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BIG SPRING AREA COMMUNITY FOUNDATION, INC.
AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
BIG SPRING, TEXAS

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INDEPENDENT AUDITORS' REPORT

To the Audit Committee of
Big Spring Area Community Foundation, Inc.
Big Spring, Texas

Opinion

We have audited the accompanying financial statements of Big Spring Area Community Foundation, Inc. (a nonprofit organization), herein after referred to as the "Foundation" which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

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 for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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



Ridout, Barrett & Co., P.C.
San Antonio, Texas
November 28, 2023

BIG SPRING AREA COMMUNITY FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

ASSETS

	2022	2021
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,350,745	\$ 1,351,395
Investments	14,906,498	16,962,900
Total Current Assets	16,257,243	18,314,295
PROPERTY AND EQUIPMENT		
Land	15,625	-
Building and improvements	134,806	-
Furniture & Fixtures	3,000	-
Less: Accumulated Depreciation	(306)	-
Net Property and Equipment	153,125	-
TOTAL ASSETS	\$ 16,410,368	\$ 18,314,295

LIABILITIES AND NET ASSETS

LIABILITIES		
Funds Held as Agency Endowments	\$ 2,744,426	\$ 3,472,119
Accrued Liabilities	1,219	1,219
Total Liabilities	2,745,645	3,473,338
NET ASSETS		
Without Donor Restrictions	386,390	424,062
With Donor Restrictions	13,278,333	14,416,895
Total Net Assets	13,664,723	14,840,957
TOTAL LIABILITIES AND NET ASSETS	\$ 16,410,368	\$ 18,314,295

BIG SPRING AREA COMMUNITY FOUNDATION, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
REVENUES, GAINS AND OTHER SUPPORT			
Total Amounts Raised	\$ 50,956	\$ 1,879,674	\$ 1,930,630
Less: Amounts Received for Agency Endowments	<u>-</u>	<u>-</u>	<u>-</u>
Contributions	<u>50,956</u>	<u>1,879,674</u>	<u>1,930,630</u>
Investment Income, net of fees	352,953	311,197	664,150
Less: Investment Income for Agency Endowments	<u>(71,971)</u>	<u>-</u>	<u>(71,971)</u>
Investment Income	<u>280,982</u>	<u>311,197</u>	<u>592,179</u>
Net Realized/Unrealized			
Loss on Investments	(768,580)	(2,848,033)	(3,616,613)
Less: Net Realized/Unrealized Loss on Agency Endowment	<u>632,290</u>	<u>-</u>	<u>632,290</u>
Net Realized/Unrealized Loss on Investments	<u>(136,290)</u>	<u>(2,848,033)</u>	<u>(2,984,323)</u>
Total Revenues, Gains (Losses), and Other Support	<u>195,648</u>	<u>(657,162)</u>	<u>(461,514)</u>
GRANTS AND EXPENSES			
Grants and Distributions	204,267	481,400	685,667
Less: Grants and Distributions for Agency Endowment	(167,373)	-	(167,373)
Management and General	<u>196,426</u>	<u>-</u>	<u>196,426</u>
Total Grants and Expenses	<u>233,320</u>	<u>481,400</u>	<u>714,720</u>
CHANGE IN NET ASSETS	(37,672)	(1,138,562)	(1,176,234)
NET ASSETS, BEGINNING OF YEAR	<u>424,062</u>	<u>14,416,895</u>	<u>14,840,957</u>
NET ASSETS, END OF YEAR	<u>\$ 386,390</u>	<u>\$ 13,278,333</u>	<u>\$ 13,664,723</u>

