Communities Foundation of Texas, Inc

Consolidated Financial Statements
and Supplementary Information

June 30, 2026 and 2025

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INDEPENDENT AUDITOR'S REPORT

To the Finance and Audit Committee
Communities Foundation of Texas, Inc

Opinion

We have audited the accompanying consolidated financial statements of Communities Foundation of Texas, Inc, which comprise the consolidated statement of financial position as of June 30, 2026, 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Communities Foundation of Texas, Inc as of June 30, 2026, 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. 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, Inc 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.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Communities Foundation of Texas, Inc'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, Inc'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 information on pages 39 - 40, which is the responsibility of management, is 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.

Prior Period Financial Statements

The consolidated financial statements of Communities Foundation of Texas, Inc as of June 30, 2025, were audited by other auditors whose report dated December 3, 2025, expressed an unmodified opinion on those statements.



Dallas, Texas

November 18, 2026

Communities Foundation of Texas, Inc
Consolidated Statements of Financial Position
June 30, 2026 and 2025
(In thousands)

	2026	2025
ASSETS		
Cash and cash equivalents	$ 17,165	$ 16,979
Interest, dividends, and other receivables	3,045	2,304
Contributions receivable, net	6,622	7,014
Investments	1,884,774	1,631,707
Notes receivable	5,387	2,185
Real estate held for sale	398	398
Beneficial interest in charitable remainder trusts	13,560	12,818
Other investments	17,618	14,344
Property and equipment, net	44,901	45,914
Other assets	2,858	2,858
Total assets	$ 1,996,328	$ 1,736,521
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued liabilities	$ 3,416	$ 3,091
Grants payable, net	32,471	33,619
Funds held for others	63,253	55,861
Deferred revenue	381	148
Liabilities associated with split-interest agreements	4,684	4,512
Total liabilities	104,205	97,231
Net assets		
Without donor restrictions	1,368,933	1,175,068
With donor restrictions	523,190	464,222
Total net assets	1,892,123	1,639,290
Total liabilities and net assets	$ 1,996,328	$ 1,736,521

The accompanying notes are an integral part of these consolidated financial statements.

Communities Foundation of Texas, Inc
Consolidated Statement of Activities
For the Year Ended June 30, 2026
(In thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains, and other support			
Contributions	$ 145,558	$ 27,628	$ 173,186
Investment gains, net	181,582	66,249	247,831
Loss on real estate held for sale	(32)	-	(32)
Change in value of split-interest agreements	51	1,614	1,665
Rental income	6,957	8	6,965
Educational consulting	7,690	75	7,765
Other income	3,979	1,202	5,181
Net assets released from restriction	37,808	(37,808)	-
Total revenues, gains, and other support	383,593	58,968	442,561
Functional expenses			
Programs			
Grants	143,919	-	143,919
Other	24,527	-	24,527
Support services			
General and administrative	17,380	-	17,380
Development	3,902	-	3,902
Total functional expenses	189,728	-	189,728
Change in net assets	193,865	58,968	252,833
Net assets, beginning of year	1,175,068	464,222	1,639,290
Net assets, end of year	$ 1,368,933	$ 523,190	$ 1,892,123

The accompanying notes are an integral part of these consolidated financial statements.

Communities Foundation of Texas, Inc
Consolidated Statement of Activities
For the Year Ended June 30, 2025
(In thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains, and other support			
Contributions	$ 108,062	$ 89,478	$ 197,540
Investment gains, net	107,685	35,687	143,372
Gain on sale of real estate	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 restriction	53,514	(53,514)	-
Total revenues, gains, and other support	286,398	73,125	359,523
Functional expenses			
Programs			
Grants	180,469	-	180,469
Other	19,051	-	19,051
Support services			
General and administrative	18,125	-	18,125
Development	3,981	-	3,981
Total functional expenses	221,626	-	221,626
Change in net assets	64,772	73,125	137,897
Net assets, beginning of year	1,110,296	391,097	1,501,393
Net assets, end of year	$ 1,175,068	$ 464,222	$ 1,639,290

The accompanying notes are an integral part of these consolidated financial statements.

