

THE GEORGE FOUNDATION
CONSOLIDATED
FINANCIAL STATEMENTS
December 31, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
The George Foundation
Richmond, TX

Opinion

We have audited the accompanying consolidated financial statements of The George Foundation (a non-profit foundation), which comprise the consolidated statements of assets, liabilities, and net assets – federal excise tax basis as of December 31, 2023 and 2022, and the related consolidated statements of revenues, expenses, and other changes in net assets – federal excise tax basis 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 assets, liabilities, and net assets – federal excise tax basis of The George Foundation as of December 31, 2023 and 2022, and its revenues, expenses, and other changes in net assets for the years then ended in accordance with the basis of accounting The George Foundation uses for excise tax purposes as described in Note 2.

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

Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the basis of accounting the Foundation uses for excise tax purposes, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the excise tax basis of accounting described in Note 2, and for determining that the excise tax basis of accounting is an acceptable basis for the presentation of the financial statements in the circumstances. Management is also responsible 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.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The George 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 George 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.

Mohle Adams LLP

CERTIFIED PUBLIC ACCOUNTANTS

August 27, 2024

THE GEORGE FOUNDATION
CONSOLIDATED STATEMENTS OF ASSETS, LIABILITIES,
AND NET ASSETS – FEDERAL EXCISE TAX BASIS
December 31, 2023 and 2022

ASSETS

	<u>2023</u>	<u>2022</u>
Current:		
Cash and cash equivalents	\$ 6,954,448	\$ 10,310,277
Marketable securities (Note 4)	178,912,669	194,805,435
Other current assets	<u>15,133</u>	<u>5,841</u>
Total current assets	185,882,250	205,121,553
Accounts receivable, non-current (Note 5)	20,323,082	8,788,703
Investments in partnerships, noncurrent (Note 4)	8,939,757	12,762,427
Property, improvements, and equipment, net (Note 7)	31,972,166	32,461,066
Charitable use and grant related capital assets, net (Note 7)	12,112,435	8,983,600
Organizational and lease acquisition costs, net (Note 6)	471,679	483,022
Oil and gas properties, net (Note 8)	<u>58,973</u>	<u>58,973</u>
Total assets	<u>\$ 259,760,342</u>	<u>\$ 268,659,344</u>

LIABILITIES AND NET ASSETS

Current:		
Accounts payable	<u>\$ 9,909</u>	<u>\$ 11,476</u>
Total current liabilities	9,909	11,476
Deposits	<u>1,650</u>	<u>1,900</u>
Total liabilities	11,559	13,376
Commitments and contingencies (Note 12)		
Net assets:		
Unrestricted net assets	<u>259,748,783</u>	<u>268,645,968</u>
Total liabilities and net assets	<u>\$ 259,760,342</u>	<u>\$ 268,659,344</u>

The accompanying notes are an integral part of the financial statements.

THE GEORGE FOUNDATION
CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES, AND OTHER
CHANGES IN NET ASSETS – FEDERAL EXCISE TAX BASIS
For the years ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Changes in unrestricted net assets:		
Revenue and gains:		
Oil and gas royalties	\$ 1,090,189	\$ 2,251,856
Rental income (Note 15)	1,369,888	1,728,368
Dividends (Note 3)	2,697,203	2,121,392
Interest (Note 3)	2,618,311	2,193,588
Capital gain distributions (Note 3)	2,335,453	4,078,754
Net realized gain on investments (Notes 3 & 10)	4,651,306	963,105
Gain (loss) on sale of assets (Note 11)	3,178,046	4,741,261
Other investment income (loss) (Note 3)	(238,529)	249,411
Other income (Note 9)	150,543	80,170
	<u>17,852,410</u>	<u>18,407,905</u>
Expenses: (Note 13)		
Grants (Note 9)	19,018,722	16,013,717
General and administrative expenses	3,694,408	3,602,522
George Ranch Historical Park operating expenses	2,092,199	1,894,215
Investment expenses (Note 3)	900,858	1,026,212
Federal excise tax expense	353,000	218,126
Ad valorem taxes	128,696	75,343
Depreciation - George Ranch Historical Park (Note 7)	447,661	438,996
Depreciation - other than George Ranch Historical Park (Note 7)	100,859	100,249
Amortization (Note 6)	11,342	11,342
	<u>26,747,745</u>	<u>23,380,722</u>
Increase (decrease) in unrestricted net assets	(8,895,335)	(4,972,817)
Net assets at beginning of year	268,645,968	273,618,785
Fair market value of grants in excess of cost (Note 17)	277,506	-
Charitable use assets written off (Note 17)	(279,356)	-
Net assets at end of year	<u>\$ 259,748,783</u>	<u>\$ 268,645,968</u>

