SAN ANGELO AREA FOUNDATION
San Angelo, Texas

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

December 31, 2019 and 2018

SAN ANGELO AREA FOUNDATION
San Angelo, Texas

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December 31, 2019 and 2018

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April 14, 2020

Board of Directors
San Angelo Area Foundation
San Angelo, Texas

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying consolidated balance sheets of San Angelo Area Foundation (the "Foundation") as of December 31, 2019 and 2018, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Foundation, as of December 31, 2019 and 2018, and the changes in net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Condley and Company, L.L.P.

Certified Public Accountants

SAN ANGELO AREA FOUNDATION
San Angelo, Texas

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31, 2019	December 31, 2018
ASSETS		
Cash and cash equivalents	$ 2,210,664	$ 4,815,387
Investments at market	157,497,622	125,367,879
Beneficial interest in charitable remainder trust	10,827,101	9,030,133
Fixed assets, net	3,225,339	3,287,162
Oil and gas interests	64,300	67,650
Land held for sale	-	259,000
Other assets	30,789	30,789
TOTAL ASSETS	$ 173,855,815	$ 142,858,000
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable	$ 1,691	$ 1,425
Grants payable	-	1,000
Present value of split-interest trust and annuities	77,515	80,805
Deferred compensation	152,747	108,812
Funds held as agency endowments	44,328,552	36,423,387
Total Liabilities	44,560,505	36,615,429
NET ASSETS:		
Without donor restrictions	2,907,132	2,417,135
With donor restrictions	126,388,178	103,825,436
Net Assets	129,295,310	106,242,571
TOTAL LIABILITIES AND NET ASSETS	$ 173,855,815	$ 142,858,000

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

SAN ANGELO AREA FOUNDATION
San Angelo, Texas

CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT:			
Total amounts raised	$ 65,593	$ 15,464,207	$ 15,529,800
Less: amounts received for agency endowments		(2,180,037)	(2,180,037)
Contributions	65,593	13,284,170	13,349,763
Net investment return	588,183	26,188,184	26,776,367
Less: net investment return for agency endowments		(6,895,577)	(6,895,577)
Net investment return	588,183	19,292,607	19,880,790
Total other income	157,243	110,039	267,282
Less: other income for agency endowments			-
Other income	157,243	110,039	267,282
Net assets released from restrictions	11,826,181	(11,826,181)	-
Total Revenues, Gains and Other Support	12,637,200	20,860,635	33,497,835
GRANTS AND EXPENSES:			
Total grants and distributions	12,027,595		12,027,595
Less: grants and distributions made from agency endowments	(1,014,113)		(1,014,113)
Grants and distributions	11,013,482	-	11,013,482
Total other program expenses	327,000		327,000
Less: other program expenses from agency endowments	(13)		(13)
Other program expenses	326,987	-	326,987
Total management and general	573,772		573,772
Less: management and general from agency endowments			-
Management and general	573,772	-	573,772
Fundraising expense	327,822	-	327,822
Total Grants and Expenses	12,242,063	-	12,242,063
Change in value of split-interest agreements		1,796,967	1,796,967
RECLASSIFICATIONS - DONOR DIRECTED	94,860	(94,860)	-
CHANGE IN NET ASSETS	489,997	22,562,742	23,052,739
NET ASSETS AT BEGINNING OF YEAR	2,417,135	103,825,436	106,242,571
NET ASSETS, END OF YEAR	$ 2,907,132	$ 126,388,178	$ 129,295,310

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

SAN ANGELO AREA FOUNDATION
San Angelo, Texas

CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT:			
Total amounts raised	$ 15,061	$ 15,951,885	$ 15,966,946
Less: amounts received for agency endowments		(4,326,062)	(4,326,062)
Contributions	15,061	11,625,823	11,640,884
Net investment loss	(30,906)	(10,691,591)	(10,722,497)
Less: net investment loss for agency endowments		2,806,355	2,806,355
Net investment loss	(30,906)	(7,885,236)	(7,916,142)
Total other income	150,209	3,246	153,455
Less: other income for agency endowments			-
Other income	150,209	3,246	153,455
Net assets released from restrictions	9,768,140	(9,768,140)	-
Total Revenues, Gains and Other Support	9,902,504	(6,024,307)	3,878,197
GRANTS AND EXPENSES:			
Total grants and distributions	10,383,391		10,383,391
Less: grants and distributions made from agency endowments	(1,827,202)		(1,827,202)
Grants and distributions	8,556,189	-	8,556,189
Total other program expenses	286,504		286,504
Less: other program expenses from agency endowments	(11)		(11)
Other program expenses	286,493	-	286,493
Total management and general	519,084		519,084
Less: management and general from agency endowments			-
Management and general	519,084	-	519,084
Fundraising expense	333,406	-	333,406
Total Grants and Expenses	9,695,172	-	9,695,172
Change in value of split-interest agreements		1,017,522	1,017,522
RECLASSIFICATIONS - DONOR DIRECTED	(49,208)	49,208	-
CHANGE IN NET ASSETS	158,124	(4,957,577)	(4,799,453)
NET ASSETS AT BEGINNING OF YEAR	2,259,011	108,783,013	111,042,024
NET ASSETS, END OF YEAR	$ 2,417,135	$ 103,825,436	$ 106,242,571

