UNITED WAY OF SMITH COUNTY
TYLER, TEXAS

FINANCIAL STATEMENTS

MARCH 31, 2021 AND 2020

UNITED WAY OF SMITH COUNTY
MARCH 31, 2021 AND 2020

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
United Way of Smith County
Tyler, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of United Way of Smith County (a nonprofit organization), which comprise the statements of financial position as of March 31, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of Smith County as of March 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Henry & Peters P.C.

Tyler, Texas
August 10, 2021

UNITED WAY OF SMITH COUNTY
STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2021 AND 2020

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 1,007,112	$ 1,111,882
Restricted cash	1,185,926	789,900
Total cash and cash equivalents	2,193,038	1,901,782
Current portion of pledges receivable, net	877,510	801,609
Grant receivables	78,465	58,103
Prepaid expenses and other current assets	308	97
Total current assets	3,149,321	2,761,591
PROPERTY AND EQUIPMENT, net	2,800,265	2,875,618
OTHER ASSETS		
Pledges receivable, net of current portion	-	217,643
Beneficial interest in assets held by others	147,746	116,456
Total assets	$ 6,097,332	$ 5,971,308
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 11,169	$ 17,970
Agency allocations payable	200,365	167,988
Donor designations payable	139,090	109,310
Accrued payroll and related benefits	21,765	22,995
Line of credit	-	721,900
Current portion of note payable	9,311	-
Other current liabilities	32,550	4,050
Total current liabilities	414,250	1,044,213
LONG-TERM DEBT		
Note payable, net of current portion	239,164	-
Total liabilities	653,414	1,044,213
NET ASSETS		
Without donor restrictions:		
Unrestricted	3,610,246	3,520,739
Board designated	647,746	616,456
Total net assets without donor restrictions	4,257,992	4,137,195
With donor restrictions	1,185,926	789,900
Total net assets	5,443,918	4,927,095
Total liabilities and net assets	$ 6,097,332	$ 5,971,308

See accompanying notes to financial statements

UNITED WAY OF SMITH COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT			
Gross campaign results	$ 1,672,503	$ 64,960	$ 1,737,463
Less: donor designations	(306,080)	-	(306,080)
Net campaign contributions	1,366,423	64,960	1,431,383
Contributions - Capital Campaign	-	-	-
Contributions - Care Fund	-	484,193	484,193
Grants and other contribution revenue	382,343	30,000	412,343
Interest income	9,793	125	9,918
Paycheck Protection Program loan forgiveness income	165,000	-	165,000
Other income	75,960	-	75,960
Change in value of beneficial interest	33,566	-	33,566
NET ASSETS RELEASED FROM RESTRICTIONS	183,252	(183,252)	-
Total revenues, gains and other support	2,216,337	396,026	2,612,363
EXPENSES			
Gross distributions to agencies	1,079,885	-	1,079,885
Less: donor designations payable to agencies	(276,300)	-	(276,300)
Net allocations granted to agencies	803,585	-	803,585
Other program services	850,936	-	850,936
Total program services	1,654,521	-	1,654,521
Supporting services	441,019	-	441,019
Total expenses	2,095,540	-	2,095,540
Change in net assets	120,797	396,026	516,823
NET ASSETS			
Beginning of period	4,137,195	789,900	4,927,095
End of period	$ 4,257,992	$ 1,185,926	$ 5,443,918