The accompanying notes are an integral part of the financial statements.

THE GEORGE FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023 and 2022

(1) Nature of Operations

The George Foundation (the “Foundation”) is a charitable trust created by A. P. George and Mamie E. George. Income of the Foundation is used to make grants to fund religious, charitable, scientific, literary, and educational purposes. The principal source of income for the Foundation is derived from investments in equities, bonds, real estate, agricultural assets, and mineral interests.

(2) Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Foundation are prepared on the federal excise tax basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. The federal excise tax basis of accounting differs from accounting principles generally accepted in the United States of America primarily because revenues and their related assets are recognized when received rather than when earned, and expenses and their related liabilities are recognized when paid rather than when the obligation is incurred. Additionally, investments in marketable securities and investment partnerships are reported on the tax basis instead of at fair market value.

Principles of Consolidation

The Foundation's consolidated financial statements include the accounts of The George Foundation and its wholly-owned special purpose entity subsidiaries, Berry Place Ventures Management, LLC, Berry Place Ventures, LP, and Berry Place Holdings, LP. All significant intercompany transactions have been eliminated.

Use of Estimates in Preparation of Financial Statements

The preparation of financial statements in conformity with the federal excise tax basis of accounting requires the Foundation's 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.

Liquidity and Availability of Financial Assets

As of December 31, 2023, the Foundation has \$185,882,250 of financial assets, consisting of cash, marketable securities, and other current assets, reported on the federal excise tax basis, available within one year to meet cash needs for general operating expenditures.

Accounts Receivable and Allowance for Credit Losses

Receivable balances outstanding include non-current receivables from the Fort Bend County Levee Improvement District No. 6 (“LID”), the Fort Bend County Municipal Utility Districts #207 (“MUD 207”) and #237 (“MUD 237”), Fort Bend County Management District #3 (“MMD”), and trade cooperatives. No allowance for credit losses is deemed necessary as of December 31, 2023 and 2022.

THE GEORGE FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
December 31, 2023 and 2022

(2) Summary of Significant Accounting Policies (Continued)

Investments

Investments in marketable securities are recorded at cost on the date of acquisition. Investments in partnerships are accounted for using the Schedule K-1s of the federal income tax returns of the various partnerships. If the partnerships have current year distributions in excess of accumulated realized income, these excess distributions are reported as a return of capital against the investment.

George Ranch Historical Park

The George Ranch Historical Park is a project of the Foundation. Consistent with the handling in prior years, 2023 and 2022 expenditures in the amounts of \$3,890,696 and \$2,010,952, respectively, have been capitalized as project costs and the expenditures of \$2,092,199 and \$1,894,215, respectively, have been expensed.

Collections

The Foundation has a collection of historical memorabilia which is on display at the George Ranch Historical Park. Collection items are recorded at cost, and not subject to depreciation. All collection items are protected, kept unencumbered, cared for, and preserved. From time to time, the Foundation may donate deaccessioned items, but the Foundation does not sell collection items.

Property and Equipment

Property and equipment are valued at historical cost and depreciated by the straight-line method at rates between 4 and 39 years depending on the nature and estimated useful life of the asset. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Grants

Grants approved by the Foundation's Board of Trustees are recorded as expenses when paid.

Profit Sharing Plan

The Foundation has a profit sharing plan with a salary reduction feature permitted under section 401(k) of the Internal Revenue Code. The plan covers all employees over the age of twenty-one who have completed one year of service. The Foundation may make matching discretionary contributions equal to a percentage of the amount of the salary reduction the employees elect to defer. Salary reduction amounts and matching contributions are subject to limits imposed by the Internal Revenue Code. The Foundation's contributions to the plan in 2023 and 2022 were \$46,965 and \$43,243, respectively.