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

SAN ANGELO AREA FOUNDATION
San Angelo, Texas

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Year Ended December 31, 2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 23,052,739	$ (4,799,453)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Net realized/unrealized losses (gains) on investments	(23,096,618)	13,588,800
Realized gain on land held for sale	(110,039)	-
Unrealized loss on oil and gas interests	3,350	3,455
Reinvested income	(3,813,921)	(2,869,840)
Non-cash contributions	(6,967,056)	(2,585,891)
Depreciation and amortization	125,541	103,148
(Increase)/Decrease in:		
Contributions receivable	-	350,000
Assets held in trust	-	1,787,663
Beneficial interest in charitable remainder trust	(1,796,968)	(1,109,419)
Increase/(Decrease) in:		
Accounts payable	266	(3,921)
Grants payable	(1,000)	(40,362)
Present value of split-interest trust and annuities	(3,290)	(1,676,032)
Deferred compensation	43,935	10,288
Funds held as agency endowments	7,905,165	(455,747)
Net Cash Provided by (Used in) Operating Activities	(4,657,896)	2,302,689
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets	(63,718)	(474,099)
Purchase of investments	(20,981,570)	(7,027,320)
Proceeds from sales of land held for sale	369,039	-
Proceeds from sales and maturities of investments	22,729,422	5,883,250
Net Cash Provided by (Used in) Investing Activities	2,053,173	(1,618,169)
Net Increase (Decrease) in Cash and Cash Equivalents	(2,604,723)	684,520
Cash and Cash Equivalents at Beginning of Year	4,815,387	4,130,867
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 2,210,664	$ 4,815,387

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

NOTE 1: STATEMENT OF ORGANIZATION AND PURPOSE

The San Angelo Area Foundation was incorporated on January 11, 2002, under the laws of the State of Texas as a non-profit corporation. The purpose of the Foundation is to build a legacy of philanthropy by attracting and prudently managing endowed gifts in order to match donor interests with community needs of the area.

SAAF Holdings, L.L.C. was established on June 7, 2011, under the laws of the State of Texas as a limited liability company with the San Angelo Area Foundation being its sole member. The purpose of SAAF Holdings, L.L.C. is to hold and manage real estate for the benefit of the Foundation.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of San Angelo Area Foundation and SAAF Holdings, L.L.C. (collectively referred to as the “Foundation”). All significant inter-company transactions and balances have been eliminated in consolidation.

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 Presentation

The financial statements of the Foundation have been prepared in accordance with U.S. generally accepted accounting principles (“US GAAP”), which require the Foundation to report information regarding its financial position and activities according to the following net asset classifications:

> 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 restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.
>
> Donor restricted contributions are reported as increases in net assets with donor restrictions. 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.

Cash and Cash Equivalents

Cash and cash equivalents include 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 for a portion of the funds.

Investments

Investment purchases are recorded at cost, or if donated, at the fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Cash held in certain brokerage accounts is considered a short-term investment. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Market value for investments is based on market indices for those items with a readily ascertainable market value. Hedge funds and private equity funds are valued primarily by the respective fund managers based on the underlying investments.

Oil and Gas Interests

Oil and gas interests have been valued by management at three times the estimated annual royalty revenues. Any changes in value are considered to be an unrealized gain or loss.

Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. The Foundation determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. An allowance was not considered necessary at December 31, 2019 and 2018.

Fixed Assets

Fixed assets are stated at cost, or if acquired by gift, at fair market value at the date of the gift. Depreciation and amortization of fixed assets is provided for in amounts sufficient to relate their cost to operations over their estimated useful lives (3-15 years) on a straight-line basis. Depreciation and amortization expense was $125,541 and $103,148 for the years ended December 31, 2019 and 2018, respectively.

Land Held for Sale

Land held for sale was carried at fair market value at December 31, 2018. The property was sold during the year ended December 31, 2019 for a gain of $110,039.

Beneficial interest in charitable trust

Beneficial interest in charitable remainder trust represents the amount held for the benefit of the Foundation under an irrevocable trust agreement between a donor and a third-party trustee, and is carried at fair value on the consolidated statements of financial position (see Note 7). The Foundation estimates the fair value of the interest annually and recognizes changes in the fair value as a "Change in value of split-interest agreement" on the Consolidated Statements of Activities.

Present Value of Split-Interest Trust and Annuities

The present value of the split-interest trust is based on the creation of a charitable lead annuity trust of which the Foundation is the trustee. At the date of the gift, assets held in trust are increased by the present value of the trust assets based on market value. Income earned on trust investments is credited to annuities payable and payments to annuitants are charged to assets held in trust. The present value also includes the present value of the liability for charitable gift annuities. At the end of each year, the annuity payable is adjusted to reflect the present value of the amounts owed to the beneficiaries. During the year ended December 31, 2018, the charitable lead annuity trust terminated and all trust assets were transferred, conveyed, and delivered to the initial donor of the estate. The Federal tax regulations stated methods and tables were utilized to determine the value of the future annuity payments. The Foundation utilized the 2000 CM mortality table in valuing its charitable gift annuities for December 31, 2019 and 2018. See Note 7 for additional information regarding the Foundation's split-interest agreements, including charitable gift annuities.

Federal Income Taxes

The San Angelo Area 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 24, 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.

SAAF Holdings, L.L.C. is a disregarded entity for income tax purposes.

In accordance with ASC 740-10, *Accounting for Uncertainty in Income Taxes*, management has evaluated the Foundation's tax positions and concluded that the Foundation had taken no uncertain tax positions that required adjustment to the financial statements to comply with the provisions of this guidance. With a few exceptions, the Foundation is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2016.

Revenue and Revenue Recognition

The Foundation has adopted Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended as management believes the standard improves the usefulness and understandability of the Foundation's financial reporting.

Analysis of various provisions of this standard resulted in no significant changes in the way the Foundation recognized revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis.

The Foundation recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest 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 met.

Administrative Fees

Administrative fees are assessed against the various funds according to a fee schedule set by the Board of Directors. Administrative fees charged to agency funds are recorded as other income as an increase to net assets without donor restrictions. Administrative fees charged to funds with donor restrictions are a component of net assets released from restrictions.

