

THE GEORGE FOUNDATION
CONSOLIDATED
FINANCIAL STATEMENTS
December 31, 2021

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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 non-profit foundation), which comprise the consolidated statements of assets, liabilities, and net assets – federal excise tax basis as of December 31, 2021 and 2020, 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 financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets – federal excise tax basis of The George Foundation as of December 31, 2021 and 2020, 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 23, 2022

THE GEORGE FOUNDATION
CONSOLIDATED STATEMENTS OF ASSETS, LIABILITIES,
AND NET ASSETS – FEDERAL EXCISE TAX BASIS
December 31, 2021 and 2020

ASSETS

	<u>2021</u>	<u>2020</u>
Current:		
Cash and cash equivalents	\$ 6,859,585	\$ 6,223,177
Marketable securities (Note 5)	204,536,230	199,029,873
Other current assets	<u>26,126</u>	<u>19,192</u>
Total current assets	211,421,941	205,272,242
Accounts receivable, non-current (Note 6)	6,456,028	6,012,955
Investments in partnerships, noncurrent (Note 5)	13,546,930	12,888,859
Property, improvements, and equipment, net (Note 8)	34,195,626	33,961,946
Charitable use and grant related capital assets, net (Note 8)	7,446,823	7,030,230
Organizational and lease acquisition costs, net (Note 7)	494,364	505,706
Oil and gas properties, net (Note 9)	<u>58,973</u>	<u>58,973</u>
Total assets	<u>\$ 273,620,685</u>	<u>\$ 265,730,911</u>

LIABILITIES AND NET ASSETS

Noncurrent:		
Deposits	\$ 1,900	\$ 1,650
Commitments and contingencies (Note 11)		
Net assets:		
Unrestricted	<u>273,618,785</u>	<u>265,729,262</u>
Total liabilities and net assets	<u>\$ 273,620,685</u>	<u>\$ 265,730,912</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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Changes in unrestricted net assets:		
Revenue and gains:		
Oil and gas royalties	\$ 1,662,173	\$ 1,074,351
Rental income	2,027,888	1,473,588
Dividends (Note 3)	2,307,640	2,172,818
Interest (Note 3)	2,037,171	2,380,128
Capital gain distributions (Note 3)	7,618,068	2,686,295
Net realized gain on investments (Notes 3 & 4)	14,423,056	7,853,865
Gain (loss) on sale or retirement of assets	404,853	(1,381)
Other income (Note 10)	<u>1,314,158</u>	<u>156,027</u>
	<u>31,795,007</u>	<u>17,795,691</u>
Expenses: (Note 12)		
Grants (Note 10)	16,924,636	16,175,383
General and administrative expenses	2,982,629	2,387,987
George Ranch Historical Park operating expenses	1,894,061	1,773,477
Investment expenses (Note 3)	1,097,834	969,530
Federal excise tax expense	399,172	269,011
Ad valorem taxes	87,449	94,716
Depreciation - George Ranch Historical Park (Note 8)	412,681	374,757
Depreciation - other than George Ranch Historical Park (Note 8)	95,680	91,691
Amortization (Note 7)	<u>11,342</u>	<u>11,342</u>
	<u>23,905,484</u>	<u>22,147,894</u>
Increase (decrease) in unrestricted net assets	7,889,523	(4,352,203)
Net assets at beginning of year	<u>265,729,262</u>	<u>270,081,465</u>
Net assets at end of year	<u>\$ 273,618,785</u>	<u>\$ 265,729,262</u>

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

THE GEORGE FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2021 and 2020

(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, 2021, the Foundation has \$211,421,942 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, 2021 and 2020.

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, 2021 and 2020

(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, 2021 and 2020 expenditures in the amounts of \$825,197 and \$830,710, respectively, have been capitalized as project costs and the expenditures of \$1,894,061 and \$1,773,477, 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 2021 and 2020 were \$38,332 and \$34,518, respectively.

Employee Benefit Plan

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

THE GEORGE FOUNDATION
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 December 31, 2021 and 2020

(2) Summary of Significant Accounting Policies (Continued)

Employee Benefit Plan (Continued)

In 2021 and 2020, the Foundation contributed \$235,078 and \$340,000, respectively, to the plan. The Foundation anticipates making \$228,000 of contributions in 2022.

Benefit payments of \$209,308 and \$209,308, respectively, were made for the years ended December 31, 2021 and 2020. The Foundation expects the plan to pay benefit payments approximating \$210,000 for the next five years.

The defined-benefit pension plan is funded in amounts sufficient to meet the minimum requirements of the Employee Retirement Income Security Act of 1974. As of January 1, 2022, the date of the latest actuarial valuation, the Adjusted Funding Target Attainment Percentage, as defined by the Pension Protection Act of 2006, for 2021 and 2020 was 108.91% and 96.83%, respectively. As of December 31, 2021 and 2020, the market value of plan assets were \$4,581,116 and \$4,164,524, respectively. The accumulated benefit obligation at January 1, 2022 was \$4,018,155.

