

THE GEORGE FOUNDATION
CONSOLIDATED
FINANCIAL STATEMENTS
December 31, 2019

INDEX

INDEPENDENT AUDITORS' REPORT-----	Page 1
CONSOLIDATED STATEMENTS OF ASSETS, LIABILITIES, AND NET ASSETS – FEDERAL EXCISE TAX BASIS-----	3
CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS – FEDERAL EXCISE TAX BASIS-----	4
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-----	5

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of The George Foundation (the "Foundation"), a charitable trust, which comprise the consolidated statements of assets, liabilities, and net assets – federal excise tax basis, as of December 31, 2019 and 2018, and the related consolidated statements of revenues, expenses, and changes in net assets – federal excise tax basis 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 financial statements in accordance with the basis of accounting the Foundation uses for federal excise tax purposes; this includes determining that the federal excise tax basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the 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 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 assets, liabilities, and net assets of The George Foundation as of December 31, 2019 and 2018, and its revenues, expenses, and changes in net assets for the years then ended, in accordance with the basis of accounting The George Foundation uses for federal excise tax purposes described in Note 2.

Federal Excise Tax Basis of Accounting

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

Mohle Adams LLP

CERTIFIED PUBLIC ACCOUNTANTS

August 25, 2020

THE GEORGE FOUNDATION
CONSOLIDATED STATEMENTS OF ASSETS, LIABILITIES,
AND NET ASSETS – FEDERAL EXCISE TAX BASIS
December 31, 2019 and 2018

ASSETS

	<u>2019</u>	<u>2018</u>
Current:		
Cash and cash equivalents	\$ 4,478,523	\$ 21,603,653
Marketable securities (Note 3)	207,832,039	187,602,520
Other current assets	<u>30,926</u>	<u>19,381</u>
Total current assets	212,341,488	209,225,554
Accounts receivable, non-current (Note 4)	5,963,970	5,156,862
Investments in partnerships, noncurrent (Note 3)	10,845,150	11,021,650
Property, improvements, and equipment, net (Note 7)	33,756,630	33,702,165
Charitable use and grant related capital assets, net (Note 7)	6,599,855	6,260,558
Organizational and lease acquisition costs, net (Note 5)	517,049	533,381
Oil and gas properties, net (Note 11)	<u>58,973</u>	<u>58,973</u>
Total assets	<u>\$ 270,083,115</u>	<u>\$ 265,959,143</u>

LIABILITIES AND NET ASSETS

Noncurrent:		
Deposits	\$ 1,650	\$ 1,900
Commitments and contingencies (Note 8)		
Net assets:		
Unrestricted	<u>270,081,465</u>	<u>265,957,243</u>
Total liabilities and net assets	<u>\$ 270,083,115</u>	<u>\$ 265,959,143</u>

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

THE GEORGE FOUNDATION
CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS – FEDERAL EXCISE TAX BASIS
For the years ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Changes in unrestricted net assets:		
Revenue and gains:		
Oil and gas royalties	\$ 1,732,221	\$ 2,171,183
Rental income	1,214,325	1,474,233
Dividends (Note 14)	3,319,914	2,657,259
Interest (Note 14)	3,508,702	2,841,397
Capital gain distributions (Note 14)	2,392,734	2,866,547
Net realized gain on investments (Notes 6 & 14)	4,677,490	12,565,140
Gain on sale of assets	4,675,626	4,412,625
Other income	1,534,798	455,387
	<u>23,055,810</u>	<u>29,443,771</u>
Expenses: (Note 15)		
Grants (Note 9)	13,531,994	14,421,042
General and administrative expenses	2,138,057	2,217,127
George Ranch Historical Park operating expenses	1,347,042	1,329,765
Investment expenses (Note 14)	914,761	1,127,650
Federal excise tax expense	429,300	245,000
Ad valorem taxes	125,744	155,538
Depreciation - George Ranch Historical Park	341,494	308,972
Depreciation - other than George Ranch Historical Park	88,932	83,688
Amortization (Note 5)	11,333	11,304
	<u>18,928,657</u>	<u>19,900,086</u>
Increase in unrestricted net assets	4,127,153	9,543,685
Net assets at beginning of year	265,957,243	255,983,244
Fair market value of grants in excess of cost (Note 10)	-	430,314
Charitable use assets written off (Note 10)	(2,931)	-
Net assets at end of year	<u>\$ 270,081,465</u>	<u>\$ 265,957,243</u>

