



REPORT OF INDEPENDENT AUDITORS
AND FINANCIAL STATEMENTS

TEXAS WOMEN'S FOUNDATION

June 30, 2021 and 2020

Table of Contents

	PAGE
Report of Independent Auditors	1–2
Financial Statements	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4–5
Statements of Cash Flows	6
Statements of Functional Expenses	7–8
Notes to Financial Statements	9–29



Report of Independent Auditors

To the Board of Directors
Texas Women's Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of the Texas Women's Foundation (the Foundation), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities and changes in net assets, cash flows, and functional expenses for the years ended June 30, 2021 and 2020 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.

Auditor's Responsibility

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2021 and 2020, and changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Mass Adams LLP

Dallas, Texas
October 21, 2021

Texas Women's Foundation Statements of Financial Position

ASSETS		June 30,	
		2021	2020
CASH AND CASH EQUIVALENTS			
Held in operating accounts		\$ 5,920,336	\$ 4,502,742
Held in investment accounts		36,056	32,631
Total cash and cash equivalents		5,956,392	4,535,373
INVESTMENTS		32,868,546	33,044,759
PREPAID EXPENSES		213,275	152,569
RECEIVABLES			
Pledges receivable, net		783,111	2,702,926
Notes receivable, programmatic investments		150,000	150,000
Interest and miscellaneous receivables		66,242	109,082
Total receivables		999,353	2,962,008
BENEFICIAL INTERESTS		1,245,721	1,172,693
RIGHT OF USE ASSET		828,478	949,809
OTHER ASSETS		13,108	13,108
FURNITURE AND EQUIPMENT, net		206,764	231,069
INTANGIBLE ASSET, net		42,489	87,157
Total assets		\$ 42,374,126	\$ 43,148,545
LIABILITIES AND NET ASSETS			
LIABILITIES			
Accounts payable		\$ 939,971	\$ 230,670
Accrued expenses		390,893	228,029
Deferred revenues		517,115	362,345
Grants payable, net		1,029,249	1,950,048
Lease liabilities		906,934	972,612
Note payable		348,576	347,200
Line of credit		-	752,393
Total liabilities		4,132,738	4,843,297
NET ASSETS			
Without donor restrictions			
Board designated endowments		2,208,673	1,839,698
Donor-advised funds		13,022,805	17,123,724
Undesignated		3,856,721	1,238,428
Total without donor restrictions		19,088,199	20,201,850
With donor restrictions			
Purpose and timing restricted		4,725,137	6,245,098
Endowment funds accumulated gains		4,811,745	2,435,494
Endowment funds restricted in perpetuity		9,616,307	9,422,806
Total with donor restrictions		19,153,189	18,103,398
Total net assets		38,241,388	38,305,248
Total liabilities and net assets		\$ 42,374,126	\$ 43,148,545

See accompanying notes to these financial statements.

Texas Women's Foundation
Statement of Activities and Changes in Net Assets
For Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total 2021
REVENUES, GAINS, AND SUPPORT			
Endowment, donor-advised and giving circles contributions	\$ 2,563,497	\$ 171,891	\$ 2,735,388
Annual operating contributions	1,209,898	15,403	1,225,301
Cooperative grant and initiative funding	102,260	1,898,775	2,001,035
Total contributions	3,875,655	2,086,069	5,961,724
Investment income, net	4,183,444	2,934,032	7,117,476
Program revenue	262,850	-	262,850
Special Events			
Sales and contributions, net of cost of direct benefit to donors of \$243,276	944,372	124,025	1,068,397
Donated goods and services (from Special events and other)	72,670	-	72,670
Interest income on notes receivable- programmatic investments	3,750	-	3,750
Gain of forgiveness of debt	347,200	-	347,200
Miscellaneous revenue	2,204	-	2,204
Change in value of beneficial interest	-	73,028	73,028
Total	9,692,145	5,217,154	14,909,299
Net assets released from restrictions	4,167,363	(4,167,363)	-
Total revenues, gains, and support	13,859,508	1,049,791	14,909,299
EXPENSES			
Program services	12,848,572	-	12,848,572
Fundraising	636,277	-	636,277
Administrative	1,488,307	-	1,488,307
Total expense	14,973,156	-	14,973,156
CHANGE IN NET ASSETS	(1,113,648)	1,049,791	(63,857)
NET ASSETS, at beginning of year	20,201,847	18,103,398	38,305,245
NET ASSETS, at end of year	\$ 19,088,199	\$ 19,153,189	\$ 38,241,388

See accompanying notes to these financial statements.