Communities Foundation of Texas, Inc
Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2026
(In thousands)

	Programs	General and Administrative	Development	Total
Grants awarded	$ 143,919	$ -	$ -	$ 143,919
Personnel	8,569	8,589	3,058	20,216
Consultants/professional services	8,855	2,466	95	11,416
Occupancy	3,243	3,838	291	7,372
Information technology	477	421	141	1,039
Special events	1,607	811	86	2,504
Marketing	972	306	168	1,446
Other	276	888	52	1,216
Travel	528	61	11	600
	$ 168,446	$ 17,380	$ 3,902	$ 189,728

The accompanying notes are an integral part of these consolidated financial statements.

Communities Foundation of Texas, Inc
Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2025
(In thousands)

	Programs	General and Administrative	Development	Total
Grants awarded	$ 180,469	$ -	$ -	$ 180,469
Personnel	8,095	8,262	3,169	19,526
Consultants/professional services	6,217	3,592	16	9,825
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	554	57	731
Travel	321	62	17	400
	$ 199,520	$ 18,125	$ 3,981	$ 221,626

The accompanying notes are an integral part of these consolidated financial statements.

Communities Foundation of Texas, Inc
Consolidated Statements of Cash Flows
For the Years Ended June 30, 2026 and 2025
(In thousands)

	2026	2025
Cash flows from operating activities		
Change in net assets	$ 252,833	$ 137,897
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	3,057	3,080
Amortization of discount on grants payable	(148)	(213)
Net gain on investments	(222,822)	(122,130)
Change in value of split interest agreements	(1,349)	(570)
(Gain) loss on sale of real estate	32	(273)
Noncash contributions	(49,745)	(115,520)
Noncash grants	-	21,840
Contribution received for long term purposes	(5,517)	(8,860)
Changes in operating assets and liabilities		
Contributions, interest, dividends, and other receivables	(351)	24,956
Beneficial interest in trust	607	607
Other assets	-	(88)
Accounts payable and accrued liabilities	558	(2,948)
Grants payable	(1,000)	17,578
Funds held for others	(1,271)	(20,742)
Liabilities associated with split-interest agreements	172	200
Net cash used in operating activities	(24,944)	(65,186)
Cash flows from investing activities		
Purchases of investments	(733,666)	(588,427)
Proceeds from sales of investments	758,330	654,264
Proceeds from sale of real estate	200	1,795
Purchases of property and equipment	(2,051)	(9,398)
Issuance of notes receivable	(3,200)	-
Net cash provided by investing activities	19,613	58,234
Cash flows from financing activities		
Contributions for long term purposes	5,517	8,860
Proceeds on note payable	-	495
Net cash provided by financing activities	5,517	9,355
Net increase in cash and cash equivalents	186	2,403
Cash and cash equivalents, beginning of year	16,979	14,576
Cash and cash equivalents, end of year	$ 17,165	$ 16,979

The accompanying notes are an integral part of these consolidated financial statements.

Communities Foundation of Texas, Inc
Consolidated Statements of Cash Flows
For the Years Ended June 30, 2026 and 2025
(In thousands)

	2026	2025
Supplemental disclosures of cash flow information		
Net realized and unrealized gain on agency funds	$ 8,663	$ 5,885
Noncash contributions of investments	$ 49,520	$ 115,520
Noncash contributions of property	$ 225	$ -
Cash paid for taxes	$ 384	$ 241

The accompanying notes are an integral part of these consolidated financial statements.

Communities Foundation of Texas, Inc
Notes to Consolidated Financial Statements
June 30, 2026 and 2025
(In thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General purpose and activities – Communities Foundation of Texas, Inc. (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 1,700 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 in consolidation.

Basis of accounting and financial statement presentation

The consolidated financial statements of the Foundation have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). As such, the Foundation is required to report information regarding its financial position and activities according to two classes of net assets as follows:

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of accounting and financial statement presentation (continued)

- *Net assets without donor restrictions* - Net assets available for use in general operations and not subject to donor (or grantor) 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. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

- *Net assets with donor restrictions* - Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as donor restricted revenue when received and released from restrictions when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restriction.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 expected credit losses. 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.

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.

Interest, 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, 2026 and 2025.

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 expected credit losses was considered necessary at June 30, 2026 and 2025.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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.

