

**The Junior League
of Austin, Inc.**

**Financial Statements
as of and for the Years Ended
May 31, 2022 and 2021 and
Independent Auditors' Report**





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Independent Auditors' Report

To the Board of Directors of
The Junior League of Austin, Inc.:

Opinion

We have audited the accompanying financial statements of Junior League of Austin, Inc. (a nonprofit organization) (the "League"), which comprise the statements of financial position as of May 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years 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 the League as of May 31, 2022 and 2021, 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.

Basis for Opinion

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

Responsibilities of Management for the 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.

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

*"A Registered Investment Advisor"
This firm is not a CPA firm*

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 the League's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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 the League'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 the League'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.

Maxwell Locke & Litter LLP

Austin, Texas
July 28, 2022

The Junior League of Austin Inc.

Statements of Financial Position May 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,553,936	\$ 1,097,239
Current portion of contributions receivable	82,038	76,034
Prepaid expenses and other current assets	<u>69,363</u>	<u>115,386</u>
Total current assets	1,705,337	1,288,659
Contributions receivable, net	290,104	40,500
Marketable investments	3,260,707	3,528,140
Property and equipment, net	21,838,293	22,399,651
Beneficial interest in assets held by others	<u>1,242,911</u>	<u>1,276,045</u>
Total	<u>\$ 28,337,352</u>	<u>\$ 28,532,995</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 54,507	\$ 41,942
Deferred revenue	617,450	590,746
Paycheck Protection Program loan	-	81,767
Current portion of long-term debt	<u>393,056</u>	<u>294,792</u>
Total current liabilities	1,065,013	1,009,247
Long-term debt	<u>9,138,556</u>	<u>9,531,612</u>
Total liabilities	10,203,569	10,540,859
Net assets:		
Without donor restrictions, undesignated	12,799,153	12,716,615
Without donor restrictions, Board-designated investments	3,260,707	3,528,140
Without donor restrictions, Board-designated Endowment Fund	1,242,911	1,276,045
Without donor restrictions, Board-designated for community projects and programs	458,870	354,802
With donor restrictions	<u>372,142</u>	<u>116,534</u>
Total net assets	<u>18,133,783</u>	<u>17,992,136</u>
Total	<u>\$ 28,337,352</u>	<u>\$ 28,532,995</u>

See notes to financial statements.

The Junior League of Austin Inc.

Statement of Activities

Year Ended May 31, 2022

(with summarized comparative totals for the year ended May 31, 2021)

	2022			2021 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Revenues:				
A Christmas Affair	\$ 2,291,077	-	2,291,077	728,691
Contributions	339,594	348,893	688,487	437,864
Coats for Kids	558,309	-	558,309	631,554
Member dues	391,432	-	391,432	410,054
Rental income	275,219	-	275,219	52,691
Food in Tummies	121,766	-	121,766	168,933
Events	80,003	-	80,003	62,217
Change in beneficial interest in assets held by others	(21,803)	-	(21,803)	343,648
Investment (loss) income	(250,263)	-	(250,263)	861,952
Other income	108,729	-	108,729	120,630
Net assets released from restrictions	93,285	(93,285)	-	-
Total revenues and net assets released from restrictions	3,987,348	255,608	4,242,956	3,818,234
Expenses:				
Program services:				
A Christmas Affair	1,291,112	-	1,291,112	424,859
Membership	720,580	-	720,580	592,254
Coats for Kids	609,860	-	609,860	663,871
Community projects and programs	529,971	-	529,971	493,356
Austin Entertains	222,314	-	222,314	200,657
Food in Tummies	216,585	-	216,585	190,442
Total program services	3,590,423	-	3,590,423	2,565,439
Supporting services- General and administrative	510,886	-	510,886	482,988
Total expenses	4,101,309	-	4,101,309	3,048,427
Change in net assets	(113,961)	255,608	141,647	769,807
Net assets, beginning of year	17,875,602	116,534	17,992,136	17,222,329
Net assets, end of year	\$ 17,761,641	372,142	18,133,783	17,992,136

See notes to financial statements.

The Junior League of Austin Inc.