Texas Women's Foundation
Statement of Activities and Changes in Net Assets
For Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total 2020
REVENUES, GAINS, AND SUPPORT			
Endowment, donor-advised and giving circles contributions	\$ 11,717,617	\$ 347,369	\$ 12,064,986
Annual operating contributions	1,616,703	438,605	2,055,308
Cooperative operations funding	-	29,300	29,300
Cooperative grant and initiative funding	59,934	1,157,704	1,217,638
Total contributions	13,394,254	1,972,978	15,367,232
Investment income, net	317,569	310,496	628,065
Program revenue	455,500	-	455,500
Special events			
Sales and contributions, net of cost of direct benefit to donors of \$325,966	1,008,463	1,050	1,009,513
Donated goods and services (from Special events and other)	258,603	-	258,603
Interest income on notes receivable- programmatic investments	5,400	-	5,400
Change in value of beneficial interest	-	44,074	44,074
Total	15,439,789	2,328,598	17,768,387
Net assets released from restrictions	3,215,331	(3,215,331)	-
Total revenues, gains, and support	18,655,120	(886,733)	17,768,387
EXPENSES			
Program services	10,141,883	-	10,141,883
Fundraising	609,849	-	609,849
Administrative	1,403,737	-	1,403,737
Total expense	12,155,469	-	12,155,469
CHANGE IN NET ASSETS	6,499,651	(886,733)	5,612,918
NET ASSETS, at beginning of year	13,702,196	18,990,131	32,692,327
NET ASSETS, at end of year	<u>\$ 20,201,847</u>	<u>\$ 18,103,398</u>	<u>\$ 38,305,245</u>

See accompanying notes to these financial statements.

Texas Women's Foundation
Statements of Cash Flows
For Years Ended June 30

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (63,857)	\$ 5,612,918
Adjustments to reconcile change in net assets to cash provided by operating activities		
Net realized and unrealized gains on investments and dividends and interest income	(1,939,162)	(724,327)
Depreciation	95,355	47,682
Amortization	44,668	44,664
Bad debt losses (gain)	181,620	(168,960)
Beneficial interests	(73,028)	(44,074)
Change in discount on grants payable	(12,305)	(12,305)
Changes in operating assets and liabilities		
Prepaid expenses	(60,706)	(2,779)
Pledges receivable	1,738,195	2,212,763
Interest and miscellaneous receivables	42,840	(3,674)
Other assets	-	(3,122)
Accounts payable	709,301	95,274
Grants payable	(908,494)	(593,806)
Accrued expenses	162,864	(90,739)
Deferred rent	-	(15,483)
Deferred revenues	154,770	65,983
	<u>72,061</u>	<u>6,420,015</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(35,496,533)	(11,811,449)
Proceeds from sales and maturities of investments	37,611,905	5,264,565
Purchases of furniture and equipment	(15,397)	(233,534)
Cash collections on notes receivable	-	50,000
	<u>2,099,975</u>	<u>(6,730,418)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds line of credit	-	1,002,393
Proceeds from note payable	352,940	347,200
Payment on line of credit	(756,757)	(550,918)
	<u>(403,817)</u>	<u>798,675</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>1,768,219</u>	<u>488,272</u>
CASH AND CASH EQUIVALENTS, a beginning of year	<u>4,535,373</u>	<u>4,047,098</u>
CASH AND CASH EQUIVALENTS, at end of year	<u>\$ 5,956,392</u>	<u>\$ 4,535,373</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid during the year for interest	<u>\$ 1,165</u>	<u>\$ 1,165</u>
Right of use asset recognized on operating lease upon the adoption FASB ASC Topic 842	<u>\$ -</u>	<u>\$ 970,186</u>
NONCASH FINANCING ACTIVITIES		
Gain on PPP loan forgiveness	<u>\$ 347,200</u>	<u>\$ -</u>

See accompanying notes to these financial statements.

Texas Women's Foundation
Statement of Functional Expenses
For Year Ended June 30, 2021

