

BIG SPRING AREA COMMUNITY FOUNDATION, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2023

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Big Spring Area Community Foundation, Inc.

Opinion

We have audited the accompanying financial statements of Big Spring Area Community Foundation, Inc. (the "Foundation") (a nonprofit organization), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Big Spring Area Community Foundation, Inc. as of December 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

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 Big Spring Area Community Foundation, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Correction of Error

As described in Note K to the financial statements, management of the Foundation determined that an error in classification of net assets resulted in misstatements of amounts previously reported as net assets without donor restrictions and net asset with donor restrictions.

In addition, the Foundation determined that they had not recognized a beneficial interest in an irrevocable trust in accordance with accounting principles generally accepted in the United States of America.

An adjustment was made to beginning net asset balances and classifications to reflect the necessary adjustments related to these matters. Our opinion is not modified with respect to these matters.

Responsibilities of Management for the Financial Statements

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

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

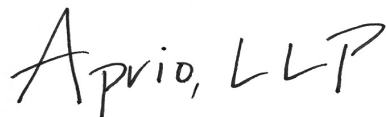
Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

A handwritten signature in black ink that reads "Aprivo, LLP". The signature is written in a cursive, flowing style.

San Antonio, Texas
March 18, 2025

BIG SPRING AREA COMMUNITY FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2023

ASSETS

<u>Current assets:</u>	
Cash and cash equivalents	\$ 19,341,036
Beneficial interest in lead trust - current portion	<u>791,504</u>
Total current assets	20,132,540
<u>Fixed assets:</u>	
Fixed assets, net	149,455
<u>Other assets:</u>	
Beneficial interest in lead trust - long-term	<u>4,271,657</u>
TOTAL ASSETS	<u>\$24,553,652</u>

LIABILITIES AND NET ASSETS

<u>Current liabilities:</u>	
Funds held as agency endowments	\$ <u>3,074,735</u>
Total Current Liabilities	<u>3,074,735</u>
Total Liabilities	<u>3,074,735</u>
<u>Net Assets:</u>	
Without donor restrictions	14,191,126
With donor restrictions	<u>7,287,791</u>
Total net assets	<u>21,478,917</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$24,553,652</u>

See notes to the financial statements

BIG SPRING AREA COMMUNITY FOUNDATION, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>Revenues and other support:</u>			
Contributions	\$ 19,070	\$ 84,134	\$ 103,204
Administration fees	211,734	25,613	237,347
Investment return	1,998,239	319,144	2,317,383
Change in beneficial interest	428,449	-	428,449
Net assets released from restrictions	<u>450,469</u>	<u>(450,469)</u>	<u>-</u>
Total revenues and other support	<u>3,107,961</u>	<u>(21,578)</u>	<u>3,086,383</u>
<u>Grants and expenses:</u>			
Program Services	443,284	93,105	536,389
General and Administrative	103,520	-	103,520
Fundraising	<u>123,890</u>	<u>-</u>	<u>123,890</u>
Total expenses	<u>670,694</u>	<u>93,105</u>	<u>763,799</u>
Change in net assets	2,437,267	(114,683)	2,322,584
Beginning net assets as previously stated	386,390	13,278,333	13,664,723
Restatement adjustment	11,367,469	(5,875,859)	5,491,610
Beginning net assets as restated	<u>11,753,859</u>	<u>7,402,474</u>	<u>19,156,333</u>
Net assets at end of year	<u>\$ 14,191,126</u>	<u>\$ 7,287,791</u>	<u>\$ 21,478,917</u>

See notes to the financial statements

BIG SPRING AREA COMMUNITY FOUNDATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023

