



SAN ANGELO AREA FOUNDATION

CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
December 31, 2025 and 2024

SAN ANGELO AREA FOUNDATION

CONTENTS

December 31, 2025 and 2024

	<u>Page</u>
Independent Auditor's Report	1-2
Financial Statements:	
Consolidated Statements of Financial Position	3
Consolidated Statement of Activities – 2025	4
Consolidated Statement of Activities - 2024	5
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	7-23
Supplementary Information:	
Independent Auditor's Report on Supplementary Information	24
Consolidating Statement of Financial Position	25
Consolidating Statement of Activities	26



April 17, 2026

**Board of Directors
San Angelo Area Foundation and Affiliate
San Angelo, Texas**

Independent Auditor's Report

Opinion

We have audited the consolidated financial statements of San Angelo Area Foundation and Affiliate (collectively, the Foundation), which comprise the consolidated statements of financial position as of December 31, 2025 and 2024, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2025 and 2024, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 independent of the Foundation and have fulfilled our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

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 it is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, 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 to design audit procedures that are appropriate in the circumstances, but not to express an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable 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.

Conolly and Company, L.L.P.

Certified Public Accountants

SAN ANGELO AREA FOUNDATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31,	
	2025	2024
<u>ASSETS</u>		
Cash and cash equivalents	\$ 4,584,595	\$ 3,056,015
Investments at market	308,419,994	251,525,655
Beneficial interest in charitable remainder trust	18,933,217	15,417,713
Fixed assets, net	3,055,346	3,198,815
Oil and gas interests	50,530	51,737
	335,043,682	273,249,935
TOTAL ASSETS	\$ 335,043,682	\$ 273,249,935
 <u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES:		
Accounts payable	\$ 8,183	\$ 1,925
Present value of split-interest trusts and annuities	1,729,483	1,799,967
Funds held as agency endowments	105,892,037	83,777,559
	107,629,703	85,579,451
Total Liabilities	107,629,703	85,579,451
NET ASSETS:		
Without donor restrictions	5,203,799	4,480,188
With donor restrictions	222,210,180	183,190,296
	227,413,979	187,670,484
Net Assets	227,413,979	187,670,484
TOTAL LIABILITIES AND NET ASSETS	\$ 335,043,682	\$ 273,249,935

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

SAN ANGELO AREA FOUNDATION
CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2025

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES, GAINS AND OTHER SUPPORT:			
Total amounts raised	\$ 74,278	\$ 34,247,619	\$ 34,321,897
Less: amounts received for agency endowments		(9,448,450)	(9,448,450)
Contributions	<u>74,278</u>	<u>24,799,169</u>	<u>24,873,447</u>
Net investment return	994,756	44,361,594	45,356,350
Less: net investment return for agency endowments		(14,924,198)	(14,924,198)
Net investment return	<u>994,756</u>	<u>29,437,396</u>	<u>30,432,152</u>
Total other income	338,864		338,864
Less: other income for agency endowments			-
Other income	<u>338,864</u>	-	<u>338,864</u>
Net assets released from restrictions	<u>18,563,793</u>	<u>(18,563,793)</u>	-
Total Revenues, Gains and Other Support	<u>19,971,691</u>	<u>35,672,772</u>	<u>55,644,463</u>
GRANTS AND EXPENSES:			
Total grants and distributions	19,240,787		19,240,787
Less: grants and distributions made from agency endowments	(1,920,096)		(1,920,096)
Grants and distributions	<u>17,320,691</u>	-	<u>17,320,691</u>
Total other program expenses	521,333		521,333
Less: other program expenses from agency endowments			-
Other program expenses	<u>521,333</u>	-	<u>521,333</u>
Total management and general	664,390		664,390
Less: management and general from agency endowments	(50)		(50)
Management and general	<u>664,340</u>	-	<u>664,340</u>
Fundraising expenses	<u>695,247</u>	-	<u>695,247</u>
Total Grants and Expenses	<u>19,201,611</u>	-	<u>19,201,611</u>
Change in value of split-interest agreements		<u>3,300,643</u>	<u>3,300,643</u>
RECLASSIFICATIONS - DONOR DIRECTED	<u>(46,469)</u>	<u>46,469</u>	-
CHANGE IN NET ASSETS	<u>723,611</u>	<u>39,019,884</u>	<u>39,743,495</u>
NET ASSETS AT BEGINNING OF YEAR	<u>4,480,188</u>	<u>183,190,296</u>	<u>187,670,484</u>
NET ASSETS, END OF YEAR	<u>\$ 5,203,799</u>	<u>\$ 222,210,180</u>	<u>\$ 227,413,979</u>

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

SAN ANGELO AREA FOUNDATION
CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2024

