

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

Consolidated Financial Report  
December 31, 2022

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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, 2022 and 2021, 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, 2022 and 2021, 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.

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The Board of Directors of  
Lena Pope Foundation, Inc. and Affiliate

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  
October 11, 2023

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

Consolidated Statements of Financial Position  
December 31, 2022 and 2021

	2022	2021
<b>ASSETS</b>		
Cash	\$ 8,090	\$ 27,810
Investment income receivable	23,418	8,011
Rent receivable	-	98,158
Land, at cost	381,404	381,404
Investments, at fair value, including \$185,594 at December 31, 2022 and \$217,785 at December 31, 2021 held on behalf of a related party	41,190,226	48,705,328
<b>TOTAL ASSETS</b>	<b>\$ 41,603,138</b>	<b>\$ 49,220,711</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 630	\$ 16,516
Due to related party	185,594	217,785
Deferred revenue	-	81,503
Total liabilities	186,224	315,804
<b>NET ASSETS</b>		
Net Assets without Donor Restrictions	37,800,070	44,620,181
Net Assets with Donor Restrictions	3,616,844	4,284,726
Total net assets	41,416,914	48,904,907
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 41,603,138</b>	<b>\$ 49,220,711</b>

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, 2022 and 2021

	<b>2022</b>		
	<b>Net Assets without Donor Restrictions</b>	<b>Net Assets with Donor Restrictions</b>	<b>Total</b>
<b>REVENUES, GAINS AND OTHER SUPPORT</b>			
Contributions	\$ 1,020	\$ -	\$ 1,020
Contributions from Lena Pope Home, Inc.	733,527	-	733,527
Investment income	930,608	86,660	1,017,268
Realized gain on sale of investments	1,480,336	142,790	1,623,126
Unrealized gain (loss) on fair value of investments	(8,944,575)	(862,777)	(9,807,352)
Miscellaneous income	39	-	39
Net assets released from restriction	34,555	(34,555)	-
	(5,764,490)	(667,882)	(6,432,372)
<b>EXPENSES</b>			
Program expenses			
Contributions to Lena Pope Home, Inc.	990,000	-	990,000
Supporting services			
Administrative expenses	65,621	-	65,621
	1,055,621	-	1,055,621
Change in net assets	(6,820,111)	(667,882)	(7,487,993)
<b>NET ASSETS, beginning of year</b>	44,620,181	4,284,726	48,904,907
<b>NET ASSETS, end of year</b>	\$ 37,800,070	\$ 3,616,844	\$ 41,416,914

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

**2021**

<b>Net Assets without Donor Restrictions</b>	<b>Net Assets with Donor Restrictions</b>	<b>Total</b>
\$ 485	\$ -	\$ 485
1,076,194	-	1,076,194
1,991,883	194,244	2,186,127
1,477,360	141,803	1,619,163
3,019,492	289,824	3,309,316
-	-	-
-	-	-
7,565,414	625,871	8,191,285
1,680,000	-	1,680,000
60,787	-	60,787
1,740,787	-	1,740,787
5,824,627	625,871	6,450,498
38,795,554	3,658,855	42,454,409
<u>\$ 44,620,181</u>	<u>\$ 4,284,726</u>	<u>\$ 48,904,907</u>

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

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

	<b>2022</b>	<b>2021</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (7,487,993)	\$ 6,450,498
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Realized gain on sale of investments	(1,623,126)	(1,619,163)
Unrealized (gain) loss on fair value of investments	9,807,352	(3,309,316)
Change in investment income receivable	(15,407)	3,185
Change in rent receivable	98,158	(85,152)
Change in accounts payable	(15,886)	13,616
Change in due to related party	(32,191)	31,812
Change in deferred revenue	(81,503)	-
Net cash provided by operating activities	649,404	1,485,480
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(17,132,153)	(7,468,284)
Proceeds from sale of investments	16,463,029	5,469,572
Net cash used in investing activities	(669,124)	(1,998,712)
Net change in cash	(19,720)	(513,232)
<b>CASH, beginning of year</b>	27,810	541,042
<b>CASH, end of year</b>	\$ 8,090	\$ 27,810

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, 2022 and 2021 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 2022 and 2021, the Foundation contributed \$990,000 and \$1,680,000 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**  
**(A Texas Nonprofit Corporation)**  
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 (depreciation) in market value is reported in unrealized gain (loss) 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**

## **(A Texas Nonprofit Corporation)**

### 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 implemented the standard effective January 1, 2022 with no changes noted.

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 implemented the standard effective January 1, 2022 with no changes noted.

#### **Subsequent Events**

The Foundation evaluated all events or transactions that occurred after December 31, 2022 through October 11, 2023, the date these consolidated financial statements were available to be issued.

# **Lena Pope Foundation, Inc. and Affiliate**

## **(A Texas Nonprofit Corporation)**

### 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, 2022 and 2021.

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.

