

NEW BRAUNFELS COMMUNITY FOUNDATION

Audited Financial Statements

December 31, 2021

ADKF, P.C.
Certified Public Accountants

NEW BRAUNFELS COMMUNITY FOUNDATION
Table of Contents
December 31, 2021

	<u>Page</u>
Audited Financial Statements	
Independent Auditor's Report	1
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	6
Statements of Cash Flows	7
Notes to Audited Financial Statements	8



ADKF

with you
all the way

Member of the AICPA & TXCPA.

Registered with Public Company
Accounting Oversight Board.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
New Braunfels Community Foundation
New Braunfels, Texas

Opinion

We have audited the accompanying financial statements of New Braunfels Community Foundation (the Foundation), which comprise the statement of financial position as of December 31, 2021, and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New Braunfels Community Foundation as of December 31, 2021, and the results of its activities, functional expenses, and its 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 the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

The 2020 financial statements were reviewed by us and our report thereon, dated June 4, 2021, stated we were not aware of any material modifications that should be made to those statements for them to be in accordance with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements as a whole.

Responsibilities of Management for the Financial Statements

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

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

MAIN OFFICE:

8610 N. New Braunfels, STE 101
San Antonio, TX 78217

Phone: 210.829.1300
Fax: 210.829.4080

672 Ridge Hill Dr., STE B
New Braunfels, TX 78130

Phone: 830.387.4441

616 E. Blanco, STE 300e
Boerne, TX 78006

Phone: 830.815.1100



Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

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

ADKF, PC

ADKF, P.C.
San Antonio, Texas
June 10, 2022

NEW BRAUNFELS COMMUNITY FOUNDATION
Statements of Financial Position
December 31, 2021 and 2020

	<u>2021</u> (Audited)	<u>2020</u> (Reviewed)
ASSETS		
Cash and cash equivalents:		
Available for operations	\$ 345,693	\$ 338,974
Endowment funds	1,034,213	1,077,202
Total cash and cash equivalents	<u>1,379,906</u>	<u>1,416,176</u>
Investments, at fair value:		
Securities, CDs and money market funds	11,770,747	9,291,477
Oil and gas interests	25,465	26,983
Investment in partnership interest	2,381	25,769
Total investments	<u>11,798,593</u>	<u>9,344,229</u>
Pledges receivable	1,380	151,124
Prepaid expenses	5,690	5,032
Furniture and equipment, net	<u>18,421</u>	<u>13,789</u>
Total Assets	<u><u>\$ 13,203,990</u></u>	<u><u>\$ 10,930,350</u></u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and other liabilities	\$ 758,744	\$ 35
Deferred revenue	1,500	4,500
PPP loan	-	29,400
Funds held as agency endowments	2,117,625	1,956,616
Total liabilities	<u>2,877,869</u>	<u>1,990,551</u>
Net Assets:		
Without donor restrictions	372,734	326,656
With donor restrictions:		
Endowment funds	<u>9,953,387</u>	<u>8,613,143</u>
Total net assets	<u>10,326,121</u>	<u>8,939,799</u>
Total Liabilities and Net Assets	<u><u>\$ 13,203,990</u></u>	<u><u>\$ 10,930,350</u></u>

See notes to audited financial statements.

NEW BRAUNFELS COMMUNITY FOUNDATION
Statement of Activities
Year Ended December 31, 2021 (Audited)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and Support			
Contributions	\$ 104,468	\$ 2,294,318	\$ 2,398,786
Investment earnings, net	-	885,375	885,375
Administrative fee revenue	138,108	-	138,108
PPP loan forgiveness	29,400	-	29,400
In-kind contributions	5,520	-	5,520
Total revenue and support	<u>277,496</u>	<u>3,179,693</u>	<u>3,457,189</u>
Expenses			
Program services	1,843,290	-	1,843,290
Management and general	227,577	-	227,577
Fundraising	-	-	-
Total expenses	<u>2,070,867</u>	<u>-</u>	<u>2,070,867</u>
Change in Net Assets	(1,793,371)	3,179,693	1,386,322
Net assets released from restriction	1,839,449	(1,839,449)	-
Net assets at beginning of year	<u>326,656</u>	<u>8,613,143</u>	<u>8,939,799</u>
Net Assets at End of Year	<u>\$ 372,734</u>	<u>\$ 9,953,387</u>	<u>\$ 10,326,121</u>

See notes to audited financial statements.

