

THE GEORGE FOUNDATION
CONSOLIDATED
FINANCIAL STATEMENTS
December 31, 2020

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of The George Foundation (a nonprofit foundation), which comprise the consolidated statements of assets, liabilities, and net assets – federal excise tax basis as of December 31, 2020 and 2019, and the related consolidated statements of revenues, expenses, and other changes in net assets – federal excise tax basis for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets – income tax basis of The George Foundation as of December 31, 2020 and 2019, and the results of their revenues, expenses, and other changes in net assets for the years then ended in accordance with the basis of accounting The George Foundation uses for excise tax purposes as described in Note 2.

Basis for Opinion

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

Basis of Accounting

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the excise tax basis of accounting described in Note 2, and for determining that the excise tax basis of accounting is an acceptable basis for the presentation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Mohle Adams LLP

CERTIFIED PUBLIC ACCOUNTANTS

August 24, 2021

THE GEORGE FOUNDATION
CONSOLIDATED STATEMENTS OF ASSETS, LIABILITIES,
AND NET ASSETS – FEDERAL EXCISE TAX BASIS
December 31, 2020 and 2019

ASSETS

	<u>2020</u>	<u>2019</u>
Current:		
Cash and cash equivalents	\$ 6,223,178	\$ 4,478,523
Marketable securities (Note 3)	199,029,873	207,832,039
Other current assets	<u>19,192</u>	<u>30,926</u>
Total current assets	205,272,243	212,341,488
Accounts receivable, non-current (Note 4)	6,012,955	5,963,970
Investments in partnerships, noncurrent (Note 3)	12,888,859	10,845,150
Property, improvements, and equipment, net (Note 7)	33,961,946	33,756,630
Charitable use and grant related capital assets, net (Note 7)	7,030,230	6,599,855
Organizational and lease acquisition costs, net (Note 5)	505,706	517,049
Oil and gas properties, net (Note 11)	<u>58,973</u>	<u>58,973</u>
Total assets	<u>\$ 265,730,912</u>	<u>\$ 270,083,115</u>

LIABILITIES AND NET ASSETS

Noncurrent:		
Deposits	\$ 1,650	\$ 1,650
Commitments and contingencies (Note 8)		
Net assets:		
Unrestricted	<u>265,729,262</u>	<u>270,081,465</u>
Total liabilities and net assets	<u>\$ 265,730,912</u>	<u>\$ 270,083,115</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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Changes in unrestricted net assets:		
Revenue and gains:		
Oil and gas royalties	\$ 1,074,351	\$ 1,732,221
Rental income	1,473,588	1,214,325
Dividends (Note 14)	2,172,818	3,319,914
Interest (Note 14)	2,380,128	3,508,702
Capital gain distributions (Note 14)	2,686,295	2,392,734
Net realized gain on investments (Notes 6 & 14)	7,853,865	4,677,490
Gain (loss) on sale or retirement of assets	(1,381)	4,675,626
Other income	156,027	1,534,798
	<u>17,795,691</u>	<u>23,055,810</u>
Expenses: (Note 15)		
Grants (Note 9)	16,175,383	13,531,994
General and administrative expenses	2,387,987	2,177,315
George Ranch Historical Park operating expenses	1,773,477	1,347,042
Investment expenses (Note 14)	969,530	914,761
Federal excise tax expense	269,011	429,300
Ad valorem taxes	94,716	86,486
Depreciation - George Ranch Historical Park	374,757	341,494
Depreciation - other than George Ranch Historical Park	91,691	88,932
Amortization (Note 5)	11,342	11,333
	<u>22,147,894</u>	<u>18,928,657</u>
Increase (decrease) in unrestricted net assets	(4,352,203)	4,127,153
Net assets at beginning of year	270,081,465	265,957,243
Charitable use assets written off (Note 10)	-	(2,931)
Net assets at end of year	<u>\$ 265,729,262</u>	<u>\$ 270,081,465</u>

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

THE GEORGE FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020 and 2019

(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, 2020, the Foundation has \$205,272,243 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, 2020 and 2019.

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, 2020 and 2019

(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, 2020 and 2019 expenditures in the amounts of \$830,710 and \$649,213, respectively, have been capitalized as project costs and the expenditures of \$1,773,477 and \$1,347,042, 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 2020 and 2019 were \$34,518 and \$31,881, 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 2020 and 2019, the Foundation contributed \$340,000 and \$176,283, respectively, to the plan. The Foundation anticipates making \$227,023 of contributions in 2021, and approximately \$240,000 each of the following four years.