Statement of Activities Year Ended May 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:			
A Christmas Affair	\$ 728,691	-	728,691
Contributions	432,527	5,337	437,864
Coats for Kids	631,554	-	631,554
Member dues	410,054	-	410,054
Rental income	52,691	-	52,691
Food in Tummies	168,933	-	168,933
Events	62,217	-	62,217
Income on beneficial interest in assets held by others	343,648	-	343,648
Investment income	861,952	-	861,952
Other income	120,630	-	120,630
Net assets released from restrictions	250,021	(250,021)	-
 Total revenues and net assets released from restrictions	 4,062,918	 (244,684)	 3,818,234
Expenses:			
Program services:			
A Christmas Affair	424,859	-	424,859
Membership	592,254	-	592,254
Coats for Kids	663,871	-	663,871
Community projects and programs	493,356	-	493,356
Austin Entertains	200,657	-	200,657
Food in Tummies	190,442	-	190,442
 Total program services	 2,565,439	 -	 2,565,439
Supporting services-			
General and administrative	482,988	-	482,988
 Total expenses	 3,048,427	 -	 3,048,427
Change in net assets	1,014,491	(244,684)	769,807
Net assets, beginning of year	16,861,111	361,218	17,222,329
Net assets, end of year	\$ 17,875,602	116,534	17,992,136

See notes to financial statements.

The Junior League of Austin Inc.

Statement of Functional Expenses

Year Ended May 31, 2022

(with summarized comparative totals for the year ended May 31, 2021)

	2022									2021 Total
	Program Services						Supporting Services		Total	
	A Christmas Affair	Membership	Coats for Kids	Community Projects and Programs	Austin Entertains	Food in Tummies	Total Program Services	General and Administrative		
In-kind	\$ 648,432	53,241	295,611	586	66,113	-	1,063,982	-	1,063,982	732,622
Depreciation	42,739	170,954	42,739	128,216	42,739	42,739	470,125	117,531	587,656	583,211
Events	478,634	11,726	-	12,404	26,400	-	529,164	-	529,164	77,707
Interest	27,664	110,655	27,747	84,909	27,664	27,664	306,303	76,076	382,378	296,491
Materials	-	108	191,052	87,579	-	101,252	379,991	-	379,991	191,169
Management service fees	19,610	78,439	19,610	58,829	19,610	19,610	215,707	53,927	269,634	321,698
Facilities	19,948	76,018	22,008	58,108	19,856	19,856	215,793	52,903	268,696	194,700
Association of Junior League International dues	-	100,502	-	-	-	-	100,502	-	100,502	106,765
Office	806	11,999	806	2,419	806	806	17,643	69,837	87,480	52,459
Insurance	-	-	-	-	-	-	-	75,558	75,558	63,288
Salaries	-	-	-	68,296	-	-	68,296	-	68,296	111,370
Technology	4,659	18,636	4,659	13,977	4,659	4,659	51,249	12,812	64,061	100,125
Advertising and promotion	25,986	23,120	5,629	-	1,968	-	56,703	-	56,703	34,065
Conferences and training	-	28,370	-	529	-	-	28,899	-	28,899	19,729
Professional and consulting	-	-	-	5,160	-	-	5,160	23,550	28,710	24,255
Meetings	-	27,693	-	-	-	-	27,693	-	27,693	9,099
Merchandise and supplies	22,635	-	-	-	-	-	22,635	-	22,635	29,015
Scholarships and aid	-	-	-	4,000	12,500	-	16,500	-	16,500	13,300
Bad debt	-	2,150	-	-	-	-	2,150	-	2,150	-
Other	-	6,969	-	4,959	-	-	11,928	28,693	40,621	87,359
Total expenses	\$ 1,291,112	720,580	609,860	529,971	222,314	216,585	3,590,423	510,886	4,101,309	3,048,427

See notes to financial statements.

The Junior League of Austin Inc.

