THE MENTORING ALLIANCE

FINANCIAL STATEMENTS
TOGETHER WITH
INDEPENDENT AUDITORS' REPORT

JUNE 30, 2023 and 2022

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The Mentoring Alliance
Tyler, Texas

Opinion

We have audited the accompanying financial statements of Mentoring Alliance (the Alliance) (a non-profit organization), which comprise the statements of financial position as of June 30, 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 Alliance as of June 30, 2023 and 2022, and the changes in the 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Alliance 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.

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

Auditor's 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 auditor's 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 Alliance'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 Alliance'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.

Emphasis of Matter – Change in Accounting Principle

As described in Note 1 to the financial statements, the Alliance adopted new accounting guidance, *ASC 842, Leases*. Our opinion is not modified with respect to this matter.

PROTHRO, WILHELMI AND COMPANY, PLLC

Tyler, Texas
October 13, 2023

THE MENTORING ALLIANCE
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

	2023	2022
ASSETS		
Current assets:		
Cash and cash equivalents	$ 3,442,135	$ 3,819,469
Accounts receivable	143,626	84,932
Prepaid expenses	325,556	21,081
Total current assets	3,911,317	3,925,482
Noncurrent assets:		
Beneficial interest in ETCF - quasi-endowment fund	3,094,330	2,795,197
Property and equipment, net	3,434,587	3,527,958
Total noncurrent assets	6,528,917	6,323,155
Total assets	$ 10,440,234	$ 10,248,637
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued liabilities	$ 282,100	$ 339,716
Deferred revenue	320,343	40,498
Total current liabilities	602,443	380,214
Net assets:		
Without donor restrictions	9,615,859	9,846,491
With donor restrictions	221,932	21,932
Total net assets	9,837,791	9,868,423
Total liabilities and net assets	$ 10,440,234	$ 10,248,637

See the accompanying independent auditors' report and notes to the financial statements.

THE MENTORING ALLIANCE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUES, GAINS, AND OTHER SUPPORT			
Contributions and support:			
Contributions of cash and other financial assets	$ 1,395,526	$ 725,921	$ 2,121,447
Foundation grants	1,405,754	-	1,405,754
Special events	710,275	-	710,275
Total contributions and support	3,511,555	725,921	4,237,476
Program service fees:			
Mentoring Alliance After School	1,365,698	-	1,365,698
Mentoring Alliance Summer Camps	535,271	-	535,271
Total program service fees	1,900,969	-	1,900,969
Other income:			
Interest and dividends	101,456	-	101,456
Investment gain (loss)	244,575	-	244,575
Service contract	500,000	-	500,000
Other	615	-	615
Total other income	846,646	-	846,646
Total revenues, gains and other support	6,259,170	725,921	6,985,091
Net assets released from restrictions	525,921	(525,921)	-
Total support, revenue and net assets released from restrictions	6,785,091	200,000	6,985,091
EXPENSES			
Program services	5,602,842	-	5,602,842
Management and general	579,423	-	579,423
Fundraising	833,458	-	833,458
Total expenses	7,015,723	-	7,015,723
Change in net assets	(230,632)	200,000	(30,632)
NET ASSETS			
Balance, beginning of year	9,846,491	21,932	9,868,423
Balance, end of year	$ 9,615,859	$ 221,932	$ 9,837,791

See the accompanying independent auditors' report and notes to the financial statements.

THE MENTORING ALLIANCE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUES, GAINS, AND OTHER SUPPORT			
Contributions and support:			
Contributions of cash and other financial assets	$ 2,940,640	$ 619,500	$ 3,560,140
Contributions of nonfinancial assets	551,620	-	551,620
Foundation grants	549,524	-	549,524
Special events	324,192	-	324,192
Total contributions and support	4,365,976	619,500	4,985,476
Program service fees:			
Mentoring Alliance After School	1,166,325	-	1,166,325
Mentoring Alliance Summer Camps	415,365	-	415,365
Total program service fees	1,581,690	-	1,581,690
Other income:			
Gain on sale of assets	432,791	-	432,791
Interest and dividends	39,850	-	39,850
Rental income	24,000	-	24,000
Investment gain (loss)	(487,970)	-	(487,970)
Service contract	500,000	-	500,000
Other	353,905	-	353,905
Total other income	862,576	-	862,576
Total revenues, gains and other support	6,810,242	619,500	7,429,742
Net assets released from restrictions	704,545	(704,545)	-
Total support, revenue and net assets released from restrictions	7,514,787	(85,045)	7,429,742
EXPENSES			
Program services	5,157,364	-	5,157,364
Management and general	601,013	-	601,013
Fundraising	718,490	-	718,490
Total expenses	6,476,867	-	6,476,867
Change in net assets	1,037,920	(85,045)	952,875
NET ASSETS			
Balance, beginning of year	8,808,571	106,977	8,915,548
Balance, end of year	$ 9,846,491	$ 21,932	$ 9,868,423

See the accompanying independent auditors' report and notes to the financial statements.