NEW BRAUNFELS COMMUNITY FOUNDATION
Statement of Activities
Year Ended December 31, 2020 (Reviewed)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and Support			
Contributions	\$ 44,011	\$ 3,480,801	\$ 3,524,812
Investment earnings (loss), net	(146)	667,860	667,714
Administrative fee revenue	151,844	-	151,844
In-kind contributions	8,420	-	8,420
Total revenue and support	<u>204,129</u>	<u>4,148,661</u>	<u>4,352,790</u>
Expenses			
Program services	2,801,658	-	2,801,658
Management and general	243,718	-	243,718
Fundraising	-	-	-
Total expenses	<u>3,045,376</u>	<u>-</u>	<u>3,045,376</u>
Change in Net Assets	(2,841,247)	4,148,661	1,307,414
Net assets released from restriction	2,826,845	(2,826,845)	-
Net assets at beginning of year	<u>341,058</u>	<u>7,291,327</u>	<u>7,632,385</u>
Net Assets at End of Year	<u>\$ 326,656</u>	<u>\$ 8,613,143</u>	<u>\$ 8,939,799</u>

See notes to audited financial statements.

NEW BRAUNFELS COMMUNITY FOUNDATION
Statements of Functional Expenses
Years Ended December 31, 2021 and 2020

	Program Services	Management and General	Fundraising	Total
<i>Year Ended December 31, 2021 (Audited):</i>				
Personnel	\$ 77,304	\$ 77,304	\$ -	\$ 154,608
Benefits	6,122	6,122	-	12,244
Professional fees	700	12,340	-	13,040
Supplies	5,207	4,774	-	9,981
Telephone	656	655	-	1,311
Occupancy	1,800	1,800	-	3,600
Travel and transportation	222	222	-	444
Meetings and conferences	1,136	1,136	-	2,272
Events	5,705	2,085	-	7,790
Dues	-	3,695	-	3,695
Insurance	-	3,147	-	3,147
Credit card fees	4,909	-	-	4,909
Advertising	13,359	-	-	13,359
Depreciation	-	2,869	-	2,869
Grants, donations and scholarships	1,726,170	-	-	1,726,170
Management fees	-	111,428	-	111,428
	<u>\$ 1,843,290</u>	<u>\$ 227,577</u>	<u>\$ -</u>	<u>\$ 2,070,867</u>
<i>Year Ended December 31, 2020 (Reviewed):</i>				
Personnel	\$ 73,266	\$ 73,266	\$ -	\$ 146,532
Benefits	5,769	5,769	-	11,538
Professional fees	2,900	14,813	-	17,713
Supplies	9,788	6,330	-	16,118
Telephone	553	552	-	1,105
Occupancy	1,800	1,800	-	3,600
Travel and transportation	234	233	-	467
Meetings and conferences	704	703	-	1,407
Events	865	-	-	865
Dues	-	1,841	-	1,841
Insurance	-	2,934	-	2,934
Credit card fees	6,151	-	-	6,151
Advertising	8,467	-	-	8,467
Depreciation	-	412	-	412
Other expenses	-	7,500	-	7,500
Grants, donations and scholarships	2,691,161	-	-	2,691,161
Management fees	-	127,565	-	127,565
	<u>\$ 2,801,658</u>	<u>\$ 243,718</u>	<u>\$ -</u>	<u>\$ 3,045,376</u>

See notes to audited financial statements.