	Program Services				Total	Supporting Services		
	Economic Security	Leadership	Empowering Women's Philanthropy	Other Mission		Fundraising	Administrative	Total
Expenses								
Salaries, payroll taxes, and benefits	\$ 194,698	\$ 367,094	\$ 224,222	\$ 333,202	\$ 1,119,216	\$ 457,185	\$ 971,541	\$ 2,547,942
Grant awards	3,884,181	1,503,973	5,589,026	15,000	10,992,180	-	-	10,992,180
Accounting, legal and other professional fees	-	-	2,527	-	2,527	-	34,558	37,085
Consulting fees	300	283,337	5,099	29,891	318,627	14,452	45,164	378,243
Interest expense	-	-	-	-	-	-	5,089	5,089
Bad debt expense	-	-	-	-	-	-	181,295	181,295
Bank and credit card fees	-	-	-	-	-	19,792	4,047	23,839
Copying, printing, and design	675	20,704	713	10,922	33,014	4,261	5,056	42,331
Travel, meals, and cultivation	61	1,041	58	786	1,946	494	771	3,211
Training and conference fees	-	2,106	1,084	6,142	9,332	5,892	962	16,186
Meetings and refreshments	-	9,593	-	-	9,593	-	-	9,593
Dues and subscriptions	-	300	1,120	11,212	12,632	4,724	5,951	23,307
Supplies	-	17,609	102	446	18,157	206	1,833	20,196
Postage and delivery	-	2,590	311	289	3,190	1,032	225	4,447
Digital media	5,760	1	499	4,894	11,154	1,435	2,110	14,699
Photography	-	1,608	-	-	1,608	67	-	1,675
Event planner and event venue	-	1,074	6,275	-	7,349	45	-	7,394
Speaker	-	4,350	1,500	-	5,850	-	-	5,850
Advertising	-	7,631	-	26	7,657	326	11	7,994
Appreciation gifts	200	9,444	3,085	1,958	14,687	1,697	8,120	24,504
Computers, software, hosting and maintenance	212	20,495	1,671	61,888	84,266	46,951	46,201	177,418
Sponsor nonprofit luncheons & events	-	5,000	5,000	62,681	72,681	6,004	8,052	86,737
Direct costs of special events	-	-	-	-	-	243,276	-	243,276
Donated goods and services	-	-	5,906	6,711	12,617	19,967	23,749	56,333
Rent, utilities, and other facilities expenses	-	-	-	110,009	110,009	51,507	119,884	281,400
Miscellaneous	-	-	150	130	280	240	23,688	24,208
Total expenses by function	4,086,087	2,257,950	5,848,348	656,187	12,848,572	879,553	1,488,307	15,216,432
Less expenses included with revenues on statements of activities								
Direct costs of special events						(243,276)		(243,276)
Total expenses included in the expense section on the statement of changes in net assets	<u>\$ 4,086,087</u>	<u>\$ 2,257,950</u>	<u>\$ 5,848,348</u>	<u>\$ 656,187</u>	<u>\$ 12,848,572</u>	<u>\$ 636,277</u>	<u>\$ 1,488,307</u>	<u>\$ 14,973,156</u>

See accompanying notes to these financial statements.

Texas Women's Foundation
Statement of Functional Expenses
For Year Ended June 30, 2020

	Program Services				Total	Supporting Services		
	Economic Security	Leadership	Empowering Women's Philanthropy	Other Mission		Fundraising	Administrative	Total
Expenses								
Salaries, payroll taxes, and benefits	\$ 127,412	\$ 383,447	\$ 226,101	\$ 346,550	\$ 1,083,510	\$ 390,433	\$ 868,203	\$ 2,342,146
Grant awards	1,843,908	761,753	3,645,259	1,576,151	7,827,071	-	-	7,827,071
Accounting, legal and other professional fees	103,880	20,100	-	-	123,980	70	35,766	159,816
Consulting fees	20,871	339,266	28,965	86,370	475,472	18,888	78,504	572,864
Bank and credit card fees	-	-	-	-	-	23,431	700	24,131
Copying, printing, and design	748	34,670	2,062	10,010	47,490	6,112	8,322	61,924
Travel, meals, and cultivation	4,708	54,513	24,387	4,304	87,912	8,517	6,051	102,480
Training and conference fees	981	6,435	3,094	4,240	14,750	1,684	1,648	18,082
Dues and subscriptions	2,290	28,443	27,171	3,099	61,003	596	11,630	73,229
Supplies	2,767	-	1,353	11,342	15,462	4,289	6,364	26,115
Postage and delivery	95	17,422	595	3,080	21,192	1,080	2,264	24,536
Digital media	-	2,778	131	2,496	5,405	1,101	1,717	8,223
Photography	-	14,112	-	-	14,112	350	-	14,462
Event planner and event venue	-	2,030	2,088	413	4,531	221	375	5,127
Speaker	372	30,921	12,090	-	43,383	7,915	-	51,298
Advertising	-	3,321	-	5,788	9,109	978	3,393	13,480
Audio visual equipment-external	-	6,079	257	2,109	8,445	4,387	2,958	15,790
Computers, software, hosting and maintenance	1,787	1,177	3,837	90,055	96,856	57,491	65,581	219,928
Sponsor nonprofit luncheons & events	1,500	4,651	9,530	26,833	42,514	7,807	11,458	61,779
Direct costs of special events	-	-	-	-	-	325,966	-	325,966
Donated goods and services	12,339	36,138	3,619	8,378	60,474	25,329	119,814	205,617
Rent, utilities, and other facilities expenses	140	-	383	98,392	98,915	41,520	147,465	287,900
Miscellaneous	-	22	-	275	297	7,650	31,524	39,471
Total	2,123,798	1,747,278	3,990,922	2,279,885	10,141,883	935,815	1,403,737	12,481,435
Less expenses included with revenues on statements of activities								
Direct costs of special events						(325,966)		(325,966)
Total expenses included in the expense section on the statement of changes in net assets	\$ 2,123,798	\$ 1,747,278	\$ 3,990,922	\$ 2,279,885	\$ 10,141,883	\$ 609,849	\$ 1,403,737	\$ 12,155,469