THE MENTORING ALLIANCE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023

	Program Services				Supporting Services		
	Mentoring Alliance After School	**Mentoring Alliance Summer Camps**	**Mentoring Alliance Mentor Connect**	**Total Program Service**	**Management and General**	**Fundraising**	**Total Expenses**
Accounting	$ 12,794	$ 8,529	$ 9,139	$ 30,462	$ 7,615	$ -	$ 38,077
Bank and credit card fees	27,365	6,513	-	33,878	839	22,956	57,673
Community & donor development	144	16,957	340	17,441	35,744	11,239	64,424
Conferences and meetings	-	-	480	480	3,313	974	4,767
Depreciation	63,122	42,082	45,087	150,291	31,880	-	182,171
Employee benefits	77,367	60,087	57,467	194,921	13,640	45,228	253,789
Insurance	16,831	11,191	11,991	40,013	17,160	-	57,173
Information technology	18,827	14,900	13,436	47,163	9,809	796	57,768
Licenses and registrations	44,993	21,713	30,335	97,041	16,149	2,249	115,439
Marketing	57,146	60,879	25,800	143,825	22,550	14,024	180,399
Occupancy	68,393	50,218	38,595	157,206	30,439	963	188,608
Office	5,480	4,442	4,249	14,171	1,455	107	15,733
Other payroll	7,042	6,681	5,334	19,057	24,027	-	43,084
Payroll taxes	147,166	98,925	50,444	296,535	16,296	49,728	362,559
Postage	1,636	1,147	1,225	4,008	304	664	4,976
Printing	2,525	4,464	2,040	9,029	439	1,064	10,532
Professional fees	4,436	6,457	4,226	15,119	68,968	36,679	120,766
Program supplies/meals/other	90,679	147,981	55,320	293,980	-	-	293,980
Retirement	14,450	9,633	10,321	34,404	8,602	-	43,006
Salaries/wages	1,716,793	1,182,130	682,549	3,581,472	227,830	482,286	4,291,588
Special events	-	-	-	-	-	155,911	155,911
Staff and volunteer training	68,362	152,725	33,911	254,998	19,982	3,423	278,403
Telephone and communications	28,670	8,820	9,916	47,406	4,555	870	52,831
Travel and recruitment	36,464	67,753	15,725	119,942	17,827	4,297	142,066
Total expenses	$ 2,510,685	$ 1,984,227	$ 1,107,930	$ 5,602,842	$ 579,423	$ 833,458	$ 7,015,723

See the accompanying independent auditors' report and notes to the financial statements.

