Metrocrest Services

Financial Statements
September 30, 2020 and 2019

Sutton Frost Cary LLP
Certified Public Accountants

Metrocrest Services
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Independent Auditors' Report

To the Board of Directors
Metrocrest Services

We have audited the accompanying financial statements of Metrocrest Services (a nonprofit organization), which comprise the statements of financial position as of September 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; 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 U.S. generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Metrocrest Services as of September 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Sutton Frost Cary

Limited Liability Partnership

Arlington, Texas
December 11, 2020

Metrocrest Services
Statements of Financial Position
September 30, 2020 and 2019

	2020	2019
Assets		
Current assets:		
Cash and cash equivalents	$ 3,417,205	$ 367,441
Certificates of deposit	25,513	445,588
Grants receivable	146,318	81,542
Inventory	706,000	335,535
Prepaid expenses	10,434	12,486
Total current assets	4,305,470	1,242,592
Other assets:		
Security deposits	62,819	12,819
Property and equipment, net	148,751	80,638
Assets restricted for capital campaign:		
Cash and cash equivalents	25,502	-
Assets restricted for endowment:		
Beneficial interest in assets held by others	389,001	366,535
Total other assets	626,073	459,992
Total assets	$ 4,931,543	$ 1,702,584
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	$ 74,010	$ 47,440
Payroll and related liabilities	89,717	111,806
Refundable advances	825,833	78,655
Total current liabilities	989,560	237,901
Net assets:		
Without donor restrictions	2,926,320	743,508
With donor restrictions	1,015,663	721,175
Total net assets	3,941,983	1,464,683
Total liabilities and net assets	$ 4,931,543	$ 1,702,584

See notes to financial statements.

Metrocrest Services
Statement of Activities
Year Ended September 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and other support:			
Contributions and grants	$ 4,332,630	$ 1,553,145	$ 5,885,775
Donated goods and services	4,879,255	-	4,879,255
Government grants - federal	626,245	28,660	654,905
Retail sale of donated goods	552,222	-	552,222
Program service revenue	29,833	-	29,833
Special event revenue, net of direct costs of $23,534	83,617	-	83,617
Income from beneficial interest in assets held by others, net	-	22,466	22,466
Interest income	10,168	-	10,168
Net assets released from restrictions	1,309,783	(1,309,783)	-
Total revenue and other support	11,823,753	294,488	12,118,241
Expenses:			
Program - resale store operations	1,123,108	-	1,123,108
Program - other	7,688,289	-	7,688,289
Total program services	8,811,397	-	8,811,397
Management and general	420,254	-	420,254
Fundraising	409,290	-	409,290
Total expenses	9,640,941	-	9,640,941
Change in net assets	2,182,812	294,488	2,477,300
Net assets beginning of year	743,508	721,175	1,464,683
Net assets end of year	$ 2,926,320	$ 1,015,663	$ 3,941,983

See notes to financial statements.

Metrocrest Services
Statement of Activities
Year Ended September 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and other support:			
Contributions and grants	$ 1,979,730	$ 518,218	$ 2,497,948
Donated goods and services	2,334,312	-	2,334,312
Retail sale of donated goods	645,144	-	645,144
Program service revenue	46,543	-	46,543
Special event revenue, net of direct costs of $48,788	213,246	-	213,246
Income from beneficial interest in assets held by others, net	-	12,316	12,316
Interest income	6,278	-	6,278
Other income	549	-	549
Net assets released from restrictions	594,503	(594,503)	-
Total revenue and other support	5,820,305	(63,969)	5,756,336
Expenses:			
Program - resale store operations	1,196,591	-	1,196,591
Program - other	3,714,400	-	3,714,400
Total program services	4,910,991	-	4,910,991
Management and general	399,219	-	399,219
Fundraising	397,723	-	397,723
Total expenses	5,707,933	-	5,707,933
Change in net assets	112,372	(63,969)	48,403
Net assets beginning of year	631,136	785,144	1,416,280
Net assets end of year	$ 743,508	$ 721,175	$ 1,464,683

See notes to financial statements.