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES, GAINS AND OTHER SUPPORT:			
Total amounts raised	\$ 311,497	\$ 26,283,353	\$ 26,594,850
Less: amounts received for agency endowments		<u>(9,699,844)</u>	<u>(9,699,844)</u>
Contributions	<u>311,497</u>	<u>16,583,509</u>	<u>16,895,006</u>
Net investment return	529,611	28,124,564	28,654,175
Less: net investment return for agency endowments		<u>(9,289,549)</u>	<u>(9,289,549)</u>
Net investment return	<u>529,611</u>	<u>18,835,015</u>	<u>19,364,626</u>
Total other income	292,899		292,899
Less: other income for agency endowments			<u>-</u>
Other income	<u>292,899</u>	<u>-</u>	<u>292,899</u>
Net assets released from restrictions	<u>17,496,800</u>	<u>(17,496,800)</u>	<u>-</u>
Total Revenues, Gains and Other Support	<u>18,630,807</u>	<u>17,921,724</u>	<u>36,552,531</u>
GRANTS AND EXPENSES:			
Total grants and distributions	18,485,426		18,485,426
Less: grants and distributions made from agency endowments	<u>(1,936,555)</u>		<u>(1,936,555)</u>
Grants and distributions	<u>16,548,871</u>	<u>-</u>	<u>16,548,871</u>
Total other program expenses	433,683		433,683
Less: other program expenses from agency endowments			<u>-</u>
Other program expenses	<u>433,683</u>	<u>-</u>	<u>433,683</u>
Total management and general	715,217		715,217
Less: management and general from agency endowments	<u>(28)</u>		<u>(28)</u>
Management and general	<u>715,189</u>	<u>-</u>	<u>715,189</u>
Fundraising expenses	<u>599,439</u>	<u>-</u>	<u>599,439</u>
Total Grants and Expenses	<u>18,297,182</u>	<u>-</u>	<u>18,297,182</u>
Change in value of split-interest agreements		<u>1,457,473</u>	<u>1,457,473</u>
RECLASSIFICATIONS - DONOR DIRECTED	<u>1,066,704</u>	<u>(1,066,704)</u>	<u>-</u>
CHANGE IN NET ASSETS	<u>1,400,329</u>	<u>18,312,493</u>	<u>19,712,822</u>
NET ASSETS AT BEGINNING OF YEAR	<u>3,079,859</u>	<u>164,877,803</u>	<u>167,957,662</u>
NET ASSETS, END OF YEAR	<u>\$ 4,480,188</u>	<u>\$ 183,190,296</u>	<u>\$ 187,670,484</u>

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

SAN ANGELO AREA FOUNDATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Year Ended December 31,	
	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 39,743,495	\$ 19,712,822
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Net realized/unrealized gains on investments	(34,725,012)	(20,673,697)
Change in value of split-interest agreements	(3,300,643)	(1,457,473)
Unrealized loss on oil and gas interests	1,207	2,345
Reinvested income	(7,038,208)	(6,189,491)
Non-cash contributions - marketable securities	(4,249,457)	(14,266,881)
Non-cash contributions - real estate	-	(365,000)
Non-cash grant	-	448,708
Depreciation and amortization	143,469	141,181
Increase/(Decrease) in:		
Accounts payable	6,258	(142)
Grants payable	-	(61,618)
Present value of split-interest trust and annuities	-	12,000
Deferred compensation	-	(258,240)
Funds held as agency endowments	22,114,478	16,761,877
Net Cash Provided by (Used in) Operating Activities	12,695,587	(6,193,609)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets	-	(646,713)
Proceeds from sale of real estate	-	365,000
Purchase of investments	(112,955,356)	(67,395,596)
Proceeds from sales and maturities of investments	102,073,694	69,550,530
Net Cash Provided by (Used in) Investing Activities	(10,881,662)	1,873,221
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments to beneficiaries under split-interest agreements	(285,345)	(339,532)
Net Cash Used in Financing Activities	(285,345)	(339,532)
Net Increase (Decrease) in Cash and Cash Equivalents	1,528,580	(4,659,920)
Cash and Cash Equivalents at Beginning of Year	3,056,015	7,715,935
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 4,584,595	\$ 3,056,015

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

SAN ANGELO AREA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025 and 2024

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 San Angelo Area Foundation is to build a legacy of philanthropy by attracting and prudently managing endowed gifts to match donor interests with the 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 (collectively, the financial statements) include the accounts of San Angelo Area Foundation and SAAF Holdings, L.L.C. (collectively, the Foundation). All significant inter-company transactions and balances have been eliminated in consolidation.

The accounting and reporting policies of the Foundation conform to accounting principles generally accepted in the United States of America. Policies and practices that 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 consolidated 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 are 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, whereby the donor has stipulated that 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 consolidated statements of activities.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid instruments with three-month or less maturities. The Foundation maintains large balances of funds held for the benefit of others. These funds are generally held for a relatively short time; therefore, the Foundation's policy is 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 consolidated statements of financial position. Cash held in certain brokerage accounts is considered a short-term investment. Net investment return/(loss)

SAN ANGELO AREA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025 and 2024

is reported in the consolidated 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 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 consolidated 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.

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 were \$143,469 and \$141,181 for the years ended December 31, 2025 and 2024, respectively.

Beneficial Interest in Charitable Remainder 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 9). 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 agreements" on the consolidated statements of activities.