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

THE GEORGE FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019 and 2018

(1) Organization

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

(2) Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Foundation are prepared on the federal excise tax basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Revenues and their related assets are recognized when received rather than when earned, and expenses and their related liabilities are recognized when paid rather than when the obligation is incurred.

Principles of Consolidation

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

Use of Estimates in Preparation of Financial Statements

The preparation of financial statements in conformity with the federal excise tax basis of accounting requires the Foundation’s management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Liquidity and Availability of Financial Assets

As of December 31, 2019, the Foundation has \$212,341,488 of financial assets, consisting of cash, marketable securities, and other current assets, reported on the federal excise tax basis, available within one year to meet cash needs for general operating expenditures.

Accounts Receivable and Allowance for Doubtful Accounts

Receivable balances outstanding include receivables from investment income and non-current receivables from the Fort Bend County Levee Improvement District No. 6 (“LID”), the Fort Bend County Municipal Utility Districts #207 (“MUD 207”) and #237 (“MUD 237”), Fort Bend County Management District #3 (“MMD”), and trade cooperatives. No allowance for doubtful accounts is deemed necessary as of December 31, 2019 and 2018.

Asset Valuation

Assets which were received from the Estates of A. P. George, deceased, and Mamie E. George, deceased, are stated at amounts established for federal tax purposes. Subsequent additions are recorded at cost. Contributions received are valued based on the donor’s basis in the asset on the date received.

THE GEORGE FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
December 31, 2019 and 2018

(2) Summary of Significant Accounting Policies (Continued)

Investments

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

George Ranch Historical Park

The George Ranch Historical Park is a project of the Foundation. Assets acquired through purchase are capitalized at acquisition cost. Assets acquired through donation are capitalized based on the donor's basis in the asset on the date received. Contributions of assets are not recognized in the statements of revenues, expenses, and changes in net assets. Consistent with the handling in prior years, 2019 and 2018 expenditures in the amounts of \$649,213 and \$632,588, respectively, have been capitalized as project costs and the expenditures of \$1,347,042 and \$1,329,765, respectively, have been expensed.

Property and Equipment

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

Grants

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

Profit Sharing Plan

The Foundation has a profit sharing plan with a salary reduction feature permitted under section 401(k) of the Internal Revenue Code. The plan covers all employees over the age of twenty-one who have completed one year of service. The Foundation may make matching discretionary contributions equal to a percentage of the amount of the salary reduction the employees elect to defer. Salary reduction amounts and matching contributions are subject to limits imposed by the Internal Revenue Code. The Foundation's contributions to the plan in 2019 and 2018 were \$31,881 and \$32,254, respectively.

Employee Benefit Plan

The Foundation also has a defined benefit pension plan that uses the projected unit credit actuarial cost method for financial reporting purposes. The Foundation uses the "aggregate cost method" for funding purposes. The plan covers substantially all of the Foundation's employees. The benefits are based on years of service and the average monthly compensation for the five consecutive years when the employee had the highest aggregate compensation. In 2019 and 2018, the Foundation contributed \$176,283 and \$144,676, respectively, to the plan. The Foundation anticipates making \$340,000 of contributions in 2020.

THE GEORGE FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
December 31, 2019 and 2018

(2) Summary of Significant Accounting Policies (Continued)

Employee Benefit Plan (Continued)

Benefit payments of \$199,715 and \$169,920, respectively, were made for the years ended December 31, 2019 and 2018.

