

DEL MAR COLLEGE FOUNDATION, INC.

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2026 AND 2025

DEL MAR COLLEGE FOUNDATION, INC.

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INDEPENDENT AUDITOR'S REPORT

September 21, 2026

To the Board of Trustees
Del Mar College Foundation, Inc.
Corpus Christi, Texas

Opinion

We have audited the accompanying financial statements of Del Mar College Foundation, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2026, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Del Mar College Foundation, Inc., as of June 30, 2026, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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 Del Mar College Foundation, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Del Mar College Foundation, Inc.'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 Del Mar College Foundation, Inc.'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.

Report on Summarized Comparative Information

We have previously audited Del Mar College Foundation, Inc.'s 2025 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 27, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2025, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Adamson & Company, LLC

DEL MAR COLLEGE FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

	JUNE 30,	
	2026	2025
ASSETS		
Current Assets:		
Cash and Equivalents	\$ 3,069,563	\$ 2,789,768
Accounts Receivable	2,910	3,082
Investments (Note 3 and 4)	22,327,448	17,734,314
Unconditional Promises to Give (Note 5)	1,033,072	1,867,510
Annuity Receivable (Note 4 and 6)	139,574	67,052
Total Current Assets	26,572,567	22,461,726
Endowment Investments (Note 3, 4 and 7)	19,342,944	17,900,152
Long-Term Unconditional Promises to Give (Note 5)	658,714	322,321
Long-Term Annuity Receivable (Note 4 and 6)	928,026	945,496
TOTAL ASSETS	\$ 47,502,251	\$ 41,629,695
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts Payable	\$ 10,526	\$ 2,455
Due to Del Mar College (Note 10)	193,716	113,361
Total Liabilities	204,242	115,816
Net Assets:		
Without Donor Restrictions (Note 8)	11,933,649	10,326,904
With Donor Restrictions (Note 8)	35,364,360	31,186,975
Total Net Assets	47,298,009	41,513,879
TOTAL LIABILITIES AND NET ASSETS	\$ 47,502,251	\$ 41,629,695

See Notes to Financial Statements.

DEL MAR COLLEGE FOUNDATION, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2026 WITH COMPARATIVE TOTALS
FOR YEAR ENDED JUNE 30, 2025

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>	
			<u>2026</u>	<u>2025</u>
Support, Revenue and Gains:				
Scholarship Contributions	\$ 17,243	\$ 3,216,121	\$ 3,233,364	\$ 3,538,099
Designated Scholarship Contributions	--	396,365	396,365	338,947
Grants, Managed Funds and Other Contributions	100,976	2,509,082	2,610,058	3,106,705
Net Investment Income (Note 3)	2,464,794	4,231,368	6,696,162	4,374,459
Contributed Non-Financial Assets (Note 9)	883,945	--	883,945	733,980
Net Assets Released from Restrictions (Note 8)	6,153,755	(6,153,755)	--	--
Total Support, Revenue and Gains	9,620,713	4,199,181	13,819,894	12,092,190
Expenses:				
Program Services:				
Foundation Services	7,486,638	--	7,486,638	4,962,099
Development Services	427,290	--	427,290	343,308
Total Services Provided to College	7,913,928	--	7,913,928	5,305,407
Supporting Services-				
General and Administrative	121,836	--	121,836	53,301
Total Expenses	8,035,764	--	8,035,764	5,358,708
Change in Net Assets	1,584,949	4,199,181	5,784,130	6,733,482
Net Assets, Beginning of Year	10,326,904	31,186,975	41,513,879	34,780,397
Transfers and Reclassifications (Note 8)	21,796	(21,796)	--	--
NET ASSETS, END OF YEAR	\$ 11,933,649	\$ 35,364,360	\$ 47,298,009	\$ 41,513,879

See Notes to Financial Statements.