NEW BRAUNFELS COMMUNITY FOUNDATION
Statements of Cash Flows
Years Ended December 31, 2021 and 2020

	2021 <u>(Audited)</u>	2020 <u>(Reviewed)</u>
Operating Activities		
Change in net assets	\$ 1,386,322	\$ 1,307,414
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	2,869	412
(Gains) on investments	(885,375)	(667,714)
PPP loan forgiveness	(29,400)	-
Change in operating assets and liabilities:		
Pledges receivable	149,744	153,713
Prepays	(658)	16
Accounts payable and related items	755,709	4,535
Net cash provided by operating activities	<u>1,379,211</u>	<u>798,376</u>
Investing Activities		
Funds held as agency endowments	161,010	734,249
Purchases of property and equipment	(7,501)	-
Net investment activity	(1,593,896)	(1,934,190)
Net investment in partnerships activity	24,906	25,769
Net cash (used) by investing activities	<u>(1,415,481)</u>	<u>(1,174,172)</u>
Financing Activities		
Proceeds from PPP loan	-	29,400
Net cash provided by financing activities	<u>-</u>	<u>29,400</u>
Net change in cash and cash equivalents	(36,270)	(346,396)
Cash and cash equivalents at beginning of year	<u>1,416,176</u>	<u>1,762,572</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,379,906</u>	<u>\$ 1,416,176</u>
Supplemental Disclosures		
Interest paid in cash	\$ -	\$ -
Income taxes paid in cash	-	-

See notes to audited financial statements.

NEW BRAUNFELS COMMUNITY FOUNDATION
Notes to Audited Financial Statements
December 31, 2021 and 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities: The New Braunfels Area Community Foundation (the Foundation), doing business under the assumed name *New Braunfels Community Foundation*, was incorporated in 2012 in the State of Texas as a not-for-profit corporation. The Foundation was organized to create a local community foundation that offers individuals, businesses and families a professional and efficient way to match philanthropic efforts with the needs of the greater New Braunfels, Texas area.

Basis of Presentation: The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Net assets, support and revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Without Donor Restrictions: Net assets available for use in general operations and not subject to donor restrictions. Grants and contributions gifted for recurring programs are generally not considered “restricted” under GAAP, though for internal reporting the Foundation tracks such grants and contributions to verify the disbursement matches the intent.

With Donor Restrictions: Net assets subject to donor-imposed stipulations that are more restrictive than the Foundation’s mission and purpose or which were given to the Foundation for specific purposes or charitable causes. Some donor-imposed restrictions are temporary in nature, such as pledges that will be met by the passage of time or other events specified by the donor. Donor imposed restrictions are released when the 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. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Revenue Recognition: The Foundation’s revenue is primarily generated from contributions, investment earnings and administrative fees. The Foundation recognizes contributions and grants as revenue when cash, securities, an unconditional promise to give, or a notification of a beneficial interest are received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

Contributions to the Foundation are recorded in separate accounting funds (Funds), and each Fund is used exclusively for the charitable purpose(s) designated by the donor. Management and the Board of Directors has the responsibility for both investing the Fund and distribution of income and/or principal from each Fund for its designated charitable purposes.

Contributions are reported as without or with donor restriction, depending on the existence and/or nature of any restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restriction if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restriction depending on the nature of the restriction. When a restriction expires, the net assets are reclassified to net assets without donor restriction. Non-cash contributions are recorded at their fair market value at the date of contribution.

Changes in fair value for investments are recognized as gains or losses in the period in which they occur. Gains and losses (realized and unrealized) are reported net of expenses.

Administrative fee revenue is recognized as collected.

NEW BRAUNFELS COMMUNITY FOUNDATION
Notes to Audited Financial Statements
December 31, 2021 and 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used, and gifts of cash or other assets that must be used to acquire long-lived assets, are reported as with donor restrictions support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Functional Allocation of Expenses: The costs of providing the services and other activities are summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising: Advertising and marketing costs are expensed as incurred.