Present Value of Split-Interest Trust and Annuities

Present value of split-interest trusts and annuities on the consolidated statements of financial position represents liabilities under a charitable remainder unitrust, in which the Foundation is the trustee, and charitable gift annuities. At the end of each year, the liabilities are adjusted to reflect the present value of the amounts owed to the beneficiaries. The Foundation utilized the 2010 CM mortality table in valuing its liabilities under the charitable remainder trust and the charitable gift annuities for December 31, 2025 and 2024. The Foundation recognizes changes in the valuation of the liabilities as a "Change in value of split-interest agreements" on the consolidated statements of activities. See Note 9 for additional information regarding the Foundation's split-interest agreements.

Grants Payable

Grants payable are recognized when the Board of Directors approves specific grants. When grant commitments are to be paid over several years, the Foundation records such liabilities at their estimated present values.

SAN ANGELO AREA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025 and 2024

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. The Foundation will be subject to income tax examinations by the U.S. federal, state, or local tax authorities for three years following the most recent tax filing.

Revenue and Revenue Recognition

Revenue is recognized when earned. Contributions are recognized 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. The Foundation does not have any revenue that would be considered exchange transactions.

Contributed Nonfinancial Assets

During the year ended December 31, 2024, the Foundation recognized \$365,000 in contribution revenue related to the receipt of a nonfinancial asset. This amount is included in the consolidated statement of activities in the line item "Total amounts raised" as an increase to net assets with donor restrictions. The nonfinancial contribution received in 2024 comprises a single real estate donation that was contributed to a donor-advised fund. The real estate was sold in the same period for the appraised value of \$365,000.

No nonfinancial assets were contributed to the Foundation during the year ended December 31, 2025.

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 in 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, 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 and Investments

The Foundation maintains cash balances at financial institutions. Accounts at the institutions 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

SAN ANGELO AREA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025 and 2024

Foundation may have balances at the financial institutions 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 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, is 5% of the previous twelve months' rolling average of the portfolio's market value. If a fund has less than 12 quarters of history to average, the average will use the fund's inception value and subsequent history until 12 quarters of historical averages have been accumulated. The Finance / Investment Committee may determine a lesser or greater amount available for distribution, considering the time the new fund has existed. In the event the market value of an endowed fund, at the preceding year end, is less than eighty (80%) of the principal, the amount available for distribution shall be 3% of the previous twelve quarter average of the fund's value as of the close of the previous calendar year and shall remain the same until investment returns increase the market value of the endowed fund to at least 90% of principal, as of the close of a previous quarter.

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 and provide additional real growth through new gifts and investment return.

Subsequent Events

The Foundation has evaluated subsequent events through April 17, 2026, the date the financial statements were available to be issued.

Recent Accounting Pronouncements

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.

SAN ANGELO AREA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025 and 2024

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, 2025 consolidated statement of financial position date, comprise the following:

Financial assets:	
Cash and cash equivalents	\$ 4,584,595
Investments at market	<u>308,419,994</u>
Total Financial assets	313,004,589
Less:	
Endowed funds	(119,406,514)
Funds held as agency endowments	(105,892,037)
Quasi-endowed funds	<u>(75,532,847)</u>
	(300,831,398)
Add: Available to spend for endowed funds (5%)	15,041,570
Add: Non-financial assets included in endowed and quasi-endowed funds	<u>3,028,179</u>
	18,069,749
Financial assets available within one year to meet cash needs for general expenditures	<u>\$ 30,242,940</u>

Financial assets available for general expenditure, that is, without donor restrictions limiting their use, within one year of the December 31, 2024 consolidated statement of financial position date, comprise the following:

Financial assets:	
Cash and cash equivalents	\$ 3,056,015
Investments at market	<u>251,525,655</u>
Total Financial assets	254,581,670
Less:	
Endowed funds	(101,803,314)
Funds held as agency endowments	(83,777,559)
Quasi-endowed funds	<u>(62,616,926)</u>
	(248,197,799)
Add: Available to spend for endowed funds (5%)	12,409,890
Add: Non-financial assets included in endowed and quasi-endowed funds	<u>3,154,499</u>
	15,564,389
Financial assets available within one year to meet cash needs for general expenditures	<u>\$ 21,948,260</u>

Donor restricted endowment funds are not available for general expenditures. Endowed funds are funds that the donor intends to maintain at the original gift amount in perpetuity. Quasi-endowed funds are treated as endowed. However, the donor has recommended 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 financial assets included are marketable investments that can easily be converted to cash. Assets not considered liquid are excluded from the financial assets noted above.

SAN ANGELO AREA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025 and 2024

NOTE 4: INVESTMENTS

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

	<u>2025</u>		<u>2024</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Cash held for investments	\$ 16,826,238	\$ 16,826,238	\$ 2,524,737	\$ 2,524,737
Equities	17,267,290	27,753,809	16,030,610	23,264,291
Mutual funds & ETFs	212,702,902	252,889,012	206,557,406	214,430,555
Corporate obligations	3,918,797	3,976,732	2,372,158	2,304,422
Government and agency securities	6,381,457	6,360,511	7,066,388	6,955,508
Municipal obligations	20,000	19,173	20,000	18,435
Alternative investments	21,463	94,519	21,463	94,609
Certificates of deposit	500,000	500,000	1,933,098	1,933,098
Total	<u>\$ 257,638,147</u>	<u>\$ 308,419,994</u>	<u>\$ 236,525,860</u>	<u>\$ 251,525,655</u>