See accompanying notes to these financial statements.

Texas Women's Foundation

Notes to Financial Statements

Note 1 – Nature of Business

Texas Women's Foundation (the Foundation) is a not-for-profit organization founded in 1985 and governed by a 47-member Board of Directors (the Board). The mission of the Foundation is to drive social and economic change for women and girls through three strategic pillars: economic security, leadership, and empowering women's philanthropy. The Foundation serves this mission through its grant making, gender-specific research, advocacy, programs, and philanthropy education.

Note 2 – Summary of Significant Accounting Policies

A summary of the significant accounting policies consistently applied by the Foundation in the preparation of the accompanying financial statements is as follows:

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Description of Net Assets

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

Without Donor Restrictions – These net assets are not subject to stipulations imposed by the donor and are currently available for expenditures. Items that affect this net asset category principally consist of revenues, contributions without restrictions; and gains and losses on investments and other assets whose use is not restricted by explicit donor stipulations or law. Net assets without donor restrictions also include net assets transferred from net assets with donor restrictions after restrictions imposed by the donor have been accomplished or the stipulated time period has elapsed. A donor's restriction, however, may be released or modified by the donor, a court, or in the circumstances and manner set forth in the Uniform Prudent Management of Institutional Funds Act.

With Donor Restrictions – These net assets are subject to explicit restrictions imposed by the donor on the expenditure of contributions or income and gains on contributed assets. These net assets may have stipulations by the donor to be maintained in perpetuity, such as an endowment, or the restrictions may expire due to the passage of time or the occurrence of expenditures that fulfill the restrictions. Net assets with donor restrictions also include accumulated net investment income earned by the net assets held in perpetuity.

The Foundation manages approximately 64 donor-advised funds. Although grant recommendations are accepted from the donors or other advisors of these funds, the ultimate discretion of the use of these funds lies with the Board.

Texas Women's Foundation

Notes to Financial Statements

Note 2 – Summary of Significant Accounting Policies (continued)

Revenue, Expenses, Gains, and Losses

Revenues are reported as increases in without donor restriction net assets unless use of the related assets is limited by donor-imposed restrictions or the passage of time. Expenses are reported as decreases in without donor restriction net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in without donor restriction net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Contributions – Contributions are recognized as revenues in the period received as unconditional promises to give are made. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value on the date of donation. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restriction, if any, on the contributions. An allowance for uncollectible pledges receivable is provided based upon management's judgment, including such factors as prior collection history, type of contribution, the credit-standing of applicable donors, and the nature of fund-raising activity. During the years ended June 30, 2021 and 2020, one donor comprises 13% and 62%, respectively, of total contributions in the accompanying statements of activities and changes in net assets. The 2020 donation was a transfer of a donor advised fund from another organization.

Grants – Grants are recognized at fair value, as revenue, when received or unconditionally promised, and collection is deemed to be reasonably certain. The Foundation reports grants as with donor restriction support if such gifts are received with donor stipulations that limit the use of the donated assets, unless there are written agreements which supersede those stipulations. When a restriction expires, net assets are released.

Investment Income – Investment income is recorded when earned and consists of interest, dividends, and realized and unrealized gains or losses on investments. Investment income immediately reinvested is reflected simultaneously as investment income and purchases of investments. Investment income is net of external and direct internal investment expenses.

Service Revenue – Service revenue is for services provided in training programs for participants of the Women's Leadership Initiative. The Foundation charges a flat fee for each participant of the training program. Service revenue is recognized on a quarterly schedule based on the participant's cohort class.