Cash and Cash Equivalents: Cash and cash equivalents consist of cash-on-hand, demand deposits, money market accounts and any equivalent securities with a maturity of three months or less.

Investments: Investments are generally carried at fair value. Changes in fair values are recognized as gains or losses in the period in which they occur. Gains and losses (realized and unrealized) are reported as investment earnings, net of expenses, in the accompanying statement of activities.

Pledges Receivable: Legally enforceable pledges and contributions, less an allowance for uncollectible amounts, are recorded as receivables in the year made unless the pledge or contribution is dependent upon the occurrence of a specified future and uncertain event to bind the promisor. Conditional pledges and contributions are recognized when the conditions upon which they depend are substantially met or when the possibility that the condition will not be met is remote. An allowance was not required at December 31, 2021 and 2020.

Furniture and Equipment: Furniture and equipment are valued at historical cost. Expenditures for betterments that materially extend the useful life of an asset are capitalized. The Foundation provides for depreciation at amounts calculated to amortize the costs of the assets over their estimated useful lives using the straight-line method. The costs of maintenance and repairs are charged to operations as incurred.

Income Taxes: The Foundation is a not-for-profit Foundation exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code. In addition, the Foundation has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. Donors of money and/or property are entitled to the maximum charitable contribution deduction allowed by law. The Foundation is not subject to Texas margin tax. Management is not aware of any tax positions that would have a significant impact on its financial position. Its federal tax returns for the last four years remain subject to examination.

Concentrations of Credit Risk: Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash and receivables. The Foundation maintains cash deposits with major banks which, from time-to-time, may be in excess of that insured by the FDIC. The Foundation periodically assesses the financial condition of the institutions and believes the risk of any loss is minimal. Concentrations of credit risk with respect to its receivables are reduced as a result of the diversity of the accounts.

NEW BRAUNFELS COMMUNITY FOUNDATION
Notes to Audited Financial Statements
December 31, 2021 and 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

The Foundation also has investments in bond and equity funds. Investments are made by investment managers engaged by the Foundation, and the investments are monitored by the Foundation's management and Board. Although there is risk associated with market fluctuations, the Foundation believes the investment policy is prudent for its long-term welfare and its beneficiaries.

Use of Estimates: The preparation of financial statements in conformity with U. S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events: Subsequent events have been evaluated by management through the date of the independent auditor's report. Material subsequent events, if any, are disclosed in a separate footnote to these financial statements.

New Accounting Pronouncement: In September 2020, the FASB issued ASU No. 2020-07 Not-for-Profit (Topic 958): *Presentation and Disclosures by Not-for Profit Entities for Contributed Nonfinancial Assets* to increase the transparency of contributed non-financial assets by enhancing the presentation and disclosures. The update includes the presentation of contributed non-financial assets as a separate line item in the statement of activities while disclosing disaggregated information about the types of contributed non-financial assets, how the contribution was used and various other disclosures. The effective date is for periods beginning after June 15, 2021 with early adoption permitted. Management does not believe this pronouncement will have an impact on the financial statements.

Fiduciary Duty and Variance Power: The Foundation has a fiduciary duty to comply with the charitable purposes expressed by a donor but the Board of Directors has the power to vary the charitable purpose of a Fund if the Foundation determines that changes in conditions have made the donor's restrictions on the stated charitable purpose unnecessary, undesirable, incapable of fulfillment or inconsistent with the needs of the community. The Foundation's powers in this regard cannot be exercised arbitrarily. When, and if the Board of Directors exercises its authority to vary the charitable purposes of a Fund, it must apply the assets of the Fund to the "most nearly related charitable purposes" in the judgement of the Board of Directors that will effectively accomplish the original intent of the donor.

