

**AMARILLO AREA FOUNDATION, INC.,  
THE DON AND SYBIL HARRINGTON FOUNDATION,  
AND SUPPORTING ORGANIZATIONS**  
Amarillo, Texas

**CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2023 and 2022

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## Independent Auditor's Report

Board of Directors  
Amarillo Area Foundation, Inc.,  
The Don and Sybil Harrington Foundation,  
and Supporting Organizations  
Amarillo, Texas

### Report on the Audit of Consolidated Financial Statements

#### *Opinion*

We have audited the accompanying consolidated financial statements of Amarillo Area Foundation, Inc., The Don and Sybil Harrington Foundation, and Supporting Organizations (collectively referred to as the Organization), which comprise the consolidated statements of financial position as of December 31, 2023 and 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2023 and 2022, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Organization 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 Consolidated Financial Statements*

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

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



## ***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than 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 judgement made by a reasonable user based on the financial statements.

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

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

## ***Report on Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying 2023 supplemental consolidating information with comparative 2022 totals on pages 37 - 40 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of

the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*CMMS CPAs & Advisors PLLC*

Amarillo, Texas  
June 25, 2024

**AMARILLO AREA FOUNDATION, INC.,  
THE DON AND SYBIL HARRINGTON FOUNDATION,  
AND SUPPORTING ORGANIZATIONS  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
Unrestricted cash and cash equivalents	\$ 5,057,931	\$ 6,278,707
Restricted cash and cash equivalents	219,325	254,268
Investments, at fair value	274,559,551	248,809,298
Investments, other	160,294	160,294
Trades in process	59,451	9,401,095
Receivables:		
Grants receivable	18,500	44,500
Accrued interest receivable	152,240	4,577
Other receivables	115,090	109,577
Notes receivable	3,438,081	3,471,522
Allowance for credit losses	(188,996)	-
Net notes receivable	<u>3,249,085</u>	<u>3,471,522</u>
Gift shop inventories	25,556	25,440
Other assets	98,478	137,105
Collections	8,079,179	8,079,179
Property and equipment, net	17,254,190	12,622,340
Property and equipment held for sale	<u>-</u>	<u>2,752</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 309,048,870</u></u>	<u><u>\$ 289,400,654</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and other liabilities	\$ 1,258,025	\$ 1,623,511
Grants and program services payable	72,020	685,801
Deferred revenue	2,320	2,300
Administrative fees payable	119,023	-
Funds held for agencies	<u>13,717,763</u>	<u>12,760,233</u>
Total liabilities	<u>15,169,151</u>	<u>15,071,845</u>
<b>NET ASSETS</b>		
Without donor restrictions:		
Undesignated	36,886,992	36,832,464
Board restricted:		
Endowment	243,263,623	223,698,395
Invested in property and equipment	8,429,779	8,543,682
With donor restrictions:		
Perpetual in nature	5,000,000	5,000,000
Purpose restrictions	<u>299,325</u>	<u>254,268</u>
Total net assets	<u>293,879,719</u>	<u>274,328,809</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 309,048,870</u></u>	<u><u>\$ 289,400,654</u></u>

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

**AMARILLO AREA FOUNDATION, INC.,  
THE DON AND SYBIL HARRINGTON FOUNDATION,  
AND SUPPORTING ORGANIZATIONS  
CONSOLIDATED STATEMENTS OF ACTIVITIES  
Years Ended December 31, 2023 and 2022**

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE, SUPPORT AND GAINS</b>			
Total contributions	\$ 13,267,932	\$ 158,500	\$ 13,426,432
Less: Contributions received on Agency transfers	(74,670)	-	(74,670)
Net contributions	13,193,262	158,500	13,351,762
Total Investment gain (loss) and other investment income, net	32,074,308	-	32,074,308
Less: Net investment (loss) and other investment income on agency transfers	(1,655,065)	-	(1,655,065)
Net investment gain (loss) and other investment income, net	30,419,243	-	30,419,243
Program income	67,474	-	67,474
Special events	2,931	-	2,931
Loss on capital assets	-	-	-
Other income (loss)	203,437	-	203,437
Net assets released from restrictions - satisfaction of time or purpose restrictions	193,443	(193,443)	-
Total revenues, support and gain	44,079,790	(34,943)	44,044,847
<b>DISTRIBUTIONS AND EXPENSE</b>			
Total grants	20,575,351	-	20,575,351
Total program services	1,487,772	-	1,487,772
Less: Grants on agency transfers	(772,205)	-	(772,205)
Net grants and program services	21,290,918	-	21,290,918
General and administrative expenses	1,861,056	-	1,861,056
Museum expenses	563,918	-	563,918
Other events	14,873	-	14,873
Fundraising activities	763,172	-	763,172
Total distributions and expenses	24,493,937	-	24,493,937
<b>CHANGE IN NET ASSETS</b>	19,585,853	(34,943)	19,550,910
<b>NET ASSETS, BEGINNING OF YEAR</b>	269,074,541	5,254,268	274,328,809
<b>NET ASSETS, END OF YEAR</b>	\$ 288,660,394	\$ 5,219,325	\$ 293,879,719

**AMARILLO AREA FOUNDATION, INC.,  
THE DON AND SYBIL HARRINGTON FOUNDATION,  
AND SUPPORTING ORGANIZATIONS  
CONSOLIDATED STATEMENTS OF ACTIVITIES (CONTINUED)  
Years Ended December 31, 2023 and 2022**

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE, SUPPORT AND GAINS</b>			
Total contributions	\$ 20,048,976	\$ 192,095	\$ 20,241,071
Less: Contributions received on Agency transfers	(214,536)	-	(214,536)
Net contributions	19,834,440	192,095	20,026,535
Total investment gain and other investment income, net	(37,706,632)	-	(37,706,632)
Less: Net investment (loss) and other investment income on agency transfers	1,830,744	-	1,830,744
Net investment gain and other investment income, net	(35,875,888)	-	(35,875,888)
Program income	65,451	-	65,451
Special events	14,737	-	14,737
Loss on capital assets	(56,866)	-	(56,866)
Other income (loss)	156,693	-	156,693
Net assets released from restrictions - satisfaction of time or purpose restrictions	275,094	(275,094)	-
Total revenues, support and gain	(15,586,339)	(82,999)	(15,669,338)
<b>DISTRIBUTIONS AND EXPENSE</b>			
Total grants	19,141,117	-	19,141,117
Total program services	1,205,918	-	1,205,918
Less: Grants on agency transfers	(495,766)	-	(495,766)
Net grants and program services	19,851,269	-	19,851,269
General and administrative expenses	1,586,385	-	1,586,385
Museum expenses	643,730	-	643,730
Other events	50,897	-	50,897
Fundraising activities	849,555	-	849,555
Total distributions and expenses	22,981,836	-	22,981,836
<b>CHANGE IN NET ASSETS</b>	(38,568,175)	(82,999)	(38,651,174)
<b>NET ASSETS, BEGINNING OF YEAR</b>	307,642,716	5,337,267	312,979,983
<b>NET ASSETS, END OF YEAR</b>	\$ 269,074,541	\$ 5,254,268	\$ 274,328,809

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



**AMARILLO AREA FOUNDATION, INC.,  
THE DON AND SYBIL HARRINGTON FOUNDATION,  
AND SUPPORTING ORGANIZATIONS  
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES  
Year Ended December 31, 2023**

	<b>Grants &amp; Program Services</b>	<b>General &amp; Administrative</b>	<b>Fundraising Activities</b>	<b>Museum Expenses</b>	<b>Other Events</b>	<b>Total</b>
Salaries	\$ 589,129	\$ 852,487	\$ 483,083	\$ 151,460	\$ -	\$ 2,076,159
Employee benefits	136,665	190,461	104,491	-	-	431,617
Payroll tax	45,359	69,734	36,437	11,683	-	163,213
Employment expenses	<u>771,153</u>	<u>1,112,682</u>	<u>624,011</u>	<u>163,143</u>	<u>-</u>	<u>2,670,989</u>
Grants & scholarships	19,794,146	-	-	90,482	-	19,884,628
Occupancy	69,175	80,897	27,120	63,225	-	240,417
Professional services	37,355	105,492	-	29,256	-	172,103
Legal and accounting	4,132	119,585	-	-	-	123,717
Marketing	93,064	37,358	13,665	5,508	-	149,595
Office expenses	68,677	131,547	21,199	2,912	-	224,335
Communications	8,159	6,212	4,172	-	-	18,543
Information technology	54,820	57,466	44,939	-	-	157,225
Travel	11,182	35,024	8,227	-	-	54,433
Meetings	9,176	54,815	658	-	-	64,649
Insurance	20,450	53,064	-	29,205	-	102,719
Training & development	6,191	5,861	4,460	-	-	16,512
Depreciation	136,605	33,936	14,721	108,154	-	293,416
Program expenses	9,929	-	-	-	-	9,929
Bad debt	189,996	-	-	-	-	189,996
Other expenses	6,708	27,117	-	13,993	-	47,818
Exhibits expense	-	-	-	58,040	-	58,040
Events expense	-	-	-	-	14,873	14,873
<b>TOTAL EXPENSES</b>	<u>\$ 21,290,918</u>	<u>\$ 1,861,056</u>	<u>\$ 763,172</u>	<u>\$ 563,918</u>	<u>\$ 14,873</u>	<u>\$ 24,493,937</u>

**AMARILLO AREA FOUNDATION, INC.,  
THE DON AND SYBIL HARRINGTON FOUNDATION,  
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CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES  
Year Ended December 31, 2022**