DEL MAR COLLEGE FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2026 WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2025

	<u>PROGRAM SERVICES</u>			<u>SUPPORTING SERVICES</u>	<u>TOTAL PROGRAM AND SUPPORTING SERVICES</u>	
	<u>FOUNDATION SERVICES</u>	<u>DEVELOPMENT SERVICES</u>	<u>PROGRAM SUBTOTAL</u>	<u>GENERAL AND ADMIN- ISTRATIVE</u>	<u>2026</u>	<u>2025</u>
Administrative Support Provided by the College:						
Salaries	\$ 294,863	\$ 304,892	\$ 599,755	\$ --	\$ 599,755	\$ 491,351
Employee Benefits	84,580	83,937	168,517	--	168,517	150,462
Other Institutional Expenditures	57,212	18,461	75,673	--	75,673	52,167
Rent Expense	20,000	20,000	40,000	--	40,000	40,000
Total Administrative Support Provided by the College	456,655	427,290	883,945	--	883,945	733,980
Services Provided to College:						
Scholarships	2,611,022	--	2,611,022	--	2,611,022	2,622,451
Grants, Managed Funds and Other Awards	3,965,976	--	3,965,976	--	3,965,976	1,613,980
Designated Scholarships	452,985	--	452,985	--	452,985	334,996
Total Services Provided to College	7,029,983	--	7,029,983	--	7,029,983	4,571,427
General and Administrative	--	--	--	121,836	121,836	53,301
TOTAL EXPENSES	\$ 7,486,638	\$ 427,290	\$ 7,913,928	\$ 121,836	\$ 8,035,764	\$ 5,358,708

See Notes to Financial Statements.

DEL MAR COLLEGE FOUNDATION, INC.

STATEMENTS OF CASH FLOWS

	YEAR ENDED JUNE 30,	
	2026	2025
Cash Flows from Operating Activities:		
Increase in Net Assets	\$ 5,784,130	\$ 6,733,482
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:		
Contributions Restricted for Permanent Endowments	(1,385,783)	(2,246,517)
Net Realized and Unrealized Gains on Investments	(4,959,926)	(3,622,362)
Change in:		
Accounts Receivable	170	1,033
Unconditional Promises to Give	(569,556)	(1,892,560)
Accounts Payable and Due to Del Mar College	88,426	(210,631)
Net Cash Used by Operating Activities	(1,042,539)	(1,237,555)
Cash Flows from Investing Activities:		
Proceeds from Sales of Investments	4,193,181	11,177,029
Purchases of Investments	(4,256,630)	(10,805,798)
Net Cash Provided (Used) by Investing Activities	(63,449)	371,231
Cash Flows from Financing Activities:		
Contributions Restricted for Permanent Endowments	1,385,783	2,246,517
Net Cash Provided by Financing Activities	1,385,783	2,246,517
Increase in Cash and Equivalents	279,795	1,380,193
Cash and Equivalents, Beginning of Year	2,789,768	1,409,575
CASH AND EQUIVALENTS, END OF YEAR	<u>\$ 3,069,563</u>	<u>\$ 2,789,768</u>
Non-Cash Investing Activities:		
Contribution of Investment Securities	\$ 176,299	\$ 112,171

See Notes to Financial Statements.

DEL MAR COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2026 AND 2025

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

The Del Mar College Foundation, Inc. (the Foundation) was organized in the State of Texas on July 18, 1983, to function as a nonprofit foundation. The Foundation's purpose is (1) to maintain, develop, increase and extend the facilities and services of the Del Mar College District (the College); (2) to provide broad educational opportunities to the College's students, staff, faculty and the residents of the geographical area that the College serves; (3) to solicit and receive by gift, grant, devise, or otherwise, property, both real and personal, and to manage and administer the same, and (4) to make contributions, grants, gifts and transfers of property to or for the benefit of the College.

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). The Financial Accounting Standards Board (FASB) provides authoritative guidance regarding U.S. GAAP through the Accounting Standards Codification (ASC) and related Accounting Standards Updates (ASUs).

Comparative Financial Information

The accompanying financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). Accordingly, such information should be read in conjunction with our audited financial statements for the year ended June 30, 2025, from which the summarized information was derived.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. The most sensitive estimates affecting the financial statements were: collectability of unconditional promises to give and fair values of Level 3 assets. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For the purpose of reporting cash flows, the Foundation considers all highly liquid investments purchased with a maturity of three months or less at acquisition as cash and cash equivalents in the accompanying statements of financial position.

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continuation)

Promises to Give

Unconditional promises to give are recognized when the donor makes a promise to give to the Foundation. Conditional promises to give are recognized when the conditions on which they depend are substantially met. The Foundation evaluates the collectability of unconditional promises to give based on management's analysis of specific promise made and records and allowance for uncollectible promises when necessary.