Use of Estimates

The preparation of 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Concentrations of Credit Risk – Cash

The Foundation maintains cash balances at a financial institution. Accounts at the institution are insured by the Federal Deposit Insurance Corporation up to $250,000. The Foundation also maintains accounts at brokerage firms. The accounts contain cash and securities. Cash and security balances are insured up to $250,000 and $500,000, respectively, by the Securities Investor Protection Corporation with a maximum amount of insurance being $500,000 for each brokerage firm. At various times during the year, the Foundation may have balances at the financial institution and stock brokerage firms in excess of these limits.

Endowment Investment and Spending Policies

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. The Foundation's spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. The current long-term return objective is to return amounts sufficient to support the spending policy, net of investment fees. Actual returns in any given year may vary from this objective.

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 parameters.

The spending policy calculates the amount of money annually distributed from the Foundation's various endowed funds, including those endowments deemed to be underwater, for grant making and administration. The current target spending amount (subject to request for variances) for the Foundation, which includes administrative fees, shall be 5% of the previous twelve month rolling average of the portfolio's market value. In the event a fund has less than twelve quarters of history to average, the average will use the value of the fund at inception and subsequent history, until twelve quarters of historical averages have been accumulated. Accordingly, over the long term, the Foundation expects to provide a total return that provides sufficient assets to fund the Foundation's spending policy. This is consistent with the Foundation's objective to maintain the purchasing power of endowment assets as well as to provide additional real growth through new gifts and investment return.

Reclassifications

The accompanying consolidated financial statements for the year ended December 31, 2018, reflect reclassifications of certain balances or amounts from one category to another to conform with classifications implemented by management in the fiscal year ended December 31, 2019. The reclassifications do not affect the change in net assets or net assets.

Subsequent Events

The Foundation has evaluated subsequent events through April 14, 2020, the date the financial statements were available to be issued.

Recent Accounting Pronouncements

Adopted

ASU 2014-09
In May 2014, the Financial Accounting Standards Board (FASB) and International Accounting Standards Board (IASB) issued substantially converged final standards on revenue recognition. The FASB's Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, was issued in three parts: (1) Section A, "Summary and Amendments That Create Revenue from Contracts with Customers and Other Assets and Deferred Costs – Contracts With Customers"; (2) Section B, "Conforming Amendments to Other Topics and Subtopics in the Codification and Status Tables"; and (3) Section C, "Background Information and Basis for Conclusions".

ASU 2014-09 provides a robust framework for addressing revenue recognition issues and, upon its effective date, replaces almost all existing revenue recognition guidance, including industry-specific guidance, in current U.S. generally accepted accounting principles (GAAP). This standard will help with improved comparability of revenue recognition practices across entities, industries, jurisdictions, and capital markets. The Foundation adopted the requirements of the new standard effective January 1, 2019 using the modified retrospective method.

ASU 2018-08
In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2018-08 *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard applies to all entities, including business entities, which receive or make contributions of cash and other assets, including promises to give. This standard assists not-for-profit entities in determining whether to account for grants as revenue for providing goods or services or as a contribution. Under this standard, not-for-profit entities are more likely to classify funds from governmental grants as contributions than under prior US GAAP. This standard also clarifies whether a contribution is conditional or unconditional. For contributions received. The standard is applicable for annual periods beginning after June 15, 2018 for public companies (including certain not-for-profit entities) and annual periods beginning after December 15, 2018 for all other entities. For contributions made, the standard is applicable for annual periods beginning after December 15, 2018 for public companies (including certain not-for-profit entities) and annual periods beginning after December 15, 2019 for all other entities. Early adoption is permitted. The Foundation adopted ASU 2018-08 during the year ended December 31, 2019, and there was no significant effect on the financial statements of the Foundation.

Not adopted

ASU 2016-02

The FASB finalized the standard on leases in ASU 2016-02 *Leases* in February 2016. This update was to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The core principle is that the lessee should recognize the assets and liabilities that arise from leases. All leases create an asset and a liability for the lessee and therefore recognition of those lease assets and lease liabilities represent an improvement over previous GAAP. Under the guidance a lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. If a lessee makes this election, it should recognize lease expense for such leases generally on a straight-line basis over the lease term. Additional guidelines for finance leases, operating leases and lessors is included in the guidance. The amendments are effective for fiscal years beginning after December 15, 2019.

ASU 2018-13

In August 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2018-13, Fair Value Measurement (Topic 820): *Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement*. The amendments in this Update modify the disclosure requirements on fair value measurements in Topic 820, Fair Value Measurement. The amendments in this Update removed the following disclosure requirements: 1) the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy; 2) the policy for timing of transfers between levels; 3) the valuation processes for Level 3 fair value measurements; and 4) for nonpublic entities, the changes in unrealized gains and losses for the period included in earning for recurring Level 3 fair value measurements held at the end of the reporting period. The amendments in this Update modified the following disclosure requirements: 1) in lieu of a rollforward for Level 2 fair value measurements, a nonpublic entity is required to disclose transfers into and out of Level 3 of the fair value hierarchy and purchases and issues of Level 3 assets and liabilities; 2) for investments in certain entities that calculate net asset value, and entity is required to disclose the timing of liquidation of an investee's assets and the date when restrictions from redemption might lapse only if the investee has communicated the timing to the entity or announced the timing publicly; and 3) the amendments clarify that the measurement uncertainty disclosure is to communicate information about the uncertainty in measurement as of the reporting date. The amendments in this disclosure also added disclosure requirements to Topic 820; however, these added disclosures are only required for public entities. The amendments in this Update are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Some of the amendments should be applied prospectively for only the most recent interim or annual period presented in the initial fiscal year of adoption and all others should be applied retrospectively to all periods presented. Early adoption is permitted.

Other recent accounting pronouncements issued by the FASB (including its Emerging Issues Task Force) and the American Institute of Certified Public Accountants did not or are not believed by management to have a material impact on the Foundation's present or future financial statements.