Metrocrest Services
Statement of Functional Expenses
Year Ended September 30, 2020

	Program - Resale Store Operations	Program - Other	Total Program Services	Management and General	Fundraising	Total
Salaries and wages	$ 343,857	$ 1,046,962	$ 1,390,819	$ 195,339	$ 212,843	$ 1,799,001
Payroll taxes	25,871	75,918	101,789	11,549	14,817	128,155
Benefits	52,668	113,712	166,380	71,749	32,376	270,505
Contract services	100	35,295	35,395	33,009	45,230	113,634
Supplies	14,873	51,504	66,377	19,422	12,951	98,750
Postage and shipping	668	1,092	1,760	686	10,503	12,949
Vehicle	25,065	64,052	89,117	555	4,123	93,795
Client assistance	-	2,077,388	2,077,388	-	2,508	2,079,896
In-kind	551,742	3,952,269	4,504,011	100	-	4,504,111
Occupancy	99,802	163,895	263,697	14,059	12,714	290,470
Telephone and internet	2,642	13,843	16,485	2,160	779	19,424
Equipment	160	43,439	43,599	41,809	8,688	94,096
Depreciation	-	20,398	20,398	6,627	-	27,025
Insurance	2,172	2,547	4,719	10,590	-	15,309
Marketing	270	24,859	25,129	681	33,089	58,899
Bank and credit card fees	3,218	-	3,218	37	38,846	42,101
Other	-	1,116	1,116	11,882	3,357	16,355
Total functional expenses	1,123,108	7,688,289	8,811,397	420,254	432,824	9,664,475
Less expenses included with revenues on the statement of activities						
Direct costs of special events	-	-	-	-	(23,534)	(23,534)
Total expenses included in the expense section on the statement of activites	$ 1,123,108	$ 7,688,289	$ 8,811,397	$ 420,254	$ 409,290	$ 9,640,941

See notes to financial statements.

Metrocrest Services
Statement of Functional Expenses
Year Ended September 30, 2019

	Program - Resale Store Operations	Program - Other	Total Program Services	Management and General	Fundraising	Total
Salaries and wages	$ 319,527	$ 835,615	$ 1,155,142	$ 182,651	$ 228,338	$ 1,566,131
Payroll taxes	23,406	58,694	82,100	13,531	16,754	112,385
Benefits	39,504	92,368	131,872	50,746	30,653	213,271
Contract services	541	24,570	25,111	30,379	16,802	72,292
Supplies	9,348	25,432	34,780	15,561	8,998	59,339
Postage and shipping	1,747	3,659	5,406	2,129	4,734	12,269
Vehicle	30,314	77,026	107,340	1,075	3,323	111,738
Client assistance	-	687,112	687,112	-	1,737	688,849
In-kind	642,428	1,640,130	2,282,558	90	-	2,282,648
Occupancy	106,474	162,815	269,289	27,785	11,721	308,795
Telephone and internet	3,064	18,478	21,542	1,411	1,084	24,037
Equipment	2,193	32,996	35,189	31,414	6,499	73,102
Depreciation	-	30,139	30,139	16,860	-	46,999
Insurance	1,500	-	1,500	20,925	-	22,425
Marketing	2,956	23,976	26,932	1,689	89,569	118,190
Bank and credit card fees	10,894	-	10,894	241	20,759	31,894
Other	2,695	1,390	4,085	2,732	5,540	12,357
Total functional expenses	1,196,591	3,714,400	4,910,991	399,219	446,511	5,756,721
Less expenses included with revenues on the statement of activities						
Direct costs of special events	-	-	-	-	(48,788)	(48,788)
Total expenses included in the expense section on the statement of activites	$ 1,196,591	$ 3,714,400	$ 4,910,991	$ 399,219	$ 397,723	$ 5,707,933

See notes to financial statements.