THE MENTORING ALLIANCE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

	Program Services				Supporting Services		
	Mentoring Alliance After School	Mentoring Alliance Summer Camps	Mentoring Alliance Mentor Connect	Total Program Service	Management and General	Fundraising	Total Expenses
Accounting	$ 28,965	$ 25,172	$ 6,069	$ 60,206	$ 15,655	$ -	$ 75,861
Bank and credit card fees	22,113	10,654	20	32,787	120	25,365	58,272
Community & donor development	1,375	973	352	2,700	1,982	4,322	9,004
Conferences and meetings	7,143	8,355	2,391	17,889	11,491	7,582	36,962
Depreciation	69,391	40,313	16,126	125,830	75,736	-	201,566
Employee benefits	94,797	75,950	43,941	214,688	26,147	29,180	270,015
Insurance	14,725	11,780	4,712	31,217	27,683	-	58,900
Information technology	21,798	21,684	9,063	52,545	6,105	4,607	63,257
Licenses and registrations	28,733	10,741	4,256	43,730	24,575	9,560	77,865
Marketing	28,660	21,760	14,656	65,076	-	94,968	160,044
Occupancy	83,222	32,623	12,515	128,360	33,478	21	161,859
Office	5,872	6,832	1,711	14,415	9,833	898	25,146
Other payroll	16,948	8,251	2,056	27,255	10,269	1,911	39,435
Payroll taxes	109,504	70,162	26,547	206,213	30,884	25,232	262,329
Postage	1,002	818	805	2,625	1,297	5,101	9,023
Printing	1,586	434	114	2,134	672	9,441	12,247
Professional fees	35,412	38,695	17,773	91,880	56,064	93,225	241,169
Program supplies/meals/other	113,501	246,959	19,886	380,346	-	-	380,346
Retirement	24,082	19,986	7,586	51,654	9,495	5	61,154
Salaries/wages	1,733,541	1,118,915	364,374	3,216,830	241,293	355,834	3,813,957
Special events	-	-	-	-	-	43,373	43,373
Staff and volunteer training	65,958	233,105	13,973	313,036	13,893	5,351	332,280
Telephone and communications	28,658	4,784	3,139	36,581	3,311	1,638	41,530
Travel and recruitment	3,298	34,189	1,880	39,367	1,030	876	41,273
Total Expenses	$ 2,540,284	$ 2,043,135	$ 573,945	$ 5,157,364	$ 601,013	$ 718,490	$ 6,476,867

See the accompanying independent auditors' report and notes to the financial statements.

THE MENTORING ALLIANCE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

CASH FLOW FROM OPERATING ACTIVITIES:	**2023**	**2022**
Change in net assets	$ (30,632)	$ 952,874
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Building donation	-	(551,620)
Gain on sale of assets	-	(432,791)
Interest and dividends	(87,619)	(33,141)
Change in beneficial interest in ETCF quasi-endowment	(211,514)	523,213
Depreciation	182,171	201,566
Decrease (Increase) in operating assets:		
Accounts receivable	(58,694)	35,765
Prepaid expenses	(304,475)	33,885
Increase (decrease) in operating liabilities:		
Accounts payable and accrued liabilities	(57,616)	111,087
Deferred revenue	279,845	(50,795)
Total adjustments	(257,902)	(162,831)
Net cash (used in) provided by operating activities	(288,534)	790,043
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(159,226)	(140,287)
Proceeds from sale of assets	70,426	1,645,631
Contributions to beneficial interest in ETCF quasi-endowment	-	(1,486,458)
Net cash (used in) provided by investing activities	(88,800)	18,886
Net (decrease) increase in cash and cash equivalents	(377,334)	808,929
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF YEAR	3,819,469	3,010,540
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR	$ 3,442,135	$ 3,819,469

See the accompanying indendent auditors' report and notes to the financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION AND NATURE OF ACTIVITIES

The Alliance was established in 1994 and is headquartered in East Texas. The mission of The Mentoring Alliance (Alliance) is to mobilize godly people into the lives of kids and families, and to provide tangible help and eternal hope. The Alliance relies on local support through grants, donations, and charges for services. It operates three divisions identified as the Mentoring Alliance (MA) After School Boys and Girls Club of East and Central Texas, MA Summer Camps, and MA Mentor Connect.

MA After School (MAAS) provides quality after-school care primarily for kindergarten through fifth grade students, as well as certain middle school students, at locations all of which are located in the East and Central Texas vicinities.

MA Summer Camps (MASC) is designed to create an experience that is not only fun and active, but also designed to help students stay engaged academically and close that "summer gap" to ensure they are ready for the next school year. MASC operates in two facilities in East Texas.

MA Mentor Connect connects godly people from local churches with students from local schools in mutually transforming mentoring relationships with its operations principally in East Texas.

BASIS OF ACCOUNTING

The Alliance's financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

USE OF ESTIMATES

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses as of the dates and for the periods presented. Actual results could differ from these estimates.

FINANCIAL STATEMENT PRESENTATION

In accordance with the FASB's Accounting Standards Codification (ASC) No. 958-205, "*Not-for-Profit Entities*, *Presentation of Financial Statements"*, the Alliance is required to report its information regarding its financial position and activities according to two classes of net assets: net assets without donor restriction and net assets with donor restriction.