NOTE 3: LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor restrictions limiting their use, within one year of the December 31, 2019 balance sheet date, comprise the following:

Financial assets:	
Cash and cash equivalents	$ 2,210,664
Investments at market	157,497,622
Total Financial assets	159,708,286
Less:	
Endowed funds	(79,913,969)
Funds held as agency endowments	(44,328,552)
Quasi-endowed funds	(36,311,065)
	(160,553,586)
Add: Available to spend for endowed funds (5%)	8,027,679
Add: Non-financial assets included in endowed and quasi-endowed funds	3,201,045
	11,228,724
Financial assets available within one year to meet cash needs for general expenditures	$ 10,383,424

Financial assets available for general expenditure, that is, without donor restrictions limiting their use, within one year of the December 31, 2018 balance sheet date, comprise the following:

Financial assets:	
Cash and cash equivalents	$ 4,815,387
Investments at market	125,367,879
Total Financial assets	130,183,266
Less:	
Endowed funds	(64,778,471)
Funds held as agency endowments	(36,423,387)
Quasi-endowed funds	(31,326,322)
	(132,528,180)
Add: Available to spend for endowed funds (5%)	6,626,409
Add: Non-financial assets included in endowed and quasi-endowed funds	3,517,839
	10,144,248
Financial assets available within one year to meet cash needs for general expenditures	$ 7,799,334

Donor restricted endowment funds are not available for general expenditures. Endowed funds are funds that the donor intends the original gift amount to be maintained in perpetuity. Quasi-endowed funds are treated as endowed, however, the donor has made a recommendation that should the fair value of the fund fall below the original gift amount, distributions may still be made according to the fund agreement. The Foundation's spending policy is 5% of the previous twelve quarter average of the fund's value.

All of the financial assets included are marketable investments that can easily be converted to cash. Illiquid assets are not included in the financial assets noted above.

NOTE 4: INVESTMENTS

The securities held by the Foundation in its name consist of the following investment groups at December 31,:

	2019			
		Market	Cumulative Unrealized	
	Cost	Value	Gain	Loss
Cash held for investments	$ 1,205,848	$ 1,205,848	$ -	$ -
Equities	19,749	19,749	-	-
Mutual funds	133,921,928	151,990,697	19,333,604	(1,264,835)
Alternative investments	296,624	255,328	-	(41,296)
Certificates of deposit	4,026,000	4,026,000	-	-
Total	$ 139,470,149	$ 157,497,622	$ 19,333,604	$ (1,306,131)

	2018			
		Market	Cumulative Unrealized	
	Cost	Value	Gain	Loss
Cash held for investments	$ 1,009,076	$ 1,009,076	$ -	$ -
Equities	19,749	19,749	-	-
Mutual funds	123,828,096	123,507,413	6,803,555	(7,124,238)
Alternative investments	293,916	253,641	-	(40,275)
Certificates of deposit	578,000	578,000	-	-
Total	$ 125,728,837	$ 125,367,879	$ 6,803,555	$ (7,164,513)

NOTE 5: PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31,:

	2019	2018
Cost:		
Land	$ 222,954	$ 222,954
Land improvements	567,373	8,700
Computer software	73,159	73,159
Building	2,855,217	2,842,459
Furniture and equipment	160,945	158,089
Construction in progress	4,725	523,675
Total cost	3,884,373	3,829,036
Less accumulated depreciation and amortization	(659,034)	(541,874)
Net book value	$ 3,225,339	$ 3,287,162

NOTE 6: COMMITMENTS

At December 31, 2019, conditional grants payable were due in future years as follows:

Year ending December 31,		
2020	$	1,196,462
2021		649,296
2022		428,512
2023		150,319
2024 and beyond		3,000
	$	2,427,589

Conditional grants are composed of $2,165,968 for various scholarships, and $261,621 for other miscellaneous purposes.

NOTE 7: SPLIT-INTEREST AGREEMENTS

A donor created a charitable lead annuity trust between themselves and the Foundation on September 30, 2004. The trust is irrevocable and may not be altered, amended, revoked, or terminated by the trustor or any other person. However, the trustee has the power, acting alone, to amend the trust in any manner required for the sole purpose of ensuring that the trust qualifies at all times as a charitable lead annuity trust. The assets transferred to the trust were: an undivided thirty-percent (30%) out of real estate and; (2) cash in the amount of $15,000, providing for an annuity payment of $49,000 at least annually each year, until the termination of the trust. It is the intent of the donor that $49,000 of the net earnings of the trust is to be available for gifts and grants to be made each year in accordance with donor advisory procedures. During the year ended December 31, 2018, the trust terminated and all of the trust estate was transferred, conveyed, and delivered to the initial donor of the estate. The change in value of the charitable lead annuity trust was ($91,897) for the year ended December 31, 2018.

At December 31, 2019 and 2018, the Foundation had liabilities under charitable gift annuities amounting to $77,515 and $80,805, respectively. Under the agreements, the Foundation is required to make annual payments to beneficiaries of $10,162. The change in value of the liability for the charitable gift annuities was ($6,872) and ($1,650) for the years ended December 31, 2019 and 2018, respectively, and is included in the consolidated statement of activities as a reduction in contributions.

The Foundation is the remainder beneficiary of an irrevocable charitable remainder trust. The assets of the trust are held by a third-party trustee. The trust provides for the payment of distributions to a third-party beneficiary over the trust's term, which is the designated beneficiary's lifetime. At the end of the trust's term, the remaining assets are to be distributed to the Foundation. The Foundation estimates the present value of the future benefits expected to be received at the end of the trust's term based on the designated beneficiary's life expectancy utilizing the 2000 CM mortality table, and a discount rate of 2% and 3.6% at December 31, 2019 and 2018, respectively. The fair value of the beneficial interest was $10,827,101 and $9,030,133 at December 31, 2019 and 2018, respectively. The change in value of the beneficial interest was $1,796,967 and $1,109,419 for the year ended December 31, 2019 and 2018, respectively.

