THE MENTORING ALLIANCE

FINANCIAL STATEMENTS
TOGETHER WITH
INDEPENDENT AUDITORS' REPORT

JUNE 30, 2020 and 2019

THE MENTORING ALLIANCE
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JUNE 30, 2020 and 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The Mentoring Alliance
Tyler, Texas

We have audited the accompanying financial statements of The Mentoring Alliance (Alliance) (a non-profit organization), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

PROTHRO, WILHELMI AND COMPANY, PLLC
CERTIFIED PUBLIC ACCOUNTANTS
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Opinion

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, 2020 and 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prothro, Wilhelmi & Company, PLLC

PROTHRO, WILHELMI AND COMPANY, PLLC

Tyler, Texas
October 16, 2020

THE MENTORING ALLIANCE
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

	2020	2019
ASSETS		
Current assets:		
Cash and cash equivalents	$ 4,206,025	$ 2,363,970
Accounts receivable	62,500	65,393
Inventories	-	5,960
Prepaid expenses	10,057	11,217
Total current assets	4,278,582	2,446,540
Noncurrent assets:		
Beneficial interest in ETCF - quasi-endowment fund	764,323	706,499
Cash restricted for the purchase and remodel of new administrative building	-	1,157,201
Property and equipment, net	4,468,681	4,080,253
Total noncurrent assets	5,233,004	5,943,953
Total assets	$ 9,511,586	$ 8,390,493
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued liabilities	$ 171,723	$ 88,152
Construction accounts and retainage payable	-	542,318
Paycheck Protection Program loan - current portion	234,047	-
Deferred revenue	141,846	7,748
Total current liabilities	547,616	638,218
Non-current liabilities:		
Paycheck Protection Program loan - non-current portion	291,953	-
Total non-current liabilities	291,953	-
Net assets:		
Without donor restrictions	8,524,085	6,331,265
With donor restrictions	147,932	1,421,010
Total net assets	8,672,017	7,752,275
Total liabilities and net assets	$ 9,511,586	$ 8,390,493

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

THE MENTORING ALLIANCE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUES, GAINS, AND OTHER SUPPORT			
Contributions and support:			
Contributions	$ 2,963,609	$ 439,192	$ 3,402,801
Foundation grants	346,299	139,000	485,299
Special events, net of related expenses of $42,639	118,718	-	118,718
Total contributions and support	3,428,626	578,192	4,006,818
Program service fees:			
MA After School	1,117,443	-	1,117,443
MA Summer Camps	188,728	-	188,728
Total program service fees	1,306,171	-	1,306,171
Other income:			
Interest and dividends	8,418	-	8,418
Rental income	53,248	-	53,248
Gain on disposal of assets	2,135	-	2,135
Service contract	437,500		437,500
Other	16,585	-	16,585
Total other income	517,886	-	517,886
Change in beneficial interest in ETCF - quasi-endowment fund	9,631	-	9,631
Total revenues, gains and other support	5,262,314	578,192	5,840,506
Net assets released from restrictions	1,851,270	(1,851,270)	-
Total support, revenue and net assets released from restrictions	7,113,584	(1,273,078)	5,840,506
EXPENSES			
Program services	3,895,957	-	3,895,957
Management and general	479,785	-	479,785
Fundraising	545,022	-	545,022
Total expenses	4,920,764	-	4,920,764
Change in net assets	2,192,820	(1,273,078)	919,742
NET ASSETS			
Balance, beginning of year	6,331,265	1,421,010	7,752,275
Balance, end of year	$ 8,524,085	$ 147,932	$ 8,672,017