UNITED WAY OF SMITH COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT			
Gross campaign results	$ 1,515,962	$ -	$ 1,515,962
Less: donor designations	(109,310)	-	(109,310)
Net campaign contributions	1,406,652	-	1,406,652
Contributions - Capital Campaign	-	6,000	6,000
Contributions - Care Fund	-	429,888	429,888
Grants and other contribution revenue	400,580	54,000	454,580
Interest income	20,389	-	20,389
Special events and fundraisers	27,135	-	27,135
Other income	16,400	-	16,400
Change in value of beneficial interest	(5,209)	-	(5,209)
NET ASSETS RELEASED FROM RESTRICTIONS	135,822	(135,822)	-
Total revenues, gains and other support	2,001,769	354,066	2,355,835
EXPENSES			
Gross distributions to agencies	665,395	-	665,395
Less: donor designations payable to agencies	(102,434)	-	(102,434)
Net allocations granted to agencies	562,961	-	562,961
Other program services	1,002,134	-	1,002,134
Total program services	1,565,095	-	1,565,095
Supporting services	443,311	-	443,311
Total expenses	2,008,406	-	2,008,406
Change in net assets	(6,637)	354,066	347,429
NET ASSETS			
Beginning of period	4,143,832	435,834	4,579,666
End of period	$ 4,137,195	$ 789,900	$ 4,927,095

UNITED WAY OF SMITH COUNTY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2021

		Program Services				Supporting Services		
	Total	Agencies	2-1-1	East Texas Center for Nonprofits	Care Fund	Management and general	Marketing	Fundraising
EXPENSES								
Gross distributions to agencies	$ 1,079,885	$ 1,079,885	$ -	$ -	$ -	$ -	$ -	$ -
Less: donor designations payable to agencies	(276,300)	(276,300)	-	-	-	-	-	-
Net allocations granted to agencies	803,585	803,585	-	-	-	-	-	-
Special events	6,545	-	-	-	-	-	-	6,545
United Way (National & State)	27,557	-	-	-	-	27,557	-	-
Distributions	111,917	-	-	-	111,917	-	-	-
Salaries	700,718	193,943	248,892	64,292	-	-	72,028	121,563
Payroll taxes	50,692	14,442	17,845	5,865	-	481	3,048	9,011
Employee benefits	70,253	7,790	47,471	2,814	-	345	2,183	9,650
Retirement expense	44,924	10,047	19,852	5,342	-	596	1,641	7,446
Professional fees	30,295	-	377	4,262	-	25,656	-	-
Advertising	10,663	-	576	130	-	-	-	9,957
Campaign expenses	34,182	-	-	-	-	17,429	-	16,753
Conferences and meetings	2,290	380	-	-	-	1,553	-	357
Depreciation	75,353	48,227	-	-	-	2,260	14,317	10,549
Equipment rental	6,495	-	5,794	-	-	701	-	-
Insurance	13,805	5,397	516	92	-	4,951	1,582	1,267
Miscellaneous	38,777	-	560	6,084	-	21,318	-	10,815
Repairs and maintenance	43,359	-	6,360	5,072	-	31,927	-	-
Office supplies	2,146	85	255	191	-	1,615	-	-
Postage	1,394	43	41	6	-	603	-	701
Telephone	4,700	550	4,150	-	-	-	-	-
Computer/internet expense	15,890	7,271	2,005	2,000	-	3,015	921	678
Total expenses	$ 2,095,540	$ 1,091,760	$ 354,694	$ 96,150	$ 111,917	$ 140,007	$ 95,720	$ 205,292

UNITED WAY OF SMITH COUNTY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2020

