San Antonio Area Foundation
Where Giving and Community Connect

San Antonio Area Foundation

Consolidated Financial Statements and Supplementary Information

December 31, 2022 and 2021

Confirmed in compliance with U.S. Standards for Community Foundations

Contents

Independent Auditor's Report

Audit Committee and the Board of Directors
San Antonio Area Foundation

Opinion
We have audited the consolidated financial statements of San Antonio Area Foundation (the Foundation), which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, 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 Foundation's financial statements present fairly, in all material respects, the financial position of the Foundation as of December 31, 2022 and 2021, and the changes in its net assets and its 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 required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter
As discussed in Note 1 and Note 10 to the financial statements, the Foundation has adopted Financial Accounting Standards Board Accounting Standards Codification Topic 842, Leases. Our opinion is not modified with respect to this matter.

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 issued or 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 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 for 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 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 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 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.

RSM US LLP

San Antonio, Texas
November 14, 2023

San Antonio Area Foundation

Consolidated Statements of Financial Position
December 31, 2022 and 2021

	2022	2021
Assets		
Cash and cash equivalents	$ 26,690,101	$ 33,992,975
Receivables:		
Accounts receivable and other receivables, net	1,755,204	894,941
Contributions receivable, net	11,228,604	21,700,762
Total receivables	12,983,808	22,595,703
Investments:		
Cash equivalent funds and securities	363,008,391	395,360,208
Limited liability companies and partnerships	32,172,728	24,767,192
Oil and gas interests and other assets	4,882,861	5,047,158
Real estate, leasing and theater operations, net	311,457,843	327,811,397
Total investments	711,521,823	752,985,955
Prepaid expenses and other assets	5,317,934	5,552,442
Right of use asset	12,514,685	-
Beneficial interest in trusts	182,291,939	205,418,266
Headquarters and equipment, net	447,326	877,210
Goodwill	74,543,320	74,543,320
Deferred tax asset	18,097,965	16,794,040
Total assets	$ 1,044,408,901	$ 1,112,759,911
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	$ 15,042,905	$ 11,462,235
Deferred revenue	1,779,540	3,189,291
Grants and scholarships payable, net	730,780	1,137,124
Income tax payable	908,574	898,081
Long-term liabilities:		
Long-term debt, less current maturities and unamortized deferred financing costs	-	35,776,117
Line of credit	15,500,000	-
Operating lease liabilities	12,514,685	-
Other long-term liabilities	867,082	835,928
Charitable funds held for the benefit of other organizations	13,482,712	16,761,057
Total liabilities	60,826,278	70,059,833
Net assets:		
Without donor restrictions:		
Designated for reserve fund	7,456,377	9,408,137
Donor advised and other designated funds	198,776,200	218,563,412
Undesignated funds	8,496,635	8,146,475
Total without donor restrictions	214,729,212	236,118,024
With donor restrictions	768,853,411	806,582,054
Total with donor restrictions	768,853,411	806,582,054
Total net assets	983,582,623	1,042,700,078
Total liabilities and net assets	$ 1,044,408,901	$ 1,112,759,911

See notes to consolidated financial statements.

San Antonio Area Foundation

Consolidated Statement of Activities
Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and support:			
Foundation:			
Grants and contributions of cash and other financial assets	$ 47,399,684	$ 5,064,994	$ 52,464,678
Contributions of nonfinancial assets	479,654	-	479,654
Investment income, net	3,122,966	11,093,790	14,216,756
Net realized and unrealized losses on investments	(28,948,740)	(24,713,544)	(53,662,284)
Mineral interest revenue, net	28,947	572,598	601,545
Change in value of beneficial interest in trusts	-	(23,126,327)	(23,126,327)
Change in value of gift annuities	16,038	(8,745)	7,293
Program revenue	732,938	-	732,938
Other income (expense)	162,243	(110,540)	51,703
Net assets released from restriction	17,428,646	(17,428,646)	-
	40,422,376	(48,656,420)	(8,234,044)
Enterprises:			
Theater box office, concessions and other theater revenue	-	86,539,844	86,539,844
Rental income	-	13,151,272	13,151,272
Interest income	-	603,928	603,928
Other income (expense)	(11,075)	5,803,295	5,792,220
Grant income	-	736,491	736,491
Realized gain on asset disposals, net	-	837,177	837,177
Net assets released from restriction	96,744,230	(96,744,230)	-
	96,733,155	10,927,777	107,660,932
Total revenues and support	137,155,531	(37,728,643)	99,426,888
Expenses:			
Foundation:			
Grants and scholarships	49,978,657	-	49,978,657
Program services	5,849,489	-	5,849,489
Fundraising	757,426	-	757,426
General and administrative	5,529,643	-	5,529,643
Federal taxes (refund)	(315,102)	-	(315,102)
	61,800,113	-	61,800,113
Enterprises:			
Theater and real estate operations	90,572,720	-	90,572,720
General and administrative	5,601,473	-	5,601,473
Income tax	570,037	-	570,037
	96,744,230	-	96,744,230
Total expenses	158,544,343	-	158,544,343
Change in net assets	(21,388,812)	(37,728,643)	(59,117,455)
Net assets at beginning of year	236,118,024	806,582,054	1,042,700,078
Net assets at end of year	$ 214,729,212	$ 768,853,411	$ 983,582,623

See notes to consolidated financial statements.

San Antonio Area Foundation

Consolidated Statement of Activities
Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and support:			
Foundation:			
Grants and contributions of cash and other financial assets	$ 51,220,038	$ 119,680,970	$ 170,901,008
Contributions of nonfinancial assets	629,923	-	629,923
Investment income, net	2,258,261	6,962,149	9,220,410
Net realized and unrealized gains on investments	16,115,859	16,304,731	32,420,590
Mineral interest revenue, net	18,959	526,336	545,295
Change in value of beneficial interest in trusts	8,498	11,288,583	11,297,081
Change in value of gift annuities	(114,713)	(9,526)	(124,239)
Program revenue	353,751	-	353,751
Other income	1,053,655	35	1,053,690
Net assets released from restriction	12,788,366	(12,788,366)	-
	84,332,597	141,964,912	226,297,509
Enterprises:			
Theater box office, concessions and other theater revenue	-	58,952,049	58,952,049
Rental income	-	12,831,320	12,831,320
Interest income	-	713,469	713,469
Investment income, net	-	3,505,415	3,505,415
Other income	-	853,152	853,152
Grant income	-	17,243,674	17,243,674
Realized gain on interest rate swaps	-	845,320	845,320
Realized gain on sale of investments	-	6,823,860	6,823,860
Net assets released from restriction	80,074,231	(80,074,231)	-
	80,074,231	21,694,028	101,768,259
Total revenues and support	164,406,828	163,658,940	328,065,768
Expenses:			
Foundation:			
Grants and scholarships	43,295,802	-	43,295,802
Program services	5,696,703	-	5,696,703
Fundraising	546,514	-	546,514
General and administrative	6,080,811	-	6,080,811
Federal taxes (refund)	(3,108,221)	-	(3,108,221)
	52,511,609	-	52,511,609
Enterprises:			
Theater and real estate operations	72,949,595	-	72,949,595
General and administrative	5,995,328	-	5,995,328
Impairment charges	889,537	-	889,537
Income tax	239,771	-	239,771
	80,074,231	-	80,074,231
Total expenses	132,585,840	-	132,585,840
Change in net assets	31,820,988	163,658,940	195,479,928
Net assets at beginning of year	269,618,714	658,712,505	928,331,219
Less: Warm Springs Foundation net assets	65,321,678	15,789,391	81,111,069
Adjusted net assets at beginning of year	204,297,036	642,923,114	847,220,150
Net assets at end of year	$ 236,118,024	$ 806,582,054	$ 1,042,700,078

See notes to consolidated financial statements.

San Antonio Area Foundation

Consolidated Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	$ (59,117,455)	$ 195,479,928
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Impairment of long-lived assets	-	889,537
Provision for bad debts	191,070	416,308
Depreciation and amortization	17,475,957	17,552,563
Net realized and unrealized (gains) losses on investments	5,086,339	(17,748,410)
Change in value of beneficial interest in trusts	23,126,327	(11,297,081)
Realized (gains) on interest rate swaps	-	(845,320)
(Gains) Losses on sale of property and equipment, land held for investment, and land held for sale	(649,503)	38,483
Noncash contributions	-	(109,057,198)
Paycheck Protection Program loan forgiveness	-	(747,300)
Interest earned on notes receivable	(13,843)	(13,060)
Restricted contributions	1,886,418	10,620,275
Net change in:		
Accounts receivable and other receivables, net	(1,037,488)	(74,044)
Contributions receivable, net	10,472,158	(9,563,416)
Prepaid expenses and other assets	(66,949)	(802,476)
Accounts payable and other liabilities	3,664,394	2,397,448
Deferred tax asset	(1,303,925)	(3,154,255)
Grants and scholarships payable, net	(406,344)	(78,531)
Deferred revenue	(1,409,751)	(2,921,154)
Other liabilities	1,861	51,608
Charitable funds held for the benefit of other organizations	(3,278,345)	2,104,945
Net cash provided by (used in) operating activities	(5,379,079)	73,248,850
Cash flows from investing activities:		
Purchases of property and equipment	(8,835,531)	(5,125,993)
Proceeds from sale of assets	9,769,059	4,001
Collections on notes receivable	-	54,854
Purchases of investments	(37,492,498)	(83,947,772)
Proceeds from sale of investments	57,516,739	64,451,548
Net cash provided by (used in) investing activities	20,957,769	(24,563,362)
Cash flows from financing activities:		
Payments on long-term debt	(36,475,207)	(39,432,522)
Proceeds from long-term debt	15,500,000	1,366,599
Net increase in liabilities due to annuitants	(19,939)	(6,698)
Restricted contributions-proceeds	(1,886,418)	(10,620,275)
Net cash used in financing activities	(22,881,564)	(48,692,896)
Net decrease in cash and cash equivalents	(7,302,874)	(7,408)
Cash and cash equivalents at beginning of year	33,992,975	35,319,660
Less: Warm Springs Foundation	-	1,319,277
	33,992,975	34,000,383
Cash and cash equivalents at end of year	$ 26,690,101	$ 33,992,975

(Continued)

San Antonio Area Foundation

Consolidated Statements of Cash Flows (Continued)
Years Ended December 31, 2022 and 2021

	2022	2021
Supplemental disclosures of cash flow information:		
Cash paid for interest	$ 1,138,755	$ 3,376,698
Supplemental disclosures of noncash flow information:		
Right-of-use assets obtained in exchange for operating lease liabilities	$ 12,514,685	$ -

See notes to consolidated financial statements.

Note 1. Foundation and Significant Accounting Policies

Description of the organization: San Antonio Area Foundation (the Foundation) is a community trust established to promote, guide and manage philanthropy for the benefit of the residents of the San Antonio metropolitan area, Bexar County and surrounding counties. The Foundation, incorporated on October 26, 1983, is a Texas nonprofit corporation without members or capital stock and is operated for religious, charitable, scientific, public safety, literary, educational, prevention of cruelty to children or animals and fostering national and international amateur sports competition purposes. Under the San Antonio Area Foundation Plan (the Plan), any individual, family, corporation or business may establish a trust under the Plan.

The accompanying consolidated financial statements include all funds held by or created for the benefit of the Foundation and its supporting organizations. The Foundation and its supporting organizations are recognized as public charities and have received determination letters from the Internal Revenue Service indicating they are exempt from federal income taxes on related income under Section 501(c)(3) of the Internal Revenue Code (the Code).

Basis of consolidation: The consolidated financial statements include the accounts of the Foundation (and all trusts created under the Plan), the supporting organizations and the various real estate entities. The Foundation has an economic interest in and maintains control of, through appointment of a majority of the members of the Board of Directors, each supporting organization. Throughout the consolidated financial statements, the consolidated entities are collectively referred to as the Foundation. All intercompany transactions and balances have been eliminated in the consolidated financial statements. The supporting organizations and their year of incorporation include:

- Gunn Family Foundation (1994)
- Richmond Family Foundation (2006)
- Rapier Educational Foundation (2010)
- Choose to Succeed (2012)
- Friends of the Carver Academy/IDEA (2013)
- City Education Partners (2015)
- John L. Santikos Charitable Foundation (2015)
- Culinary Health Education for Families (2017)
- Students + Startups (2019)
- Warm Springs (2007-2020)

Effective January 1, 2021, the Warm Springs Foundation, Inc. ended its supporting organization relationship with the Foundation. The Warm Springs Foundation's net assets of $81,111,069 were removed from the consolidated financial statements as of December 31, 2021.