- Net Assets Without Donor Restrictions are net assets that are not subject to or are no longer subject to donor-imposed stipulations.
- Net Assets With Donor Restrictions are net assets whose use is limited by donor-imposed time and/or purpose restrictions.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FINANCIAL STATEMENT PRESENTATION (continued)
Revenues are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restriction. Gains and losses on investments and other 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. Expirations of donor restrictions on the 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 Alliance has adopted a policy to classify donor restricted contributions as without donor restrictions to the extent that donor restrictions were met in the year the contribution was received.

CASH AND CASH EQUIVALENTS
The Alliance considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

ACCOUNTS RECEIVABLE
The Alliance's accounts receivable consists of the earned but not yet received portion of the contract with Tyler Independent School District (TISD). See Note 11 for details on the contract. Management considers all accounts receivable to be fully collectible; accordingly, there is no allowance for doubtful accounts as of June 30, 2023 or 2022.

BENEFICIAL INTEREST IN EAST TEXAS COMMUNITIES FOUNDATION
The Alliance's board of directors has established a quasi-endowment fund with East Texas Communities Foundation (ETCF). The Alliance has not granted variance power to ETCF. The Alliance records the activity, including changes in the underlying values of investments held by ETCF, in its beneficial interest in ETCF in accordance with guidance codified ASC No. 958-605.

PROPERTY, PLANT, AND EQUIPMENT
The Alliance generally capitalized property and equipment with an estimated useful life over one year. Equipment and furniture are stated at cost, or if donated, at fair market value at the date of donation. Absent donor stipulations regarding how long those donated assets must be maintained, the Alliance reports expirations of donor restrictions when the donated or acquired assets are placed in service.

Depreciation is computed using the straight-line method over the following estimated useful lives of the assets:

Land	Not depreciable
Buildings	20 years
Furniture and equipment	3 to 7 years
Recreation equipment	3 to 7 years
Autos	5 years

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

DEFERRED REVENUE

The Alliance's deferred revenue consists of revenue for summer camps for which cash has been received but not earned. Deferred revenues were $320,343 and $40,498 as of June 30, 2023 and 2022, respectively.

REVENUE RECOGNITION

The majority of the Alliance's revenue comes from program fees, donations, and a contract with TISD. Apart from any bifurcation required due to exchange-like portions, donations are excluded from the application of ASU No. 2014-09. Consequently, the Alliance's contract with TISD, parents/guardians of the students involved in the programs, and rental income associated with leases are the only major revenue streams considered under this reporting model. Refer to Note 12.

FEE REVENUE

The Alliance records fee revenue from its program services as services are rendered. Fee revenue is recorded net of discounts and scholarships, which are based upon need.

CONTRIBUTIONS

Contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the existence or nature of any donor restrictions.

In accordance with the FASB's Accounting Standards Codification (ASC) No. 958-605, related to the Accounting Standards Update No. 2020-07, "*Not-for-Profit Entities (Topic 958): Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets,*" the Alliance is required to report its information regarding contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. Along with the changes to the face of the financial statements, it is also required to disclose for each category of nonfinancial assets – Refer to Note 7:

- Qualitative information about whether the contributed nonfinancial assets were either monetized or utilized during the reporting period. If utilized, the Alliance will disclose a description of the programs or other activities in which those assets were used.
- The Alliance's policy (if any) about monetizing rather than utilizing contributed nonfinancial assets.
- A description of any donor-imposed restrictions associated with the contributed nonfinancial assets.
- A description of the valuation techniques and inputs used to arrive at a fair value measure, in accordance with the requirements in Topic 820, Fair Value Measurement, at initial recognition.
- The principal market (or most advantageous market) used to arrive at a fair value measure if it is a market in which the Alliance is prohibited by a donor-imposed restriction from selling or using the contributed nonfinancial assets.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

CONTRIBUTED SERVICES

The Alliance receives volunteer services from many individuals in performing a variety of tasks that assist the Alliance, but these services do not meet the criteria for recognition as contributed services. Accordingly, no amounts have been reflected in the financial statements for donated services. The Alliance generally pays for services requiring specific expertise.

USE OF FACILITIES

MASC uses certain facilities of certain local school districts in order to provide quality after-school care and to supplement academic instruction. The Alliance monitors certain metrics to ensure academic and behavioral improvements are noted in the district's student population as a result of attendance in these programs. The Alliance has not determined the value of the facilities provided by the districts as they are considered to be costs related to its ongoing academic activities.

MARKETING COSTS

All advertising costs are expensed when incurred. Advertising expense for the years ended June 30, 2023 and 2022 was $157,849 and $160,044, respectively.

