

EAST TEXAS COMMUNITIES FOUNDATION, INC.

CONSOLIDATED FINANCIAL STATEMENTS
(with Independent Auditors' Report thereon)

DECEMBER 31, 2020 AND 2019

EAST TEXAS COMMUNITIES FOUNDATION, INC.
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
East Texas Communities Foundation, Inc.
Tyler, TX

We have audited the accompanying consolidated financial statements of East Texas Communities Foundation, Inc. and ETCF Support Foundation, Inc. (non-profit organization) (Foundation), which comprise the consolidated statement of financial position as of December 31, 2020 and 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in blue ink, reading "Prothro, Wilhelmi & Company, PLLC". The signature is written in a cursive, flowing style.

PROTHRO, WILHELMI AND COMPANY, PLLC

Tyler, Texas
August 25, 2021

EAST TEXAS COMMUNITIES FOUNDATION, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents	\$ 2,182,432	\$ 2,415,861
Pledges receivable	50,766	87,391
Investments	126,657,783	112,654,206
Property and equipment, net	<u>67,877</u>	<u>17,619</u>
Total Assets	<u>\$ 128,958,858</u>	<u>\$ 115,175,077</u>
LIABILITIES		
Grants payable	\$ 111,950	\$ 82,000
Administrative expenses payable	17,438	16,282
Accrued compensated absences	23,783	19,955
Funds held as agency endowments	<u>14,305,540</u>	<u>12,733,531</u>
Total Liabilities	<u>14,458,711</u>	<u>12,851,768</u>
NET ASSETS		
Without donor restrictions	2,483,187	2,114,204
With donor restrictions	<u>112,016,960</u>	<u>100,209,105</u>
Total Net Assets	<u>114,500,147</u>	<u>102,323,309</u>
Total Liabilities and Net Assets	<u>\$ 128,958,858</u>	<u>\$ 115,175,077</u>

See accompanying notes to financial statements.

EAST TEXAS COMMUNITIES FOUNDATION, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total 2019</u>
Revenue and Other Support:			
Contributions received	\$ 4,899	\$ 15,106,015	\$ 15,110,914
Interest and dividends	71,854	2,566,149	2,638,003
Net realized gains	48,378	1,727,589	1,775,967
Net unrealized gains	184,672	9,540,738	9,725,410
Income from mineral interests	-	363,334	363,334
Administrative fees from agency endowments	101,348	-	101,348
Other	18,025	1,976	20,001
Net assets released from restrictions	<u>13,580,854</u>	<u>(13,580,854)</u>	<u>-</u>
Total revenue and other support	<u>14,010,030</u>	<u>15,724,947</u>	<u>29,734,977</u>
Expenses:			
Program	13,243,267	-	13,243,267
Management and general	153,556	-	153,556
Fundraising/marketing	<u>270,107</u>	<u>-</u>	<u>270,107</u>
Total expenses	<u>13,666,930</u>	<u>-</u>	<u>13,666,930</u>
Changes in net assets	343,100	15,724,947	16,068,047
Net assets, beginning of year	<u>1,771,104</u>	<u>84,484,158</u>	<u>86,255,262</u>
Net assets, end of year	<u>\$ 2,114,204</u>	<u>\$ 100,209,105</u>	<u>\$ 102,323,309</u>

See accompanying notes to financial statements.

EAST TEXAS COMMUNITIES FOUNDATION, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total 2020
Revenue and Other Support:			
Contributions received	\$ 183,199	\$ 11,864,717	\$ 12,047,916
Interest and dividends	51,714	2,260,101	2,311,815
Net realized gains	105,881	2,479,865	2,585,746
Net unrealized gains	83,947	5,470,419	5,554,366
Income from mineral interests	-	89,806	89,806
Administrative fees from agency endowments	110,486	-	110,486
Other	18,280	-	18,280
Net assets released from restrictions	10,357,053	(10,357,053)	-
Total revenue and other support	<u>10,910,560</u>	<u>11,807,855</u>	<u>22,718,415</u>
Expenses:			
Program	10,101,003	-	10,101,003
Management and general	162,139	-	162,139
Fundraising/marketing	278,435	-	278,435
Total expenses	<u>10,541,577</u>	<u>-</u>	<u>10,541,577</u>
Changes in net assets	368,983	11,807,855	12,176,838
Net assets, beginning of year	<u>2,114,204</u>	<u>100,209,105</u>	<u>102,323,309</u>
Net assets, end of year	<u><u>\$ 2,483,187</u></u>	<u><u>\$ 112,016,960</u></u>	<u><u>\$ 114,500,147</u></u>