Cash flows from operating activities	
Change in net assets	\$ 2,322,584
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Net realized/unrealized (gain) loss on investments	(1,826,821)
Depreciation	3,670
Accrued liabilities	(1,219)
Change in agency funds	330,309
Beneficial interest in lead trust	<u>428,449</u>
Net cash provided by operating activities	<u>1,256,972</u>
Cash flows from investing activities	
Purchases of investments	(1,137,228)
Proceeds from sale of investments	<u>17,870,547</u>
Net cash provided by investing activities	<u>16,733,319</u>
Increase in cash during the year	17,990,291
Cash and cash equivalents, beginning of year	<u>1,350,745</u>
Cash and cash equivalents, end of year	<u>\$19,341,036</u>

See notes to the financial statements

BIG SPRING AREA COMMUNITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

Note A
Nature of Organization

Organization:

The Big Spring Area Community Foundation, Inc. (“the Foundation”) was incorporated on February 20, 2001 under the laws of the State of Texas as a Non-Profit Corporation. The purpose of the Foundation is to receive gifts, bequests and donations to be held as endowments and to distribute earnings for the betterment of Big Spring, Texas and its surrounding areas. By virtue of this purpose and its sources of support, the Foundation is classified as a publicly supported charity and not a private foundation. The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Note B
Summary of Significant Accounting Policies

Basis of Accounting:

The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).

Financial Statement Presentation:

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- *Net Assets Without Donor Restrictions:* Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. These net assets may be used at the discretion of the Foundation's management and the Board of Directors.
- *Net Assets With Donor Restrictions:* Net assets subject to stipulations imposed by donors and grantors. Some donor-imposed restrictions may be temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Use of Estimates:

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Cash and Cash Equivalents:

The Foundation considers all highly liquid financial instruments purchased with an original maturity of three months or less to be cash equivalents.

BIG SPRING AREA COMMUNITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

Note B
Summary of Significant Accounting Policies (Continued)

Concentration of Credit Risk Arising from Cash Deposits in Excess of Insured Limits:

The Foundation maintains cash balances at one commercial bank, these balances can exceed the FDIC insured deposit limit of \$250,000 per financial institution. At December 31, 2023, the Foundation's cash balances held at the commercial bank exceeded the FDIC limit by approximately \$729,000. The Foundation has not experienced any losses through the date when the financial statements were available to be issued.

Revenue Recognition:

Contributions are recognized when cash, securities or other assets, or an unconditional promise to give is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities and changes in net assets.

Investments:

Investments are recorded at cost, if purchased, or at fair value on the date of donation, if donated. Investments, primarily consisting of equity securities, are stated at fair value. Investments in equity securities with readily determinable values are valued based on quoted market prices in active markets in which the securities are traded. Gains and losses, both realized and unrealized, resulting from increases or decreases in the fair value of investments are reflected in the statements of activities and changes in net assets as increases or decreases in net assets without donor restrictions unless the use was restricted by explicit donor stipulations or by law.

BIG SPRING AREA COMMUNITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

Note B
Summary of Significant Accounting Policies (Continued)

Fair Value Measurements:

The Foundation applies FASB ASC 820, *Fair Value Measurements* (ASC 820), which establishes a framework for measuring fair value and expands disclosure requirements about fair value measurements. ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. ASC 820 also establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels.

The three general valuation techniques that may be used to measure fair value are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted market prices for similar assets or liability in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Property and Equipment:

Property and equipment are stated at cost. Expenditures for minor additions of equipment are charged to expense when incurred.

Depreciation is calculated using the straight-line method over the estimated useful lives of the respective assets, as follows:

Building	40 years
Furniture and fixtures	10 years

BIG SPRING AREA COMMUNITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

Note B
Summary of Significant Accounting Policies (Continued)

Impairment of Long-Lived Assets:

Long-lived assets and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the assets to their fair value, which is normally determined through analysis of the future net cash flows expected to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount that the carrying amount of the assets exceeds the fair value of the assets. No impairment loss has been recognized during the year ended December 31, 2023.