ALLOCATION OF COSTS

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include compensation on actual or estimated time employees spend on each function. Other expenses include occupancy, depreciation, and other costs which are specifically allocated whenever practical or are allocated based on management's estimates.

INCOME TAXES

The Alliance has been granted tax-exempt status by the Internal Revenue Code Section 501(c)(3) and classified by the Internal Revenue Service (IRS) as other than a private foundation. Accordingly, no provision for federal income taxes has been recorded in the accompanying financial statements. The Alliance believes it has filed all required tax reports and has no material uncertain tax positions. The Alliance's federal form 990s remain open for examination by the IRS from 2018 through 2021 (fiscal years ended June 30, 2019 through June 30, 2022).

RECLASSIFICATIONS

Certain reclassifications have been made to prior year financial statements to conform to classifications used in the current year. These reclassifications had not impact on total net assets or changes in total net assets.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

NEW ACCOUNTING GUIDANCE – RECENTLY ADOPTED

LEASES – CHANGE IN ACCOUNTING PRINCIPLE

In February 2016, the FASB issued ASU No. 2016-02, *Leases (“Topic 842”)*, which supersedes existing guidance for accounting for leases under *Topic 840, Leases*. The FASB also subsequently issued the following additional ASUs, which amend and clarify *Topic 842:* ASU 2018-10, *Codification Improvements to Topic 842 Leases;* ASU 2018-11, *Leases (Topic 842): Lessors – Certain Leases with Variable Lease Payments;* and ASU 2021-09, *Leases (Topic 842): Discount Rate for Lessees That Are Not Public Business Entities.*

The most significant change in the new leasing guidance is the requirement to recognize a right of use (“ROU”) asset and lease liabilities on the statement of financial position. The Alliance elected to adopt these ASUs effective January 1, 2022 and utilized all of the available practical expedients. The adoption did not have a material impact on the Alliance’s statement of financial position or statement of activities.

NOTE 2 –BENEFICIAL INTEREST IN ETCF – QUASI-ENDOWMENT

The Alliance’s board of directors has established a quasi-endowment with the ETCF. The Alliance’s endowment is designated by the Board of Directors (Board) to support future operations. As of and for the years ended June 30, 2023 and 2022, the Alliance’s quasi-endowment is classified as net assets without donor restrictions.

Investment Return Objectives, Risk Parameters, and Strategies

The Alliance has adopted board-approved investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment fund while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income and capital appreciation, in excess of the annual distribution within acceptable levels of risk.

Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities. The asset mix is intended to result in a consistent, inflation-protected rate of return with sufficient liquidity to make an annual distribution of five percent, while growing the funds, if possible. The endowment is invested in a moderate investment portfolio, which has a target allocation of sixty percent equities and forty percent fixed income.

Investment risk is measured in terms of the total endowment fund. Investment assets and allocation between asset classes and strategies are managed to limit the fund’s exposure to unacceptable levels of risk.

NOTE 2 –BENEFICIAL INTEREST IN ETCF – QUASI-ENDOWMENT (continued)

Spending Policy

ETCF may annually distribute to the Alliance up to five percent of the value of the fund as of the preceding December 31. Any portion of the distribution not withdrawn by the Alliance in one year may be withdrawn in a subsequent year. In addition to ordinary distributions, extraordinary distributions to the Alliance may be made from the fund at any time if requested by a two-thirds vote of the total number of directors of the Alliance and approved by a majority vote of the Board of Directors of the ETCF.

NOTE 3 –PROPERTY AND EQUIPMENT

The composition of property and equipment at June 30, 2023 and 2022, is as follows:

	2023	2022
Land	$ 693,375	$ 693,375
Building and improvements	3,142,129	3,142,129
Office furniture and fixtures	-	-
Autos	34,404	-
Machinery and equipment	72,450	58,453
Website design	88,855	13,050
Construction in progress	16,934	52,340
Subtotal	4,048,147	3,959,347
Less: Accumulated depreciation	(613,560)	(431,389)
Property and equipment, net of depreciation	$ 3,434,587	$ 3,527,958

Depreciation recorded for the year ended June 30, 2023 and 2022, was $182,171 and $201,566, respectively.

