Expenses which apply to more than one functional category have been allocated among program, general and administrative, and development based on the time spent on these functions by specific employees. Indirect expenses such as facilities costs are allocated based on square footage used by functional departments. Other indirect expenses, such as those related to information technology, are allocated based on the overall number of staff in the various functional categories. All other costs are charged directly to the appropriate functional category.

**Income tax matters** – The Community Foundation and the Supporting Organizations are exempt from federal income tax under Section 501(a) of the Internal Revenue Code (IRC), as organizations described in IRC Section 501(c)(3), and have been determined not to be private foundations under Section 509(a) of the IRC. Accordingly, no provision for income taxes has been made related to the Foundation; however, should the Foundation engage in activities unrelated to the purpose for which it was created, taxable income could result. For the years ended June 30, 2025 and 2024, the Foundation incurred \$241 and \$256 in taxes as a result of rental revenue by a corporation that was previously donated. This amount is included in other expenses in the consolidated statements of functional expenses.

**Accounting for uncertain tax positions** – The ASC provides guidance for how uncertain tax positions should be recognized, measured, disclosed, and presented in the consolidated financial statements. This requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Foundation's tax returns to determine whether the tax positions are more likely than not of being sustained when challenged or when examined by the applicable tax authority. Tax positions not deemed to meet the more likely than not threshold would be recorded as a tax benefit or expense and liability in the current year. Management has determined that there are no material uncertain income tax positions.

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**Fair value measurements** – The Foundation follows ASC Topic 820, *Fair Value Measurements*, which provides the framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The inputs to the three levels of the fair value hierarchy under Topic 820 are described as follows:

**Level 1** – Unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

**Level 2** – Quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from, or corroborated by, observable market data by correlation to other means. 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** – Unobservable and significant to the fair value measurement.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. All transfers between fair value hierarchy levels are recognized by the Foundation at the end of each reporting period. Financial assets and liabilities carried at fair value on recurring basis include investments, beneficial interest in charitable remainder trust, cash surrender value of life insurance policies, and funds held for others.

**Subsequent events** – Subsequent events are events or transactions that occur after the consolidated statement of financial position date but before the consolidated financial statements are available to be issued. The Foundation recognized in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the consolidated statements of financial position, including the estimates inherent in the process of preparing the consolidated financial statements. The Foundation's consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the consolidated statements of financial position but arose after that consolidated statement of financial position date and before the consolidated financial statements are available to be issued.

The Foundation has evaluated subsequent events through December 3, 2025, the date the consolidated financial statements were available to be issued.

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**Note 2 – Liquidity and Availability**

Financial assets available for general expenditure, including grants, that is, without donor or other restrictions limiting their use, within one year of the consolidated statements of financial position sheet date, comprise the following at June 30:

	2025	2024
Financial assets		
Cash and cash equivalents	\$ 16,979	\$ 14,576
Interest, dividends, and other receivables	4,489	4,821
Contributions receivable, net	7,014	31,638
Investments	1,631,707	1,454,009
Beneficial interest in charitable remainder trusts	12,818	13,214
Other investments, illiquid	14,344	14,344
	1,687,351	1,532,602
Less amounts unavailable for general expenditure		
Contributions receivable beyond one year	-	(30)
Investments not convertible to cash within one year	(69,996)	(60,078)
Investments and financial assets held for others	(55,861)	(70,718)
Endowments and accumulated earnings subject to appropriation beyond one year	(326,469)	(315,304)
Investments in board designated endowments	(32,977)	(31,120)
Beneficial interest in charitable remainder trusts	(11,955)	(12,120)
Other investments, illiquid	(14,344)	(14,344)
Financial assets available to meet the cash needs for general expenditures within one year	\$ 1,175,749	\$ 1,028,888

The Foundation has a policy to structure its financial assets to be available as general expenditures, liabilities, and other obligations become due. The Foundation invests cash in excess of daily requirements in short-term investments and money market funds.

**Note 3 – Contributions Receivable**

Unconditional contributions receivable, including amounts due under pledge agreements, are expected to be collected as follows at June 30:

	2025	2024
Less than one year	\$ 7,014	\$ 31,608
One year to five years	-	30
Total	\$ 7,014	\$ 31,638

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The Foundation believes all contributions receivable will be fully collected. No discount was recorded as of June 30, 2025 and 2024.