	<u>Grants &amp; Program Services</u>	<u>General &amp; Administrative</u>	<u>Fundraising Activities</u>	<u>Museum Expenses</u>	<u>Other Events</u>	<u>Total</u>
Salaries	\$ 603,653	\$ 764,372	\$ 465,121	\$ 155,307	\$ -	\$ 1,988,453
Employee benefits	158,616	183,283	103,398	-	-	445,297
Payroll tax	47,247	54,686	34,709	12,007	-	148,649
Employment expenses	<u>809,516</u>	<u>1,002,341</u>	<u>603,228</u>	<u>167,314</u>	<u>-</u>	<u>2,582,399</u>
Grants & scholarships	18,645,344	-	-	183,408	-	18,828,752
Occupancy	86,832	81,408	44,403	78,515	-	291,158
Professional services	9,002	54,201	-	11,153	-	74,356
Legal and accounting	2,598	116,011	-	-	-	118,609
Marketing	10,599	21,905	124,597	10,160	-	167,261
Office expenses	58,026	71,472	13,823	-	-	143,321
Communications	5,787	4,406	2,959	-	-	13,152
Information technology	113,789	48,838	43,362	-	-	205,989
Travel	4,511	13,651	2,053	-	-	20,215
Meetings	3,168	31,750	2,132	-	-	37,050
Insurance	14,645	48,622	-	28,753	-	92,020
Training & development	4,344	1,335	5,339	-	-	11,018
Depreciation	34,337	23,368	7,659	107,672	-	173,036
Program expenses	38,388	-	-	-	-	38,388
Other expenses	10,383	67,077	-	21,755	-	99,215
Exhibits expense	-	-	-	35,000	-	35,000
Events expense	-	-	-	-	50,897	50,897
<b>TOTAL EXPENSES</b>	<u><b>\$ 19,851,269</b></u>	<u><b>\$ 1,586,385</b></u>	<u><b>\$ 849,555</b></u>	<u><b>\$ 643,730</b></u>	<u><b>\$ 50,897</b></u>	<u><b>\$ 22,981,836</b></u>

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

**AMARILLO AREA FOUNDATION, INC.,  
THE DON AND SYBIL HARRINGTON FOUNDATION,  
AND SUPPORTING ORGANIZATIONS  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
Years Ended December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 19,550,910	\$ (38,651,174)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	293,416	173,036
Contributions restricted	(158,500)	(192,095)
Noncash contribution (distributions)	687,561	(1,025,443)
Net realized (gain) loss on investments	(10,842,950)	(4,946,441)
Net unrealized (gain) loss on investments	(14,585,820)	46,406,239
Loss on capital assets	138	56,866
Change in:		
Other receivables	(5,513)	(107,892)
Accrued income	(147,663)	66,649
Grant receivable	26,000	70,500
Notes receivable	33,441	(74,190)
Inventory	(116)	(7,365)
Other assets	38,627	(202)
Funds held for agencies	957,530	(2,111,973)
Grants and program services payable	(613,781)	661,729
Deferred revenue	20	200
Administrative Fee Payable	119,023	-
Allowance for Doubtful	188,996	-
Accounts payable and other liabilities	(365,486)	891,926
Net cash provided (used) by operating activities	<u>(4,824,167)</u>	<u>1,210,370</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments	(79,018,718)	(119,393,282)
Proceeds from maturities and sales of investments	88,294,766	118,800,187
Purchases of PP&E	(5,866,100)	(4,796,938)
Proceeds from sale of PP&E	-	87,000
Net cash provided (used) by investing activities	<u>3,409,948</u>	<u>(5,303,033)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Restricted contributions	158,500	192,095
Net cash provided by investing activities	<u>158,500</u>	<u>192,095</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(1,255,719)	(3,900,568)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	6,532,975	10,433,543
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 5,277,256</u>	<u>\$ 6,532,975</u>
<b>Reconciliation of cash and cash equivalents</b>		
Unrestricted cash and cash equivalents	\$ 5,057,931	\$ 6,278,707
Restricted cash and cash equivalents	219,325	254,268
	<u>\$ 5,277,256</u>	<u>\$ 6,532,975</u>
<b>Supplemental Disclosures of Noncash Activities</b>		
Noncash investment transactions	\$ 255,887	\$ 1,025,443

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

**AMARILLO AREA FOUNDATION, INC.,  
THE DON AND SYBIL HARRINGTON FOUNDATION,  
AND SUPPORTING ORGANIZATIONS  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2023 and 2022**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Organization and Activities**

The Amarillo Area Foundation, Inc. (the AAF) is a community foundation operating as a public charity under Section 509(a)(1) of the Internal Revenue Code (the Code) and is exempt from federal income taxes under Section 501(c)(3) of the Code. The AAF's mission is to meet charitable needs primarily through grants to not-for-profit organizations and to accomplish this by attracting and managing capital gifts in perpetuity from individuals, families, corporations, agencies, and private foundations. Further, the AAF aims to exercise leadership on efficient and effective delivery of services to not-for-profit organizations, thereby providing for the enrichment of the quality of life in the communities of the northernmost 26 counties of the Texas Panhandle. *The Nonprofit Services Center* is a program of the AAF providing management and technical support to assist area not-for-profit organizations in more efficiently and effectively managing all aspects of their operations.

The Don and Sybil Harrington Foundation (the HF) is a Section 509(a)(3) supporting organization as defined in the Code and operates as a public charity for the benefit of, and under the control of, the AAF. The HF also distributes a substantial portion of its income to benefit not-for-profit organizations operating in communities of the northernmost 26 counties of the Texas Panhandle.

The Citadelle Art Foundation (the Citadelle) is a Texas nonprofit corporation originally chartered on November 27, 2007. On March 12, 2014, the Citadelle became a supporting organization of the AAF. The Citadelle is a community foundation operating as a public charity under Section 509(a)(1) of the Internal Revenue Code (the Code) and is exempt from federal income taxes under Section 501(c)(3) of the Code. The Citadelle is organized and shall be operated exclusively for the support and benefit of the AAF through ownership and operation of a museum of art in the city of Canadian, Texas, for the benefit of the public. The Citadelle's mission is to provide a sanctuary for all forms of expressions that celebrate life through art. The Citadelle's financial information is consolidated with the Organization's assets per guidance under Financial Accounting Standards Board (FASB) 958-810 which requires consolidation for organizations that have board control and also financially support the organization.

The AAF Community Health Foundation (the CHF) is a Section 509(a)(3) supporting organization as defined in the Code and is exempt from federal income taxes under Section 501(c)(3) of the Code. The CHF was created in December 2015. The CHF is organized and operated exclusively for the benefit of the AAF and other non-profit, tax-exempt organizations classified as other than private foundations under Section 509(a)(1) or (a)(2) of the Code that provide and support medical and health care facilities, services, and education in Amarillo, Texas, and the Texas Panhandle area.

Decoursey Properties (DP) is a Section 509(a)(3) supporting organization as defined in the Code and is exempt from federal income taxes under Section 501(c)(3) of the Code. DP was created in June 2019 and is organized and operated exclusively for the benefit of the AAF. DP plans to acquire and renovate real property in Amarillo that is anticipated will be used to house

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Nature of Organization and Activities (Continued)**

the offices and staff of AAF and also the operations of AAF's Nonprofit Service Center. In addition, DP was also established to serve as a recipient of charitable gifts of real property that the donor would otherwise convey directly to AAF.

**Report Entity**

In accordance with the FASB Accounting Standards Codification (ASC) Topic 958, *Not-for-Profit Entities – Overall*, the consolidated financial statements include the accounts of the AAF and its affiliate, the HF, in addition the supporting organizations, the Citadelle, the CHF, and DP (collectively referred to as the Organization). The HF is included with the AAF because the AAF has an economic interest in its affiliate and effectively controls its Board of Directors. Citadelle, the CHF, and DP are included with the AAF because the AAF effectively controls the Citadelle's, the CHF's, and DP's Board of Directors. All material inter-organization transactions have been eliminated in the consolidation.

**Basis of Presentation**

The Organization's consolidated financial statements have been prepared on the accrual basis of accounting, which recognizes revenue and support when earned and expenses when incurred. The statements have been prepared in accordance with FASB ASC Topic 958, *Not-for-Profit Entities – Overall*. The Organization reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

**Net Asset Classification**

The Organization complies with FASB ASC Topic 958, *Not-for-Profit Entities – Overall* (ASC Topic 958), to provide guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). ASC Topic 958 guidance also improves disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to UPMIFA.

The State of Texas adopted UPMIFA effective September 1, 2007. The Board of Directors, on the advice of legal counsel, determined that the majority of the Organization's net assets do not meet the definition of "endowment" under UPMIFA. The majority of the Organization's net assets meet the definition of "endowment" under ASC Topic 958 guidance and are subject to the enhanced disclosures for all endowment funds. The Organization is governed by the Articles of Incorporation of the Organization, and contributions are subject to the terms of the Articles of Incorporation and the terms set forth in the fund agreements. Under the terms of the Articles of Incorporation and the provisions of the donor fund agreements, the Board of Directors may modify any restrictions or conditions on the distribution of funds at its sole

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Net Asset Classification (Continued)**

judgment. As a result of the ability to modify any restriction or condition on the distribution of funds, all contributions not classified as net assets with donor restrictions are classified as net assets without donor restrictions for financial statement purposes.

Net assets without donor restrictions are not subject to donor-imposed stipulations. Net assets without donor restrictions also include sponsorships received for specific events expended in the same period and also board-restricted assets.

Net assets with donor restriction with time or purpose restrictions are subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

Net assets with donor restriction that are perpetual in nature are subject to donor-imposed stipulations that require they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. Net assets with donor restrictions that are perpetual are comprised entirely of an endowment fund established at the HF in which the Organization does not have variance power.