		Program Services				Supporting Services		
	Total	Agencies	2-1-1	East Texas Center for Nonprofits	Care Fund	Management and general	Marketing	Fundraising
EXPENSES								
Gross distributions to agencies	$ 665,395	$ 665,395	$ -	$ -	$ -	$ -	$ -	$ -
Less: donor designations payable to agencies	(102,434)	(102,434)	-	-	-	-	-	-
Net allocations granted to agencies	562,961	562,961	-	-	-	-	-	-
Special events	6,153	-	-	-	-	-	-	6,153
United Way (National & State)	20,569	-	-	-	-	20,569	-	-
Distributions	72,956	-	-	-	72,956	-	-	-
Salaries	727,698	198,055	242,576	74,667	-	24,100	73,450	114,850
Payroll taxes	52,559	15,615	18,299	5,987	-	536	3,395	8,727
Employee benefits	75,967	13,587	46,876	988	-	617	3,909	9,990
Retirement expense	45,300	13,695	15,628	4,895	-	886	2,750	7,446
Professional fees	28,522	-	262	2,760	-	25,500	-	-
Advertising	4,153	149	465	254	-	-	5	3,280
Campaign expenses	41,552	-	-	-	-	31,308	-	10,244
Conferences and meetings	37,108	69	3,366	32,259	-	896	-	518
Depreciation	76,137	48,728	-	-	-	2,284	14,466	10,659
Equipment rental	553	-	-	-	-	553	-	-
Insurance	11,237	5,105	600	112	-	2,693	1,491	1,236
Miscellaneous	39,302	67	7,382	5,620	-	2,937	-	23,296
Repairs and maintenance	34,752	-	5,137	4,097	-	25,518	-	-
Office supplies	2,588	64	979	701	-	844	-	-
Postage	1,092	106	84	5	-	517	-	380
Telephone	4,750	600	4,150	-	-	-	-	-
Computer/internet expense	19,231	6,210	2,347	3,366	-	5,774	883	651
Bad debt expense	143,266	143,266	-	-	-	-	-	-
Total expenses	$ 2,008,406	$ 1,008,277	$ 348,151	$ 135,711	$ 72,956	$ 145,532	$ 100,349	$ 197,430

See accompanying notes to financial statements

UNITED WAY OF SMITH COUNTY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 516,823	$ 347,429
Adjustments to reconcile change in net assets		
to net cash provided by operating activities:		
Depreciation	75,353	76,137
Paycheck Protection Program loan forgiveness income	(165,000)	-
Bad debt (recovery) expense	(40,521)	143,266
Net change in beneficial interest in assets held by others	(31,290)	5,209
Changes in assets and liabilities:		
Decrease in pledges receivable	182,263	46,095
Increase in grant receivables	(20,362)	(341)
(Increase) decrease in prepaid expenses and other current assets	(211)	8,599
(Decrease) increase in accounts payable	(6,801)	3,397
Increase in agency allocations	32,377	9,958
Increase in donor designations payable	29,780	6,876
Decrease in accrued payroll and related benefits	(1,230)	(10,311)
Increase (decrease) in other current liabilities	28,500	(12,530)
Total adjustments	82,858	276,355
Net cash provided by operating activities	599,681	623,784
CASH FLOWS FROM INVESTING ACTIVITIES		
Distributions from beneficial interest receivable	-	50,949
Capital expenditures	-	(751)
Net cash provided by investing activities	-	50,198
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from note payable	250,000	-
Principal payment on note payable	(1,525)	-
Principal payment on line of credit	(721,900)	(149,000)
Paycheck Protection Program loan proceeds	165,000	-
Net cash used in financing activities	(308,425)	(149,000)
Net increase in cash and cash equivalents	291,256	524,982
CASH AND CASH EQUIVALENTS		
Beginning of period	1,901,782	1,376,800
End of period	$ 2,193,038	$ 1,901,782
SUPPLEMENTAL DISCLOSURES OF CASH ACTIVITIES		
Cash paid for interest	$ 16,392	$ 31,308

UNITED WAY OF SMITH COUNTY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021 AND 2020

NOTE 1 - ORGANIZATION

United Way of Smith County ("Organization") is a local fundraising organization comprised primarily of volunteers. The Organization raises funds through campaigns, fundraisers and special events, and in turn, allocates the funds raised to character-building, health-oriented and community-minded agencies. The allocation decisions are determined by volunteers and are controlled by the community.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF FINANCIAL STATEMENT PRESENTATION

The Organization's financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

FINANCIAL STATEMENTS PRESENTATION

The Organization follows Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958-210-50-3, *Not-for-Profit Entities* in preparing the financial statements. Under the provisions of this standard, net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Net assets of the Organization and changes therein, are classified and reported as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization.