The defined-benefit pension plan is funded in amounts sufficient to meet the minimum requirements of the Employee Retirement Income Security Act of 1974. As of January 1, 2020, the date of the latest actuarial valuation, the Adjusted Funding Target Attainment Percentage, as defined by the Pension Protection Act of 2006, for 2019 and 2018 was 94.41% and 93.21%, respectively. As of December 31, 2019 and 2018, the market value of plan assets were \$3,584,058 and \$3,056,069, respectively. The accumulated benefit obligation at January 1, 2020 was \$3,650,044.

Income Taxes

The Foundation is classified as a private foundation and is exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. Net investment income is subject to federal excise tax. The maximum rate for such tax is 2%. Unrelated business income is subject to either trust tax rates or Schedule D tax rates. Excise tax expense for the years ended December 31, 2019 and 2018 was \$429,300 and \$245,000, respectively.

Management evaluates tax positions taken, or expected to be taken, in the course of preparing the Foundation's financial statements to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. Tax positions, including interest and penalties if applicable, with respect to tax not deemed to meet the "more-likely-than-not" threshold would be recorded as an expense in the current year. The Foundation's decision regarding tax positions is subject to review and may be adjusted at a later date based on factors including, but not limited to, ongoing analyses of tax laws, regulations, and interpretations thereof. The Foundation incurred an underpayment penalty expense of \$147 for the year ended December 31, 2019. No interest expense or penalties were recognized for the year ended December 31, 2018.

The Foundation's federal Return of Private Foundation (Form 990-PF) and their Exempt Organization Business Income Tax Return (Form 990-T) are subject to examinations by major taxing authorities for the three years prior to 2019.

THE GEORGE FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
December 31, 2019 and 2018

(3) Investments

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

The original costs, market values, and unrealized gains (losses) of investments on hand at December 31, 2019 and 2018 are summarized as follows:

<u>2019</u>	<u>Cost</u>	<u>Value</u>	<u>Gain (Loss)</u>
Corporate stocks	\$ 42,324,390	\$ 74,250,934	\$ 31,926,544
U.S. & state government obligations	21,110,406	20,788,514	(321,892)
Corporate bonds and notes	13,403,787	12,954,761	(449,026)
Mutual funds	128,228,556	148,323,063	20,094,507
Partnerships	10,845,150	11,461,870	616,720
Other fixed income	<u>2,764,900</u>	<u>2,816,937</u>	<u>52,037</u>
	<u>\$ 218,677,189</u>	<u>\$ 270,596,079</u>	<u>\$ 51,918,890</u>
 <u>2018</u> 			
Corporate stocks	\$ 41,167,023	\$ 60,090,051	\$ 18,923,028
U.S. & state government obligations	38,771,451	37,976,097	(795,354)
Corporate bonds and notes	34,681,500	33,323,632	(1,357,868)
Mutual funds	70,982,546	77,179,688	6,197,142
Partnerships	11,021,650	11,885,819	864,169
Other fixed income	<u>2,000,000</u>	<u>1,990,933</u>	<u>(9,067)</u>
	<u>\$ 198,624,170</u>	<u>\$ 222,446,220</u>	<u>\$ 23,822,050</u>

Investments in partnerships which the Foundation intends to hold for greater than one year and for which there may be restrictions on redemption are classified as noncurrent. Total investments as of December 31, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Marketable securities - current	\$ 207,832,039	\$ 187,602,520
Investments in partnerships - noncurrent	<u>10,845,150</u>	<u>11,021,650</u>
	<u>\$ 218,677,189</u>	<u>\$ 198,624,170</u>

THE GEORGE FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
December 31, 2019 and 2018