The Organization receives contributions from donors with advice regarding distribution of the assets and the earnings therefrom. The Organization attempts to meet the desires expressed by the donors at the time of the contribution; however, the Organization reserves the right to modify any restrictions or conditions on the distribution of funds for any specified charitable purpose or to specified organizations if, in the sole judgment of the Organization's Board of Directors, such restrictions or conditions become unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. Accordingly, the consolidated financial statements classify all net assets as without donor restrictions with the exception of assets related to charitable remainder trusts, which are classified as net assets with donor restrictions with purpose or time restriction due to the time restrictions of the assets, and a certain endowment fund, which is classified as net assets with donor restrictions that are perpetual in nature due to the Organization's lack of variance power related to the endowment and the requirement to maintain the endowment in perpetuity.

**Use of Estimates**

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

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Cash and Cash Equivalents**

The Organization considers all highly liquid investments with a maturity of three months or less when purchased, excluding cash equivalent funds held in the Organization's investment portfolio, to be cash equivalents.

**Investments**

In accordance with FASB ASC Topic 958, *Not-for-Profit Entities – Overall*, the Organization records all financial investments in equity securities with readily determinable fair values and all investments in fixed income securities at fair value as defined by FASB ASC Topic 820, *Fair Value Measurements and Disclosures – Overall* (ASC Topic 820). The fair values of marketable equity and marketable debt securities are based on quoted market prices. The historical cost of money market funds and certificates of deposit approximates fair value because of the short maturity of those instruments.

Investments are reported at fair value except for certain alternative funds that, as a practical expedient, and in accordance with ASC 820-10-35-59, are reported at estimated fair value utilizing net asset values. Net asset value, in many instances, may not equal fair value that would be calculated pursuant to ASC 820. The Organization does not intend to sell any of the funds at an amount different from net asset value per share at December 31, 2023. The Organization reviews and evaluates the net asset values provided by the general partners and fund managers and agrees with the valuation methods and assumptions used in determining the net asset values of the funds. Other investments include one donated limited partnership and certain mineral interests. Other investments are carried at the lower of cost or estimated fair value.

Realized gains or losses on investments represent the difference between the book value of investments and the sales proceeds. Unrealized gains or losses represent the difference between the beginning-of-year fair value or purchase date during the year and the end-of-year value. All investment income is reported as unrestricted unless otherwise restricted by the donor or required by accounting convention. All appreciation/depreciation earned on investments is reported as a change in net assets without donor restrictions unless otherwise restricted by the donor, applicable law, or accounting provision.

**Notes Receivable**

Notes receivable are reported at their outstanding unpaid principal balances. Interest income is accrued on the unpaid principal balance. When collection of interest is deemed to be doubtful, accrual of interest is discontinued and the notes are placed on nonaccrual status.

The carrying amount of notes receivable is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected. The allowance is based on

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Notes Receivable (Continued)**

management's assessment of the collectability of specific notes receivable. All portions thereof deemed to be uncollectible are written-off to the allowance.

**Significant Estimates**

Estimates that are particularly susceptible to significant change in the near future include the valuation of financial instruments, limited partnership interests, and contributions receivable. The Organization utilizes various investment instruments to achieve its return and asset allocation objectives. Investments in financial instruments and limited partnerships, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of marketable securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statement of financial position. Significant fluctuations in fair values could occur from year to year and the amounts the Organization will ultimately realize could differ materially. Management's estimate of contributions receivable is based on consideration of all relevant available information and an analysis of the collectability of individual contributions, which arise primarily from individuals, trust, and estates, at the financial statement date.

**Concentration of Credit Risk**

The Organization maintains bank accounts at various financial institutions, which are insured up to certain amounts by the Federal Deposit Insurance Corporation (FDIC). From time to time, the Organization maintains balances in bank accounts which exceed federally insured limits. The Organization does not anticipate any losses associated with balances in excess of federally insured limits.

**Inventories**

Gift shop inventories is stated at cost, which approximates market. Management analyzes inventory movement to identify obsolete items and marks these items down in order to sell them more quickly.

**Exhibit Deposits**

Certain payments to various exhibitors reflect costs applicable to future accounting periods. Exhibit deposits of \$26,400 and \$21,347 during 2023 and 2022, respectively, are included in other assets on the consolidated financial statements.



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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Property and Equipment**

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The estimated useful lives of property and equipment are as follows:

Computer software and office equipment	3 to 5 years
Leasehold improvements	6 to 15 years
Office furniture	10 years
Buildings and improvements	10 to 40 years

Property and equipment classified as held for sale is not depreciated.

**Collections**

The Citadelle has elected under FASB ASC 958-360 to capitalize its collections of art. Contributions of collections are recognized as a donation when they are received. However, the collection is not depreciated. Per FASB 958-360, depreciation need not be recognized on an individual work of art whose economic benefit or service potential is used up so slowly that its estimated useful life is extraordinarily long. Furthermore, the collection must have individual culture, aesthetic or historical value that is worth preserving in perpetuity, and the Citadelle has the technological and financial ability to protect and preserve the art.

ASU No. 2019-03, *Not-for-Profit Entities (Topic 958): Updating the Definition of Collections*, which was adopted in 2020, requires that a collection-holding entity disclose its policy for the use of proceeds from when collection items are deaccessioned (i.e., removed from a collection). As stated in the Citadelle's bylaws, the "Designated Permanent Art Collection shall never be sold, and shall remain intact in perpetuity in Canadian, Texas".

**Revenue Recognition**

The Organization has adopted Accounting Standards Update (ASU) No. 2018-08 *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 605) as management believes the standard improves the usefulness and understandability of the Organization's financial reporting.

The Organization recognizes contributions when cash, securities or other assets are received. Conditional promises to give, 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 received are generally recorded as net assets without donor restrictions. It is the expressed intention of the Organization to honor the designations of donors; however, the Organization reserves the right to exercise final control over most all funds.

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue Recognition (Continued)**

Grant revenue represents amounts available under the current grant. Recognition of revenue under this grant is allowable only when expenditures have been incurred. Deferred revenue represents unrecognized amounts available under the current grant.

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses, depending on the form of the benefits received. All unconditional promises to give are primarily due in three years or less and are expected to be fully collectible.

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions. Restricted gifts whose restrictions are met in the same reporting periods are reported as unrestricted gifts.

**Contributed Nonfinancial Assets**

Donated nonfinancial assets are recorded as contributions at their estimated fair values or donor valuation at the date of the donation. Buildings received as donations are depreciated over 40 years using the straight-line method.

The Organization reports gifts of land, buildings, equipment, and other nonmonetary contributions as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how and how long 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 temporarily restricted support. During 2020, the Organization received donated property of approximately \$512,000, which is classified as held for sale at December 31, 2020. During 2021, the Organization sold properties of approximately \$365,000, with approximately \$147,000 classified as held for sale as of December 31, 2021. During 2022, the Organization sold properties of approximately \$143,000, with approximately \$3,000 classified as held for sale as of December 31, 2022.

Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Minimal amounts have been reflected in the consolidated financial statements for donated services to AAF, HF, CHF, and DP. The Organization pays for most services requiring specific expertise.

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Contributed Nonfinancial Assets (Continued)**

The Citadelle receives services from a large number of volunteers who give significant amounts of their time to the Citadelle's programs, fundraising campaigns, and management. No amounts have been reflected for these types of donated services, as they do not meet the criteria for recognition.

**Grants and Program Services**

Grants and program services represent amounts primarily awarded to various not-for-profit organizations to assist with funding of general operations, capital improvements, or special programs. Grants and program services also include the direct cost of conducting various grant programs. Also, included in grants and program services are scholarships awarded to eligible applicants to assist with post-secondary education. Scholarship distributions included in total grants and program services were approximately \$1,595,000 and \$1,814,000 during 2023 and 2022, respectively. Grants and program services payable consist of unconditional amounts awarded, but not yet paid.

**Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statement of activities. The statements of functional expenses present the natural classification detail of expenses by function. Costs are allocated between museum, fundraising, general and administrative, grants and program services, management fees, property taxes, or other events based on evaluations of the related activities. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

**Income Tax Status**

The Organization is exempt from federal income tax under Section 501(a) as an organization described in Section 501(c)(3) of the Code and has been determined not to be a private foundation under Section 509(a) of the Code. As a result, income taxes are not included in the accompanying consolidated financial statements.

Management evaluated the Organization's tax positions and concluded that the Organization has taken no uncertain tax positions that require adjustment to the consolidated financial statements to comply with the provisions of this guidance. At December 31, 2023, the federal statute of limitation remains open for the 2020 through 2023 years.

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Administrative Fee Revenues**

The fee structure for administrative fee revenues allows the AAF and HF to continue to provide the quality of services to donors, grantees, non-profit organizations, and the community, and to also help guarantee long-term stability. The fee structure for administrative fee revenues is as follows:

- An annual assessment of 1.25% on the net asset value of all non-endowed scholarship funds.
- An annual assessment of 1.00% on the net asset value of all endowed scholarship funds.
- An annual assessment of 50 basis points on all other non-endowed component funds.
- An annual assessment of 40 basis points on all other endowed funds.
- An annual assessment of 1.25% on unrestricted grant-making funds.
- A minimum assessment of \$150 per year will apply to all funds.
- Investment expenses will also be charged to each account on a quarterly basis.

The revenues and expenses from the administrative fee are eliminated in the annual consolidated financial statements.

**Endowment Investment and Spending Policies**

The Organization has adopted investment and spending policies for endowment assets that attempt to protect the corpus of funds by minimizing risks from either market or credit factors and to increase the value of the corpus through the managed pursuit of investment opportunities. The objective rate of return of the investment pool is to maximize return within reasonable and prudent levels of risk in order to maximize donor objectives in providing community support and, to the extent possible, achieve long-term corpus growth in excess of inflation and distributions.

To achieve its objectives, the Organization employs a strategy of defined asset allocation to diversify its position in permissible investments, disciplined rebalancing to maintain asset allocation, and diligent selection and performance monitoring of investment managers. The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk parameters.