Net assets with donor restrictions – Net assets that are subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization, or by the passage of time.

Revenues are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of donor restricted-contributions (i.e. when the donor-stipulated purposes have been fulfilled and/or when the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

CONTRIBUTIONS

Annual campaigns are conducted to raise support for allocation to participating agencies. Pledges are recorded as received and allowances are made for amounts estimated as uncollectible. Unless specifically restricted by the donor, all pledges are considered to be available for unrestricted use.

Contributions received are distinguished as unrestricted or restricted support, depending on the existence or nature of any donor restrictions. Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction is satisfied or expires (that is, when a stipulated time restriction and/or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions. The Organization considers campaign contributions received without specific donor restrictions to be unrestricted regardless of the year in which funds are allocated.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

DONOR DESIGNATIONS

Annual campaign gifts in which the Organization agrees to transfer the gift to another beneficiary as designated by the donor constitute agency transactions and are deduction from gross campaign results to arrive at contribution revenue. In accordance with United Way Worldwide membership requirements these designations are presented as part of gross campaign results and gross agency distributions on the accompanying financial statements but are then deducted to arrive at the Organizations actual revenue and expense to be reported under U.S. GAAP.

PLEDGES RECEIVABLE AND ALLOWANCE FOR UNCOLLECTIBLE PLEDGES

The Organization maintains pledges receivable from donors and donor companies. The allowance for uncollectible pledges is based on historical write-offs and any known write-offs that are likely to occur from major donor companies.

PROPERTY AND EQUIPMENT

The Organization follows the practice of capitalizing all expenditures in excess of $1,000 for property and equipment at cost; the fair value of donated fixed assets is similarly capitalized. Computers and other short-lived assets purchased with grant monies are expensed at the time of purchase. Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis. Routine repairs and maintenance are expensed as incurred.

The following summarizes the classes and estimated useful lives of property and equipment:

	Estimated Useful Lives
Buildings	31.5 years
Building improvements	15 - 39 years
Furniture and fixtures	5 - 7 years
Computer equipment	3 - 5 years
Equipment	5 - 7 years

BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

The Organization accounts for assets held by other entities on its behalf in accordance with ASC 958-605-50, subsections 4-6, Transfer of Assets to a Not-for-Profit Entity or Charitable Trust that Raises or Holds Contributions for Others, which specifies that such transfers are recognized as a beneficial interest receivable at the fair value of the assets.

AGENCY ALLOCATIONS

Annual campaigns are conducted from June to January (campaign period) to raise support for programs. Program funds are allocated to participating agencies in the fiscal year that begins April 1 following the campaign period. Allocations committed to agencies, but unpaid by the fiscal year end are included as agency allocations payable on the accompanying financial statements.

DONATED ASSETS AND SERVICES

Contributions of donated non-cash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. The Organization receives certain volunteer services which are not measurable, and therefore, have been excluded from the financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

FUNCTIONAL EXPENSES

The Organization allocated its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program or support service are allocated according to their natural expenditure classification and based on an analysis of personnel time and space utilized for the related activities. Other expenses that are common to several functions are allocated as deemed appropriate.

The Organization's principal program services include:

Agencies

The Organization runs annual campaigns to raise money to be allocated to local agencies for the benefit of community programs.

2-1-1

2-1-1 East Texas is a free, anonymous information and referral service that is available to anyone, 7 days per week, 24 hours each day. The service helps to connect people with critical social services and charitable programs that are available in the local community.

East Texas Center for Nonprofits (ETCN)

The East Texas Center for Nonprofits is a professional resource in partnership with nonprofits in 14 counties in East Texas to create a community of excellence. The Center offers leadership training, coaching and mentoring for the East Texas nonprofit community.

Care Fund

The Care Fund is a fund established by a local company and administered by the Organization to help the company's employees in times of serious need for qualifying events and expenses.