Investments

Investments, which are mostly comprised of endowed funds, are invested for the purpose of generating income for scholarships and grants. The Foundation's investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 4 for discussion of fair value measurements. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net investment income includes the Foundation's gains and losses on investments bought and sold as well as held during the year. Gains and losses on endowed funds are reflected as increases or decreases in the donor restricted class of net assets, until the donor restrictions are met.

Annuity Receivable

In compliance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures, the Foundation's annuity receivable is recorded at fair value. Fair value represents the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value of the annuity receivable is determined using a present value technique based on the estimated future cash flows to be received under the annuity arrangement and a discount rate reflective of current market conditions. Note 4 discusses the key factors and assumptions management used to determine fair value.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board may designate, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates those resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continuation)

Revenue Recognition

The Foundation recognizes contributions when cash, securities or other assets, unconditional promises to give, or notification of a beneficial interest is received. Conditional promises to give, including grant contracts, with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

The Foundation utilizes donor agreements in an ongoing attempt to further clarify donors' intentions. If it becomes clear the fund classification was incorrect, or if the donor changes their intention, the funds are appropriately reclassified and shown as a transfer from one fund type to another.

Contributed Non-Financial Assets

The Foundation records various types of contributions of nonfinancial assets. Contributed services are recognized at fair value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Non-specialized, unpaid volunteers conduct a portion of the Foundation's activities. The value of this contributed time is not reflected in the accompanying financial statements, since it does not meet the criteria for recognition under U.S. GAAP. Contributions of tangible assets are recognized at fair value when received. The amounts reflected in the accompanying financial statement as contributed non-financial assets are offset by like amounts included in expenses as support provided by the College.

Income Taxes

The Foundation is a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and classified as other than a private foundation; therefore, no provision for income taxes has been made in the financial statements but the Foundation is required to file an annual information tax return. The Foundation is also required to review various tax positions it has taken with respect to its exempt status and to determine whether in fact it is a tax-exempt entity. The Foundation must also consider whether it has nexus in jurisdictions in which it has income and whether a tax return is required in those jurisdictions. In addition, as a tax-exempt entity, the Foundation must assess whether it has any tax positions associated with unrelated business income subject to income tax. The Foundation does not expect its positions to change significantly over the next twelve months. Any penalties related to late filing or other requirements would be recognized as penalties expense in the Foundation's accounting records.

The Foundation files US Federal Form 990 for informational purposes. Although exempt from Federal income taxes, the Foundation is subject to examination by tax authorities for a period of three years after the due date of the Foundation's Federal information return. There were no uncertain tax positions for which the Foundation believes a liability should be recorded as of June 30, 2026 and 2025.

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continuation)

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated to the programs and supporting services benefited.

Reclassifications

Certain amounts in the prior-year financial statements have been reclassified to conform to the current-year presentation. These reclassifications had no effect on previously reported total assets, total liabilities, change in net assets, or net assets.

Date of Management's Review

Management has evaluated subsequent events through the date of the independent auditor's report, which is the date the financial statements were available to be issued. Other than the scholarship commitments described in Note 11, management is not aware of any subsequent events that require recognition or disclosure in the financial statements.

Note 2 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Foundation regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Foundation considers all expenditures related to its ongoing activities of scholarship and grants, as well as services undertaken to support those activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, the Foundation operates with a balanced budget and anticipates collecting sufficient contributions and donations to cover general expenditures. Refer to the statement of cash flows which identifies the sources and uses of the Foundation's cash.

Note 2 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS – (Continuation)

As of June 30, 2026 and 2025, the following table illustrates the total financial assets held by the Foundation that could readily be made available within one year of the balance sheet date to meet general expenditures.