(4) Accounts Receivable

The Foundation has non-current receivables from the LID, MMD, and MUD 207 and 237, of which it is a member. Several major property owners in the area, including the Foundation, decided to fund a levee and provide other land improvements in order to better protect their land. Those funding the LID, MUD 207 and 237, and MMD expect to be reimbursed through bond issuances as the area develops. The Foundation also has non-current receivables from cooperatives of which they are members. Accounts receivable, non-current consists of the following at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Fort Bend County Municipal Utility District #207	\$ 5,865,371	\$ 5,040,036
Fort Bend County Levee Improvement District #6	-	77,325
Fort Bend County Municipal Utility District #237	28,068	-
Fort Bend County Management District #3	28,942	-
Fairchild Farmers Cooperative Gin	36,543	34,205
Plains Cotton Cooperative Association	<u>5,046</u>	<u>5,296</u>
	<u>\$ 5,963,970</u>	<u>\$ 5,156,862</u>

(5) Organizational and Lease Acquisition Costs

Berry Place Ventures Management, LLC and Berry Place Ventures, LP ("BPV LP") were formed on June 6, 2014. Berry Place Holdings, LP was formed on October 31, 2014. These special purpose entities were formed to hold land associated with the Berry Tract owned by the Foundation for investment. Organizational costs associated with these entities are amortized over 15 years beginning when the entity commences operations. BPV LP holds a 50-year land lease to a major grocery chain. The costs associated with acquiring the lease were capitalized and amortized over the life of the lease. Organizational and lease acquisition costs as of December 31, 2019 and 2018 consist of the following:

	<u>2019</u>	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>
Organizational costs	\$ 16,675	\$ 16,675	\$ 2,450	\$ 14,225
Lease acquisition costs	<u>534,919</u>	<u>534,919</u>	<u>32,095</u>	<u>502,824</u>
	<u>\$ 551,594</u>	<u>\$ 551,594</u>	<u>\$ 34,545</u>	<u>\$ 517,049</u>
			<u>Accumulated</u>	
	<u>2018</u>	<u>Cost</u>	<u>Amortization</u>	<u>Net</u>
Organizational costs	\$ 21,675	\$ 21,675	\$ 1,816	\$ 19,859
Lease acquisition costs	<u>534,919</u>	<u>534,919</u>	<u>21,397</u>	<u>513,522</u>
	<u>\$ 556,594</u>	<u>\$ 556,594</u>	<u>\$ 23,213</u>	<u>\$ 533,381</u>

Amortization expense was \$11,333 and \$11,304 for the years ending December 31, 2019 and 2018, respectively.

THE GEORGE FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
December 31, 2019 and 2018

(6) Net Realized Gain on Investments

Net realized gains on the sales of investments for the periods ending December 31, 2019 and 2018 are presented as follows:

	<u>2019</u>	<u>2018</u>
Proceeds	\$ 79,266,114	\$ 67,805,624
Cost of securities sold	<u>(74,588,624)</u>	<u>(55,240,484)</u>
Net realized gains on investments	<u>\$ 4,677,490</u>	<u>\$ 12,565,140</u>

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

Capital assets at December 31, 2019 and 2018 consist of the following:

<u>2019</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Office buildings and equipment	\$ 751,857	\$ 348,999	\$ 402,858
Farm buildings and equipment	2,172,607	1,903,947	268,660
Real estate properties	<u>33,085,112</u>	<u>-</u>	<u>33,085,112</u>
Property, improvements, and equipment	<u>\$ 36,009,576</u>	<u>\$ 2,252,946</u>	<u>\$ 33,756,630</u>
Grant buildings and equipment	\$ 933,764	\$ 386,544	\$ 547,220
Park buildings and project costs	<u>22,519,548</u>	<u>16,466,913</u>	<u>6,052,635</u>
Charitable use and grant related capital assets	<u>\$ 23,453,312</u>	<u>\$ 16,853,457</u>	<u>\$ 6,599,855</u>

<u>2018</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Office buildings and equipment	\$ 723,602	\$ 340,934	\$ 382,668
Farm buildings and equipment	2,152,757	1,880,443	272,314
Real estate properties	<u>33,047,183</u>	<u>-</u>	<u>33,047,183</u>
Property, improvements, and equipment	<u>\$ 35,923,542</u>	<u>\$ 2,221,377</u>	<u>\$ 33,702,165</u>
Grant buildings and equipment	\$ 869,035	\$ 355,731	\$ 513,304
Park buildings and project costs	<u>21,922,751</u>	<u>16,175,497</u>	<u>5,747,254</u>
Charitable use and grant related capital assets	<u>\$ 22,791,786</u>	<u>\$ 16,531,228</u>	<u>\$ 6,260,558</u>

Depreciation expense was \$430,426 and \$392,660 for the years ending December 31, 2019 and 2018, respectively.