The Foundation had \$15,093 and \$11,293 of conditional promises to give at June 30, 2025 and 2024, respectively.

**Note 4 – Property and Equipment**

Property and equipment are summarized as follows at June 30:

	<u>2025</u>	<u>2024</u>
Land	\$ 21,947	\$ 21,947
Building and improvements	54,963	52,973
Furniture	1,736	1,571
Office equipment	92	89
Computer equipment and software	5,607	5,515
Construction in progress	234	29,926
	<u>84,579</u>	<u>112,021</u>
Total	84,579	112,021
Less accumulated depreciation	<u>(38,665)</u>	<u>(35,585)</u>
	<u>\$ 45,914</u>	<u>\$ 76,436</u>
Total property and equipment	<u>\$ 45,914</u>	<u>\$ 76,436</u>

Depreciation expense related to the property and equipment totaled approximately \$3,080 and \$2,960 in 2025 and 2024, respectively.

**Note 5 – Grants Payable**

Grants approved and committed for future payment are as follows at June 30, 2025:

Years Ending June 30,

2026	\$ 22,374
2027	7,362
2028	2,282
2029	1,292
2030	272
Thereafter	<u>489</u>
	34,071
Less unamortized discount (0.43%-4.66%)	<u>(452)</u>
Total grants payable	<u>\$ 33,619</u>

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Conditional grants totaled approximately \$1,878 and \$1,130 at June 30, 2025 and 2024, respectively, and are not recorded as expense until the conditions are met by the grantee. Substantially all conditional grants are contingent upon the grantee raising matching funds or achievement of milestones specified in the terms of the respective grant.

**Note 6 – Split-Interest Agreements**

At June 30, 2025 and 2024, the Foundation had recorded approximately \$8,754 and \$8,483, respectively, in fair value of charitable gift annuities and charitable remainder trusts in which the Foundation serves as the trustee and as an asset in its consolidated statements of financial position. Assets received under these agreements are recorded at fair value and in the appropriate net asset category. Related contributions per the agreements are recognized as contribution revenue and are equal to the present value of future benefits to be received by the Foundation over the term of the agreements. The Foundation did not receive contribution revenue related to these agreements during the years ended June 30, 2025 and 2024.

Liabilities have been established for split-interest agreements in which the Foundation is the trustee or for which the Foundation is obligated to an annuitant under a charitable gift annuity, and these liabilities totaled approximately \$4,231 and \$4,389 at June 30, 2025 and 2024, respectively. For split-interest agreements in which the Foundation is the trustee but is not the charitable beneficiary (or not the only charitable beneficiary), the Foundation has established liabilities to the other not-for-profit organizations, and this obligation totaled approximately \$281 and \$266 at June 30, 2025 and 2024, respectively.

Some of the Foundation's charitable remainder trusts (included in assets above) are income trusts. Under these agreements, payments to lead beneficiaries (i.e., the individual designated by the donor) are limited to the income earned by the trust; as such, a liability to the lead beneficiary is not recorded. Gifts of income trusts are recorded at fair value on the gift date. The fair value of the contribution is the fair value of the assets to be received in the future, discounted for the life expectancy of the lead beneficiary. The difference between the fair value of the assets when received and the fair value of the contribution is recognized as deferred revenue in the consolidated statements of financial position and totaled approximately \$148 and \$164 at June 30, 2025 and 2024, respectively. The discount will be amortized over the term of the trusts as a decrease in deferred revenue and an increase in change in value of split-interest agreements in the consolidated statements of activities.

During the term of the agreements, changes in the value of the split-interest agreements are recognized in the consolidated statements of activities based on accretion of the discounted amount of the contribution and re-evaluations of the expected future benefits (payments) to be received (paid) by the Foundation (beneficiaries), based on changes in life expectancy from mortality tables using annual Internal Revenue Service discount rates and other assumptions. Discount rates ranging from 2.2% to 6.9% were used in these calculations at the dates of the contributions.