See accompanying notes to financial statements.

EAST TEXAS COMMUNITIES FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

Account Description	Program	Management & General Expenses	Fund Raising/ Marketing	Total Expenses
Program Services	\$ 8,981,066	\$ -	\$ -	\$ 8,981,066
Investment Related Expenses	662,237	502	-	662,739
Personnel	310,262	109,677	188,679	608,618
Office Expense	55,640	19,510	33,934	109,084
Donor Relations	50,937	18,005	30,975	99,917
Professional Development	12,594	4,452	7,659	24,705
Professional Fees	19,117	6,758	11,625	37,500
Other Administration	4,089	1,446	2,486	8,021
Insurance	5,061	1,789	3,077	9,927
Total Expenses	<u>\$ 10,101,003</u>	<u>\$ 162,139</u>	<u>\$ 278,435</u>	<u>\$ 10,541,577</u>

See accompanying notes to financial statements.

EAST TEXAS COMMUNITIES FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

Account Description	Program	Management & General Expenses	Fund Raising/ Marketing	Total Expenses
Program Services	\$ 12,300,987	\$ 431	\$ 775	\$ 12,302,193
Investment Related Expenses	560,542	840	-	561,382
Personnel	256,341	101,461	182,763	540,565
Office Expense	44,805	18,779	33,106	96,690
Donor Relations	34,541	13,671	24,591	72,803
Professional Development	15,255	6,038	6,748	28,041
Professional Fees	9,478	3,751	6,748	19,977
Other Administration	17,370	7,022	12,565	36,957
Insurance	3,948	1,563	2,811	8,322
Total Expenses	<u>\$ 13,243,267</u>	<u>\$ 153,556</u>	<u>\$ 270,107</u>	<u>\$ 13,666,930</u>

See accompanying notes to financial statements.

EAST TEXAS COMMUNITIES FOUNDATION, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Change in net assets	\$ 12,176,838	\$ 16,068,047
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	17,620	6,966
Donated securities	(6,653,234)	(2,109,721)
Net (appreciation) of investments	(9,406,152)	(10,950,384)
Increase (decrease) in pledges receivable	36,625	(87,136)
Increase in grants payable	29,950	41,444
Increase in administrative expenses payable	1,156	9,508
Increase (decrease) in accrued compensated absences	3,828	(663)
Increase in funds held as agency endowment	1,572,009	2,382,406
Net cash provided by (used in) operating activities	<u>(2,221,360)</u>	<u>5,360,467</u>
Cash flows from investing activities		
Purchase of fixed assets	(67,878)	(4,463)
Purchase of investments	(23,133,716)	(25,132,494)
Proceeds from sales and maturities of investments	25,189,525	18,594,648
Net cash provided by (used in) investing activities	<u>1,987,931</u>	<u>(6,542,309)</u>
Increase (decrease) in cash	(233,429)	(1,181,842)
Cash and cash equivalents, beginning of year	2,415,861	3,597,703
Cash and cash equivalents, end of year	<u>\$ 2,182,432</u>	<u>\$ 2,415,861</u>

See accompanying notes to financial statements.

EAST TEXAS COMMUNITIES FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The Foundation is a non-profit organization that encourages private giving for public purposes and accepts bequests and gifts to be administered according to permissible donor restrictions. In the absence of specific donor restrictions, contributed funds are administered under the direction of the Board of Directors for the benefit of non-profit organizations approved by the Internal Revenue Service in accordance with Internal Revenue Code section 501(c)(3). The Foundation's accounting records, and reporting are on a calendar year.

