

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

**Financial Statements
as of and for the Years Ended
May 31, 2023 and 2022 and
Independent Auditors' Report**





MAXWELL LOCKE & RITTER LLP

Accountants and Consultants

An Affiliate of CPAmerica International

tel (512) 370 3200 fax (512) 370 3250
www.mlrpc.com

Austin: 401 Congress Avenue, Suite 1100
Austin, TX 78701

Round Rock: 411 West Main Street, Suite 300
Round Rock, TX 78664

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, 2023 and 2022, 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, 2023 and 2022, 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

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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
August 1, 2023

The Junior League of Austin Inc.

Statements of Financial Position May 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,996,174	\$ 1,553,936
Current portion of contributions receivable	66,613	82,038
Prepaid expenses and other current assets	<u>86,608</u>	<u>69,363</u>
Total current assets	2,149,395	1,705,337
Contributions receivable, net	252,181	290,104
Marketable investments	3,261,693	3,260,707
Property and equipment, net	21,285,734	21,838,293
Beneficial interest in assets held by others	<u>1,198,043</u>	<u>1,242,911</u>
Total	<u>\$ 28,147,046</u>	<u>\$ 28,337,352</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 74,843	\$ 54,507
Deferred revenue	936,963	617,450
Current portion of long-term debt	<u>393,056</u>	<u>393,056</u>
Total current liabilities	1,404,862	1,065,013
Long-term debt	<u>8,745,500</u>	<u>9,138,556</u>
Total liabilities	10,150,362	10,203,569
Net assets:		
Without donor restrictions, undesignated	12,689,214	12,799,153
Without donor restrictions, Board-designated investments	3,261,693	3,260,707
Without donor restrictions, Board-designated Endowment Fund	1,198,043	1,242,911
Without donor restrictions, Board-designated for community projects and programs	528,940	458,870
With donor restrictions	<u>318,794</u>	<u>372,142</u>
Total net assets	<u>17,996,684</u>	<u>18,133,783</u>
Total	<u>\$ 28,147,046</u>	<u>\$ 28,337,352</u>

See notes to financial statements.

The Junior League of Austin Inc.

Statement of Activities

Year Ended May 31, 2023

(with summarized comparative totals for the year ended May 31, 2022)

	2023			2022 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Revenues:				
A Christmas Affair ticket sales, merchant booth revenue, and merchandise sales	\$ 1,604,852	-	1,604,852	1,492,036
Donated goods and services	594,591	-	594,591	962,863
Member dues	370,961	-	370,961	391,432
Rental income	312,102	-	312,102	275,219
Contributions	222,728	38,326	261,054	568,547
A Christmas Affair contributions	141,377	-	141,377	51,130
Coats for Kids	133,610	-	133,610	262,698
Food in Tummies	113,833	-	113,833	121,766
Events	86,283	-	86,283	66,590
Investment income (loss), net	15,591	-	15,591	(250,263)
Change in beneficial interest in assets held by others	(31,282)	-	(31,282)	(21,803)
Other income	40,765	-	40,765	108,729
Net assets released from restrictions	91,674	(91,674)	-	-
Total revenues and net assets released from restrictions	3,697,085	(53,348)	3,643,737	4,028,944
Expenses:				
Program services:				
A Christmas Affair	854,735	-	854,735	1,093,790
Membership	714,506	-	714,506	720,580
Community projects and programs	623,369	-	623,369	529,971
Coats for Kids	584,221	-	584,221	609,860
Food in Tummies	242,275	-	242,275	216,586
Austin Entertains	203,162	-	203,162	205,624
Total program services	3,222,268	-	3,222,268	3,376,411
Supporting services-				
General and administrative	558,568	-	558,568	510,886
Total expenses	3,780,836	-	3,780,836	3,887,297
Change in net assets	(83,751)	(53,348)	(137,099)	141,647
Net assets, beginning of year	17,761,641	372,142	18,133,783	17,992,136
Net assets, end of year	<u>\$ 17,677,890</u>	<u>318,794</u>	<u>17,996,684</u>	<u>18,133,783</u>

See notes to financial statements.