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The Foundation is the beneficiary of irrevocable charitable remainder trusts held by financial institutions. The beneficial interest is carried at fair value, which is based on the present value of the future distributions expected to be received over the term of the agreements. The Foundation had no contribution revenue related to these agreements in 2025 and 2024. The estimated fair value of the Foundation's beneficial interests totaled approximately \$12,818 and \$13,214 at June 30, 2025 and 2024, respectively. Changes in fair value of the beneficial interests are reflected as a change in value of split-interest agreements in the consolidated statements of activities.

**Note 7 – Total Net Asset Composition**

Total net asset composition (in thousands):

	June 30, 2025		
	Without Donor Restriction	With Donor Restriction	Total
Endowment funds	\$ 32,977	\$ 351,479	\$ 384,456
Non-endowment funds			
Donor advised	384,314	-	384,314
Donor-purpose restricted	-	91,227	91,227
Non-donor advised	183,342	-	183,342
Total non-endowment funds	567,656	91,227	658,883
Split-interest agreements	1,530	10,425	11,955
Total Community Foundation net assets	602,163	453,131	1,055,294
Supporting organizations (non-donor advised)	572,905	11,091	583,996
Total net assets	<u>\$ 1,175,068</u>	<u>\$ 464,222</u>	<u>\$ 1,639,290</u>
	June 30, 2024		
	Without Donor Restriction	With Donor Restriction	Total
Endowment funds	\$ 31,120	\$ 338,401	\$ 369,521
Non-endowment funds			
Donor advised	345,541	-	345,541
Donor-purpose restricted	-	18,119	18,119
Non-donor advised	195,720	-	195,720
Total non-endowment funds	541,261	18,119	559,380
Split-interest agreements	1,226	10,894	12,120
Total Community Foundation net assets	573,607	367,414	941,021
Supporting organizations (non-donor advised)	536,689	23,683	560,372
Total net assets	<u>\$ 1,110,296</u>	<u>\$ 391,097</u>	<u>\$ 1,501,393</u>

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With donor restriction net assets include contributions received with endowment restrictions, time restrictions, and those received under split-interest agreements with an implied time restriction. In addition, the Foundation continues to classify contributions (and related net assets) received under gift instruments (generally grants), which specifically do not reference variance power and require the return of assets if not used for the donor-specified purpose until such funds are expended in accordance with the donor-restricted purpose as with donor restriction.

Net assets consisting of the initial fair value of the gifts where the donor has specified that the assets donated are to be retained in an endowment, providing a permanent source of revenue for charitable purposes are classified as with donor restriction. The accumulation of assets above the historic gift value, in donor restricted endowment funds is classified as with donor restriction until appropriated based on the Foundation's spending policy. The donor restricted endowment corpus amounts were approximately \$194,104 and \$200,353 as of June 30, 2025 and 2024, respectively.

The Foundation manages approximately 800 donor-advised funds. Although grant recommendations are accepted from the donors or other advisors of these funds, the ultimate discretion over the use of these funds lies with the Board of Trustees. Non-donor advised funds represent amounts held by the Foundation designated for specific purposes by donors and/or the Foundation.

**Note 8 – Endowment Funds**

Endowment net asset composition:

	June 30, 2025		
	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment funds	\$ -	\$ 351,479	\$ 351,479
Board-designated endowment funds	32,977	-	32,977
Total endowment funds	<u>\$ 32,977</u>	<u>\$ 351,479</u>	<u>\$ 384,456</u>
	June 30, 2024		
	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment funds	\$ -	\$ 338,401	\$ 338,401
Board-designated endowment funds	31,120	-	31,120
Total endowment funds	<u>\$ 31,120</u>	<u>\$ 338,401</u>	<u>\$ 369,521</u>

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Changes in endowment net assets are summarized as follows:

	June 30, 2025		
	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, at July 1, 2024	\$ 31,120	\$ 338,401	\$ 369,521
Investment gain, net	3,135	32,159	35,294
Contributions	-	8,860	8,860
Other income	2	149	151
Donor-directed reclassifications	-	(20,905)	(20,905)
Appropriation of endowment assets	(1,280)	(7,185)	(8,465)
Endowment net assets, at June 30, 2025	<u>\$ 32,977</u>	<u>\$ 351,479</u>	<u>\$ 384,456</u>
	June 30, 2024		
	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, at July 1, 2023	\$ 28,476	\$ 282,190	\$ 310,666
Investment gain, net	3,924	41,115	45,039
Contributions	-	22,232	22,232
Other income	-	159	159
Appropriation of endowment assets	(1,280)	(7,295)	(8,575)
Endowment net assets, at June 30, 2024	<u>\$ 31,120</u>	<u>\$ 338,401</u>	<u>\$ 369,521</u>