Metrocrest Services
Statements of Cash Flows
Years Ended September 30, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	$ 2,477,300	$ 48,403
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	27,025	46,999
Change in beneficial interest in assets held by others	(22,466)	(12,316)
Contributions restricted for capital campaign	(25,502)	-
Changes in assets and liabilities:		
Grants receivable	(64,776)	81,614
Inventory	(370,465)	(56,969)
Prepaid expenses	2,052	3,873
Security deposits	(50,000)	-
Accounts payable	26,570	(5,044)
Payroll and related liabilities	(22,089)	(602)
Refundable advances	747,178	21,908
Net cash provided by operating activities	2,724,827	127,866
Cash flows from investing activities:		
Purchases of property and equipment	(95,138)	(4,298)
Additions to beneficial interest in assets held by others	-	(1,000)
Purchases of certificates of deposit	(1,184)	(31,278)
Redemptions of certificates of deposit	421,259	-
Net cash provided (used) by investing activities	324,937	(36,576)
Cash flows from financing activities:		
Collections of contributions restricted for capital campaign	25,502	-
Net increase in cash and cash equivalents	3,075,266	91,290
Cash and cash equivalents, beginning of year	367,441	276,151
Cash and cash equivalents, end of year	$ 3,442,707	$ 367,441
Reconcilation of cash and restricted cash reported within the statement of financial position to the statement of cash flows:		
Cash and cash equivalents	$ 3,417,205	$ 367,441
Restricted cash and cash equivalents	25,502	-
Cash and cash equivalents and restricted cash and cash equivalents reported on the statement of cash flows	$ 3,442,707	$ 367,441

See notes to financial statements.

1. Organization

Metrocrest Services (Organization) was established in 1977 as a Texas nonprofit corporation that provides emergency assistance to low-income individuals and families as well as supportive services, information and advocacy for residents 60 and older and their families. The Organization is a United Way service provider. Specific assistance, as reflected on the statements of functional expenses, includes distribution of food, clothing, household products, baby products, medical costs, rent and utility payments, transportation and employment. The program goals include supporting the independent functioning and quality of life of older adults. These goals are accomplished through direct services to individuals and education activities directed at the community as a whole. The Organization operates a resale store containing donated merchandise that is sold to the public. The Organization's primary sources of revenue include contributions and donated supplies from various donors and special events. The Organization also receives support from the municipal governments of Addison, Carrollton, Coppell, and Farmers Branch, Texas as well as certain other governmental entities.

2. Summary of Significant Accounting Policies

Basis of Accounting

The Organization prepares the financial statements on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP).

Financial Statement Presentation

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

> *Net assets without donor restrictions* - Net assets not subject to donor or grantor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the board of directors.
>
> *Net assets with donor restrictions* - Net assets subject to donor stipulations that will be met by actions of the Organization and/or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the Organization to expend the income generated by the assets in accordance with the provisions of additional donor-imposed stipulations or a board of directors approved spending policy.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. The Organization chooses to show contributions with donor restrictions whose restrictions are met in the same reporting period as contributions without donor restrictions.

Financial Instruments and Credit Risk Concentrations

Financial instruments which are potentially subject to concentrations of credit and market risk consist principally of cash and cash equivalents, certificates of deposit and grants receivable.

The Organization maintains cash and certificates of deposit at various financial institutions located in Texas. Management has placed these funds with high credit quality financial institutions to minimize risk. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to $250,000. At September 30, 2020, the Organization's uninsured balances totaled $2,734,228.

Grants receivable are unsecured and are due from various grantors. The Organization continually evaluates the collectability of grants receivable for potential losses. No allowance was considered necessary at September 30, 2020 and 2019. One grantor represented 92% and 55% of grant receivable at September 30, 2020 and 2019, respectively.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and all highly liquid investments purchased with an initial maturity of three months or less.

Certificates of Deposit

The Organization has certificates of deposit totaling $77,474 and $445,588 with 2 to 16 months to maturity at September 30, 2020 and 2019, respectively. At September 30, 2020 certificates of deposit totaling $51,961 were included in cash and cash equivalents due to initial maturities of three months or less.