The Junior League of Austin Inc.

Statement of Activities Year Ended May 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:			
A Christmas Affair ticket sales, merchant booth revenue, and merchandise sales	\$ 1,492,036	-	1,492,036
Donated goods and services	962,863	-	962,863
Member dues	391,432	-	391,432
Rental income	275,219	-	275,219
Contributions	219,654	348,893	568,547
A Christmas Affair contributions	51,130	-	51,130
Coats for Kids	262,698	-	262,698
Food in Tummys	121,766	-	121,766
Events	66,590	-	66,590
Investment loss, net	(250,263)	-	(250,263)
Change in beneficial interest in assets held by others	(21,803)	-	(21,803)
Other income	108,729	-	108,729
Net assets released from restrictions	93,285	(93,285)	-
	<u>3,773,336</u>	<u>255,608</u>	<u>4,028,944</u>
Total revenues and net assets released from restrictions			
Expenses:			
Program services:			
A Christmas Affair	1,093,790	-	1,093,790
Membership	720,580	-	720,580
Coats for Kids	609,860	-	609,860
Community projects and programs	529,971	-	529,971
Food in Tummys	216,586	-	216,586
Austin Entertains	205,624	-	205,624
	<u>3,376,411</u>	<u>-</u>	<u>3,376,411</u>
Total program services			
Supporting services-			
General and administrative	510,886	-	510,886
	<u>3,887,297</u>	<u>-</u>	<u>3,887,297</u>
Total expenses			
Change in net assets	(113,961)	255,608	141,647
Net assets, beginning of year	17,875,602	116,534	17,992,136
Net assets, end of year	<u>\$ 17,761,641</u>	<u>372,142</u>	<u>18,133,783</u>

See notes to financial statements.

The Junior League of Austin Inc.

Statement of Functional Expenses

Year Ended May 31, 2023

(with summarized comparative totals for the year ended May 31, 2022)

	2023							2022		
	Program Services						Supporting Services	Total	Total	
	A Christmas Affair	Membership	Community Projects and Programs	Coats for Kids	Food in Tummies	Austin Entertains	Total Program Services			General and Administrative
In-kind	\$ 131,727	10,741	-	319,660	-	29,759	491,887	-	491,887	849,970
Events	534,893	2,282	17,105	-	-	34,390	588,670	-	588,670	529,164
Depreciation	42,629	170,516	127,887	42,629	42,629	42,629	468,919	117,233	586,152	587,656
Materials	6	335	183,481	135,355	120,211	-	439,388	-	439,388	379,991
Interest	27,034	106,512	79,883	26,628	27,035	27,035	294,127	73,532	367,659	382,378
Facilities	24,118	95,024	71,267	26,466	24,119	24,119	265,113	65,601	330,714	268,696
Management service fees	22,675	90,703	68,026	22,675	22,675	22,675	249,429	62,357	311,786	269,634
Association of Junior League International dues	-	95,821	-	-	-	-	95,821	-	95,821	100,502
Office	418	8,980	1,255	418	418	418	11,907	67,538	79,445	87,480
Technology	5,188	20,754	15,565	5,188	5,188	5,188	57,071	14,267	71,338	64,061
Insurance	-	-	-	-	-	-	-	68,692	68,692	75,558
Advertising and promotion	32,485	22,130	-	5,202	-	2,949	62,766	-	62,766	56,703
Salaries	-	-	52,820	-	-	-	52,820	-	52,820	68,296
Meetings	-	43,927	-	-	-	-	43,927	-	43,927	27,693
Conferences and training	-	33,953	5,612	-	-	-	39,565	209	39,774	28,899
Bad debt	-	-	-	-	-	-	-	33,905	33,905	2,150
Merchandise and supplies	29,531	-	-	-	-	-	29,531	-	29,531	22,635
Professional and consulting	-	-	-	-	-	-	-	23,900	23,900	28,710
Scholarships and aid	-	-	-	-	-	14,000	14,000	-	14,000	16,500
Other	4,031	12,828	468	-	-	-	17,327	31,334	48,661	40,621
Total expenses	\$ 854,735	714,506	623,369	584,221	242,275	203,162	3,222,268	558,568	3,780,836	3,887,297

See notes to financial statements.