Employee Benefit Plan

The Foundation also has a defined benefit pension plan that uses the projected unit credit actuarial cost method for financial reporting purposes. The Foundation uses the "aggregate cost method" for funding purposes. The plan covers all of the Foundation's eligible employees. To be eligible, employees must be at least 20 years and 6 months of age, be employed by the Foundation for 1 year, and work at least 1,000 hours annually.

THE GEORGE FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
December 31, 2023 and 2022

(2) Summary of Significant Accounting Policies (Continued)

Employee Benefit Plan (Continued)

The benefits are based on years of service and the average monthly compensation for the five consecutive years when the employee had the highest aggregate compensation.

In 2023 and 2022, the Foundation contributed \$298,840 and \$228,000, respectively, to the plan. The Foundation anticipates making \$309,029 of contributions in 2024.

Benefit payments of \$277,488 and \$209,308 and were made for the years ended December 31, 2023 and 2022, respectively. The Foundation expects the plan to pay benefit payments of no less than \$209,308 for the next five years.

The defined-benefit pension plan is funded in amounts sufficient to meet the minimum requirements of the Employee Retirement Income Security Act of 1974. As of January 1, 2023, the date of the latest actuarial valuation, the Adjusted Funding Target Attainment Percentage, as defined by the Pension Protection Act of 2006, for 2023 and 2022 was 99.22% and 97.62%, respectively. As of December 31, 2023 and 2022, the market value of plan assets were \$4,462,044 and \$3,876,299, respectively. The accumulated benefit obligation at January 1, 2023 was \$4,582,776.

The plan assets are composed of the following as of December 31, 2023 and 2022:

<u>FMV of Plan assets</u>	<u>2023</u>	<u>2022</u>
Cash	\$ 17,454	\$ 17,451
Mutual funds (Level 1)	<u>4,444,590</u>	<u>3,858,848</u>
	<u>\$ 4,462,044</u>	<u>\$ 3,876,299</u>

The Foundation's investment strategy is to obtain a reasonable level of income and long-term growth of capital and income by investing plan assets in a fund with a broadly diversified holding of stocks and bonds.

Certain assumptions were used to estimate the pension obligation as of December 31, 2023:

Discount rate	5.14%
Rate of compensation increase	0.00%
Expected return on plan assets	7.50%

The expected rate of return on plan assets is determined by these assets' historical long-term investment performance.

Allocation of Functional Expenses

Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and related expenses, insurance, professional fees, and office and utility expenses, which are allocated on the basis of estimates of time and effort.

THE GEORGE FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
December 31, 2023 and 2022

(2) Summary of Significant Accounting Policies (Continued)

Revenue Recognition

As the financial statements are prepared on the federal excise tax method of accounting, dividend and interest revenue, royalty revenue, and farming and leasing income are recorded when received. Income from investment partnerships is recorded based on the partnership's Schedule K-1. Contributions are recognized as revenue when received from the donor. Contributions received with donor stipulations that limit their use are classified as restricted support.

Contributions of Nonfinancial Assets

Contributions of nonfinancial assets are recognized at the donor's tax basis when received from the donor.

Federal Tax

The Foundation is classified as a private foundation and is exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. Net investment income is subject to a federal excise tax of 1.39%. Unrelated business income is subject to either trust tax rates or Schedule D tax rates. Excise tax expense for the years ended December 31, 2023 and 2022 was \$353,000 and \$218,126, respectively.

Management evaluates tax positions taken, or expected to be taken, in the course of preparing the Foundation's financial statements to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. Tax positions, including interest and penalties if applicable, with respect to tax not deemed to meet the "more-likely-than-not" threshold would be recorded as an expense in the current year. The Foundation's decision regarding tax positions is subject to review and may be adjusted at a later date based on factors including, but not limited to, ongoing analyses of tax laws, regulations, and interpretations thereof. No penalties or interest were incurred during 2023 and 2022.