The plan assets are composed of the following as of December 31, 2021 and 2020:

<u>FMV of Plan assets</u>	<u>2021</u>	<u>2020</u>
Cash	\$ 17,442	\$ 17,442
Mutual funds (Level 1)	<u>4,563,674</u>	<u>4,147,082</u>
	<u>\$ 4,581,116</u>	<u>\$ 4,164,524</u>

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

The following assumptions were used in estimating the pension obligation as of December 31, 2021:

Discount rate	4.98%
Rate of compensation increase	4.00%
Expected return on plan assets	6.00%

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

THE GEORGE FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
December 31, 2021 and 2020

(2) Summary of Significant Accounting Policies (Continued)

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%. Unrelated business income is subject to either trust tax rates or Schedule D tax rates. Excise tax expense for the years ended December 31, 2021 and 2020 was \$399,172 and \$269,011, 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 paid underpayment penalty expense and interest of \$3,011 during 2020, which was fully refunded, along with interest earned, during 2021.

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 2021.

(3) Return on Investments

Return on investments for 2021 and 2020 consists of the following:

	<u>2021</u>	<u>2020</u>
Dividends and interest	\$ 4,344,811	\$ 4,552,946
Capital gain distributions	7,618,068	2,686,295
Net realized gain on investments	14,423,056	7,853,865
Less: investment expenses	<u>(1,097,834)</u>	<u>(969,530)</u>
	<u>\$ 25,288,101</u>	<u>\$ 14,123,576</u>

(4) Net Realized Gain on Investments

Net realized gains on the sales of investments for the periods ending December 31, 2021 and 2020 are presented as follows:

	<u>2021</u>	<u>2020</u>
Proceeds	\$ 65,471,966	\$ 93,702,449
Cost of securities sold	<u>(51,048,910)</u>	<u>(85,848,584)</u>
Net realized gains on investments	<u>\$ 14,423,056</u>	<u>\$ 7,853,865</u>

THE GEORGE FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
December 31, 2021 and 2020

(5) 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, 2021 and 2020 are summarized as follows:

	<u>2021</u>	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gain (Loss)</u>
Corporate stocks	\$ 51,672,205	\$ 100,606,365	\$ 48,934,160	
U.S. & state government obligations	27,372,816	26,835,529	(537,287)	
Corporate bonds and notes	4,844,108	4,715,206	(128,902)	
Mutual funds	118,632,201	148,048,223	29,416,022	
Partnerships	13,546,930	14,458,847	911,917	
Other fixed income	<u>2,014,900</u>	<u>2,037,184</u>	<u>22,284</u>	
	<u>\$ 218,083,160</u>	<u>\$ 296,701,354</u>	<u>\$ 78,618,194</u>	
	<u>2020</u>			
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>	

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, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Marketable securities - current	\$ 204,536,230	\$ 199,029,873
Investments in partnerships - noncurrent	<u>13,546,930</u>	<u>12,888,859</u>
	<u>\$ 218,083,160</u>	<u>\$ 211,918,732</u>

THE GEORGE FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
December 31, 2021 and 2020

(6) 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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Fort Bend County Municipal Utility District #207	\$ 6,314,882	\$ 5,887,571
Fort Bend County Municipal Utility District #237	62,579	59,849
Fort Bend County Management District #3	29,611	29,269
Levee Improvement District #6	24,350	-
Fairchild Farmers Cooperative Gin	21,282	32,283
Plains Cotton Cooperative Association	3,324	3,983
	<u>\$ 6,456,028</u>	<u>\$ 6,012,955</u>

(7) 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, 2021 and 2020 consist of the following:

<u>2021</u>	<u>Cost</u>	Accumulated	
		<u>Amortization</u>	<u>Net</u>
Organizational costs	\$ 16,675	\$ 3,738	\$ 12,937
Lease acquisition costs	534,919	53,492	481,427
	<u>\$ 551,594</u>	<u>\$ 57,230</u>	<u>\$ 494,364</u>
<u>2020</u>	<u>Cost</u>	Accumulated	
		<u>Amortization</u>	<u>Net</u>
Organizational costs	\$ 16,675	\$ 3,094	\$ 13,581
Lease acquisition costs	534,919	42,794	492,125
	<u>\$ 551,594</u>	<u>\$ 45,888</u>	<u>\$ 505,706</u>

Amortization expense was \$11,342 and \$11,342 for the years ending December 31, 2021 and 2020, respectively.