In addition, the Foundation is the sole member of seven nonprofit corporations created to hold and manage donated real estate.

The John L. Santikos Living Trust (the Trust) was established by Mr. John L. Santikos. Prior to his death, Mr. Santikos conveyed 100% ownership interest in all his related entities (collectively, Enterprises) to the Trust. Mr. Santikos remained the Trustee of the Trust until his death on December 30, 2014, at which time the Trust became an irrevocable trust and a named Trustee was appointed pursuant to Mr. Santikos' directive in the Trust Agreement. Under the terms of the Trust, Mr. Santikos gifted the majority of his estate, including the ownership interests in Enterprises, cash and certain other miscellaneous property to the Foundation to be held by the Foundation for the benefit of a fund of the Foundation deemed the John L. Santikos Charitable Foundation (the Santikos Foundation).

The Santikos Foundation consists of Santikos Enterprises, LLC (Enterprises) and the Santikos Charitable Fund (the Charitable Fund). The transfer of these assets from the Trust to the Santikos Foundation was executed over the years following Mr. Santikos' death through a series of steps designed to facilitate an orderly transfer of ownership interests. The assets remaining in the Trust of $1,710,475 at December 31, 2022 are held by the trustee of the Trust in accordance with the final accounting for the Trust.

Note 1. Foundation and Significant Accounting Policies (Continued)

Enterprises is a Texas limited liability company formed in 2015 with nonprofit language and restrictions in its Certificate of Formation. On December 31, 2017, all assets and liabilities were transferred through a series of transactions from the Foundation to the Santikos Foundation, which is owned 100% by the Foundation. The Santikos Foundation is the sole member of Enterprises. Enterprises holds 100% of the membership interests of Santikos Theatres, LLC and the Theater Real Estate entities (collectively known as the Theater Entities). Santikos Theatres, LLC operates ten movie theaters in and around San Antonio, Texas, eight of which are owned by the Theater Real Estate entities. The Theater entities derive revenues from box office and concession sales, as well as other related theater operating revenues.

Enterprises also owns 100% of the membership interests of Real Estate Services, LLC. Real Estate Services, LLC operates several nontheater real estate entities owned by Enterprises. These nontheater real estate entities hold raw land and operate retail, industrial, and mixed-use centers involved in commercial real estate leasing and operations.

Basis of presentation: The Foundation's financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) applicable to not-for-profit organizations. To ensure the observance of limitations and restrictions placed on the use of available resources, the Foundation maintains its accounts in accordance with the principles and practices of fund accounting.

The Foundation's financial statements follow the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

Net asset classification: The Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) was enacted by the state of Texas effective September 1, 2007 (TUPMIFA). The Board of Directors of the Foundation (the Board) interpreted TUPMIFA to require the Foundation to exercise prudence in determining the spend policy for donor-restricted endowment funds while honoring the perpetual nature expressed by the donor, unless otherwise stipulated.

In accordance with United States Treasury regulations, as a community foundation, the Foundation possesses the unilateral right of variance power to remove donor-imposed restrictions upon a gift in response to changed circumstances. This power is exercisable only in narrowly defined circumstances. When this power is specifically incorporated within gift instruments, by reference to variance power or the Foundation's bylaws or Plan, the Foundation views its variance power as an explicit expression of donor intent (collectively referenced throughout these consolidated financial statements as explicit variance power).

The Board has concluded that gifts to the Foundation may be subject to one or more of three types of donor-imposed restrictions: (1) contributions received with restrictions as to the purpose(s) for which the gift may be used (purpose restriction), (2) contributions received with a requirement that some or all of the gift be retained for a specified period of time or until a specified event occurs (time restriction) and (3) contributions received with a requirement that the principal of the gift be retained in perpetuity (endowment restriction). The Board has determined that the Foundation's variance power applies to all three types of restrictions and that only those funds subject to time restrictions or endowment restrictions constitute endowment funds under TUPMIFA.

Without donor restrictions: Funds consist of net assets that are not subject to donor-imposed restrictions. The Foundation also classifies all funds with explicit variance power, subject only to purpose restrictions, as without donor restrictions.

Note 1. Foundation and Significant Accounting Policies (Continued)

With donor restrictions: Funds with purpose restrictions and without explicit variance power are classified as with donor restrictions. Funds subject to time restrictions with or without variance power are classified as with donor restrictions until the expiration of the time restriction. For endowment funds explicitly acknowledging variance power, the Foundation classifies as with donor restrictions (a) the original value of gifts contributed to the endowment in perpetuity and perpetual trusts created under the Plan, (b) the original value of subsequent gifts to the endowments in perpetuity and perpetual trusts created under the Plan and (c) accumulations to the endowments in perpetuity and trusts created under the Plan made in accordance with the direction of the applicable donor gift instrument. As donor-restricted endowment funds with explicit variance power are classified as with donor restrictions once amounts are appropriated for spending from these funds, such amounts are classified as without donor restrictions.

For endowment funds lacking explicit variance power, the Foundation classifies as with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument. Amounts appropriated from donor-restricted endowment funds are released to without donor restrictions once spent.

The following summarizes the types of restrictions with or without explicit variance power:

Restriction	With Explicit Variance Power	Without Explicit Variance Power
Purpose	Without donor restriction	With donor restriction
Time	With donor restriction	With donor restriction
Endowment	With donor restriction	With donor restriction
Unrestricted	Without donor restriction	Without donor restriction

In accordance with TUPMIFA, the Foundation considers the following factors in determining whether to appropriate or accumulate donor-restricted endowment funds:

- Duration and preservation of the fund
- Purposes of the Foundation and the donor-restricted endowment fund
- General economic conditions
- Possible effect of inflation and deflation
- Expected total return from income and the appreciation of investments
- Other resources of the Foundation
- Investment policies of the Foundation

Perpetual trusts created under the Plan for which the Foundation is not the trustee are classified as with donor restrictions, and these trusts are included in the Foundation's endowment. Although the individual trustees determine the investment policies for these funds, the Board determines the spending policies and maintains variance power over the ultimate distribution of these funds. Perpetual trusts held by third parties, not created under the Plan, are classified as with donor restrictions and beneficial interest in trusts.

Note 1. Foundation and Significant Accounting Policies (Continued)

In addition to contributions received with donor-imposed time restrictions or donor-imposed endowment restrictions, the Foundation also classifies its split-interest agreements, excluding charitable gift annuities (unless endowment restricted by the donor), as with donor restrictions due to the implied time restriction on the use of such assets. The Board concluded that split-interest funds, including charitable gift annuities, do not constitute institutional funds, as defined by TUPMIFA; therefore, they do not constitute endowment funds. Substantially all contributions received by the Foundation without a donor-imposed time restriction or a donor-imposed endowment restriction are classified as without donor restrictions. The Foundation holds 24 funds at December 31, 2022, which are purpose restricted, and the original gift instruments do not include explicit variance power, which are classified as with donor restrictions (purpose).

Revenue recognition: Contribution revenue is recognized as revenue when received and unconditionally promised. Bequests are recognized as contribution revenue at the date the will is declared valid by the probate court and the amount to be received by the Foundation can be estimated. Conditional promises to give are not recognized until the conditions on which they depend are met. Contributions are recorded as with or without donor restrictions based on the existence or nature of the restriction and in accordance with the Foundation's net asset classification policies. When a stipulated time restriction ends or donor restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Contributed services that create or enhance nonfinancial assets or that require specialized skills that are provided by individuals possessing those skills, and which would typically need to be purchased if not provided by donation, are recorded at fair value in the period received. Contributions of assets other than cash are recorded at their estimated fair value on the gift date.

Revenue for theater operations is generated principally through admission and concession sales with proceeds received at the point of sale. Other theater operating revenue consists primarily of product advertising and other ancillary revenues, which are recognized as income in the period earned. Enterprises recognizes revenue associated with gift certificates and advanced ticket sales at such time the items are redeemed, expire or redemption becomes unlikely. The determination of the likelihood of redemption is based on an analysis of historical trends.

Revenues from commercial real estate operations are generated principally through monthly lease rentals. Enterprises began recognizing income from leases in accordance with ASC Topic 842, Leases, upon adoption January 1,2022. Prior to January 1, 2022, Enterprises recognized income in accordance with ASC Topic 840. Minimum rents from tenants are recognized on a straight-line basis, net of rent abatements and contractual increases, over the term of the lease. Accordingly, the difference between rental income on a straight-line basis and rent contractually due to Enterprises is included in deferred revenue in the accompanying consolidated statements of financial position.

Revenues from tenant services and tenant fees and other income are recognized in accordance with ASC Topic 606 and are reflected as rental income on the statements of activities. Total rental income recognized from leases under ASC Topic 842 was approximately $9,664,000 for the year ended December 31, 2022. Total rental income recognized under ASC Topic 840 was approximately $9,654,000 for the year ended December 31, 2021.

Property operating cost recoveries from rentals of common area maintenance, real estate taxes and other recoverable costs are recognized in the period when the expenses are incurred.

Note 1. Foundation and Significant Accounting Policies (Continued)

Use of estimates: The preparation of the consolidated financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and to disclose contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash and cash equivalents: The Foundation considers all highly liquid investments with a maturity of three months or less when purchased, excluding cash equivalent funds held in the Foundation's investment portfolio, to be cash equivalents. Enterprises' cash equivalents include certificates of deposits with maturities of less than one year. The cash balance includes cash used for daily operations.

Accounts receivable and other receivables, net: Accounts receivable and other receivables consist primarily of tenant and credit card receivables, other receivables stated at net realizable value, and certain notes receivable. Accounts receivable are reduced by an allowance for the amount that may become uncollectible in the future. The allowance for doubtful accounts is reviewed periodically for adequacy by reviewing such factors as the credit quality of tenants, delinquency in payment, historical trends and current economic conditions. Accounts receivable as of December 31, 2022 and 2021, are presented net of an allowance for doubtful accounts of $319,356 and $471,225, respectively.

Contributions receivable, net: Contributions receivable include unconditional promises to give and are recognized in the period received by the Foundation. Conditional promises to give, which contain both donor-imposed conditions that represent a barrier that must be overcome and a right of return, are recognized when the condition or conditions on which they depend are met. Transfers of assets under conditional promises, which are received by the Foundation prior to fulfilling these conditions, are recorded as a liability (i.e., deferred revenue) until the conditions are met.

Contributions to be received after one year are recorded at the present value of their estimated future cash flows using a discount rate which is commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in the same net asset class and fund as the original contribution. An allowance is made for uncollectible contributions based upon management's judgment and analysis of the creditworthiness of the donors, past collection experience and other relevant factors. As a result of this analysis, management has determined that no allowance is necessary (see Note 2).

Investments: Substantially all investments for the Foundation are in cash equivalent funds, securities and investments in oil and gas interests managed by various investment managers and trustees. The majority of investments are combined into four common investment pools (Legacy portfolio, Managed portfolio, Index portfolio and Money Market portfolio) and invested on the basis of a total return policy to provide income and to improve opportunities to realize appreciation in investment values (see Note 3).

Investments in cash equivalent funds and securities: Cash equivalent funds and securities are reported at fair value. The Foundation elected to report the fair value of its common trust funds and certain alternative investments such as direct lending, hedge funds and absolute return funds, for which quoted market prices are not available, using the practical expedient. The practical expedient allows for the use of net asset value (NAV) either as reported by the investee fund or as adjusted by the Foundation's management.

Note 1. Foundation and Significant Accounting Policies (Continued)

Investments in limited liability companies and partnerships: Investments in limited liability companies and partnerships held directly by the Foundation are reported at fair value. Fair value is generally determined by independent appraisal at the time of donation and revalued annually by management (see Note 3). Investments in certain limited liability companies and limited partnerships held by Enterprises, which actively invest in and operate Class A hospitality, retail and commercial real estate throughout the United States, are intended to be long-term investments and are accounted for using the equity method of accounting under which Enterprises' share of net income (loss) in these investments is recognized as income (loss) in Enterprises' financial statements.

Investments in oil and gas interests: Oil and gas interests are reported at fair value. Fair value is generally determined by independent appraisal at the time of donation and revalued annually by management. Investments in oil and gas interests include interests held in various trusts (see Note 3).