The amount available for distributions from endowment funds is determined annually by the Organization's Board of Directors based on a percentage of the market value of the fund. In setting the distribution policy, the Board considers the total average rate of return for the previous thirteen quarters. The Board approved a spending policy for 2023 and 2022 of 4.75% and 4.50%, respectively.

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Board-Designated Assets from the Citadelle**

The Citadelle has board-designated assets which consist of the museum, buildings and gardens, decorative art, furnishings, and the designated permanent art collection. These assets are never to be sold and shall remain in perpetuity in Canadian, Texas. The total amount of the Citadelle's board-designated assets as of December 31, 2023 and 2022 is \$8,429,779 and \$8,543,682, respectively, and is shown in Net Assets without donor restriction on the Consolidated Statement of Financial Position.

**Leases**

The Organization adopted ASU 2016-02, Leases (Topic 842), on January 1, 2022, using the prospective transition approach whereby comparative periods were not restated. The Organization also elected certain relief options under the ASU, including the option not to recognize right of use asset and lease liabilities that arise from short-term leases. Because all the Organization's leases were either short-term or immaterial operating leases, adoption of this ASU did not require recording of a right-of-use asset and corresponding lease liability.

**Adoption of New Accounting Standards**

The Organization adopted ASU 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, effective January 1, 2023, which changed how entities account for credit losses for most financial assets and instruments not measured at fair value through net income and requires entities to estimate an expected lifetime credit loss on financial assets. The adoption did not have a material impact on the Organization's financial statements.

**Reclassification**

Certain amounts in 2022 consolidated financial statements were reclassified to conform with the 2023 presentation.

**NOTE 2 - LIQUIDITY AND AVAILABILITY**

The Organization receives significant contributions to be used in accordance for the associated purpose. It also receives gifts to establish endowments that will exist in perpetuity; the income generated from such endowments is used to fund programs. The majority of Organization funds are invested to provide income. The Organization operates under legal guidance that our variance power should cause all funds except for the Sybil B. Harrington fund to be classified as without donor restrictions.

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**NOTE 2 - LIQUIDITY AND AVAILABILITY (CONTINUED)**

Organization administrative expenses are funded by administrative fees paid by donor funds, direct donations to our administrative fund, and income from the Organization's own endowment. The Organization considers investment income to be available to meet cash needs for general expenditures of donor funds. Additionally, due to the use of a spending policy the invested principal of most funds is available for use and the entire principal of the Administrative Fund is available.

The Organization manages its cash available to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets, and
- Maintaining sufficient reserves to provide reasonable assurance that long term grant commitments and obligations under endowments will continue to be met, ensuring the sustainability of the Organization.

The Organization's board and Executive Committee meet monthly to review and approve grant requests. The Accounting and Finance department analyzes upcoming grants, scholarships, and administrative expenses and adjusts the Organization's cash and investments positions on a monthly basis.

The table below presents financial assets, that is, without donor or other restrictions limiting their use, available for general expenditures within one year at December 31, 2023 (in thousands):

	<u>AAF/HF/CHF/DP</u>	<u>Citadelle</u>	<u>Total</u>
<b>Financial assets at year end:</b>			
Cash and cash equivalents	\$ 4,522	\$ 755	\$ 5,277
Receivables	3,468	85	3,553
Investments, at fair value	<u>274,720</u>	<u>-</u>	<u>274,720</u>
Total financial assets	282,710	840	283,550
<b>Less amounts not available to be used within one year:</b>			
Donor restrictions for endowment and specific purpose	(5,000)	(299)	(5,299)
Investments in non-liquid securities	(36,519)	-	(36,519)
Non-current portion of receivables	(3,081)	-	(3,081)
Investments held Agency Fund	<u>(13,717)</u>	<u>-</u>	<u>(13,717)</u>
Financial assets not available to be used within one year	<u>(58,317)</u>	<u>(299)</u>	<u>(58,616)</u>
<b>Financial assets available to meet expenditures within one year</b>	<u><u>\$ 224,393</u></u>	<u><u>\$ 541</u></u>	<u><u>\$ 224,934</u></u>

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**NOTE 3 - RESTRICTED CASH**

The Citadelle has cash that is restricted for long-term purposes related to the museum and special projects as of December 31, 2023 and 2022, and consisted of the following:

	<u>2023</u>	<u>2022</u>
Visitor center	\$ 1,548	\$ 3,348
Mansion improvements	41,425	41,425
Elevator project	89,852	126,155
Education endowment	<u>86,500</u>	<u>83,340</u>
<b>Total restricted cash</b>	<u><u>\$ 219,325</u></u>	<u><u>\$ 254,268</u></u>

**NOTE 4 - INVESTMENTS AND FAIR VALUE MEASUREMENTS**

The Organization complies with FASB ASC Topic 820-10, *Fair Value Measurements* (ASC Topic 820-10), which provides a framework for measuring fair value under generally accepted accounting principles. ASC Topic 820-10 applies to all financial instruments that are being measured and reported on a fair value basis. As defined in ASC Topic 820, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Organization uses various methods including market, income, and cost approaches. Based on these approaches, the Organization often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs.

Based on the observability of the inputs used in the valuation techniques, the Organization is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

- Level 1 – Quoted prices for identical assets or liabilities in active markets.
- Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

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**NOTE 4 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)**

The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs were used only when Level 1 or Level 2 inputs were not available.

In certain cases, the inputs to measure fair value may result in an asset or liability falling into more than one level of the fair value hierarchy. In such cases, the determination of the classification of an asset or liability within the fair value hierarchy is based on the least determinate input that is significant to the fair value measurement. The Organization's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgement and considers factors specific to the assets and liability.

For the valuation of certain government, corporate and U.S. Treasury notes, common and preferred stocks, mutual funds, bond index funds, equity index, and other at December 31, 2023 and 2022, the Organization used quoted prices in principal active markets for identical assets as of the valuation date (Level 1).

For the valuation of CDs and mortgage-backed securities at December 31, 2023 and 2022 the Organization used significant other observable inputs, particularly dealer market prices for comparable investments as of the valuation date (Level 2).

For the most part, valuation of multi-strategy (absolute return) hedge funds, long/short hedged equity funds, commingled funds, distressed debt funds, private real estate funds, and private equity funds, and venture capital funds at December 31, 2023 and 2022, are reported at estimated fair value utilizing the net asset values (NAV) provided by fund managers as a practical expedient. These funds do not have a readily determinable fair value. Reported fund values utilize significant unobservable inputs; management reviews and evaluates the values provided by the fund managers and general partners and agrees with the valuation methods and assumptions used in determining the reported fair values of the alternative investments. Investments that are measured at fair value using NAV per share as a practical expedient are not classified in the fair value hierarchy.

**Assets and Liabilities Measured at Fair Value on a Recurring Basis**

Balances of financial assets measured at fair value on a recurring basis are summarized below:

	Fair Value	Fair Value Measurements Using:			Measured at NAV (1)
		Quoted Prices in Active Identical Assets (Level 1)	Significant Other Inputs (Level 2)	Significant Inputs (Level 3)	
<b>December 31, 2023</b>					
Money market (at cost)	\$ 7,550,581	\$ 7,550,581	\$ -	\$ -	\$ -
Certificates of deposit (at cost)	1,110,298	-	1,110,298	-	-
Mutual funds	950,676	950,676	-	-	-
Bond index funds	62,648,986	62,648,986	-	-	-
Equity index funds	155,849,728	155,849,728	-	-	-
Common and preferred stock	2,499,687	2,499,687	-	-	-
Multi-Strategy (Absolute Return) hedge funds	301,769	-	-	-	301,769



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**NOTE 4 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)**

**Assets and Liabilities Measured at Fair Value on a Recurring Basis (Continued)**

	Fair Value	Fair Value Measurements Using:			Measured at NAV (1)
		Quoted Prices in Active Identical Assets (Level 1)	Significant Other Inputs (Level 2)	Significant Inputs (Level 3)	
<b>December 31, 2023</b> (Continued)					
Long/short hedged equity funds	6,913,412	-	-	-	6,913,412
Private equity funds	21,069,467	-	-	-	21,069,467
Private real estate funds	7,857,411	-	-	-	7,857,411
Venture capital	7,591,927	-	-	-	7,591,927
U.S. Treasury obligations	215,609	215,609	-	-	-
<b>Total investments</b>	<b>\$ 274,559,551</b>	<b>\$ 229,715,267</b>	<b>\$ 1,110,298</b>	<b>\$ -</b>	<b>\$ 43,733,986</b>

(1) Investments measured at NAV are presented in the table to allow for reconciliation for the fair value hierarchy to the amounts presented in the consolidated statements of financial position.

	Fair Value	Fair Value Measurements Using:			Measured at NAV (1)
		Quoted Prices in Active Identical Assets (Level 1)	Significant Other Inputs (Level 2)	Significant Inputs (Level 3)	
<b>December 31, 2022</b>					
Money market (at cost)	\$ 22,374,653	\$ 22,374,653	\$ -	\$ -	\$ -
Certificates of deposit (at cost)	1,088,768	-	1,088,768	-	-
Mutual funds	1,176,508	1,176,508	-	-	-
Bond index funds	43,593,405	43,593,405	-	-	-
Equity index funds	109,971,099	109,971,099	-	-	-
Common and preferred stock	2,437,333	2,437,333	-	-	-
Multi-Strategy (Absolute Return) hedge funds	390,521	-	-	-	390,521
Long/short hedged equity funds	30,430,644	-	-	-	30,430,644
Private equity funds	20,649,781	-	-	-	20,649,781
Private real estate funds	8,371,638	-	-	-	8,371,638
Venture capital	8,108,901	-	-	-	8,108,901
U.S. Treasury obligations	216,047	216,047	-	-	-
<b>Total investments</b>	<b>\$ 248,809,298</b>	<b>\$ 179,769,045</b>	<b>\$ 1,088,768</b>	<b>\$ -</b>	<b>\$ 67,951,485</b>

(1) Investments measured at NAV are presented in the table to allow for reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position.