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting and, accordingly, reflect any significant receivables, payables, and other liabilities.

Financial Statement Presentation

The Foundation's financial statements are presented in accordance with Accounting Standards Codification (ASC) No. 958-205, *Not-for-Profit Entities, Presentation of Financial Statements*. Under ASC No. 958, the Foundation is required to report information regarding its financial position and activities by class.

- Net Assets Without Donor Restrictions are amounts currently available at the discretion of the Board for use in the Foundation's operations and those resources invested in equipment and real estate.
- Net Assets With Donor Restrictions are stipulated by donors for specific operating purposes or for the acquisition of equipment.

In addition, the Foundation is required to present a statement of cash flows. All contributions are considered available for unrestricted use unless specifically restricted by the donor or subject to other legal restrictions. Restricted gains and investment income in which restrictions are met in the same reporting period, are reported as unrestricted support.

ASC No. 958 and its subsections establish standards for transactions in which a community foundation accepts a contribution from a donor and agrees to transfer those assets, the return on investment of those assets or both to another entity that is specified by the donor. ASC 958-605-25 specifically requires that if a Not-for-Profit Organization (NPO) establishes a fund at a community foundation with its own funds, and specifies itself as the beneficiary of that fund, the community foundation must account for the transfer of such assets as a liability. The Foundation refers to such funds as non-profit funds.

The Foundation maintains variance power and legal ownership of agency endowment funds and as such continues to report the funds as assets of the Foundation. However, in accordance with ASC 958-605-25, a liability has been established for the fair value of the funds.

EAST TEXAS COMMUNITIES FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Contributions

Contributions received are recorded as unrestricted or restricted support depending on the existence and/or nature of any donor restrictions.

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Federal Income Tax

The Foundation is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. The Foundation paid no federal income taxes or interest during the year. The Foundation believes it has filed all required tax reports and has no uncertain tax positions. The years 2017 to 2019 remain open for examination by taxing authorities.

Donated Assets & Services

Donated marketable securities and other non-cash donations are recorded as contributions at their estimated fair values at the date of donation.

Measure of Operations

The Foundation includes in its measure of operations all revenues and expenses that are an integral part of its programs and supporting activities including realized and unrealized gains and losses on investments.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, contingent assets, and liabilities, and amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Foundation considers only unrestricted demand deposits and money market accounts used in operations as an equivalent to demand deposits to be cash equivalents.

EAST TEXAS COMMUNITIES FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Investments

Money market investment funds held under the custody of fund managers, other than those used in operations as an equivalent to demand deposits, are considered short-term investments. Investments in common and preferred stocks, bonds, U.S. Treasury bills and government agencies, and mutual funds are carried at quoted fair market value. Investments in mineral interests are carried at fair market value as determined by valuation conducted by the outside brokerage having custody over those interests.

Property and Equipment

All significant acquisitions of property and equipment and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful life of the asset.

Concentration of Credit Risk

The Foundation places its cash, cash equivalents, short-term fund, and marketable securities in high credit quality financial institutions. These accounts include money market funds which are not covered by Federal Deposit Insurance Corporation insurance. The Foundation has not experienced any losses on such accounts.

Advertising

The policy of the Foundation is to expense all advertising costs as incurred.

Reporting Entity

The consolidated financial statements include the East Texas Communities Foundation, Inc. and its affiliated organization, ETCF Support Foundation. ETCF Support Foundation was formed for the benefit of East Texas Communities Foundation, Inc.; East Texas Communities Foundation, Inc. retains an economic interest in ETCF Support Foundation, retains the ultimate power and discretion over all distributions, and has the ability to appoint the majority of the voting board members of its Board of Directors. All significant inter-organization transactions were eliminated.