	JUNE 30,	
	2026	2025
Financial Assets as of June 30,	\$ 47,502,251	\$ 41,629,695
Less: Payments Due in More than One Year	(1,586,740)	(1,267,817)
Total Financial Assets Available in the Next Twelve Months to Meet General Expenditures	45,915,511	40,361,878
Less Those Unavailable for General Expenditures Within One Year, Due To:		
Donor Restricted Endowed Corpus	(19,342,944)	(17,900,152)
Donor Restricted Direct & Designated Scholarship Funds	(12,893,137)	(9,470,642)
Donor Restricted Grants, Managed Funds & Other Funds	(3,128,279)	(3,816,181)
Board Designated Endowments	(3,327,837)	(3,007,130)
Total Unavailable for General Expenditures	(38,692,197)	(34,194,105)
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	\$ 7,223,314	\$ 6,167,773

Note 3 – INVESTMENTS

Investments are presented in the financial statements at fair value. All funds are combined and invested in various types of investments, as follows:

		JUNE 30, 2026	
		COST	FAIR VALUE
Mutual Funds:			
Equity Funds	\$	23,823,096	\$ 31,678,751
Fixed Income Funds		9,839,685	9,030,221
Total Mutual Funds		33,662,781	40,708,972
Alternative Investments		926,236	961,420
TOTAL		\$ 34,589,017	\$ 41,670,392

		JUNE 30, 2025	
		COST	FAIR VALUE
Mutual Funds:			
Equity Funds	\$	22,638,898	\$ 26,657,468
Fixed Income Funds		8,794,879	7,984,314
Total Mutual Funds		31,433,777	34,641,782
Alternative Investments		962,483	992,684
TOTAL		\$ 32,396,260	\$ 35,634,466

The following schedule summarizes the investment return in the statement of activities:

		JUNE 30,	
		2026	2025
Interest and Dividend Income	\$	775,782	\$ 743,016
Net Unrealized Gains (Losses)		4,195,425	(705,691)
Net Realized Gains		1,777,048	4,395,105
External and Direct Internal Expenses		(52,093)	(57,971)
TOTAL		\$ 6,696,162	\$ 4,374,459

Investment revenues are reported net of related external and direct internal investment expenses in the statement of activities. The amount of expenses netted with revenues was \$52,093 and \$57,971 for the years ended June 30, 2026 and 2025, respectively.

Note 3 – INVESTMENTS – (Continuation)

Interest Rate Risk

In order to limit interest and market rate risk from changes in interest rates, the Foundation's Investment Policy sets a maximum stated maturity limit of one year for capital campaigns, special projects, and short-term funds. Short-term funds will be held in limited-risk investment vehicles.

The Foundation's endowment assets will have a long-term life span which parallels the life of the institution. As such, assets are invested in funds with maturities that extend well beyond a normal market cycle. However, by careful management and sufficient portfolio diversification, there will be lessened volatility in the investments, which will help to assure reasonable consistency of returns.

Credit Risk

It is the Foundation's investment policy to invest in equity securities, fixed income investment bonds, and various other investment alternatives as deemed appropriate. The principal category of equity investments is mutual funds, with emphasis on high quality, investment grade, dividend-paying stocks in companies that are financially sound and that have favorable prospects for earnings growth. In recognition of the increasing opportunities available in today's dynamic investment universe to seek returns that may be less correlated to the traditional broad equity and fixed income markets, the Trustees may allocate up to 30% of the fund assets to alternative investments. Fixed Income bonds are invested in domestic, high quality corporate bonds with a minimum AA rating.

Concentration of Credit Risk

The Foundation recognizes over-concentration of assets by market sector or maturity as a risk to the portfolio. The Investment Policy establishes diversification as a major objective of the investment program and sets diversification limits for all authorized investment types which are monitored on at least a quarterly basis. The general policy is to diversify investments of long-term funds among both equity and fixed-income securities so as to provide a balance that will enhance total return while avoiding undue risk concentration in any single asset class or investment category. As a long-term guideline, the investment categories should be 0%-66% equities, 0%-30% alternatives, 0%-50% fixed income, and 0%-20% cash.

Financial Instruments and Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Foundation will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Foundation maintains its cash and cash equivalents with financial institutions and money market accounts with investment companies. The Foundation's deposits at financial institutions exceeded federal depository insurance by \$528,530 and \$202,898 as of June 30, 2026 and 2025, respectively. Management believes that the risk of loss is minimal due to the strength of the institutions. Cash and cash equivalents held with investment companies exceeded federal depository insurance by \$2,259,678 and \$2,004,403 as of June 30, 2026 and 2025, respectively.

Note 4 – FAIR VALUE MEASUREMENTS

The Foundation's investments and annuity receivable are reported at fair value in the accompanying statements of financial position. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although 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.