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

THE MENTORING ALLIANCE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUES, GAINS, AND OTHER SUPPORT			
Contributions and support:			
Contributions	$ 1,338,967	$ 1,898,160	$ 3,237,127
Foundation grants	321,688	81,686	403,374
Special events, net of related expenses of $83,362	132,760	-	132,760
Total contributions and support	1,793,415	1,979,846	3,773,261
Program service fees:			
MA After School	1,356,757	-	1,356,757
MA Summer Camps	451,177	-	451,177
Total program service fees	1,807,934	-	1,807,934
Other income:			
Interest and dividends	10,283	-	10,283
Rental income	97,300	-	97,300
Loss on disposal of assets	(39,043)	-	(39,043)
Other	4,663	-	4,663
Total other income	73,203	-	73,203
Change in beneficial interest in ETCF - quasi-endowment fund	11,171	-	11,171
Total revenues, gains and other support	3,685,723	1,979,846	5,665,569
Net assets released from restrictions	1,045,220	(1,045,220)	-
Total support, revenue and net assets released from restrictions	4,730,943	934,626	5,665,569
EXPENSES			
Program services	3,108,537	-	3,108,537
Management and general	459,768	-	459,768
Fundraising	214,937	-	214,937
Total expenses	3,783,242	-	3,783,242
Change in net assets	947,701	934,626	1,882,327
NET ASSETS			
Balance, beginning of year	5,383,564	486,384	5,869,948
Balance, end of year	$ 6,331,265	$ 1,421,010	$ 7,752,275

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, 2020

	Program Services				Supporting Services		
	MA After School	MA Summer Camps	MA Mentor Connect	Total Program Service	Management and General	Fundraising	Total Expenses
Accounting	$ 14,408	$ 14,408	$ 8,645	$ 37,461	$ 11,527	$ 8,645	$ 57,633
Bank and credit card fees	29,645	9,878	-	39,523	6	8,353	47,882
Community & Donor Development	1,319	1,136	582	3,037	-	13,969	17,006
Conferences and meetings	1,804	2,943	658	5,405	235	592	6,232
Depreciation	85,992	57,328	57,328	200,648	57,328	28,664	286,640
Employee benefits	64,748	44,364	42,347	151,459	16,031	26,487	193,977
Insurance	6,273	6,273	6,273	18,819	18,818	4,182	41,819
Information technology	11,248	9,761	5,190	26,199	5,261	3,215	34,675
Licenses and registrations	16	500	-	516	-	-	516
Marketing	23,446	35,845	4,414	63,705	-	9,442	73,147
Occupancy	22,345	14,913	15,172	52,430	15,207	7,448	75,085
Office	16,116	7,591	5,824	29,531	5,668	12,948	48,147
Other payroll	9,116	9,073	741	18,930	1,304	671	20,905
Payroll taxes	112,424	45,853	22,921	181,198	14,200	25,436	220,834
Postage	149	166	416	731	453	2,362	3,546
Printing	1,785	7,669	1,270	10,724	1,432	6,091	18,247
Professional fees	35,284	35,880	49,487	120,651	11,132	72,161	203,944
Program supplies / meals / other	76,133	119,802	20,933	216,868	-	20	216,888
Retirement	12,531	4,329	2,513	19,373	3,608	3,448	26,429
Salaries / wages	1,373,408	800,972	313,761	2,488,141	292,321	306,156	3,086,618
Staff and volunteer training	51,160	86,620	13,079	150,859	22,053	12	172,924
Telephone and communications	26,087	6,510	5,709	38,306	2,596	4,569	45,471
Travel and recruitment	3,394	15,541	2,508	21,443	605	151	22,199
Total expenses	$ 1,978,831	$ 1,337,355	$ 579,771	$ 3,895,957	$ 479,785	$ 545,022	$ 4,920,764