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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other investments (continued)

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 impairments of other investments were recorded for the years ended June 30, 2026 and 2025.

Fair value measurements

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three levels of inputs:

- *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 trusts, and funds held for others.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 are 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.

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, 2026 and 2025.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

Revenue recognition

Contributions

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Conditional promises to give are defined as a donor's promises to give that includes a 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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Educational consulting

The Foundation, through the Educate Texas program, provides educational consulting services to school districts in Texas through contracts 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, 2026 and 2025, the Foundation incurred $384 and $241 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 Foundation evaluates its tax positions to determine whether they are more likely than not to be sustained upon examination by the applicable taxing authority. Any tax positions that do not meet this threshold are recognized in the financial statements, as appropriate. Management has determined that there are no material uncertain tax positions.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Notes receivable

In June of 2026, the Foundation issued a $3,000 note with an annual interest rate of 5%. All payments of principal and interest are due on the maturity date. Accrued but unpaid interest compounds annually on each anniversary of the date of this note. On each such anniversary date, all accrued but unpaid interest as of such date shall be added to the outstanding principal balance of this note, and such compounded amount shall thereafter bear interest at the applicable rate. The note matures on June 24, 2031, and is secured by a first-priority security interest in substantially all of the assets of the borrower.

In July of 2025, the Foundation issued a $200 unsecured note with an annual interest rate of 3%. All payments of principal and interest are due on the maturity date. The note matures on August 15, 2030.

In July of 2021, the Foundation issued a $2,000 note with an annual interest rate of 3%. Interest only payments are due and payable in annual installments, commencing July 1, 2024. Accrued but unpaid interest compounds annually on each anniversary of the date of this note and shall be added to the outstanding principal balance, and such compounded amount shall thereafter bear interest at the applicable rate. The note matures on July 1, 2027, and is secured by a deed of trust. At June 30, 2026, the outstanding principal and accrued interest was approximately $2,187.

Reclassifications

Certain amounts presented in the prior year financial statements have been reclassified to conform to the current year presentation. Such reclassifications had no net effect on total assets, liabilities, net assets, changes in net assets, or cash flows from the amounts previously presented.

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 November 18, 2026, the date the consolidated financial statements were available to be issued.

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 date, comprise the following at June 30:

	2026	2025
Financial assets:		
Cash and cash equivalents	$ 17,165	$ 16,979
Interest, dividends, and other receivables	3,045	2,304
Contributions receivable, net	6,622	7,014
Investments	1,884,774	1,631,707
Beneficial interest in charitable remainder trusts	13,560	12,818
Other investments, illiquid	17,618	14,344
	1,942,784	1,685,166
Less amounts unavailable for general expenditure:		
Contributions receivable beyond one year	(50)	-
Investments not convertible to cash within one year	(683,740)	(508,004)
Investments and financial assets held for others	(63,253)	(55,861)
Endowments and accumulated earnings subject to appropriation beyond one year	(383,854)	(326,469)
Investments in board designated endowments	(37,135)	(32,977)
Beneficial interest in charitable remainder trusts	(12,867)	(11,955)
Other investments, illiquid	(17,618)	(14,344)
	(1,198,517)	(949,610)
	$ 744,267	$ 735,556

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.

3. CONTRIBUTIONS RECEIVABLE

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

	2026	2025
Less than one year	$ 6,572	$ 7,014
One year to five years	50	-
	$ 6,622	$ 7,014

3. CONTRIBUTIONS RECEIVABLE (continued)

The Foundation believes all contributions receivable will be fully collected. No allowance was recorded as of June 30, 2026 and 2025.

The Foundation had $12,564 and $15,093 of conditional promises to give at June 30, 2026 and 2025, respectively.

4. 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 Community Foundation. The Board of Directors of the Supporting Organizations perform these functions for the supporting organizations.

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.

4. FAIR VALUE MEASUREMENTS (continued)

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 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.

