

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

**Financial Statements
as of and for the Years Ended
May 31, 2021 and 2020 and
Independent Auditors' Report**





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Independent Auditors' Report

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

We have audited the accompanying financial statements of The Junior League of Austin, Inc. (the "League") (a nonprofit organization), which comprise the statements of financial position as of May 31, 2021 and 2020, 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.

Auditors' 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 auditors' 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.

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

"A Registered Investment Advisor"

This firm is not a CPA firm

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 the League as of May 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.

Maxwell Locke & Ritter LLP

Austin, Texas
August 25, 2021

The Junior League of Austin Inc.

Statements of Financial Position May 31, 2021 and 2020

	2021	2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,097,239	\$ 833,996
Current portion of contributions receivable	76,034	109,115
Prepaid expenses and other current assets	115,386	76,581
Total current assets	1,288,659	1,019,692
Contributions receivable, net	40,500	201,956
Marketable investments	3,528,140	2,682,301
Property and equipment, net	22,399,651	22,983,383
Beneficial interest in assets held by others	1,276,045	943,022
Total	<u>\$ 28,532,995</u>	<u>\$ 27,830,354</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 41,942	\$ 46,163
Deferred revenue	590,746	653,690
Paycheck Protection Program loans	81,767	81,768
Current portion of long-term debt	294,792	-
Total current liabilities	1,009,247	781,621
Long-term debt	9,531,612	9,826,404
Total liabilities	10,540,859	10,608,025
Net assets:		
Without donor restrictions, undesignated	12,716,615	12,590,263
Without donor restrictions, Board-designated investments	3,528,140	2,682,301
Without donor restrictions, Board-designated Endowment Fund	1,276,045	943,022
Without donor restrictions, Board-designated for community projects and programs	354,802	645,525
With donor restrictions	116,534	361,218
Total net assets	17,992,136	17,222,329
Total	<u>\$ 28,532,995</u>	<u>\$ 27,830,354</u>

See notes to financial statements.

The Junior League of Austin Inc.

Statement of Activities

Year Ended May 31, 2021

(with summarized comparative totals for the year ended May 31, 2020)

	2021			2020 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Revenues:				
Investment income	\$ 861,952	-	861,952	197,585
A Christmas Affair	728,691	-	728,691	2,057,020
Coats for Kids	631,554	-	631,554	610,203
Contributions	432,527	5,337	437,864	238,837
Member dues	410,054	-	410,054	363,293
Income on beneficial interest in assets held by others	343,648	-	343,648	9,122
Food in Tummies	168,933	-	168,933	79,031
Events	62,217	-	62,217	130,120
Rental income	52,691	-	52,691	52,932
Other income	120,630	-	120,630	168,406
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	3,906,549
Expenses:				
Program services:				
Coats for Kids	663,871	-	663,871	764,148
Membership	592,254	-	592,254	767,520
Community projects and programs	493,356	-	493,356	579,194
A Christmas Affair	424,859	-	424,859	1,121,510
Austin Entertains	200,657	-	200,657	239,186
Food in Tummies	190,442	-	190,442	366,259
Total program services	2,565,439	-	2,565,439	3,837,817
Supporting services-				
General and administrative	482,988	-	482,988	487,339
Total expenses	3,048,427	-	3,048,427	4,325,156
Change in net assets	1,014,491	(244,684)	769,807	(418,607)
Net assets, beginning of year	16,861,111	361,218	17,222,329	17,640,936
Net assets, end of year	<u>\$ 17,875,602</u>	<u>116,534</u>	<u>17,992,136</u>	<u>17,222,329</u>

See notes to financial statements.

The Junior League of Austin Inc.

Statement of Activities Year Ended May 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:			
Investment income	\$ 197,585	-	197,585
A Christmas Affair	2,057,020	-	2,057,020
Coats for Kids	610,203	-	610,203
Contributions	224,682	14,155	238,837
Member dues	363,293	-	363,293
Income on beneficial interest in assets held by others	9,122	-	9,122
Food in Tummies	79,031	-	79,031
Events	130,120	-	130,120
Rental income	52,932	-	52,932
Other income	168,406	-	168,406
Net assets released from restrictions	3,914,775	(3,914,775)	-
Total revenues and net assets released from restrictions	7,807,169	(3,900,620)	3,906,549
Expenses:			
Program services:			
Coats for Kids	764,148	-	764,148
Membership	767,520	-	767,520
Community projects and programs	579,194	-	579,194
A Christmas Affair	1,121,510	-	1,121,510
Austin Entertains	239,186	-	239,186
Food in Tummies	366,259	-	366,259
Total program services	3,837,817	-	3,837,817
Supporting services- General and administrative	487,339	-	487,339
Total expenses	4,325,156	-	4,325,156
Change in net assets	3,482,013	(3,900,620)	(418,607)
Net assets, beginning of year	13,379,098	4,261,838	17,640,936
Net assets, end of year	\$ 16,861,111	361,218	17,222,329

See notes to financial statements.