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, 2019

	Program Services				Supporting Services		
	MA After School	MA Summer Camps	MA Mentor Connect	Total Program Service	Management and General	Fundraising	Total Expenses
Accounting	$ 5,747	$ 5,747	$ 5,747	$ 17,241	$ 16,565	$ -	$ 33,806
Bank and credit card fees	84,161	20,073	-	104,234	301	4,894	109,429
Conferences and meetings	126	-	3,087	3,213	2,343	55	5,611
Depreciation	58,190	58,190	58,191	174,571	1,983	-	176,554
Employee benefits	35,811	11,677	37,046	84,534	46,791	9,125	140,450
Insurance	15,206	15,206	15,206	45,618	461	-	46,079
Information technology	3,463	130	2,685	6,278	29,611	1,376	37,265
Licenses / registrations	1,265	-	-	1,265	-	-	1,265
Marketing	24,690	20,484	22,244	67,418	-	12,969	80,387
Occupancy	26,725	26,725	26,725	80,175	809	-	80,984
Office expenses	8,788	1,354	1,564	11,706	23,726	4,093	39,525
Other payroll	8,401	5,957	1,433	15,791	8,287	339	24,417
Payroll taxes	75,079	27,108	21,710	123,897	40,783	6,817	171,497
Postage	99	-	270	369	1,027	2,060	3,456
Printing	14,944	9,468	5,841	30,253	7,948	4,946	43,147
Professional fees	21,000	10,500	13,759	45,259	28,175	-	73,434
Program supplies/meals/other	50,488	44,332	42,277	137,097	-	-	137,097
Retirement	6,822	1,974	3,044	11,840	8,235	1,248	21,323
Salaries/wages	1,123,260	504,880	403,428	2,031,568	188,195	163,595	2,383,358
Scholarships	26,426	21,040	18,672	66,138	38,309	1,376	105,823
Staff and volunteer training	15,822	1,303	4,730	21,855	13,630	1,280	36,765
Travel and recruitment	5,982	7,231	15,004	28,217	2,589	764	31,570
Total Expenses	$ 1,612,495	$ 793,379	$ 702,663	$ 3,108,537	$ 459,768	$ 214,937	$ 3,783,242

The accompanying notes are an integral part of these financial statements.

THE MENTORING ALLIANCE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	$ 919,742	$ 1,882,327
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	286,639	176,554
Loss on disposal of assets	-	39,043
Contribution revenue restricted for new administrative building	-	(1,426,650)
Change in beneficial interest in ETCF quasi-endowment	(9,631)	(11,171)
Decrease (Increase) in operating assets:		
Accounts receivable	2,893	(56,809)
Inventories	5,960	(5,960)
Prepaid expenses	1,160	(3,863)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued liabilities	83,571	83,072
Deferred revenue	134,098	7,748
Construction payable	(542,318)	-
Total adjustments	(37,628)	(1,198,036)
Net cash provided by operating activities	882,114	684,291
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(675,395)	(596,295)
Proceeds from sale of assets	2,135	100
Contributions to beneficial interest in ETCF quasi-endowment	(50,000)	(600,000)
Net cash used in investing activities	(723,260)	(1,196,195)
CASH FLOW FROM FINANCING ACTIVITIES:		
Contributions received for new administrative building	-	1,426,650
Paycheck Protection Program loan	526,000	-
Net cash provided by financing activities	526,000	1,426,650
Net increase in cash and cash equivalents	684,854	914,746
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF YEAR	3,521,171	2,606,425
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR	$ 4,206,025	$ 3,521,171
RECONCILIATION TO STATEMENT OF FINANCIAL POSITION:		
Cash restricted for the purchase and remodel of new administrative building	$ -	$ 1,157,201
Cash and cash equivalents	4,206,025	2,363,970
CASH, CASH EQUIVALENTS AND RESTRICTED CASH - STATEMENT OF CASH FLOWS	$ 4,206,025	$ 3,521,171
NONCASH FINANCING AND INVESTING ACTIVITIES:		
Capital expenditures included in construction accounts and retainage payable	$ -	$ 542,318

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

THE MENTORING ALLIANCE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020 and 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION AND NATURE OF ACTIVITIES

The Alliance was established in 1994 and is headquartered in Tyler, 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 MA After School Boys and Girls Club of East Texas, MA Summer Camps, and MA Mentor Connect.

MA After School Boys and Girls Club of East Texas (MASC) 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 Smith County, Texas vicinity.

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 Tyler, 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 Smith County, Texas.

RECENTLY ADOPTED ACCOUNTING STANDARDS

In August 2016, Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, "*Presentation of Financial Statements of Not-for-Profit Entities"* (Topic 958). The ASU was adopted by the Alliance in the year ended June 30, 2019. The ASU required significant changes to the financial reporting model, including moving from three classes of net assets down to two classes: net assets with donor restrictions and net assets without donor restrictions and expanded disclosures concerning expenses and liquidity. The ASU also requires changes to the way certain information is aggregated and reported.

