

Lena Pope Foundation, Inc. and Affiliate (A Texas Nonprofit Corporation)

Consolidated Financial Report
December 31, 2021

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Independent Auditor's Report

To the Board of Directors of
Lena Pope Foundation, Inc. and Affiliate

Opinion

We have audited the accompanying consolidated financial statements of Lena Pope Foundation, Inc. and Affiliate (a Texas nonprofit corporation), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Lena Pope Foundation, Inc. and Affiliate as of December 31, 2021 and 2020, and the results of its operations 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 Consolidated Financial Statements section of our report. We are required to be independent of Lena Pope Foundation, Inc. and Affiliate 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.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 Lena Pope Foundation, Inc. and Affiliate'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Lena Pope Foundation, Inc. and Affiliate'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.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Fort Worth, Texas
August 22, 2022

Lena Pope Foundation, Inc. and Affiliate
(A Texas Nonprofit Corporation)

Consolidated Statements of Financial Position
December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash	\$ 27,810	\$ 541,042
Investment income receivable	8,011	11,196
Rent receivable	98,158	13,006
Land, at cost	381,404	381,404
Investments, at fair value, including \$217,785 at December 31, 2021 and \$185,973 at December 31, 2020 held on behalf of a related party	48,705,328	41,778,137
TOTAL ASSETS	<u><u>\$ 49,220,711</u></u>	<u><u>\$ 42,724,785</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 16,516	\$ 2,900
Due to related party	217,785	185,973
Deferred revenue	81,503	81,503
Total liabilities	315,804	270,376
NET ASSETS		
Net Assets without Donor Restrictions	44,620,181	38,795,554
Net Assets with Donor Restrictions	4,284,726	3,658,855
Total net assets	48,904,907	42,454,409
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 49,220,711</u></u>	<u><u>\$ 42,724,785</u></u>

The Notes to Consolidated Financial Statements
are an integral part of these statements.

Lena Pope Foundation, Inc. and Affiliate (A Texas Nonprofit Corporation)

Consolidated Statements of Activities Years Ended December 31, 2021 and 2020

	2021		
	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT			
Contributions	\$ 485	\$ -	\$ 485
Contributions from Lena Pope Home, Inc.	1,076,194	-	1,076,194
Investment income	1,991,883	194,244	2,186,127
Realized gain on sale of investments	1,477,360	141,803	1,619,163
Unrealized gain on fair value of investments	3,019,492	289,824	3,309,316
Miscellaneous income	-	-	-
Total revenues, gains and other support	7,565,414	625,871	8,191,285
EXPENSES			
Program expenses			
Contributions to Lena Pope Home, Inc.	1,680,000	-	1,680,000
Supporting services			
Administrative expenses	60,787	-	60,787
Total expenses	1,740,787	-	1,740,787
Change in net assets	5,824,627	625,871	6,450,498
NET ASSETS, beginning of year	38,795,554	3,658,855	42,454,409
NET ASSETS, end of year	\$ 44,620,181	\$ 4,284,726	\$ 48,904,907

The Notes to Consolidated Financial Statements are an integral part of these statements.

2020		
Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total
\$ 1,791	\$ -	\$ 1,791
986,154	-	986,154
1,224,432	127,014	1,351,446
93,008	8,838	101,846
3,938,584	374,255	4,312,839
44	-	44
6,244,013	510,107	6,754,120
1,560,000	-	1,560,000
96,396	-	96,396
1,656,396	-	1,656,396
4,587,617	510,107	5,097,724
34,207,937	3,148,748	37,356,685
\$ 38,795,554	\$ 3,658,855	\$ 42,454,409

Lena Pope Foundation, Inc. and Affiliate
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Consolidated Statements of Cash Flows
Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 6,450,498	\$ 5,097,724
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Realized (gain) on sale of investments	(1,619,163)	(101,846)
Unrealized gain on fair value of investments	(3,309,316)	(4,312,839)
Change in investment income receivable	3,185	3,024
Change in rent receivable	(85,152)	9,483
Change in accounts payable	13,616	(8,208)
Change in due to related party	31,812	25,929
Change in deferred revenue	-	5,208
	<u>1,485,480</u>	<u>718,475</u>
Net cash provided by operating activities	1,485,480	718,475
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of land	-	(173,963)
Purchase of investments	(7,468,284)	(7,042,150)
Proceeds from sale of investments	5,469,572	5,964,250
	<u>(1,998,712)</u>	<u>(1,251,863)</u>
Net cash used in investing activities	(1,998,712)	(1,251,863)
Net change in cash	(513,232)	(533,388)
CASH, beginning of year	<u>541,042</u>	<u>1,074,430</u>
CASH, end of year	<u><u>\$ 27,810</u></u>	<u><u>\$ 541,042</u></u>

The Notes to Consolidated Financial Statements
are an integral part of these statements.

