

EXENCIAL WEALTH ADVISORS, LLC

BALANCE SHEET

December 31, 2023

EXENCIAL WEALTH ADVISORS, LLC

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Michael L Mettry CPA

**2525 NW Expressway Suite 200
Oklahoma City, OK 73112**

INDEPENDENT AUDITOR'S REPORT

To the Members
of Exencial Wealth Advisors, LLC

Opinion

We have audited the accompanying balance sheet of Exencial Wealth Advisors, LLC (an Oklahoma limited liability company) as of December 31, 2023, and the related notes to the financial statement.

In our opinion, the balance sheet referred to above presents fairly, in all material respects, the financial position of Exencial Wealth Advisors, LLC as of December 31, 2023, 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 Statement section of our report. We are required to be independent of Exencial Wealth Advisors, LLC 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 Statement

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

In preparing the financial statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Exencial Wealth Advisors, LLC's ability to continue as a going concern within one year after the date that the financial statement is available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is 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 statement.

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 statement, 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 statement.
- 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 Exencial Wealth Advisors, LLC'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 statement.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Exencial Wealth Advisors, LLC'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.

Oklahoma City, OK

March 27, 2024

EXENCIAL WEALTH ADVISORS, LLC
BALANCE SHEET
December 31, 2023

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 10,677,460
Accounts receivable	337,842
Members' notes receivable, current portion	1,730,242
Prepaid expenses	<u>606,441</u>
Total Current Assets	<u>13,351,985</u>

PROPERTY AND EQUIPMENT

Computers and office equipment	186,418
Furniture and fixtures	170,784
Leasehold improvements	<u>40,859</u>
	398,061
Less accumulated depreciation	<u>(308,125)</u>
Net Property and Equipment	<u>89,936</u>

OTHER ASSETS

Members' notes receivable, long-term portion	10,595,346
Goodwill net of \$10,422,203 accumulated amortization	46,399,007
Loan origination fees net of \$97,232 accumulated amortization	468,144
Deposits	<u>11,302</u>
Total Other Assets	<u>57,473,799</u>

TOTAL ASSETS	<u>\$ 70,915,720</u>
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See independent auditor's report and notes

EXENCIAL WEALTH ADVISORS, LLC
BALANCE SHEET
December 31, 2023

LIABILITIES AND EQUITY

CURRENT LIABILITIES

Accounts payable	\$ 28,969
Accrued liabilities	275,354
Current portion, long-term debt	1,744,402
Deferred acquisition payments, short-term	<u>2,959,401</u>

Total Current Liabilities	<u>5,008,126</u>
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LONG-TERM LIABILITIES

Deferred acquisition payments	5,918,798
Long-term debt	<u>27,922,424</u>

Total Long-Term Liabilities	<u>33,841,222</u>
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Total Liabilities	<u>38,849,348</u>
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EQUITY

Members' equity	<u>32,066,372</u>
Total Equity	<u>32,066,372</u>

TOTAL LIABILITIES AND EQUITY	<u><u>\$ 70,915,720</u></u>
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See independent auditor's report and notes

EXENCIAL WEALTH ADVISORS, LLC

Notes to Financial Statements

December 31, 2023

A. Nature of Activities and Significant Accounting Policies

Organization and Basis of Presentation:

Exencial Wealth Advisors, LLC (the "Company") was formed as an Oklahoma limited liability company on April 3, 2014, by Burns Wealth Management, Inc. an Oklahoma corporation. The Company is treated as a partnership for federal income tax purposes. Burns Wealth Management, Inc. owns approximately 61.7% of the members' equity as of the end of the year.

The Company is an SEC-registered investment advisor and manages domestic equity and balanced portfolios for institutional and high net worth individuals throughout the United States of America. The Company currently has offices in Oklahoma, Texas, California, Connecticut, and North Carolina. The accounting and reporting policies of the Company conform to accounting principles generally accepted in the United States of America. The accounting policies for these items and other significant accounting policies of the Company are presented below.

Estimates:

Management uses estimates and assumptions in preparation of the financial statement in conformity with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Revenue Recognition:

The Company primarily bills customers in advance for services on a quarterly basis. Revenue is recognized over the term of the fee agreement. The Company records deferred revenue for the portion of advance billings with a service period extending beyond the reporting period.

Cash and Cash Equivalents:

The Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. At various times during the year cash in the bank exceeded the federally insured limits.