The Foundation's federal Return of Private Foundation (Form 990-PF) and their Exempt Organization Business Income Tax Return (Form 990-T) are subject to examinations by major taxing authorities for the three years prior to 2023.

(3) Return on Investments

Return on investments for 2023 and 2022 consists of the following:

	<u>2023</u>	<u>2022</u>
Dividends and interest	\$ 5,315,514	\$ 4,314,980
Capital gain distributions	2,335,453	4,078,754
Net realized gain on investments	4,651,306	963,105
Other investment income (loss)	(238,529)	249,411
Less: investment expenses	<u>(900,858)</u>	<u>(1,026,212)</u>
	<u>\$ 11,162,886</u>	<u>\$ 8,580,038</u>

THE GEORGE FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
December 31, 2023 and 2022

(4) Investments

The statements of assets, liabilities, and net assets and the related statements of revenues, expenses, and other changes in net assets do not include any unrealized gains or losses due to changes in the market value of assets. Market values of marketable securities are determined on the last business day of the fiscal year. Investments in partnerships are determined in reference to the market value of net assets reported either on the partnership's Schedule K-1 or on the owner's percentage of the partnership's financial statements.

The original costs, market values, and unrealized gains (losses) of investments on hand at December 31, 2023 and 2022 are summarized as follows:

	<u>2023</u>	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gain (Loss)</u>
Corporate stocks	\$ 47,655,983	\$ 82,740,312	\$ 35,084,329	
U.S. & state government obligations	23,941,304	22,521,600	(1,419,704)	
Corporate bonds and notes	11,231,690	10,832,079	(399,611)	
Mutual funds	95,086,717	112,506,092	17,419,375	
Partnerships	8,939,757	9,830,680	890,923	
Other fixed income	<u>996,975</u>	<u>975,679</u>	<u>(21,296)</u>	
	<u>\$ 187,852,426</u>	<u>\$ 239,406,442</u>	<u>\$ 51,554,016</u>	
	<u>2022</u>			
Corporate stocks	\$ 53,938,665	\$ 72,177,384	\$ 18,238,719	
U.S. & state government obligations	29,457,522	27,128,814	(2,328,708)	
Corporate bonds and notes	7,672,353	7,045,451	(626,902)	
Mutual funds	102,971,995	113,313,549	10,341,554	
Partnerships	12,762,427	13,085,541	323,114	
Other fixed income	<u>764,900</u>	<u>717,076</u>	<u>(47,824)</u>	
	<u>\$ 207,567,862</u>	<u>\$ 233,467,815</u>	<u>\$ 25,899,953</u>	

Investments in partnerships which the Foundation intends to hold for greater than one year and for which there may be restrictions on redemption are classified as noncurrent. Total investments as of December 31, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Marketable securities - current	\$ 178,912,669	\$ 194,805,435
Investments in partnerships - noncurrent	<u>8,939,757</u>	<u>12,762,427</u>
	<u>\$ 187,852,426</u>	<u>\$ 207,567,862</u>

THE GEORGE FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
December 31, 2023 and 2022

(5) Accounts Receivable

The Foundation has non-current receivables from the LID, MMD, and MUD 207 and 237, of which it is a member. Several major property owners in the area, including the Foundation, decided to fund a levee and provide other land improvements in order to better protect their land. Those funding the LID, MUD 207 and 237, and MMD expect to be reimbursed through bond issuances as the area develops. The Foundation also has non-current receivables from cooperatives of which they are members. Accounts receivable, non-current consists of the following at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Fort Bend County Municipal Utility District #207	\$ 19,287,542	\$ 8,630,394
Levee Improvement District #6	929,816	44,904
Fort Bend County Municipal Utility District #237	63,382	63,021
Fort Bend County Management District #3	29,995	29,817
Fairchild Farmers Cooperative Gin	9,539	18,164
Plains Cotton Cooperative Association	2,808	2,403
	<u>\$ 20,323,082</u>	<u>\$ 8,788,703</u>