Functional Expense Allocation:

The cost of providing the various programs and activities has been summarized on a functional basis in the statements of activities and changes in net assets. Expenses are directly charged to the program services and supporting activities other than those that benefit multiple functions. The financial statements report certain categories of expenses that are attributable to one or more program or supporting activities of the Foundation. Those expenses include depreciation, office expenses and salaries which are allocated based on an estimate of time spent between program and general and administrative activities.

Scholarships and Grants:

Scholarship and grant expenses are recognized when a payment is made to a grantee, or in the period the grantee is notified of the award, provided the scholarship or grant is not subject to significant future conditions. Conditional scholarships and grants are recognized as scholarship and grant expense and as scholarship and grant payable in the period in which the grantee meets the terms of the conditions. Scholarships and grants payable that are expected to be paid in future years are recorded at the present value of expected future payments.

Tax Exempt Status:

The Foundation is a nonprofit organization exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). Accordingly, no provision for federal income taxes is required. The Foundation applies the guidance on accounting for uncertain tax provisions in FASB ASC 740 Income Taxes. The Foundation is no longer subject to income tax examinations for tax years up to and including 2021.

BIG SPRING AREA COMMUNITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

Note C
Liquidity and Availability of Resources

The Foundation's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following as of December 31, 2023:

Financial assets available for general expenditure within one year:

Cash and cash equivalents	\$ 19,341,036
Beneficial interest in lead trust - current portion	<u>791,504</u>
Total financial assets	20,132,540
Less: restrictions by donor with time or purpose restrictions (excluding beneficial interest in lead trust)	(2,224,630)
Less: agency funds	(3,074,735)
Less: board designated net assets	<u>(13,745,176)</u>
Total financial assets available for general expenditure within one year	<u>\$ 1,087,999</u>

The Foundation monitors its liquidity so that it is able to meet its operating needs and other contractual commitments. In addition to financial assets available for general expenditure within one year, the Foundation anticipates collecting sufficient revenue to cover general expenditures. Because the donor restrictions require resources to be used in a particular manner or in future periods, the Foundation maintains sufficient resources to meet the responsibility to its donors. Thus, financial assets as they relate to donor restrictions may not be available for general expenditures within one year.

Note D
Investments

The Foundation transferred all of its investments to a new investment advisor at year end. The funds were deposited to the new investment advisor as cash. Subsequent to December 31, 2023, the funds were invested in accordance to the Foundations investment policy.

The components of investment return are as follows for the year ended December 31, 2023:

Interest and dividends	\$ 686,709
Net realized gains (losses)	2,194,309
Net unrealized gains (losses)	(367,488)
Less: investment expenses	<u>(196,147)</u>
	<u>\$ 2,317,383</u>

BIG SPRING AREA COMMUNITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

Note E
Functional Expenses

The cost of providing the various programs and activities has been summarized on a functional basis in the statements of activities and changes in net assets. Expenses are directly charged to the program services and supporting activities other than those that benefit multiple functions. The financial statements report certain categories of expenses that are attributable to one or more program or supporting activities of the Foundation. Those expenses include office expenses and salaries which are allocated based on an estimate of time spent between program and general and administrative activities.

	December 31, 2023			
	Program Services	General and Administrative	Fundraising	Total
Depreciation	\$ 1,835	\$ 1,835	\$ -	\$ 3,670
Office expenses	26,608	79,822	-	106,430
Salaries expense	-	21,863	123,890	145,753
Scholarships and grants	507,946	-	-	507,946
	\$ 536,389	\$ 103,520	\$ 123,890	\$ 763,799

Note F
Property and Equipment

The following is a summary of property and equipment at cost at December 31, 2023:

Land	\$ 15,625
Building	134,806
Furniture and fixtures	3,000
	153,431
Less: accumulated depreciation	(3,976)
Property and equipment, net	\$ 149,455

Depreciation expense for the year ended December 31, 2023 totaled \$3,670.