NOTE 8: FUNDS HELD AS AGENCY ENDOWMENTS

The Foundation adopted ASC 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 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 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.

At December 31, 2019 and 2018, the Foundation was the owner of seventy-five (75) agency endowment funds, with a combined fair value of $44,328,552 and $36,423,387, respectively. All financial activity for the years then ended related to these funds are segregated on the statements of activities and have 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:

	2019	2018
Beginning balance	$ 36,423,387	$ 36,879,134
Contributions	2,180,037	4,326,062
Net investment return (loss)	6,895,577	(2,806,355)
Grants	(1,014,113)	(1,827,202)
Administrative fees	(156,323)	(148,241)
Other expenses	(13)	(11)
Ending balance	$ 44,328,552	$ 36,423,387

NOTE 9: **NET ASSETS**

Total net assets consist of the following at December 31, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment funds	$ 1,341,557	$ 78,572,412	$ 79,913,969
Non-endowment funds:			
Undesignated	1,565,575	-	1,565,575
Field of interest	-	7,660,114	7,660,114
Scholarship	-	5,736,982	5,736,982
Donor advised	-	17,023,701	17,023,701
Designated	-	6,567,868	6,567,868
Total non-endowment funds	1,565,575	36,988,665	38,554,240
Split-interest agreements and perpetual trusts	-	10,827,101	10,827,101
Total Net Assets	$ 2,907,132	$ 126,388,178	$ 129,295,310

Total net assets consist of the following at December 31, 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment funds	$ 1,134,512	$ 63,643,959	$ 64,778,471
Non-endowment funds:			
Undesignated	1,282,623	-	1,282,623
Field of interest	-	8,820,174	8,820,174
Scholarship	-	4,487,412	4,487,412
Donor advised	-	14,346,103	14,346,103
Designated	-	3,497,655	3,497,655
Total non-endowment funds	1,282,623	31,151,344	32,433,967
Split-interest agreements and perpetual trusts	-	9,030,133	9,030,133
Total Net Assets	$ 2,417,135	$ 103,825,436	$ 106,242,571

NOTE 10: ENDOWMENTS

The Foundation's Board of Directors has interpreted the Texas Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At December 31, 2019 and 2018, there were no such donor stipulations. As a result of this interpretation, the Foundation retains in perpetuity: (a) the original value of initial and subsequent gift amounts donated to the Endowment, and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by us in a manner consistent with the standard of prudence prescribed by UPMIFA.

The Foundation is governed subject to the governing documents of the Foundation and the majority of contributions are received subject to the terms of the governing document. These governing documents give the Foundation variance power over these contributions. Certain contributions are received subject to other gift instruments, or are subject to specific agreements with the Foundation. Endowments recorded as a component of net assets without donor restrictions contain no purpose restrictions, and although subject to donor imposed time restrictions, these funds are subject to the Foundation's governing documents, and are thereby considered a component of net assets without donor restrictions. Contributions subject to the Foundation's governing documents are only recorded as a component of net assets with donor restrictions if the contribution contains a purpose restriction.

Under the terms of the governing documents, the Board of Directors has the ability to distribute so much of the corpus of any trust or separate gift, devise, bequest, or fund as the Board in its sole discretion shall determine. 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 purposes 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 appreciation of the investments,
6. Other resources of the Foundation, and
7. The investment policies of the Foundation.

Changes in endowment net assets consist of the following at December 31,:

	2019	2018
Endowment net assets, beginning of year	$ 64,778,471	$ 53,979,202
Net investment return (loss)	13,485,520	(5,555,732)
Contributions	4,528,906	5,151,145
Reclassifications – donor directed	(840)	14,475,857
Amounts appropriated for expenditure	(2,389,150)	(2,793,601)
Administrative fees	(488,938)	(478,400)
Endowment net assets, end of year	$ 79,913,969	$ 64,778,471

“Reclassification – Donor Directed” included on the Consolidated Statements of Activities for the year ended December 31, 2019 and 2018, represent amounts that have been reclassified by management due to a change requested by the grantor or other circumstances that have changed the purpose or restriction related to the original contributions.

The Foundation considers an endowed fund to be underwater if the fair value of the fund is less than the original value of the initial and subsequent gift amounts donated to the fund. The Foundation has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law.

Each endowment fund requires that the funds be managed in accordance with the Foundation’s governing instruments. The Foundation has a policy that permits spending from underwater endowment funds when market conditions may cause the market value of the fund to become less than the principal. It is the policy of the Board to suspend distributions when the market value of the endowed fund, at the preceding year end, is less than eighty percent (80%) of the principal, unless specifically restricted or allowed in the gift agreement. Distributions may resume when the market value of the fund equals at least ninety percent (90%) of the principal, as of the close of the previous quarter. This policy will allow distributions to occur during cyclical movement in fund value during adverse market conditions. From time to time, the fair value of assets associated with individual endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. These deficiencies result from unfavorable market fluctuations that occurred shortly after the investment of new contributions for donor-restricted endowments and continued appropriation for certain programs that was deemed prudent by the Board. Management believes the unrealized losses are temporary and are caused by general market fluctuations. Management has the intent and ability to hold the investments until recovery of market value.

Underwater endowment funds at December 31,:

	2019	2018
Original gift amount	$ 11,698,326	$ 22,382,706
Fair value at year end	11,475,465	20,286,986
Deficiency at year end	$ 222,861	$ 2,095,720

NOTE 11: FAIR VALUE MEASUREMENTS

The Foundation has adopted ASC 820, *Fair Value Measurements*, which provides a framework for measuring fair value under generally accepted accounting principles. ASC 820 applies to all financial instruments that are being measured and reported on a fair value basis.

As defined in ASC 820, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Foundation uses various methods including market, income, and cost approaches. Based on these approaches, the Foundation often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Foundation utilized valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques the Foundation is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 – Quoted prices for identical assets and liabilities traded in active exchange markets.