Revenue Recognition

Accounting Standards Update (ASU) No. 2014-09, "*Revenue from Contracts with Customers*," 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 majority of the Foundation's revenue comes from contributions, which apart from any bifurcation required due to exchange-like portions of the contribution, are excluded from the application of ASU No. 2014-09. The Foundation's contracts with grantor's are the major revenue streams considered under this reporting model. There was no material change in revenue recognition in the current year due to the consistency of revenue streams.

EAST TEXAS COMMUNITIES FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Functional Expense Allocation

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and in detail in the statement of functional expenses. Expenses were either allocated based on relative time spent or occupancy percentages.

NOTE 2 – NEW ACCOUNTING GUIDANCE NOT YET ADOPTED

ASU No. 2016-02

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 (except for 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 No. 2020-07

In September 2020, the FASB issued ASU No. 2020-07, “*Not-For-Profit Entities*” (Topic 958): *Presentation And Disclosures By Not-For-Profit Entities For Contributed Nonfinancial Assets*. ASU 2020-07 is effective for fiscal years beginning after June 15, 2021, (i.e., fiscal year 2022 for the Foundation). Under the new guidance, contributed nonfinancial assets, including food, used clothing and household items, supplies, pharmaceuticals, medical equipment, intangibles, contributed use of long-lived assets, and contributed services, will be reported as a separate line item on the statement of activities, apart from contributions of cash and other financial assets.

The new standards require non-profit entities to disclose the total value recognized for each category of gifts-in-kind received in the notes to the financial statements. The total value should agree to the total value of gifts-in-kind recognized in the statement of activities. The following must be disclosed for each category:

- Qualitative information about whether the gift-in-kind was monetized (i.e., sold) or used during the reporting period. If it was used, also disclose a description of the programs or other activities in which the assets were used. A best practice is to use the same program or activity names in the disclosure that are used in the expense section of the statement of activities.
- The Foundation’s policy, if applicable, regarding monetizing rather than using gifts-in-kind.

EAST TEXAS COMMUNITIES FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 2 – NEW ACCOUNTING GUIDANCE NOT YET ADOPTED (continued):

ASU No. 2020-07 (continued)

- A description of any donor-imposed restrictions associated with the gift-in-kind.
- A description of the valuation techniques and inputs used to arrive at the fair value measurement.
- The principal market (or most advantageous market) used to arrive at a fair value measurement if it is a market in which the Foundation is prohibited by a donor-imposed restriction from selling or using the contributed nonfinancial assets.

For contributed services, the disclosures above are in addition to the disclosures currently required for contributed services.

The Foundation is currently evaluating the potential impact of adopting this guidance on its financial statements

NOTE 3 – RECLASSIFICATIONS

Certain reclassifications have been made to prior year financial statements to conform to classifications used in the current year. These reclassifications had no impact on net assets or changes in net assets.

NOTE 4 – NET ASSETS WITH DONOR RESTRICTIONS

Restricted funds are donations received which are to be distributed to the particular area of community life or institution as the Board of Directors so designates, based on recommendations from the donors. The restricted funds at December 31, 2020 and 2019 consist of donations received and the income earned from investing those donations less distributions.

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment is summarized as follows at December 31, 2020 and 2019, respectively:

	<u>2020</u>	<u>2019</u>
Equipment	\$ 66,667	\$ 106,124
Leasehold improvements	75,959	20,432
Total Property and Equipment	142,626	126,556
Less: Accumulated depreciation	(74,749)	(108,937)
Net Property and Equipment	<u>\$ 67,877</u>	<u>\$ 17,619</u>

EAST TEXAS COMMUNITIES FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 6 - INVESTMENTS

Statements of Financial Accounting Standards (SFAS) No. 157, Fair Value Measurements, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable information for similar items in active or inactive markets and have a lower priority, and Level 3 inputs have the lowest priority. The Foundation uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Foundation measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. The Foundation's available-for-sale securities are reported at fair value.