Cash flow hedging instruments: Enterprises uses interest rate swaps to convert variable rate debt to a fixed rate. The swap agreements are accounted for under the *FASB Accounting Standards Codification* (ASC) topic Derivatives and Hedging, which requires that every derivative instrument be recorded on the statement of financial position at fair value. Not-for-profit guidance also requires that changes in the derivatives fair value of these cash flow hedges be recognized in the consolidated statement of activities. (See Note 19).

Investments in real estate, leasing and theater operations, net: Investments in real estate, leasing and theater operations consist primarily of land held for sale, land held for investment, real property and forms of real property interests, including buildings and equipment, which are used to produce lease income. The assets are carried at the lower of cost or fair value, net of accumulated depreciation. Substantially all investments in real estate, leasing and theater operations were originally donated to the Foundation, and it is the Foundation's policy to obtain appraisals from qualified appraisers at the time of donation. Due to the prohibitive cost of obtaining periodic appraisals, the Foundation does not subsequently estimate the fair value of real estate, leasing and theater operations if there are no identified events or changes in circumstances that may have a significant adverse effect on the fair value of the investment (see Note 4).

Expenditures for significant renovations, additions, renewals, and betterments which extend the economic lives of the assets are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Interest is capitalized based on qualifying costs incurred during the construction period for construction periods expected to exceed one year. Enterprises uses the specific identification method, whereby interest on loans that were incurred for specific construction projects is capitalized. Capitalized interest cannot exceed gross interest expense. Upon completion of the project or the asset being placed into use, interest ceases to be capitalized.

Depreciation is recorded using the straight-line method based on the expected useful lives which is 30 years for building and building improvements; 20 years for land improvements; the lesser of the useful life or the lease for leasehold and tenant improvements and 2-15 years for furniture, fixtures and equipment (see Note 4).

Note 1. Foundation and Significant Accounting Policies (Continued)

Prepaid expenses and other assets: Prepaid expenses and other assets consist of the following:

	December 31	
	2022	2021
Deferred leasing and financing cost, net	$ 1,306,422	$ 1,245,411
Deferred lease income	1,410,839	1,564,392
Prepaid expenses	1,926,773	2,039,761
Inventory	673,900	702,878
	$ 5,317,934	$ 5,552,442

Deferred leasing costs are capitalized and amortized on a straight-line basis over the life of the related lease. Lease income is recognized on a straight-line basis and the deferred lease income (asset) will be recognized in the change in net assets in the period earned.

Beneficial interest in trusts: The Foundation is the named beneficiary of perpetual trusts, a living trust, a testamentary trust and a life estate. Beneficial interest in trusts are recorded at fair value, which generally is based on the fair market value of the underlying assets held in the trust, as provided by the trustee. Management evaluates the fair values provided by the trustees when deemed appropriate (see Note 3).

Beneficial interest in perpetual trusts: The Foundation is the beneficiary of two perpetual trusts held by third parties, which do not incorporate the provisions of the Plan. Under the terms of these trusts, the Foundation has the irrevocable right to receive the income (or a percentage of the income) generated by the trusts in perpetuity.

Beneficial interest in living trust: The Foundation is the beneficiary of the John L. Santikos Living Trust. The living trust was established by Mr. Santikos to facilitate the transfer of his bequest to the Foundation. A nominal amount remains in this trust for its final accounting.

Beneficial interest in testamentary trust and life estate: During 2018, the Foundation was notified that it was a beneficiary of a large bequest. Due to the size and complexity of the estate, the final valuation was not completed until late 2019. A portion of assets were transferred directly to a third-party held trust that is a component part of the Foundation. The remainder of the assets are held in a third-party testamentary trust that provides a life estate provision. During the period of the life estate, the Foundation is a 50% income beneficiary of the testamentary trust. The underlying assets in the testamentary trust are recorded as a beneficial interest. For the years ended December 31, 2022 and 2021, the Foundation received $9,408,050 and $5,708,337 respectively, in distributions from the testamentary trust.

In 2021, the Foundation was able to value all of the assets held within the testamentary trust. An additional $111,657,386 was recorded as a contribution in 2021.

Headquarters and equipment: Headquarters and equipment are recorded net of accumulated depreciation at cost, or, if donated, estimated fair market value at the date of donation. The Foundation capitalizes all capital expenditures in excess of $3,000. Depreciation is recorded using the straight-line method based on the expected useful lives ranging from 5-15 years for furniture and fixtures, 3-5 years for equipment, and 5-10 years for software, and the lesser of the useful life or lease term for leasehold improvements (see Note 6).

Note 1. Foundation and Significant Accounting Policies (Continued)

Goodwill: Goodwill represents the excess of fair market value over total equity based on management's valuation in accordance with ASC, Intangibles—Goodwill and Other. Impairment analysis will be performed when a triggering event occurs. The Foundation recognized no impairment loss related to goodwill for the years ended December 31, 2022 and 2021, respectively.

Collections: The Foundation does not include either the cost or the value of its collections in the consolidated statements of financial position, nor does it recognize gifts of collection items as revenues. Purchases of collection items are recorded as decreases in net assets without donor restrictions in the year in which the items are acquired and proceeds from deaccessions or insurance recoveries are reflected as increases in net assets without donor restrictions (see Note 7).

Accounts payable and accrued expenses: The Foundation records accounts payable, accrued expenses, and other liabilities at cost.

	December 31	
	2022	2021
Accounts payable	$ 6,832,433	$ 7,880,853
Accrued payroll and benefits	3,312,159	3,202,851
Property taxes	4,639,387	99,666
Charitable gift annuities payable	258,926	278,865
Total accounts payable and accrued expenses	$ 15,042,905	$ 11,462,235

Charitable gift annuities payable represents amounts due to annuitants under agreements with the Foundation. Assets received are available for immediate use by the Foundation, and annual benefits are paid from Foundation assets and distributed to third-party beneficiaries over the term of the agreement. The liability is established based on life expectancy assumptions and the present value of the payments to be made. The liability is recalculated annually using the historical discount rate based on changes in life expectancy and payments made (see Note 5).

Deferred revenue: Deferred revenue includes rent collected from tenants prior to the period in which it is earned, advance ticket sales and gift certificates.

Grants and scholarships payable, net: Grants and scholarships payable represent unconditional amounts awarded, but not yet paid, to various not-for-profit organizations to assist with funding of general operations or special programs and scholarships payable to (or for the benefit of) students. Grants and scholarships to be paid after one year are discounted to net present value. Grants and scholarships contingent upon the occurrence of a specified and uncertain event are not recognized until the conditions on which they depend are met (see Note 8).

Long-term liabilities: Direct costs incurred in connection with obtaining the notes payable are capitalized and amortized over the term of the related indebtedness. As of December 31, 2022 and 2021, deferred financing costs netted against long-term debt totaled $106,418 and $69,932, respectively (see Note 9). Enterprises' long-term obligations are recorded at cost. As of December 31, 2022 and 2021, other long-term liabilities include tenant deposits of $711,362 and $664,952, and deferred rental expense of $0 and $53,294, respectively.

Note 1. Foundation and Significant Accounting Policies (Continued)

Charitable funds held for the benefit of other organizations: The Foundation follows ASC Topic 958, Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others. This guidance requires the Foundation to account for assets that are received from a not-for-profit organization for the benefit of that not-for-profit organization, or one of its supporting organizations, as a liability to the specified beneficiary concurrent with its recognition of the assets received. All asset transfers of this type, and the activity associated with those assets, are recognized as agency transactions (i.e., an increase/decrease in the respective asset category and the charitable funds held for the benefit of other organizations liability). Assets and liabilities related to such funds totaled $13,482,712 and $16,761,057 as of December 31, 2022 and 2021, respectively. Included in these amounts as of December 31, 2022 and 2021, are obligations totaling $316,064 and $446,135, respectively, due to other not-for-profit organizations, which result from charitable gift annuities in which the annuitant (donor) did not acknowledge variance power in the gift instrument and specified an unaffiliated organization as the charitable beneficiary.

Tax-exempt status: The Foundation and its supporting organizations are not-for-profit organizations and are exempt from federal income tax, except on unrelated business income, under section 501(c)(3) of the Code and have been determined not to be private foundations under section 509(a) of the Code. Enterprises is a Texas Limited Liability Company formed in 2015 with nonprofit language and restrictions in its Certificate of Formation.

ASC Topic 740 provides guidance for how uncertain tax positions should be recognized, measured, disclosed and presented in the financial statements. This requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Foundation’s tax return to determine whether the tax positions are more likely than not of being sustained when challenged or when examined by the applicable tax authority. Tax positions not deemed to meet the more likely than not threshold would be recorded as a tax asset or liability in the current year. Management has determined that there are no material uncertain tax positions.

Income taxes: Effective July 1, 2019, Enterprises elected to be taxed as an S corporation. An S corporation’s taxable income or loss is allocated to their members in accordance with the entity’s respective ownership percentages. All S corporations are subject to the Texas gross margin tax. A liability for the estimated Texas gross margin tax has been recorded in the consolidated financial statements. The Santikos Foundation is a not-for-profit organization and is exempt from federal income taxes under section 501(c)(3) of the Code, except to the extent it has unrelated business activities.

Significant components of federal income tax (benefit) expense for the Foundation are as follows:

	December 31	
	2022	2021
Current	$ 988,823	$ 1,065,732
Deferred	(1,303,925)	(4,173,953)
	$ (315,102)	$ (3,108,221)

Note 1. Foundation and Significant Accounting Policies (Continued)

Impairment: The Foundation reviews long-lived assets including investments in real estate, leasing and theater operations and headquarters and equipment for impairment whenever events and changes in circumstances indicate that the carrying value of the asset may not otherwise be recoverable. In connection with this review, the Foundation also re-evaluates applicable periods of depreciation and amortization for these assets. The Foundation assesses the recoverability by determining whether the net book value of the related asset will be recovered through the projected undiscounted future cash flows of the asset. If the Foundation determines that the carrying value of the asset may not be recovered, it measures any impairment based on the asset's fair value as compared to the asset's carrying value.

Once impairment is recognized the asset will not be written back to cost, even if the asset or investment subsequently increases in fair value. The factors considered by management in performing this assessment include current operating results; trends and prospects; and the effects of obsolescence, demand, competition and other economic factors. Enterprises recognized impairment losses of $0 and $889,537 during the years ended December 31, 2022 and 2021, respectively.

Contingencies: Certain conditions may exist at the date the consolidated financial statements are issued. These could result in a loss to the Foundation, but will only be determinable when one or more future events occur or fail to occur. The Foundation's management and its legal counsel assess such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Foundation or unasserted claims that may result in such proceedings, the Foundation's legal counsel and management evaluate the perceived merits of any legal proceedings or unasserted claims, as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability is accrued on the Foundation's consolidated financial statements. If the assessment indicates a potentially material loss contingency is not probable, but is reasonably possible, or is probable, but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss, if determinable and material, is disclosed. Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case, the guarantees would be disclosed. As of December 31, 2022, management has not identified nor recorded any material loss contingencies.

Recent accounting pronouncements: In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, Leases, (Topic 842), to increase transparency and comparability among organizations related to their leasing arrangements. Topic 842 did not have a material impact on the Foundation at December 31, 2022.

Note 1. Foundation and Significant Accounting Policies (Continued)

Lessee: The update requires lessees to recognize most leases on their statement of financial position as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Topic 842 also requires additional disclosure of key quantitative and qualitative information for leasing arrangements. Similar to the previous lease guidance, the update retains a distinction between finance lease (similar to capital leases in Topic 840, Leases) and operating leases, with classification affecting the pattern of expense recognition in the consolidated statement of activities. Enterprises adopted Topic 842 on January 1, 2022, using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior-period financial statement. Under this transition provision, Enterprises has applied Topic 842 to reporting periods beginning on January 1, 2022, while prior periods continue to be reported, and disclosed in accordance with the Enterprises' historical accounting treatment under ASC Topic, Leases.

Enterprises elected the "package of practical expedients" under the transition guidance within Topic 842, in which Enterprises does not reassess (1) the historical lease classification, (2) whether any existing contracts at transition are, or contain, leases, or (3) the initial direct costs for any existing leases. Enterprises has not elected to adopt the "hindsight" practical expedient, and therefore will measure the ROU asset and lease liability using the remaining portion of the lease term upon adoption of ASC 842 on January 1, 2022.