THE GEORGE FOUNDATION
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 December 31, 2020 and 2019

(2) Summary of Significant Accounting Policies (Continued)

Employee Benefit Plan (Continued)

Benefit payments of \$209,308 and \$199,715, respectively, were made for the years ended December 31, 2020 and 2019.

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, 2021, the date of the latest actuarial valuation, the Adjusted Funding Target Attainment Percentage, as defined by the Pension Protection Act of 2006, for 2020 and 2019 was 96.83% and 94.41%, respectively. As of December 31, 2020 and 2019, the market value of plan assets were \$4,164,524 and \$3,584,058, respectively. The accumulated benefit obligation at January 1, 2021 was \$3,993,058.

The following assumptions were used in estimating the pension obligation as of December 31, 2020:

Discount rate	5.40%
Rate of compensation increase	4.00%
Expected return on plan assets	6.00%

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. Beginning in 2020, net investment income is subject to a federal excise tax of 1.39%. 2019 net investment income was taxed at a rate of 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, 2020 and 2019 was \$269,011 and \$429,300, 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 underpayment penalty expenses of \$3,011 and \$147 during 2020 and 2019, respectively.

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 2020.

THE GEORGE FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
December 31, 2020 and 2019

(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, 2020 and 2019 are summarized as follows:

	<u>2020</u>	Market Value	Unrealized Gain (Loss)
Corporate stocks	\$ 47,628,293	\$ 86,802,761	\$ 39,174,468
U.S. & state government obligations	24,745,668	24,748,549	2,881
Corporate bonds and notes	6,404,049	6,182,277	(221,772)
Mutual funds	117,986,963	146,346,710	28,359,747
Partnerships	12,888,859	13,242,356	353,497
Other fixed income	<u>2,264,900</u>	<u>2,348,380</u>	<u>83,480</u>
	<u>\$ 211,918,732</u>	<u>\$ 279,671,033</u>	<u>\$ 67,752,301</u>
	<u>2019</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>

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, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Marketable securities - current	\$ 199,029,873	\$ 207,832,039
Investments in partnerships - noncurrent	<u>12,888,859</u>	<u>10,845,150</u>
	<u>\$ 211,918,732</u>	<u>\$ 218,677,189</u>

THE GEORGE FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
December 31, 2020 and 2019

(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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Fort Bend County Municipal Utility District #207	\$ 5,887,571	\$ 5,865,371
Fort Bend County Municipal Utility District #237	59,849	28,068
Fort Bend County Management District #3	29,269	28,942
Fairchild Farmers Cooperative Gin	32,283	36,543
Plains Cotton Cooperative Association	<u>3,983</u>	<u>5,046</u>
	<u>\$ 6,012,955</u>	<u>\$ 5,963,970</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, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>
Organizational costs	\$ 16,675	\$ 16,675	\$ 3,094	\$ 13,581
Lease acquisition costs	<u>534,919</u>	<u>534,919</u>	<u>42,794</u>	<u>492,125</u>
	<u>\$ 551,594</u>	<u>\$ 551,594</u>	<u>\$ 45,888</u>	<u>\$ 505,706</u>

	<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>

Amortization expense was \$11,342 and \$11,333 for the years ending December 31, 2020 and 2019, respectively.

THE GEORGE FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
December 31, 2020 and 2019

(6) Net Realized Gain on Investments

Net realized gains on the sales of investments for the periods ending December 31, 2020 and 2019 are presented as follows:

	<u>2020</u>	<u>2019</u>
Proceeds	\$ 93,702,449	\$ 79,266,114
Cost of securities sold	<u>(85,848,584)</u>	<u>(74,588,624)</u>
Net realized gains on investments	<u>\$ 7,853,865</u>	<u>\$ 4,677,490</u>

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

Capital assets at December 31, 2020 and 2019 consist of the following:

<u>2020</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Office buildings and equipment	\$ 755,789	\$ 371,294	\$ 384,495
Farm buildings and equipment	2,238,364	1,931,400	306,964
Real estate properties	<u>33,270,487</u>	<u>-</u>	<u>33,270,487</u>
Property, improvements, and equipment	<u>\$ 36,264,640</u>	<u>\$ 2,302,694</u>	<u>\$ 33,961,946</u>
Grant buildings and equipment	\$ 944,980	\$ 423,339	\$ 521,641
Park buildings and project costs	<u>23,324,454</u>	<u>16,815,865</u>	<u>6,508,589</u>
Charitable use and grant related capital assets	<u>\$ 24,269,434</u>	<u>\$ 17,239,204</u>	<u>\$ 7,030,230</u>

<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>

Depreciation expense was \$466,448 and \$430,426 for the years ending December 31, 2020 and 2019, respectively.