During the years ended March 31, 2021 and 2020, the Organization conducted activities that included requests for contributions, as well as program and management and general components. Those activities included general campaign activities, special events and nonprofit development programs. The costs of conducting those activities included a total of $385,215 and $400,418 of joint costs for the years ended March 31, 2021 and 2020, respectively, which are not specifically attributable to particular components of the activities.

Joint costs were allocated as follows using the Full-time Employee Equivalent Method:

	2021	2020
Agencies	$ 219,525	$ 234,450
2-1-1	6,360	5,137
East Texas Center for Nonprofits	5,072	4,097
Management and General	41,067	35,847
Marketing	65,171	69,601
Fundraising	48,020	51,286
	$ 385,215	$ 400,418

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

FEDERAL INCOME TAX

The Organization is exempt from federal income tax, except to the extent the entity has unrelated business income, under 501(c)(3) of the Internal Revenue Code ("Code") and is classified as other than a private foundation within the meaning of Section 509(a). Accordingly, no provision for federal income tax has been recorded in the accompanying financial statements.

In accordance with FASB ASC 740, *Income Taxes*, management has evaluated the Organization's tax positions and concluded that the Organization has taken no uncertain tax positions that required adjustments to the financial statements to comply with the provisions of this guidance. The Organizations tax returns are subject to examination by the Internal Revenue Services, generally for three years from the date of filing.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In February 2016, the FASB issued ASU 2020-05, Leases (Topic 842). This ASU defers the effective date of ASU 2016-02, *Leases* (Topic 842), for not-for-profit organizations to annual reporting periods beginning after December 15, 2021. ASU 2016-02 significantly changes accounting for leases by requiring that lessees recognize a right-of-use asset and a related lease liability representing the obligation to make lease payments, for virtually all lease transactions. Additional disclosure about an entity's lease transactions will also be required. ASU 2016-02 defines a lease as "a contract, or part of a contract, that conveys the right to control the use of identified property, plant or equipment (an identified asset) for a period of time in exchange for consideration." Lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented in the financial statements using a modified retrospective approach. The Organization is reviewing the provisions of ASU 2016-02 to determine the impact on its financial statements and related disclosures.

In September 2020, the FASB issued ASU 2020-07, Not-for-Profit Entities (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets.* This update requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. This update also requires a not-for-profit to disclose (1) qualitative information about whether the contributed nonfinancial assets were either monetized or utilized during the reporting period, (2) the not-for-profit's policy about monetizing rather than utilizing contributed nonfinancial assets, (3) a description of any donor-imposed restrictions associated with the contributed nonfinancial assets, (4) the valuation techniques and inputs used to arrive at a fair value measurement, and (5) the principal market used to arrive at a fair value measurement if it is a market in which the recipient not-for-profit is prohibited by a donor-imposed restriction from selling or using the contributed nonfinancial assets. This update is effective for reporting periods beginning after June 15, 2021. Early adoption is permitted. The Organization is reviewing the provisions of ASU 2020-07 to determine the impact on its financial statements and related disclosures.

NOTE 3 - ADOPTION OF NEW ACCOUNTING STANDARD

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* The amendments in this update clarify and improve the scope and accounting guidance around contributions of cash and other assets received and made by not-for-profit organizations and business enterprises. The ASU clarifies and improves current guidance about whether a transfer of assets, or the reduction, settlement, or cancellation of liabilities, is a contribution or an exchange transaction. It provides criteria for determining whether the resource provider is receiving commensurate value in return for the resources transferred which, depending on the outcome, determines whether the organization follows contribution guidance or exchange transaction guidance in the revenue recognition and other applicable standards. It also provides a more robust framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction. This is important because such classification affects the timing of contribution revenue and expense recognition. The update is effective for annual periods beginning after December 15, 2019. The Organization has adopted this standard with no financial impact.

