THE MENTORING ALLIANCE

FINANCIAL STATEMENTS
TOGETHER WITH
INDEPENDENT AUDITORS' REPORT

JUNE 30, 2021 and 2020

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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, 2021 and 2020, 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, 2021 and 2020, 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 15, 2021

THE MENTORING ALLIANCE
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

	2021	2020
ASSETS		
Current assets:		
Cash and cash equivalents	$ 3,010,539	$ 4,206,025
Accounts receivable	120,697	62,500
Prepaid expenses	54,966	10,057
Total current assets	3,186,202	4,278,582
Noncurrent assets:		
Beneficial interest in ETCF - quasi-endowment fund	1,798,811	764,323
Property and equipment, net	4,250,457	4,468,681
Total noncurrent assets	6,049,268	5,233,004
Total assets	$ 9,235,470	$ 9,511,586
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued liabilities	$ 228,629	$ 171,723
Paycheck Protection Program loan - current portion	-	234,047
Deferred revenue	91,293	141,846
Total current liabilities	319,922	547,616
Non-current liabilities:		
Paycheck Protection Program loan - non-current portion	-	291,953
Total non-current liabilities	-	291,953
Net assets:		
Without donor restrictions	8,808,571	8,524,085
With donor restrictions	106,977	147,932
Total net assets	8,915,548	8,672,017
Total liabilities and net assets	$ 9,235,470	$ 9,511,586

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

THE MENTORING ALLIANCE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUES, GAINS, AND OTHER SUPPORT			
Contributions and support:			
Contributions	$ 1,708,290	$ 607,595	$ 2,315,885
Foundation grants	311,027	-	311,027
Special events	185,945	-	185,945
Total contributions and support	2,205,262	607,595	2,812,857
Program service fees:			
Mentoring Alliance After School	1,147,186	-	1,147,186
Mentoring Alliance Summer Camps	412,595	-	412,595
Total program service fees	1,559,781	-	1,559,781
Other income:			
Interest and dividends	13,107	-	13,107
Rental income	60,000	-	60,000
Investment income	58,585	-	58,585
Service contract	375,000	-	375,000
Gain on extinguishment of debt	526,000	-	526,000
Other	100	-	100
Total other income	1,032,792	-	1,032,792
Total revenues, gains and other support	4,797,835	607,595	5,405,430
Net assets released from restrictions	648,550	(648,550)	-
Total support, revenue and net assets released from restrictions	5,446,385	(40,955)	5,405,430
EXPENSES			
Program services	4,075,992	-	4,075,992
Management and general	426,812	-	426,812
Fundraising	659,095	-	659,095
Total expenses	5,161,899	-	5,161,899
Change in net assets	284,486	(40,955)	243,531
NET ASSETS			
Balance, beginning of year	8,524,085	147,932	8,672,017
Balance, end of year	$ 8,808,571	$ 106,977	$ 8,915,548

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	161,357	-	161,357
Total contributions and support	3,471,265	578,192	4,049,457
Program service fees:			
Mentoring Alliance After School	1,117,443	-	1,117,443
Mentoring Alliance 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
Loss 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	5,304,953	578,192	5,883,145
Net assets released from restrictions	1,851,270	(1,851,270)	-
Total support, revenue and net assets released from restrictions	7,156,223	(1,273,078)	5,883,145
EXPENSES			
Program services	3,895,957	-	3,895,957
Management and general	479,785	-	479,785
Fundraising	587,661	-	587,661
Total expenses	4,963,403	-	4,963,403
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 FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