BIG SPRING AREA COMMUNITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

Note G
Net Assets Without Donor Restrictions

Net assets without donor restrictions consist of the following as of December 31, 2023:

Net assets without donor restrictions:	
Undesignated - general fund	\$ 445,950
Board designated net assets:	
Kimball & Sue Guthrie Fund	<u>13,745,176</u>
 Total undesignated and designated	 <u>\$ 14,191,126</u>

Note H
Net Assets With Donor Restrictions

The Foundation administers a variety of component funds, including Designated, Field of Interest, and Scholarship. The component funds are under the exclusive legal control of the community foundation but are classified based on the intent of the donor or organization establishing the fund.

Designated funds are those funds established by a donor for the benefit of a 501(c)(3) organization.

Field of Interest funds are those funds that are defined at their establishment to benefit charitable projects and non-profit organizations within a defined area of interest.

Scholarship funds are those funds established for the purpose of providing tuition and related expenses associated with schooling. Scholarship funds define criteria for successful scholarship recipients at the time the fund is established.

The Foundation issues grants from the various component funds in accordance with the parameters of each fund. All distributions are under the authority of the Foundation. The funds are classified as donor restricted under the exclusive legal control of the Foundation.

BIG SPRING AREA COMMUNITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

Note H
Net Assets With Donor Restrictions (Continued)

The fund balances as of December 31, 2023, were as follows:

<u>Fund Name</u>	<u>Fund Type</u>	<u>Permanently Restricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Alon-Reliant Energy Fund	Donor Designated	\$ 10,000	\$ 104,242	\$ 114,242
Arline Bynum Memorial Scholarship Fund	Scholarship	7,325	40,147	47,472
Brenner-Zack-Lewis Fund	Donor Designated	10,000	7,175	17,175
Buffalo Trail Council Eagle Scout Scholarship Fund	Scholarship	10,000	11,796	21,796
Canterbury Retirement Homes Fund	Donor Designated	10,000	46,071	56,071
Charitable Assistance with Medical Related Expenses (CARE) Fund	Field of Interest	81,691	27,805	109,496
Charles Biel Music Ministry Fund	Donor Designated	10,000	13,662	23,662
Dora Roberts Rehabilitation Center Scholarship Fund	Scholarship	625,000	88,663	713,663
Dora Roberts Rehabilitation Center Scholarship Fund	Scholarship	-	55,043	55,043
Drew & Glynn Mounon Charitable Fund	Donor Designated	-	13,018	13,018
Forsan ISD Temporary Fund	Scholarship	-	4,652	4,652
Fraternal Order of the Eagles Scholarship Fund	Scholarship	10,000	14,000	24,000
FUMC Mission Fund	Donor Designated	10,000	17,935	27,935
Gerald Ferguson Memorial Scholarship Fund	Scholarship	10,000	387	10,387
Greg Henry Memorial Scholarship Fund	Scholarship	9,900	5,876	15,776
Hays Stripling, Sr. Memorial Fund	Field of Interest	10,000	34,765	44,765
HOPE Foundation Permanent Fund	Donor Designated	100	103,557	103,657
Jim Conley "Prime Cut" Scholarship	Scholarship	-	35,770	35,770
Keep Big Spring Beautiful Fund	Field of Interest	10,000	11,869	21,869
Lakeview School Reunion Scholarship Fund	Scholarship	10,000	5,446	15,446
Lakeview School Reunion Scholarship Fund	Scholarship	-	1,425	1,425
Mansfield-Wrightsil Scholarship Fund	Scholarship	10,000	16,782	26,782
Mansfield-Wrightsil Scholarship Fund	Scholarship	-	3,072	3,072
Polly Mays Memorial Fund	Donor Designated	10,000	7,203	17,203
R.H. Moore Jr. Scholarship Fund	Scholarship	10,000	15,078	25,078
Robert Miller Scholarship Fund	Scholarship	-	6,004	6,004
Shelley Lopez Memorial Scholarship Fund	Scholarship	-	1,258	1,258
The Episcopal Church of St. Mary the Virgin Fund	Donor Designated	425,000	142,963	567,963
The Hope Foundation Temporary Scholarship Fund	Donor Designated	-	91,080	91,080
Tonya Allen Memorial Scholarship Fund	Scholarship	-	3,779	3,779
Twin Eagle Fund	Donor Designated	-	5,091	5,091
Total fund balance		<u>1,289,016</u>	<u>935,614</u>	<u>2,224,630</u>
Kimball and Sue Guthrie Fund	Beneficial Interest	-	5,063,161	5,063,161
Total net assets with donor restrictions		<u>\$ 1,289,016</u>	<u>\$ 5,998,775</u>	<u>\$ 7,287,791</u>