Lena Pope Foundation, Inc. and Affiliate

(A Texas Nonprofit Corporation)

Notes to Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies

The accompanying consolidated financial statements for Lena Pope Foundation, Inc. and Affiliate include the accounts of Lena Pope Foundation, Inc. and the accounts of a trust.

Basis for Consolidation

Lena Pope Foundation, Inc. was organized exclusively for the benefit of Lena Pope Home, Inc. (Lena Pope). All property and income received by Lena Pope Foundation, Inc. is to be used for the future benefit of Lena Pope at the discretion of the Board of Directors.

The trust includes a limited liability company of which it is the sole member. The limited liability company exclusively holds real estate. The land held at year end has been included in the consolidated statement of financial position for the years ended December 31, 2021 and 2020 at cost. Lena Pope Foundation, Inc. is the sole beneficiary of the trust and has the ability to replace the trustee, and, thus, Lena Pope Foundation, Inc. and the trust (the Foundation, collectively) are consolidated for reporting purposes.

Nature of Activities

The management of the Foundation is vested in the Board of Directors who have discretionary authority to determine the amount, manner and times for payment of any distributions to Lena Pope. During 2021 and 2020, the Foundation contributed \$1,680,000 and \$1,560,000 respectively, to Lena Pope.

Basis of Accounting

The accompanying consolidated financial statements are prepared on the accrual basis of accounting, which recognizes support and revenue when earned and expenses when incurred.

Financial Statement Presentation

The consolidated financial statements of the Foundation are presented in accordance with accounting principles generally accepted in the United States of America applicable to not-for-profit organizations. Financial position and activities are reported according to two classes of net assets: (i) net assets without donor restrictions and (ii) net assets with donor restrictions.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates include, but are not limited to, fair value of investments, including mineral interests, and valuation of land. It is at least reasonably possible that these estimates will change in the near term.

Lena Pope Foundation, Inc. and Affiliate
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Notes to Consolidated Financial Statements

Cash

For the purpose of the statement of cash flows, the Foundation considers cash available in the demand deposit accounts and all highly liquid short-term investments with original maturities of three months or less to be cash equivalents.

The Foundation maintains its cash and cash equivalents in bank deposit accounts which, at times may exceed federally insured limits. The Foundation has not experienced any losses in such amounts and believes it is not exposed to any significant credit risk related to cash and cash equivalents.

Investments

Investments are carried at fair value or net asset value (NAV), and appreciation in market value is reported in unrealized gain on fair value of investments on the consolidated statements of activities.

Contributions

Unconditional promises to give are recorded as contributions when received and classified as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor stipulations.

Donor Restrictions

The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Functional Allocation of Expenses

The costs of providing the programs and supporting service of the Foundation have been summarized on a natural basis in the statement of activities. Functional expenses have been categorized as program and supporting services based on the nature of the activity performed, and, as such, no costs have been allocated across the functional expense categories.

Income Taxes

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Foundation has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code.

Lena Pope Foundation, Inc. and Affiliate

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Notes to Consolidated Financial Statements

Uncertain Tax Positions

The Foundation recognizes in its consolidated financial statements the financial effect of a tax position, if that position is more likely than not to be sustained upon examination, including resolution of any appeals or litigation processes, based upon the technical merits of the position.

Tax positions taken related to the Foundation's tax exempt status for federal tax purposes and state filing requirements have been reviewed, and management is of the opinion that material positions taken by the Foundation would more likely than not be sustained by examination. Accordingly, the Foundation has not recorded an income tax liability for uncertain tax benefits.

Recent Accounting Pronouncement

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), a comprehensive new standard that amends various aspects of existing accounting guidance for leases, including the recognition of a right of use asset and a lease liability for leases with duration greater than one year. The guidance is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. This standard can be implemented using a modified retrospective approach, under which provisions are applied to all applicable leases as of the beginning of the earliest period presented, or at the date of adoption with the recognition of a cumulative effect adjustment to the opening balance of net assets in the period of adoption. Early adoption is permitted. The Foundation is currently evaluating the effect that the new standard will have on its financial statements; however, the Foundation anticipates that adoption of the new of the standard will have a minimal impact on the financial statements.