**BIG SPRING AREA COMMUNITY FOUNDATION, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
REVENUES, GAINS AND OTHER SUPPORT			
Total Amounts Raised	\$ 109,369	\$ 1,038,797	\$ 1,148,166
Less: Amounts Received for Agency Endowments	<u>(1,200)</u>	<u>-</u>	<u>(1,200)</u>
Contributions	<u>108,169</u>	<u>1,038,797</u>	<u>1,146,966</u>
Investment Income, net of fees	537,583	491,485	1,029,068
Less: Investment Income for Agency Endowments	<u>(44,176)</u>	<u>-</u>	<u>(44,176)</u>
Investment Income	<u>493,407</u>	<u>491,485</u>	<u>984,892</u>
Net Realized/Unrealized			
Gain on Investments	156,388	1,357,103	1,513,491
Less: Net Realized/Unrealized Gain on Agency Endowment	<u>(469,688)</u>	<u>-</u>	<u>(469,688)</u>
Net Realized/Unrealized Gain (loss) on Investments	<u>(313,300)</u>	<u>1,357,103</u>	<u>1,043,803</u>
Total Revenues, Gains and Other Support	<u>288,276</u>	<u>2,887,385</u>	<u>3,175,661</u>
GRANTS AND EXPENSES			
Grants and Distributions	107,026	301,037	408,063
Less: Grants and Distributions for Agency Endowment	<u>(132,183)</u>	<u>-</u>	<u>(132,183)</u>
Management and General	<u>156,392</u>	<u>-</u>	<u>156,392</u>
Total Grants and Expenses	<u>131,235</u>	<u>301,037</u>	<u>432,272</u>
CHANGE IN NET ASSETS	157,041	2,586,348	2,743,389
NET ASSETS, BEGINNING OF YEAR	<u>267,021</u>	<u>11,830,547</u>	<u>12,097,568</u>
NET ASSETS, END OF YEAR	<u>\$ 424,062</u>	<u>\$ 14,416,895</u>	<u>\$ 14,840,957</u>

**BIG SPRING AREA COMMUNITY FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ (1,176,234)	\$ 2,743,389
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Net Unrealized Gain (Loss) on Investments	<u>3,616,613</u>	<u>(1,513,491)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>2,440,379</u>	<u>1,229,898</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Investments	(1,163,501)	(909,304)
Proceeds from Sale of Investments	8,887	-
Decrease in Agency Endowment Funds	<u>(1,286,415)</u>	<u>(636,446)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(2,441,029)</u>	<u>(1,545,750)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(650)	(315,852)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,351,395</u>	<u>1,667,247</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,350,745</u>	<u>\$ 1,351,395</u>

BIG SPRING AREA COMMUNITY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 1 – STATEMENT OF ORGANIZATION AND PURPOSE

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 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the Foundation conform with accounting principles generally accepted in the United States of America. Policies and practices which materially affect the determination of financial position are summarized as follows:

BASIS OF ACCOUNTING – The Foundation’s policy is to prepare its financial statements on the accrual basis of accounting.

CLASSIFICATION OF NET ASSETS – 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 for use in general operations and not subject to donor restrictions. The Foundation’s Council has the ability to designate net assets without restrictions to be used by management for specific future projects or activities. These designations can be modified or removed by the Council at any time.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulated that resources be maintained in perpetuity.

USE OF ESTIMATES – The preparation of the 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Management periodically evaluates estimates used in the preparation of the financial statements for continued reasonableness. Appropriate adjustments, if any, to the estimates used are made prospectively based upon such periodic evaluation.

BIG SPRING AREA COMMUNITY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

CASH AND CASH EQUIVALENTS – Cash and cash equivalents are highly liquid instruments with maturities of three months or less. The Foundation maintains large balances of funds which are held for the benefit of others. These funds are generally held for a relatively short period of time; therefore, it is the policy of the Foundation to avoid market risk and maintain liquidity by holding cash and cash equivalents.

INVESTMENTS – Investments are carried at market value. Realized gains and losses on marketable equity securities are recorded monthly and are added to or subtracted from the applicable category of net assets. Unrealized gains and losses are recorded monthly on marketable equity securities. Unrealized gains and losses on other investments are recorded annually. Unrealized and realized gains and losses are recorded in the accompanying statements of activities as realized/unrealized gains (losses) on investments.