In November 2016, The FASB issued ASU No. 2016-18, "*Statement of Cash Flows*" (Topic 230). The provisions of this update require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The provisions of this update do not provide a definition of restricted cash or restricted cash equivalents. The provisions of this update are effective for fiscal years beginning after December 15, 2018 and should be applied using a retrospective transition method for each period presented. The Alliance has elected early adoption of this guidance for the fiscal year ending June 30, 2019.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

RECENTLY ADOPTED ACCOUNTING STANDARDS (continued)

In May 2014, the FASB issued ASU No. 2014-09, "*Revenue from Contracts with Customers*," which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU replaces most existing revenue recognition guidance in U.S. GAAP. This standard was implemented for the fiscal year ending June 30, 2020.

The majority of the Alliance's revenue comes from program fees, donations, and a contract with Tyler Independent School District (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. Accordingly, there was no material change in revenue recognition due to the implementation of ASU No. 2014-09

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 reports 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. See Note 12 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, 2020 or 2019.

UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give are recorded when pledged. The Alliance has no unconditional promises to give as of June 30, 2020 or 2019.

INVENTORIES

The Alliance's inventories consist of MASC store merchandise and are measured at the lower of cost or market on a first-in, first-out basis.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

PROPERTY, PLANT, AND EQUIPMENT (continued)
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

DEFERRED REVENUE
The Alliance's deferred revenue consists of revenue for summer camps for which cash has been received but not earned. Deferred revenues consisted of deferred rental income of $141,847 and $7,748 as of June 30, 2020 and 2019, respectively.

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.

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. According, 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.

ADVERTISING COSTS
All advertising costs are expensed when incurred. Advertising expense for the years ended June 30, 2020 and 2019 was $73,147 and $80,387, respectively.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 2015 through 2018 (fiscal years ended June 30, 2016 through June 30, 2019).

NEW ACCOUNTING GUIDANCE NOT YET ADOPTED

In February 2016, the FASB issued ASU No. 2016-02, "*Leases*" (Topic 842). Under the new guidance, lessees will be required to recognize the following for all leases (with the exception of short-term leases) at the commencement date:

- Lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and
- A right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term.

Additional qualitative and quantitative disclosures will be required so users can understand more about the nature of an entity's leasing activities. The new lease guidance simplified the accounting for sale and leaseback transactions primarily because lessees must recognize lease assets and lease liabilities. Lessees will no longer be provided with a source of off-balance sheet financing.

ASU 2016-02 is effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Lessees (for financing and operating leases) and lessors (for sales-type, direct financing, and operating leases) must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

NEW ACCOUNTING GUIDANCE NOT YET ADOPTED (continued)

The FASB has officially voted to approve delaying the effective date for this standard from December 15, 2019 to December 15, 2020, although no ASU has been formally issued as of December 20, 2019. The Alliance is currently evaluating the potential impact of adopting this guidance on its financial statements.

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, 2020 and 2019, 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.

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, 2020 and 2019, is as follows:

	2020	2019
Land	$ 759,371	$ 65,996
Building and improvements	5,895,888	3,284,021
Office furniture and fixtures	135,575	135,575
Machinery and equipment	150,658	143,327
Website design	13,050	13,050
Construction in-progress	-	2,637,506
Subtotal	6,954,542	6,279,475
Less: Accumulated depreciation	(2,485,861)	(2,199,222)
Property and equipment, net of depreciation	$ 4,468,681	$ 4,080,253

Depreciation recorded for the year ended June 30, 2020 and 2019 was $286,639 and $176,554, respectively.

On June 15, 2018, the Alliance acquired an existing building as the site for the Alliance's new administrative building. Building renovation is in-progress and the costs of the building and improvements to date are included in construction in-progress as of June 30, 2019. The building renovation was completed in September 2019 and the Alliance moved its administrative operations to the new facility.