**Note 9 – Employee Benefit Plans**

**Defined contribution plan** – The Foundation has a defined contribution plan that covers all full-time employees of the Foundation who have attained the age of 18. Participating employees can contribute on a voluntary basis up to 82% of eligible earnings, not to exceed the amount allowed by law. The Foundation makes safe harbor matching contributions of up to 4% of an employee’s annual salary. In addition, all full-time employees with more than six months of service receive a discretionary contribution as determined by the Board of Trustees. Costs associated with the defined contribution plan, including contributions, were approximately \$1,047 and \$1,083 for the years ended June 30, 2025 and 2024, respectively.

In 2017, the Foundation initiated a deferred compensation plan under Section 457(b) of the Internal Revenue Code for certain senior executives. Eligible employees may elect to make contributions to the plan under a salary reduction agreement. No employer contributions are made to the plan. The plan liability of approximately \$441 and \$318 as of June 30, 2025 and 2024, respectively, is an unsecured obligation of the Foundation and is reflected in accounts payable and accrued liabilities in the consolidated statements of financial position.

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**Note 10 – Concentrations and Credit Risk**

Invested assets which potentially expose the Foundation to concentrations of credit risk include cash and cash equivalents and investments. As a matter of policy, the Foundation only maintains invested assets with highly rated financial institutions. At times, balances of such invested assets may be in excess of FDIC and SIPC insurance limits. The Foundation monitors financial institution concentrations and does not anticipate any losses from these concentrations. Management believes that the credit risk of investments in the Foundation's portfolio is mitigated by the overall diversification of each management investment portfolio.

One estate gift made up 92.3% of net contribution receivable at June 30, 2025. Two estate gifts made up 87.9% of net contribution receivable at June 30, 2024.

The Foundation maintains formal investment policies that set out performance criteria, provide investment guidelines, and require regular review of investment performance. The Foundation works with an investment consultant to review performance and evaluate investments managers. Investments are managed by multiple investment managers, who have responsibility for investing the funds according to the Foundation's investment policy. Risk is managed through rigorous evaluations performed before an investment is made, quarterly monitoring of performance, and regular communication with the investment managers.

Investments in general are exposed to various risks such as interest rates and overall market volatility. As such, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reports in the consolidated statements of activities. The ultimate realization of these investments will depend on market conditions.

**Note 11 – Fair Value Measurements**

The Board of Trustees of the Community Foundation, as outlined in its bylaws, appoints an Investment Committee responsible for the overall management of the investments of the Community Foundation, the W.W. Caruth, Jr. Foundation, and Kaleidoscope Park Foundation. This responsibility includes the hiring and termination of investment managers, investment consultants, custodian banks, and securities lending agents. Management is responsible for day-to-day investment operations including recommending investments, performing due diligence, and reviewing the reasonableness of fair values. Fair value measurements for investments, beneficial interests in charitable remainder trusts, and liabilities associated with split-interest agreements are prepared by management of the Community Foundation and approved by the Board of Trustees during their review and approval of the periodic internal financial statements of the Foundation. The Board of Directors of the Supporting Organizations perform these functions for the supporting organizations.

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The methods and assumptions used to estimate the fair value of assets and liabilities in the consolidated financial statements, including a description of the methodologies used for the classifications within the fair value hierarchy, if applicable, are as follows:

**Investments** – All of the marketable securities are valued by nationally recognized third-party pricing services. Each organization within the Foundation gives highest priority to quoted prices in active markets for identical assets accessed at the measurement date. An active market for the asset is a market in which transactions for the asset occur with sufficient frequency and volume to provide pricing information on an ongoing basis, and the Foundation 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, using the market approach.

Level 2 inputs under the market approach include quoted prices for similar assets in active markets, quoted prices for 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. In certain cases, where Level 1 or Level 2 inputs are not available, investments are classified within Level 3 of the hierarchy.