FASB ASC 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority. The Foundation uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Foundation measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs were used only when Level 1 or Level 2 inputs were not available.

Level 1 Fair Value Measurements

The fair value of mutual funds is based on quoted net asset values of the shares held by the Foundation in active markets at the reporting date.

Level 3 Fair Value Measurement

The fair value of the annuity receivable is based on unobservable inputs and is classified as a Level 3 fair value measurement. There is currently no active market for the annuity receivable; therefore, an observable market price is not available. The Foundation uses an income approach to determine fair value by discounting the estimated future cash flows to their present value using a discount rate reflective of current market conditions. The significant unobservable input used in the valuation is the discount rate, which is reassessed at each reporting date.

Alternative investments are principally investments in limited partnerships whose underlying assets include residential and commercial real estate. The fair values for alternative investments have been estimated using the net asset value per share provided by the fund and partnership managers, which are primarily valued with Level 3 inputs.

FASB ASC 820 also requires disclosures about transfers into and out of Level 1 and 2 investments and separate disclosures about purchases, sales issuance and settlements in the reconciliation for fair value measurements using significant unobservable inputs (Level 3).

Note 4 – FAIR VALUE MEASUREMENTS – (Continuation)

Fair values of assets measured on a recurring basis are as follows:

		FAIR VALUE MEASUREMENTS USING:	
		QUOTED PRICES IN ACTIVE MARKET FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)
<u>JUNE 30, 2026</u>	<u>FAIR VALUE</u>		
Mutual Funds	\$ 40,708,972	\$ 40,708,972	\$ --
Alternative Investments	961,420	--	961,420
Total Investments	41,670,392	40,708,972	961,420
Annuity Receivable	1,067,600	--	1,067,600
TOTAL	\$ 42,737,992	\$ 40,708,972	\$ 2,029,020

		FAIR VALUE MEASUREMENTS USING:	
		QUOTED PRICES IN ACTIVE MARKET FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)
<u>JUNE 30, 2025</u>	<u>FAIR VALUE</u>		
Mutual Funds	\$ 34,641,782	\$ 34,641,782	\$ --
Alternative Investments	992,684	--	992,684
Total Investments	35,634,466	34,641,782	992,684
Annuity Receivable	1,012,548	--	1,012,548
TOTAL	\$ 36,647,014	\$ 34,641,782	\$ 2,005,232

Note 4 – FAIR VALUE MEASUREMENTS – (Continuation)

The following presents a summary of changes in the fair value of the Foundation's Level 3 assets at June 30, 2026 and 2025:

	ANNUITY RECEIVABLE	ALTERNATIVE INVESTMENTS
Beginning Balance, July 1, 2024	\$ 856,684	\$ 1,032,333
Purchases	--	45,537
Total Unrealized Gains Included in Changes in Net Assets	155,864	(85,186)
ENDING BALANCE, JUNE 30, 2025	1,012,548	992,684
Collected	(67,052)	--
Sold	--	(82,420)
Purchases	--	46,174
Total Unrealized Gains (Losses) Included in Changes in Net Assets	122,104	4,982
ENDING BALANCE, JUNE 30, 2026	\$ 1,067,600	\$ 961,420

Note 5 – UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give at June 30, 2026 and 2025 are as follows:

	JUNE 30,	
	2026	2025
Student Scholarships	\$ 1,723,474	\$ 2,210,104
Less: Unamortized Discount	(31,688)	(20,273)
Net Unconditional Promises to Give	1,691,786	2,189,831
Less: Amount Due in One Year or Less	1,033,072	1,867,510
LONG-TERM UNCONDITIONAL PROMISES TO GIVE	\$ 658,714	\$ 322,321

Unconditional Promises to Give are to be collected as follows:

Year Ending June 30,	
2027	\$ 1,033,072
2028	560,780
2029	96,200
2030	885
2031	849
	<u>\$ 1,691,786</u>

Long-term promises to give are expected to be collected during the year ended June 30, 2028, through the year ended June 30, 2031.

The discount rates of 4.15 percent and 3.68 percent were used on long-term promises to give as of June 30, 2026 and 2025, respectively. The Foundation considers promises to give fully collectible; accordingly, no allowance for uncollectible promises has been provided.