Special Events – Special events generate revenue for the Foundation as well as raise awareness about the Foundation's mission. The most common revenue components are ticket sales and sponsorships sold for special events. Revenue raised from these events is recognized without donor restrictions in the year in which the event has occurred. Special event expenses include the costs of direct benefits to donors attending various special events hosted by the Foundation.

Texas Women's Foundation

Notes to Financial Statements

Note 2 – Summary of Significant Accounting Policies (continued)

Donated Goods and Services – Certain contributed goods and services are reflected in the financial statements at the estimated fair value of the goods or services received. Contributed goods and services are recognized as revenue in the accompanying financial statements if the services received (a) create or enhance non-financial assets, (b) require specialized skills that are provided by individuals possessing those skills, or (c) would typically need to be purchased if not provided by donation.

Cash and Cash Equivalents

Cash and cash equivalents include all highly-liquid investments with original maturities at the date of purchase of three months or less, including cash held in the investment portfolio. The Foundation places its cash equivalents with high credit quality financial institutions located in the United States which, at times, may exceed federally insured limits. The Foundation has not experienced any losses on such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Investments

The Foundation invests in corporate bond funds, equity securities, commodities funds, mutual funds, and private partnerships. These investments are carried at fair value in accordance with GAAP. The average cost method is used for calculating realized gains or losses. Unrealized gains and losses reflect the change in the fair values of investments from the prior year. Both realized and unrealized gains and losses are included in investment income net of investment expenses.

Investment income or loss (including realized and unrealized gains and losses on investments and interest and dividends less management fees) is included in the determination of change in net assets and is reported as revenues, gains or losses, and support in the accompanying statements of activities and changes in net assets.

Investment securities are exposed to various risks, such as interest rate, market, and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that the values of the investments will change in the near term and that such changes could materially affect the amounts reported in the accompanying statements of financial position.

Pledges Receivable

Contributions are recorded at their estimated fair value when unconditionally received or made rather than in the period for which the pledges are designated. Unconditional promises to give are recorded as revenue when the promise is made.

To determine the net realizable value of contributions, a loss provision is calculated as a percentage of pledges receivable. As described above, management assesses the risks of uncollectability to determine a reasonable loss provision. If actual collection results differ significantly from expectations, contributions in a subsequent period may be adjusted accordingly. Bad debt losses of \$181,295 and \$(168,960) are included in the accompanying statements of activities and changes in net assets for the years ended June 30, 2021 and 2020, respectively.

Texas Women's Foundation

Notes to Financial Statements

Note 2 – Summary of Significant Accounting Policies (continued)

Notes Receivable, Programmatic Investments

Notes receivable, programmatic investments are stated at the amount of unpaid principal, adjusted for an allowance for collectability, when deemed appropriate. The Foundation records an allowance when management determines that collectability is not probable. Management's estimates are based on review of the receivable comprising the notes receivable, programmatic investments balance and considers known and inherent risks, the estimated fair value of the underlying collateral, and current economic condition. Both notes bear the same interest rates and are not secured. The Foundation recognizes interest income in connection with the notes as it accrues. The Foundation reserves the right to convert an outstanding loan to an outright grant as approved by the Board. The Foundation does not consider an allowance necessary at June 30, 2021 or 2020.

Beneficial Interests

The Foundation has beneficial interests in a charitable remainder trust and life insurance policies at June 30, 2021 and 2020.

The charitable remainder trust is held by a third-party trustee. Under the terms of the trust, the Foundation has an irrevocable right to receive assets upon the death of the donor which are designated for operations. As of the date of the trust agreement, the Foundation recognized a with donor restriction contribution equal to the fair value of the assets to be received. Subsequent changes in the fair value of the trust assets to be received are included in with donor restriction contribution net realized gains or losses on investments in the accompanying statements of activities and changes in net assets.

The life insurance policies are held by third-party life insurance carriers in which the Foundation is the owner and beneficiary. Under the terms of the policies, the Foundation has an irrevocable right to receive assets upon the deaths of the insured donors which are designated for the Foundation's general endowment and operations. As of the date of each policy, the Foundation recognized a with donor restriction contribution equal to the cash surrender value of each policy. Subsequent changes in the fair values of the insurance policies are included in net realized and unrealized gains or losses on investments in the accompanying statements of activities and changes in net assets.