Statement of Functional Expenses Year Ended May 31, 2021

	Program Services						Supporting Services		Total
	A Christmas Affair	Membership	Coats for Kids	Community Projects and Programs	Austin Entertains	Food in Tummies	Total Program Services	General and Administrative	
In-kind	\$ 199,522	3,282	465,961	-	63,857	-	732,622	-	732,622
Depreciation	42,415	169,660	42,415	127,245	42,415	42,415	466,565	116,646	583,211
Events	59,464	3,558	-	1,713	12,972	-	77,707	-	77,707
Interest	21,340	84,851	21,340	67,649	21,238	21,668	238,086	58,405	296,491
Materials	-	-	78,573	31,684	-	80,912	191,169	-	191,169
Management service fees	23,396	93,584	23,396	70,188	23,396	23,396	257,356	64,342	321,698
Facilities	15,579	49,944	22,737	40,633	14,151	15,733	158,777	35,923	194,700
Association of Junior League International dues	-	106,765	-	-	-	-	106,765	-	106,765
Office	10,099	7,200	658	1,973	1,347	658	21,935	30,524	52,459
Insurance	-	-	-	-	-	-	-	63,288	63,288
Salaries	-	-	-	111,370	-	-	111,370	-	111,370
Technology	25,396	22,640	5,660	19,215	5,660	5,660	84,231	15,894	100,125
Advertising and promotion	12,693	17,755	3,131	-	486	-	34,065	-	34,065
Conferences and training	-	19,729	-	-	-	-	19,729	-	19,729
Professional and consulting	-	-	-	4,255	-	-	4,255	20,000	24,255
Meetings	-	9,099	-	-	-	-	9,099	-	9,099
Merchandise and supplies	12,611	508	-	15,241	655	-	29,015	-	29,015
Scholarships and aid	-	-	-	800	12,500	-	13,300	-	13,300
Bad debt	-	-	-	-	-	-	-	-	-
Other	2,344	3,679	-	1,390	1,980	-	9,393	77,966	87,359
Total expenses	\$ 424,859	592,254	663,871	493,356	200,657	190,442	2,565,439	482,988	3,048,427

See notes to financial statements.

The Junior League of Austin Inc.

Statements of Cash Flows Years Ended May 31, 2022 and 2021

	2022	2021
Cash Flows From Operating Activities:		
Change in net assets	\$ 141,647	\$ 769,807
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Change in allowance for uncollectible receivables	-	(21,739)
Change in discount to net present value	12,067	-
Realized and unrealized gains on marketable investments	289,392	(821,953)
Depreciation	587,656	583,211
Forgiveness of Paycheck Protection Program loan (Note 8)	(81,767)	(81,768)
Gain on sale of property and equipment	-	(12,757)
Change in value of beneficial interest in assets held by others	33,134	(333,023)
Contributions restricted for property and equipment acquisitions	(89,913)	(149,811)
Changes in assets and liabilities that provided (used) cash:		
Contributions receivable	(267,675)	216,276
Prepaid expenses and other current assets	46,023	(38,805)
Accounts payable and accrued expenses	12,565	(4,221)
Deferred revenue	26,704	(62,944)
Net cash provided by operating activities	709,833	42,273
Cash Flows From Investing Activities:		
Sales of marketable investments	278,978	237,826
Purchases of marketable investments	(300,937)	(261,712)
Proceeds from sale of property and equipment	-	35,707
Purchases of property and equipment	(26,298)	(22,429)
Net cash used in investing activities	(48,257)	(10,608)
Cash Flows From Financing Activities:		
Proceeds from Paycheck Protection Program loan	-	81,767
Payments on long-term debt	(294,792)	-
Contributions restricted for property and equipment acquisitions	89,913	149,811
Net cash (used in) provided by financing activities	(204,879)	231,578
Net change in cash and cash equivalents	456,697	263,243
Cash and cash equivalents, beginning of year	1,097,239	833,996
Cash and cash equivalents, end of year	\$ 1,553,936	\$ 1,097,239
Supplemental Cash Disclosure-		
Cash paid for interest	\$ 275,645	\$ 275,645

See notes to financial statements.

The Junior League of Austin, Inc.

Notes to Financial Statements

Years Ended May 31, 2022 and 2021

1. Organization

The Junior League of Austin, Inc. (the “League”) is a nonprofit organization headquartered in Austin, Texas, and a member of the Association of Junior Leagues International, Inc. The League’s purpose, which is exclusively educational and charitable, is to promote volunteerism, develop the potential of its members for voluntary participation in community affairs, and demonstrate the effectiveness of trained volunteers. In addition to providing volunteers and support services, the League makes financial contributions to community programs.

The League raises funds through various projects and invests those funds in undertakings which provide maximum education and training for members and develop or expand a significant service to the community. The League’s programs provide opportunities to train and educate members in the discipline of service. The training and education afforded by these programs enables League members to be effective and efficient community volunteers.