THE GEORGE FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
December 31, 2021 and 2020

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

Capital assets at December 31, 2021 and 2020 consist of the following:

<u>2021</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Office buildings and equipment	\$ 781,310	\$ 381,082	\$ 400,228
Farm buildings and equipment	2,241,469	1,960,749	280,720
Real estate properties	<u>33,514,678</u>	<u>-</u>	<u>33,514,678</u>
Property, improvements, and equipment	<u>\$ 36,537,457</u>	<u>\$ 2,341,831</u>	<u>\$ 34,195,626</u>
Grant buildings and equipment	\$ 969,250	\$ 443,531	\$ 525,719
Park buildings and project costs	<u>24,186,001</u>	<u>17,264,897</u>	<u>6,921,104</u>
Charitable use and grant related capital assets	<u>\$ 25,155,251</u>	<u>\$ 17,708,428</u>	<u>\$ 7,446,823</u>
<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>

Depreciation expense was \$508,361 and \$466,448 for the years ending December 31, 2021 and 2020, respectively.

(9) Oil and Gas Properties

Oil and gas properties at December 31, 2021 and 2020 consist of the following:

	<u>2021</u>	<u>2020</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, 2021 and 2020, respectively.

THE GEORGE FOUNDATION
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 December 31, 2021 and 2020

(10) 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 2021 and 2020, grant payments totaled \$16,924,636 and \$16,175,383, respectively, and included the following:

	<u>2021</u>	<u>2020</u>
Grants approved and paid within current year	\$ 5,197,255	\$ 9,191,828
Payments, grants deferred from prior years	<u>11,727,381</u>	<u>6,983,555</u>
	<u>\$ 16,924,636</u>	<u>\$ 16,175,383</u>

Grant refunds, if any, are recorded as other income. Grant refunds of \$1,150,000 were received in 2021. No grant refunds were received in 2020.

(11) Commitments - Unpaid Conditional and Unconditional Grants

The Board of Trustees of the Foundation has approved unpaid conditional and unconditional grants as of December 31, 2021 totaling \$17,423,065 presented as follows and payable over the following years:

Expected year of payment	
2022	\$ 11,112,955
2023	3,986,630
2024	2,248,480
2025	50,000
2026	<u>25,000</u>
	<u>\$ 17,423,065</u>

As of December 31, 2021, the Foundation has an outstanding commitment to contribute \$1,940,000 to its partnership investment in Oak Tree Capital Management, LP.

THE GEORGE FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
December 31, 2021 and 2020

(12) Expenses

Total expenses in 2021 and 2020 are categorized as follows:

<u>2021</u>	<u>Program</u>	<u>Administrative</u>	<u>Total</u>
Grants	\$ 16,924,636	\$ -	\$ 16,924,636
George Ranch Historical Park operations	1,894,061	-	1,894,061
Compensation - officers & directors	302,750	242,750	545,500
Salaries and wages	618,601	206,358	824,959
Employee benefits	98,959	97,712	196,671
Legal fees	26,296	197,072	223,368
Accounting fees	27,900	18,600	46,500
Other professional fees	18,565	240,560	259,125
Ad valorem taxes	18,632	68,817	87,449
Payroll taxes	45,923	24,728	70,651
Federal excise taxes	-	399,172	399,172
Occupancy	47,648	20,421	68,069
Depreciation	449,650	58,711	508,361
Amortization	-	11,342	11,342
Travel, conferences, and meetings	202	22	224
Insurance	100,788	25,888	126,676
Rental expenses	-	286,350	286,350
Office expenses	34,789	33,625	68,414
Grant-related expenses	240,159	-	240,159
Trustee expenses	2,595	1,113	3,708
Other expenses	12,314	9,941	22,255
Total functional expenses	20,864,468	1,943,182	22,807,650
Investment expenses	-	1,097,834	1,097,834
Total expenses	<u>\$ 20,864,468</u>	<u>\$ 3,041,016</u>	<u>\$ 23,905,484</u>

THE GEORGE FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
December 31, 2021 and 2020

(12) Expenses (Continued)

<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	10,261	2,854	13,115
Total functional expenses	<u>19,662,575</u>	<u>1,515,789</u>	<u>21,178,364</u>
Investment expenses	-	969,530	969,530
Total expenses	<u>\$ 19,662,575</u>	<u>\$ 2,485,319</u>	<u>\$ 22,147,894</u>

(13) Related Party Transactions

The Foundation paid director fees to the members of the Board totaling \$150,000 and \$156,000, respectively, in 2021 and 2020.

THE GEORGE FOUNDATION
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 December 31, 2021 and 2020

(14) Financial Instruments, Concentrations and Credit Risk

At December 31, 2021 and 2020, 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.

(15) 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,	
2022	\$ 525,473
2023	532,041
2024	538,692
2025	545,425
2026	552,243
	<u>\$ 2,693,874</u>

(16) Subsequent Events

The Foundation has evaluated subsequent events through August 23, 2022, the date which the financial statements were available to be issued. As of August 23, 2022, there were no subsequent events requiring further disclosure.