All debt and equity securities have readily determinable values and include the following as of December 31, 2020 and 2019, respectively:

Fair Value Measurements 12/31/2020 Using Quoted Prices in Active Markets for				
	Identical Assets (Level 1)	Similar Assets (Level 2)	(Level 3)	Total
Donor Advised	\$ 40,389,121	\$ 2,543,896	\$ 1,036,683	\$ 43,969,700
Donor Designated	28,402,747	-	-	28,402,747
Non-profit Funds	26,146,340	-	-	26,146,340
Field of Interest	14,320,324	-	-	14,320,324
Scholarship	12,656,077	-	-	12,656,077
Unrestricted Charitable	457,195	-	-	457,195
Project	705,400	-	-	705,400
Total Investments	<u>\$ 123,077,204</u>	<u>\$ 2,543,896</u>	<u>\$ 1,036,683</u>	<u>\$ 126,657,783</u>

EAST TEXAS COMMUNITIES FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 6 – INVESTMENTS (continued):

Fair Value Measurements 12/31/2019 Using Quoted Prices in Active Markets for				
	Identical Assets (Level 1)	Similar Assets (Level 2)	(Level 3)	Total
Donor Advised	\$ 36,149,700	\$ 2,763,253	\$ 2,281,974	\$ 41,194,927
Donor Designated	25,784,293	-	-	25,784,293
Non-profit Funds	23,639,498	-	-	23,639,498
Field of Interest	11,568,894	-	-	11,568,894
Scholarship	9,404,957	-	-	9,404,957
ETCF Unrestricted Charitable Project	390,722 670,915	- -	- -	390,722 670,915
	<u>\$ 107,608,979</u>	<u>\$ 2,763,253</u>	<u>\$ 2,281,974</u>	<u>\$ 112,654,206</u>

As of December 31, 2020 and 2019, respectively, investments by type of fund are as follows:

Fair Value Measurements 12/31/2020 Using Quoted Prices in Active Markets for				
	Identical Assets (Level 1)	Similar Assets (Level 2)	(Level 3)	Total
Money Market Funds	\$ 9,815,653	\$ -	\$ -	\$ 9,815,653
US Treasuries & Government Agencies	9,246,245	-	-	9,246,245
Asset-Backed Securities	5,723,967	-	-	5,723,967
Corporate Bonds and Notes	2,699,545	-	-	2,699,545
Investment Trusts	4,872,823	-	-	4,872,823
Mutual Funds	21,170,604	-	-	21,170,604
Common Stock	69,309,666	-	-	69,309,666
Preferred Stock	5,604	-	-	5,604
Investment in Mineral Interests	-	32	-	32
Land	-	-	570,000	570,000
Building	-	-	125,000	125,000
Natural Resources	-	-	341,683	341,683
Other	233,097	2,543,864	-	2,776,961
Total Investments	<u>\$ 123,077,204</u>	<u>\$ 2,543,896</u>	<u>\$ 1,036,683</u>	<u>\$ 126,657,783</u>

EAST TEXAS COMMUNITIES FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 6 – INVESTMENTS (continued):

Fair Value Measurements 12/31/2019 Using Quoted Prices in Active Markets for				
	Identical Assets (Level 1)	Similar Assets (Level 2)	(Level 3)	Total
Money Market Funds	\$ 10,710,468	\$ -	\$ -	\$ 10,710,468
US Treasuries & Government Agencies	6,145,583	-	-	6,145,583
Asset-Backed Securities	6,187,994	-	-	6,187,994
Corporate Bonds and Notes	2,004,420	-	-	2,004,420
Investment Trusts	4,280,206	-	-	4,280,206
Mutual Funds	17,251,490	-	-	17,251,490
Common Stock	60,681,375	-	-	60,681,375
Preferred Stock	5,880	-	-	5,880
Investment in Mineral Interests	-	32	-	32
Land	-	-	1,448,000	1,448,000
Natural Resources	-	-	833,974	833,974
Other	341,563	2,763,221	-	3,104,784
Total Investments	<u>\$ 107,608,979</u>	<u>\$ 2,763,253</u>	<u>\$ 2,281,974</u>	<u>\$ 112,654,206</u>

At the beginning of the year the Foundation held land that was previously donated. During the year, the majority of that land was sold, and the Foundation received another donation of a land and a house. This change resulted in a net decrease of \$1,245,291 in Level 3 investments.