Investment income is recorded monthly and added to or subtracted from the applicable category of net assets. Investment income is reported as investment income in the accompanying financial statements.

PROMISES TO GIVE – Contributions are recognized when the Foundation is notified of the contribution. Contributions that have donor-imposed restrictions are reported as increases in net assets with donor restrictions. Other contributions are reported as increases in net assets without donor restrictions.

FEDERAL INCOME TAXES – The Foundation has been granted an exemption from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code in an exemption letter dated July 3, 2002. The Internal Revenue Service has further determined that the Foundation is a publicly supported organization under Section 509(a)(1) and 170(b)(1)(A)(vi) of the Internal Revenue Code. The Foundation's tax returns for last four years' remain subject to examination by the IRS. Management evaluated the Foundation's tax positions and concluded that the Foundation has taken no uncertain tax positions that require adjustment to the financial statements.

CONTRIBUTIONS – The Foundation reports gifts of cash and other assets as support with donor restrictions 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 statement of activities as net assets released from restrictions. Gifts received with a donor restricted purpose which are expended for that purpose in the year received are classified as support without donor restrictions within the financial statements.

**BIG SPRING AREA COMMUNITY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FUNCTIONAL ALLOCATION OF EXPENSES – The costs of providing various programs and other activities have been summarized on a functional basis in Note 9: Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The principal event involves bookkeeping services which have been allocated primarily to funds without donor restrictions.

CONCENTRATIONS OF CREDIT RISK – The Foundation maintains cash balances at one financial institution in Big Spring, Texas. Accounts at this institution are insured by the Federal Deposit Insurance Corporation up to a minimum of \$250,000. The Foundation also maintains several accounts at brokerage firms. The accounts contain cash and securities. Cash and security balances are covered by the Securities Investor Protection Corporation with a ceiling of \$500,000 per customer, including a maximum of \$250,000 for cash claims. At various times during the year, the Foundation may have balances at the financial institution and brokerage firms in excess of these limits. Historically, the Foundation has not experienced losses in any of its accounts and the Board of Trustees believes its risk is minimal.

NOTE 3 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Cash deposits in FDIC insured banks	\$ 1,116,261	\$ 251,051
Cash and money market funds held in SIPC covered brokerage firms	<u>234,484</u>	<u>1,100,344</u>
	<u>\$ 1,350,745</u>	<u>\$ 1,351,395</u>

NOTE 4 – INVESTMENT RETURN

The fair value of the Foundation’s investments totaled \$14,906,498 and \$16,962,900 at December 31, 2022 and 2021, respectively.

Investment return for the years ended December 31, 2022 and 2021 consist of the following components:

	<u>2022</u>	<u>2021</u>
Interest and dividend income	\$ 592,179	\$ 984,892
Net realized and unrealized gain (loss)	<u>(2,984,323)</u>	<u>1,043,803</u>
	<u>\$ (2,392,144)</u>	<u>\$ 2,028,695</u>

**BIG SPRING AREA COMMUNITY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

NOTE 4 – INVESTMENT RETURN (Continued)

Market volatility of marketable investments securities may substantially impact the value of such investments at any given time. It is possible that the value of the Foundation’s investments has changed significantly since December 31, 2022 and 2021.

NOTE 5 – NET ASSETS

	2022	2021
Net assets without restrictions consist of the following at December 31, 2022 and 2021:		
Resources without restrictons available for general operations and grants at the full discretion of the Board	<u>\$ 386,390</u>	<u>\$ 424,062</u>
Net assets with donor restrictions consist of the following at December 31, 2022 and 2021:		
Donor designated resources that require distribution to a designated beneficiary	214,595	73,694
Endowment Funds to be invested in perpetuity and the income to be used as initially designated by the donor	<u>13,063,738</u>	<u>14,343,201</u>
Total net assets with restrictions	<u>13,278,333</u>	<u>14,416,895</u>
Total Net Assets	<u>\$ 13,664,723</u>	<u>\$ 14,840,957</u>

NOTE 6 – FUNDS HELD AS AGENCY ENDOWMENTS

The Foundation has adopted the provisions of FASB ASC 958 regarding transfer of assets to a not-for-profit entity or charitable trust that raises or holds contributions for others (formerly SFAS No. 136). 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. FASB ASC 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 agency endowments.