Furniture and Equipment

Furniture and equipment are stated at purchase cost or at fair value on the date received (if by donation), less accumulated depreciation. Depreciation is provided on a straight-line basis over the estimated useful lives of the furniture and equipment which ranges from three to seven years. Minor replacements, repairs, and maintenance expenses are expensed as incurred while acquisitions of major additions and improvements are capitalized. The Foundation's policy is to expense repairs and maintenance, and all items under \$5,000. Depreciation expense is included in rent, utilities, and other facilities expenses in the statements of functional expenses. As of June 30, 2021 and 2020, furniture and equipment were approximately \$206,764 and \$231,069, net of accumulated depreciation of \$98,550 and \$58,849, respectively.

Texas Women's Foundation

Notes to Financial Statements

Note 2 – Summary of Significant Accounting Policies (continued)

Intangibles

The accounting for website development costs is dependent upon the current stage of development of the site. In the planning stage and once the website is complete, all costs are expensed as incurred. Costs to develop any application software in the website are capitalized, but other costs are expensed. Upgrades and enhancements to the website may be capitalized, but only if additional functionality is added. Amortization is provided on a straight-line basis over the estimated useful lives of five years. Management does not believe there were any impaired intangibles for the years ended June 30, 2021 and 2020.

Income Taxes

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the United States Internal Revenue Code (IRC) according to the United States Internal Revenue Service (IRS) determination letter dated October 1985. Accordingly, no provision has been made for federal income tax.

GAAP requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Foundation's financial statements to determine whether the tax positions are more likely than not being sustained by the applicable tax authority. Tax positions not deemed to meet the more likely than not threshold would be recorded as a tax benefit or expenses in the current year. A reconciliation is not provided herein, as the beginning and ending amounts of unrecognized benefits are zero, with no interim additions, reductions, or settlements. However, the conclusions regarding the uncertainty in income taxes will be subjective to review and may be adjusted at a later date based on factors including, but not limited to, ongoing analysis of tax laws, regulations, and interpretations thereof. Management has determined that there are no material uncertain income tax positions.

Grant Awards and Grants Payable

Grants are recognized as grants payable in the accompanying statements of financial position and mission programs expense in the accompanying statements of activities and changes in net assets at the time recipients are entitled to such grants. Generally, this occurs when the Foundation's Board approves the specific grant, or the grantee meets specific reporting and performance requirements outlined in the award. Grants that are conditioned on future certain events are expensed when those conditions are substantially met. Grants payable beyond one year are reported at the present value of their estimated future cash flows using a risk free discount rate as of the grant date.

Note Payable

In February 2021, the Foundation received a loan under the Small Business Association's Paycheck Protection Program from Texas Capital Bank in the amount of \$347,200. It is the Foundation's policy to account for this loan in accordance with ASC 740, *Debt*, with interest accrued and expensed over the term of the loan, or until forgiveness is granted, releasing the Foundation from being the primary obligor.

Texas Women's Foundation

Notes to Financial Statements

Note 2 – Summary of Significant Accounting Policies (continued)

Deferred Revenues

Cash received and cash receipts from sponsorships sold for the annual special events are classified as deferred revenue and are recognized as revenue when the events occur. For tickets sold before the event takes place, the contribution portion is accounted for as a conditional contribution until the event takes place. Women's leadership education class enrollment purchases are classified as deferred revenue and are recognized as revenue on a quarterly basis as the classes are conducted.

Advertising Costs

Advertising costs are expensed when incurred. Total advertising costs for the years ended June 30, 2021 and 2020 were \$7,994 and \$13,480, respectively.

Functional Allocation of Expenses

The costs of providing grants and other activities have been summarized on a functional basis in the accompanying statements of activities and changes in net assets. When appropriate, costs are allocated on a direct cost basis to the various programs or supporting services. In some cases, expenses are incurred, which support the work performed under more than one function. Salary, payroll taxes and benefits are based on time studies. Rent, utilities, and other facilities expenses are allocated based on square footage and direct costs. All other as based on time and effort.

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 and liabilities and the disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Leases

The Foundation determines if an arrangement is a lease at inception. Right-of-use (ROU) assets represent the Foundation's right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the Foundation's leases do not provide an implicit rate, the incremental borrowing rate based on information available at the commencement date was used in determining the present value of lease payments. The Foundation elected to apply a portfolio approach to determining the discount rate used in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Foundation will exercise that option. Leases with an initial term of 12 months or less are not recorded on the statements of financial position; however, rent expense is recognized on a straight-line basis over the lease term. The Foundation did elect to separate lease and non-lease components at the transaction date.

Texas Women's Foundation

Notes to Financial Statements

Note 2 – Summary of Significant Accounting Policies (continued)

Reclassifications

Certain reclassifications have been made to the prior year's financial statement to conform to the current year presentation. The reclassifications had no effect on the previously reported change in net assets.