NOTE 4 – NET ASSET RESTRICTIONS

The Alliance's net assets with donor restrictions is summarized below for the years ended June 30, 2023 and 2022:

	2022	Contributions	Released	2023
Staff scholarships	$ 7,932	$ -	$ -	$ 7,932
MA after school expenses	-	166,171	(166,171)	-
MA summer camp expenses	-	159,750	(159,750)	-
Salvation Army kids initiative	14,000	-	-	14,000
Expansion for 22-23	-	200,000	(200,000)	-
Expansion for 23-24	-	200,000	-	200,000
Total	$ 21,932	$ 725,921	$ (525,921)	$ 221,932

As further discussed above in Note 2, the Alliance's board of directors has established a quasi-endowment fund with ETCF to support operations. The balance of this board designation is $3,094,330 and $2,795,197 as of June 30, 2023 and 2022, respectively.

NOTE 5 – AVAILABILITY OF FINANCIAL ASSETS

The Alliance has a policy to structure its assets to be available as its general expenditures, liabilities, and other obligations become due. In addition, the Alliance holds investments that may be liquidated in the event of an unanticipated need.

The Alliance's financial assets, available within one year of the statement of financial position date for general expenditure for the years ended June 30, are as follows:

	2023	2022
Financial assets, at year end	$ 6,680,091	$ 6,699,598
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Restrictions by donors with time or purpose restrictions	221,932	21,932
Board designations:		
Quasi-endowment fund, primarily for long-term investing	3,094,330	2,795,197
Financial assets available to meet cash needs for general expenditures within one year	$ 3,363,829	$ 3,882,469

NOTE 6 –FAIR VALUE MEASUREMENTS

In accordance with ASC 820*, "Fair Value Measurements",* the Alliance uses the following hierarchical disclosure framework:

> Level 1 – Measurement based upon quoted prices for identical assets in an active market as of the reporting date.
>
> Level 2 – Measurement based upon marketplace inputs (other than Level 1) that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
>
> Level 3 – Measurement based on the Alliance's assumptions about hypothetical marketplace because observable market inputs are not available as of the reporting date.

The Alliance uses appropriate valuation techniques based on the available inputs to measure the fair value of its assets and liabilities.

The following summarizes investment valuation methods:

Beneficial interest in ETCF –
The Beneficial interest in ETCF has been valued, as a practical expedient, at the fair value of the Alliance's share of ETCF's investment pool as of the measurement date.

Fair values of assets measured at June 30, 2023 are as follows:

	Fair Value Measurements at the End of the Reporting Period Using			
	(Level 1)	(Level 2)	(Level 3)	Total
Recurring fair value measurements:				
Beneficial interest in ETCF- quasi-endowment fund	$ -	$ -	$ 3,094,330	$ 3,094,330
Total recurring fair value measurements	$ -	$ -	$ 3,094,330	$ 3,094,330

NOTE 6 –FAIR VALUE MEASUREMENTS (continued)

Fair values of assets measured at June 30, 2022 are as follows:

	Fair Value Measurements at the End of the Reporting Period Using			
	(Level 1)	(Level 2)	(Level 3)	Total
Recurring fair value measurements:				
Beneficial interest in ETCF-quasi-endowment fund	$ -	$ -	$ 2,795,197	$ 2,795,197
Total recurring fair value measurements	$ -	$ -	$ 2,795,197	$ 2,795,197

The following summarizes the changes in Level 3 fair value measurements for the years ended June 30, 2023 and 2022:

	Beneficial Interest in ETCF Level 3
Balance, beginning of the year	$ 2,795,197
Interest and dividends	87,619
Net realized and unrealized losses	244,575
Investment and administrative expenses	(33,061)
Balance, end of year	$ 3,094,330

NOTE 7 – CONTRIBUTED NONFINANCIAL ASSETS

For the year ended June 30, 2023, there were no contributed nonfinancial assets recognized within the statement of activities.

In 2022, the Alliance recognized contributed nonfinancial assets within revenue, which included two contributed buildings. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

The Alliance's policy for contributed nonfinancial assets is to take each contribution on a case-by-case basis to the board of directors for a decision based on its discretion, unless otherwise restricted by the donor.

The contributed Building – 1 will be used for program activities out of the Central Texas location and the contributed Building – 2 was sold shortly after the Alliance received this contribution. In valuing the contributed buildings, which are located in Central Texas, the Alliance estimated the fair value on the basis of recent appraised values received around the time of the contribution.