During fiscal year 2026, the Foundation reassessed its approach to fair value hierarchy leveling with the unit of account guidance prescribed under ASC 820 (Fair Value Measurement). This rule establishes that the leveling of a financial instrument must be determined based on the unit of account at which the asset or liability is aggregated or disassembled for measurement purposes, rather than the characteristics of the individual underlying components. To ensure consistency and enhance the comparability of the financial statements, this same approach was retrospectively applied to the fiscal year 2025 comparative information presented herein. As a result, certain prior-year fair value hierarchy classifications have been reclassified to conform to the fiscal year 2026 presentation. This reclassification impacted only the disclosure of the fair value hierarchy levels and had no effect on the Foundation's consolidated statements of financial position, consolidated statements of activities, or consolidated statements of cash flows for any period presented.

4. FAIR VALUE MEASUREMENTS (continued)

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets and liabilities at fair value as of June 30, 2026:

	Level 1	Level 2	Level 3	NAV	Total
Assets					
Cash equivalents and short-term investments	$ 152,704	$ -	$ -	$ -	$ 152,704
Government securities and municipal securities	-	5,231	-	-	5,231
Corporate bonds	2,387	3,294	-	-	5,681
Exchange-traded funds	64,086	-	-	-	64,086
U.S. equities	105,697	-	-	-	105,697
International equities	3,395	-	-	-	3,395
Real estate investment trusts (REITs)	126	-	-	-	126
Futures contracts	438	-	-	-	438
Mutual funds	423,838	-	-	-	423,838
Investment measured at net asset value	-	-	-	1,123,578	1,123,578
	752,671	8,525	-	1,123,578	1,884,774
Beneficial interest in charitable remainder trusts	-	-	13,560	-	13,560
	$ 752,671	$ 8,525	$ 13,560	$ 1,123,578	$ 1,898,334
Liabilities					
Funds held for others	$ -	$ -	$ -	$ 63,253	$ 63,253

4. FAIR VALUE MEASUREMENTS (continued)

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets and liabilities at fair value as of June 30, 2025:

	Level 1	Level 2	Level 3	NAV	Total
Assets					
Cash equivalents and short-term investments	$ 270,868	$ -	$ -	$ -	$ 270,868
Government securities and municipal bonds	-	5,173	-	-	5,173
Corporate bonds	2,225	2,914	-	-	5,139
Exchange-traded funds	37,978	-	-	-	37,978
U.S. equities	82,021	-	-	-	82,021
International equities	2,635	-	-	-	2,635
Real estate investment trusts (REITs)	202	-	-	-	202
Futures contracts	2,821	-	-	-	2,821
Mutual funds	322,864	-	-	-	322,864
Investments measured at net asset value	-	-	-	902,006	902,006
	721,614	8,087	-	902,006	1,631,707
Beneficial interest in charitable remainder trusts	-	-	12,818	-	12,818
	$ 721,614	$ 8,087	$ 12,818	$ 902,006	$ 1,644,525
Liabilities					
Funds held for others	$ -	$ -	$ -	$ 55,861	$ 55,861

The following table sets forth a summary of changes in the fair value of Level 3 investments for the year ended June 30:

	Beneficial Interest in charitable Remainder Trusts
Balance, June 30, 2024	$ 13,214
Sales and distributions	(607)
Change in value of split-interest agreements	211
Balance, June 30, 2025	12,818
Sales and distributions	(607)
Change in value of split-interest agreements	1,349
Balance, June 30, 2026	$ 13,560

4. FAIR VALUE MEASUREMENTS (continued)

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 are categorized within Level 3 of the fair value hierarchy:

Investment type	Fair value at June 30, 2026	Fair value at June 30, 2025	Valuation techniques	Unobservable input (a)	Range of inputs (weighted average) at June 30, 2026	Range of inputs (weighted average) at June 30, 2025
Beneficial interest in charitable remainder trusts	$ 13,560	$ 12,818	Discounted cash flows	Discount rate (b) Expected rate of return (c)	1.6% to 6% (2.48%)	1.6% to 6% (2.59%)

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

(c) Represents the net fair value of assets to be paid to the Foundation based on terms stated in the trust agreement.