(6) Organizational and Lease Acquisition Costs

Berry Place Ventures Management, LLC and Berry Place Ventures, LP ("BPV LP") were formed on June 6, 2014. Berry Place Holdings, LP was formed on October 31, 2014. These special purpose entities were formed to hold land associated with the Berry Tract owned by the Foundation for investment. Organizational costs associated with these entities are amortized over 15 years beginning when the entity commences operations. BPV LP holds a 50-year land lease to a major grocery chain. The costs associated with acquiring the lease were capitalized and amortized over the life of the lease. Organizational and lease acquisition costs as of December 31, 2023 and 2022 consist of the following:

<u>2023</u>	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>
Organizational costs	\$ 16,675	\$ 5,026	\$ 11,649
Lease acquisition costs	534,919	74,889	460,030
	<u>\$ 551,594</u>	<u>\$ 79,915</u>	<u>\$ 471,679</u>

<u>2022</u>	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>
Organizational costs	\$ 16,675	\$ 4,382	\$ 12,293
Lease acquisition costs	534,919	64,190	470,729
	<u>\$ 551,594</u>	<u>\$ 68,572</u>	<u>\$ 483,022</u>

Amortization expense was \$11,342 and \$11,342 for the years ending December 31, 2023 and 2022, respectively.

THE GEORGE FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
December 31, 2023 and 2022

(7) Capital Assets Used in Operations and Designated for Charitable Use

Capital assets at December 31, 2023 and 2022 consist of the following:

<u>2023</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Office buildings and equipment	\$ 786,492	\$ 422,013	\$ 364,479
Farm buildings and equipment	2,286,865	2,006,501	280,364
Real estate properties	<u>31,327,323</u>	<u>-</u>	<u>31,327,323</u>
Property, improvements, and equipment	<u>\$ 34,400,680</u>	<u>\$ 2,428,514</u>	<u>\$ 31,972,166</u>
Grant buildings and equipment	\$ 954,548	\$ 498,852	\$ 455,696
Collection	851,368		851,368
Park buildings and project costs	<u>28,419,812</u>	<u>17,614,441</u>	<u>10,805,371</u>
Charitable use and grant related capital assets	<u>\$ 30,225,728</u>	<u>\$ 18,113,293</u>	<u>\$ 12,112,435</u>
<u>2022</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Office buildings and equipment	\$ 778,796	\$ 395,548	\$ 383,248
Farm buildings and equipment	2,250,051	1,976,109	273,942
Real estate properties	<u>31,803,876</u>	<u>-</u>	<u>31,803,876</u>
Property, improvements, and equipment	<u>\$ 34,832,723</u>	<u>\$ 2,371,657</u>	<u>\$ 32,461,066</u>
Grant buildings and equipment	\$ 957,655	\$ 467,115	\$ 490,540
Collection	851,368		851,368
Park buildings and project costs	<u>25,296,740</u>	<u>17,655,048</u>	<u>7,641,692</u>
Charitable use and grant related capital assets	<u>\$ 27,105,763</u>	<u>\$ 18,122,163</u>	<u>\$ 8,983,600</u>

Depreciation expense was \$548,520 and \$539,245 for the years ending December 31, 2023 and 2022, respectively.

(8) Oil and Gas Properties

Oil and gas properties at December 31, 2023 and 2022 consist of the following:

	<u>2023</u>	<u>2022</u>
Cost	\$ 4,028,827	\$ 4,028,827
Accumulated depletion	<u>(3,969,854)</u>	<u>(3,969,854)</u>
	<u>\$ 58,973</u>	<u>\$ 58,973</u>

There was no depletion expense for the periods ending December 31, 2023 and 2022, respectively.

THE GEORGE FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
December 31, 2023 and 2022

(9) Grant Payments and Refunds

In 2023 and 2022, grant payments totaled \$19,018,722 and \$16,013,717, respectively. Grant refunds are recorded as other income. Grant refunds of \$120,344 and \$57,615 were received in 2023 and 2022.