2. Summary of Significant Accounting Policies

Basis of Presentation - The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) as defined by the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification.

Use of Estimates - The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassifications - Certain amounts in the prior year have been reclassified to conform to the presentation adopted in the current year. Total net assets and changes in net assets are unchanged due to these reclassifications.

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

Without Donor Restrictions - These net assets are not subject to donor-imposed stipulations. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Net assets without donor restrictions are those currently available for use by the League or at the discretion of the Board of Directors (the “Board”) for the League’s use. The Board has designated the League’s marketable investment balance for long-term operational purposes. The Board has designated net assets for use in board approved community projects.

With Donor Restrictions - These net assets are subject to donor-imposed stipulations, which limit their use by the League to a specific purpose and/or the passage of time, or which require them to be maintained permanently. As of May 31, 2022 and 2021, all net assets with donor restrictions were temporarily restricted due to capital campaign contributions receivable related to the Community Impact Center discussed in Note 7. As of May 31, 2022 and 2021, the League had no net assets with permanent donor restrictions.

Fair Value Measurements - 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. Fair value accounting requires characterization of the inputs used to measure fair value into a three-level fair value hierarchy as follows:

Level 1 - Inputs based on quoted prices in active markets for identical assets or liabilities. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 - Observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity.

Level 3 - Unobservable inputs that reflect the entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

There are three general valuation techniques that may be used to measure fair value: 1) market approach - uses prices generated by market transactions involving identical or comparable assets or liabilities, 2) cost approach - uses the amount that currently would be required to replace the service capacity of an asset (replacement cost), and 3) income approach - uses valuation techniques to convert future amounts to present amounts based on current market expectations.

Cash and Cash Equivalents - The League considers all highly-liquid investments with an original maturity of three months or less to be cash equivalents.

Contributions Receivable - Contributions receivable are recorded at the amount the League expects to receive from donors. Contributions receivable include amounts pledged over a long-term period. The League records a discount to reflect the present value of long-term promises to give using approximate market rates applicable to the years in which the pledge is included in contribution revenue. The League performs ongoing reviews of contributions receivable for collectability and records an allowance for uncollectable amounts.

Marketable Investments - Marketable investments are reported at fair value in the statements of financial position. Investment transactions are recorded on the trade date and investment income is recorded in the statements of activities when earned. Investment income includes interest, dividends, and realized and unrealized gains and losses. Realized gains and losses are recorded as the difference between historical cost and the proceeds earned from the sale of an investment. Unrealized gains and losses are recorded for the change in fair value of investments between reporting periods. This activity is reported as investment income in the statements of activities and is recorded net of related investment expenses.

Property and Equipment - Purchases of property and equipment are capitalized at cost if purchased and at fair market value on the date of receipt if donated. The League capitalizes all acquisitions of property and equipment in excess of \$1,500. Repairs and maintenance costs are charged to expense as incurred. Depreciation expense is calculated using the straight-line method over the estimated useful lives of the assets, which range from six to thirty-nine years.

Impairment of Long-Lived Assets - Long-lived assets are reviewed for impairment at the asset group level whenever events or changes in circumstances indicate that the amount recorded may not be recoverable. An impairment loss is recognized by the amount in which the carrying amount of the asset group exceeds fair value, if the carrying amount of the asset group is not recoverable.

Beneficial Interest in Assets Held by Others - In 2001, per designation of the Board, the League transferred funds from its investment portfolio to a donor advised fund held at Austin Community Foundation (“ACF”) to establish the Junior League of Austin Endowment Fund (the “Endowment Fund”) (Note 10). At the time of the transfer, the League did not grant variance power to ACF. The beneficial interest in assets held by others is valued using the market approach and inputs are considered level 2 under the fair value hierarchy.

Revenue Recognition - Revenue is recognized when promised goods or services are transferred to customers in an amount that reflects the consideration to which the League expects to be entitled in exchange for those goods or services by following a five-step process: (1) identify the contract with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price, and (5) recognize revenue when or as the League satisfies a performance obligation, as further described below.

A Christmas Affair generates revenues from the sale of tickets to attendees and booths to shop merchants. This revenue is recognized in the period the event is held. Other events revenue is also recognized in the period when the event is held. Member dues revenue is recognized over the applicable period of membership, which typically corresponds with the League’s fiscal year. Deferred revenue includes advance collections from merchants for booths at A Christmas Affair occurring in November of the following fiscal year, as well as advance collections of member dues for the subsequent membership year.