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

### Notes to Consolidated Financial Statements

The following tables set forth, by level, within the fair value hierarchy, the Foundation's investments at fair value as of December 31, 2022 and 2021:

	2022			
	Level 1	Level 2	Level 3	Total
Equity securities				
United States large cap	\$ 19,622,168	\$ -	\$ -	\$ 19,622,168
United States mid cap and small cap	2,240,791	-	-	2,240,791
Global	4,772,053	-	-	4,772,053
Foreign	4,418,095	-	-	4,418,095
Emerging markets	1,359,736	-	-	1,359,736
Mutual funds	2,998,207	-	-	2,998,207
Mineral properties	-	-	1,138,283	1,138,283
Total investments in fair value hierarchy	\$ 35,411,050	\$ -	\$ 1,138,283	\$ 36,549,333
	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	\$ 43,483,435	\$ -	\$ 1,073,268	\$ 44,556,703

The following table summarizes the change in carrying values associated with Level 3 financial instruments for the years ended December 31, 2022 and 2021. Actual net revenues realized upon the disposition of Level 3 securities could differ materially from the amounts presented below.

	2022	2021
Balance, beginning of year	\$ 1,073,268	\$ 448,695
Gains or losses (realized or unrealized)	65,015	624,573
Balance, end of year	\$ 1,138,283	\$ 1,073,268

There was no change in unrealized gains or losses from Level 3 investments for the years ended December 31, 2022 and 2021 included in earnings for assets still held at the end of the reporting periods.

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

## Notes to Consolidated Financial Statements

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:

	2022	2021
Total Investments in fair value hierarchy	\$ 36,549,333	\$ 44,556,703
Cash and cash equivalents	3,947,271	3,377,433
Investments measured at net asset value:		
Investment in investment companies		
Off-shore investments	693,622	771,192
Total investments at fair value	\$ 41,190,226	\$ 48,705,328

Investments in investment companies consisting of off-shore investments have a monthly, quarterly or semi-annually redemption frequency, and a remaining capital commitment of \$101,454 as of December 31, 2022. 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, 2022 and 2021, net assets with donor restrictions were \$3,616,844 and \$4,284,726, respectively, of which \$1,055,702 was to be held in perpetuity. The remaining balances of \$2,561,142 and \$3,229,024 as of December 31, 2022 and 2021, respectively, were net assets with donor restrictions – purpose related to the Marty Leonard Community Chapel. In year ended December 31, 2022, \$34,555 was released from restriction for Chapel needs. There were no releases from restrictions during year ended December 31, 2021.

**Lena Pope Foundation, Inc. and Affiliate**  
**(A Texas Nonprofit Corporation)**  
Notes to Consolidated Financial Statements

**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. The Foundation does not have the option to extend the lease or to purchase the land at expiration of the lease. There were no variable lease payments, residual value guarantees, nonlease components, or options to extend or terminate this lease. There were no significant assumptions or judgments made in determining whether a contract contained a lease, residual value guarantees, or nonlease components. The lessor manages its risk associated with residual values through risk management strategies related to contract management and selection of lessors. \$733,527 and \$1,076,194 are included in contributions from Lena Pope Home, Inc. on the statement of activities for the years ended December 31, 2022 and 2021, 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 year ended December 31, 2021 was \$98,158. Effective September 1, 2022, this lease was no longer assigned to the Foundation.

**Note 5. Due to Related Party**

At December 31, 2022 and 2021, the Foundation held endowment assets of \$185,594 and \$217,785 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.

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

### Notes to Consolidated Financial Statements

A reconciliation of the donor imposed endowment fund's beginning and ending balances for the years ended December 31, 2022 and 2021 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, 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>
	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total Endowment Net Assets
Endowment net assets, January 1, 2022	\$ -	\$ 4,284,726	\$ 4,284,726
Interest and dividends	-	86,660	86,660
Net depreciation (realized and unrealized)	-	(719,987)	(719,987)
	-	3,651,399	3,651,399
Contributions	-	-	-
Appropriation of endowment assets for expenditure	-	(34,555)	(34,555)
Endowment net assets, December 31, 2022	<u>\$ -</u>	<u>\$ 3,616,844</u>	<u>\$ 3,616,844</u>



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

## 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, 2022, was as follows:

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total Endowment Net Assets
Donor-restricted	\$ -	\$ 3,616,844	\$ 3,616,844
Total funds	\$ -	\$ 3,616,844	\$ 3,616,844

### 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.

# **Lena Pope Foundation, Inc. and Affiliate**

## **(A Texas Nonprofit Corporation)**

### Notes to Consolidated Financial Statements

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.

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

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.

	2022	2021
Financial assets		
Cash	\$ 8,090	\$ 27,810
Investment income receivable	23,418	8,011
Rent receivable	-	98,158
Investments	41,190,226	48,705,328
Total financial assets, year end	41,221,734	48,839,307
Less		
Investments held on behalf of related party	(185,594)	(217,785)
Net assets with donor restrictions	(3,616,844)	(4,284,726)
Total financial assets not available to be used within one year	(3,802,438)	(4,502,511)
Total financial assets available to meet general expenditures within one year	\$ 37,419,296	\$ 44,336,796