NOTE 5: FIXED ASSETS

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

	<u>2025</u>	<u>2024</u>
Cost:		
Land	\$ 222,954	\$ 222,954
Land improvements	593,828	593,828
Computer software	93,909	93,909
Building	2,855,217	2,855,217
Leasehold improvements	545,400	545,400
Furniture and equipment	195,002	195,002
Total cost	<u>4,506,310</u>	4,506,310
Less accumulated depreciation and amortization	<u>(1,450,964)</u>	<u>(1,307,495)</u>
Net book value	<u>\$ 3,055,346</u>	<u>\$ 3,198,815</u>

NOTE 6: GRANTS PAYABLE

The Foundation signed a memorandum of understanding with the City of San Angelo, Texas, to bid and construct barracks and mess halls 3 and 4 at Fort Concho, a former United States Army installation and National Historic Landmark District in San Angelo, Texas. The Foundation is responsible for all costs and activities associated with the design, bidding, insurance, and construction of the project. Upon completion of the project and acceptance by the City of San Angelo, the Foundation shall formally, in writing, transfer all ownership and responsibility for the project to the City.

The Foundation initially recognized this commitment during the year ended December 31, 2021. The commitment for the project approximates the amounts under contract for the construction of the project, which was \$3,861,355. Barracks and mess halls 3 and 4 were under contract for \$2,055,755 and \$1,805,600, respectively. The unconditional commitment made to the City of San Angelo, Texas, resulted in the recognition of the grants payable, not the underlying construction contracts.

SAN ANGELO AREA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025 and 2024

The project was completed and transferred to the City during the year ended December 31, 2024. The final cost of the project totaled \$4,310,063. The \$448,708 difference between the final cost of the project, \$4,310,063, and the initial liability, \$3,861,355, is reflected in the "Total grants and distributions" line item of the consolidated statement of activities for the year ended December 31, 2024.

NOTE 7: COMMITMENTS AND CONTINGENCIES

Grants

As of December 31, 2025, conditional grants payable was due in future years as follows:

<u>Year ending December 31,</u>		
2026	\$	2,136,569
2027		1,515,694
2028		936,669
2029		325,744
		<u>4,914,676</u>
	\$	<u>4,914,676</u>

Conditional grants are composed of \$4,904,676 for various scholarships and \$10,000 for other miscellaneous purposes.

NOTE 8: LEASES

The San Angelo Area Foundation currently leases office space from SAAF Holdings, L.L.C. for \$64,800 a year. This agreement expired on December 31, 2025, and was subsequently renewed through December 31, 2026. Rental expense was \$64,800 for the years ended December 31, 2025 and 2024 and has been eliminated on the consolidated financial statements.

The Foundation leases office space to multiple third parties. These lease arrangements are considered operating leases to the Foundation. Lease income, excluding the related party rental income, was \$165,830 and \$184,187 for the years ended December 31, 2025 and 2024, respectively. Rental income is included in the line item "Net investment return" in the consolidated statements of activities. Anticipated rental income from uncancellable leases, and from lease renewal periods reasonably certain to be exercised, due in future years are as follows:

<u>Year ending December 31,</u>		
2026	\$	102,115
2027		103,770
2028		54,000
2029		54,270
2030+		55,620
		<u>369,775</u>
	\$	<u>369,775</u>

SAN ANGELO AREA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025 and 2024

Leased fixed assets (included in Note 5) consisted of the following as of December 31,:

	2025	2024
Cost:		
Building	\$ 1,184,875	\$ 1,184,875
Leasehold improvements	531,768	531,768
Total cost	1,716,643	1,716,643
Less accumulated depreciation and amortization	(402,788)	(359,872)
Net book value	\$ 1,313,855	\$ 1,356,771

NOTE 9: SPLIT-INTEREST AGREEMENTS

Charitable Gift Annuities

At December 31, 2025 and 2024, the Foundation had liabilities under charitable gift annuities amounting to \$154,555 and \$162,577, respectively. These liabilities are included in the consolidated statement of financial position in the line item "Present value of split-interest trusts and annuities." Under the agreements, the Foundation is required to make annual payments to beneficiaries of \$24,639. The change in the value of the liability for the charitable gift annuities was (\$17,093) and (\$17,242) for the years ended December 31, 2025 and 2024, respectively.

Charitable Remainder Annuity Trust

The Foundation was the sole remainder beneficiary of an irrevocable charitable remainder annuity trust that was created during the year ended December 31, 2022. The trust provided for distributions to a third-party beneficiary over the trust's term, which was the designated beneficiary's lifetime. The Foundation recorded a liability for the estimated present value of the amounts due to the third-party beneficiary. During the year ended December 31, 2024, the initial beneficiary of the trust passed away, and the trust was terminated, and the residual assets of the trust were used to establish funds in accordance with the trust agreement. A \$358,421 gain was recognized during the year ended December 31, 2024.