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, 2026	Unfunded commitments June 30, 2026	Redemption frequency (if currently eligible)	Redemption notice period
Index funds (a)	$ 467,547	$ -	Daily	2 Days
Equity funds (b)	35,319	-	Monthly	3-30 Days
International funds (c)	169,021	-	Weekly to Monthly	3-15 Days
Fixed income funds (d)	184,064	-	Daily, Mid and Month End	2 Days
Hedge funds (e)	32,171	-	Monthly	60 Days
Fund of funds (f)	70,283	-	Quarterly	95 Days+
Private investments (g)	165,173	117,354	Not eligible	Not eligible
	$ 1,123,578	$ 117,354		

(a) This class includes commingled, equity index funds that invest in domestic large and mid- cap stocks. These accounts have no short exposures.

(b) This class includes commingled, actively managed public equity funds that invest in domestic stocks. These accounts have no short exposures.

4. FAIR VALUE MEASUREMENTS (continued)

(c) This class includes commingled, actively managed public equity funds that invest in stocks in international markets. These accounts have no short exposures.

(d) 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 have no short exposures.

(e) This class includes hedge funds that provide exposure to a diverse array of absolute return oriented strategies, some implemented by single-strategy specialists 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.

(f) Fund of funds consists of hedge 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 vary among the underlying funds and can be monthly, quarterly and semi-annually and can extend over multi-year periods depending on whether the funds have gates.

(g) 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.

5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30:

	2026	2025
Land	$ 21,947	$ 21,947
Buildings and improvements	56,461	54,963
Furniture	1,854	1,736
Office equipment	92	92
Computer equipment and software	5,642	5,607
Construction in progress	83	234
	86,079	84,579
Accumulated depreciation	(41,178)	(38,665)
	$ 44,901	$ 45,914

5. PROPERTY AND EQUIPMENT (continued)

Depreciation expense related to the property and equipment totaled approximately $3,057 and $3,080 in 2026 and 2025, respectively.

6. GRANTS PAYABLE

Grants approved and committed for future payment are as follows at June 30, 2026:

Year ending June 30,	
2027	$ 25,196
2028	4,258
2029	2,038
2030	827
2031	226
Thereafter	230
	32,775
Less: unamortized discount (0.43%-4.66%)	(304)
	$ 32,471

Conditional grants totaled approximately $4,768 and $1,878 at June 30, 2026 and 2025, 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.

7. NET ASSET COMPOSITION

Total net asset composition at June 30, 2026:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Funds	$ 37,135	$ 403,613	$ 440,748
Non-endowment funds			
Donor-advised	459,690	-	459,690
Donor-purpose restricted	-	96,224	96,224
Non-donor-advised	223,530	-	223,530
Total non-endowment funds	683,220	96,224	779,444
Split-interest agreements	1,826	11,059	12,885
Total Community Foundation net assets	722,181	510,896	1,233,077
Supporting organizations (non-donor-advised)	646,752	12,294	659,046
	$ 1,368,933	$ 523,190	$ 1,892,123

Total net assets composition at June 30, 2025:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment funds	$ 32,977	$ 351,479	$ 384,456
Non-endowment funds			
Donor-advised	384,314	-	384,314
Donor-purpose restricted	-	91,173	91,173
Non-donor-advised	183,342	-	183,342
Total non-endowment funds	567,656	91,173	658,829
Split-interest agreements	1,530	10,425	11,955
Total Community Foundation net assets	602,163	453,077	1,055,240
Supporting organizations (non-donor-advised)	572,905	11,145	584,050
	$ 1,175,068	$ 464,222	$ 1,639,290

7. NET ASSET COMPOSITION (continued)

Net assets with donor restriction 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 $199,919 and $194,104 as of June 30, 2026 and 2025, respectively.

The Foundation manages approximately 1,000 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.

8. EMPLOYEE BENEFIT PLANS

Defined contribution plan – The Community Foundation has a defined contribution plan that covers all full-time employees of the Community 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 Community 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 $1,114 and $1,047 for the years ended June 30, 2026 and 2025, respectively.

In 2017, the Community 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 $316 and $441 as of June 30, 2026 and 2025, respectively, is an unsecured obligation of the Community Foundation and is reflected in accounts payable and accrued liabilities in the consolidated statements of financial position.

9. 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.

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 investment 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 reported in the consolidated statements of activities. The ultimate realization of these investments will depend on market conditions. One estate gift made up 98% of net contribution receivable at June 30, 2026. One estate gift made up 92% of net contribution receivable at June 30, 2025.