Fair Value Measurements

Under the Fair Value Measurements and Disclosures topic of the Codification, ASC 820, disclosure are required about how fair value is determined for assets and liabilities and a hierarchy for which these assets and liabilities must be grouped is established, based on significant levels of inputs as follows:

Level 1	Inputs to the valuation methodology are quoted prices available in active markets for identical investments as of the reporting date;
Level 2	Inputs to the valuation methodology are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value can be determined through the use of models or other valuation methodologies;
Level 3	Inputs to the valuation methodology are unobservable inputs in situations where there is little or no market activity for the asset or liability and the reporting entity makes estimates or assumptions related to the pricing of the asset or liability including assumptions regarding risk.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Inventory

The Organization receives contributions of goods and materials and processes these contributions as merchandise available for sale in its resale store. The merchandise available for sale in its resale store consists mainly of clothing and household items.

The Organization also receives contributions of food, hygiene items, cleaning products and household supplies which are distributed without charge to qualifying clients.

Financial accounting standards require that contributions received be recognized as revenues or gains in the period received and as assets, and decreases of liabilities or expenses depending on the form of the benefits received. Contributions should be measured at their fair value. The Organization believes that the inventory of contributed goods and materials does not possess an attribute that is easily measurable or verifiable with sufficient reliability to determine an inventory value at the time of donation. It is only through the value-added processes that prepare the donated inventory for sale that the donated inventory has value. Accordingly, contributed goods and materials inventory are valued at zero prior to being offered for sale. The Organization considers the costs associated with bringing the donated inventory to sale (i.e., donation collection, sorting and retail management) in its estimate of the fair value of inventories.

The estimate of the inventory value of donated goods and materials in the Organization's retail store is based on a 12-month rolling average of retail sales, less cost of sales multiplied by the estimated shelf life of inventory on hand at September 30.

Property and Equipment

Property and equipment in excess of $1,000 is capitalized at cost or estimated fair market value of donated assets at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Maintenance charges are expensed as incurred. Repairs that materially extend the life of an asset are capitalized.

The estimated useful lives of property and equipment are as follows:

	Estimated Useful Lives
Trucks and vans	5 years
Computers and equipment	3-5 years
Furniture and fixtures	5-7 years
Leasehold improvements	7 years

Revenue Recognition

The Organization recognizes contributions when cash, securities, other assets or an unconditional promise to give is received. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. All contributions are considered available for unrestricted use unless specifically restricted by the donor.

Conditional promises to give, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. Amounts received prior to meeting measurable performance or other barriers are reported as refundable advances, which totaled $825,833 and $78,655 at September 30, 2020 and 2019, respectively.

A portion of the Organization’s revenue is derived from cost-reimbursable federal contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. The Organization was awarded cost reimbursable grants of $407,000 that have not been recognized as revenue at September 30, 2020, because qualifying expenditures have not yet been incurred. The Organization’s costs incurred under its government grants and contracts are subject to audit by government agencies. Management believes that disallowance of costs, if any, would not be material to the financial position or changes in net assets of the Organization.

Donated goods are reflected as contributions at their estimated fair values at date of receipt. Contributions of services are recorded at estimated fair value if the services received create or enhance nonfinancial assets or require specialized skills and would typically need to be purchased if not provided by donation. Donated facilities are reflected as contributions in the period of use at their estimated fair value.

Revenue from retail sales of donated good is recognized at the point of sale.

Program service fees are recognized as revenue when the related services are provided. Revenue from special events is recognized when the event occurs.

Advertising Expense

Advertising and marketing costs are expensed as incurred. Marketing expense for the years ended September 30, 2020 and 2019 were $58,899 and $118,190, respectively.

Federal Income Taxes

The Organization is recognized by the Internal Revenue Service (IRS) as exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code (IRC) and is not a private foundation as defined in the IRC. Income generated from activities unrelated to the Organization's exempt purposes is subject to tax under IRC Section 511. The Organization did not have a material unrelated business income tax liability as of September 30, 2020 and 2019. Therefore, no tax provision or liability has been reported in the accompanying financial statements.