Charitable Remainder Unitrusts

The Foundation is the remainder beneficiary of an irrevocable charitable remainder unitrust. A third-party trustee holds the assets of the trust. 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 will 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 2010 CM mortality table, and a discount rate of 5% at December 31, 2025 and 2024. The fair value of the beneficial interest was \$18,933,217 and \$15,417,713 at December 31, 2025 and 2024, respectively. The fair value of the entire trust was \$40,637,942 and \$34,175,007 as of December 31, 2025 and 2024, respectively. The change in value of the beneficial interest was \$3,515,504 and \$1,299,680 for the years ended December 31, 2025 and 2024, respectively.

The Foundation is the sole remainder beneficiary of an irrevocable charitable remainder unitrust that was created during the year ended December 31, 2021. The Foundation serves as the trustee for the remainder trust, and as such, records the assets held in the trust at their fair value. 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 will be allocated to a fund within the Foundation that the donors of the charitable remainder trust established with the Foundation. The Foundation records a liability for the estimated present value of the amounts due to the third-party beneficiary. This liability is included in the consolidated statement of financial position in the line item "Present value of split-interest trusts and annuities." The Foundation estimates the present value of the future payments based on the designated beneficiary's life expectancy utilizing the 2000 CM mortality table, a payout percentage of 5%,

SAN ANGELO AREA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025 and 2024

a rate of return of 1.6%, and a factor of .4194 and .4359 at December 31, 2025 and 2024, respectively. The liability representing the present value of the future payments was \$1,574,928 and \$1,637,390 at December 31, 2025 and 2024, respectively. The liability's value change was (\$197,768) and (\$183,386) for the years ended December 31, 2025 and 2024, respectively. The fair value of the assets in the trust was \$4,821,123 and \$4,337,147 at December 31, 2025 and 2024, respectively. These assets are in the Foundation's general pool of investments.

NOTE 10: 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 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 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 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.

As of December 31, 2025, and 2024, the Foundation held eighty-three (83) and eighty (80) agency endowment funds, with a combined fair value of \$105,892,037 and \$83,777,559, respectively. All financial activity related to these funds for the years then ended is segregated on the consolidated statements of activities and has been reclassified to the agency endowment liability.

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

	<u>2025</u>	<u>2024</u>
Beginning balance	\$ 83,777,559	\$ 67,015,682
Contributions	9,448,450	9,699,844
Net investment return	14,924,198	9,289,549
Grants	(1,920,096)	(1,936,555)
Administrative fees	(338,024)	(290,933)
Other expenses	<u>(50)</u>	<u>(28)</u>
Ending balance	<u>\$ 105,892,037</u>	<u>\$ 83,777,559</u>

SAN ANGELO AREA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025 and 2024

NOTE 11: NET ASSETS

Total net assets consist of the following as of December 31, 2025:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment funds:			
Undesignated	\$ 1,975,760	\$ -	\$ 1,975,760
Field of interest	-	14,468,981	14,468,981
Scholarship	-	39,496,076	39,496,076
Donor advised	-	4,723,338	4,723,338
Designated	-	58,742,359	58,742,359
Total endowment funds	1,975,760	117,430,754	119,406,514
Non-endowment funds:			
Undesignated	3,228,039	-	3,228,039
Field of interest	-	14,142,091	14,142,091
Scholarship	-	14,824,797	14,824,797
Donor advised	-	32,112,054	32,112,054
Designated	-	21,521,073	21,521,073
Total non-endowment funds	3,228,039	82,600,015	85,828,054
Split-interest agreements and perpetual trusts	-	22,179,411	22,179,411
Total Net Assets	\$ 5,203,799	\$ 222,210,180	\$ 227,413,979

Total net assets consist of the following as of December 31, 2024:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment funds:			
Undesignated	\$ 1,714,818	\$ -	\$ 1,714,818
Field of interest	-	12,819,007	12,819,007
Scholarship	-	34,808,602	34,808,602
Donor advised	-	4,107,387	4,107,387
Designated	-	48,353,500	48,353,500
Total endowment funds	1,714,818	100,088,496	101,803,314
Non-endowment funds:			
Undesignated	2,765,370	-	2,765,370
Field of interest	-	7,634,412	7,634,412
Scholarship	-	13,314,088	13,314,088
Donor advised	-	25,460,232	25,460,232
Designated	-	18,575,598	18,575,598
Total non-endowment funds	2,765,370	64,984,330	67,749,700
Split-interest agreements and perpetual trusts	-	18,117,470	18,117,470
Total Net Assets	\$ 4,480,188	\$ 183,190,296	\$ 187,670,484

SAN ANGELO AREA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025 and 2024

NOTE 12: 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. As of December 31, 2025 and 2024, 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 by the governing documents, and the majority of contributions are received subject to the terms of the governing documents. 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. Although subject to donor imposed time restrictions, these funds are subject to the Foundation's governing documents and are 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 can distribute so much of the corpus of any trust or separate gift, devise, bequest, or fund as the Board, at its sole discretion, shall determine. In accordance with UPMIFA, the Foundation considers the following factors in deciding whether 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 as of December 31, 2025:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 1,714,818	\$ 100,088,496	\$ 101,803,314
Net investment return	297,025	17,636,767	17,933,792
Contributions	65,237	4,362,002	4,427,239
Reclassifications – donor directed	(66,954)	21,281	(45,673)
Amounts appropriated for expenditure	(7,500)	(3,998,050)	(4,005,550)
Administrative fees	(26,866)	(679,742)	(706,608)
Endowment net assets, end of year	<u>\$ 1,975,760</u>	<u>\$ 117,430,754</u>	<u>\$ 119,406,514</u>