The following summarizes the nature and risk of those investments that are reported at estimated fair value utilizing net asset value as of December 31, 2023:

	Fair Value	Unfunded Commitments	Redemption Frequency and Lock-ups	Redemption notice period
Multi-Strategy (Absolute Return) hedge funds (a)	\$ 301,769	\$ -	- Quarterly	65-180 days
Long/short hedged equity funds (b)	6,913,412	-	- Monthly with 3 year lock-up, redemption fee of 4% - Quarterly - Quarterly with 2 year lock-up - Quarterly with 3-5 year lock-up, subject to redemption fees 20% to 17.5% up to 5 years	60-180 days
Private equity funds (c)	21,069,467	3,300,179	N/A	N/A
Private real estate funds (d)	7,857,411	1,334,176	N/A	N/A
Venture capital (e)	7,591,927	642,686	N/A	N/A
	<b>\$ 43,733,986</b>	<b>\$ 5,277,041</b>		

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**NOTE 4 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)**

**Assets and Liabilities Measured at Fair Value on a Recurring Basis (Continued)**

(a) There is one underlying funds in the category. The fund has a variety of strategies including directional positioning, relative value and credit, global long/short credit, distressed/overleveraged situations, mergers and acquisitions, arbitrage situations, and convertible arbitrage situations. The fund invests in a variety of US and international debt and equity securities, as well as trade claims, real estate, futures, commodities, currencies, forwards, options, swaps, and other derivative instruments. The fair value of the investments in this category have been estimated using the net asset value per share of the investments.

(b) There is one underlying funds in this category. The fund utilizes a long/short investment strategy. The funds invest in a variety of US and international debt and equity securities, partnership interests, collective investment schemes, options, warrants, convertible securities, futures contracts, commodities, and other derivative instruments. The fair value of the investments in this category have been estimated using the net asset value per share of the investments.

(c) There are seven underlying funds in this category. The first fund is a business investor in companies in connection with equity or equity-related investments. They do this through purchases, subscriptions, acquisitions, sale and disposal of shares, debentures, convertible loan stock and other securities, and making of loans. The second fund makes investments on a global basis throughout emerging markets and in companies whose principal business comprises developing, operating, constructing and/or owning power and/or energy infrastructure assets and to make investments including the acquisition, sale and disposal of equity or equity-related securities and/or instruments issued by predominantly unlisted companies or undertakings, and the making of loans to such companies or undertakings. The third fund makes private equity investments in lower-middle-market companies in high-growth sectors of the healthcare industry. Transactions will include growth equity investments, leveraged buyouts, and build-ups. The fourth fund is a fund of funds whose portfolio consists primarily of investments in highly illiquid U.S. venture and growth capital funds. The fifth fund makes investments in private equity or equity-like investments in companies involved primarily in onshore United States oil and gas exploration. The fund has a general partner clawback provision. The sixth fund makes investments in a diversified portfolio of private equity funds and direct co-investments in the fastest growing economies in Africa. The fund has a general partner clawback provision. The seventh fund invests in business models in high growth niches within the U.S. healthcare industry. The fund has a general partner clawback provision. The fair values of the investments in this category have been estimated using the net asset value per share of the investments.

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**NOTE 4 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)**

**Assets and Liabilities Measured at Fair Value on a Recurring Basis (Continued)**

(d) There are four underlying funds in the private real estate category. These funds seek return through the acquisition or funding of ownership interests in individual real estate or real estate-related assets or loans, multi-property portfolios or loan pools, joint ventures, operating companies, public securities, and structured products. The first fund is invested primarily in real estate; however, the fund may leverage its investment with non-recourse debt financing. The second fund invests in primarily property and property related companies or companies in which the underlying investment value is linked to property assets primarily in Europe. The fund may leverage its investment with non-recourse debt financing. The third fund invests primarily in commercial mortgage-backed securities (CMBS), or any assets resulting from or relating to the Fund's ownership of CMBS, such as commercial mortgage loans, real or personal property collateral, judgments and/or any other ancillary collateral relating to such commercial mortgage loans or CMBS. The fourth fund invests in commercial real estate equity and debt targeting an average investment size of less than \$10 million. The fund has a general partner clawback provision and a limited partner clawback provision. The fair values of the investments in this category have been estimated using the net asset value per share of the investments.

(e) There are three underlying funds in this category. The first fund invests in targeted segments of enterprise software and technology-enabled products and services across a range of investment stages, from seed and early-stage through growth equity. The second fund is a fund of funds whose portfolio consists primarily of equity investments of enterprise software and technology-enabled products and services. The third fund buys, sells, holds, and otherwise invests mainly in equity and equity-related securities of early-stage emerging technology, software, mobile, and internet companies. The fair values of the investments in this category have been estimate using the net assets value per share of the investments.

(a), (b) Some of the underlying funds in this category may include long and short positions and may use leverage.

(a), (b), (c), (d), (e) Some funds may invest in illiquid investments, which are typically segregated into "side pockets" (a separate share class) and are not available for redemption until the investment in liquidated by the manager.

(a), (b) Several of the investments in this category have provisions which give the fund manager the discretionary ability to temporarily suspend redemptions due to unusual circumstances as well as restrict redemptions to certain dollar or percentage of net asset value amounts.

(a), (b), (c) Certain investments in this category have gate provisions, which allow a manager to limit redemptions despite the normal liquidity provisions if they receive redemptions in excess of the gate, a level stated in their governing documents.

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**Assets and Liabilities Measured at Fair Value on a Recurring Basis (Continued)**

(c), (d) These nonmarketable funds do not permit redemptions with one fund as an exception to this rule. The timing of the return of capital is at the manager's discretion, subject to provisions documented in limited partnership agreements. In general, capital and realized gains are distributed to investors when an investment is liquidated. It is estimated that the majority of underlying assets of the funds will be liquidated over the next eight to ten years following final closing of the fund. Limited partners in the fund generally may not sell, transfer, or pledge their interests except as permitted by the Partnership Agreement with the consent of the general partner. The fair values of the investments in this category have been estimated using the net asset value of the Organization's ownership interest in the partners' capital.

Investment securities are exposed to various risks, such as interest rate, market, and credit. Due to the level of uncertainty related to changes in interest rates, market volatility, and credit risks, it is at least reasonably possible that changes in these risks could materially affect the estimated fair value of investments reported in the consolidated statement of financial position as of December 31, 2023. However, the diversification of the Organization's invested assets among these various asset classes should mitigate the impact of any dramatic change on any one asset class.

Other investments are recorded at the value assigned at the date of the gift. Other investments are comprised of the following at December 31:

	<u><b>2023</b></u>	<u><b>2022</b></u>
Mineral interests	<u>\$ 160,294</u>	<u>\$ 160,294</u>
<b>Total other investments</b>	<u><u>\$ 160,294</u></u>	<u><u>\$ 160,294</u></u>

**Investment Commitments**

Included in investments at December 31, 2023 are certain investments totaling approximately \$36,518,583 which cannot be liquidated for a minimum of 8 years, but no more than 16 years from the original investment date. The Organization has \$59,541 in transit at December 31, 2023. These funds are shown in trades in process on the consolidated statement of financial condition.

Total commitments for alternative investments are \$35,900,000 as of December 31, 2023. Remaining capital calls associated with these investments are \$5,277,041.

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**NOTE 5 - CONTRIBUTIONS RECEIVABLE AND GRANTS RECEIVABLE**

The Organization anticipates collections of contributions and grants receivable as follows at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Amounts receivable within one year	\$ 15,500	\$ 21,500
Amounts receivable in 1 to 5 years	3,000	23,000
<b>Total amounts receivable</b>	<u>\$ 18,500</u>	<u>\$ 44,500</u>
Contributions receivable	<u>\$ 18,500</u>	<u>\$ 44,500</u>
<b>Total contributions receivable</b>	<u>\$ 18,500</u>	<u>\$ 44,500</u>

Contributions and grants receivable amounts are not discounted to present value as the discount is not considered significant. The Organization has determined all amounts to be collectible, thus, no allowance for doubtful accounts is maintained.

**NOTE 6 - NOTE RECEIVABLE**

On October 1, 2018, the HF made a loan to a nonprofit corporation in the amount of \$305,431 with an interest rate of 1.25% maturing December 31, 2026. The outstanding balance at December 31, 2023 and 2022 was \$123,373 and \$161,225, respectively. Principal and interest of this note are due quarterly on or before March 31, June 30, September 30, and December 31 of each calendar year, beginning December 31, 2018. The Organization accounts for this note at the value they expect to collect. The balance of the allowance for doubtful accounts at December 31, 2023 and 2022 was \$-0-, respectively.

On February 1, 2020, the AAF made a loan to a nonprofit corporation in the amount of \$150,000 with an interest rate of 1.00% maturing January 31, 2030. The outstanding balance at December 31, 2023 and 2022 was \$150,000, respectively. Principal and interest of this note are due in full no later than January 31, 2030. The Organization accounts for this note at the value they expect to collect. The allowance for doubtful accounts at December 31, 2023 and 2022 was \$-0-, respectively.

On March 23, 2020, the AAF made a loan to a limited liability company in the amount of \$1,500,000 with an interest rate of 3.00% maturing January 1, 2031. The outstanding balance at December 31, 2023 and 2022 was \$1,579,000 and \$1,579,000, respectively. Principal and interest of this note are due monthly on or before the first day of each month beginning on or before February 1, 2021. The Board has amended this note for payments to begin on July 1, 2023, and maturing June 1, 2033. Interest accrued was added to the note and it was amortized at that time. This action was taken because the Board feels that it is a worthwhile venture that serves the community and will ultimately be successful and therefore that the note will be collected. The Organization accounts for this note at the value they expect to collect. The allowance for credit losses at December 31, 2023 and 2022 was \$94,498 and \$-0-, respectively. The loan is secured by real property, in which AAF has a secondary position to the bank.