The Foundation maintains variance power and legal ownership of agency endowment funds and as such continues to report the funds as assets of the Foundation. However, in accordance with FASB ASC 958, a liability has been established for the fair value of the funds, which is generally equivalent to the present value of future payments expected to be made to the NPOs.

BIG SPRING AREA COMMUNITY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 6 – FUNDS HELD AS AGENCY ENDOWMENTS (Continued)

At December 31, 2022 and 2021, the Foundation was the owner of five agency endowment funds, with a combined fair value of \$2,744,426 and \$3,472,119, respectively for the years then ended. All financial activity for the years then ended related to these funds is segregated on the Statements of Activities and has been reclassified to the agency endowment liability.

The following is a progression of the liability for funds held as agency endowments as of December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Beginning Balance	\$ 3,472,119	\$ 3,089,237
Contributions	-	1,200
Investment Income	71,971	44,176
Net Realized/Unrealized Gain/(Loss)	(632,290)	469,688
Grants	(124,407)	(96,026)
Fees	<u>(42,967)</u>	<u>(36,156)</u>
Ending Balance	<u>\$ 2,744,426</u>	<u>\$ 3,472,119</u>

The following list represents the component agency funds and respective balances associated with each as of December 31, 2022 and 2021:

<u>Fund Name</u>	<u>2022</u>	<u>2021</u>
Big Spring Symphony Assoc., Inc.	\$ 57,903	\$ 73,270
Hangar 25 Air Museum	126,686	160,317
Heritage Museum Agency Fund	132,223	167,263
Howard County Volunteer Fire	25,510	31,885
YMCA Agency Fund	<u>2,402,104</u>	<u>3,039,384</u>
Total	<u>\$ 2,744,426</u>	<u>\$ 3,472,119</u>

NOTE 7 –NET ASSETS WITH DONOR RESTRICTIONS

The Foundation administers a variety of component funds, including Designated, Donor-Advised, 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.

Donor-Advised funds are those funds established by a donor who retains the right to make recommendations to the Foundation regarding distributions from the fund to charitable causes and non-profit organizations of the donor's preference.

BIG SPRING AREA COMMUNITY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS (Continued)

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.

The Foundation holds a number of component endowment funds. These funds are net assets with donor restrictions, though the income from the funds may be spent. The fund balances as of December 31, 2022 and 2021 were as follows:

<u>Fund Name</u>	<u>Fund Type</u>	<u>2022</u>	<u>2021</u>
Alon/Reliant Fund	Donor Advised	\$ 97,420	\$ 118,151
Arline Bynum	Scholarship	40,928	50,228
Beil Big Spring	Field of Interest	18,649	22,618
Brenner-Zack-Lewis	Donor Advised	14,645	17,762
Buffalo Trail	Scholarship	19,513	23,665
Care	Field of Interest	50,276	56,424
Canterbury Retirement Home	Donor Designated	97,330	123,171
Dora Roberts Rehab School	Scholarship	608,579	-
Fraternal Order of Eagles	Scholarship	22,928	28,558
Charles Biel Memorial Music Ministriy	Scholarship	20,178	24,472
Gerald Ferguson Memorial	Scholarship	8,857	-
FUMC Mission	Donor Designated	23,821	28,891
Hays Striplings	Field of Interest	38,468	44,174
Hope Foundation Inc.	Donor Designated	79,108	69,240
Kimball & Sue Guthrie	Field of Interest	11,367,469	13,046,274
Lakeview School Reunion	Scholarship	8,687	10,554
Polly Mays	Donor Advised	14,670	17,792
Mansfield-Wrightsil	Scholarship	18,354	11,184
R.H. Moore Jr	Scholarship	7,652	9,281
St. Mary's Episcopal Church Fund	Donor Designated	506,206	640,762
		<u>\$ 13,063,738</u>	<u>\$ 14,343,201</u>