Property and Equipment:

Property and equipment are recorded at cost and depreciated using the straight-line method over their estimated useful lives. The cost of property and equipment over \$5,000 is capitalized. Maintenance and repairs are charged directly to expense as incurred, while improvements are capitalized. The cost of the assets and applicable accumulated depreciation are removed from the respective accounts when the assets are retired or disposed. The resulting gain or loss is reflected in operations. There is no written maintenance policy.

EXENCIAL WEALTH ADVISORS, LLC

Notes to Financial Statements

December 31, 2023

Intangibles:

Goodwill and loan origination fees are amortized over ten years by the straight-line method.

Income Taxes:

No provision or benefit for federal income taxes has been included in these financial statements since taxable income or loss passes through to, and is reportable by, the respective members. The Company files federal and state partnership income tax returns in various state jurisdictions. The Company files partnership composite returns for certain states which results in the respective state income taxes being remitted to the state by the Company on behalf of the respective members.

Fair Value of Financial Instruments:

The Company currently does not measure any of its assets or liabilities at fair value and is not required under generally accepted accounting principles to disclose the fair value of its financial instruments. Professional standards allow entities the irrevocable option to elect to measure certain financial instruments and other items at fair value for the initial and subsequent measurement on an instrument-by-instrument basis. The Company has not elected to measure any newly acquired financial instruments at fair value. However, it may elect to measure newly acquired financial instruments at fair value in the future.

Advertising Expense:

Advertising costs are expensed as incurred.

Subsequent Events:

The Company has evaluated events and transactions for potential recognition or disclosure through March 27, 2024, the date the financial statements were available to be issued.

B. Related Party Transactions

The Landlord for the Oklahoma City office is GB Investments, LLC which is owned by the shareholder of Burns Wealth Management, Inc.

Management fees were paid to Burns Wealth Management, Inc. for the services provided.

EXENCIAL WEALTH ADVISORS, LLC

Notes to Financial Statements

December 31, 2023

C. Commitments and Contingencies

The Company has office lease agreements in various locations. Future minimum lease payments required on operating leases that have initial or remaining terms of one year or more at December 31, 2023 are as follows:

2024	\$	657,939
2025		625,969
2026		576,645
2027		554,964
2028		360,450
Thereafter		<u>398,037</u>
Total	\$	<u>3,174,004</u>

D. Notes Receivable from Members

Certain members participated in various asset purchases. The purchases were funded by a bank and each of the respective members who participated incurred a note with Exencial Wealth Advisors, LLC for their share of the purchase price. The notes are payable in monthly installments over 10 years with final payment due 2030. The notes are secured by the respective members ownership in Exencial Wealth Advisors, LLC.

E. Deferred Acquisition Payments and Discretionary Bonuses

The Company, through prior acquisitions, has assumed obligations for future performance payments and discretionary bonuses to employees who have remained with the company based on negotiated employment agreements. The amounts reported as liabilities are based on the contractual agreements of the related acquisitions.

EXENCIAL WEALTH ADVISORS, LLC

Notes to Financial Statements

December 31, 2023

F. Note Payable

The Company has a note payable to a bank effective December 22, 2023, in the amount of \$29,666,826. Proceeds from the note were used to pay off existing debt, current year acquisitions, and cash reserves. The note agreement has a fixed monthly payment of principal and interest in the amount of \$366,556 beginning February 1, 2024, and a balloon payment of \$11,978,246 due December 22, 2030. The current interest rate is 8.25% per annum. The note is secured by the assets of the Company including revenue associated with client accounts. In addition, certain partners, including Burns Wealth Management, Inc., and its shareholders, have guaranteed the loan.

Total	\$ 29,666,826
Less current portion of Long-Term Debt	<u>1,744,402</u>
Non-current portion of Long-Term Debt	<u>\$ 27,922,424</u>

Required principal payments until maturity are:

2024	\$ 1,744,402
2025	2,144,261
2026	2,330,657
2027	2,533,257
2028	2,748,471
Thereafter	<u>18,165,778</u>
	<u>\$ 29,666,826</u>

G. Retirement Plan

The Company sponsors a defined 401(k) savings plan which is available to all employees meeting certain eligibility requirements as defined by the plan document. Under the plan the Company makes contributions to the plan equal to employee contributions up to a limit of 3% of participant compensation. The Company's contributions totaled \$415,867 for the year ended December 31, 2023.