The Junior League of Austin Inc.

Statement of Functional Expenses Year Ended May 31, 2022

	Program Services						Supporting Services		Total
	A Christmas Affair	Membership	Community Projects and Programs	Coats for Kids	Food in Tummies	Austin Entertains	Total Program Services	General and Administrative	
In-kind	\$ 451,110	53,241	586	295,611	-	49,423	849,970	-	849,970
Events	478,634	11,726	12,404	-	-	26,400	529,164	-	529,164
Depreciation	42,739	170,954	128,216	42,739	42,739	42,739	470,125	117,531	587,656
Materials	-	108	87,579	191,052	101,252	-	379,991	-	379,991
Interest	27,664	110,655	84,909	27,747	27,664	27,664	306,303	76,076	382,378
Facilities	19,948	76,018	58,108	22,008	19,856	19,856	215,793	52,903	268,696
Management service fees	19,610	78,439	58,829	19,610	19,610	19,610	215,707	53,927	269,634
Association of Junior League International dues	-	100,502	-	-	-	-	100,502	-	100,502
Office	806	11,999	2,419	806	806	806	17,643	69,837	87,480
Technology	4,659	18,636	13,977	4,659	4,659	4,659	51,249	12,812	64,061
Insurance	-	-	-	-	-	-	-	75,558	75,558
Advertising and promotion	25,986	23,120	-	5,629	-	1,968	56,703	-	56,703
Salaries	-	-	68,296	-	-	-	68,296	-	68,296
Meetings	-	27,693	-	-	-	-	27,693	-	27,693
Conferences and training	-	28,370	529	-	-	-	28,899	-	28,899
Bad debt	-	2,150	-	-	-	-	2,150	-	2,150
Merchandise and supplies	22,635	-	-	-	-	-	22,635	-	22,635
Professional and consulting	-	-	5,160	-	-	-	5,160	23,550	28,710
Scholarships and aid	-	-	4,000	-	-	12,500	16,500	-	16,500
Other	-	6,969	4,959	-	-	-	11,928	28,693	40,621
Total expenses	\$ 1,093,790	720,580	529,971	609,860	216,585	205,624	3,376,411	510,886	3,887,297

See notes to financial statements.

The Junior League of Austin Inc.

Statements of Cash Flows Years Ended May 31, 2023 and 2022

	2023	2022
Cash Flows From Operating Activities:		
Change in net assets	\$ (137,099)	\$ 141,647
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Change in allowance for uncollectible receivables	33,905	-
Change in discount to net present value	(12,212)	12,067
Realized and unrealized losses on marketable investments	57,982	289,392
Depreciation	586,152	587,656
Forgiveness of Paycheck Protection Program loan (Note 8)	-	(81,767)
Change in value of beneficial interest in assets held by others	44,868	33,134
Contributions restricted for property and equipment acquisitions	(62,936)	(89,913)
Changes in assets and liabilities that provided (used) cash:		
Contributions receivable	31,655	(267,675)
Prepaid expenses and other current assets	(17,245)	46,023
Accounts payable and accrued expenses	20,336	12,565
Deferred revenue	319,513	26,704
Net cash provided by operating activities	864,919	709,833
Cash Flows From Investing Activities:		
Sales of marketable investments	131,887	278,978
Purchases of marketable investments	(190,855)	(300,937)
Purchases of property and equipment	(33,593)	(26,298)
Net cash used in investing activities	(92,561)	(48,257)
Cash Flows From Financing Activities:		
Payments on long-term debt	(393,056)	(294,792)
Contributions restricted for property and equipment acquisitions	62,936	89,913
Net cash used in financing activities	(330,120)	(204,879)
Net change in cash and cash equivalents	442,238	456,697
Cash and cash equivalents, beginning of year	1,553,936	1,097,239
Cash and cash equivalents, end of year	<u>\$ 1,996,174</u>	<u>\$ 1,553,936</u>
Supplemental Cash Disclosure-		
Cash paid for interest	<u>\$ 368,861</u>	<u>\$ 275,645</u>

See notes to financial statements.