GAAP requires the evaluation of tax positions taken in the course of preparing the Organization's tax returns and recognition of a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. Management has analyzed the tax positions taken by the Organization and has concluded that as of September 30, 2020 and 2019, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements.

Allocation of Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Personnel costs including benefits, contract services and professional fees are allocated on the basis of time and effort. The expenses that are allocated based on square footage include occupancy, depreciation, insurance, communications and information technology.

Use of Estimates

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

New Accounting Pronouncements

Changes to GAAP are established by the Financial Accounting Standards Board (FASB) in the form of accounting standards updates (ASUs) to the FASB's Accounting Standards Codification.

The Organization considers the applicability and impact of all ASUs. ASUs not listed below were assessed and determined to be either not applicable or are expected to have minimal impact on the Organization's financial position and changes in net assets.

In 2016, the FASB issued its leasing standard in ASU 2016-02, *Leases* for both lessees and lessors. Under its core principle, a lessee will recognize right-of-use assets and related lease liabilities on the statement of financial position for all lease arrangements with terms longer than 12 months. The pattern of expense recognition in the statement of activities will depend on a lease's classification. For not-for-profit organizations, the standard takes effect for fiscal years beginning after December 15, 2021.

The Organization is currently assessing the impact that adopting this new guidance will have on the financial statements.

Accounting Pronouncements Adopted

In 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The entity should recognize revenue when (or as) the entity satisfies a performance obligation. Not-for-profit entities must consider whether certain arrangements are fully or partially subject to Topic 606. Examples include, but are not limited to memberships, sponsorships, grants and contracts. Further, judgment is required to bifurcate transactions between contribution and exchange components. The Organization has adopted this ASU as of and for the year ended September 30, 2020 on the modified retrospective basis.

In 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Made* to address difficulty and diversity in practice among not-for-profit entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) subject to Topic 958, *Not-for-Profit Entities* or as exchanges (reciprocal

transactions) subject to Topic 606 and (2) determining between conditional and unconditional contributions. This ASU applies to all entities that receive or make contributions. The term used in the presentation of financial statements to label revenue (for example, contribution, grant, donation) that is accounted for within Topic 958 is not a factor for determining whether an agreement is within the scope of that guidance. the Organization has adopted this ASU as of and for the year ended September 30, 2020 on the modified retrospective basis.
Analysis of various provisions of the adopted ASUs resulted in no significant changes in the way the Organization recognizes revenue, and therefore, no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the ASUs.

3. Assets Restricted for Capital Campaign

During the year ended September 30, 2020 the Organization initiated a capital campaign for the purchase and renovation of a new location. At September 30, 2020, net assets restricted for the capital campaign included cash and cash equivalents of $25,502.

4. Beneficial Interest in Assets Held by Others

The Organization has a beneficial interest in assets held by The Dallas Foundation (TDF) valued at $389,001 and $366,535 as of September 30, 2020 and 2019, respectively. These consist of funds (Funds) contributed by the Organization and donors and include earnings thereon, net of distributions received. Distributions of the income earned from beneficial interests and principal amounts thereof are received at various times throughout the year based on the spending policy adopted by the board of directors of TDF.

Fair value of the Organization’s beneficial interest in assets held by TDF is based on the value of the Organization’s portion of the underlying investments in the Funds using valuation methods that are appropriate for those investments as determined by third-party trustees. These values are based on unobservable inputs and are considered Level 3 assets in the fair value hierarchy.

Withdrawals are permitted from the Funds as requested by the Organization. Any funds unspent in one year may remain in the portfolio and may be appropriated in the following fiscal year. The board of directors may also make special appropriations in addition to the annual provision.