Enterprises determines if any arrangement is, or contains, a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates, enforceable rights and obligations. A contract is, or contains, a lease when (i) explicitly or implicitly identified assets have been deployed in the contract, and (ii) Enterprises obtains substantially all of the economic benefits from the use of that underlying asset and directs how, and for what purpose, the asset is used during the term of the contract. Enterprises also consider whether its service arrangements include the right to control the use of an asset.

Enterprises made an accounting policy election, available under Topic 842, not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease (or January 1, 2022, for existing leases upon the adoption of Topic 842). The ROU assets also include any initial direct costs incurred and lease payment made at or before the commencement date and are reduced by any lease incentives. To determine the present value of lease payments, Enterprises made an accounting policy election available to non-public companies to utilize an incremental borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of Topic 842).

Future lease payments may include fixed rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable they will be incurred.

Note 1. Foundation and Significant Accounting Policies (Continued)

Enterprises has made an accounting policy election to account for lease and non-lease components in its contracts as a single lease component for its real estate asset classes. The non-lease components typically represent additional services transferred to Enterprises, such as common area maintenance for real estate, which are variable in nature and recorded in variable lease expense in the period incurred.

Adoption of Topic 842 resulted in the recording of approximately $12,500,000 of additional ROU assets and approximately $12,500,000 of additional lease liabilities related to Enterprises operating leases, at January 1, 2022. The adoption of the new lease standard did not materially impact consolidated change in net assets, income or consolidated cash flows, and did not result in a cumulative-effect adjustment to the opening balance of member's equity.

Lessor: On January 1, 2022, Enterprises adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 842, Leases, using the modified retrospective approached by electing a package of practical expedients, including (1) to not reassess its prior conclusions under ASC Topic 840, Leases, regarding (a) whether a preexisting contract is, or contains, a lease, (b) whether a preexisting lease should be classified as an operating or finance lease, and (c) whether the initial direct costs capitalized for a preexisting lease under Topic 840 qualify for capitalization.

Enterprises lease primarily commercial property to tenants. The leases may contain extension and termination options that are predominantly at the sole discretion of the lessee, provided certain conditions are satisfied.

Topic 842 provides lessors a practical expedient, applicable by class of underlying asset, to not separate non-lease components from the associated lease component if certain criteria are met. An underlying asset is an asset that is the subject of a lease for which a right to use that asset has been conveyed to a lessee.

Lease components are elements of an arrangement that provide the customer with the right to use an identified asset. Non-lease components are distinct elements of a contract that are not related to securing the use of the leased assets and revenue is recognized in accordance with ASC Topic 606, Revenue from Contracts with Customers.

Enterprises assessed and concluded that the timing and pattern of transfer for non-lease components and the associated lease component are the same. Enterprises determined that the predominant component was the lease component and, as such, its leases will continue to be accounted for as operating leases and Enterprises have made a policy election to account for and present the lease component and the non-lease component as a single component in the revenue section of the consolidated statements of income within rental income. Prior to the adoption of Topic 842, non-lease components were included within reimbursement income on Enterprises consolidated statements of activities.

In addition, under Topic 842, lessors will only capitalize incremental direct leasing costs. As a result, starting January 1, 2022, Enterprises no longer capitalizes non-incremental direct costs. These costs are expensed as incurred and are included within general and administrative expenses on the statements of activities.

Note 1. Foundation and Significant Accounting Policies (Continued)

In January 2020, the FASB issued ASU No. 2020-01, *Investments—Equity Securities (Topic 321), Investments—Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815),* which clarifies that the observable price changes in orderly transactions that should be considered when applying the measurement alternative in accordance with the *FASB Accounting Standards Codification* accounting under ASC Topic 323. ASU No. 2020-01 also addresses questions about how to apply the guidance in Topic 815, Derivatives and Hedging, for certain forward contracts and purchased options to purchase securities that, upon settlement or exercise, would be accounted for under the equity method of accounting. This ASU was adopted by Santikos Enterprises on January 1, 2021, with no material impact on their consolidated financial statements. The adoption of ASU No. 2020-01 had no effect on the Foundation's consolidated financial statements for its year ending on December 31, 2022.

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, requiring an entity to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets as well as enhanced disclosures. ASU No. 2020-07 should be applied on a retrospective basis and effective for the Foundation for its year ending December 31, 2022. The presentation and disclosures of contributions of nonfinancial assets have been updated in accordance with the standard. See Note 15.

Recent accounting pronouncements issued: FASB ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which creates a new credit impairment standard for financial assets measured at amortized cost and available-for-sale debt securities. The ASU requires financial assets measured at amortized cost (including loans, trade receivables and held-to-maturity debt securities) to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses. The ASU requires that credit losses on available-for-sale debt securities be presented as an allowance rather than as a direct write-down. The measurement of credit losses for newly recognized financial assets (other than certain purchased assets) and subsequent changes in the allowance for credit losses are recorded in the statement of income as the amounts expected to be collected change. The ASU is effective for fiscal years beginning after December 15, 2022. ASU 2016-13 is effective for the Foundation as of January 1, 2023. The Foundation is currently evaluating the impact of adopting this new guidance on its financial statements and does not expect the impact to be significant.

Reclassifications: Certain prior-year amounts have been reclassified to conform to the current-year presentation. The reclassifications had no impact on the previously reported net assets or change in net assets.

Note 2. Contributions Receivable, Net

Unconditional contributions receivable, including amounts due under pledge and grant agreements, are expected to be collected as follows:

	December 31	
	2022	2021
Contributions receivable in:		
Less than one year	$ 5,207,023	$ 15,780,418
One year to five years	6,690,000	6,579,256
	11,897,023	22,359,674
Less unamortized discount (3.1%-4.25%)	668,419	658,912
	$ 11,228,604	$ 21,700,762

The Foundation was eligible for the Employee Retention Credit (ERC) under the CARES Act. Contributions revenue for the ERC at December 31, 2021 totaled $1,187,388, which represented refunds due on the 2021 Form 941-X Adjusted Employer's Quarterly Federal Tax Return or Claim Refund for the quarters ended March 31, June 30, and September 30, 2021. At December 31, 2021, a total of $784,066 in ERC refunds was paid, and the remaining was recorded in contributions receivable in the consolidated statements of financial position. At December 31, 2022, all receivables related to the ERC had been collected.

No amounts have been recognized in the consolidated financial statements for conditional promises to give because the conditions on which they depend have not been met. Conditional promises to give totaled $8,218,614 and $15,750,250 as of December 31, 2022, and 2021, respectively, and are conditional upon the achievement of specified targets and milestones, as specified in the respective grant agreements. The Foundation is also aware of additional naming in estate plans and wills; however, the Foundation does not currently have sufficient information to estimate these intentions to give.

Note 3. Fair Value Measurements and Disclosures

The Foundation's Investment Committee, appointed by the Board, is responsible for the overall management of the Foundation's investments in cash equivalent funds and securities (excluding investments in cash equivalent funds and securities held in trusts under the Plan), including the hiring and termination of investment managers, investment consultant(s), custodian banks and securities lending agents. The Foundation's investment consultants are responsible for sourcing, evaluating and selecting investments for recommendation to the Foundation's Investment Committee. The Foundation's finance department is responsible for the day-to-day operations involving due diligence and other testing procedures in regard to reviewing the reasonableness of fair value for all investments, which includes evaluating the accuracy and adequacy of information provided by custodians, brokers and managers. The valuation process for investments in cash equivalent funds and securities and all other fair value measurements are the responsibility of the Foundation's finance department. Fair value measurements for investments in limited liability companies and partnerships, investments in oil and gas interests, beneficial interests in the Trust and perpetual trusts are prepared by the Foundation's finance department and approved by the Board during its review and approval of the Foundation's audited consolidated financial statements.

Note 3. Fair Value Measurements and Disclosures (Continued)

Fair value measurements: The Foundation follows ASC Topic 820, Fair Value Measurements, which provides the framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The inputs to the three levels of the fair value hierarchy under ASC Topic 820 are described as follows:

Level 1: Inputs are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2: Inputs are quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability and inputs that are derived principally from, or corroborated by, observable market data by correlation to other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs are unobservable and significant to the fair value measurement.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. All transfers between fair value hierarchy levels are recognized by the Foundation at the beginning of each reporting period.

Financial assets and liabilities carried at fair value on a recurring basis include investments in cash equivalent funds and securities, investments in limited liability companies and partnerships, investments in oil and gas interests, beneficial interest in the Trust, beneficial interest in perpetual trusts, interest rate swaps and charitable funds held for the benefit of others.

The methods and assumptions used to estimate the fair value of assets and liabilities in the consolidated financial statements, including a description of the methodologies used for the classification within the fair value hierarchy, are as follows.

Contributions receivable, net: Fair value is the price a market participant would pay to acquire the right to receive the cash flows inherent in the promise to pay and, due to inclusion of a discount to net present value and allowance for uncollectible accounts, the carrying value approximates fair value.

Investments in cash equivalent funds and securities: All the Foundation’s marketable securities are valued by nationally recognized third-party pricing services. The Foundation gives highest priority to quoted prices in active markets for identical assets accessed at the measurement date. An active market for the asset is a market in which transactions for the asset occur with sufficient frequency and volume to provide pricing information on an ongoing basis and the Foundation classifies all such assets as Level 1. The Foundation gives a Level 2 priority to valuation prices where the valuation process involves inputs other than quoted prices included in Level 1 that are observable for the asset, either directly or indirectly, using the market approach. Level 2 inputs under the market approach include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets where there is not sufficient activity, and/or where price quotations vary substantially either over time or among market makers, or in which little information is released publicly. In certain cases, where Level 1 or Level 2 inputs are not available, investments are classified within Level 3 of the hierarchy.

Note 3. Fair Value Measurements and Disclosures (Continued)

Direct lending funds, common funds and other alternative investments are carried at fair value, which is based on the NAV per share, as provided by the fund manager and/or adjusted by the Foundation. The Foundation uses management agreements, analyst notes, audited financial statements and underlying investment holdings to evaluate the fund manager's valuation methodology (i.e., in determining whether the fund manager follows ASC Topic 820) and considers various other factors including contributions and withdrawals to the fund and monitoring unaudited interim reporting to determine if any adjustment to the NAV is necessary.

Investments in limited liability companies and partnerships: Fair value of limited liability companies and partnerships held by the Foundation are determined using either the income approach (discounted cash flows) or the market approach. In some cases, independent appraisals are obtained and then discounted by the Foundation to fair value for lack of marketability, minority interest and/or market risk and in certain circumstances, fair values are based on comparison to similar assets at the measurement date and/or identical assets as of a different measurement date. Due to the significant unobservable inputs required to estimate the fair value of these interests, the Foundation's investments in limited liability companies and partnerships are all classified as Level 3 within the hierarchy. The significant unobservable inputs used in the fair value measurement of the limited liability companies and partnerships are net operating income, net assets, cash flows, and other financial metrics that provide information about the financial health of the underlying assets. Significant increases (decreases) in any of those inputs would results in a higher (lower) fair value measurement. Investments in this category are generally illiquid and nonredeemable except in certain circumstances.

Investment in real estate partnerships: Enterprises has investments in limited partnerships invested in real estate ventures in the United States of America. The fair value of limited liability companies and partnerships are accounted for using the equity method of accounting under which Enterprises' share of net income (loss) in these investments is recognized as income (loss) in the consolidated financial statements.

Investments in oil and gas interests: Fair value of oil and gas interests are determined by the Foundation's management using a cash flow model (income approach) and consideration of other factors deemed relevant in the circumstances. Due to the significant unobservable inputs required to estimate the fair value of these investments, the Foundation's investments in oil and gas interests are classified as Level 3 in the hierarchy. The significant unobservable inputs used in the fair value measurement of oil and gas interests are the share price of oil and gas companies traded in over the counter markets, annual revenue, and net mineral interest income as reported on an annual basis. All measures are heavily impacted by the price and demand for oil and gas. Significant increases (decreases) in any of the inputs or the price and demand for oil and gas would result in a higher (lower) fair value measurement.