Reclassifications: Certain reclassification of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no effect on the previously reported net assets.

NEW BRAUNFELS COMMUNITY FOUNDATION
Notes to Audited Financial Statements
December 31, 2021 and 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Types of Funds: The Foundation receives contributions that are to be used exclusively for charitable purposes. The donor may have designated one or more specific charitable purposes for all future distributions from the contribution. These Funds are classified by charitable purpose as:

- Donor Advised Funds – Distributions are made from donor advisement and subsequent Board approval
- Designated Funds – Distributions are restricted by the donor to specific charities
- Discretion / Special Project – Distributions are restricted by the donor to a specified charitable purpose / project
- Scholarship Funds – Distributions are restricted to scholarships
- Field of Interest Funds – Distributions are restricted by the donor to a specified charitable purpose.

NOTE B – INVESTMENT EARNINGS

Investment earnings, net of fees, is comprised of the following for the years ended December 31:

	<u>2021</u> (Audited)	<u>2020</u> (Reviewed)
Interest and dividends income, net of fees	\$ 346,830	\$ 138,042
Realized and unrealized gains on investments	<u>538,545</u>	<u>529,672</u>
Investment earnings, net	<u>\$ 885,375</u>	<u>\$ 667,714</u>

NOTE C – PLEDGES RECEIVABLE

Pledges receivable are due to be collected as follows at December 31:

	<u>2021</u> (Audited)	<u>2020</u> (Reviewed)
Receivable in less than one year	\$ -	\$ 112,070
Receivable in one to five years	<u>1,380</u>	<u>39,054</u>
Pledges receivable	<u>\$ 1,380</u>	<u>\$ 151,124</u>

Discounting multi-year pledges to present value is not significant for recognition.

NEW BRAUNFELS COMMUNITY FOUNDATION
Notes to Audited Financial Statements
December 31, 2021 and 2020

NOTE D – PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

	2021 <u>(Audited)</u>	2020 <u>(Reviewed)</u>
Furniture	\$ 5,000	\$ 5,000
Equipment	<u>17,991</u>	<u>10,491</u>
Total furniture and equipment	22,991	15,491
Less: accumulated depreciation	<u>(4,570)</u>	<u>(1,702)</u>
Furniture and Equipment, net	<u>\$ 18,421</u>	<u>\$ 13,789</u>

NOTE E – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions totals \$9,953,387 at December 31, 2021 and \$8,613,143 at December 31, 2020 and consist of endowment funds. See Note G for detail of these funds by type.

NOTE F – FAIR VALUE MEASUREMENTS

In accordance with U.S. generally accepted accounting principles (GAAP), the Foundation utilizes a fair value hierarchy for inputs that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from independent sources. Unobservable inputs are inputs that reflect the Management’s assumptions of what market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the reliability of the inputs as follows:

- Level 1: Quoted prices are available in active markets for identical assets or liabilities;
- Level 2: Quoted prices in active markets for similar assets and liabilities that are observable for the asset or liability; or
- Level 3: Unobservable pricing inputs that are generally less observable from objective sources, such as discounted cash flow models or valuations.

Financial assets and liabilities to be classified based on the lowest level of input that is significant to the fair value measurement. Assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of the fair value of assets and liabilities and their placement within the fair value hierarchy levels.

There have been no changes in methodologies used to compute fair value, nor transfers between levels. The following table presents the financial assets and liabilities that were accounted for at fair value on a recurring basis by level within the fair value hierarchy:

NEW BRAUNFELS COMMUNITY FOUNDATION
Notes to Audited Financial Statements
December 31, 2021 and 2020