The Junior League of Austin, Inc.

Notes to Financial Statements Years Ended May 31, 2023 and 2022

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, 2023 and 2022, 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, 2023 and 2022, 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. The timing of revenue recognition, billings and cash collections results in billed accounts receivable and deferred revenue which totaled \$24,222 and \$590,746, respectively, as of May 31, 2021.

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.

Change in Accounting Principle for Recently Adopted Accounting Pronouncement - In September 2020, the FASB issued Accounting Standards Update (“ASU”) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, to improve transparency of contributed nonfinancial assets for nonprofit entities through enhancements to presentation and disclosure. The update requires that contributed nonfinancial assets are presented separately in the statements of activities. New disclosures are also required to disaggregate contributed nonfinancial assets by category type and other qualitative information about utilization, policies, and valuation techniques. The update is applied retrospectively and is effective for years beginning after June 15, 2021. The League adopted ASU 2020-07 effective June 1, 2022. There was no material impact to the financial statements as a result of the adoption.

Donated Goods and Services - Donated goods and services are reflected in the statements of activities at their fair value on the date of receipt. Donated services are recognized 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 122,960 and 150,240 hours for volunteer support activities, and 16,470 and 20,569 hours for community projects during the years ended May 31, 2023 and 2022, respectively. No amounts have been recognized in the statements of activities for these volunteer hours because they do not require specialized skills. Donated goods and services are discussed in Note 11.

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, 2023 and 2022. 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.

Change in Accounting Principle for Recently Adopted Accounting Pronouncement - In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which supersedes existing guidance for leases under Topic 840, *Leases*. The standard requires the recognition of right-of-use (“ROU”) assets and lease liabilities for all leases, including operating leases. For lessors, the accounting for rental revenue and other property income remains substantially unchanged from previous lease accounting guidance. The League adopted ASU No. 2016-02, as amended, on June 1, 2022, using a modified retrospective approach. The adoption did not have a significant impact on the League’s balance sheet or statement of activities or on the League’s financial statements as it relates to leases in which the League is a lessor.

Leases - Leases with an initial term of twelve months or less are classified as short-term leases and are not recognized in the statement of financial position unless the lease contains a purchase option that is reasonably certain to be exercised. Management assesses contracts at inception to determine whether an arrangement is or includes a lease, which conveys the League's right to control the use of an identified asset for a period of time in exchange for consideration. A determination is made at inception as to whether the lease is an operating lease or a finance lease, and lease determinations are reassessed in the event of a change in lease terms. ROU assets and associated liabilities are recognized at the commencement date and initially measured based on the present value of future minimum lease payments over the expected lease term, with ROU assets increased for initial direct costs and prepaid lease payments and reduced by any lease incentives received from the lessor. There were no significant ROU assets or associated liabilities recorded on the League's statement of financial position as of May 31, 2023 as the League was not obligated under any significant lease agreements.

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 70% and 58% of contributions receivable as of May 31, 2023 and 2022, respectively.

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>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 1,996,174	\$ 1,553,936
Current portion of contributions receivable	<u>66,613</u>	<u>82,038</u>
Total financial assets available within one year	2,062,787	1,635,974
Less: amounts unavailable for general expenditure within one year-		
Board-designated for community projects and programs	<u>(528,940)</u>	<u>(458,870)</u>
Total amount available for general expenditure within one year	<u>\$ 1,533,847</u>	<u>\$ 1,177,104</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>2023</u>	<u>2022</u>
Amounts due in:		
Less than one year	\$ 66,613	\$ 82,038
One to five years	296,538	342,063
More than five years	-	4,610
	<u>363,151</u>	<u>428,711</u>
Less allowance for doubtful accounts	(23,408)	(23,408)
Less discount to net present value	(20,949)	(33,161)
Total contributions receivable	<u>\$ 318,794</u>	<u>\$ 372,142</u>

The present value of estimated future cash flows was calculated using a discount rate of 3.75% as of May 31, 2023 and 2022.