Level 2 – Observable inputs other than Level 1 including quoted prices for similar assets or liabilities, quoted prices in less active markets, or other observable inputs that can be corroborated by observable market data.

Level 3 – Unobservable inputs supported by little or no market activity for financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgement or estimation; also includes observable inputs for nonbinding single dealer quotes not corroborated by observable market data.

For fiscal years ended December 31, 2019 and 2018, the application of valuation techniques applied to similar assets has been consistent. The following is a description of the valuation methodologies used for instruments measured at fair value.

Cash and cash equivalents and cash value of life insurance: valued at the carrying amount reported in the statement of financial position for cash and cash equivalents which approximates fair value.

Stocks, equity securities and institutional funds: valued at the closing price reported on the active market on which the individual securities are traded. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs to the limited market activity of the instrument.

Mutual funds: valued at the net asset value of shares held at year end at the closing price reported on the active market.

Alternative investments: valued based on models externally developed by management of the respective instrument using unobservable inputs to the limited market activity of the partnership. Where external valuations were not available, cost is utilized which approximates fair value.

Beneficial interest in charitable remainder trust: valued based on the present value of the future distributions expected to be received over the trust term based on the designated beneficiary's life expectancy and a discount rate.

Cash held for investments and certificates of deposit: cash is valued at its denomination amount and certificates of deposit are valued at their current principal balance which approximates fair value.

Oil and gas interests: valued at the monthly cash flow received from the properties since ownership was conveyed multiplied by thirty-six months to estimate future cash flows expected.

Land held for sale: value based upon independent appraisal at time of donation.

Present value of split-interest trust and annuities: recorded at the present value of estimated amounts due to income beneficiaries of the agreements based on Internal Revenue Service annuity and mortality tables.

The fair value of each asset and liability in the tables below was measured using FASB ASC 820 input guidance and valuation techniques. The following tables set forth carrying amounts and estimated fair values of assets and liabilities measured and recorded at fair value on a recurring and non-recurring basis at December 31, 2019 and 2018:

	December 31, 2019			
Description	Total	Level 1	Level 2	Level 3
Recurring Fair Value Measurements:				
Cash held for investments	$ 1,205,848	$ 1,205,848	$ -	$ -
Equity securities:				
Financial	19,749	-	19,749	-
Mutual funds:				
Small growth	3,371,637	3,371,637	-	-
Small blend	2,835,888	2,835,888	-	-
Small value	18,013,022	18,013,022	-	-
Medium value	37,892,535	37,892,535	-	-
Large value	8,373,677	8,373,677	-	-
Large blend	17,168,078	17,168,078	-	-
Large growth	5,970,595	5,970,595	-	-
Moderate allocation	1,879,297	1,879,297	-	-
Emerging markets	17,786,239	17,786,239	-	-
Fixed income	36,135,009	36,135,009	-	-
International	2,564,720	2,564,720	-	-
Alternative investments	255,328	-	-	255,328
Certificates of deposit	4,026,000	4,026,000	-	-
Beneficial interest in charitable trust	10,827,101	4,281,208	2,736,484	3,809,409
Cash value of life insurance	30,789	-	-	30,789
Oil and gas interests	64,300	-	-	64,300
Total	$ 168,419,812	$ 161,503,753	$ 2,756,233	$ 4,159,826
Present value of annuities	$ 77,515	$ -	$ -	$ 77,515

The table below presents a reconciliation of fair value for recurring assets and liabilities using significant unobservable inputs as of December 31, 2019:

	Fair Value Measurements at Reporting Date Using Significant Unobservable Inputs (Level 3)			
	Cash Value of Life Insurance	Alternative Investments	Oil and Gas Interests	Beneficial Interest in Charitable Trust
Beginning balance	$ 30,789	$ 253,641	$ 67,650	$ 3,349,573
Capital calls		2,708		
Unrealized/realized gains (losses)	-	(1,021)	(3,350)	459,836
Ending balance	$ 30,789	$ 255,328	$ 64,300	$ 3,809,409

	Present Value of Annuities
Beginning balance	$ 80,805
Distributions	(10,162)
Unrealized loss on split-interest liability	6,872
Ending balance	$ 77,515

December 31, 2019	Fair Value	Valuation Technique(s)	Unobservable Input(s)	Range (Weighted Average)
Cash value of life insurance	$ 30,789	Discounted cash flow	Discount rate, life expectancies	Unknown
Alternative investments	$ 255,328	Market, cost or income	Company financials, general partner estimates	na*
Oil and gas interests	$ 64,300	Market, cost, or income	Cash flows, comparable sales	na*
Beneficial interest in charitable trust	$ 3,809,409	Discounted cash flow	Cash flows, comparable sales	2%
Present value of annuities	$ 77,515	Discounted cash flow	Discount rate, life expectancies	1.6% to 5.4%

* Not included due to the wide range of possible values given the diverse nature of the underlying investments.

Description	Total	Level 1	Level 2	Level 3
	December 31, 2018			
Recurring Fair Value Measurements:				
Cash held for investments	$ 1,009,076	$ 1,009,076	$ -	$ -
Equity securities:				
Financial	19,749	-	19,749	-
Mutual funds:				
Small growth	2,539,706	2,539,706	-	-
Small blend	2,350,335	2,350,335	-	-
Small value	13,718,285	13,718,285	-	-
Medium value	1,809,934	1,809,934	-	-
Large value	30,084,204	30,084,204	-	-
Large blend	6,696,023	6,696,023	-	-
Large growth	13,813,360	13,813,360	-	-
Moderate allocation	5,161,397	5,161,397	-	-
Emerging markets	1,736,970	1,736,970	-	-
Fixed income	16,228,113	16,228,113	-	-
International	29,369,086	29,369,086	-	-
Alternative investments	253,641	-	-	253,641
Certificates of deposit	578,000	578,000	-	-
Beneficial interest in charitable trust	9,030,133	3,217,370	2,463,190	3,349,573
Cash value of life insurance	30,789	-	-	30,789
Oil and gas interests	67,650	-	-	67,650
Non-recurring fair value measurements:				
Land held for sale	259,000	-	-	259,000
Total	$ 134,755,451	$ 128,311,859	$ 2,482,939	$ 3,960,653
Present value of annuities	$ 80,805	$ -	$ -	$ 80,805