Recent Accounting Pronouncements

In May of 2014, FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606), requiring 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 Foundation adopted ASU 2014-09 as a resource recipient and resource provider as of the date of the initial application of July 1, 2020. The Foundation applied ASU 2014-09 using the modified retrospective method. However, the adoption of the new standard did not have a significant effect on earnings or on the timing of the Foundation's contributions.

In August of 2018, the FASB issued ASU 2018-13, *Fair Value Measurement* (Topic 820): *Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*. ASU 2018-13 removes, modifies, and adds certain disclosure requirements in Topic 820 *Fair Value Measurement*. ASU 2018-13 eliminates certain disclosures related to transfers and the valuations process, modifies disclosures for investments that are valued based on net asset value, clarifies the measurement uncertainty disclosure, and requires additional disclosures for Level 3 fair value measurements. The Foundation adopted ASU 2014-09 as a resource recipient and resource provider as of the date of the initial application of July 1, 2020. The Foundation applied ASU 2014-09 using the modified retrospective method. However, the adoption of the new standard did not have a significant effect on earnings or on the timing of the Foundation's contributions.

Subsequent Events

Subsequent events are events or transactions that occur after the statement of financial position date but before the financial statements are available to be issued. The Foundation recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. The Foundation's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after the statement of financial position date and before financial statements are available to be issued (see Note 17).

Texas Women's Foundation

Notes to Financial Statements

Note 3 – Investments and Fair Value Measurements

ASC 820, *Fair Value Measurements and Disclosure* establishes a fair value hierarchy that prioritized the inputs to valuation techniques used to measure fair value into three broad levels. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability.

Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available in the circumstances.

The objective of the fair value measurement is to determine the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Valuation techniques used to measure fair value shall maximize the use of observable inputs and minimize the use of unobservable inputs.

Investments at fair value consist of the following as of June 30:

	<u>2021</u>	<u>2020</u>
	Fair Value	Fair Value
Fixed income		
Corporate bond funds	\$ -	\$ 4,409,215
Equities		
Equity securities	15,012,223	15,320,200
Mutual funds	17,672,005	13,212,415
Private partnership		
Partnership/ Joint Venture	81,389	-
Texas Women's Venture Fund II	<u>102,929</u>	<u>102,929</u>
Total investments	32,868,546	33,044,759
Cash and cash equivalents held in investment accounts	<u>36,056</u>	<u>32,631</u>
Total investments and cash and cash equivalents held in investment accounts	<u>\$ 32,904,602</u>	<u>\$ 33,077,390</u>

Investment advisory fees paid by the Foundation totaled \$230,384 and \$140,924 for the years ended June 30, 2021 and 2020, respectively, and are netted against investment income in the accompanying statements of activities and changes in net assets.

Texas Women's Foundation

Notes to Financial Statements

Note 3 – Investments and Fair Value Measurements (continued)

The fair value hierarchy prioritizes the inputs into valuation techniques to measure fair value into three broad levels. They are as follows:

Level 1 – are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 – are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly through corroboration with observable market data.

Level 3 – are unobservable inputs for the asset or liability.

The fair value hierarchy gives the highest priority for quoted prices (unadjusted) in active markets (Level 1) and the lowest priority to unobservable inputs (Level 3).

Following is a description of the valuation methodologies used for investments measured at fair value. There have been no changes in the methodologies used at June 30, 2021 and 2020:

Corporate Bond Funds and Equity Securities – Value based on quoted market prices using pricing information from various resources including pricing vendors, investment managers, and market conditions. The funds and securities above held by the Foundation utilize an investment strategy to diversify their portfolios and control risk through investing in diversified market-based securities appropriate to the purpose of each investment type.

Mutual Funds – Valued at the daily closing price as reported by the fund. Mutual funds held by the Foundation are open-end mutual funds that are registered with the U.S. Securities and Exchange Commission. The funds held by the Foundation utilize an investment strategy to diversify their portfolios and control risk through investing in diversified market-based securities appropriate to the purpose of each investment type.