Costs to Obtain or Fulfill Contracts - As performance obligations in the League’s contracts with customers and members are satisfied over a period of one year or less, the League applies the practical expedient to expense costs to obtain a contract as incurred. The League does not incur significant fulfillment costs requiring capitalization.

Contributions Revenue - Contributions revenue, including amounts reported within revenue from A Christmas Affair, Coats for Kids, and Food in Tummies, is recognized when cash, securities, other assets, or unconditional promises to give are received. All contributions are recorded at their fair value and are considered to be available for operations unless specifically restricted by the donor. Unconditional promises to give cash and other assets are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of donated assets. When donor restrictions expire, that is, when a stipulated time restriction ends or restricted purpose is accomplished, the related restricted net assets are reclassified to net assets without donor restrictions. This is reported in the statements of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire within the fiscal year in which the contributions are received. Conditional promises to give, defined as those with a measurable performance or other barrier and a right to return, are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Functional Allocation of Expenses - The accompanying financial statements present expenses by functional and natural classification. Natural expenses directly attributable to a specific functional area are reported as expenses of those functional areas. Accordingly, certain costs have been allocated among the programs and supporting services using a variety of cost allocation techniques, such as time and effort.

Advertising Costs - Advertising costs are expensed as incurred.

Federal Income Taxes - The League is a nonprofit organization that is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, except as it relates to certain unrelated business income. The League did not incur any significant tax liabilities due to unrelated business income during the years ended May 31, 2022 and 2021. The League files Form 990 tax returns in the U.S. federal jurisdiction and is subject to routine examinations of its returns; however, there are no examinations currently in progress.

3. Concentration of Credit Risk

Financial instruments which potentially subject the League to concentrations of credit risk consist of cash and cash equivalents, marketable investments, the beneficial interest in assets held by others, and contributions receivable. The League places its cash and cash equivalents with a limited number of high-quality financial institutions and at times may exceed the amount of insurance provided on such deposits. Marketable investments and the beneficial interest in assets held by others are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the near-term could materially affect the amounts reported in the statements of financial position. The League generally does not maintain collateral for its contributions receivable. One donor accounted for 58% of contributions receivable as of May 31, 2022.

4. Liquidity and Availability of Financial Assets

The League's financial assets available to management for general expenditure within one year were as follows as of May 31:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 1,553,936	\$ 1,097,239
Current portion of contributions receivable	82,038	76,034
Total financial assets available within one year	1,635,974	1,173,273
Less: amounts unavailable for general expenditure within one year- Board-designated for community projects and programs	<u>(458,870)</u>	<u>(354,802)</u>
Total amount available for general expenditure within one year	<u>\$ 1,177,104</u>	<u>\$ 818,471</u>

The League manages its liquidity by investing operating funds, including grants, endowments, and donations, in traditional bank or brokerage accounts such as checking accounts, money market saving accounts, certificates of deposit, or money market instruments. The League's finance committee reviews financial statements monthly and works under the guidelines of the Board's operating fund. The League's management and finance committee manages the day-to-day operations of the League and should provide guidance for any unforeseen emergency or disruption to the normal revenue generation of the League's activities.

5. Contributions Receivable

Contributions receivable include unconditional promises to give to the capital campaign. Contributions receivable were comprised of the following as of May 31:

	<u>2022</u>	<u>2021</u>
Amounts due in:		
Less than one year	\$ 82,038	\$ 76,034
One to five years	342,063	85,002
More than five years	<u>4,610</u>	<u>-</u>
	428,711	161,036
Less allowance for doubtful accounts	(23,408)	(23,408)
Less discount to net present value	<u>(33,161)</u>	<u>(21,094)</u>
Total	<u>\$ 372,142</u>	<u>\$ 116,534</u>

The present value of estimated future cash flows was calculated using a discount rate of 3.75% as of May 31, 2022 and 2021.