SAN ANGELO AREA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025 and 2024

Changes in endowment net assets consist of the following as of December 31, 2024:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 1,557,459	\$ 93,014,260	\$ 94,571,719
Net investment return	191,668	11,004,277	11,195,945
Contributions	62,721	2,227,840	2,290,561
Reclassifications – donor directed	(72,697)	(2,312,772)	(2,385,469)
Amounts appropriated for expenditure	-	(3,239,839)	(3,239,839)
Administrative fees	(24,333)	(605,270)	(629,603)
Endowment net assets, end of year	<u>\$ 1,714,818</u>	<u>\$ 100,088,496</u>	<u>\$ 101,803,314</u>

“RECLASSIFICATIONS – DONOR DIRECTED” included on the consolidated statements of activities for the years ended December 31, 2025 and 2024, represents 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 must 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 (see Note 2). 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 from continued appropriations for certain programs deemed prudent by the Board. Management believes the unrealized losses are temporary and due to general market fluctuations. Management has the intent and ability to hold the investments until recovery of market value.

Underwater endowment funds as of December 31,:

	<u>2025</u>	<u>2024</u>
Original gift amount	\$ 757,020	\$ 12,644,445
Fair value at year end	<u>712,801</u>	<u>11,775,443</u>
Deficiency at year end	<u>\$ 44,219</u>	<u>\$ 869,002</u>

NOTE 13: 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.

SAN ANGELO AREA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025 and 2024

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 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 judgment or estimation; also includes observable inputs for nonbinding single dealer quotes not corroborated by observable market data.

For fiscal years ended December 31, 2025 and 2024, the application of valuation techniques applied to similar assets has been consistent. The following describes the valuation methodologies used for instruments measured at fair value.

Equity securities and fixed income: 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 and ETFs: valued at the net asset value of shares held at year end at the closing price reported on the active market.

Alternative investments: value-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.

Present value of annuities: recorded at the present value of estimated amounts due to beneficiaries of the charitable gift agreements and the charitable remainder unitrust based on Internal Revenue Service annuity and mortality tables.

SAN ANGELO AREA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025 and 2024

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 as of December 31, 2025 and 2024:

Description	December 31, 2025			
	Total	Level 1	Level 2	Level 3
Recurring Fair Value Measurements:				
Cash held for investments	\$ 16,826,238	\$ 16,826,238	\$ -	\$ -
Equity securities:				
Basic materials	543,017	543,017	-	-
Consumer goods & services	3,552,359	3,552,359	-	-
Energy	485,822	485,822	-	-
Financial	3,083,656	3,063,907	19,749	-
Healthcare	2,395,168	2,395,168	-	-
Industrials	5,289,280	5,289,280	-	-
Technology	10,334,659	10,334,659	-	-
Utilities	1,876,988	1,876,988	-	-
Other	192,860	192,860	-	-
Fixed Income:				
Corporate obligations	3,976,732	-	3,976,732	-
Government & agency securities	6,360,511	-	6,360,511	-
Municipal obligations	19,173	-	19,173	-
Mutual funds & ETFs:				
Fixed income	40,189,372	40,189,372	-	-
International	67,912,755	67,912,755	-	-
Large blend	91,470,804	91,470,804	-	-
Large growth	33,671,309	33,671,309	-	-
Large value	15,250,731	15,250,731	-	-
Other	4,394,041	4,394,041	-	-
Alternative investments	94,519	-	-	94,519
Certificates of deposit	500,000	500,000	-	-
Beneficial interest in charitable remainder trust	18,933,217	-	-	18,933,217
Oil and gas interests	50,530	-	-	50,530
Total	<u>\$ 327,403,741</u>	<u>\$ 297,949,310</u>	<u>\$ 10,376,165</u>	<u>\$ 19,078,266</u>
Present value of annuities	<u>\$ 1,729,483</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,729,483</u>