Additionally, the FASB issued ASU 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets to increase transparency of contributed nonfinancial assets for nonprofit entities through enhancements to presentation and disclosure. The guidance is effective for fiscal years beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. This standard should be applied on a retrospective basis. Early adoption is permitted. The Foundation is currently evaluating the effect that the new standard will have on its financial statements.

Subsequent Events

The Foundation evaluated all events or transactions that occurred after December 31, 2021 through August 22, 2022, the date these consolidated financial statements were available to be issued.

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Notes to Consolidated Financial Statements

Note 2. Fair Value Measurements

A fair value hierarchy that prioritizes the inputs to valuation techniques is used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs). The three levels of the fair value of hierarchy are described below:

- Level 1 inputs: Unadjusted, quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.
- Level 2 inputs: Inputs (other than quoted market prices included within Level 1) that are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date and fair value is determined through the use of models or other valuation techniques.
- Level 3 inputs: Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable. Fair value for these investments are determined using valuation methodologies that consider a range of factors including but not limited to the nature of the investment, market conditions, current and projected operating performance and changes in operating characteristics of the investment.

Following is a description of the valuation methodologies used for assets measured at fair value. The valuation techniques used to determine fair value have been consistently applied during the years ended December 31, 2021 and 2020.

Equity securities and mutual funds traded on active markets are carried at a value consistent with traded prices on the valuation date, representing Level 1 inputs.

Investments in mineral properties are valued using a three-times multiple of earnings, representing Level 3 inputs.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

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The following tables set forth, by level, within the fair value hierarchy, the Foundation's investments at fair value as of December 31, 2021 and 2020:

2021				
	Level 1	Level 2	Level 3	Total
Equity securities				
United States large cap	\$ 26,144,478	\$ -	\$ -	\$ 26,144,478
United States mid cap and small cap	2,719,797	-	-	2,719,797
Global	5,513,674	-	-	5,513,674
Foreign	4,712,583	-	-	4,712,583
Emerging markets	1,609,287	-	-	1,609,287
Mutual funds	2,783,616	-	-	2,783,616
Mineral properties	-	-	1,073,268	1,073,268
Total investments in fair value hierarchy	<u>\$ 43,483,435</u>	<u>\$ -</u>	<u>\$ 1,073,268</u>	<u>\$ 44,556,703</u>
2020				
	Level 1	Level 2	Level 3	Total
Equity securities				
United States large cap	\$ 21,818,718	\$ -	\$ -	\$ 21,818,718
United States mid cap and small cap	2,310,145	-	-	2,310,145
Global	5,073,444	-	-	5,073,444
Foreign	4,203,710	-	-	4,203,710
Emerging markets	1,794,260	-	-	1,794,260
Mutual funds	2,326,641	-	-	2,326,641
Mineral properties	-	-	448,695	448,695
Total investments in fair value hierarchy	<u>\$ 37,526,918</u>	<u>\$ -</u>	<u>\$ 448,695</u>	<u>\$ 37,975,613</u>

The following table summarizes the change in carrying values associated with Level 3 financial instruments for the years ended December 31, 2021 and 2020. Actual net revenues realized upon the disposition of Level 3 securities could differ materially from the amounts presented below:

	2021	2020
Balance, beginning of year	\$ 448,695	\$ 741,408
Gains or losses (realized or unrealized)	624,573	(292,713)
Balance, end of year	<u>\$ 1,073,268</u>	<u>\$ 448,695</u>

There was no change in unrealized gains or losses from Level 3 investments for the years ended December 31, 2021 and 2020 included in earnings for assets still held at the end of the reporting periods.

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Investments measured at net asset value and cash and cash equivalents held for long-term investment are excluded from the fair value hierarchy. The following table reconciles investments in fair value hierarchy to investments at fair value on the statements of financial position for years ended December 31:

	2021	2020
Total Investments in fair value hierarchy	\$ 44,556,703	\$ 37,975,613
Cash and cash equivalents	3,377,433	2,832,860
Investments measured at net asset value:		
Investment in investment companies		
Global infrastructure	771,192	951,871
Off-shore investments	-	17,793
Total investments at fair value	<u>\$ 48,705,328</u>	<u>\$ 41,778,137</u>

Investments in investment companies consisting of global infrastructure investments have a bi-annual redemption frequency and a remaining capital commitment of \$101,454. No redemption restrictions or redemption notice periods noted.