A reconciliation of the beginning and ending balances of contributions receivable is as follows:

	<u>2022</u>	<u>2021</u>
Balance, beginning of year	\$ 116,534	\$ 311,071
Receipt of new pledges	358,164	5,274
Payments on receivables	(88,339)	(194,958)
Change in provision for net present value	(12,067)	-
Change in reserve for bad debt	-	21,739
Write-offs	<u>(2,150)</u>	<u>(26,592)</u>
Balance, end of year	<u>\$ 372,142</u>	<u>\$ 116,534</u>

6. Marketable Investments

Marketable investments consisted of the following as of May 31:

	<u>2022</u>	<u>2021</u>
Mutual funds	\$ 1,653,441	\$ 1,881,612
Exchange-traded funds	1,380,930	1,424,266
Money market funds and other cash alternatives	<u>226,336</u>	<u>222,262</u>
Total investments	<u>\$ 3,260,707</u>	<u>\$ 3,528,140</u>

All investments were valued using the market approach and inputs were considered Level 1 under the fair value hierarchy.

7. Property and Equipment

Property and equipment consisted of the following as of May 31:

	<u>2022</u>	<u>2021</u>
Building - Bluffstone Property	\$ 21,670,285	\$ 21,643,987
Furniture, fixtures, and equipment	<u>310,250</u>	<u>310,251</u>
	21,980,535	21,954,238
Accumulated depreciation	(1,746,987)	(1,159,332)
Land	<u>1,604,745</u>	<u>1,604,745</u>
Total property and equipment, net	<u>\$ 21,838,293</u>	<u>\$ 22,399,651</u>

In July 2019, the League completed construction of a building (the “Bluffstone Property”). The building is now the location of the League’s headquarters and new Community Impact Center.

8. Paycheck Protection Program Loans

In May 2020, the League received a \$81,768 loan under the Paycheck Protection Program (“PPP”) which was created through the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) and administered by the U.S. Small Business Administration (“SBA”) (the “2020 PPP Loan”). The 2020 PPP Loan had a fixed interest rate of 1% and a two-year maturity period. The 2020 PPP Loan was eligible for forgiveness by the SBA for the portion of loan proceeds used for payroll costs and other designated operating expenses (as defined) for up to eight weeks or, at the discretion of the borrower, twenty-four weeks (the “Covered Period”), provided at least 60% of loan proceeds were used for payroll costs and the League met all necessary criteria as defined by the SBA. Payments were deferred until the earlier of (i) the date the SBA remits to the lender the amount of forgiveness granted to the League, or (ii) ten months after the last day of the Covered Period if the League does not apply for loan forgiveness. In March 2021, the SBA granted the League forgiveness for the 2020 PPP Loan. The League recognized other income associated with the 2020 PPP Loan totaling \$81,768 during the year ended May 31, 2021.

In February 2021, the League received an additional \$81,767 PPP loan (the “2021 PPP Loan”). The 2021 PPP Loan has the same terms as described above for the 2020 PPP Loan, except that the maturity period is five years. In January 2022, the SBA granted the League forgiveness for the 2021 PPP Loan. The League recognized other income associated with the 2021 PPP Loan totaling \$81,767 during the year ended May 31, 2022.

9. Long-Term Debt

In February 2018, the League entered into a Construction Loan Agreement (the “Construction Loan”) with a bank for available borrowings of up to \$10,000,000, which is secured by the Bluffstone Property land and building. Beginning in March 2020, construction draws bear interest at the lesser of 3.89% or the LIBOR daily floating rate plus 1.90% (3.89% as of May 31, 2022 and 2021). Beginning in March 2019, monthly payments of interest are due through September 2021. Beginning in September 2021, monthly payments of principal and interest are due through maturity in February 2030, with a balloon payment of \$6,518,181 due upon maturity. Outstanding construction draws totaled \$9,531,612 and \$9,826,404 as of May 31, 2022 and 2021, respectively.

The Construction Loan contains financial covenants that the League must maintain compliance with, including a minimum fixed charge coverage ratio and unrestricted liquid assets, as defined. Failure to comply with the covenants could result in the debt being called by the lender.

As of May 31, 2022, future maturities of long-term debt were as follows during the years ending May 31:

2023	\$ 393,056
2024	393,056
2025	393,056
2026	393,056
2027	393,056
Thereafter	<u>7,566,332</u>
Total	<u>\$ 9,531,612</u>

10. Board-Designated Endowment

The Board-designated Endowment Fund’s purpose is to provide a stable and ongoing means of generating revenue, which will be used to support the educational and charitable mission of the League. Assets are included in the beneficial interest in assets held by others in the statements of financial position.