SAN ANGELO AREA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025 and 2024

Description	December 31, 2024			
	Total	Level 1	Level 2	Level 3
Recurring Fair Value Measurements:				
Cash held for investments	\$ 2,524,737	\$ 2,524,737	\$ -	\$ -
Equity securities:				
Basic materials	611,428	611,428	-	-
Consumer goods & services	3,159,423	3,159,423	-	-
Energy	631,805	631,805	-	-
Financial	2,518,739	2,498,990	19,749	-
Healthcare	2,527,528	2,527,528	-	-
Industrials	3,629,252	3,629,252	-	-
Technology	8,732,049	8,732,049	-	-
Utilities	1,252,033	1,252,033	-	-
Other	202,034	202,034	-	-
Fixed Income:				
Corporate obligations	2,304,422	-	2,304,422	-
Government & agency securities	6,955,508	-	6,955,508	-
Municipal obligations	18,435	-	18,435	-
Mutual funds & ETFs:				
Fixed income	1,393,105	1,393,105	-	-
Intermediate government	37,459,017	37,459,017	-	-
International	63,215,847	63,215,847	-	-
Large blend	64,787,421	64,787,421	-	-
Large growth	28,544,272	28,544,272	-	-
Large value	17,278,014	17,278,014	-	-
Other	1,752,879	1,752,879	-	-
Alternative investments	94,609	-	-	94,609
Certificates of deposit	1,933,098	1,933,098	-	-
Beneficial interest in charitable remainder trust	15,417,713	-	-	15,417,713
Oil and gas interests	51,737	-	-	51,737
Total	<u>\$ 266,995,105</u>	<u>\$ 242,132,932</u>	<u>\$ 9,298,114</u>	<u>\$ 15,564,059</u>
Present value of annuities	<u>\$ 1,799,967</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,799,967</u>

There were no purchases or issuances of level 3 assets in the year ended December 31, 2025, and 2024.

SAN ANGELO AREA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025 and 2024

NOTE 14: RETIREMENT PLAN

On January 1, 2007, the Foundation converted its 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 employee's salary. The Foundation's cost related to the retirement plan for the years ended December 31, 2025 and 2024, was \$49,838 and \$46,951, respectively.

NOTE 15: DEFERRED COMPENSATION PLAN

The Foundation entered into a deferred bonus compensation plan during 2014 in which the Foundation agreed to pay the Executive a deferred bonus upon achievement of the terms outlined in the plan of continued employment, payable in 2024. An annual base amount is awarded, which is adjusted based on the return of the Foundation for that specific year. The accrued liability of \$258,240 at December 31, 2023, was paid out during the year ended December 31, 2024.

NOTE 16: EXPENSES BY NATURE AND FUNCTION

The table below presents expenses by both their nature and their function for the year ended December 31, 2025.

	Program Services	Management and General	Fundraising	Total
Grants and distributions	\$ 19,240,787	\$ -	\$ -	\$ 19,240,787
Personnel	312,527	357,172	398,098	1,067,797
Professional fees	-	86,078	-	86,078
Information technology and office expenses	66,764	76,302	85,045	228,111
Promotion	-	-	64,272	64,272
Bank charges	-	8,005	7,690	15,695
Depreciation and amortization	61,393	44,664	37,412	143,469
Insurance	7,884	9,009	10,041	26,934
Utilities	8,267	9,447	10,530	28,244
Repairs and maintenance	19,742	22,560	25,145	67,447
Other	44,756	51,153	57,014	152,923
	<u>\$ 19,762,120</u>	<u>\$ 664,390</u>	<u>\$ 695,247</u>	<u>\$ 21,121,757</u>

SAN ANGELO AREA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025 and 2024

The table below presents expenses by nature and function for the year ended December 31, 2024.

	Program Services	Management and General	Fundraising	Total
Grants and distributions	\$ 18,485,426	\$ -	\$ -	\$ 18,485,426
Personnel	251,089	411,658	336,766	999,513
Professional fees	-	56,222	-	56,222
Information technology and office expenses	56,696	92,953	76,042	225,691
Promotion	-	-	57,916	57,916
Bank charges	-	5,300	5,092	10,392
Depreciation and amortization	61,230	43,061	36,890	141,181
Insurance	9,430	15,460	12,647	37,537
Utilities	7,348	12,047	9,855	29,250
Repairs and maintenance	15,380	25,216	20,629	61,225
Other	32,510	53,300	43,602	129,412
	<u>\$ 18,919,109</u>	<u>\$ 715,217</u>	<u>\$ 599,439</u>	<u>\$ 20,233,765</u>

Expenses that 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 17: RELATED PARTY TRANSACTIONS

One of the Foundation's leasehold tenants is a company owned by an individual on the Foundation's Board of Directors. Rental income from this company was \$37,200 and \$37,200 for the years ended December 31, 2025, and 2024, respectively.

SUPPLEMENTARY INFORMATION



April 17, 2026

**Board of Directors
San Angelo Area Foundation and Affiliate
San Angelo, Texas**

Independent Auditor's Report on Supplementary Information

We have audited the consolidated financial statements (collectively, the financial statements) of San Angelo Area Foundation and Affiliate (collectively, the Foundation) as of and for the years ended December 31, 2025 and 2024, and have issued our report thereon, which contains an unmodified opinion on those financial statements. See pages 1-2. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information is presented for the purpose of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Condley and Company, L.L.P.