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**NOTE 6 - NOTE RECEIVABLE (CONTINUED)**

On March 23, 2020, the HF made a loan to a limited liability company in the amount of \$1,500,000 with an interest rate of 3.00% maturing January 1, 2031. The outstanding balance at December 31, 2023 and 2022 was \$1,579,000 and \$1,579,000, respectively. Principal and interest of this note are due monthly on or before the first day of each month beginning on or before February 1, 2021. The Board has amended this note for payments to begin on July 1, 2023, and maturing June 1, 2033. Interest accrued was added to the note and it was amortized at that time. This action was taken because the Board feels that it is a worthwhile venture that serves the community and will ultimately be successful and therefore that the note will be collected. The Organization accounts for this note at the value they expect to collect. The allowance for credit losses at December 31, 2023 and 2022 was \$94,498 and \$-0-, respectively. The loan is secured by real property, in which HF has a secondary position to the bank.

At December 31, 2023 and 2022, the Organization accounts for notes receivable at the balance they expect to collect.

As of December 31, 2023, an allowance for credit losses of \$188,996 has been established.

Note receivable, net of allowance at December 31 is as follows:

	<u><b>2023</b></u>	<u><b>2022</b></u>
<b>Note receivable, beginning of year</b>	\$ 3,471,522	\$ 3,471,522
Less payments received	(33,441)	-
Less allowance for credit losses	<u>(188,996)</u>	<u>-</u>
<b>Note receivable, net of allowance, end of year</b>	<u><u>\$ 3,240,085</u></u>	<u><u>\$ 3,471,522</u></u>

Activity in the allowance for credit losses (ACL) at December 31 consists of the following:

	<u><b>2023</b></u>	<u><b>2022</b></u>
<b>ACL, beginning of year</b>	\$ -	\$ -
Provision for credit losses	<u>188,996</u>	<u>-</u>
<b>ACL, end of year</b>	<u><u>\$ 188,996</u></u>	<u><u>\$ -</u></u>

Maturities of the note receivable are as follows as of December 31, 2023:

2024	\$ 326,506
2025	335,755
2026	345,276
2027	325,231
2028	325,007
Thereafter	<u>1,780,306</u>
	<u><u>\$ 3,438,081</u></u>

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**NOTE 7 - PROPERTY AND EQUIPMENT**

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

	<u><b>2023</b></u>	<u><b>2022</b></u>
Leasehold improvements	\$ 20,274	\$ 810,466
Computer software	243,395	243,395
Furniture, fixtures, and equipment	1,218,129	832,271
Buildings and improvements	15,145,863	4,804,120
Land	2,537,909	3,481,356
Assets not available for use	898,414	5,890,100
Construction in process	100,303	-
<b>Total property and equipment</b>	<u>20,164,287</u>	<u>16,061,708</u>
Less accumulated depreciation	<u>(2,910,097)</u>	<u>(3,439,368)</u>
<b>Total property and equipment, net</b>	<u><u>\$ 17,254,190</u></u>	<u><u>\$ 12,622,340</u></u>
<b>Property and equipment held for sale</b>	<u><u>\$ -</u></u>	<u><u>\$ 2,752</u></u>

Depreciation expense for the years ended December 31, 2023 and 2022 was \$293,416 and \$173,036, respectively.

**NOTE 8 - OTHER ASSETS USED/LOANED BY THE MUSEUM**

The Museum at the Citadelle contains numerous pieces of artwork and furniture that are not recorded on the statement of financial position due to the grantors maintaining ownership. The grantors have not disclosed the value of these pieces to the Citadelle.

The Citadelle received a \$2,200,000 contribution of artwork during 2016, a \$101,400 contribution of artwork during 2019, and a \$264,850 contribution of artwork during 2020. While the ownership of the art was contributed to the Citadelle some of the artwork has been loaned back to the donator to use in their personal residence.

**NOTE 9 - GRANTS AND PROGRAM SERVICES PAYABLE**

Grants and program services payable, including scholarships payable, consist of the following unconditional amounts awarded at December 31:

	<u><b>2023</b></u>	<u><b>2022</b></u>
Payable in less than one year	<u>\$ 72,020</u>	<u>\$ 685,801</u>
<b>Total grants payable</b>	<u><u>\$ 72,020</u></u>	<u><u>\$ 685,801</u></u>

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**NOTE 9 - GRANTS AND PROGRAM SERVICES PAYABLE (CONTINUED)**

Grants payable are not discounted as they are payable within one year or less.

The Organization has several conditional grants totaling approximately \$1,560,000 to various entities. These commitments are contingent upon the entities meeting various requirements.

The Organization has committed up to \$6,151,000 to the Thrive scholarship program formerly the ACE scholarship program; which will be paid out over six-years. As of December 31, 2023, the Organization has paid \$2,312,806 in scholarships with a commitment remaining of \$3,838,194. The Organization has joined with three other entities in Amarillo to provide scholarships for students from the Amarillo area to attend Amarillo College. This commitment is deemed conditional since the payment on these scholarships is dependent on the students qualifying and meeting certain requirements before receiving the scholarships. The Organization paid approximately \$569,085 and \$533,624 as of December 31, 2023 and 2022, respectively, on this commitment.

These amounts have not been recognized in the consolidated financial statements because the recipients have not met the conditions of the grant. Once all conditions have been met, each grant or loan will be paid based on the terms of the agreement.

**NOTE 10 - RETIREMENT PLAN AND OTHER BENEFITS**

The Organization sponsors and maintains a Defined Contribution Thrift Plan (the Thrift Plan), which replaced a pension plan that was terminated in 2008. Under the Thrift Plan, the Organization contributes 10% of the respective employee's eligible compensation to the Plan to provide future retirement benefits. Employees may also elect to defer a portion of their eligible compensation to the Plan. Contributions are subject to Internal Revenue Service limitations, and employer contributions are 100% vested after three years of service. Employees are 100% vested in their deferred compensation contributions immediately. Amounts contributed to the Thrift Plan by the Organization during 2023 and 2022 were approximately \$169,000 and \$181,000, respectively.

Additionally, the Organization provides a Tax Deferred Annuity Plan (the Annuity Plan) for its employees as provided under Section 403(b) of the Code. Under the Annuity Plan, employees may contribute a specified percentage of their regular eligible compensation, subject to limitations imposed under the Code, to the Annuity Plan. The Organization makes no contributions to the Annuity Plan. Contributions made by the employees are fully and immediately vested.

**NOTE 11 - FUNDS HELD FOR AGENCIES**

The Organization follows the provisions of FASB ASC Topic 958, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others*. This statement established standards for transactions in which the Organization accepts a contribution from a donor and agrees to transfer those assets, the return on investment of those assets, or both, to another entity that is specified by the donor.



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**NOTE 11 - FUNDS HELD FOR AGENCIES (CONTINUED)**

The Organization accounts for assets that are contributed by other not-for-profit organizations (NPO) for the benefit of that NPO or one of its affiliated organizations as a liability to the specified beneficiary concurrent with its recognition of the assets received. All assets of this type and the activity associated with those assets are reported separately as funds held for agencies in the consolidated financial statements.

This statement specifically requires that if an NPO establishes a fund at a community foundation with its own funds and specifies itself or one of its affiliated organizations as the beneficiary of that fund, the community foundation must account for the transfer of such assets and the activity associated with those assets as a liability.

The Organization maintains variance power, as described in the various governing documents of the Organization, and legal ownership over these funds and, as such, continues to report the funds as assets of the Organization. Variance power assures donors that if the charitable purpose of their contribution becomes impractical or impossible, the distributions will be directed to similar purposes in the community. A liability for funds held for agencies has been established for the fair value of the assets contributed by NPOs for their benefit in the amount of approximately \$13,718,000 and \$12,760,000 as of December 31, 2023 and 2022, respectively. All financial activity for the years ended December 31, 2023 and 2022, related to these assets are separately reflected in the consolidated statement of activities.

**NOTE 12 - FUNDS HELD BY OTHERS**

In 2011, a permanent endowment fund for the benefit of the Citadelle was established at the Gulf Coast Community Foundation (GCCF). Because the assets of this endowment are controlled by GCCF, and not the Citadelle, they are not included in the accompanying financial statements. The endowment agreement also specifies that realized gains and losses from investing activities will be added to or deducted from the original principal. Investment income on the endowment fund is available for distribution for use by the Citadelle. The Citadelle received \$124,910 and \$118,387 during both December 31, 2023 and 2022 from the GCCF.

**NOTE 13 - RELATED PARTY TRANSACTIONS**

The Organization has certain cash and investments of approximately \$275,502,193 and \$250,968,326 at December 31, 2023 and 2022, respectively, which were managed by a local Amarillo, Texas, bank. An executive and stockholder of the bank was also a member of the Organization's Board of Directors for both 2023 and 2022. The Organization paid investment, management, and other fees of \$181,235 and \$194,058 to this bank during 2023 and 2022, respectively.

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**NOTE 14 - RISKS AND UNCERTAINTIES**

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the consolidated statement of financial position.

**NOTE 15 - ENDOWMENT FUNDS**

Board-designated endowment funds consist of various types of funds such as agency, donor advised, donor designated, scholarships, field of interest, and discretionary grants.