NOTE 4 – NET ASSET RESTRICTIONS

The Alliance's net assets with donor restrictions is summarized below for the years ended June 30, 2020 and 2019:

	2019	Contributions	Released	2020
Capital campaign	$ 1,157,201	$ -	$ (1,157,201)	$ -
Scholarships	11,932	-	(8,000)	3,932
Health & wellness activities	32,442	-	(32,442)	-
BTH building project	-	60,000	(60,000)	-
MA Summer Camps	75,000	496,692	(446,692)	125,000
Salvation Army	-	14,000	-	14,000
Special projects	144,435	-	(144,435)	-
Women's Fund	-	-	-	-
Other	-	7,500	(2,500)	5,000
Total	$ 1,421,010	$ 578,192	$ (1,851,270)	$ 147,932

NOTE 4 – NET ASSET RESTRICTIONS (continued)

As further discussed above in Note 3, the Alliance's board of directors has established a quasi-endowment fund with ETCF to support operations. The balance of this board designation is \$764,323 and \$706,499 as of June 30, 2020 and 2019, 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 balance sheet date for general expenditure are as follows:

Financial assets, at year end	$ 5,032,848
Less those unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions:	
Restrictions by donors with time or purpose restrictions	147,932
Board designations:	
Quasi-endowment fund, primarily for long-term investing	764,323
Financial assets available to meet cash needs for general expenditures within one year	$ 4,120,593

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.

NOTE 6 –FAIR VALUE MEASUREMENTS (continued)

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, 2020 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	$ -	$ -	$ 764,323	$ 764,323
Total recurring fair value measurements	$ -	$ -	$ 764,323	$ 764,323

The following summarizes the changes in Level 3 fair value measurements for the years ended June 30, 2020 and 2019:

	Beneficial Interest in ETCF Level 3
Balance, beginning of the year	$ 706,499
Board contributions	50,000
Interest and dividends	14,116
Net realized and unrealized gain	1,639
Distributions	-
Investment and administrative expenses	(7,931)
Balance, end of year	$ 764,323

NOTE 7 –DEBT

On April 6, 2020, the Alliance received loan proceeds in the amount of $526,000 under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act) and facilitated by the Small Business Administration (SBA), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. Under the terms of the PPP, certain amounts of the loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. The Alliance intends to use the entire loan amount for qualifying expenses. As of June 30, 2020, qualifying businesses were not permitted to apply for forgiveness through SBA.

Future payments for the PPP loan are as follows:

Year	Amount
2021	$ 234,047
2022	291,953
Total	526,000
Less current portion:	(234,047)
Non-current portion:	$ 291,953

NOTE 8 –FUNDRAISING ACTIVITIES

The schedule below represents the special events held by the Alliance as of June 30, 2020:

Special Event	Income	Expenses	Net Proceeds
Golf tournament	$ 29,305	$ 1,945	$ 27,360
The Mentoring Alliance luncheon	100,102	21,929	78,173
Day for Kids	31,950	18,765	13,185
Total special events	$ 161,357	$ 42,639	$ 118,718

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.

NOTE 9 - RETIREMENT PLAN (continued)

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 $26,429 and $21,323 for the year ended June 30, 2020 and 2019, respectively.

NOTE 10 – LEASE INCOME

The Alliance, as lessor, assumed a lease with a tenant in conjunction with the purchase of the new administrative building on June 15, 2018. Monthly lease payments were $1,748 per month through July 2020, at which time both parties agreed to cancel the lease prior to expiration without additional consideration.

The Alliance, as lessor, entered into a three-year operating lease agreement for the use of the old administrative building. The lease calls for initial monthly rents of $4,000 with annual escalations. The lease commenced on July 1, 2019.

Future minimum lease payments to the Alliance under this operating lease is as follows:

Future Minimum Lease Payments	
2021	60,000
2022	72,000
	$ 132,000

NOTE 11 – CONCENTRATIONS

Periodically, the Alliance has cash on deposit at banks in excess of federally insured limits. As of June 30, 2020 and 2019 $3,081,717 and $1,083,565, respectively, of the Alliance’s cash and cash equivalents exceeded the insured limits.

As further described in Notes 3 and 5, 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 12 – SERVICE CONTRACT

In March 2020, the Alliance entered into contract with Tyler Independent School District (District) to provide food distribution, academic support, and other community services to for the District. The Alliance received $500,000 for the services performed, paid out monthly in four equal payments. As of June 30, 2020, the Alliance accrued a receivable of $62,500.

NOTE 13 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 16, 2020, the date that the financial statements were available to be issued. COVID-19 developed and was declared to be a pandemic during the current fiscal year. The pandemic has had a negative effect on the local and global economy to an indeterminable extent. Although indirectly affected by the pandemic, contribution revenue may be negatively affected by the pandemic after the date of the financial statements.