BIG SPRING AREA COMMUNITY FOUNDATION, INC.
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2023

Note I
Funds Held as Agency Endowments

The Foundation follows the provisions of ASC Topic 958, Transfers of Assets to a Not-For-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others. This statement establishes standards for transactions in which a community foundation accepts a contribution from a donor and agrees to transfer those assets, the return on investment of those assets or both to another entity that is specified by the donor. ASC Topic 958 specifically requires that if a Not-for-Profit Organization (NPO) establishes a fund at a community foundation with its own funds and specifies itself as the beneficiary of that fund, the community foundation must account for the transfer of such assets as a liability. The Foundation refers to such funds as funds held as agency endowments.

At December 31, 2023, the Foundation was the owner of five agency funds, with a combined fair value of \$3,074,735 for the year then ended.

The following is a progression of the liability for agency funds as of December 31, 2023:

	2023
Beginning balance	\$ 2,744,426
Investment income	92,046
Net realized/unrealized gain/(loss)	367,488
Grants	(129,225)
Ending balance	\$ 3,074,735

The following list represents the component agency funds and respective balances associated with each as of December 31, 2023:

	2023
Big spring symphony assoc., inc.	\$ 64,973
Hangar 25 air museum	137,255
Heritage museum agency fund	148,384
Howard county volunteer fire	28,652
YMCA agency fund	2,695,471
Total	\$ 3,074,735

Note J
Charitable Lead Trust

The Foundation is the beneficiary of a charitable lead trust established by a donor. The trust provides for annual distributions of 5% of the fair market value of the trust's assets to the Foundation from 2011 through the year 2031. The trust's assets are managed by a third-party trustee, and the Foundation has no control over the investment decisions.

At January 1, 2023, the Foundation recorded a prior period adjustment to properly account for the beneficial interest in the trust in accordance with accounting principles generally accepted in the United States of America, see Note M.

BIG SPRING AREA COMMUNITY FOUNDATION, INC.
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2023

Note J
Charitable Lead Trust (Continued)

The beneficial interest will be remeasured at fair value at each reporting date using the same valuation technique. Adjustments to the fair value are recognized in the statement of activities and changes in net assets.

The fair value of the beneficial interest in the charitable lead trust is measured using the income approach, which calculates the present value of expected future cash distributions. The key inputs used in the valuation include the discount rate, term of years, and the expected cash flows.

The Foundation applies the guidance on accounting for beneficial interests in trust held by third parties in accordance with ASC 958-605. The beneficial interest is classified as a donor-restricted asset until the distributions are received.

As of December 31, 2023, the present value of the expected future cash flows from the charitable lead trust is \$5,063,161. The discount rate used in the valuation was 5%. The Foundation received distributions of \$830,158 during the year ended December 31, 2023.

Note K
Fair Value

The assets measured at fair value on a recurring basis as of December 31, 2023, are as follows:

December 31, 2023	Total	<u>Fair Value Measurements Using</u>		
		Level 1	Level 2	Level 3
Beneficial Interest in Trust	\$ <u>5,089,901</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>5,089,901</u>

BIG SPRING AREA COMMUNITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

Note L
Endowment

The Foundation's endowments consist of funds established for a variety of purposes. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions.