Note 6 – ANNUITY RECEIVABLE

A donation was made in a prior year whereby the Foundation was designated as the beneficiary of a structured settlement. The structured settlement provides for future monthly payments to the Foundation as follows:

	<u>PAYMENT</u>	<u>FAIR VALUE</u> <u>JUNE 30, 2026</u>
Year ended June 30,		
2027	\$ 139,574	\$ 139,574
2028	147,142	141,279
2029	155,089	142,975
2030	163,432	144,664
2031	172,193	146,345
2032	190,230	155,232
2033	202,835	158,923
2034	51,320	38,608
TOTAL	\$ 1,221,815	\$ 1,067,600

The Foundation has elected the fair value option for the annuity receivable. Accordingly, the annuity receivable is measured at fair value using an income approach based on the present value of future payments expected to be received over the remaining term of the structured settlement. The discount rate and other significant valuation assumptions are reassessed at each reporting date to reflect current market conditions. Changes in the fair value of the annuity receivable are recognized in the statement of activities. The annuity receivable was \$1,067,600 and \$1,012,548 at June 30, 2026 and 2025, respectively.

Note 7 – ENDOWMENT FUNDS

The Foundation's endowments consist of funds established for a variety of purposes. As required by U.S. GAAP, net assets associated with endowment funds are classified based on the existence of donor-imposed restrictions. The Board of Trustees of the Foundation has interpreted the Texas Uniform Prudent Management of Institutional Funds Act (TUPMIFA) as requiring the preservation of the fair value of gifts to donor restricted endowments as of the date of the gift, absent explicit donor stipulations to the contrary. The Foundation interprets the definition of donor-restricted endowments to include the original value of gifts to an endowment and subsequent gifts to the fund (including promises to give, net of discount and allowance for doubtful accounts), and any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure in a manner consistent with the standard of prudence prescribed by TUPMIFA.

Note 7 – ENDOWMENT FUNDS – (Continuation)

The Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

Endowment funds are maintained in an investment account which is managed by an independent financial firm that follows guidance provided in the investment policy approved by the Board of Trustees.

As of June 30, 2026 and 2025, Endowment Funds were as follows:

	JUNE 30,	
	2026	2025
Unrestricted Endowment Funds-		
Board Designated Endowments	\$ 3,327,837	\$ 3,007,130
Donor-Restricted Endowment Funds:		
Original Donor-Restricted Gift Amount and		
Amounts Required to Be Maintained in		
Perpetuity by Donor	19,342,944	17,900,152
Accumulated Investment Gains	10,322,030	7,219,666
Total Donor-Restricted Endowment Funds	29,664,974	25,119,818
 TOTAL FUNDS	 \$ 32,992,811	 \$ 28,126,948

Funds with Deficiencies

In accordance with accounting standards, the Foundation considers an endowment to be deficient (underwater funds) if its fair value is less than the sum of (a) the original value of initial and subsequent gifts donated to the endowment and (b) any donor-imposed accumulations to the endowment that must be maintained in perpetuity. The Foundation has interpreted TUPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law.

Note 7 – ENDOWMENT FUNDS – (Continuation)

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 TUPMIFA requires the Foundation to retain as a fund of perpetual duration. Generally, recently created endowment funds are at a greater risk of descending into underwater status in a downward market environment because they have not had the opportunity to grow over time. As of both June 30, 2026 and June 30, 2025, there were no endowment funds with deficiencies.

Investment and Spending Policies

The primary goals of the endowments are as follows: (1) provide the highest sustainable, consistent flow of funds to support the activities of the Foundation or those designated by the donor, (2) protect the future purchasing power of the principal of the endowed funds by reserving an appropriate portion of investment return to offset the cumulative effects of inflation and provide future real growth of the Foundation assets, and (3) manage the spending distribution over time to reduce, as far as possible, annual variations in the level of support provided by the Foundation.

The Investment Committee of the Foundation outlines the asset allocations, permissible investments and objectives of the portfolios in the Investment Policy.