The following table presents a rollforward of activity for assets held by TDF at fair value for the years ended September 30:

	2020	2019
Beginning balance	$ 366,535	$ 353,219
Contributions	-	1,000
Total net investment income included in change in net assets	22,466	12,316
Ending balance	$ 389,001	$ 366,535
The amount of total gains or losses for the period included in change in net assets attributable to the change in unrealized gains or losses relating to investments still held at the reporting date	$ 15,676	$ (1,049)

The net income from beneficial interest in assets held by others consisted of the following for the years ended September 30:

	2020	2019
Dividends and interest	$ 5,180	$ 8,998
Realized gain	4,014	8,156
Unrealized gain (loss)	15,676	(1,049)
Less: investment fees	(2,404)	(3,789)
	$ 22,466	$ 12,316

5. Inventory

Inventory consists of the following as of September 30:

	2020	2019
Resale store	$ 55,491	$ 58,392
Food pantry	563,630	137,336
Holiday toys	78,707	98,186
School supplies	8,172	41,621
	$ 706,000	$ 335,535

6. Property and Equipment

Property and equipment consist of the following as of September 30:

	2020	2019
Vehicles	$ 359,887	$ 359,887
Computers and equipment	292,145	197,007
Furniture and fixtures	22,757	22,757
Leasehold improvements	37,053	37,053
	711,842	616,704
Less accumulated depreciation	(563,091)	(536,066)
	$ 148,751	$ 80,638

Depreciation expense was $27,025 and $46,999 for the years ended September 30, 2020 and 2019, respectively.

7. Lease Commitments

The Organization leases various buildings and equipment under noncancelable operating agreements through 2024. Future minimum lease payments required under these agreements are as follows:

2021	$ 116,472
2022	23,176
2023	10,176
2024	6,784
	$ 156,608

Lease expense was $223,809 and $221,070 for the years ended September 30, 2020 and 2019, respectively.

8. Net Assets With Donor Restrictions

Net assets restricted by donors were designated for the following purposes at September 30:

	2020	2019
Endowment restricted in perpetuity	$ 313,350	$ 313,350
Capital campaign	25,502	-
Medical transportation	111,020	87,202
Medical assistance	10,649	67,001
Meals program	287,590	65,088
Endowment earnings	75,651	53,185
United Way (time restricted)	135,000	45,000
School supplies and shoes	21,254	40,940
Disaster relief	-	36,777
Utilities assistance	35,647	12,632
	$ 1,015,663	$ 721,175

9. Contributed Goods and Services

The Organization received $4,780,349 and $2,242,236 of in-kind food pantry, resale store, school supplies, rent, and holiday store items during the years ended September 30, 2020 and 2019, respectively, that met the accounting requirement for recognition in the financial statements. In addition, the Organization received the donated use of warehouse space valued at $98,906 and $92,076 for the years ended September 30, 2020 and 2019, respectively.

For the years ended September 30, 2020 and 2019, numerous volunteers contributed time with a value of over $1,129,670 and $1,197,600 to the Organization in the resale store, food pantry, and special programs. These volunteer hours did not meet the criteria for recording in the financial statements.

10. Defined Contribution Retirement Plan

The Organization has a 401(k) defined contribution retirement plan covering all eligible employees. The plan features automatic enrollment of employees at a deferral rate of 6% of eligible wages. The Organization contributes 50% of employee elective deferral contributions up to the employee contribution of 6%. Employer contributions were $36,149 and $35,474 for the years ended September 30, 2020 and 2019, respectively.

11. Endowment Net Assets

As required by GAAP, net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Description of Relevant Law –

The Organization has interpreted the Texas State Uniform Prudent Management of Institutional Funds Act (TUPMIFA) as requiring the preservation of the fair value of the original gift, as of the gift date, of donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanent endowment (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) any accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The earnings from the original gift are classified as net asset with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by TUPMIFA. In accordance with TUPMIFA, the Organization, in making a determination to appropriate or accumulate donor-restricted endowment funds acts in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances, and considers if relevant, the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration of preservation of the funds
2. The purposes of the Organization and the endowment funds
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Organization
7. The Organization's investment policy

Return Objectives and Risk Parameters –

The Organization has adopted an investment policy for endowment assets that attempts to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the principal of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity. Under this policy, as approved by the board of directors, the primary objective is to maximize current income, net of fees and expenses, and achieve a total return in excess of the broad index indicated for each investment asset class.