During the year ended December 31, 2020, the Foundation received non-cash contributions which were classified as investments.

NOTE 7 – EMPLOYEE BENEFIT PLANS

The Foundation has in place, for its employees, a SIMPLE IRA defined contribution retirement plan (Plan) qualified for deferred income tax treatment by the Internal Revenue Service. Under the Plan, the Foundation contributes 3% of the employee's annual pay to the Plan. The Foundation's contributions to the Plan were \$15,021 and \$13,599 for 2020 and 2019, respectively.

NOTE 8 – ACCRUED COMPENSATED ABSENCES

The Foundation offers paid time off to its employees, who are permitted to carry over unused time to future years. Total accrued compensated absences as of December 31, 2020 and 2019, were \$23,783 and \$19,955, respectively.

EAST TEXAS COMMUNITIES FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 9 – LIQUIDITY AND AVAILABILITY OF RESOURCES

The Foundation is substantially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Foundation must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. The Foundation maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The Foundation's financial assets available within one year of December 31, 2020 and 2019, respectively, for general expenditure are as follows:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 2,182,432	\$ 2,415,861
Pledges receivable	50,766	87,391
Investments	<u>126,657,783</u>	<u>112,654,206</u>
Total financial assets available within one year	128,890,981	115,157,458
Less:		
Amounts unavailable for general expenditures within one year, due to:		
Restricted by donors with time or purpose restrictions	<u>(124,982,838)</u>	<u>(109,999,511)</u>
Total financial assets available to management for general expenditure within one year	<u>\$ 3,908,143</u>	<u>\$ 5,157,947</u>

NOTE 10 – UNDERWATER ENDOWMENT FUNDS

According to ASC No. 958, underwater endowment funds are funds which have a fair value that is less than either the original gift amount or the amount required to be maintained by the donor. Decisions regarding possible underwater endowment funds fall to the discretion of the Program Manager. The Foundation has several endowment funds with a gift amount that exceeds the fair value. However, the majority of the aforementioned funds were in compliance with the respective donor's requirement. Based on the definition of an underwater endowment, the Foundation considers only those funds that are non-compliant with donor requirements to be underwater. Total underwater endowments are calculated as below. Since the total amount deemed underwater is small compared to total endowments, the underwater funds do not affect the Foundation's spending policies or financial flexibility.

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NOTE 10 – UNDERWATER ENDOWMENT FUNDS (continued):

As of December 31, 2020 and 2019, respectively, underwater endowments are as follows:

	<u>2020</u>	<u>2019</u>
Aggregate original gift amount	\$ 240,818	\$ 325,209
Aggregate fair value of funds	<u>(181,293)</u>	<u>(258,578)</u>
Total underwater endowments	<u>\$ 59,525</u>	<u>\$ 66,631</u>

NOTE 11 – COVID-19

The outbreak of the coronavirus disease (“COVID-19”) was declared a pandemic by the World Health Organization. Additionally, the Governor declared a state of disaster for the State of Texas on March 13, 2020. On global, national, state, and local levels, economic disruptions have occurred due to the pandemic.

The COVID-19 pandemic and economic disruptions had a positive impact on the Foundation’s investment portfolio’s as the overall market recovered from the initial decline in the Spring of 2020.

However, the Foundation received less revenue and other support in 2020 when compared to 2019, due to the more conservative donations received from various organizations and individuals. Although the overall revenue decreased in the current year, the overall expense decreased as well, still resulting in favorable net assets value at the end of the year.

NOTE 12 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 25, 2021, the date the financial statements were available to be issued. There were no subsequent events requiring recognition or disclosure.