Changes in Endowment net assets for the years ended June 30, 2026 and 2025 are as follows:

	ENDOWMENTS WITH DONOR RESTRICTIONS	BOARD DESIGNATED ENDOWMENTS	TOTAL
Beginning Balance, July 1, 2024	\$ 21,711,689	\$ 2,741,215	\$ 24,452,904
Investment Income, Net	2,646,786	329,021	2,975,807
Contributions	2,246,517	12,280	2,258,797
Transfer and Reclassification	62,012	--	62,012
Amounts Appropriated for Expenditure	(1,547,186)	(75,386)	(1,622,572)
ENDING BALANCE, JUNE 30, 2025	25,119,818	3,007,130	28,126,948
Investment Income, Net	4,231,368	446,828	4,678,196
Contributions	1,385,783	3,992	1,389,775
Transfer and Reclassification	57,009	--	57,009
Amounts Appropriated for Expenditure	(1,129,004)	(130,113)	(1,259,117)
ENDING BALANCE, JUNE 30, 2026	\$ 29,664,974	\$ 3,327,837	\$ 32,992,811

Note 8 – RESTRICTIONS ON NET ASSETS

The Foundation's net assets with donor restrictions are comprised of the following:

	JUNE 30,	
	2026	2025
Subject to Expenditure for Specified Purposes:		
To Provide Direct & Designated Scholarships	\$ 12,893,137	\$ 9,470,642
To Provide Grants, Managed Funds & Other	3,128,279	3,816,181
Total for Specified Purposes	16,021,416	13,286,823
 Scholarship Endowment Corpus	 19,342,944	 17,900,152
 TOTAL NET ASSETS WITH DONOR RESTRICTIONS	 \$ 35,364,360	 \$ 31,186,975

As of June 30, 2026 and 2025, the Foundation's net assets without donor restrictions included board designated endowment funds of \$3,327,837 and \$3,007,130, respectively. These amounts represent resources designated by the Board of Trustees to function as endowment funds to provide long-term scholarship support.

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donor as follows for the years ended June 30, 2026 and 2025:

	JUNE 30,	
	2026	2025
Satisfaction of Purpose Restrictions:		
Scholarships	\$ 2,387,566	\$ 2,913,728
Designated Scholarships	452,985	330,696
Grants, Managed Funds & Other Awards	3,313,204	974,151
 TOTAL	 \$ 6,153,755	 \$ 4,218,575

During the year ended June 30, 2026, net funds amounting to \$21,796 were reclassified from net assets with donor restrictions to net assets without donor restrictions. For the year ended June 30, 2025, net funds amounting to \$52,357 were reclassified from net assets without donor restrictions to net assets with donor restrictions.

Note 9 – CONTRIBUTED NON-FINANCIAL ASSETS

The Foundation and the College have entered into a memorandum of understanding in which the College provides administrative support for Foundation activities. A new agreement was effective November 20, 2023. As part of this agreement, the College performs certain administrative services for the Foundation and incurs related expenses, which are covered by the College. The Foundation occupies office space in the Center for Economic Development Building owned by the College. Under the terms of the memorandum of understanding with the College, no rent is paid by the Foundation. The College has estimated the value of the annual rental based on the fair value of comparable rental arrangements in the Corpus Christi, Texas area. In valuing the rent, the College estimates the value to be \$40,000. The cost of these related party services and expenses are as follows:

	JUNE 30,	
	2026	2025
Employee Salaries	\$ 599,755	\$ 491,351
Employee Benefits	168,517	150,462
Other Institutional Expenditures	75,673	52,167
Rent Expense	40,000	40,000
 TOTAL	 \$ 883,945	 \$ 733,980

NOTE 10 – RELATED PARTY TRANSACTIONS

The Foundation expended \$7,029,983 and \$4,571,427 to the College for scholarships, grants, and other awards for the years ended June 30, 2026 and 2025, respectively. At June 30, 2026 and 2025, the Foundation had payables to the College for scholarships and reimbursable program expenditures of \$193,716 and \$113,361, respectively. The College does not fund, nor is it obligated to pay debt related to the Foundation.

Note 11 – COMMITMENTS

Subsequent to June 30, 2026, the Foundation's Board of Trustees approved scholarships in the amount of \$2,637,789 for students attending Del Mar College for the 2026 – 2027 academic year.

Note 12 – FUNCTIONALIZED EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses requiring allocation are done so on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, which is allocated equally to the respective programs, as well as salaries and wages, benefits, professional services, office expenses, information technology, and other, which are allocated on the basis of time and effort.