NOTE 4 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

	2021	2020
Financial assets at year-end	$ 3,149,013	$ 2,761,494
Less: those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions	(1,185,926)	(789,900)
Financial assets available to meet cash needs for general expenditures within one year	$ 1,963,087	$ 1,971,594

NOTE 5 - PLEDGES RECEIVABLE

The following tables summarize the Organization's pledges receivable at March 31:

	2021	2020
Pledges receivable	$ 947,225	$ 1,170,878
Allowance for uncollectible pledges	(69,715)	(151,626)
Pledges receivable, net	$ 877,510	$ 1,019,252
Gross pledges due in:		
Less than one year	$ 947,225	$ 953,235
One to five years	-	217,643
More than five years	-	-
	$ 947,225	$ 1,170,878

NOTE 6 - PROPERTY AND EQUIPMENT

The following is a summary of property and equipment at cost, less accumulated depreciation at March 31:

	2021	2020
Land	$ 127,320	$ 127,320
Buildings and improvements	2,835,627	2,835,627
Furniture and fixtures	61,643	61,643
Computer equipment	83,627	83,627
Equipment	22,996	22,996
	3,131,213	3,131,213
Less: accumulated depreciation	(330,948)	(255,595)
	$ 2,800,265	$ 2,875,618

Depreciation expense totaled $75,353 and $76,137 for the years ended March 31, 2021 and 2020, respectively.

NOTE 7 - BENEFICIAL INTEREST RECEIVABLE

The following summarizes the changes in the investment in beneficial interest in funds held at the East Texas Communities Foundation ("ETCF") for the years ended March 31:

	2021	2020
Balance, beginning of year	$ 116,456	$ 172,614
Interest and dividends	3,304	4,901
Net realized and unrealized gain	30,262	(7,915)
Investment and administrative expenses	(2,276)	(2,195)
Withdrawals	-	(50,949)
Balance, end of year	$ 147,746	$ 116,456

NOTE 8 - ENDOWMENT FUNDS

The beneficial interest represents board designated endowment funds held at ETCF and consist primarily of mutual funds, equity investments, and fixed income investments. These funds are managed according to the Organization's guidelines. ETCF has not been granted variance power by the Organization. Generally, the Organization may withdraw up to 5% of the funds in any year but could request to withdraw these funds at any time.

The Organization is subject to the Uniform Prudent Management of Institutional Funds Act ("TX UPMIFA"). In accordance with the TX UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

NOTE 8 - ENDOWMENT FUNDS - CONTINUED

INVESTMENT RETURN OBJECTIVES, RISK PARAMETERS AND STRATEGIES

The Organization has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make annual distributions, while growing the funds if possible.

Actual returns in any given year may vary from the amount expected. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

SPENDING POLICY

The Organization has a policy of appropriating for distribution each year those funding requests which in total shall not exceed the accrued interest and other realized returns on investments of the Organization. In establishing this policy, the Organization considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The Organization expects the current spending policy to allow its endowment funds to grow at a nominal rate annually, which is consistent with the Organization's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through investment return.

NOTE 9 - FAIR VALUE MEASUREMENT

The FASB ASC 820, *Fair Value Measurements and Disclosure,* establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identifiable assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

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

NOTE 9 - FAIR VALUE MEASUREMENT - CONTINUED

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The methodologies used by the Organization for assets measured at fair value may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while management 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.

The following tables set forth by level, within the fair value hierarchy, the Organization's investment assets at fair value as of March 31:

	2021 (Level 3)	2020 (Level 3)
Beneficial interest in assets held by others	$ 147,746	$ 116,456

NOTE 10 - LINE OF CREDIT

The Organization entered into a $1,800,000 line of credit agreement with a regional financial institution in July 2017 to pay for real estate improvements. The line of credit was secured by real estate and has an interest rate of 2.8% with interest only payments and a single balloon payment due when the line matured on February 27, 2021. During the year ended March 31, 2021, the Organization paid down a portion of the outstanding line of credit using available funds and refinanced the remaining balance of $250,000 to convert the line of credit to a term note payable as further discussed in Note 11.