Nonmarketable securities are carried at fair value which is based on NAV as provided by the fund manager and/or adjusted by the Foundation. The Foundation uses management agreements, analyst notes, audited financial statements, and underlying investment holdings to evaluate the fund manager's valuation methodology (i.e., in determining whether the fund manager follows ASC 820, *Fair Value Measurements*) and considers various other factors including contributions and withdrawals to the fund and monitoring unaudited interim reporting to determine if any adjustment to the NAV is necessary.

**Beneficial interests in charitable remainder trusts** – Beneficial interests are carried at fair value, which is based on the present value of the expected future cash inflows from the trusts. The fair value of the underlying trust assets is based on quoted market prices when available or the best estimate of fair value as determined by the third-party trustee. The Foundation's valuation technique considers the fair value of the assets held in the trust and applies a discount rate to convert such amounts to a single present value amount. The discount rate used by the Foundation reflects current market conditions, including the inherent risk in the underlying assets and the risk of nonperformance by the trustee. Due to the significant unobservable inputs required to estimate the expected future cash receipts from the trust agreements under the income approach, the Foundation's beneficial interest is classified as Level 3 in the hierarchy.

**Cash surrender value of life insurance policies** – The asset's carrying amount is the current cash surrender values on life insurance policies for which the Foundation is the beneficiary.

**Liabilities associated with split-interest agreements** – The fair value of the liabilities is determined by discounting the future cash flows at rates that could currently be negotiated by the Foundation for borrowings of similar amounts. The carrying value approximates the liabilities' fair value.

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Assets and liabilities measured at fair value on a recurring basis are classified within the fair value hierarchy as follows at June 30:

	June 30, 2025				
	Level 1	Level 2	Level 3	NAV	Total
<b>Assets</b>					
<b>Investments</b>					
<b>Marketable securities</b>					
Cash equivalents and short-term investments	\$ 271,106	\$ -	\$ -	\$ -	\$ 271,106
Government securities and municipal bonds	3,474	1,699	-	-	5,173
Corporate bonds	2,225	2,914	-	-	5,139
Exchange-traded funds	32,714	3,378	-	-	36,092
<b>Equities</b>					
U.S. equities	532,742	-	-	-	532,742
International equities	160,388	1,861	-	-	162,249
Real estate investment trusts (REITs)	202	-	-	-	202
Future contracts	2,821	-	-	-	2,821
Mutual funds	243,466	-	-	-	243,466
Investments measured at net asset value	-	-	-	372,717	372,717
<b>Total investments</b>	1,249,138	9,852	-	372,717	1,631,707
Beneficial interest in charitable remainder trusts	-	-	12,818	-	12,818
Cash surrender value of life insurance policies	-	124	-	-	124
<b>Total assets</b>	<u>\$ 1,249,138</u>	<u>\$ 9,976</u>	<u>\$ 12,818</u>	<u>\$ 372,717</u>	<u>\$ 1,644,649</u>
<b>Liabilities</b>					
Funds held for others	\$ -	\$ -	\$ -	\$ 55,861	\$ 55,861
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 55,861</u>	<u>\$ 55,861</u>
	June 30, 2024				
	Level 1	Level 2	Level 3	NAV	Total
<b>Assets</b>					
<b>Investments</b>					
<b>Marketable securities</b>					
Cash equivalents and short-term investments	\$ 128,045	\$ -	\$ -	\$ -	\$ 128,045
Government securities and municipal bonds	9,684	1,506	-	-	11,190
Corporate bonds	2,203	1,735	-	-	3,938
Exchange-traded funds	13,842	-	-	-	13,842
<b>Equities</b>					
U.S. equities	71,038	-	-	-	71,038
International equities	3,494	60	-	-	3,554
Real estate investment trusts (REITs)	177	287	-	-	464
Future contracts	66	-	-	-	66
Mutual funds	243,402	-	-	-	243,402
Investments measured at net asset value	-	-	-	978,470	978,470
<b>Total investments</b>	471,951	3,588	-	978,470	1,454,009
Beneficial interest in charitable remainder trusts	-	-	13,214	-	13,214
Cash surrender value of life insurance policies	-	123	-	-	123
<b>Total assets</b>	<u>\$ 471,951</u>	<u>\$ 3,711</u>	<u>\$ 13,214</u>	<u>\$ 978,470</u>	<u>\$ 1,467,346</u>
<b>Liabilities</b>					
Funds held for others	\$ -	\$ -	\$ -	\$ 70,718	\$ 70,718
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 70,718</u>	<u>\$ 70,718</u>