(10) Net Realized Gain on Investments

Net realized gains on the sales of investments for the periods ending December 31, 2023 and 2022 are presented as follows:

	<u>2023</u>	<u>2022</u>
Proceeds	\$ 61,847,897	\$ 63,171,386
Cost of securities sold	<u>(57,196,591)</u>	<u>(62,208,281)</u>
Net realized gains on investments	<u>\$ 4,651,306</u>	<u>\$ 963,105</u>

(11) Gain on Sale of Assets

The gain on the sale of land and other fixed assets for 2023 and 2022 is composed of the following:

	<u>2023</u>	<u>2022</u>
Cash proceeds, net of closing costs	\$ 3,702,124	\$ 6,653,902
Net cost of assets sold	<u>(524,078)</u>	<u>(1,912,641)</u>
	<u>\$ 3,178,046</u>	<u>\$ 4,741,261</u>

(12) Commitments and Contingencies

The Board of Trustees of the Foundation has approved unpaid conditional and unconditional grants as of December 31, 2023 totaling \$13,501,260 presented as follows and payable over the following years:

Expected year of payment	
2024	\$ 10,292,480
2025	1,448,780
2026	1,260,000
2027	<u>500,000</u>
	<u>\$ 13,501,260</u>

As of December 31, 2023, the Foundation has outstanding commitments to contribute \$1,740,000 to its partnership investment in Oak Tree Capital Management, LP and \$3,650,000 to its partnership investment in Golub Capital BDC 4, Inc.

THE GEORGE FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
December 31, 2023 and 2022

(13) Expenses

Total expenses in 2023 and 2022 are categorized as follows:

<u>2023</u>	<u>Program</u>	<u>Administrative</u>	<u>Total</u>
Grants	\$ 19,018,722	\$ -	\$ 19,018,722
George Ranch Historical Park operations	2,092,199	-	2,092,199
Compensation - officers & directors	320,195	261,155	581,350
Salaries and wages	709,159	233,049	942,208
Employee benefits	139,396	120,908	260,304
Legal fees	140,359	156,029	296,388
Accounting fees	29,700	19,800	49,500
Other professional fees	22,037	429,723	451,760
Ad valorem taxes	20,951	92,051	113,002
Payroll taxes	52,718	28,387	81,105
Foreign taxes	-	3,845	3,845
State taxes	-	15,694	15,694
Federal excise taxes	-	353,000	353,000
Occupancy	60,505	25,931	86,436
Depreciation	485,195	63,325	548,520
Amortization	-	11,342	11,342
Travel, conferences, and meetings	10,852	1,206	12,058
Insurance	91,318	30,190	121,508
Rental expenses	-	296,084	296,084
Office expenses	28,856	40,646	69,502
Grant-related expenses	391,924	-	391,924
Trustee expenses	5,828	2,499	8,327
Other expenses	15,042	27,067	42,109
Total functional expenses	23,634,956	2,211,931	25,846,887
Investment expenses	-	900,858	900,858
Total expenses	<u>\$ 23,634,956</u>	<u>\$ 3,112,789</u>	<u>\$ 26,747,745</u>

THE GEORGE FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
December 31, 2023 and 2022

(13) Expenses (Continued)

<u>2022</u>	<u>Program</u>	<u>Administrative</u>	<u>Total</u>
Grants	\$ 16,013,717	\$ -	\$ 16,013,717
George Ranch Historical Park operations	1,894,215	-	1,894,215
Compensation - officers & directors	310,825	250,825	561,650
Salaries and wages	653,595	215,355	868,950
Employee benefits	111,387	98,629	210,016
Legal fees	38,057	206,579	244,636
Accounting fees	28,500	19,000	47,500
Other professional fees	19,362	442,415	461,777
Ad valorem taxes	18,955	56,388	75,343
Payroll taxes	47,911	25,798	73,709
Foreign taxes	-	38,604	38,604
Federal excise taxes	-	218,126	218,126
Occupancy	56,714	24,306	81,020
Depreciation	477,060	62,185	539,245
Amortization	-	11,342	11,342
Travel, conferences, and meetings	14,133	1,570	15,703
Insurance	85,109	31,415	116,524
Rental expenses	-	346,422	346,422
Office expenses	35,520	36,469	71,989
Grant-related expenses	420,658	-	420,658
Trustee expenses	8,535	3,658	12,193
Other expenses	14,616	16,555	31,171
Total functional expenses	20,248,869	2,105,641	22,354,510
Investment expenses	-	1,026,212	1,026,212
Total expenses	<u>\$ 20,248,869</u>	<u>\$ 3,131,853</u>	<u>\$ 23,380,722</u>

(14) Financial Instruments, Concentrations and Credit Risk

At December 31, 2023 and 2022, the Foundation's financial instruments included cash, investments, and receivables. The financial instruments are stated at cost in accordance with the federal excise tax basis of accounting.