BIG SPRING AREA COMMUNITY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 8 – FAIR VALUE MEASUREMENT

FASB ASC 820, *Fair Value Measurements and Disclosures*, defines fair value as 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 the principal or most advantageous market. ASC 820 provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of fair value hierarchy under ASC 820 are described below:

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

Level 2: Significant other 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.

Level 3: Inputs to the valuation methodology are unobservable, corroborated by little or no market data and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following tables summarize by level, within the fair value hierarchy, the Foundation's assets and liabilities that are valued at fair value on a recurring basis at December 31, 2022 and 2021:

Description	Fair Value as of December 31, 2022			
	Level 1	Level 2	Level 3	Total
Mutual Funds	\$ 14,906,498	\$ -	\$ -	\$ 14,906,498
Funds Held as Agency				
Endowments Liability	(2,744,426)	-	-	(2,744,426)
Total Assets at Fair Value	<u>\$ 12,162,072</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,162,072</u>

BIG SPRING AREA COMMUNITY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 8 – FAIR VALUE MEASUREMENT (Continued)

Description	Fair Value as of December 31, 2021			
	Level 1	Level 2	Level 3	Total
Mutual Funds	\$ 16,962,900	\$ -	\$ -	\$ 16,962,900
Funds Held as Agency				
Endowments Liability	(3,472,119)	-	-	(3,472,119)
Total Assets at Fair Value	<u>\$ 13,490,781</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,490,781</u>

NOTE 9 – STATEMENT OF FUNCTIONAL EXPENSES

The cost of providing program and supporting activities has been summarized on a functional basis in the table below. Expenses directly attributable to a specific functional activity of the Foundation are reported as expenses of those functional activities. Certain expenses that are allocated include salaries, rent and professional services, which are allocated based on estimated time and effort.

	December 31, 2022		
	Program Services	General and Administrative	Total
Management Fees	\$ -	\$ (111,249)	\$ (111,249)
Depreciation	-	306	306
Office Expenses	-	69,013	69,013
Salaries Expense	-	127,107	127,107
Scholarship Awards	629,543	-	629,543
	<u>\$ 629,543</u>	<u>\$ 85,177</u>	<u>\$ 714,720</u>
	December 31, 2021		
	Program Services	General and Administrative	Total
Management Fees	\$ -	\$ (132,183)	\$ (132,183)
Office Expenses	38,435	-	38,435
Salaries Expense	-	117,957	117,957
Scholarship Awards	408,063	-	408,063
	<u>\$ 446,498</u>	<u>\$ (14,226)</u>	<u>\$ 432,272</u>

**BIG SPRING AREA COMMUNITY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

NOTE 10 - LIQUIDITY AND FUNDS AVAILABLE

The following reflects the Foundation’s financial assets as of December 31, 2022 and 2021, reduced by amounts not available for general use because of board designated restrictions and donor restrictions within one year of the statement of assets, liabilities, and net assets.

	2022	2021
Cash and Cash Equivalents	\$ 1,350,745	\$ 1,351,395
Investments	14,906,498	16,962,900
Total Financial Assets	16,257,243	18,314,295
Less Those Unavailable for General		
Expenditures Within One Year, Due To:		
Restricted by donor with time or		
purpose restrictions	(13,278,333)	(14,416,895)
Agency Funds	(2,744,426)	(3,472,119)
Financial Assets available to		
meet cash needs for general		
Expenditures within one year	\$ 234,484	\$ 425,281

NOTE 11 – SUBSEQUENT EVENTS

Subsequent events have been evaluated by management through November 28, 2023, the date the financial statements were available to be issued. Management is not aware of any events requiring disclosure.