	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	$ 20,350	$ 20,350	$ 4,361	$ 45,061	$ 8,722	$ 4,361	$ 58,144
Bank and credit card fees	18,811	7,565	-	26,376	-	21,808	48,184
Community & donor development	11	32	-	43	-	1,795	1,838
Conferences and meetings	746	2,424	538	3,708	1,622	3,467	8,797
Depreciation	76,001	76,001	45,600	197,602	100,321	6,080	304,003
Employee benefits	62,195	54,104	39,399	155,698	15,100	30,143	200,941
Insurance	9,838	9,838	5,903	25,579	10,748	3,148	39,475
Information technology	11,549	11,926	6,643	30,118	11,545	4,971	46,634
Licenses and registrations	-	884	-	884	50	-	934
Marketing	22,724	20,548	4,205	47,477	24,419	49,624	121,520
Occupancy	16,864	17,636	10,118	44,618	7,084	5,237	56,939
Office	7,207	8,229	4,457	19,893	4,898	9,836	34,627
Other payroll	14,611	12,366	2,010	28,987	11,026	1,461	41,474
Payroll taxes	103,409	75,662	24,569	203,640	207	27,314	231,161
Postage	182	179	107	468	238	1,528	2,234
Printing	1,566	5,501	541	7,608	28,114	3,053	38,775
Professional fees	27,796	33,187	24,514	85,497	27	23,020	108,544
Program supplies/meals/other	69,994	193,716	15,058	278,768	2,464	-	281,232
Retirement	14,455	7,637	2,998	25,090	14,806	5,029	44,925
Salaries/wages	1,363,552	986,214	340,200	2,689,966	183,411	381,591	3,254,968
Special events	-	-	-	-	-	70,757	70,757
Staff and volunteer training	33,056	65,453	7,783	106,292	1,820	1,207	109,319
Telephone and communications	26,034	5,752	4,467	36,253	-	3,665	39,918
Travel and recruitment	1,803	14,534	29	16,366	190	-	16,556
Total expenses	$ 1,902,754	$ 1,629,738	$ 543,500	$ 4,075,992	$ 426,812	$ 659,095	$ 5,161,899

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		
	Mentoring Alliance After School	Mentoring Alliance Summer Camps	Mentoring Alliance 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 expenses	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
Special events	-	-	-	-	-	42,639	42,639
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	$ 587,661	$ 4,963,403

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

THE MENTORING ALLIANCE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	$ 243,531	$ 919,742
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	304,002	286,639
Change in beneficial interest in ETCF quasi-endowment	(54,235)	(9,631)
Decrease (Increase) in operating assets:		
Accounts receivable	(58,197)	2,893
Inventories	-	5,960
Prepaid expenses	(44,909)	1,160
Increase (decrease) in operating liabilities:		
Accounts payable and accrued liabilities	56,906	83,571
Deferred revenue	(50,553)	134,098
Construction payable	-	(542,318)
Paycheck Protection Program loan	(526,000)	-
Total adjustments	(372,986)	(37,628)
Net cash provided by operating activities	(129,455)	882,114
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(86,031)	(675,395)
Proceeds from sale of assets	-	2,135
Contributions to beneficial interest in ETCF quasi-endowment	(980,000)	(50,000)
Net cash used in investing activities	(1,066,031)	(723,260)
CASH FLOW FROM FINANCING ACTIVITIES:		
Paycheck Protection Program loan	-	526,000
Net cash provided by financing activities	-	526,000
Net increase in cash and cash equivalents	(1,195,486)	684,854
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF YEAR	4,206,025	3,521,171
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR	$ 3,010,539	$ 4,206,025
RECONCILIATION TO STATEMENT OF FINANCIAL POSITION:		
Cash and cash equivalents	3,010,539	4,206,025
CASH, CASH EQUIVALENTS AND RESTRICTED CASH - STATEMENT OF CASH FLOWS	$ 3,010,539	$ 4,206,025

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 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 Mentoring Alliance (MA) After School Boys and Girls Club of East Texas, MA Summer Camps, and MA Mentor Connect.

MA After School (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.

REVENUE RECOGNITION

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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, 2021 or 2020.

UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give are recorded when pledged. The Alliance has no unconditional promises to give as of June 30, 2021 or 2020.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 were $91,293 and $141,846 as of June 30, 2021 and 2020, 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. Accordingly, no amounts have been reflected in the financial statements for donated services. The Alliance generally pays for services requiring specific expertise.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2021 and 2020 was $121,520 and $73,147, 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 2016 through 2019 (fiscal years ended June 30, 2017 through June 30, 2020).