Note 3. Fair Value Measurements and Disclosures (Continued)

Beneficial interest in trusts: The majority of the remaining assets held in the living trust are held in cash and cash equivalents. Management has determined the fair value of the beneficial interest in the living trust using the market approach. The beneficial interest in this trust is classified as Level 1 in the fair value hierarchy. The fair value of the beneficial interest in perpetual trusts, testamentary trust and life estate are based on the interest of the trust for each individual beneficial interest, as determined by the third-party trustees, except for oil and gas interests which are determined by management using a cash flow model (income approach). Due to the significant unobservable inputs required to estimate the fair value of the underlying assets, the Foundation's beneficial interest in perpetual trusts, testamentary trust and life estate are classified as Level 3 in the hierarchy. The significant unobservable inputs used in the calculation of beneficial interest in perpetual trust, testamentary trust, and life estates are net income, net assets, and other financial metrics that provide information about the financial health of the underlying assets. Significant increases (decreases) in any of these inputs would results in a higher (lower) fair value measurement. Significant unobservable inputs used to value the beneficial interest in oil and gas interest are the share price of oil and gas companies traded in over the counter markets, annual revenue, and net mineral interest income as reported on an annual basis. Significant increases (decreases) in any of the inputs or the price and demand for oil and gas would result in a higher (lower) fair value measurement.

Charitable funds held for the benefit of other organizations: The liability's fair value is determined using identical or similar liabilities in the market. Fair value is based on the fair value of the investment assets held by the Foundation for the benefit of the recipient agencies. The specific assets held for the benefit of the other organizations have been classified as Level 1 within the hierarchy for investments in cash equivalent funds and securities.

Note 3. Fair Value Measurements and Disclosures (Continued)

The following tables represent assets and liabilities measured at fair value on a recurring basis, as reported in the consolidated statements of financial position as of December 31, 2022 and 2021, and by level within the fair value measurement hierarchy. The Foundation has no assets or liabilities carried at fair value on a nonrecurring basis as of December 31, 2022 and 2021.

	December 31, 2022			
	Total	Level 1	Level 2	Level 3
Assets:				
Investments in cash equivalent funds and securities:				
Cash and cash equivalents	$ 104,729,467	$ 104,729,467	$ -	$ -
Common stock	36,453,729	36,453,729	-	-
Corporate securities-preferred	196,550	196,550	-	-
Mutual funds	124,851,204	124,851,204	-	-
Corporate obligations	5,751,179	4,341,477	1,409,702	-
U.S. government agency obligations	4,268,887	3,037,751	1,231,136	-
Municipal Bonds	210,827	210,827	-	-
Mortgage backed securities	604,948	459,621	145,327	-
Real estate investment trusts	826,711	826,711	-	-
Investments held at NAV*	85,114,889	-	-	-
Total investments in cash equivalent funds and securities	363,008,391	275,107,337	2,786,165	-
Investments in limited liability companies and partnerships	6,224,991	-	-	6,224,991
Investments in limited liability companies and partnerships (equity method)	25,947,737	-	-	
Investments in oil and gas interests	4,391,366	-	-	4,391,366
Investments in real estate	491,495	-	-	491,495
Real estate, leasing and theater operations, net	311,457,843	-	-	-
Total investments	711,521,823	275,107,337	2,786,165	11,107,852
Beneficial interest in trusts	182,291,939	1,710,475	-	180,581,464
	$ 893,813,762	$ 276,817,812	$ 2,786,165	$ 191,689,316
Liabilities:				
Charitable funds held for the benefit of other organizations	$ 13,482,712	$ 13,482,712	$ -	$ -

* In accordance with Subtopic 820-10, certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position.

Note 3. Fair Value Measurements and Disclosures (Continued)

	December 31, 2021			
	Total	Level 1	Level 2	Level 3
Assets:				
Investments in cash equivalent funds and securities:				
Cash and cash equivalents	$ 61,478,965	$ 61,478,965	$ -	$ -
Common stock	51,972,153	51,447,936	524,217	-
Corporate securities-preferred	116,082	116,082	-	-
Mutual funds	177,619,965	177,619,965	-	-
Corporate obligations	5,145,264	3,135,105	2,010,159	-
U.S. government agency obligations	2,830,314	2,665,184	165,130	-
Municipal Bonds	1,154,198	1,154,198	-	-
Mortgage backed securities	2,236,524	2,062,206	174,318	-
Real estate investment trusts	153,861	153,861	-	-
Investments held at NAV*	92,652,882	-	-	-
Total investments in cash equivalent funds and securities	395,360,208	299,833,502	2,873,824	-
Investments in limited liability companies and partnerships	7,195,191	-	-	7,195,191
Investments in limited liability companies and partnerships (equity method)	17,572,001	-	-	-
Investments in oil and gas interests	4,689,658	-	-	4,689,658
Investments in real estate	357,500	-	-	357,500
Real estate, leasing and theater operations, net	327,811,397	-	-	-
Total investments	752,985,955	299,833,502	2,873,824	12,242,349
Beneficial interest in trusts	205,418,266	1,711,690	-	203,706,576
	$ 958,404,221	$ 301,545,192	$ 2,873,824	$ 215,948,925
Liabilities:				
Charitable funds held for the benefit of other organizations	$ 16,761,057	$ 16,761,057	$ -	$ -

* In accordance with Subtopic 820-10, certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position.

Note 3. Fair Value Measurements and Disclosures (Continued)

Investments owned by Enterprises as of December 31, 2022 and 2021 and accounted for under the equity method are summarized below.

	Ownership Interest (%)	2022	2021
Admiral Capital Fund	8%	$ 4,882,337	$ 4,378,654
Woodbine Development Legacy	3%	5,043,493	4,771,627
Woodbine Sidecar	17%	385,002	902,471
Woodbine Development Legacy Preferred Partners	3%	396,713	-
Sage DC (Navy Yard)	21%	1,916,900	2,063,360
Sage Oxford (Denver—Cruiseroom)	26%	2,211,882	1,854,459
Sage Baltimore (Hyatt Place)	27%	1,800,984	1,942,165
Titan Capital Fund	8%	512,585	1,659,265
Total equity investments in real estate partnerships		17,149,896	17,572,001
Total equity investment in joint venture		5,196,753	-
Total pooled Investments		3,601,088	-
Total Investments		$ 25,947,737	$ 17,572,001

A summary of financial information for Enterprises equity-method investments in the aggregate as of and for the years ended December 31, 2022 and 2021 is as follows:

	Investments in Real Estate Ventures Year Ended December 31, 2022				
	Titan Capital Fund	Woodbine Funds[1]	Admiral Capital Fund	Sage Funds[2]	Total
Investment property, net	$ 24,150,035	$ 174,544,182	$ 61,313,174	$ 26,224,029	$ 286,231,420
Cash	2,750,602	636,427	251,134	119,090	3,757,253
Other assets	58,702	-	142,574	1,485,472	1,686,748
Total assets	$ 26,959,339	$ 175,180,609	$ 61,706,882	$ 27,828,591	$ 291,675,421
Current liabilities	$ 736,253	$ 1,846,358	$ 403,818	$ 3,339,042	$ 6,325,471
Mortgages payable	14,714,660	-	500,000	-	15,214,660
Total liabilities	15,450,913	1,846,358	903,818	3,339,042	21,540,131
Partners'/members' capital	11,508,426	173,334,251	60,803,064	24,489,549	270,135,290
Total liabilities and partners' members' capital	$ 26,959,339	$ 175,180,609	$ 61,706,882	$ 27,828,591	$ 291,675,421

[1] Amounts include aggregated financial information from the Companies' investments in the Woodbine Development Legacy and Woodbine Sidecar Funds.

[2] Amounts include aggregated financial information from the Companies' investments in the Sage DC, Sage Oxford and Sage Baltimore Funds.

Note 3. Fair Value Measurements and Disclosures (Continued)

	Investments in Real Estate Ventures Year Ended December 31, 2021				
	Fund	Woodbine Funds1	Admiral Capital Fund	Sage Funds2	Total
Investment property, net	$ 31,332,881	$ 155,915,763	$ 53,467,561	$ 25,808,177	$ 266,524,382
Cash	5,035,614	696,076	770,605	245,636	6,747,931
Other assets	145,460	105	28,006	1,233,424	1,406,995
Total assets	$ 36,513,955	$ 156,611,944	$ 54,266,172	$ 27,287,237	$ 274,679,308
Current liabilities	$ 716,460	$ 1,374,150	$ 502,768	$ 2,934,828	$ 5,528,206
Mortgages payable	14,994,049	-	-	-	14,994,049
Total liabilities	15,710,509	1,374,150	502,768	2,934,828	20,522,255
Partners'/members' capital	20,803,446	155,237,794	53,763,404	24,352,409	254,157,053
Total liabilities and partners' members' capital	$ 36,513,955	$ 156,611,944	$ 54,266,172	$ 27,287,237	$ 274,679,308

[1] Amounts include aggregated financial information from the Companies' investments in the Woodbine Development Legacy and Woodbine Sidecar Funds.

[2] Amounts include aggregated financial information from the Companies' investments in the Sage DC, Sage Oxford and Sage Baltimore Funds.

	Investments in Real Estate Ventures Year Ended December 31, 2022				
	Titan Capital Fund	Woodbine Funds[1]	Admiral Capital Fund	Sage Funds[2]	Total
Operating income (loss)	$ 3,205,212	$ (869,890)	$ 1,709,552	$ -	$ 4,044,874
Operating expenses	3,448,818	618,773	868,736	178,712	5,115,039
Net operating income (loss)	(243,606)	(1,488,663)	840,816	(178,712)	(1,070,165)
Other income (loss)	735,011	-	-	486,645	1,221,656
Net change in unrealized appreciation on investments	-	8,447,586	6,207,583	-	14,655,169
Interest expense	(704,759)	-	(8,739)	-	(713,498)
Net income (loss)	$ (213,354)	$ 6,958,923	$ 7,039,660	$ 307,933	$ 14,093,162

[1] Amounts include aggregated financial information from the Companies' investments in the Woodbine Development Legacy and Woodbine Sidecar Funds.

[2] Amounts include aggregated financial information from the Companies' investments in the Sage DC, Sage Oxford and Sage Baltimore Funds.

Note 3. Fair Value Measurements and Disclosures (Continued)

	Investments in Real Estate Ventures Year Ended December 31, 2021				
	Titan Capital Fund	Woodbine Funds[1]	Admiral Capital Fund	Sage Funds[2]	Total
Operating income (loss)	$ 5,007,883	$ (13,453,335)	$ 2,600,062	$ -	$ (5,845,390)
Operating expenses	4,672,788	815,037	906,974	333,280	6,728,079
Net operating income (loss)	335,095	(14,268,372)	1,693,088	(333,280)	(12,573,469)
Other income (loss)	16,766,367	-	-	(3,731,861)	13,034,506
Net realized gain on sale of real estate	31,410,289	-	1,447,663	-	32,857,952
Net change in unrealized appreciation on investments	-	111,782,867	7,709,877	-	119,492,744
Interest expense	(1,078,630)	-	(45,435)	-	(1,124,065)
Net income (loss)	$ 47,433,121	$ 97,514,495	$ 10,805,193	$ (4,065,141)	$ 151,687,668

[1] Amounts include aggregated financial information from the Companies' investments in the Woodbine Development Legacy and Woodbine Sidecar Funds.

[2] Amounts include aggregated financial information from the Companies' investments in the Sage DC, Sage Oxford and Sage Baltimore Funds.

As of December 31, 2022 and 2021, unfunded commitments related to the equity-method investments totaled $504,000 and $4,505,849, respectively.

The following table summarizes the valuation techniques and significant unobservable inputs used for the Foundation's assets and liabilities that are categorized within Level 3 of the fair value hierarchy as of December 31, 2022:

Financial Instruments Type	Fair Value	Valuation Techniques	Unobservable Input (c)	Range of Inputs (Weighted Average)
Assets:				
Investments in limited liability companies and partnerships	$6,224,991	Discounted cash flows	Market comparables Discount for lack of marketability (a) Discount for lack of control (a)	N/A 10.00%-15.00% (12.07%)
Investment in oil and gas interests	$4,391,366	Discounted	Revenue multiple (b)	7.3 (7.3)
Investments in real estate	$491,495	Market approach	Market comparables	N/A
Beneficial interest in trusts	$180,581,464	Market approach	Discount rate (a)	N/A

(a) Represents amounts used when the Foundation has determined that market participants would take into account these discounts when pricing the asset or liability.
(b) Represents amounts used when the Foundation has determined that market participants would use such multiples when pricing the investment.
(c) Significant increases or decreases in any of the above unobservable inputs in isolation may result in a significantly lower or higher fair value measurement.