NOTE 11 - NOTE PAYABLE

During the year ended March 31, 2021, the Organization entered into a note payable agreement with a bank in the amount of $250,000 to refinance the outstanding line of credit balance that was due. The note accrues interest at 3% and calls for monthly payments of principal and interest of $1,386 and is secured by a building owned by the Organization. The note matures on February 27, 2026, at which time any outstanding principal and accrued interest is due in full.

The future maturities of the note payable are as follows for years ended March 31:

2022	$ 9,311
2023	9,594
2024	9,886
2025	10,187
2026	209,497
	$ 248,475

NOTE 12 - PAYCHECK PROTECTION PROGRAM LOAN

On March 27, 2020, President Trump signed into law the "Coronavirus Aid, Relief, and Economic Security ("CARES Act"). The CARES Act, among other things, includes provisions relating to refundable payroll tax credits and deferment of employer social security payments. Additionally, the CARES Act appropriated funds for loans under the U.S. Small Business Administration Paycheck Protection Programs. The Organization elected to apply for and has received a Paycheck Protection Program loan of $165,000, which was forgiven during the year in its entirety and has been recognized as other income on the Statement of Financial Activities.

NOTE 13 - CARE FUND

In February 2018, a local company established a Care Fund with the Organization to assist its employees in time of serious need. The employer and its employees may make donations to the Care Fund which are tax deductible and irrevocable. The Organization serves as administrator and manages, reviews and distributes funds based on the recommendations of the established committee composed of volunteers. The Organization has full control and authority over the use of the donated funds within the guidelines of the established fund. A portion of the donations were allocated to cover administrative expenses as outlined in the Care Fund agreement. The Organization earned administrative fees of $8,100 for the years ended March 31, 2021 and 2020, respectively.

NOTE 14 - BOARD DESIGNATED NET ASSETS

The Board of Directors has designated a portion of net assets without donor restrictions for the following purposes as of March 31:

	2021	2020
Reserve fund	$ 647,746	$ 616,456

NOTE 15 - NET ASSETS WITH DONOR RESTRICTIONS

Restricted net assets were comprised of the following as of March 31:

	2021	2020
Care Fund	$ 1,162,176	$ 789,900
ETCN	23,750	-
	$ 1,185,926	$ 789,900

NOTE 16 - EMPLOYEE BENEFIT PLAN

The Organization sponsors a defined contribution employee benefit plan ("Plan") that covers all full-time employees with at least one year of service. An employee may elect to defer eligible compensation, as defined by the Plan, subject to certain maximum limitations imposed by the Internal Revenue Code. Employees that reach age 50 before the close of the Plan year are eligible to make catch-up contributions. Employer contributions to the Plan are at the discretion of the Board of Directors. During the years ended March 31, 2021 and 2020, the Organization elected to provide a discretionary contribution of 8% of all participants' salaries plus a match of the lesser of 25% of participant contributions or 0.25% of participant's salary. Employer contributions totaled $44,924 and $45,300 for years ended March 31, 2021 and 2020, respectively. An employee fully vests immediately as of the date of their participation in the Plan.

NOTE 17 - CONTINGENCIES AND CONCENTRATIONS

The Organization maintains cash in accounts with federally insured banks. At times, the balances in these accounts may be in excess of federally insured limits. The Organization has not experienced any loss in such accounts, and it does not believe it is exposed to any significant risk on cash.

The Organization is subject to certain claims and contingencies that arise in the normal course of accomplishing its mission. None of these, in the opinion of management, are expected to have a material adverse effect on the financial position, activities or cash flows of the Organization.

NOTE 18 - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through August 10, 2021, the date on which the financial statements were available to be issued.