NOTE F – FAIR VALUE MEASUREMENTS – continued

	Fair Value Measurements Using			Total
	Level 1	Level 2	Level 3	
<i>December 31, 2021 (Audited)</i>				
Cash, deposits, MMFs	\$ 350,138	\$ -	\$ -	\$ 350,138
Fixed income securities	890,254	-	-	890,254
Bond funds	976,550	-	-	976,550
Equities	456,397	-	-	456,397
Equity funds	8,741,180	-	-	8,741,180
Exchanged traded funds	356,228	-	-	356,228
Oil & gas interests	-	-	25,465	25,465
Partnership interests	-	-	2,381	2,381
	<u>\$ 11,770,747</u>	<u>\$ -</u>	<u>\$ 27,846</u>	<u>\$ 11,798,593</u>
<i>December 31, 2020 (Reviewed)</i>				
Cash, deposits, MMFs	\$ 104,020	\$ -	\$ -	\$ 104,020
Fixed income securities	1,265,746	-	-	1,265,746
Bond funds	1,052,614	-	-	1,052,614
Equities	586,251	-	-	586,251
Equity funds	5,751,894	-	-	5,751,894
Exchanged traded funds	530,952	-	-	530,952
Oil & gas interests	-	-	26,983	26,983
Partnership interests	-	-	25,769	25,769
	<u>\$ 9,291,477</u>	<u>\$ -</u>	<u>\$ 52,752</u>	<u>\$ 9,344,229</u>

Fair market value of investments and assets limited as to use is determined as follows:

Cash, Deposits, and Money Market Funds (MMFs): Valued at its carrying amount due to the short-term maturity of the instruments.

Fixed Income Securities, Bond, and Equity Funds: Valued at the net asset value (NAV).

Exchange Traded Funds and Equities: Valued at the daily closing price reported on the active market.

Oil & Gas and Partnership Interests: Valued at fair value based on industry conditions at year end.

NEW BRAUNFELS COMMUNITY FOUNDATION
Notes to Audited Financial Statements
December 31, 2021 and 2020

NOTE F – FAIR VALUE MEASUREMENTS – continued

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

NOTE G – ENDOWMENTS

The Board of Directors of the Foundation has interpreted the Texas Prudent Management of Institutional Funds Act (the Act), as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as donor restricted net assets (a) the original value of gifts held in perpetuity, (b) the original value of subsequent gifts to be held in perpetuity, and (c) accumulations made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is restricted until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by the Act. In accordance with the Act, 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 organization and the donor-restricted endowment fund
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 organization
7. The investment policies of the Foundation

In contrast to endowed funds that can only make grants from income earned from the principle, non-endowed funds can be used in their entirety for grants, depending on the terms in the fund agreement. The Foundation classified as net assets with donor restrictions all non-endowed funds whose donor restricted the expenditures from the fund to either a specific charitable purpose, specified time, or a specifically identified charitable organization. Those funds that do not contain a purpose restriction are classified as net assets without donor restrictions.

The Foundation has adopted investment and spending policies, which are recommended by the investment committee and approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of those endowment assets over the long-term that might otherwise be eroded by inflation. The Foundation's spending and investment policies work together to achieve this objective. The long-term return objective is to obtain a total rate of return that exceeds investment fees and inflation as measured by the Consumer Price Index and annual charitable expenditures. Actual returns in any given year may vary from this amount. To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation has in place an Investment Committee that monitors the performance of the Foundation's investment managers.

NEW BRAUNFELS COMMUNITY FOUNDATION
Notes to Audited Financial Statements
December 31, 2021 and 2020

NOTE G – ENDOWMENTS – continued

The spending policy calculates the amount of money annually distributed from the Foundation's various endowed funds for grant making and administration. The spending policy, subject to requests for variances is to distribute an amount equal to 4% of the fund balance of the prior month of the request. This is consistent with the Foundation's objective to maintain the purchasing power of endowment assets as well as to provide additional real growth through investment return.