Note 3. Fair Value Measurements and Disclosures (Continued)

The Foundation's investments in certain entities that calculate fair value using NAV per share or its equivalent include the following as of December 31, 2022 and 2021:

	Fair Value		Unfunded	Redemption	Redemption
	2022	2021	Commitments	Frequency	Notice Period
Investments in cash equivalent funds and securities:					
Direct lending (a)	$ 3,646,531	$ 4,044,235	$ 3,058,517	Monthly, Illiquid	30-90 days, N/A
Hedged value funds (b)	6,692,224	6,687,534	-	Liquidating	N/A
Domestic mid/large cap funds (c)	10,833,243	12,160,396	-	Daily	Daily
Domestic small cap funds (d)	877,558	1,483,652	-	Daily	Daily
Taxable fixed income funds (e)	16,540,662	18,380,794	-	Daily, Monthly	Daily, 45 days
International and emerging market equity funds (f)	42,912,152	47,314,966	-	Daily, Monthly	Daily, 30 days
Private equity (g)	3,612,519	2,581,305	1,251,260	Quarterly—Illiquid	5 days, N/A
	$ 85,114,889	$ 92,652,882	$ 4,309,777		

(a) Investments of privately negotiated high-yielding senior debt, subordinated debt and preferred equity investments in franchised business in the United States. Investments in these funds do not provide for redemption until dissolution of the fund, which is expected to occur between two to five years. Distributions are received through liquidation of the underlying assets of the fund.

(b) Investments in strategies where managers seek to profit from price disparities between two or more instruments with identical or similar characteristics. The strategies generally are event driven whereby managers seek to capitalize on price movements caused by anticipated corporate events or fixed income and convertible arbitrage whereby managers seek to capitalize on pricing inefficiencies of the embedded option in a convertible bond.

(c) Investment strategy focuses on pooling equity investments primarily based in the United States for mid to large capitalization companies, which are either categorized as growth companies offering strong earnings potential, or companies which are considered by managers to be undervalued by the market and provide strong value prospects.

(d) Investment strategy focuses on pooling equity investments primarily based in the United States for small capitalization companies, which are either categorized as growth companies offering strong earnings potential, or companies which are considered by managers to be undervalued by the market and provide strong value prospects.

(e) Investment to achieve income consistency through investment in income producing debt securities.

(f) Investment strategy incorporates the pooled assets of small trusts focusing on investment in equity assets in international and emerging markets.

(g) Equity-based strategies that provide investment capital in exchange for ownership in privately-held assets (e.g., businesses, real estate properties, infrastructure, etc.). These are illiquid investments that typically require a liquidity event (e.g., initial public offering, merger, acquisition, or disposition) in order to generate a majority of their financial returns. The strategies that hold these assets commonly have a ten-year fund life, with up to 13 years after they make a commitment.

Note 4. Investments in Real Estate, Leasing and Theater Operations

The Foundation's investments in real estate, leasing and theater operations consist of the following:

	December 31	
	2022	2021
Land and land improvements	$ 69,079,230	$ 66,579,097
Land held for investment	22,919,489	29,450,447
Buildings and building improvements	224,513,624	222,899,781
Leasehold and tenant improvements	36,771,257	34,859,937
Furniture, fixtures and equipment	36,106,734	30,968,118
Construction in progress	1,162,761	3,207,000
	390,553,095	387,964,380
Less accumulated depreciation and amortization	82,290,907	67,818,638
	308,262,188	320,145,742
Land held for sale	3,195,655	7,665,655
	$ 311,457,843	$ 327,811,397

Investments in real estate, leasing and theater operations with a net book value of $308,262,188 and $320,145,742 as of December 31, 2022 and 2021, respectively, are held in various real estate entities, which are wholly owned by the Santikos Foundation. These real estate entities hold theater, raw land and operate retail and mixed-use centers involved in commercial real estate leasing and operations.

Note 5. Split-Interest Agreements

As of December 31, 2022 and 2021, the Foundation has recorded $380,455 and $533,566 in fair value of charitable gift annuities and $1,014,876 and $1,324,374, respectively, in the fair value of charitable remainder unitrust as assets (i.e., investment in cash equivalent funds and securities) in its consolidated statements of financial position. Assets received under these agreements are recorded at fair value and in the appropriate net asset category. Liabilities have been established for which the Foundation is obligated to an annuitant under a charitable gift annuity and beneficiaries under charitable remainder unitrust. Liabilities representing the amounts owed to annuitants under a charitable gift annuity totaled $21,572 and $28,581 as of December 31, 2022 and 2021, respectively. Amounts owed to beneficiaries under a charitable remainder unitrust totaled $237,355 and $250,284 as of December 31, 2022 and 2021, respectively.

Note 5. Split-Interest Agreements (Continued)

Beneficial interest in perpetual trusts: The Foundation is the beneficiary of two perpetual trusts, not created under the Plan, and for which the Foundation is not the trustee. The Foundation's interests in these trusts range from 10% to 100%. The Foundation relies on the fair market values provided by the trustees.

Intentions to give: The Foundation is also the revocable beneficiary of charitable remainder unitrusts in which it does not serve as the trustee. The terms of the various trust agreements currently allow the grantors of the trusts to change the charitable beneficiary. Due to the uncertainty as to whether the Foundation will be the ultimate beneficiary of these trusts, their values are not reflected in the consolidated financial statements until such time as the charitable beneficiary is irrevocable.

Note 6. Headquarters and Equipment

Headquarters and equipment consist of the following:

	December 31	
	2022	2021
Leasehold and tenant improvements	$ -	$ 1,213,257
Furniture and fixtures	69,554	274,280
Equipment	160,208	190,705
Software	348,805	707,445
Building	150,000	150,000
Construction in progress	44,796	16,360
	773,363	2,552,047
Less accumulated depreciation	326,037	1,674,837
Headquarters and equipment, net	$ 447,326	$ 877,210

Note 7. Collections

The Foundation maintains various collections of works of art, historical treasures and similar assets. These collections are maintained for public exhibition, education and research in furtherance of public service rather than for financial gain. Substantially all of these assets are protected, kept unencumbered, cared for and preserved by a local art school. As a matter of policy, the proceeds of items in collections that are sold are used to acquire other items for collections.

Note 8. Grants and Scholarships Payable

Grants and scholarships payable as of December 31, 2022, are expected to be paid as follows:

Years ending December 31:	
2023	$ 591,280
2024	71,500
2025	38,000
2025	30,000
	$ 730,780

Note 8. Grants and Scholarships Payable (Continued)

Conditional grant commitments are recognized when the conditions on which they depend are met. As of December 31, 2022 and 2021, the Foundation has conditional grant and scholarship commitments of $12,789,719 and $8,022,661, respectively. The commitments are contingent upon the achievement of milestones and targeted outcomes, as outlined in the grant agreements.

Note 9. Long-Term Debt

Enterprises long-term debt consists of the following:

	December 31	
	2022	2021
Notes payable to Bank of San Antonio; collateralized by land and buildings; bearing interest at LIBOR plus applicable margin (3%, principle payments of $7,500,000 were due in November 2023 and 2024, with a final balloon payment due at maturity in November 2025). These were paid off in 2022.	$ -	$ 36,451,207
	-	36,451,207
Less: deferred financing cost, net of accumulated amortization of	-	675,090
	$ -	$ 35,776,117

In addition, Santikos Enterprises, LLC also has a $40,000,000 line of credit which is collateralized by specific shopping centers including assignment of rents. At December 31, 2022, there were borrowings on the line of credit totaling $15,500,00 leaving an availability of $24,500,000. The line of credit has a five-year term and matures in 2025. Borrowings bear interest at a rate of Prime plus 100 basis points, with a floor of 3.5% and a cap of 4.25%. At December 31, 2022 and 2021, the effective interest rate attributable to borrowings under the line of credit was 4.25% and 3.5% respectively.

Note 10. Leases

As a Lessee

Rental expenses for the Foundation's headquarters was $413,055 and $392,985 for the years ended December 31, 2022 and 2021, respectively. This lease ended on December 31, 2022. The Foundation entered into a new headquarters lease agreement with a commencement date of May 30, 2023.

Enterprises has two theater leases which primarily qualify as operating leases. Rental expense for these two theaters totals approximately $600,000 and $100,000 for the years ended December 31, 2022 and 2021, respectively, and are included in operating and administrative expenses on the consolidated statements of income.

Note 10. Leases (Continued)

The following table summarizes the fixed, future minimum rental payments, excluding variable costs, at December 31, 2022:

Years ending December 31:	
2023	$ 1,093,035
2024	1,093,035
2025	1,093,035
2026	1,093,035
2027	1,093,035
Thereafter	11,666,549
Total undiscounted rental payments	17,131,724
Less imputed interest	4,617,039
Total lease liabilities	$ 12,514,685

The weighted average remaining lease term was 16 years at December 31, 2022. Enterprises does not include renewal options in the lease term for calculating the lease liability unless Enterprises is reasonably certain they will exercise the option or the lessor has the sole ability to exercise the option. The weighted average incremental borrowing rate was 4.25% at December 31, 2022. Enterprises assigned a collateralized interest rate to each lease based on the term.

As a Lessor

Enterprises real estate properties are leased to tenants under noncancelable operating leases with various expiration dates through 2034. Future minimum rentals to be received under noncancelable operating leases as of December 31, 2022, excluding expense reimbursements, are as follows:

Years ending December 31:	
2023	$ 9,701,821
2024	8,726,318
2025	7,935,452
2026	7,096,480
2027	4,426,629
Thereafter	10,197,058
	$ 48,083,758

As discussed in Note 1 to the consolidated financial statements, rental revenues were accounted for under the previous lease accounting standard through December 31, 2021, and are accounted under ASC Topic 842 following adoption. There were no significant changes to Enterprises revenue accounting upon adoption of ASC Topic 842.

Note 11. Commitments and Contingent Liabilities

Enterprises is involved in claims and litigation in the normal course of business. Management believes the applicable insurance coverage is adequate to cover costs of settlement and defense of such claims and litigation.

Note 12. Total Net Asset Composition

In addition to endowment funds, the Foundation also manages other nonendowed funds. The Foundation's total net asset composition as of December 31, 2022, is summarized as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowments	$ -	$ 581,219,099	$ 581,219,099
Board-designated endowments	798,559	-	798,559
Total endowed funds	798,559	581,219,099	582,017,658
Nonendowed funds:			
Designated	16,007,638	808,437	16,816,075
Donor advised	115,124,874	-	115,124,874
Field of interest	29,349,013	1,663,227	31,012,240
Fiscal Sponsorships		500,000	500,000
Operating	8,609,285	25,000	8,634,285
Scholarship	15,256,706	514,073	15,770,779
Supporting organization	22,344,096	1,831,636	24,175,732
Undesignated	7,239,041	-	7,239,041
Total nonendowed funds	213,930,653	5,342,373	219,273,026
Beneficial interest in trusts	-	182,291,939	182,291,939
	$ 214,729,212	$ 768,853,411	$ 983,582,623

For the year ended December 31, 2022, the Foundation and Enterprises incurred $17,428,646 and $96,744,229, respectively, in expenses that satisfied the restricted purposes of net assets.

The Foundation's total net asset composition as of December 31, 2021, is summarized as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowments	$ -	$ 595,431,358	$ 595,431,358
Board-designated endowments	966,488	-	966,488
Total endowed funds	966,488	595,431,358	596,397,846
Nonendowed funds:			
Designated	19,729,326	867,364	20,596,690
Donor advised	127,069,984	408	127,070,392
Field of interest	32,833,194	1,596,075	34,429,269
Operating	7,532,151	69,421	7,601,572
Scholarship	14,435,691	819,397	15,255,088
Supporting organization	24,495,217	2,329,765	26,824,982
Undesignated	9,055,973	50,000	9,105,973
Total nonendowed funds	235,151,536	5,732,430	240,883,966
Beneficial interest in trusts	-	205,418,266	205,418,266
	$ 236,118,024	$ 806,582,054	$ 1,042,700,078

For the year ended December 31, 2021, the Foundation and Enterprises incurred $12,788,366 and $80,074,231, respectively, in expenses that satisfied the restricted purposes of net assets.

Note 13. Endowments

The Foundation's endowment consists of funds established for a variety of purposes. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Foundation had one board-designated endowment as of December 31, 2022 and 2021.