The Junior League of Austin Inc.

Statement of Functional Expenses

Year Ended May 31, 2021

(with summarized comparative totals for the year ended May 31, 2020)

	2021									2020 Total
	Program Services						Supporting Services		Total	
	Coats for Kids	Membership	Community Projects and Programs	A Christmas Affair	Austin Entertains	Food in Tummies	Total Program Services	General and Administrative		
In-kind	\$ 465,961	3,282	-	199,522	63,857	-	732,622	-	732,622	1,007,209
Depreciation	42,415	169,660	127,245	42,415	42,415	42,415	466,565	116,646	583,211	533,604
Management service fees	23,396	93,584	70,188	23,396	23,396	23,396	257,356	64,342	321,698	368,388
Interest	21,340	84,851	67,649	21,340	21,238	21,668	238,086	58,405	296,491	266,394
Facilities	22,737	49,944	40,633	15,579	14,151	15,733	158,777	35,923	194,700	399,854
Materials	78,573	-	31,684	-	-	80,912	191,169	-	191,169	309,153
Salaries	-	-	111,370	-	-	-	111,370	-	111,370	155,030
Association of Junior League International dues	-	106,765	-	-	-	-	106,765	-	106,765	107,314
Technology	5,660	22,640	19,215	25,396	5,660	5,660	84,231	15,894	100,125	64,384
Events	-	3,558	1,713	59,464	12,972	-	77,707	-	77,707	583,249
Insurance	-	-	-	-	-	-	-	63,288	63,288	71,606
Office	658	7,200	1,973	10,099	1,347	658	21,935	30,524	52,459	84,115
Advertising and promotion	3,131	17,755	-	12,693	486	-	34,065	-	34,065	76,110
Merchandise and supplies	-	508	15,241	12,611	655	-	29,015	-	29,015	52,255
Professional and consulting	-	-	4,255	-	-	-	4,255	20,000	24,255	25,332
Conferences and training	-	19,729	-	-	-	-	19,729	-	19,729	36,264
Scholarships and aid	-	-	800	-	12,500	-	13,300	-	13,300	28,362
Meetings	-	9,099	-	-	-	-	9,099	-	9,099	35,967
Bad debt	-	-	-	-	-	-	-	-	-	55,369
Printing and reproduction	-	-	-	-	-	-	-	-	-	6,282
Travel	-	-	-	-	-	-	-	-	-	1,250
Other	-	3,679	1,390	2,344	1,980	-	9,393	77,966	87,359	57,665
Total expenses	\$ 663,871	592,254	493,356	424,859	200,657	190,442	2,565,439	482,988	3,048,427	4,325,156

See notes to financial statements.

The Junior League of Austin Inc.

Statement of Functional Expenses Year Ended May 31, 2020

	Program Services							Supporting Services	Total
	Coats for Kids	Membership	Community Projects and Programs	A Christmas Affair	Austin Entertains	Food in Tummies	Total Program Services	General and Administrative	
In-kind	\$ 486,972	62,324	-	358,353	95,792	3,768	1,007,209	-	1,007,209
Depreciation	53,360	160,083	80,040	53,360	26,680	106,721	480,244	53,360	533,604
Management service fees	28,438	113,755	85,681	28,435	28,438	28,438	313,185	55,203	368,388
Interest	19,115	76,462	59,927	19,115	19,115	19,115	212,849	53,545	266,394
Facilities	67,380	62,458	55,357	33,436	25,573	20,366	264,570	135,284	399,854
Materials	95,195	-	33,371	-	-	180,587	309,153	-	309,153
Salaries	-	-	155,030	-	-	-	155,030	-	155,030
Association of Junior League International dues	-	107,314	-	-	-	-	107,314	-	107,314
Technology	5,735	22,940	18,205	6,034	5,735	5,735	64,384	-	64,384
Events	-	-	49,527	518,557	14,377	788	583,249	-	583,249
Insurance	-	-	-	-	-	-	-	71,606	71,606
Office	806	24,383	2,558	33,726	3,280	741	65,494	18,621	84,115
Advertising and promotion	865	34,029	1,050	37,972	2,194	-	76,110	-	76,110
Merchandise and supplies	-	-	17,053	32,245	2,957	-	52,255	-	52,255
Professional and consulting	-	-	4,994	-	-	-	4,994	20,338	25,332
Conferences and training	-	35,457	696	-	-	-	36,153	111	36,264
Scholarships and aid	-	-	13,362	-	15,000	-	28,362	-	28,362
Meetings	-	35,967	-	-	-	-	35,967	-	35,967
Bad debt	-	-	-	-	-	-	-	55,369	55,369
Printing and reproduction	6,282	-	-	-	-	-	6,282	-	6,282
Travel	-	-	1,205	-	45	-	1,250	-	1,250
Other	-	32,348	1,138	277	-	-	33,763	23,902	57,665
Total expenses	\$ 764,148	767,520	579,194	1,121,510	239,186	366,259	3,837,817	487,339	4,325,156