THE GEORGE FOUNDATION
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 December 31, 2019 and 2018

(8) Commitments - Unpaid Conditional and Unconditional Grants

The Board of Trustees of the Foundation has approved unpaid conditional and unconditional grants as of December 31, 2019 totaling \$21,042,768 presented as follows and payable over the following years:

2020	\$ 8,186,421
2021	4,502,867
2022	3,870,000
2023	4,483,480
Thereafter	-
	<u>\$21,042,768</u>

As of December 31, 2019, the Foundation has an outstanding commitment to contribute \$2,155,000 to its partnership investment in Oak Tree Capital Management, LP.

(9) Grant Payments

The amount of grant payments each year differs from the amount budgeted for grant spending for that year for various reasons. Grants deferred from prior years or pending payment are a result of contingencies or restrictions on the grants that had not been met by the grant recipient organization. Grant payments are sometimes accelerated for excise tax planning purposes.

In 2019 and 2018, grant payments totaled \$13,531,994 and \$14,421,042, respectively, and included the following:

	<u>2019</u>	<u>2018</u>
Grants approved and paid within current year	\$ 6,624,474	\$ 8,262,833
Payments, grants deferred from prior years	<u>6,907,520</u>	<u>6,158,209</u>
	<u>\$ 13,531,994</u>	<u>\$ 14,421,042</u>

Grant refunds of \$406,212 were received in 2018, and are recorded as other income. No grant refunds were received in 2019.

(10) Changes to Net Assets

In 2019, charitable use assets of \$2,931 were written off. In 2018, the Foundation granted real property with a fair market value of \$430,314 in excess of its cost basis to two grantees. These transactions were recorded as direct postings to Net Assets in accordance with the federal excise tax basis of accounting.

THE GEORGE FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
December 31, 2019 and 2018

(11) Oil and Gas Properties

Oil and gas properties at December 31, 2019 and 2018 consist of the following:

	<u>2019</u>	<u>2018</u>
Cost	\$ 4,028,827	\$ 4,028,827
Accumulated depletion	<u>(3,969,854)</u>	<u>(3,969,854)</u>
	<u>\$ 58,973</u>	<u>\$ 58,973</u>

There was no depletion expense for the periods ending December 31, 2019 and 2018, respectively.

(12) Financial Instruments, Concentrations and Credit Risk

At December 31, 2019 and 2018, the Foundation's financial instruments included cash, investments, and receivables. The financial instruments are stated at cost in accordance with the federal excise tax basis of accounting.

Financial instruments that potentially subject the Foundation to significant concentrations of credit risk consist principally of investments held in brokerage accounts with professional investment managers investing the funds and direct investments in investment partnerships. To manage its level of exposure, the Foundation utilizes the services of an investment advisor who evaluates the investment managers, provides quarterly reviews of portfolio performance, and monitors compliance with the Foundation's investment policies.

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

(13) Leasing Arrangements

The Foundation entered into a fifty year ground lease with a tenant, which began paying rent to the Foundation in 2018. The agreement includes a provision to adjust rental payments for inflation and other factors at certain intervals during the lease term. Future lease payments to be received for the next five years under the noncancelable operating lease are as follows:

Year ending December 31,	
2020	\$ 512,578
2021	518,985
2022	525,473
2023	532,041
2024	<u>538,692</u>
	<u>\$ 2,627,769</u>

THE GEORGE FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
December 31, 2019 and 2018

(14) Return on Investments

Return on investments for 2019 and 2018 consists of the following:

	<u>2019</u>	<u>2018</u>
Dividends and interest	\$ 6,828,616	\$ 5,498,656
Capital gain distributions	2,392,734	2,866,547
Net realized gain on investments	4,677,490	12,565,140
Less: investment expenses	<u>(914,761)</u>	<u>(1,127,650)</u>
	<u>\$ 12,984,079</u>	<u>\$ 19,802,693</u>

(15) Expenses

Total expenses in 2019 and 2018 are categorized as follows:

	<u>2019</u>	<u>Program</u>	<u>Administrative</u>	<u>Total</u>
Grants	\$ 13,531,994	\$ -	-	\$ 13,531,994
George Ranch Historical Park operations	1,347,042	-	-	1,347,042
Compensation - officers & directors	264,420	216,180	-	480,600
Salaries and wages	483,108	206,062	-	689,170
Employee benefits	89,493	58,641	-	148,134
Legal fees	43,987	56,297	-	100,284
Accounting fees	27,000	18,000	-	45,000
Other professional fees	28,730	78,276	-	107,006
Ad valorem taxes	18,125	68,361	-	86,486
Payroll taxes	39,257	21,138	-	60,395
Federal excise taxes	-	429,300	-	429,300
Occupancy	42,516	18,222	-	60,738
Amortization	-	11,333	-	11,333
Depreciation	378,572	51,854	-	430,426
Travel, conferences, and meetings	1,881	209	-	2,090
Insurance	69,994	44,862	-	114,856
Rental expenses	-	203,284	-	203,284
Office expenses	24,205	24,366	-	48,571
Grant-related expenses	100,768	-	-	100,768
Other expenses	<u>12,726</u>	<u>3,693</u>	<u>-</u>	<u>16,419</u>
Total functional expenses	16,503,818	1,510,078	-	18,013,896
Investment expenses	<u>-</u>	<u>914,761</u>	<u>-</u>	<u>914,761</u>
Total expenses	<u>\$ 16,503,818</u>	<u>\$ 2,424,839</u>	<u>\$ -</u>	<u>\$ 18,928,657</u>

THE GEORGE FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
December 31, 2019 and 2018

(15) Expenses (Continued)

<u>2018</u>	<u>Program</u>	<u>Administrative</u>	<u>Total</u>
Grants	\$ 14,421,042	\$ -	\$ 14,421,042
George Ranch Historical Park operations	1,329,765	-	1,329,765
Compensation - officers & directors	247,490	203,210	450,700
Salaries and wages	521,277	192,295	713,572
Employee benefits	93,839	60,991	154,830
Legal fees	42,173	75,597	117,770
Accounting fees	27,000	18,000	45,000
Other professional fees	17,833	12,138	29,971
Ad valorem taxes	21,362	94,282	115,644
Payroll taxes	39,894	21,481	61,375
Federal excise taxes	-	245,000	245,000
Occupancy	37,429	16,042	53,471
Amortization	-	11,304	11,304
Depreciation	341,956	50,704	392,660
Travel, conferences, and meetings	6,908	353	7,261
Insurance	73,519	45,808	119,327
Rental expenses	-	310,893	310,893
Office expenses	24,910	25,141	50,051
Grant-related expenses	56,732	-	56,732
Appraisals	-	50,175	50,175
Other expenses	<u>27,736</u>	<u>8,157</u>	<u>35,893</u>
Total functional expenses	17,330,865	1,441,571	18,772,436
Investment expenses	-	1,127,650	1,127,650
Total expenses	<u>\$ 17,330,865</u>	<u>\$ 2,569,221</u>	<u>\$ 19,900,086</u>

(16) Reclassifications

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements. The reclassifications had no effect on the net assets or the change in net assets.

(17) Related Party Transactions

The Foundation paid director fees to the members of the Board totaling \$120,600 and \$110,700, respectively, in 2019 and 2018.

THE GEORGE FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
December 31, 2019 and 2018

(18) Subsequent Events

The Foundation has evaluated subsequent events through August 25, 2020, the date which the financial statements were available to be issued. As of August 25, 2020, there were no subsequent events requiring further disclosure.