THE GEORGE FOUNDATION
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 December 31, 2020 and 2019

(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, 2020 totaling \$24,471,101 presented as follows and payable over the following years:

2021	\$ 11,956,974
2022	7,533,147
2023	2,657,500
2024	2,248,480
Thereafter	<u>75,000</u>
	<u>\$ 24,471,101</u>

As of December 31, 2020, the Foundation has an outstanding commitment to contribute \$1,940,000 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.

In 2020 and 2019, grant payments totaled \$16,175,383 and \$13,531,994, respectively, and included the following:

	<u>2020</u>	<u>2019</u>
Grants approved and paid within current year	\$ 9,191,828	\$ 6,624,474
Payments, grants deferred from prior years	<u>6,983,555</u>	<u>6,907,520</u>
	<u>\$ 16,175,383</u>	<u>\$ 13,531,994</u>

Grant refunds, if any, are recorded as other income. No grant refunds were received in 2020 or 2019.

(10) Changes to Net Assets

During 2019, charitable use assets of \$2,931 were written off to net assets in accordance with the federal excise tax basis of accounting.

THE GEORGE FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
December 31, 2020 and 2019

(11) Oil and Gas Properties

Oil and gas properties at December 31, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</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, 2020 and 2019, respectively.

(12) Financial Instruments, Concentrations and Credit Risk

At December 31, 2020 and 2019, 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 leased land is carried on the books at a tax basis of \$6,093,240. 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 non-cancelable operating lease are as follows:

Year ending December 31,	
2021	\$ 518,985
2022	525,473
2023	532,041
2024	538,692
2025	<u>545,425</u>
	<u>\$ 2,660,616</u>

THE GEORGE FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
December 31, 2020 and 2019

(14) Return on Investments

Return on investments for 2020 and 2019 consists of the following:

	<u>2020</u>	<u>2019</u>
Dividends and interest	\$ 4,552,946	\$ 6,828,616
Capital gain distributions	2,686,295	2,392,734
Net realized gain on investments	7,853,865	4,677,490
Less: investment expenses	<u>(969,530)</u>	<u>(914,761)</u>
	<u>\$ 14,123,576</u>	<u>\$ 12,984,079</u>

(15) Expenses

Total expenses in 2020 and 2019 are categorized as follows:

<u>2020</u>	<u>Program</u>	<u>Administrative</u>	<u>Total</u>
Grants	\$ 16,175,383	\$ -	\$ 16,175,383
George Ranch Historical Park operations	1,773,477	-	1,773,477
Compensation - officers & directors	300,700	238,300	539,000
Salaries and wages	490,050	196,300	686,350
Employee benefits	125,610	82,745	208,355
Legal fees	35,256	75,265	110,521
Accounting fees	27,300	18,200	45,500
Other professional fees	17,317	81,795	99,112
Ad valorem taxes	18,452	76,265	94,717
Payroll taxes	38,374	20,663	59,037
Federal excise taxes	-	269,011	269,011
Occupancy	48,925	20,968	69,893
Depreciation	411,552	54,896	466,448
Amortization	-	11,342	11,342
Travel, conferences, and meetings	1,449	161	1,610
Insurance	91,019	49,965	140,984
Rental expenses	-	274,568	274,568
Office expenses	24,574	41,193	65,767
Grant-related expenses	69,849	-	69,849
Trustee expenses	3,027	1,298	4,325
Other expenses	<u>10,261</u>	<u>2,854</u>	<u>13,115</u>
Total functional expenses	19,662,575	1,515,789	21,178,364
Investment expenses	-	969,530	969,530
Total expenses	<u>\$ 19,662,575</u>	<u>\$ 2,485,319</u>	<u>\$ 22,147,894</u>

THE GEORGE FOUNDATION
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December 31, 2020 and 2019

(15) Expenses (Continued)

<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
Depreciation	378,572	51,854	430,426
Amortization	-	11,333	11,333
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	12,726	3,693	16,419
Total functional expenses	16,503,818	1,510,078	18,013,896
Investment expenses	-	914,761	914,761
Total expenses	<u>\$ 16,503,818</u>	<u>\$ 2,424,839</u>	<u>\$ 18,928,657</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 \$156,000 and \$120,600, respectively, in 2020 and 2019.

THE GEORGE FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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(18) Subsequent Events

The Foundation has evaluated subsequent events through August 24, 2021, the date which the financial statements were available to be issued. As of August 24, 2021, there were no subsequent events requiring further disclosure.