Strategies Employed for Achieving Objectives –

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation, realized and unrealized, and current yield, such as interest and dividends. The Organization has adopted an investment policy that attempts to maximize total return while keeping risk levels in a moderate range. The Organization targets a diversified asset allocation among stocks, mutual funds, bonds and cash or cash equivalents.

Spending Policy and How the Investment Objectives Relate to the Spending Policy –

The Organization has a policy of appropriating for distributions the net interest and dividends of its endowment funds. In establishing this policy, the Organization considers the long-term expected return on its endowment. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts.

All endowment funds are categorized as net assets with donor restrictions as of September 30, 2020 and 2019.

Changes in donor-restricted endowment funds for the year ended September 30, 2020 are summarized as follows:

	2020		
	Accumulated gains (losses) and other	Restricted in perpetuity	Total
Endowment net assets, beginning of year	$ 53,185	$ 313,350	$ 366,535
Investment return, net	2,776	-	2,776
Net appreciation	19,690	-	19,690
Contributions	-	-	-
Endowment net assets, end of year	$ 75,651	$ 313,350	$ 389,001

Changes in donor-restricted endowment funds for the year ended September 30, 2019 are summarized as follows:

	2019		
	Accumulated gains (losses) and other	Restricted in perpetuity	Total
Endowment net assets, beginning of year	$ 40,869	$ 312,350	$ 353,219
Investment return, net	5,209	-	5,209
Net appreciation	7,107	-	7,107
Contributions	-	1,000	1,000
Endowment net assets, end of year	$ 53,185	$ 313,350	$ 366,535

12. Coronavirus Aid, Relief, and Economic Security Act and Other Coronavirus Events

In March 2020, the World Health Organization recognized the novel strain of coronavirus, COVID-19, as a pandemic. The coronavirus outbreak has severely restricted the level of economic activity around the world. Given the uncertainty of the spread of the coronavirus, the related financial impact to the Organization, if any, cannot be determined at this time.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act was signed into law. On April 14, 2020, the Organization received a forgivable loan in the amount of $326,600 pursuant to the Paycheck Protection Program. The Organization used all of the proceeds to make eligible payments by September 30, 2020. The Organization has elected to account for the Paycheck Protection Program forgivable loan as a conditional grant in accordance with Financial Accounting Standards Board Accounting Standard Codification Topic 958 and expects all of the loan to be forgiven. Accordingly, the Organization has recognized $326,600 as government grant revenue in the accompanying statement of activities for the year ended September 30, 2020.

13. Liquidity and Availability of Resources

The Organization's financial assets available to meet cash needs for general expenditures within one year of the statement of financial position date are as follows:

	2020	2019
Cash and cash equivalents	$ 3,417,205	$ 367,441
Certificates of deposit	25,513	445,588
Grants receivable	146,318	81,542
Cash and cash equivalents restricted for capital campaign	25,502	-
Beneficial interests in assets held by others	389,001	366,535
Total financial assets	4,003,539	1,261,106
Less amounts not available for general expenditures within one year:		
Donor restricted for specific purpose	-	(36,777)
Cash and cash equivalents restricted for capital campaign	(25,502)	-
Endowment earnings to be designated	(75,651)	(53,185)
Endowment to be retained in perpetuity	(313,350)	(313,350)
Financial assets not available for general expenditures	(414,503)	(403,312)
Financial assets available to meet cash needs for general expenditures within one year	$ 3,589,036	$ 857,794

The Organization receives significant contributions restricted by donors, and considers contributions restricted for programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures within one year. The Organization has a goal to maintain financial assets on hand to meet 60 days of normal operating expenses, which are, on the average, approximately $600,000. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

14. Subsequent Events

Management has evaluated subsequent events through the date the financial statements were available to be issued and concluded that no additional disclosures are required.