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

	<u>2023</u>	<u>2022</u>
Balance, beginning of year	\$ 372,142	\$ 116,534
Receipt of new pledges	5,621	358,164
Payments on receivables	(37,276)	(88,339)
Change in provision for net present value	12,212	(12,067)
Write-offs	(33,905)	(2,150)
Balance, end of year	<u>\$ 318,794</u>	<u>\$ 372,142</u>

6. Marketable Investments

Marketable investments consisted of the following as of May 31:

	<u>2023</u>	<u>2022</u>
Mutual funds	\$ 1,225,352	\$ 1,653,441
Exchange-traded funds	1,153,542	1,380,930
Fixed income funds	820,633	-
Money market funds and other cash alternatives	<u>62,166</u>	<u>226,336</u>
Total investments	<u>\$ 3,261,693</u>	<u>\$ 3,260,707</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>2023</u>	<u>2022</u>
Building - Bluffstone Property	\$ 21,703,878	\$ 21,670,285
Furniture, fixtures, and equipment	<u>310,250</u>	<u>310,250</u>
	22,014,128	21,980,535
Accumulated depreciation	(2,333,139)	(1,746,987)
Land	<u>1,604,745</u>	<u>1,604,745</u>
Total property and equipment, net	<u>\$ 21,285,734</u>	<u>\$ 21,838,293</u>

The Bluffstone Property is the location of the League's headquarters and Community Impact Center.

8. Paycheck Protection Program Loans

In February 2021, the League received a \$81,767 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 "2021 PPP Loan"). The 2021 PPP Loan had a fixed interest rate of 1% and a five-year maturity period. The 2021 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 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, 2023 and 2022). Interest only payments were due monthly from March 2019 to September 2021. Thereafter, 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 \$9,138,556 and \$9,531,612 as of May 31, 2023 and 2022, 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, 2023, future maturities of long-term debt were as follows during the years ending May 31:

2024	\$ 393,056
2025	393,056
2026	393,056
2027	393,056
2028	393,056
Thereafter	<u>7,173,276</u>
Total	<u>\$ 9,138,556</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>2023</u>	<u>2022</u>
Endowment Fund, beginning of year	\$ 1,242,911	\$ 1,276,045
Interest, dividends, and realized gains	24,369	23,774
Net unrealized losses	(55,651)	(45,577)
Investment expense	<u>(13,586)</u>	<u>(11,331)</u>
Endowment Fund, end of year	<u>\$ 1,198,043</u>	<u>\$ 1,242,911</u>

11. Donated Goods and Services

The League received the following contributed nonfinancial assets, recorded as donated goods and services in the statements of activities during the years ended May 31:

	<u>2023</u>	<u>2022</u>	<u>Usage in Programs or Activities</u>	<u>Monetized or Utilized</u>	<u>Fair value techniques and inputs</u>
Auction items	\$ 102,762	\$ 112,892	Program services	Monetized	Gross selling price received from auctions
Professional services	259,151	277,625	Program services	Utilized	Current rates for similar services
Advertising and media	153,210	177,210	Program services	Utilized	Current rates for similar services
Goods	<u>79,468</u>	<u>395,136</u>	Program services	Utilized	Current rates for similar products
	<u>\$ 594,591</u>	<u>\$ 962,863</u>			

There were no donor-imposed restrictions associated with the donated goods and services.

12. Conditional Grants

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, 2023, the League had an aggregate of \$158,440 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 \$3,403 and \$15,363 to the League during the years ended May 31, 2023 and 2022, respectively. As of May 31, 2023 and 2022, contributions receivable from members of the Board totaled \$6,822 and \$5,831, respectively.

14. Subsequent Events

The League has evaluated subsequent events through August 1, 2023 (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.