Investments in investment companies consisting of off-shore investments have a monthly, quarterly or semi-annually redemption frequency, and a remaining capital commitment of \$282,651. No redemption restrictions or redemption notice period noted.

Note 3. Net Assets

Net assets with donor restrictions are available to provide capital improvements including major repairs to the Marty Leonard Community Chapel and surrounding grounds. Secondly, the funds may be used for other needs of the Marty Leonard Community Chapel, including programs.

Net assets with donor restrictions to be held in perpetuity consist of the Marty Leonard Community Chapel Fund established to provide funding for assistance and maintenance of the Marty Leonard Community Chapel at Lena Pope. As of December 31, 2021 and 2020, net assets with donor restrictions were \$4,284,726 and \$3,658,855, respectively. In years ended December 31, 2021 and 2020, no amounts were released from restriction for Chapel needs, respectively.

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Note 4. Related Party Lease Agreement

In 1999, the Foundation entered into a ground lease agreement for certain land owned by Lena Pope. The lease term commenced on August 1, 1999 and expires December 31, 2060. The first lease year commenced August 1, 1999 and ended December 31, 2000. Thereafter, the lease year is equal to a calendar year. The annual rent for the first ten years of the lease was \$900,000 each lease year, except for the first lease year, which was prorated. Thereafter, the annual rent is recalculated every 10-year period based on total annual rent plus all percentage rent payable during the previous 10 years divided by 10 years. Effective August 28, 1999, Lena Pope has assigned to the Foundation all annual rent and percentage rent due and that will become due under the lease agreement. \$1,076,194 and \$986,154 are including in contributions from Lena Pope Home, Inc. on the statement of activities for the years ended December 31, 2021 and 2020, respectively, relating to rental income received by Lena Pope assigned to the Foundation.

Percentage rent is payable annually each lease year during the term of the lease, including the initial 10-year term. Percentage rent is equal to the difference of: (a) 30% of gross income (defined as rent) in respect to the lease year in question; minus (b) the annual rent paid to Lena Pope; minus (c) the amount of any rental tax. Percentage rent for the years ended December 31, 2021 and 2020 was \$98,158 and \$13,006, respectively.

Note 5. Due to Related Party

At December 31, 2021 and 2020, the Foundation held endowment assets of \$217,785 and \$185,973 on behalf of Lena Pope. In order to maximize the benefits received from pooling cash and investments, the Foundation is holding this amount on Lena Pope's behalf. These amounts are included in investments and due to related party on the statements of financial position.

Note 6. Uniform Prudent Management of Institutional Funds Act

The investment policy is issued by the Board of Directors (the Board) of the Foundation, and It articulates the principles by which the Foundation governs the management of its investment assets. The Board is responsible for adopting investment objectives and policies, hiring and evaluating investment managers, establishing a controlled environment, and monitoring policy implementation and investment performance. The Board exercises its responsibility according to applicable fiduciary standards and in the exclusive interest of the Foundation.

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A reconciliation of the donor imposed endowment fund's beginning and ending balances for the years ended December 31, 2021 and 2020 is as follows. There was no cumulative effect of any amounts by which net assets with donor restrictions have been reduced or increased that were not specified by the donor, or in the absence of a donor stipulation, approved by the Board.

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total Endowment Net Assets
Endowment net assets, January 1, 2020	\$ -	\$ 3,148,748	\$ 3,148,748
Interest and dividends	-	127,014	127,014
Net appreciation (realized and unrealized)	-	383,093	383,093
	-	3,658,855	3,658,855
Contributions	-	-	-
Appropriation of endowment assets for expenditure	-	-	-
Endowment net assets, December 31, 2020	<u>\$ -</u>	<u>\$ 3,658,855</u>	<u>\$ 3,658,855</u>
	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total Endowment Net Assets
Endowment net assets, January 1, 2021	\$ -	\$ 3,658,855	\$ 3,658,855
Interest and dividends	-	194,244	194,244
Net appreciation (realized and unrealized)	-	431,627	431,627
	-	4,284,726	4,284,726
Contributions	-	-	-
Appropriation of endowment assets for expenditure	-	-	-
Endowment net assets, December 31, 2021	<u>\$ -</u>	<u>\$ 4,284,726</u>	<u>\$ 4,284,726</u>