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

NEW ACCOUNTING GUIDANCE NOT YET ADOPTED (continued)
ASU 2016-02 is effective for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021. This standard will be adopted by the Alliance in the year ended June 30, 2022. The 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. 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, 2021 and 2020, 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, 2021 and 2020, is as follows:

	2021	2020
Land	$ 759,371	$ 759,371
Building and improvements	5,923,138	5,895,888
Office furniture and fixtures	135,575	135,575
Machinery and equipment	209,111	150,658
Website design	13,050	13,050
Subtotal	7,040,245	6,954,542
Less: Accumulated depreciation	(2,789,788)	(2,485,861)
Property and equipment, net of depreciation	$ 4,250,457	$ 4,468,681

Depreciation recorded for the year ended June 30, 2021 and 2020, was $304,003 and, $286,640 respectively.

NOTE 4 – NET ASSET RESTRICTIONS

The Alliance's net assets with donor restrictions is summarized below for the years ended June 30, 2021 and 2020:

	2020	Contributions	Released	2021
Staff Scholarships	$ 3,932	$ 8,000	$ (4,000)	$ 7,932
MA After School Expenses	-	55,000	(55,000)	-
MA Summer Camp Expenses	125,000	544,595	(589,550)	80,045
Salvation Army Kids Initiative	14,000	-	-	14,000
Staff Sabbatical Expenses	5,000	-	-	5,000
Total	$ 147,932	$ 607,595	$ (648,550)	$ 106,977

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 $1,798,811 and $764,323 as of June 30, 2021 and 2020, 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	$ 4,930,047
Less those unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions:	
Restrictions by donors with time or purpose restrictions	106,977
Board designations:	
Quasi-endowment fund, primarily for long-term investing	1,798,811
Financial assets available to meet cash needs for general expenditures within one year	$ 3,024,259

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, 2021 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	$ -	$ -	$ 1,798,811	$ 1,798,811
Total recurring fair value measurements	$ -	$ -	$ 1,798,811	$ 1,798,811

NOTE 6 –FAIR VALUE MEASUREMENTS (continued)

The following summarizes the changes in Level 3 fair value measurements for the years ended June 30, 2021 and 2020:

	Beneficial Interest in ETCF Level 3
Balance, beginning of the year	$ 764,323
Board contributions	980,000
Interest and dividends	8,116
Net realized and unrealized gain	56,962
Distributions	-
Investment and administrative expenses	(10,590)
Balance, end of year	$ 1,798,811

NOTE 7 –PAYCHECK PROTECTION PROGRAM

During the year ended June 30, 2021, the Alliance's Paycheck Protection Program loan was forgiven in full. The forgiveness is presented as income on the Statement of Activities under "Gain on extinguishment of debt".

NOTE 8 –FUNDRAISING ACTIVITIES

The schedule below represents the special events held by the Alliance as of June 30, 2021:

Special Event	Income	Expenses	Net Proceeds
Golf tournament	$ 142,692	$ 67,986	$ 74,706
The Mentoring Alliance luncheon	43,252	2,420	40,832
Day for Kids	-	350	(350)
Total special events	$ 185,944	$ 70,756	$ 115,188

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 $44,925 and $26,429 for the year ended June 30, 2021 and 2020, 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 2021, 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, 2021 and 2020 $2,562,340 and $3,081,717, 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 12 – SERVICE CONTRACT

In March 2021, the Alliance entered into contract with Tyler Independent School District (District) to provide food distribution, academic support, and other community services for the District. The Alliance received $500,000 for the services performed, paid out monthly in four equal payments. As of June 30, 2021, the Alliance accrued a receivable of $62,500.

NOTE 13 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 15, 2021, the date that the financial statements were available to be issued. After year-end, the Alliance absorbed the operations of the Waco Boys and Girl's Club. The Alliance will receive the Waco Boys and Girls' Club's cash and buildings for an approximate value of $850,000.