See notes to financial statements.

The Junior League of Austin Inc.

Statements of Cash Flows Years Ended May 31, 2021 and 2020

	2021	2020
Cash Flows From Operating Activities:		
Change in net assets	\$ 769,807	\$ (418,607)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Change in allowance for uncollectible receivables	(21,739)	45,147
Realized and unrealized gains on marketable investments	(821,953)	(148,530)
Depreciation	583,211	533,604
Forgiveness of Paycheck Protection Program loan (Note 8)	(81,768)	-
Gain on sale of property and equipment	(12,757)	(74,356)
Change in value of beneficial interest in assets held by others	(333,023)	38,774
Contributions restricted for property and equipment acquisitions	(149,811)	(191,238)
Changes in assets and liabilities that provided (used) cash:		
Contributions receivable	216,276	187,305
Prepaid expenses and other current assets	(38,805)	35,054
Accounts payable and accrued expenses	(4,221)	27,833
Deferred revenue	(62,944)	(215,283)
Net cash provided by (used in) operating activities	42,273	(180,297)
Cash Flows From Investing Activities:		
Sales of marketable investments	237,826	82,047
Purchases of marketable investments	(261,712)	(110,888)
Proceeds from sale of property and equipment	35,707	-
Purchases of property and equipment	(22,429)	(5,144,759)
Net cash used in investing activities	(10,608)	(5,173,600)
Cash Flows From Financing Activities:		
Proceeds from Paycheck Protection Program loans	81,767	81,768
Proceeds from borrowings of long-term debt	-	4,560,676
Contributions restricted for property and equipment acquisitions	149,811	191,238
Net cash provided by financing activities	231,578	4,833,682
Net change in cash and cash equivalents	263,243	(520,215)
Cash and cash equivalents, beginning of year	833,996	1,354,211
Cash and cash equivalents, end of year	\$ 1,097,239	\$ 833,996
Supplemental Cash Disclosure-		
Cash paid for interest	\$ 275,645	\$ 248,905

See notes to financial statements.

The Junior League of Austin, Inc.

Notes to Financial Statements Years Ended May 31, 2021 and 2020

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 (“ASC”).

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.

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, 2021 and 2020, 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, 2021 and 2020, 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. Construction in progress is not depreciated until the assets are placed in service.

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.

As a result of the significant disruptions to the League's operations due to the COVID-19 pandemic, management evaluated the League's long-lived assets for impairment as of May 31, 2021 and 2020 and determined there was no impairment. While management believes the estimates and judgments used to determine fair value are reasonable, future impairment charges may be required if events change requiring management to revise these estimates.

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, 2021 and 2020. 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 10% of contributions receivable as of May 31, 2020.

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>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 1,097,239	\$ 833,996
Current portion of contributions receivable	<u>76,034</u>	<u>109,115</u>
Total financial assets available within one year	1,173,273	943,111
Less: amounts unavailable for general expenditure within one year-		
Board-designated for community projects and programs	<u>(354,802)</u>	<u>(645,525)</u>
Total amount available for general expenditure within one year	<u>\$ 818,471</u>	<u>\$ 297,586</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>2021</u>	<u>2020</u>
Amounts due in:		
Less than one year	\$ 76,034	\$ 109,115
One to five years	85,002	157,327
More than five years	<u>-</u>	<u>110,870</u>
	161,036	377,312
Less allowance for doubtful accounts	(23,408)	(45,147)
Less discount to net present value	<u>(21,094)</u>	<u>(21,094)</u>
Total	<u>\$ 116,534</u>	<u>\$ 311,071</u>

The present value of estimated future cash flows was calculated using a discount rate of 3.75% as of May 31, 2021 and 2020.