**Communities Foundation of Texas**  
**Notes to Consolidated Financial Statements**  
**Presented in thousands (unless otherwise noted)**

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The changes in Level 3 assets and liabilities measured at fair value on a recurring basis are summarized as follows:

	Beneficial Interests in Charitable Remainder Trusts
Balance, at June 30, 2023	\$ 13,626
Sales and distributions	(1,031)
Change in value of split-interest agreements	619
Balance, at June 30, 2024	13,214
Sales and distributions	(607)
Change in value of split-interest agreements	211
Balance, at June 30, 2025	\$ 12,818

The summary of changes in fair value of Level 3 assets has been prepared to reflect the activity in the same categories as those provided in the consolidated statements of activities.

The following table summarizes the valuation techniques and significant unobservable inputs used for the Foundation's assets that is categorized within Level 3 of the fair value hierarchy:

Investment Type	Fair Value at June 30,		Valuation Techniques	Unobservable Input (b)	Range of Inputs (Weighted Average) June 30,	
	2025	2024			2025	2024
Beneficial interest in charitable remainder trusts	\$ 12,818	\$ 13,214	Discounted cash flows	Discount rate <sup>(a)</sup> Expected rate of return <sup>(c)</sup>	1.6% to 6% (2.59%)	1.6% to 6% (2.55%)

Represents amounts used when the Foundation has determined that market participants would take into account these discounts when pricing the assets or liabilities.

- (a) Significant increases or decreases in any of the above unobservable inputs in isolation may result in a significantly lower or higher fair value.
- (b) Represents the net fair value of assets to be paid to the Foundation based on terms stated in the trust agreement.

**Communities Foundation of Texas**  
**Notes to Consolidated Financial Statements**  
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The Foundation's investments in certain entities that calculate NAV and for which there is not a readily determinable fair value are summarized as follows:

		Fair Value June 30, 2025	Unfunded Commitments June 30, 2025	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Hedge & Other Multi-Strategy Funds	(a)	\$ 41,427	\$ -	Monthly, Quarterly	1-75 days
Private Investments	{b}	144,636	110,896	Not Eligible	Not Eligible
Bond Funds	{c}	134,421	-	Mid and month end	1 day
Fund of Funds	{d}	<u>52,233</u>	<u>1,378</u>	Monthly, Quarterly, Annual or N/A	1-95 days or N/A
Total		<u>\$ 372,717</u>	<u>\$ 112,274</u>		

- (a) This class includes commingled funds that provide exposure to a diverse array of absolute return oriented strategies, some implemented by single-strategy specialist and others pursued by managers employing multiple techniques. These strategies may include but are not limited to long / short equity, event-driven investing, capital structured arbitrage and fixed income arbitrage.
- (b) This class includes private equity and similar investment funds that are generally designed for long-term investment strategies by investing in companies whose stock is not publicly traded, bank debt, real estate, or similar securities. Distributions are typically based on capital transactions and other liquidity events within the underlying investment funds. The majority of the investments in this category cannot currently be redeemed by the Foundation, and the ultimate outcome of liquidity events and overall duration of the funds cannot reasonably be determined.
- (c) This class includes commingled, actively managed fixed income funds that invest in a broad array of global bonds across geographies, credit quality and duration. These accounts may have short exposures.
- (d) Fund of funds consist of investment funds that are designed to invest in diversified holdings. In some instances, management of the fund has the ability to hold a net long or net short position as do the underlying fund managers. Notice provisions and underlying liquidity varies among the fund of funds and can be daily, monthly, quarterly, annual, or extending over multi-year periods.

**Communities Foundation of Texas**  
**Notes to Consolidated Financial Statements**  
**Presented in thousands (unless otherwise noted)**

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**Note 12 – Leases**

The Foundation leases office, retail, and restaurant space, as well as certain agricultural land to independent third parties. These leases expire over the next 13 years.