Certified Public Accountants

SAN ANGELO AREA FOUNDATION
CONSOLIDATING STATEMENT OF FINANCIAL POSITION

December 31, 2025

	<u>San Angelo Area Foundation</u>	<u>SAAF Holdings, L.L.C.</u>	<u>Eliminations</u>	<u>Consolidated San Angelo Area Foundation</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 4,103,112	\$ 481,483	\$ -	\$ 4,584,595
Investments at market	308,419,994			308,419,994
Investment in SAAF Holdings, L.L.C.	2,907,630		(2,907,630)	-
Beneficial interest in charitable remainder trust	18,933,217			18,933,217
Fixed assets, net	27,167	3,028,179		3,055,346
Oil and gas interests	50,530			50,530
Due from SAAF Holdings, L.L.C.	597,532		(597,532)	-
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	\$ <u>335,039,182</u>	\$ <u>3,509,662</u>	\$ <u>(3,505,162)</u>	\$ <u>335,043,682</u>
<u>LIABILITIES, NET ASSETS AND MEMBER'S EQUITY</u>				
LIABILITIES:				
Accounts payable	\$ 3,683	\$ 4,500	\$ -	\$ 8,183
Present value of split-interest trusts and annuities	1,729,483			1,729,483
Due to San Angelo Area Foundation		597,532	(597,532)	-
Funds held as agency endowments	105,892,037			105,892,037
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	107,625,203	602,032	(597,532)	107,629,703
NET ASSETS AND MEMBER'S EQUITY:				
Without donor restrictions	5,203,799			5,203,799
With donor restrictions	222,210,180			222,210,180
Member's equity		2,907,630	(2,907,630)	-
	<hr/>	<hr/>	<hr/>	<hr/>
Net Assets and Member's Equity	227,413,979	2,907,630	(2,907,630)	227,413,979
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES, NET ASSETS AND MEMBER'S EQUITY	\$ <u>335,039,182</u>	\$ <u>3,509,662</u>	\$ <u>(3,505,162)</u>	\$ <u>335,043,682</u>

SAN ANGELO AREA FOUNDATION
CONSOLIDATING STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2025

	San Angelo Area Foundation Without Donor Restrictions	SAAF Holdings, L.L.C. Without Donor Restrictions	Eliminations	Consolidated San Angelo Area Foundation Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT:						
Total amounts raised	\$ 74,278	\$	\$	\$ 74,278	\$ 34,247,619	\$ 34,321,897
Less: amounts received for agency endowments					(9,448,450)	(9,448,450)
Contributions	<u>74,278</u>	<u>-</u>	<u>-</u>	<u>74,278</u>	<u>24,799,169</u>	<u>24,873,447</u>
Net investment return	691,227	218,299	85,230	994,756	44,361,594	45,356,350
Less: net investment return for agency endowments					(14,924,198)	(14,924,198)
Net investment return	<u>691,227</u>	<u>218,299</u>	<u>85,230</u>	<u>994,756</u>	<u>29,437,396</u>	<u>30,432,152</u>
Total other income	368,864		(30,000)	338,864		338,864
Less: other income for agency endowments						-
Other income	<u>368,864</u>	<u>-</u>	<u>(30,000)</u>	<u>338,864</u>	<u>-</u>	<u>338,864</u>
Net assets released from restrictions	<u>18,563,793</u>			<u>18,563,793</u>	<u>(18,563,793)</u>	<u>-</u>
Total Revenues, Gains and Other Support	<u>19,698,162</u>	<u>218,299</u>	<u>55,230</u>	<u>19,971,691</u>	<u>35,672,772</u>	<u>55,644,463</u>
GRANTS AND EXPENSES:						
Total grants and distributions	19,240,787			19,240,787		19,240,787
Less: grants and distributions made from agency endowments	(1,920,096)			(1,920,096)		(1,920,096)
Grants and distributions	<u>17,320,691</u>	<u>-</u>	<u>-</u>	<u>17,320,691</u>	<u>-</u>	<u>17,320,691</u>
Total other program expenses	425,245	115,054	(18,966)	521,333		521,333
Less: other program expenses from agency endowments						-
Other program expenses	<u>425,245</u>	<u>115,054</u>	<u>(18,966)</u>	<u>521,333</u>	<u>-</u>	<u>521,333</u>
Total management and general	560,152	125,913	(21,675)	664,390		664,390
Less: management and general from agency endowments	(50)			(50)		(50)
Management and general	<u>560,102</u>	<u>125,913</u>	<u>(21,675)</u>	<u>664,340</u>	<u>-</u>	<u>664,340</u>
Fundraising expenses	<u>622,044</u>	<u>97,362</u>	<u>(24,159)</u>	<u>695,247</u>		<u>695,247</u>
Total Grants and Expenses	<u>18,928,082</u>	<u>338,329</u>	<u>(64,800)</u>	<u>19,201,611</u>	<u>-</u>	<u>19,201,611</u>
Change in value of split-interest agreements					3,300,643	3,300,643
RECLASSIFICATIONS - DONOR DIRECTED	<u>(46,469)</u>			<u>(46,469)</u>	<u>46,469</u>	<u>-</u>
CHANGE IN NET ASSETS	723,611	(120,030)	120,030	723,611	39,019,884	39,743,495
NET ASSETS AT BEGINNING OF YEAR	<u>4,480,188</u>	<u>3,027,660</u>	<u>(3,027,660)</u>	<u>4,480,188</u>	<u>183,190,296</u>	<u>187,670,484</u>
NET ASSETS, END OF YEAR	<u>\$ 5,203,799</u>	<u>\$ 2,907,630</u>	<u>\$ (2,907,630)</u>	<u>\$ 5,203,799</u>	<u>\$ 222,210,180</u>	<u>\$ 227,413,979</u>