The table below presents a reconciliation of fair value for recurring assets and liabilities using significant unobservable inputs as of December 31, 2018:

	Fair Value Measurements at Reporting Date Using Significant Unobservable Inputs (Level 3)			
	Cash Value Life Insurance	Real Estate Held in Trust	Alternative Investments	Oil and Gas Interests
Beginning balance	$ 30,789	$ 1,731,986	$ 257,735	$ 71,105
Distribution	-	(1,731,986)	-	-
Unrealized/realized losses	-	-	(4,094)	(3,455)
Ending balance	$ 30,789	$ -	$ 253,641	$ 67,650

	Beneficial Interest in Charitable Trust	Present Value of Annuities
Beginning balance	$ 3,170,008	$ 1,756,837
Purchases / gifts	-	25,218
Distributions	-	(1,794,797)
Unrealized gain	179,565	-
Unrealized loss on split-interest liability	-	93,547
Ending balance	$ 3,349,573	$ 80,805

December 31, 2018	Fair Value	Valuation Technique(s)	Unobservable Input(s)	Range (Weighted Average)
Cash value of life insurance	$ 30,789	Discounted cash flow	Discount rate, life expectancies	Unknown
Alternative investments	$ 253,641	Market, cost or income	Company financials, general partner estimates	na*
Oil and gas interests	$ 67,650	Market, cost, or income	Cash flows, comparable sales	na*
Beneficial interest in charitable trust	$ 3,349,573	Discounted cash flow	Cash flows, comparable sales	2%
Land held for sale	$ 259,000	Independent appraisal	Comparable sales	na
Present value of annuities	$ 80,805	Discounted cash flow	Discount rate, life expectancies	1.6% to 5.4%

* Not included due to the wide range of possible values given the diverse nature of the underlying investments.

NOTE 12: LEASE COMMITMENTS

The San Angelo Area Foundation currently leases office space from SAAF Holdings, L.L.C under no obligation. Rental expense was $64,800 for the years ended December 31, 2019 and 2018, and has been eliminated for report purposes.

NOTE 13: RETIREMENT PLAN

On January 1, 2007, the Foundation converted their 403(b) plan to a Safe Harbor 401(k) profit sharing plan. All employees previously covered by the 403(b) plan were automatically eligible for the 401(k) plan. The plan is available to all employees over the age of twenty-one who have completed twelve consecutive months of service with a minimum of 1,000 service hours. The Foundation may elect to make matching contributions up to 6% of an employees' salary. The Foundation's cost related to the retirement plan for the years ended December 31, 2019 and 2018, was $27,104 and $23,374, respectively.

NOTE 14: DEFERRED COMPENSATION PLAN

The Foundation entered into a deferred bonus compensation plan during 2014 in which the Foundation agreed to pay the executive director a deferred bonus upon retirement age in 2024. An annual base amount is awarded which is adjusted based on the return of the Foundation for that specific year. The Foundation has accrued a liability based on the service rendered since inception and will continue to accrue a liability over the expected service period. At December 31, 2019 and 2018, the accrual totaled $152,747 and $108,812, respectively.

NOTE 15: EXPENSES BY NATURE AND FUNCTION

The table below presents expenses by both their nature and their function for the year ended December 31, 2019.

	Program Services	Management and General	Fundraising	Total
Grants and distributions	$ 12,027,595	$ -	$ -	$ 12,027,595
Personnel	201,966	323,048	152,023	677,037
Professional fees	4,523	49,281	3,502	57,306
Information technology and office expenses	38,199	62,843	29,573	130,615
Promotion	-	-	52,325	52,325
Bank charges	-	3,182	26,674	29,856
Depreciation	36,715	60,402	28,424	125,541
Insurance	7,228	11,892	5,596	24,716
Utilities	5,591	9,199	4,329	19,119
Repairs and maintenance	8,992	14,794	6,962	30,748
Other	23,786	39,131	18,414	81,331
	$ 12,354,595	$ 573,772	$ 327,822	$ 13,256,189

The table below presents expenses by both their nature and their function for the year ended December 31, 2018.

	Program Services	Management and General	Fundraising	Total
Grants and distributions	$ 10,383,391	$ -	$ -	$ 10,383,391
Personnel	177,801	294,481	138,783	611,065
Professional fees	-	36,687	-	36,687
Information technology and office expenses	36,264	60,061	28,306	124,631
Promotion	-	-	57,160	57,160
Bank charges	-	7,879	52,614	60,493
Depreciation	30,013	49,708	23,427	103,148
Insurance	6,203	10,273	4,842	21,318
Utilities	5,405	8,951	4,219	18,575
Repairs and maintenance	8,898	14,737	6,945	30,580
Other	21,920	36,307	17,110	75,337
	$ 10,669,895	$ 519,084	$ 333,406	$ 11,522,385

Expenses which apply to more than one functional category have been allocated among program services, management and general, and fundraising based on the time spent on these functions by specific employees as estimated by management. Indirect expenses such as facilities costs are allocated based on square footage used by functional departments. Other indirect expenses, such as information technology and general office supplies are allocated based on the overall number of staff in the various functional categories. All other costs are charged directly to the appropriate functional category.