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

	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 311,071	\$ 543,523
Receipt of new pledges	5,274	5,000
Payments on receivables	(194,958)	(182,083)
Change in reserve for bad debt	21,739	(45,147)
Write-offs	<u>(26,592)</u>	<u>(10,222)</u>
Balance, end of year	<u>\$ 116,534</u>	<u>\$ 311,071</u>

6. Marketable Investments

Marketable investments consisted of the following as of May 31:

	<u>2021</u>	<u>2020</u>
Mutual funds	\$ 1,881,612	\$ 1,449,182
Exchange-traded funds	1,424,266	-
Money market funds and other cash alternatives	222,262	221,010
Fixed income	<u>-</u>	<u>1,012,109</u>
Total investments	<u>\$ 3,528,140</u>	<u>\$ 2,682,301</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>2021</u>	<u>2020</u>
Building - Bluffstone Property	\$ 21,643,987	\$ 21,643,987
Furniture, fixtures, and equipment	<u>310,251</u>	<u>313,322</u>
	21,954,238	21,957,309
Accumulated depreciation	(1,159,332)	(578,671)
Land	<u>1,604,745</u>	<u>1,604,745</u>
Total property and equipment, net	<u>\$ 22,399,651</u>	<u>\$ 22,983,383</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. All construction and related costs incurred during this process were previously accumulated in construction in progress, prior to the asset being placed in service during the year ended May 31, 2020. Interest totaling \$21,281 was capitalized during the year ended May 31, 2020.

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. The 2020 PPP Loan had a balance of \$81,768 as of May 31, 2020, which was classified as a liability in the statement of financial position as qualifying expenditures had not yet been incurred. 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. The League expects the 2021 PPP Loan will be forgiven during the year ending May 31, 2022, at which point the amount will be recorded as other income. As the criteria for forgiveness had not been met as of May 31, 2021, the 2021 PPP Loan was classified as a liability in the statement of financial position at that time.

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% and 2.07% as of May 31, 2021 and 2020, respectively). 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 \$9,826,404 as of May 31, 2021 and 2020.

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, 2021, future maturities of long-term debt were as follows during the years ending May 31:

2022	\$ 294,792
2023	393,056
2024	393,056
2025	393,056
2026	393,056
Thereafter	<u>7,959,388</u>
Total	<u>\$ 9,826,404</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:

	2021	2020
Endowment Fund, beginning of year	\$ 943,022	\$ 981,796
Interest, dividends, and realized gains	18,844	21,594
Net unrealized gains (losses)	324,804	(12,472)
Distributions	-	(37,572)
Investment expense	(10,625)	(10,324)
Endowment Fund, end of year	<u>\$ 1,276,045</u>	<u>\$ 943,022</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 149,640 and 152,200 hours for volunteer support activities and 17,979 and 35,226 hours for community projects during the years ended May 31, 2021 and 2020, 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>2021</u>	<u>2020</u>
A Christmas Affair:		
Advertising and media	\$ 75,000	\$ 80,600
Related services including event planning and production, photography, and catering	6,050	29,975
Other goods	21,612	113,865
Coats for Kids:		
Advertising and media	293,000	286,000
Related services including moving and storage and distribution services	165,350	193,300
Other goods	7,611	7,672
Austin Entertains and Spring Events	23,013	45,639
Food in Tummies	-	3,768
Other	3,282	62,326
Subtotal	<u>594,918</u>	<u>823,145</u>
Assets for use in auction	<u>137,704</u>	<u>184,064</u>
Total in-kind donations	<u>\$ 732,622</u>	<u>\$ 1,007,209</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 \$19,044 and \$91,482 during the years ended May 31, 2021 and 2020, respectively. Future minimum lease and service payments as of May 31, 2021 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. As a result of the COVID-19 pandemic, the League experienced significant disruptions to its operations beginning in the fourth quarter of the fiscal year ended May 31, 2020. Based on guidance from government officials and health authorities, the League temporarily closed the Bluffstone Property, which is used to generate rental income, and have since reopened. While the disruptions are expected to be temporary, there is uncertainty around the duration. Therefore, while this issue is expected to 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 has taken various actions to preserve its liquidity. In March 2020, the League refinanced its Construction Loan to extend the interest-only payment period and extended the loan maturity date, as described in Note 9. In addition, as described in Note 8, in May 2020 and February 2021, the League received forgivable PPP loans totaling \$163,535.

13. Related Party Transactions

Members of the Board contributed \$18,285 and \$9,165 to the League during the years ended May 31, 2021 and 2020, respectively. As of May 31, 2021 and 2020, contributions receivable from members of the Board totaled \$5,410 and \$10,999, respectively.

14. Subsequent Events

The League has evaluated subsequent events through August 25, 2021 (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.