10. 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 12 years.

Future minimum rental income under non-cancelable operating leases includes the following at June 30, 2026:

Year ending June 30,	
2027	$ 5,352
2028	4,442
2029	4,017
2030	3,265
2031	3,002
Thereafter	6,428
	$ 26,506

10. LEASES (continued)

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 for the years ended June 30, 2026 and 2025. The Foundation recognized lease income, included in rental income in the consolidated statements of activities, of approximately $6,965 and $6,110 for the years ended June 30, 2026 and 2025, respectively.

11. 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, 2026 and 2025. The Foundation owned 50% and 14.3% in the remaining two investments for both of the years ended June 30, 2026 and 2025.

The Foundation reported total investments carried under the equity method of approximately $13,231 at June 30, 2026 and 2025. The Foundation recognized earnings related to its investments carried under the equity method of approximately $1,358 and $1,741 for the years ended June 30, 2026 and 2025, 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, 2026 and 2025.

11. OTHER INVESTMENTS (continued)

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

	2026	2025
Current assets	$ 6,561	$ 9,953
Non-current assets	37,180	33,078
Total assets	$ 43,741	$ 43,031
Current liabilities	$ 38	$ 33
Non-current liabilities	446	396
Total liabilities	484	429
Equity	43,257	42,602
Total liabilities and equity	$ 43,741	$ 43,031
Gross revenue	$ 13,985	$ 16,297
Less total expenses	(6,824)	(8,184)
Net earnings	$ 7,161	$ 8,113

The Foundation's other investments with a carrying value of approximately $4,387 and $1,113 at June 30, 2026 and 2025, respectively, are comprised of limited partnership and limited liability company interests reported at cost. No events or changes in circumstances occurred in 2026 or 2025 resulting in an impairment evaluation.

12. ENDOWMENT

The Foundation's endowment consists of several individual funds established for a variety of purposes. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

12. ENDOWMENT (continued)

Interpretation of relevant law

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 donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purposes of the Foundation and the endowment fund with donor restriction, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the investment policies of the Foundation.

Return objectives and risk parameters

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.

Funds with deficiencies

From time to time, certain donor-restricted endowment funds may have fair values less than the corpus value (underwater endowments). At June 30, 2026 and 2025, the Foundation had two and four endowment funds with deficiencies of this nature totaling approximately $354 and $442, respectively.

12. ENDOWMENT (continued)

Funds with deficiencies (continued)

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

	2026	2025
Fair value of underwater endowments	$ 668	$ 1,459
Original endowment gift amount	(1,022)	(1,901)
	$ (354)	$ (442)

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, 2026 and 2025:

Amount Underwater	Reduction on spending
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

Spending policy

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, 2026 and 2025.

Endowment composition

Endowment net asset composition by type of fund as of June 30, 2026 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$ 403,613	$ 403,613
Board-designated endowment funds	37,135	-	37,135
	$ 37,135	$ 403,613	$ 440,748

12. ENDOWMENT (continued)

Endowment composition (continued)

Endowment net asset composition by type of fund as of June 30, 2025 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$ 351,479	$ 351,479
Board-designated endowment funds	32,977	-	32,977
	$ 32,977	$ 351,479	$ 384,456

Changes in endowment net assets for the fiscal year ended June 30, 2026 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance, June 30, 2025	$ 32,977	$ 351,479	$ 384,456
Investment gain, net	5,484	57,796	63,280
Contributions	-	5,517	5,517
Other income	-	228	228
Donor-directed reclassifications	-	2,309	2,309
Appropriation of endowment assets	(1,326)	(13,716)	(15,042)
Balance, June 30, 2026	$ 37,135	$ 403,613	$ 440,748

Changes in endowment net assets for the fiscal year ended June 30, 2025 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance, June 30, 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)
Balance, June 30, 2025	$ 32,977	$ 351,479	$ 384,456

13. SPLIT-INTEREST AGREEMENTS

At June 30, 2026 and 2025, the Foundation had recorded approximately $9,522 and $8,754, 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, 2026 and 2025.