Interpretation of Relevant Law:

The state of Texas adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Foundation has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as endowment net assets (a) the original value of gifts donated to the donor-restricted endowment, (b) the original value of subsequent gifts to the donor-restricted endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not related to the corpus is classified as net assets with restrictions until amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

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

1. The duration and preservation of the fund.
2. The purpose of the Foundation and the donor-restricted endowment fund.
3. General economic conditions.
4. The possible effect of inflation and deflation.
5. The expected total return from income and the appreciation of investments.
6. Other resources of the Foundation.
7. The investment policies of the Foundation.

Return Objectives and Risk Parameters:

The Foundation has adopted investment and spending policies for endowment assets that strive to expand the purchasing power of the endowment fund while providing for distributions based on its spending policy. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that approximate the stated spending objectives plus the consumer price index assuming a moderate level of investment risk. Actual returns in any given year may vary from this amount with the primary objective for the Fund being preservation and growth of principal.

BIG SPRING AREA COMMUNITY FOUNDATION, INC.
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2023

Note L

Endowment (Continued)

Spending Policy:

The Foundation annually determines the distribution amount from the endowment fund by calculating the average balance over the previous three years. Historically, around 4% of this calculated balance is distributed. However, market performance significantly influences whether the distribution is more or less than 4%.

Strategies Employed for Achieving Objectives:

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The composition of and changes in endowment net assets for the year ended December 31, 2023, is as follows:

	Permanently Restricted	Temporarily Restricted	Total
Endowment net assets, January 1, 2023	1,289,016	621,848	1,910,864
Contributions	-	84,134	84,134
Income, net of investment expenses	-	229,632	229,632
Endowment net assets, December 31, 2023	<u>\$ 1,289,016</u>	<u>\$ 935,614</u>	<u>\$ 2,224,630</u>

As of December 31, 2023, the endowment net assets composition by type is comprised of the following:

	Permanently Restricted	Temporarily Restricted	Total
Endowment funds:			
Donor designated	485,100	551,997	1,037,097
Field of interest	101,691	74,439	176,130
Scholarship	702,225	309,178	1,011,403
Endowment net assets, December 31, 2023	<u>\$ 1,289,016</u>	<u>\$ 935,614</u>	<u>\$ 2,224,630</u>

BIG SPRING AREA COMMUNITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
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Note M

Prior Period Adjustments

The changes in net assets has been restated to correct for two errors: to record the beneficial interest in an irrevocable trust and an overstatement of net assets with donor restrictions.

In previously issued financial statements, the Foundation did not record the present value of the expected future distributions related to their beneficial interest in an irrevocable trust which is required by Accounting Standards Codification (ASC) 958-30. This omission resulted in an understatement of assets and net assets with donor restrictions. The beneficial interest is classified as donor restricted asset until the distributions are received.

In addition, it was determined that the funds previously received related to this trust can be expended for general purposes and should therefore be classified as without donor restrictions.

Correcting these errors created the assets beneficial interest in lead trust, current and long term and increased net assets without donor restrictions by \$11,367,514 and decreased net assets with donor restrictions by \$5,875,859 at December 31, 2023.

These corrections resulted in the following restatements in the statement of financial position for January 1, 2023:

	<u>Net Assets Without Donor Restrictions</u>	<u>Net Assets With Donor Restrictions</u>	<u>Total Net Assets</u>
Balance, January 1, 2023 as previously stated	386,390	13,278,333	13,664,723
Record present value of beneficial interest in lead trust	-	5,491,610	5,491,610
Reclassify net assets available for general expenditures	<u>11,367,469</u>	<u>(11,367,469)</u>	<u>-</u>
Balance, January 1, 2023 as restated	<u>\$ 11,753,859</u>	<u>\$ 7,402,474</u>	<u>\$ 19,156,333</u>

Note N

Subsequent Events

Management considered all events through March 18, 2025, the date the financial statements were available for release, in preparing the financial statements and the related disclosures. The Foundation is not aware of any other significant events that occurred subsequent to December 31, 2023, but prior to the issuance of this report, that would have a material impact on the financial statements.