Changes in endowment net assets, all of which are *with donor restrictions*, are as follows, for the years ended December 31:

	<u>2021</u> (Audited)	<u>2020</u> (Reviewed)
Endowment funds, beginning of year	\$ 8,613,143	\$ 7,271,327
Interest and dividends	356,876	157,969
Realized and unrealized gains	557,922	537,418
Contributions	2,303,174	3,480,801
Amounts appropriated for expenditure	<u>(1,877,728)</u>	<u>(2,834,372)</u>
Endowment funds, end of year	<u>\$ 9,953,387</u>	<u>\$ 8,613,143</u>

Endowments are subject to the following designations at December 31:

	<u>2021</u> (Audited)	<u>2020</u> (Reviewed)
Donor advised	\$ 6,599,925	\$ 5,113,000
Designated	1,411,444	1,133,775
Special projects	65,665	780,323
Scholarship	808,683	661,180
Field of interest	<u>1,067,670</u>	<u>924,865</u>
Total endowment funds	<u>\$ 9,953,387</u>	<u>\$ 8,613,143</u>

NEW BRAUNFELS COMMUNITY FOUNDATION
Notes to Audited Financial Statements
December 31, 2021 and 2020

NOTE H – FUNDS HELD AS AGENCY ENDOWMENTS

FASB establishes standards for transactions in which a foundation accepts a contribution from a donor and agrees to transfer those assets, the return on investment of those assets, or both to a beneficiary named by the donor. FASB specifically requires that if a not-for-profit organization establishes a fund at a foundation with its own funds and specifies itself as the beneficiary of that fund, the foundation must account for the transfer of such assets as a liability. The foundation maintains variance power and legal ownership of agency liability funds and as such, continues to report the funds as assets of the foundation. However, in accordance with FASB, a liability has been established for the full value of such funds. The New Braunfels Community Foundation refers to such funds as funds held as agency endowments.

At December 31, 2021, the Foundation held 19 agency endowment funds. The following table summarizes the combined activity in the agency endowment funds for the year ended December 31:

	<u>2021</u> (Audited)	<u>2020</u> (Reviewed)
Agency endowment funds at the beginning of the year	\$ 1,956,616	\$ 1,222,367
Contributions and transfers	(7,828)	504,325
Investment income	90,395	40,399
Unrealized and realized gains, net	143,240	235,292
Grants	(29,801)	(18,300)
Administrative fees	(23,684)	(18,784)
Investment expenses	<u>(11,313)</u>	<u>(8,683)</u>
Agency endowment funds at the end of year	<u>\$ 2,117,625</u>	<u>\$ 1,956,616</u>

NOTE I – PAYCHECK PROTECTION PROGRAM GRANT

In 2020, the Foundation received funding under the Paycheck Protection Program (PPP) as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), administered by the U.S. Small Business Administration (SBA). Under the terms of the grant, the Foundation received funding of \$29,400. At December 31, 2021, the proceeds were forgiven by the SBA and the Foundation recognized the funding as PPP grant forgiveness revenue in 2021.

NOTE J – LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The Foundation has approximately \$346,000 of financial assets available within one year of the balance sheet date to meet its cash needs for general expenditures. This consists of unrestricted cash. The Foundation's liquidity policy states that 2.0% of the value of investments are to be held in cash and cash equivalents to meet expenditures requirements. On occasion, the Foundation receives donations for general operations from donors. The McKenna Foundation donates the use of office space to the Foundation.

NEW BRAUNFELS COMMUNITY FOUNDATION
Notes to Audited Financial Statements
December 31, 2021 and 2020

NOTE K – CURRENT ECONOMIC CONDITIONS

Certain current economic events have arisen which could impact the Foundation's ongoing operations. As a result of the COVID-19 pandemic, mandated and voluntary closings have caused various business and supply chain disruptions which have an indeterminate duration. Additionally, the effects of economic stimulus programs and U.S. Federal Reserve actions remain uncertain. These matters could impact numerous facets of the business environment including interest rates, inflation, and the availability of goods, capital and labor. Any related financial impact cannot be reasonably estimated at this time.