Financial instruments that potentially subject the Foundation to significant concentrations of credit risk consist principally of investments held in brokerage accounts with professional investment managers investing the funds, direct investments in investment partnerships, and reimbursement receivables from MUD and LID entities.

THE GEORGE FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
December 31, 2023 and 2022

(14) Financial Instruments, Concentrations and Credit Risk (Continued)

To manage its level of exposure with regard to investments, the Foundation utilizes the services of an investment advisor who evaluates the investment managers, provides quarterly reviews of portfolio performance, and monitors compliance with the Foundation's investment policies.

The Foundation, at various times in the ordinary course of business, maintains cash in demand deposit accounts in excess of federally insured limits.

(15) Leasing Activities

The Foundation leases certain land to a third parties. The leases do not transfer ownership of the underlying land to the lessees or include options to purchase the leased land. The Foundation's leases are classified as operating leases. At lease inception, the Foundation determines whether an arrangement qualifies as a lease, in that it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Foundation only reassesses if the terms and conditions of the lease contract are changed.

Most of the ground leases are for periods of twelve months or less. One lease, which was entered into during 2018, is for a period of fifty years. The land leased under the fifty year lease is carried on the books at a tax basis of \$6,093,240.

The fifty year lease agreement includes a provision to adjust rental payments for inflation and other factors at certain intervals during the lease term. Future lease payments to be received under the non-cancelable operating lease for the next five years and for the remaining period until the rental adjustment date are as follows:

Year ending December 31,	
2024	\$ 538,692
2025	545,425
2026	552,243
2027	559,146
2028	566,135
2029-2037	<u>5,424,520</u>
	<u>\$ 8,186,161</u>

The Foundation also leases grazing land with a tax basis of \$1,270,272 under a two-year lease, which terminates in October 2025. Future lease payments to be received under the non-cancelable operating lease are as follows:

Year ending December 31,	
2024	\$ 72,150
2025	<u>60,125</u>
	<u>\$ 132,275</u>

THE GEORGE FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
December 31, 2023 and 2022

(16) Related Party Transactions

The Foundation paid director fees to the members of the Board totaling \$147,600 and \$150,000 in 2023 and 2022.

During 2023 and 2022, the Foundation made grant payments of \$173,500 and \$260,000, respectively, to Child Advocates of Fort Bend. A member of the Foundation's Board is an officer and employee of this grantee organization.

During 2023, the Foundation made a \$50,000 grant payment to The Historical George Ranch Association, ("HGRA"), and authorized an additional \$2,205,000 in grants to be paid over the following three years. HGRA is a separate public charity established in 2023 to manage the Foundation's George Ranch Historical Park. The Foundation's Chief Executive Officer serves as one of the initial directors of HGRA.

A member of the Foundation's Board is an officer of Amegy Bank, where the Foundation maintains bank accounts.

(17) Changes in Net Assets

In 2023, the Foundation granted real property with a fair market value of \$277,506 in excess of its cost basis to one of its grantees. The excess of fair market value over cost basis was recorded directly as an increase to net assets in accordance with the federal excise tax basis of accounting. Furthermore, in 2023, the Foundation wrote off the net book value of the old George Ranch Historical Park visitor center and phone system, charitable assets with a carrying value of \$279,356. The undepreciated value of the charitable assets which were written off was recorded directly as a decrease to net assets in accordance with the federal excise tax basis of accounting.

(18) Reclassification

Certain accounts in the prior year financial statement have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

(19) Subsequent Events

The Foundation has evaluated subsequent events through August 27, 2024, the date which the financial statements were available to be issued. As of August 27, 2024, there were no subsequent events requiring further disclosure.