NOTE 16: SUBSEQUENT EVENT

In January 2020, the World Health Organization has declared the outbreak of a novel coronavirus (COVID-19) as a “Public Health Emergency of International Concern,” which continues to spread throughout the world and has adversely impacted global commercial activity and contributed to significant declines and volatility in financial markets. The coronavirus outbreak and government responses are creating disruption in global supply chains and adversely impacting many industries. The outbreak could have a continued material adverse impact on economic and market conditions and trigger a period of global economic slowdown. The rapid development and fluidity of this situation precludes any prediction as to the ultimate material adverse impact of the coronavirus outbreak. Nevertheless, the outbreak presents uncertainty and risk with respect to the Foundation, its performance, and its financial results.

SUPPLEMENTARY INFORMATION

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April 14, 2020

Board of Directors
San Angelo Area Foundation
San Angelo, Texas

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

We have audited the consolidated financial statements of San Angelo Area Foundation (the "Foundation") as of and for the years ended December 31, 2019 and 2018, and have issued our report thereon, dated April 14, 2020, which contained an unmodified opinion on those consolidated financial statements. Our audits were performed for the purpose of forming an opinion on the consolidated financial statements as a whole.

The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Condley and Company, L.L.P.

Certified Public Accountants

SAN ANGELO AREA FOUNDATION
San Angelo, Texas

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

December 31, 2019

	San Angelo Area Foundation	SAAF Holdings, L.L.C.
ASSETS		
Cash and cash equivalents	$ 2,079,941	$ 130,723
Investments at market	157,497,622	
Investment in SAAF Holdings, L.L.C.	3,196,173	
Beneficial interest in charitable remainder trust	10,827,101	
Fixed assets, net	24,294	3,201,045
Oil and gas interests	64,300	
Other assets	30,789	435,482
Due from SAAF Holdings, L.L.C.	571,077	
TOTAL ASSETS	$ 174,291,297	$ 3,767,250

	San Angelo Area Foundation	SAAF Holdings, L.L.C.
LIABILITIES, NET ASSETS AND MEMBER'S EQUITY		
LIABILITIES:		
Accounts payable	$ 1,691	$
Present value of annuities	77,515	
Other liabilities	435,482	
Deferred compensation	152,747	
Due to San Angelo Area Foundation		571,077
Funds held as agency endowments	44,328,552	
Total Liabilities	44,995,987	571,077
NET ASSETS AND MEMBER'S EQUITY:		
Without donor restrictions	2,907,132	
With donor restrictions	126,388,178	
Member's equity		3,196,173
Net Assets	129,295,310	3,196,173
TOTAL LIABILITIES, NET ASSETS AND MEMBER'S EQUITY	$ 174,291,297	$ 3,767,250

Eliminations	Consolidated San Angelo Area Foundation
$	$ 2,210,664
	157,497,622
(3,196,173)	-
	10,827,101
	3,225,339
	64,300
(435,482)	30,789
(571,077)	-
$ (4,202,732)	$ 173,855,815

$	$ 1,691
	77,515
(435,482)	-
	152,747
(571,077)	-
	44,328,552
(1,006,559)	44,560,505
	2,907,132
	126,388,178
(3,196,173)	-
(3,196,173)	129,295,310
$ (4,202,732)	$ 173,855,815

SAN ANGELO AREA FOUNDATION
San Angelo, Texas

CONSOLIDATING STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2019

	San Angelo Area Foundation Without Donor Restrictions	SAAF Holdings, L.L.C. Without Donor Restrictions	Eliminations
REVENUES, GAINS AND OTHER SUPPORT:			
Total amounts raised	$ 65,593	$	$
Less: amounts received for agency endowments			
Contributions	65,593	-	-
Net investment return	383,068	200,945	4,170
Less: net investment return for agency endowments			
Net investment return	383,068	200,945	4,170
Total other income	187,243		(30,000)
Less: other income for agency endowments			
Other income	187,243	-	(30,000)
Net assets released from restrictions	11,826,181		
Total Revenues, Gains and Other Support	12,462,085	200,945	(25,830)
GRANTS AND EXPENSES:			
Total grants and distributions	12,027,595		
Less: grants and distributions made from agency endowments	(1,014,113)		
Grants and distributions	11,013,482	-	-
Total other program expenses	275,787	70,164	(18,951)
Less: other program expenses from agency endowments	(13)		
Other program expenses	275,774	70,164	(18,951)
Total management and general	489,518	115,431	(31,177)
Less: management and general from agency endowments			
Management and general	489,518	115,431	(31,177)
Fundraising expense	288,174	54,320	(14,672)
Total Grants and Expenses	12,066,948	239,915	(64,800)
Change in value of split-interest agreements			
RECLASSIFICATIONS - DONOR DIRECTED	94,860		
CHANGE IN NET ASSETS	489,997	(38,970)	38,970
NET ASSETS AT BEGINNING OF YEAR	2,417,135	3,235,143	(3,235,143)
NET ASSETS, END OF YEAR	$ 2,907,132	$ 3,196,173	$ (3,196,173)

Consolidated San Angelo Area Foundation Without Donor Restrictions		With Donor Restrictions		Total
$ 65,593	$	15,464,207	$	15,529,800
		(2,180,037)		(2,180,037)
65,593		13,284,170		13,349,763
588,183		26,188,184		26,776,367
		(6,895,577)		(6,895,577)
588,183		19,292,607		19,880,790
157,243		110,039		267,282
				-
157,243		110,039		267,282
11,826,181		(11,826,181)		-
12,637,200		20,860,635		33,497,835
12,027,595				12,027,595
(1,014,113)				(1,014,113)
11,013,482		-		11,013,482
327,000				327,000
(13)				(13)
326,987		-		326,987
573,772				573,772
				-
573,772		-		573,772
327,822				327,822
12,242,063		-		12,242,063
		1,796,967		1,796,967
94,860		(94,860)		-
489,997		22,562,742		23,052,739
2,417,135		103,825,436		106,242,571
$ 2,907,132	$	126,388,178	$	129,295,310