As of December 31, 2022, the endowment net assets composition by type is comprised of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment funds:			
Designated	$ -	$ 32,277,502	$ 32,277,502
Donor advised	-	2,957,637	2,957,637
Field of interest	-	20,846,487	20,846,487
Scholarship	-	77,458,490	77,458,490
Supporting organization	-	447,310,116	447,310,116
Undesignated	-	368,867	368,867
Board-designated	798,559	-	798,559
Total funds endowed	$ 798,559	$ 581,219,099	$ 582,017,658

As of December 31, 2021, the endowment net assets composition by type was as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment funds:			
Designated	$ -	$ 39,299,926	$ 39,299,926
Donor advised	-	3,546,837	3,546,837
Field of interest	-	26,372,719	26,372,719
Scholarship	-	80,048,019	80,048,019
Supporting organization	-	445,750,985	445,750,985
Undesignated	-	412,872	412,872
Board-designated	966,488	-	966,488
Total funds endowed	$ 966,488	$ 595,431,358	$ 596,397,846

In addition to net assets resulting from cash equivalent funds and securities, the Foundation's endowment is also comprised of Enterprises' net assets (as the donor's gift is restricted for endowment).

Note 13. Endowments (Continued)

The Foundation had the following changes in endowment net assets for the year ended December 31, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets as of January 1, 2022	$ 1,660,364	$ 595,725,483	$ 597,385,847
Enterprises comprehensive income	-	10,927,778	10,927,778
Contributions	-	1,886,418	1,886,418
Other adjustments	(693,875)	696,376	2,501
Net investment losses with donor restrictions	(167,930)	(748,227)	(916,157)
Amounts appropriated for expenditures	-	(27,268,729)	(27,268,729)
Endowment net assets as of December 31, 2022	$ 798,559	$ 581,219,099	$ 582,017,658

The Foundation had the following changes in endowment net assets for the year ended December 31, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets as of January 1, 2021	$ 864,434	$ 546,725,500	$ 547,589,934
Enterprises comprehensive income	-	21,694,028	21,694,028
Contributions	-	10,620,275	10,620,275
Other adjustments	-	(9,491)	(9,491)
Net investment earnings with donor restrictions	102,054	30,761,200	30,863,254
Amounts appropriated for expenditures	-	(14,360,154)	(14,360,154)
Endowment net assets as of December 31, 2021	$ 966,488	$ 595,431,358	$ 596,397,846

Funds with deficiencies: The Foundation considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of the initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Foundation has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures under law.

The Foundation has a policy that permits spending from underwater endowment funds depending on the degree to which the fund is underwater, unless otherwise precluded by donor intent or relevant laws and regulations. The current policy restricts spending from funds that are underwater two times the annual spend rate.

Note 13. Endowments (Continued)

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature are reported in net assets with donor restrictions and totaled $934,610 and $15,690 as of December 31, 2022 and 2021, respectively, as follows:

	December 31	
	2022	2021
Original gift (corpus) amount	$ 16,292,999	$ 30,640
Fair value at year-end	15,358,389	14,950
Total deficiency	$ 934,610	$ 15,690

Return objectives and risk parameters: The investment objective is to obtain a total rate of return that exceeds the anticipated impact of inflation on the consumer price index, plus all annual investment, administration, and charitable expenditures.

Strategies employed for achieving objectives: To satisfy its long-term rate of return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk parameters.

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 investment policy has established an achievable return objective through diversification of investment assets.

Spending policy and how the investment objectives relate to spending policy: The spending policy calculates the amount of money annually appropriated for spending from the Foundation’s various endowment funds. The current spending policy is to appropriate an amount equal to 4% of a moving 12-quarter average through the end of the third quarter preceding the fiscal year in which the distribution is planned for all types of funds. The Foundation reviews its endowment spending policy annually and considers the long-term expected return on the endowment, the anticipated rate of inflation and the funds’ specific expenses.

Trusts held by third-party trustees created under the Plan and held in the Foundation’s endowment are subject to the Foundation’s endowment spending policies, but are not subject to the Foundation’s endowment investment policies.

Note 14. Grants and Credits

Enterprises follows ASC 450 related to contingencies which indicates that contingent gains should not be recognized prior to the gain being realizable. As such, any grants or credits received will be recognized when the Company qualifies to receive and has received the funds.

During the fiscal years ended December 31, 2022 and 2021, Enterprises received approximately $740,000 and $17,300,000, respectively, of grant proceeds received under two Shuttered Venue Operators Grants (SVOG), which were recorded in the consolidated statements of income as grant income. Through December 31, 2022, Enterprises had used approximately $18,000,000 of the grant proceeds received during the fiscal ended December 31, 2021. The SVOG program was established by the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act, and amended by the American Rescue Plan Act and is administered by SBS's Office of Disaster Assistance in response to uncertain economic conditions caused by the COVID-19 pandemic. The grants do not have to be repaid if used for allowable expenses as defined by the program.

During the fiscal year ended December 31, 2022, Enterprises received approximately $4,700,000 of Employee Retention Credits (ERC), which were recorded in the consolidated statement of activities as other income. The ERC program was created under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and was created to encourage employers to retain and continue paying employees during periods of pandemic-related reductions in business volume.

Note 15. Contributed Nonfinancial Assets

Contributions of nonfinancial assets are recorded at their fair values in the period received. For the years ended December 31, 2022, and 2021, respectively, the Foundation received $479,654 and $629,923 of donated goods and services including professional services, office space, event space, and catering. The amounts are included as contributions of nonfinancial assets on the consolidated statement of activities.

	2022	2021			
Contributed nonfinancial asset type	Revenue Recognized	Revenue Recognized	Utilization in Programs/Activities	Donor Restrictions	Valuation Techniques and Inputs
Professional Services	$ 447,333	$ 330,467	Management and General, Programmatic, and Fundraising	None	FMV of goods services values using standard industry pricing for similar services
Office Space	28,956	293,456	Management and General, Programmatic, and Fundraising	None	FMV of goods services values using standard industry pricing for similar services
Event Space	3,365	-	Programmatic	None	FMV of goods services values using standard industry pricing for similar services
Catering	-	6,000	Fundraising	None	FMV on date of contribution based on prices of products
Total	$ 479,654	$ 629,923			

Note 16. Functional Expenses

The following reflects the classification of expenses for the Foundation and the Charitable Fund by both the underlying nature of the expense and function, for the year ended December 31, 2022. An individual expense is allocated to the underlying activity through which it was incurred. The Foundation has certain expenses that must be allocated on a reasonable basis, which has been consistently applied. Depreciation, rent and occupancy expenses are allocated based on a square footage. Salaries of the Foundation are allocated based on a time study of where the efforts were made. The remaining expenses of the Foundation are allocated based on the function of the division or the underlying funds within a division. The Foundation and the Charitable Fund have excluded a federal tax benefit totaling $(315,102) for the year ended December 31, 2022, from functional expenses below.

	Foundation and Charitable Fund				
	Program Activities				
	Grants and Scholarships	Program Services	Fundraising	General and Administrative	Total
Grants and scholarships	$ 49,978,657	$ -	$ -	$ -	$ 49,978,657
Personnel expenses	-	2,353,922	424,930	3,205,153	5,984,005
Professional services	-	1,521,214	88,224	863,802	2,473,240
Occupancy	-	520,617	31,890	278,626	831,133
Office expenses	-	361,622	51,932	403,323	816,877
Equipment and technology	-	378,031	42,044	335,290	755,365
Public relations and community engagement	-	555,920	113,543	42,437	711,900
Depreciation and amortization	-	116,946	4,839	173,676	295,461
Dues and staff development	-	41,217	24	227,336	268,577
	$ 49,978,657	$ 5,849,489	$ 757,426	$ 5,529,643	$ 62,115,215

The following reflects the classification of expenses for the Foundation and the Charitable Fund by both the underlying nature of the expense and function, for the year December 31, 2021. The Foundation and the Charitable Fund have excluded a federal tax benefit totaling $(3,108,221) for the year ended December 31, 2021, from functional expenses below.

	Foundation and Charitable Fund				
	Program Activities				
	Grants and Scholarships	Program Services	Fundraising	General and Administrative	Total
Grants and scholarships	$ 43,295,802	$ -	$ -	$ -	$ 43,295,802
Personnel expenses	-	2,277,604	290,571	3,567,466	6,135,641
Professional services	-	1,627,825	32,641	819,043	2,479,509
Occupancy	-	633,343	20,641	570,165	1,224,149
Public relations and community engagement	-	630,794	136,818	32,621	800,233
Equipment and technology	-	282,289	36,382	444,219	762,890
Office expenses	-	112,254	23,561	258,872	394,687
Depreciation and amortization	-	113,150	5,823	247,668	366,641
Dues and staff development	-	19,444	77	140,757	160,278
	$ 43,295,802	$ 5,696,703	$ 546,514	$ 6,080,811	$ 55,619,830

Note 16. Functional Expenses (Continued)

The following reflects the classification of expenses for Enterprises by both the underlying nature of the expense and function, for the year ended December 31, 2022. An individual expense is allocated to the underlying activity through which it was incurred. Bank and credit card fees, payroll benefits, depreciation, rent and occupancy for Enterprises have been allocated among the divisions and supporting services benefited. Enterprises has excluded a federal income tax expense totaling $570,037 and interest expense totaling $1,138,755 for the year ended December 31, 2022, from functional expenses below.

	Enterprises		
	Theater and Real Estate Operations	General and Administrative	Total
Cost of sales	$ 31,605,172	$ -	$ 31,605,172
Personnel expenses	17,826,901	3,039,436	20,866,337
Depreciation and amortization	16,957,325	222,995	17,180,320
Occupancy	17,205,362	811,223	18,016,585
Office expenses	3,638,654	406,040	4,044,694
Professional services	1,015,268	549,774	1,565,042
Equipment and technology	1,159,247	481,638	1,640,885
Dues and subscriptions	26,036	90,367	116,403
	$ 89,433,965	$ 5,601,473	$ 95,035,438

The following reflects the classification of expenses for Enterprises by both the underlying nature of the expense and function, for the year ended December 31, 2021. Enterprises has excluded a federal income tax expense totaling $239,711, interest expense totaling $3,376,697 and impairment expense of $889,537 for the year ended December 31, 2021, from functional expenses below.

	Enterprises		
	Theater and Real Estate Operations	General and Administrative	Total
Cost of sales	$ 20,471,442	$ -	$ 20,471,442
Personnel expenses	13,860,822	3,695,983	17,556,805
Depreciation and amortization	16,938,650	247,272	17,185,922
Occupancy	13,762,616	768,007	14,530,623
Office expenses	2,718,119	334,641	3,052,760
Professional services	887,951	466,772	1,354,723
Equipment and technology	908,500	378,093	1,286,593
Dues and subscriptions	24,798	104,560	129,358
	$ 69,572,898	$ 5,995,328	$ 75,568,226

Note 17. Retirement Plans

The Foundation has adopted a Simplified Employee Pension Plan. All full-time employees of the Foundation, excluding employees of Enterprises, are eligible beneficiaries immediately upon hire. The percentage contributed by the Foundation is set annually and may range from 0% to 25% of an employee's gross wages. Contributions are immediately fully vested. The percentage contributed was 6% in 2022 and 2021. The amounts contributed were $302,921 and $307,042 for the years ended December 31, 2022 and 2021, respectively.

The Foundation has adopted the San Antonio Area Foundation 403(b) Plan (the Retirement Plan). Eligible employees may make voluntary contributions to the Retirement Plan, subject to Internal Revenue Service (IRS) limitations. All Foundation employees, excluding employees of Enterprises, may participate in the Retirement Plan. The Foundation does not make contributions to this Retirement Plan. Benefits paid under the Retirement Plan are limited to the sum of the employee's contributions and investment earnings on those contributions.

Enterprises established a 401(k) plan for all its (and its consolidated entities) eligible employees. Eligible employees may contribute a percentage of their annual compensation limited to a maximum amount as set by the IRS. Enterprises will match 50% of the employee's elective contributions up to 6%. During 2022 and 2021, Enterprises elected to make a safe harbor nonelective contribution on behalf of each eligible employee in an amount equal to 3% of the employees' annual compensation. Enterprises contributed $657,463 and $596,852 for the years ended December 31, 2022 and 2021, respectively.