Endowment net asset composition by type of fund and changes in endowment net assets as of December 31, 2023 and 2022, are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b><u>December 31, 2023</u></b>			
Donor-restricted endowment funds	\$ -	\$ 5,000,000	\$ 5,000,000
Board-designated endowment funds	243,263,623	-	243,263,623
<b>Totals</b>	<u>\$ 243,263,623</u>	<u>\$ 5,000,000</u>	<u>\$ 248,263,623</u>
<b>Endowment net assets, beginning of year</b>	\$ 223,698,395	\$ 5,000,000	\$ 228,698,395
Interest and dividends, net of investment expense	5,954,396	-	5,954,396
Realized gain on investments	9,526,983	-	9,526,983
Net depreciation	12,699,679	-	12,699,679
Contributions	13,355,872	-	13,355,872
Endowment assets appropriated for expenditure	(22,004,369)	-	(22,004,369)
Other income	32,667	-	32,667
Changes in endowment net assets	<u>19,565,228</u>	<u>-</u>	<u>19,565,228</u>
<b>Endowment net assets, end of year</b>	<u>\$ 243,263,623</u>	<u>\$ 5,000,000</u>	<u>\$ 248,263,623</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b><u>December 31, 2022</u></b>			
Donor-restricted endowment funds	\$ -	\$ 5,000,000	\$ 5,000,000
Board-designated endowment funds	223,698,395	-	223,698,395
<b>Totals</b>	<u>\$ 223,698,395</u>	<u>\$ 5,000,000</u>	<u>\$ 228,698,395</u>
<b>Endowment net assets, beginning of year</b>	\$ 261,531,577	\$ 5,000,000	\$ 266,531,577
Interest and dividends, net of investment expense	3,029,303	-	3,029,303
Realized gain on investments	4,516,641	-	4,516,641
Net depreciation	(40,384,961)	-	(40,384,961)
Contributions	20,371,979	-	20,371,979
Endowment assets appropriated for expenditure	(25,669,938)	-	(25,669,938)
Other income	303,794	-	303,794
Changes in endowment net assets	<u>(37,833,182)</u>	<u>-</u>	<u>(37,833,182)</u>
<b>Endowment net assets, end of year</b>	<u>\$ 223,698,395</u>	<u>\$ 5,000,000</u>	<u>\$ 228,698,395</u>

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**NOTE 15 - ENDOWMENT FUNDS (CONTINUED)**

As of December 31, 2023 and 2022, the Organization held no investments where the principal had fallen below the historical gift value due to market conditions.

**NOTE 16 - NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restriction are presented on the consolidated statements of financial position in restricted cash and cash equivalents with donor restrictions, property and equipment, and endowment funds. The changes in net assets with donor restrictions as well as the amounts available at December 31, 2023 and 2022 for the following purposes are as follows:

	December 31, <u>2022</u>	<u>Additions</u>	<u>Releases</u>	December 31, <u>2023</u>
Net assets restricted for specified purpose:				
Arts education	\$ -	\$ 8,000	\$ (8,000)	\$ -
Mansion improvements	41,425	-	-	41,425
Visitor center	3,348	-	(1,800)	1,548
Elevator installation	126,155	64,000	(100,303)	89,852
Digital literacy	-	80,000	-	80,000
Charlotte Rhodes Education Endowment	83,340	86,500	(83,340)	86,500
<b>Total subject to specified purpose</b>	<u>\$ 254,268</u>	<u>\$ 238,500</u>	<u>\$ (193,443)</u>	<u>\$ 299,325</u>
Net assets restricted for perpetual in nature:				
Donor-restricted endowment funds	\$ 5,000,000	\$ -	\$ -	\$ 5,000,000
<b>Total perpetual in nature</b>	<u>\$ 5,000,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,000,000</u>
<b>Net assets with donor restrictions</b>	<u>\$ 5,254,268</u>	<u>\$ 238,500</u>	<u>\$ (193,443)</u>	<u>\$ 5,299,325</u>

	December 31, <u>2021</u>	<u>Additions</u>	<u>Releases</u>	December 31, <u>2022</u>
Net assets restricted for specified purpose:				
Arts education	\$ 10,000	\$ 2,000	\$ (12,000)	\$ -
Mansion improvements	44,925	-	(3,500)	41,425
Visitor center	63,784	-	(60,436)	3,348
Elevator installation	20,000	106,155	-	126,155
Cotillion	1,000	-	(1,000)	-
Rice University project	14,750	-	(14,750)	-
Charlotte Rhodes Education Endowment	182,808	83,940	(183,408)	83,340
<b>Total subject to specified purpose</b>	<u>\$ 337,267</u>	<u>\$ 192,095</u>	<u>\$ (275,094)</u>	<u>\$ 254,268</u>
Net assets restricted for perpetual in nature:				
Donor-restricted endowment funds	\$ 5,000,000	\$ -	\$ -	\$ 5,000,000
<b>Total perpetual in nature</b>	<u>\$ 5,000,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,000,000</u>
<b>Net assets with donor restrictions</b>	<u>\$ 5,337,267</u>	<u>\$ 192,095</u>	<u>\$ (275,094)</u>	<u>\$ 5,254,268</u>

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**NOTE 17 - RECENT ACCOUNTING PRONOUNCEMENT UNDER CONSIDERATION**

ASU 2020-04, *“Reference Rate Reform: Facilitation of the Effects of Reference Rate Reform on Financial Reporting – ASC Topic 848”*. ASU 2020-04 provides optional expedients and exceptions for applying GAAP to loan and lease agreements, derivative contracts, and other transactions affected by the anticipated transition away from LIBOR toward new interest rate benchmarks. The guidance allows for companies to: (i) account for certain contract modifications as a continuation of the existing contract without additional analysis; (ii) continue hedge accounting when certain critical terms of a hedging relationship change and assets effectiveness in ways that disregard certain potential sources of ineffectiveness; and (iii) make a one-time sale and/or transfer of certain debt securities from held-to-maturity to available-for-sale or trading. An entity may elect to apply ASU 2020-04 for contract modifications as of January 1, 2020, or prospectively from a date within an interim period that includes or is subsequent to March 12, 2020, up to the date that the financial statements are available to be issued. Once elected for a Topic or an Industry Subtopic within ASU 2020-04, the amendments must be applied prospectively for all eligible contract modifications for that Topic or Industry Subtopic. The one-time election to sell and/or transfer debt securities classified as held-to-maturity may be made at any time after March 12, 2020. The ASU was updated by ASU 2022-06, is available for adoption effective March 12, 2020 through December 31, 2024.

In March 2022, the FASB issued ASU No. 2022-02, *Financial Instruments – Credit Losses (Topic 326)*. The amendments in this Update eliminate the TDR recognition and measurement guidance and, instead, require that an entity evaluate (consistent with the accounting for other loan modifications) whether the modification represents a new loan or a continuation of an existing loan. The amendments enhance existing disclosure requirements and introduce new requirements related to certain modifications of receivables made to borrowers experiencing financial difficulty. The amendments in this Update should be applied prospectively, except as provided in the next sentence. For the transition method related to the recognition and measurement of TDRs, an entity has the option to apply a modified retrospective transition method, resulting in a cumulative-effect adjustment to retained earnings in the period of adoption. For entities that have adopted the amendments in Update 2016-13, the amendments in this Update are effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. For entities that have not yet adopted the amendments in Update 2016-13, the effective dates for the amendments in this Update are effective for fiscal year beginning after December 15, 2022. The Organization is evaluating the new guidance but does not expect the adoption of this guidance to have a material impact on the Organization’s financial position or results of operations.

In June 2022, the FASB issued ASU No. 2022-03, *Fair Value Measurement (Topic 820)*. The amendments clarify fair value principles when measuring the fair value of an equity security subject to a contractual sale restriction and improve current GAAP by reducing diversity in practice, reducing the cost and complexity in measuring fair value, and increasing comparability of financial information across reporting entities that hold those investments. For non-public entities, the amendments are effective for fiscal years beginning after December 15, 2024, and interim periods within those fiscal years. Early adoption is permitted for both interim and annual

**AMARILLO AREA FOUNDATION, INC.,  
THE DON AND SYBIL HARRINGTON FOUNDATION,  
AND SUPPORTING ORGANIZATIONS  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2023 and 2022**

**NOTE 17 - RECENT ACCOUNTING PRONOUNCEMENT UNDER CONSIDERATION  
(CONTINUED)**

financial statements that have not yet been issued or made available for issuance. The Organization is evaluating the new guidance but does not expect the adoption of this guidance to have a material impact on the Organization's financial position or results of operations.

In December 2022, the FASB issued ASU No. 2022-06, Reference Rate Reform (Topic 848). The amendment in this Update defers the effective date of ASU No. 2020-04 from December 31, 2022, to December 31, 2024, after which entities will no longer be permitted to apply the relief in Topic 848.

**NOTE 18 - SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through June 25, 2024, the date the consolidated financial statements were available to be issued. Management has determined that there were no events that require disclosure.

This information is an integral part of the accompanying consolidated financial statements.