Lena Pope Foundation, Inc. and Affiliate

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Notes to Consolidated Financial Statements

Endowment net asset composition as of December 31, 2021, was as follows:

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total Endowment Net Assets
Donor-restricted	\$ -	\$ 4,284,726	\$ 4,284,726
Total funds	\$ -	\$ 4,284,726	\$ 4,284,726

Endowment net asset composition as of December 31, 2020, was as follows:

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total Endowment Net Assets
Donor-restricted	\$ -	\$ 3,658,855	\$ 3,658,855
Total funds	\$ -	\$ 3,658,855	\$ 3,658,855

Investment Goals and Objectives

The basic investment goal is to provide a reasonably stable, growing, and predictable revenue stream to the Foundation. The basic investment objective is to seek maximum total return consistent with acceptable levels of risk. Returns must be sufficient to preserve the inflation-adjusted purchasing power of the endowment, net of management and administrative expenses, and to provide an annual income stream to the Foundation.

In pursuing the investment objective, the Foundation endeavors, over time, to outperform the average total returns in the markets in which it is invested, and also to maintain a place in the top half of funds with similar objectives and policies over rolling three-to-five-year periods.

Investment Philosophy

The management philosophy to be followed is a disciplined and consistent one, capable of accommodating all those events and occurrences considered reasonable and probable. Extreme positions and unproven strategies do not fit the general philosophy of the Foundation and are not acceptable. The portfolio should be diversified, not only by asset class, but within asset class as well. The purpose of asset diversification is to control risk by providing reasonable assurance that the portfolio's aggregate results are not affected disproportionately by a single security, class of securities, or investment style. In making asset allocation judgments, the Board does not seek to "time" subtle changes in the investment markets or to make frequent and/or minor adjustments. Rather, it will review regularly, at least on an annual basis, its approved guidelines from a long-term perspective.

Investment risk will be measured in terms of the total portfolio. The Board must ensure that the asset selection and allocation do not expose the portfolio to unacceptable levels of risk but are also managed in an optimal way that will achieve the best possible returns over time.

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The Foundation will engage investment managers who have demonstrated skill in investing the relevant asset class. The managers are given discretion to best achieve the investment objectives within the policies and requirements set forth in this statement and any directions established subsequently by the Board.

Investment Strategies

To accomplish the Foundation's investment objective, long-term investment total returns must equal no less than the sum of investment management expenses, other management expenses and the annual endowment spending rate.

Therefore the endowment is expected to attain an average annual real (inflation adjusted) total return of between 5% and 7% over most five-year periods.

Spending Policy

The goal of a spending rule is to balance two conflicting objectives by releasing a substantial, stable flow of resources which could be paid out to Lena Pope while preserving the value of endowment assets for future generations. The Foundation has used the goal of a spending rate of up to 5% of market value but will exceed this amount when special requests are made by Lena Pope.

Note 7. Liquidity

As a not-for-profit entity, the Foundation receives significant funding in the form of contributions from Lena Pope Home and investment earnings, which may be restricted for a certain amount of time or to be used in a particular manner. The Foundation must maintain sufficient resources to meet those responsibilities to its contributors. Thus, financial assets may not be available for general expenditure within one year. As part of managing its financial assets, the Foundation ensures sufficient resources are available when obligations come due.

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Notes to Consolidated Financial Statements

The following reflects the Foundation's financial assets as of the consolidated statement of financial position dates, including amounts not available within one year of the statement of financial position date. Amounts not available within one year include contributions with donor-imposed restrictions.

	<u>2021</u>	<u>2020</u>
Financial assets		
Cash	\$ 27,810	\$ 541,042
Investment income receivable	8,011	11,196
Rent receivable	98,158	13,006
Investments	<u>48,705,328</u>	<u>41,778,137</u>
Total financial assets, year end	48,839,307	42,343,381
Less		
Investments held on behalf of related party	(217,785)	(185,973)
Net assets with donor restrictions	<u>(4,284,726)</u>	<u>(3,658,855)</u>
Total financial assets not available to be used within one year	<u>(4,502,511)</u>	<u>(3,844,828)</u>
Total financial assets available to meet general expenditures within one year	<u><u>\$ 44,336,796</u></u>	<u><u>\$ 38,498,553</u></u>