Note 18. Concentrations of Credit Risk

The Foundation maintains its cash and cash equivalents in bank deposit accounts that, at times, may exceed federally insured limits. Accounts are generally guaranteed by the Federal Deposit Insurance Corporation up to $250,000. The Foundation has not experienced any losses in such accounts. The Foundation also maintains accounts with multiple brokerage firms, which include industry-grade money market funds, mutual funds, equities, government obligations and other asset classes. Balances are insured up to $500,000 (with a limit of $250,000 for cash) by the Securities Investor Protection Corporation. At times, balances within these accounts may exceed the insured limits. Management believes the Foundation is not exposed to any significant risk with respect to its cash and cash equivalents.

In 2022, 34% of total revenues was received from two donors. In 2021, 34% of total revenues was received from a bequest from one donor.

Real estate operations (see Note 4) are subject to a number of risks and uncertainties due to its concentration in the real estate industries, including, but not limited to, the cyclical nature of real estate operations, governmental regulations, environmental considerations, competition, the availability of financing and the risk of natural disasters that may occur where the Foundation's real estate properties are located.

Theater operations are subject to a number of risks and uncertainties due to its concentration in the movie theater industry, including, but not limited to, competition in attracting patrons, licensing motion pictures and low barriers to entry by national, regional and independent movie theaters.

Note 19. Derivative Obligations

During 2021, Enterprises closed out all remaining derivate positions. The change in the fair value of the interest rate swaps is recognized as a realized gain which totaled $845,320 for the year ended December 31, 2021.

Note 20. Liquidity and Availability

The Foundation regularly monitors liquidity required to meet its operating needs and other commitments, while also striving to maximize the return on investment of its funds not required for annual operations. As part of the Foundation's liquidity management, it structures its financial assets to be available as its general expenditures, liabilities and other obligations become due. For the purpose of analyzing resources available to meet general expenditures over a 12-month period, the Foundation considers all expenditures related to its ongoing mission-related activities, as well as the conduct of services performed to support those activities.

The following financial assets are available to meet general expenditures:

	December 31	
	2022	2021
Cash and cash equivalents	$ 26,690,101	$ 33,992,975
Accounts receivable and other receivables, net	1,755,204	894,941
Contributions receivable, net	11,228,604	21,700,762
Notes receivable		
Cash equivalent funds and securities	363,008,391	395,360,208
Inventory	673,900	702,878
	403,356,200	452,651,764
Less:		
Amounts not due within one year or subject to donor restriction	8,197,709	20,927,329
Amounts subject to donor restriction	311,468,704	340,026,602
Financial assets available to meet cash needs for general expenditures within one year	$ 83,689,787	$ 91,697,833

The Foundation manages its cash available for grantmaking purposes by examining the fund for purpose and time restrictions. Funds with purpose and time restrictions are not considered available for general expenditures. Endowment funds consist of donor-restricted endowments. As described in Note 13, the Foundation's endowments are subject to an annual spending rate. During 2022, the spending rate was 3.5%. A spendable amount estimated to be $14,860,895 will be made available for grantmaking from these endowments during 2023.

Note 21. Subsequent Events

Subsequent events have been evaluated through November 14, 2023, which is the date the consolidated financial statements were available to be issued.

On July 17, 2023, in an asset purchase arrangement, Santikos Theaters, LLC purchased the assets of the operations of 17 theaters located throughout the Southeast of the United States. The purchase price for those assets approximated $60 million, subject to a net working capital based- purchase price adjustment. The assets were placed in a newly formed entity, Santikos Theaters GAS, LLC, for which Santikos Theaters, LLC is the sole member/owner. The line of credit was increased to $88 million. The purchase price was borrowed on the line of credit.

Supplementary Information

RSM

RSM US LLP

Independent Auditor's Report on the Supplementary Information

Audit Committee and the Board of Directors
San Antonio Area Foundation

We have audited the consolidated financial statements (collectively, the financial statements) of San Antonio Area Foundation (the Foundation) as of and for the years ended December 31, 2022 and 2021, and have issued our report thereon, which contains an unmodified opinion on those financial statements. See page 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 purposes 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.

RSM US LLP

San Antonio, Texas
November 14, 2023

San Antonio Area Foundation

Consolidating Statement of Financial Position
December 31, 2022

	San Antonio Area Foundation	John L. Santikos Charitable Foundation: Santikos Enterprises, LLC	John L. Santikos Charitable Foundation: Charitable Fund	Eliminations	Consolidated
Assets					
Cash and cash equivalents	$ 13,304,834	$ 13,180,826	$ 204,441	$ -	$ 26,690,101
Receivables:					
Accounts receivable and other receivables, net	613,459	908,256	3,106,913	(2,873,424)	1,755,204
Contributions receivable, net	12,096,875	-	-	(868,271)	11,228,604
Total receivables	12,710,334	908,256	3,106,913	(3,741,695)	12,983,808
Investments:					
Cash equivalent funds and securities	347,871,660	-	18,666,346	(3,529,615)	363,008,391
Limited liability companies and partnerships	6,224,991	25,947,737	-	-	32,172,728
Oil and gas interests and other assets	4,882,861	-	-	-	4,882,861
Real estate, leasing and theater operations, net	-	311,457,843	-	-	311,457,843
Total investments	358,979,512	337,405,580	18,666,346	(3,529,615)	711,521,823
Prepaid expenses and other assets	474,937	4,838,816	4,181	-	5,317,934
Right of use asset	-	12,514,685	-	-	12,514,685
Beneficial interest in trusts	180,581,464	-	1,710,475	-	182,291,939
Headquarters and equipment, net	447,326	-	-	-	447,326
Goodwill	-	74,543,320	-	-	74,543,320
Deferred tax asset	-	-	18,097,965		18,097,965
Collections (Note 8)	-	-	-	-	-
Total assets	$ 566,498,407	$ 443,391,483	$ 41,790,321	$ (7,271,310)	$ 1,044,408,901
Liabilities and Net Assets					
Liabilities:					
Accounts payable and accrued expenses	$ 2,439,531	$ 15,474,298	$ 2,500	$ (2,873,424)	$ 15,042,905
Deferred revenue	77,640	1,701,900	-	-	1,779,540
Grants and scholarships payable, net	395,958	-	1,203,093	(868,271)	730,780
Income tax payable	26,108	-	882,466	-	908,574
Long-term liabilities:					
Line of credit	-	15,500,000	-	-	15,500,000
Operating lease liabilities	-	12,514,685	-	-	12,514,685
Other long-term liabilities	155,720	711,362	-	-	867,082
Charitable funds held for the benefit of other organizations	17,012,327	-	-	(3,529,615)	13,482,712
Total liabilities	20,107,284	45,902,245	2,088,059	(7,271,310)	60,826,278
Net assets:					
Without donor restrictions:					
Designated for reserve fund	7,456,377	-	-	-	7,456,377
Donor advised and other designated funds	198,776,200	-	-	-	198,776,200
Undesignated funds	8,496,635	-	-	-	8,496,635
Member’s equity in Santikos Enterprises, LLC	-	397,489,238	-	(397,489,238)	-
Total net assets without donor restrictions and member’s equity	214,729,212	397,489,238	-	(397,489,238)	214,729,212
With donor restrictions	331,661,911	-	39,702,262	397,489,238	768,853,411
Total net assets	546,391,123	397,489,238	39,702,262	-	983,582,623
Total liabilities and net assets	$ 566,498,407	$ 443,391,483	$ 41,790,321	$ (7,271,310)	$ 1,044,408,901

San Antonio Area Foundation

Consolidating Statement of Activities
Year Ended December 31, 2022

	San Antonio Area Foundation				John L. Santikos Charitable Foundation				
	Without Donor Restrictions	With Donor Restrictions	Total	Enterprises	Charitable Fund Without Donor Restrictions	Charitable Fund With Donor Restrictions	Total	Eliminations	Consolidated Total
Revenues and support:									
Foundation:									
Grants and contributions of cash and other financial assets	$ 51,257,045	$ 4,964,994	$ 56,222,039	$ -	$ -	$ 100,000	$ 100,000	$ (3,857,361)	$ 52,464,678
Contributions of nonfinancial assets	479,654	-	479,654	-	-	-	-	-	479,654
Investment income, net	3,122,966	10,898,244	14,021,210	-	-	12,494,475	12,494,475	(12,298,929)	14,216,756
Net realized and unrealized losses on investments	(28,948,740)	(23,123,470)	(52,072,210)	-	-	(1,590,074)	(1,590,074)	-	(53,662,284)
Mineral interest revenue, net	28,947	572,598	601,545	-	-	-	-	-	601,545
Change in value of beneficial interest in trusts	-	(23,125,112)	(23,125,112)	-	-	(1,215)	(1,215)	-	(23,126,327)
Change in value of gift annuities	16,038	(8,745)	7,293	-	-	-	-	-	7,293
Program revenue	732,938	-	732,938	-	-	-	-	-	732,938
Other income (expense)	162,243	(110,540)	51,703	-	-	-	-	-	51,703
Transfers	1,095,296	-	1,095,296	-	-	-	-	(1,095,296)	-
Net assets released from restriction	10,545,060	(10,545,060)	-	-	6,883,586	(6,883,586)	-	-	-
	38,491,447	(40,477,091)	(1,985,644)	-	6,883,586	4,119,600	11,003,186	(17,251,586)	(8,234,044)
Enterprises:									
Theater box office, concessions and other theater revenue	-	-	-	86,539,844	-	-	86,539,844	-	86,539,844
Rental income	-	-	-	13,151,272	-	-	13,151,272	-	13,151,272
Interest income	-	-	-	603,928	-	-	603,928	-	603,928
Other income	-	-	-	5,803,295	-	-	5,803,295	(11,075)	5,792,220
Grant income	-	-	-	736,491	-	-	736,491	-	736,491
Realized gain on asset disposals, net	-	-	-	837,177	-	-	837,177	-	837,177
	-	-	-	107,672,007	-	-	107,672,007	(11,075)	107,660,932
Total revenues and support	38,491,447	(40,477,091)	(1,985,644)	107,672,007	6,883,586	4,119,600	118,675,193	(17,262,661)	99,426,888

(Continued)

San Antonio Area Foundation

Consolidating Statement of Activities (Continued)
Year Ended December 31, 2022

	San Antonio Area Foundation			John L. Santikos Charitable Foundation					
	Without Donor Restrictions	With Donor Restrictions	Total	Enterprises	Charitable Fund Without Donor Restrictions	Charitable Fund With Donor Restrictions	Total	Eliminations	Consolidated Total
Expenses:									
Foundation:									
Grants and scholarships	$ 47,876,907	$ -	$ 47,876,907	$ -	$ 5,959,111	$ -	$ 5,959,111	$ (3,857,361)	$ 49,978,657
Program services	5,784,924	-	5,784,924	-	64,565	-	64,565	-	5,849,489
Fundraising	757,426	-	757,426	-	-	-	-	-	757,426
General and administrative	5,357,209	-	5,357,209	-	1,278,805	-	1,278,805	(1,106,371)	5,529,643
Federal taxes (refund)	103,793	-	103,793	-	(418,895)	-	(418,895)	-	(315,102)
	59,880,259	-	59,880,259	-	6,883,586	-	6,883,586	(4,963,732)	61,800,113
Enterprises:									
Theater and real estate operations	-	-	-	90,572,720	-	-	90,572,720	-	90,572,720
General and administrative	-	-	-	5,601,473	-	-	5,601,473	-	5,601,473
Income tax	-	-	-	570,037	-	-	570,037	-	570,037
	-	-	-	96,744,230	-	-	96,744,230	-	96,744,230
Total expenses	59,880,259	-	59,880,259	96,744,230	6,883,586	-	103,627,816	(4,963,732)	158,544,343
Change in net assets	(21,388,812)	(40,477,091)	(61,865,903)	10,927,777	-	4,119,600	15,047,377	(12,298,929)	(59,117,455)
Net assets at beginning of year	236,118,024	372,139,002	608,257,026	398,860,390	-	35,582,662	434,443,052	-	1,042,700,078
Changes to nets assets:									
Contribution to the Foundation	-	-	-	(12,298,929)	-		(12,298,929)	12,298,929	-
Net assets at end of year	$ 214,729,212	$ 331,661,911	$ 546,391,123	$ 397,489,238	$ -	$ 39,702,262	$ 437,191,500	$ -	$ 983,582,623