## **SUPPLEMENTARY INFORMATION**

**AMARILLO AREA FOUNDATION, INC.,  
THE DON AND SYBIL HARRINGTON FOUNDATION,  
AND SUPPORTING ORGANIZATIONS  
CONSOLIDATING STATEMENT OF FINANCIAL POSITION  
December 31, 2023  
(with comparative totals for 2022)**

	<u>Amarillo Area Foundation, Inc.</u>	<u>The Don &amp; Sybil Harrington Foundation, Inc.</u>	<u>AAF Community Health Foundation</u>	<u>Decoursey Properties</u>	<u>Citadelle Art Foundation</u>	<u>Eliminations</u>	<u>Consolidated 2023</u>	<u>Consolidated 2022</u>
<b>ASSETS</b>								
Unrestricted cash and cash equivalents	\$ 2,736,270	\$ 1,565,549	\$ 26,317	\$ 193,748	\$ 536,047	\$ -	\$ 5,057,931	\$ 6,278,707
Restricted cash and cash equivalents	-	-	-	-	219,325	-	219,325	254,268
Trades in process	55,855	3,596	-	-	-	-	59,451	9,401,095
Investments, at fair value	158,998,276	115,561,275	-	-	-	-	274,559,551	248,809,298
Investments, other	160,294	-	-	-	-	-	160,294	160,294
Receivables:								
Contributions receivable	9,000	-	-	-	84,337	(93,337)	-	-
Grants receivable	18,500	-	-	-	-	-	18,500	44,500
Accrued interest receivable	76,120	76,120	-	-	-	-	152,240	4,577
Other receivables	119,068	-	-	-	288	(4,266)	115,090	109,577
Note receivable	1,733,230	1,704,851	-	-	-	-	3,438,081	3,471,522
Allowance for credit losses	(94,498)	(94,498)	-	-	-	-	(188,996)	-
Net note receivable	1,638,732	1,610,353	-	-	-	-	3,249,085	3,471,522
Gift shop inventory	-	-	-	-	25,556	-	25,556	25,440
Other assets	56,582	-	-	-	41,896	-	98,478	137,105
Collections	-	-	-	-	8,079,179	-	8,079,179	8,079,179
Property and equipment, net	439,490	-	2,737,774	11,160,842	2,916,084	-	17,254,190	12,622,340
Property and equipment held for sale	-	-	-	-	-	-	-	2,752
<b>TOTAL ASSETS</b>	<b>\$ 164,308,187</b>	<b>\$ 118,816,893</b>	<b>\$ 2,764,091</b>	<b>\$ 11,354,590</b>	<b>\$ 11,902,712</b>	<b>\$ (97,603)</b>	<b>\$ 309,048,870</b>	<b>\$ 289,400,654</b>
<b>LIABILITIES AND NET ASSETS</b>								
<b>LIABILITIES</b>								
Accounts payable and other liabilities	\$ 1,201,819	\$ 84,000	\$ -	\$ 25,538	\$ 44,271	\$ (97,603)	\$ 1,258,025	\$ 1,623,511
Grants and program services payable	72,020	-	-	-	-	-	72,020	685,801
Deferred revenue	2,320	-	-	-	-	-	2,320	2,300
Paycheck Protection Program loan	-	-	-	-	-	-	-	-
Administrative fees payable	-	119,023	-	-	-	-	119,023	-
Funds held for agencies	13,717,763	-	-	-	-	-	13,717,763	12,760,233
Total liabilities	<b>14,993,922</b>	<b>203,023</b>	<b>-</b>	<b>25,538</b>	<b>44,271</b>	<b>(97,603)</b>	<b>15,169,151</b>	<b>15,071,845</b>

**AMARILLO AREA FOUNDATION, INC.,  
THE DON AND SYBIL HARRINGTON FOUNDATION,  
AND SUPPORTING ORGANIZATIONS  
CONSOLIDATING STATEMENT OF FINANCIAL POSITION, CONTINUED  
December 31, 2023  
(with comparative totals for 2022)**

	<u>Amarillo Area Foundation, Inc.</u>	<u>The Don &amp; Sybil Harrington Foundation, Inc.</u>	<u>AAF Community Health Foundation</u>	<u>Decoursey Properties</u>	<u>Citadelle Art Foundation</u>	<u>Eliminations</u>	<u>Consolidated 2023</u>	<u>Consolidated 2022</u>
<b>NET ASSETS</b>								
Without donor restrictions								
Undesignated	19,584,512	-	2,764,091	11,329,052	3,209,337	-	36,886,992	36,832,464
Board restricted:								
Purpose restriction	-	-	-	-	-	-	-	-
Endowment	129,649,753	113,613,870	-	-	-	-	243,263,623	223,698,395
Invested in property and equipment	-	-	-	-	8,429,779	-	8,429,779	8,543,682
With donor restrictions								
Purpose restrictions	80,000	-	-	-	219,325	-	299,325	254,268
Perpetual in nature	-	5,000,000	-	-	-	-	5,000,000	5,000,000
Total net assets	<u>149,314,265</u>	<u>118,613,870</u>	<u>2,764,091</u>	<u>11,329,052</u>	<u>11,858,441</u>	<u>-</u>	<u>293,879,719</u>	<u>274,328,809</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 164,308,187</u>	<u>\$ 118,816,893</u>	<u>\$ 2,764,091</u>	<u>\$ 11,354,590</u>	<u>\$ 11,902,712</u>	<u>\$ (97,603)</u>	<u>\$ 309,048,870</u>	<u>\$ 289,400,654</u>



**AMARILLO AREA FOUNDATION, INC.,  
THE DON AND SYBIL HARRINGTON FOUNDATION,  
AND SUPPORTING ORGANIZATIONS  
CONSOLIDATING STATEMENT OF ACTIVITIES  
December 31, 2023  
(with comparative totals for 2022)**

	<u>Amarillo Area Foundation, Inc.</u>	<u>The Don &amp; Sybil Harrington Foundation, Inc.</u>	<u>AAF Community Health Foundation</u>	<u>Decoursey Properties</u>	<u>Citadelle Art Foundation</u>	<u>Eliminations</u>	<u>Consolidated 2023</u>	<u>Consolidated 2022</u>
<b>CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTION</b>								
Revenues, support and gains								
Total contributions	\$ 13,608,116	\$ 2,428	\$ 169,890	\$ 166,306	\$ 477,913	\$ (1,156,721)	\$ 13,267,932	\$ 20,048,976
Less: Contributions received on								
Agency transfer	(74,670)	-	-	-	-	-	(74,670)	(214,536)
Net contributions	13,533,446	2,428	169,890	166,306	477,913	(1,156,721)	13,193,262	19,834,440
Total investment gains and other								
investment income, net	18,584,065	13,490,243	-	-	-	-	32,074,308	(37,706,632)
Plus: Net investment loss and other								
investment income on agency transfers	(1,655,065)	-	-	-	-	-	(1,655,065)	1,830,744
Net investment gains and other								
investment income, net	16,929,000	13,490,243	-	-	-	-	30,419,243	(35,875,888)
Program income	-	-	-	-	67,474	-	67,474	65,451
Special events	-	-	-	-	2,931	-	2,931	14,737
Grants	-	-	-	-	-	-	-	-
Loss on capital assets	-	-	-	-	-	-	-	(56,866)
Other income	133,137	78,014	-	-	(4,875)	-	206,276	116,387
Transfers	1,281,921	(1,284,760)	-	-	-	-	(2,839)	40,306
Net assets released from restriction - satisfaction of time or purpose restrictions	-	-	-	-	193,443	-	193,443	275,094
Total revenues, support and gains	31,877,504	12,285,925	169,890	166,306	736,886	(1,156,721)	44,079,790	(15,586,339)
Distributions and expenses								
Total grants	18,014,734	2,634,000	1,083,338	-	-	(1,156,721)	20,575,351	19,141,117
Total program services	1,274,474	94,497	49,050	69,751	-	-	1,487,772	1,205,918
Less: Grants on agency transfers	(772,205)	-	-	-	-	-	(772,205)	(495,766)
Net grants and program services	18,517,003	2,728,497	1,132,388	69,751	-	(1,156,721)	21,290,918	19,851,269

**AMARILLO AREA FOUNDATION, INC.,  
THE DON AND SYBIL HARRINGTON FOUNDATION,  
AND SUPPORTING ORGANIZATIONS  
CONSOLIDATING STATEMENT OF ACTIVITIES, CONTINUED  
December 31, 2023  
(with comparative totals for 2022)**

	<u>Amarillo Area Foundation, Inc.</u>	<u>The Don &amp; Sybil Harrington Foundation, Inc.</u>	<u>AAF Community Health Foundation</u>	<u>Decoursey Properties</u>	<u>Citadelle Art Foundation</u>	<u>Eliminations</u>	<u>Consolidated 2023</u>	<u>Consolidated 2022</u>
<b>CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTION</b>								
General and administrative expenses	1,676,132	-	2,416	37,822	144,686	-	1,861,056	1,586,385
Museum expenses	-	-	-	-	563,918	-	563,918	643,730
Other Events	-	-	-	-	14,873	-	14,873	50,897
Fundraising Activities	754,033	-	1,622	7,517	-	-	763,172	849,555
Total distributions and expenses	20,947,168	2,728,497	1,136,426	115,090	723,477	(1,156,721)	24,493,937	22,981,836
Change in net assets without donor restriction	10,930,336	9,557,428	(966,536)	51,216	13,409	-	19,585,853	(38,568,175)
<b>CHANGE IN NET ASSETS WITH DONOR RESTRICTION</b>								
Revenues, support and gains								
Total grants	-	-	-	-	158,500	-	158,500	192,095
Net assets released from restriction	-	-	-	-	(193,443)	-	(193,443)	(275,094)
Total revenues, support and gains	-	-	-	-	(34,943)	-	(34,943)	(82,999)
Distributions and expenses								
Other events	-	-	-	-	-	-	-	-
Total distributions and expenses	-	-	-	-	-	-	-	-
Change in net assets with donor restriction	-	-	-	-	(34,943)	-	(34,943)	(82,999)
<b>CHANGE IN NET ASSETS</b>	10,930,336	9,557,428	(966,536)	51,216	(21,534)	-	19,550,910	(38,651,174)
<b>NET ASSETS, BEGINNING OF YEAR</b>	138,383,929	109,056,442	3,730,627	11,277,836	11,879,975	-	274,328,809	312,979,983
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 149,314,265</u>	<u>\$ 118,613,870</u>	<u>\$ 2,764,091</u>	<u>\$ 11,329,052</u>	<u>\$ 11,858,441</u>	<u>\$ -</u>	<u>\$ 293,879,719</u>	<u>\$ 274,328,809</u>