Future minimum rental income under non-cancelable operating leases includes the following at June 30, 2025:

Years Ending June 30,

2026	\$ 5,582
2027	4,811
2028	3,882
2029	3,490
2030	2,683
Thereafter	<u>8,597</u>
Total	<u>\$ 29,045</u>

This amount does not include contingent rentals that may be received under certain leases of retail space that are based on a percentage of revenues. There was no revenue from contingent rentals in 2025 and 2024. The Foundation recognized lease income, included in other rental income in the consolidated statements of activities, of approximately \$6,110 and \$6,829 for the years ended June 30, 2025 and 2024, respectively.

**Note 13 – Other Investments**

The Foundation's other investments are comprised of equity interests in privately held corporations, limited partnerships, and limited liability companies which do not have readily determinable fair values. Based on evaluation, the Foundation has determined that its investment in three entities should be reported under the equity method. Under the equity method, the initial investment is reflected at cost and adjusted for the equity in the undistributed net earnings (losses) since acquisition plus contributions less dividends and distributions. The Foundation's ownership in the largest investment was 22.61% for the years ended June 30, 2025 and 2024. The Foundation owned 50% and 14.3% in the remaining two investments for both of the years ended June 30, 2025 and 2024.

The Foundation reported total investments carried under the equity method of approximately \$13,231 at June 30, 2025 and 2024. The Foundation recognized earnings related to its investments carried under the equity method of approximately \$1,741 and \$1,596 for the years ended June 30, 2025 and 2024, respectively, which are included in other income in the consolidated statements of activities. All earnings were distributed, and cash was received by the Foundation for the years ended June 30, 2025 and 2024.

**Communities Foundation of Texas**  
**Notes to Consolidated Financial Statements**  
**Presented in thousands (unless otherwise noted)**

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Summarized financial information for the Foundation's three investments accounted for under the equity method is as follows at June 30:

	2025 Unaudited	2024 Unaudited
Current assets	\$ 9,953	\$ 8,034
Non-current assets	33,078	34,944
Total assets	<u>\$ 43,031</u>	<u>\$ 42,978</u>
Current liabilities	\$ 32	\$ 409
Non-current liabilities	395	290
Total liabilities	427	699
Equity	<u>42,602</u>	<u>42,279</u>
Total liabilities and equity	<u>\$ 43,029</u>	<u>\$ 42,978</u>
Gross revenue	\$ 16,297	\$ 14,628
Less total expenses	8,184	8,980
Net earnings	<u>\$ 8,113</u>	<u>\$ 5,648</u>

The Foundation's other investments with a carrying value of approximately \$1,113 at June 30, 2025 and 2024 are comprised of limited partnership and limited liability company interests reported at cost. No events or changes in circumstances occurred in 2025 or 2024 resulting in an impairment evaluation.

**Note 14 – Note Payable**

Effective January 1, 2023, a supporting organization of the Foundation entered into an unsecured loan agreement for \$15 million under an interest-free loan. The lender in the agreement was a significant donor of the Foundation. The purpose of the loan was to fund the construction of the Frisco park. The loan was scheduled to be funded through five monthly payments. The outstanding amount was \$14,505 at June 30, 2024. The maturity date of the loan was contingent on the completion of the park, the transfer of park ownership to the City of Frisco and payment by the City of Frisco.

In November 2024, the Foundation received the certificate of occupancy for the Frisco Park. Upon receipt, the City of Frisco repaid the outstanding \$15 million loan associated with the park's development. Subsequently, the Foundation transferred, in the form of a grant, the Frisco Park assets with a carrying value of \$36,840 to the City of Frisco. The net impact of this transaction, totaling \$21,840, has been recognized as a grant expense in the consolidated statement of activities. Kaleidoscope Park Foundation, a supporting organization of the Foundation, will continue to oversee the operations and fundraising activities of Frisco Park under an operating agreement with the City of Frisco.

**Communities Foundation of Texas**  
**Notes to Consolidated Financial Statements**  
**Presented in thousands (unless otherwise noted)**

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**Note 15 – Commitments, Contingencies, and Uncertainties**

A supporting organization was named a joint pledge member in a joint pledge totaling \$5,000. The pledge was paid in five annual installments beginning in July 2020. The pledge was fulfilled as of December 31, 2024. The pledge is considered to be a conditional grant. Conditional grants will be recognized in the consolidated financial statements when the conditions on which they depend are met.