The agreement with ACF states that the League could not withdraw any funds until the value of the Endowment Fund reached \$1,000,000. Thereafter, distributions of up to 5% of the value of the Endowment Fund at December 31 of the previous year may be made annually in June, even if the total fair value drops below \$1,000,000. The League’s spending policy for distributions is determined annually by the Audit Committee of the Board.

ACF adopted the Investment Policy Statement which governs the investment process through specific objectives and guidelines, an investment structure, management of the overall level of risk and liquidity, establishing criteria to monitor, evaluating and comparing performance, defining suitable investments, and complying with best fiduciary practices. ACF’s primary objective for the investment of endowed funds is to preserve the portfolio’s purchasing power through asset growth at least equal to the spending policy, plus the rate of inflation. In order to ensure a predictable level of funds, a total return spending policy has been adopted. This policy provides for 5% spending of the rolling 20 quarter market value for endowment funds, not to exceed accumulated earnings in accordance with applicable laws, regulations, and fund agreements.

Changes in the Board-designated Endowment Fund were as follows during the years ended May 31:

	<u>2022</u>	<u>2021</u>
Endowment Fund, beginning of year	\$ 1,276,045	\$ 943,022
Interest, dividends, and realized gains	23,774	18,844
Net unrealized gains (losses)	(45,577)	324,804
Distributions	-	-
Investment expense	<u>(11,331)</u>	<u>(10,625)</u>
Endowment Fund, end of year	<u>\$ 1,242,911</u>	<u>\$ 1,276,045</u>

11. In-Kind Donations

Donated services are recognized by the League if the services received (a) create or enhance non-financial assets and (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Volunteers donated 150,240 and 149,640 hours for volunteer support activities and 20,569 and 17,979 hours for community projects during the years ended May 31, 2022 and 2021, respectively. However, these volunteer services do not meet the recognition criteria.

The League received the following in-kind donations included in the statements of activities during the years ended May 31:

	<u>2022</u>	<u>2021</u>
A Christmas Affair:		
Other goods	\$ 311,191	\$ 21,612
Related services including event planning and production, photography, and catering	104,619	6,050
Advertising and media	35,300	75,000
Coats for Kids:		
Advertising and media	139,310	293,000
Related services including moving and storage and distribution services	108,505	165,350
Other goods	47,796	7,611
General Fund	53,241	-
Austin Entertains and Spring Events	49,423	23,013
Other	<u>585</u>	<u>3,282</u>
Subtotal	849,970	594,918
Assets for use in auction	<u>214,012</u>	<u>137,704</u>
Total in-kind donations	<u>\$ 1,063,982</u>	<u>\$ 732,622</u>

12. Commitments and Contingencies

The League leases equipment under non-cancellable operating leases and is committed under other various service agreements. Rent and other expense under these agreements, including some agreements which are on a month-to-month basis, totaled \$14,891 and \$19,044 during the years ended May 31, 2022 and 2021, respectively. Future minimum lease and service payments as of May 31, 2022 were not significant.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the world. While the disruption is expected to be temporary, there is uncertainty around the severity and duration. The League transitioned back to its traditional in-person events and rental activities increased at the Bluffstone Property. Therefore, while this issue may negatively impact the League's business, results of operations, and financial position, the related financial impact cannot be reasonably estimated at this time. The League is actively managing the business to maintain its cash flow and management believes that the League has adequate liquidity.

Conditional grants payable are not recorded as grants payable in the statements of financial position until the condition has been met. As of May 31, 2022, the League had an aggregate of \$157,820 in conditional grants payable to other nonprofit organizations. These grants are considered cost-reimbursement grants, and the League records grant expense in the statements of activities as the nonprofit organization incurs eligible expenses.

13. Related Party Transactions

Members of the Board contributed \$15,363 and \$18,285 to the League during the years ended May 31, 2022 and 2021, respectively. As of May 31, 2022 and 2021, contributions receivable from members of the Board totaled \$5,831 and \$5,410, respectively.

14. Subsequent Events

The League has evaluated subsequent events through July 28, 2022 (the date the financial statements were available to be issued), and no events have occurred from the statement of financial position date through that date that would impact the financial statements.