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 $4,370 and $4,231 at June 30, 2026 and 2025, 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 $314 and $281 at June 30, 2026 and 2025, 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 $131 and $148 at June 30, 2026 and 2025, 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.

SUPPLEMENTARY INFORMATION

Communities Foundation of Texas, Inc
Consolidating Statement of Financial Position
June 30, 2026
(In thousands)
(Unaudited)

ASSETS

	Communities Foundation of Texas, Inc	W. W. Caruth, Jr. Foundation	Kaleidoscope Park Foundation	Other Supporting Organizations	Eliminating Entries	Total
Cash and cash equivalents	$ 6,182	$ 4,535	$ 998	$ 5,450	$ -	$ 17,165
Interest, dividends, and other receivables	2,779	255	-	11	-	3,045
Contributions receivable, net	6,472	-	150	-	-	6,622
Investments	1,274,226	591,578	-	18,970	-	1,884,774
Notes receivable	5,387	-	-	-	-	5,387
Real estate held for sale	398	-	-	-	-	398
Beneficial interest in charitable remainder trusts	13,560	-	-	-	-	13,560
Other investments	4,108	13,510	-	-	-	17,618
Property and equipment, net	17,966	26,935	-	-	-	44,901
Other assets	1,693	1,165	-	-	-	2,858
Total assets	$ 1,332,771	$ 637,978	$ 1,148	$ 24,431	$ -	$ 1,996,328

LIABILITIES AND NET ASSETS

	Communities Foundation of Texas, Inc	W. W. Caruth, Jr. Foundation	Kaleidoscope Park Foundation	Other Supporting Organizations	Eliminating Entries	Total
Liabilities						
Accounts payable and accrued liabilities	$ 2,405	$ 1,009	$ 2	$ -	$ -	$ 3,416
Grants payable, net	29,221	-	-	3,250	-	32,471
Funds held for others	63,253	-	-	-	-	63,253
Deferred revenue	131	-	250	-	-	381
Liabilities associated with split-interest agreements	4,684	-	-	-	-	4,684
Total liabilities	99,694	1,009	252	3,250	-	104,205
Net assets						
Without donor restriction	722,181	636,969	-	9,783	-	1,368,933
With donor restrictions	510,896	-	896	11,398	-	523,190
Total net assets	1,233,077	636,969	896	21,181	-	1,892,123
Total liabilities and net assets	$ 1,332,771	$ 637,978	$ 1,148	$ 24,431	$ -	$ 1,996,328

Communities Foundation of Texas, Inc
Consolidating Statement of Activities
For the Year Ended June 30, 2026
(In thousands)
(Unaudited)

	Communities Foundation of Texas, Inc	W. W. Caruth, Jr. Foundation	Kaleidoscope Park Foundation	Supporting Organizations	Eliminating Entries	Total
Support and revenue						
Contributions	$ 186,524	$ -	$ 896	$ 5,965	$ (20,199)	$ 173,186
Investment gains, net	157,780	89,468	2	2,973	(2,392)	247,831
Loss on real estate held for sale	(25)	(7)	-	-	-	(32)
Change in value of split-interest agreements	1,665	-	-	-	-	1,665
Rental income	222	6,743	-	-	-	6,965
Educational consulting	7,765	-	-	-	-	7,765
Other income	6,177	1,313	437	27	(2,773)	5,181
Total support and revenue	360,108	97,517	1,335	8,965	(25,364)	442,561
Functional expenses						
Program services						
Grants	140,408	17,500	1,119	5,091	(20,199)	143,919
Other	24,527	-	-	-	-	24,527
	164,935	17,500	1,119	5,091	(20,199)	168,446
Supporting services						
General and administrative expenses	13,434	8,945	9	157	(5,165)	17,380
Development	3,902	-	-	-	-	3,902
	17,336	8,945	9	157	(5,165)	21,282
Total functional expenses	182,271	26,445	1,128	5,248	(25,364)	189,728
Changes in net assets	177,837	71,072	207	3,717	-	252,833
Net assets, beginning of year	1,055,240	565,897	689	17,464	-	1,639,290
Net assets, end of year	$ 1,233,077	$ 636,969	$ 896	$ 21,181	$ -	$ 1,892,123