## **Supplementary Information**

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**Communities Foundation of Texas**  
**Consolidating Statement of Financial Position**  
**June 30, 2025**  
**Presented in thousands**  
**(Unaudited)**

	Communities Foundation of Texas, Inc.	W. W. Caruth, Jr. Foundation	Kaleidoscope Park Foundation	Other Supporting Organizations	Eliminations	Total
<b>ASSETS</b>						
Cash and cash equivalents	\$ 8,598	\$ 6,500	\$ 621	\$ 1,260	\$ -	\$ 16,979
Interest, dividends, and other receivables	4,157	290	25	17	-	4,489
Contributions receivable, net	6,971	-	43	-	-	7,014
Investments	1,096,778	518,742	-	16,187	-	1,631,707
Beneficial interest in charitable remainder trusts	12,818	-	-	-	-	12,818
Real estate held for sale	398	-	-	-	-	398
Other investments	834	13,510	-	-	-	14,344
Property and equipment, net	19,312	26,602	-	-	-	45,914
Other assets	1,705	1,153	-	-	-	2,858
<b>TOTAL ASSETS</b>	<b>\$ 1,151,571</b>	<b>\$ 566,797</b>	<b>\$ 689</b>	<b>\$ 17,464</b>	<b>\$ -</b>	<b>\$ 1,736,521</b>
<b>LIABILITIES</b>						
Accounts payable and accrued liabilities	\$ 2,191	\$ 900	\$ -	\$ -	\$ -	\$ 3,091
Grants payable, net	33,619	-	-	-	-	33,619
Funds held for others	55,861	-	-	-	-	55,861
Deferred revenue	148	-	-	-	-	148
Liabilities associated with split-interest agreements	4,512	-	-	-	-	4,512
<b>Total liabilities</b>	<b>96,331</b>	<b>900</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>97,231</b>
<b>NET ASSETS</b>						
Without donor restriction	602,164	565,897	-	7,007	-	1,175,068
With donor restriction	453,076	-	689	10,457	-	464,222
<b>Total net assets</b>	<b>1,055,240</b>	<b>565,897</b>	<b>689</b>	<b>17,464</b>	<b>-</b>	<b>1,639,290</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,151,571</b>	<b>\$ 566,797</b>	<b>\$ 689</b>	<b>\$ 17,464</b>	<b>\$ -</b>	<b>\$ 1,736,521</b>

**Communities Foundation of Texas**  
**Consolidating Statement of Activities**  
**Year Ended June 30, 2025**  
**Presented in thousands**  
**(Unaudited)**

	Communities Foundation of Texas, Inc.	W.W. Caruth, Jr. Foundation	Kaleidoscope Park Foundation	Other Supporting Organizations	Eliminations	Total
<b>REVENUES AND GAINS</b>						
Contributions	\$ 209,669	\$ -	\$ 9,666	\$ 4,591	\$ (26,386)	\$ 197,540
Investment gain, net	92,717	51,215	1	1,335	(1,896)	143,372
Gain on real estate held for sale	-	273	-	-	-	273
Change in value of split-interest agreements	570	-	-	-	-	570
Rental income	202	5,908	-	-	-	6,110
Educational consulting	6,712	-	-	-	-	6,712
Other income	5,709	1,643	2	135	(2,543)	4,946
	<u>315,579</u>	<u>59,039</u>	<u>9,669</u>	<u>6,061</u>	<u>(30,825)</u>	<u>359,523</u>
<b>GRANTS AND EXPENSES</b>						
Programs						
Grants	164,139	16,058	22,045	4,613	(26,386)	180,469
Other	19,051	-	-	-	-	19,051
Supporting activities						
General and administrative expenses	14,105	8,261	74	124	(4,439)	18,125
Development	3,981	-	-	-	-	3,981
	<u>201,276</u>	<u>24,319</u>	<u>22,119</u>	<u>4,737</u>	<u>(30,825)</u>	<u>221,626</u>
CHANGE IN NET ASSETS	114,303	34,720	(12,450)	1,324	-	137,897
<b>NET ASSETS</b>						
Beginning of year	940,937	531,177	13,139	16,140	-	1,501,393
End of year	<u>\$ 1,055,240</u>	<u>\$ 565,897</u>	<u>\$ 689</u>	<u>\$ 17,464</u>	<u>\$ -</u>	<u>\$ 1,639,290</u>

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