NOTE 7 – CONTRIBUTED NONFINANCIAL ASSETS (continued)

For the year ended June 30, 2022, contributed nonfinancial assets recognized within the statement of activities included:

Asset Category	Revenue Recognized	Utilization in Program/Activities	Donor Restrictions	Valuation Techniques and Inputs
Building - 1	$ 406,620	Program Activities	No associated donor restrictions	In valuing the contributed building, which is located in Central Texas, estimated the fair value on the basis of an appraisal performed on the property in 2021.
Building - 2	$ 145,000	Sold	No associated donor restrictions	In valuing the contributed building, which is located in Central Texas, estimated the fair value on the basis of an appraisal performed on the property in 2021.
Total	**$ 551,620**			

NOTE 8 –FUNDRAISING ACTIVITIES

The schedule below represents the special events held by the Alliance as of June 30, 2023:

Special Event	Income	Expenses	Net Proceeds
Golf tournament	$ 163,417	$ 41,122	$ 122,295
Tyler luncheon	466,061	43,132	422,929
Waco luncheon	69,615	28,556	41,059
Day for Kids	11,181	43,100	(31,919)
Total special events	$ 710,274	$ 155,910	$ 554,364

The schedule below represents the special events held by the Alliance as of June 30, 2022:

Special Event	Income	Expenses	Net Proceeds
Golf tournament	$ 111,270	$ 7,601	$ 103,669
The Mentoring Alliance luncheon	212,922	35,582	177,340
Day for Kids	-	190	(190)
Total special events	$ 324,192	$ 43,373	$ 280,819

NOTE 9 - RETIREMENT PLAN

In 2014, the Alliance adopted a tax-qualified, defined contribution pension account, as defined in subsection 401(k) of the Internal Revenue Code, covering all eligible employees. In January 2016, the plan was revised to include a "Safe Harbor Provision" to encourage more participation in the plan.

Under this revision, the Alliance matches one hundred percent of each participant's contributions up to three percent of salary plus an additional match of fifty percent of each participant's contributions up to five percent of salary. Thus, a participant who is making a contribution of five percent will have a total match of four percent from The Alliance.

Another change as part of the Safe Harbor Provision is that all employer contributions are immediately one hundred percent vested by each participant. The Alliance expensed a total of $43,006 and $61,154 for the year ended June 30, 2023 and 2022, respectively.

NOTE 10 – CONCENTRATIONS

Periodically, the Alliance has cash on deposit at banks in excess of federally insured limits. As of June 30, 2023 and 2022 $1,200,645 and $1,794,270, respectively, of the Alliance's cash and cash equivalents exceeded the insured limits.

As further described in Notes 2 and 6, the Alliance's quasi-endowment is held by ETCF.

Approximately thirty-one percent of the Alliance's revenues, gains and support are received from charges for services. Additionally, the majority of the Alliance's revenue is received from customers and donors residing in the Smith County, Texas area.

NOTE 11 – SERVICE CONTRACT

In March 2021, the Alliance entered into contract with TISD to provide food distribution, academic support, and other community services for TISD. The Alliance receives $500,000 for the services performed, paid out monthly in four equal payments. As of June 30, 2023 and 2022, the Alliance accrued a receivable of $62,500.

NOTE 12 – REVENUE RECOGNITION

The timing of revenue recognition, billings, and cash collections results in billed accounts receivable (contract assets) and customer advances and deposits (contract liabilities) on the Statements of Financial Position. Amounts are billed in accordance with agreed-upon contracted terms.

NOTE 12 – REVENUE RECOGNITION (continued)

For the contract with TISD, payments are made by TISD in equal amounts in monthly intervals and revenue is recognized in equal monthly intervals because the performance obligation of executing after-school programs occurs consistently throughout the year.

For the payments from parents/guardians for Mentoring Alliance programs, cash is generally collected prior to the recognition of revenue, which results in contract liabilities. Contract liabilities are reported on the Statements of Financial Position as deferred revenue. Revenues are recognized when the programs occur, which is considered the sole performance obligation.

The beginning and ending contract balances were as follows:

	June 30,		
	2021	2022	2023
Accounts receivable	62,500	62,500	62,500
Deferred revenues	91,294	40,498	320,343

Due to the nature of the programs, all contract liabilities outstanding at the beginning of the fiscal year were recognized as revenue during the fiscal year.

NOTE 13 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 13, 2023, the date that the financial statements were available to be issued.