Texas Women's Foundation

Notes to Financial Statements

Note 3 – Investments and Fair Value Measurements (continued)

Private Partnership Interest – The amounts reported for the Foundation's investments in private partnership interest investments are the estimates of the Foundation's investment managers, based on using the net asset value (NAV) of the Foundation's ownership interest in the partnership. The NAV is determined by the fund manager based upon the latest information available from the underlying funds, using fair value estimation techniques, substantiated, in part, by the investments' audited financial statements and supported by the due diligence of the Foundation's management. However, given the inherent limitations in any estimation technique, the values presented herein are not necessarily indicative of the amount that the Foundation could realize in a current transaction. Future events could affect the estimates of fair value and could be material to the financial statements. The partnership holds a portfolio of investments in debt and debt-related securities in privately held lower middle market women-led companies in the greater southwestern United States. Further, the partnership may make equity and equity-related portfolio investments in companies in which the partnership shall generally have influence on the management, operations, and strategic direction of the business. The Foundation committed funds to this private partnership in 2012 which were to be called at various points over a five-year period by partnership. As of June 30, 2021, the Foundation has no unfunded commitments. The Foundation will be considered to be in default should contributions not be funded as requested. There is no obligation on the Foundation to make any additional contributions in excess of the total capital commitment. The Foundation cannot sell or transfer its interest in this private partnership without the written consent of the general partner of the private partnership. Distributions may be received from the private partnership as declared by the general partner. The term of this private partnership will continue until the tenth anniversary of the closing date, subject to the right to extend the term for up to two additional one-year periods.

Beneficial Interest in Charitable Remainder Trust – Valued based on quoted market prices for the underlying investments, discounted. The discount rate used by the Foundation reflects reevaluations of the expected future benefits (payments) to be received (paid) by the Foundation (beneficiaries), based on changes in life expectancy from mortality tables using annual Internal Revenue Service discount rates and other assumptions. The discount rates used for the years ended June 30, 2021 and 2020 were 0.49% and 0.49%, respectively. Due to the significant unobservable inputs required to estimate the expected future cash receipts from the trust agreements under the income approach, the Foundation's beneficial interest is classified as Level 3 in the hierarchy.

Beneficial Interest in Life Insurance Policies – The assets' carrying amount is the current cash surrender values on life insurance policies for which the Foundation is the beneficiary, and as such, the carrying value approximates fair value.

Texas Women's Foundation

Notes to Financial Statements

Note 3 – Investments and Fair Value Measurements (continued)

The Foundation's assets held at fair value on a recurring basis at June 30, 2021 are categorized as follows:

<u>2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets in hierarchy				
Equity securities	\$ 15,012,223	\$ -	\$ -	\$ 15,012,223
Mutual Funds	17,672,005	-	-	17,672,005
Life insurance policies	-	363,185	-	363,185
Charitable remainder trust	-	-	882,535	882,535
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets in fair value hierarchy	<u>\$ 32,684,228</u>	<u>\$ 363,185</u>	<u>\$ 882,535</u>	33,929,948
Investments measured at NAV				<u>184,318</u>
				<u>\$ 34,114,266</u>

The Foundation's assets held at fair value on a recurring basis at June 30, 2020 are categorized as follows:

<u>2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets in hierarchy				
Corporate bond funds	\$ -	\$ 4,409,215	\$ -	\$ 4,409,215
Equity securities	15,320,200	-	-	15,320,200
Commodities funds	13,212,415	-	-	13,212,415
Life insurance policies	-	349,693	-	349,693
Charitable remainder trust	-	-	823,000	823,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets in fair value hierarchy	<u>\$ 28,532,615</u>	<u>\$ 4,758,908</u>	<u>\$ 823,000</u>	34,114,523
Investments measured at NAV				<u>102,929</u>
				<u>\$ 34,217,452</u>

The changes in Level 3 assets and liabilities measured at fair value on a recurring basis are summarized as follows:

	<u>2021</u>	<u>2020</u>
Beginning balance	\$ 823,000	\$ 760,859
Change in value of charitable remainder trust	59,535	62,141
	<u> </u>	<u> </u>
Ending Balance	<u>\$ 882,535</u>	<u>\$ 823,000</u>

The summary of changes in fair value of Level 3 assets has been prepared to reflect the activity in the same categories as those provided in the statements of activities and changes in net assets.

Texas Women's Foundation

Notes to Financial Statements

Note 3 – Investments and Fair Value Measurements (continued)

The following are the commitment and redemption provisions for investments held at NAV as of June 30, 2021:

	Fair Value at June 30, 2021	Unfunded Commitments	Redemption Frequently	Redemption Notice Period
Texas Women's Venture Funds II	<u>\$ 102,929</u>	<u>\$ -</u>	None	N/A

Investments at fair value and cash and cash equivalents held in the investment accounts segregated by donor designation and net asset classes are as follows as of June 30:

	2021	2020
Endowments		
Board designated quasi-endowment, without donor designation	\$ 2,208,673	\$ 1,839,698
With donor restrictions	14,428,053	11,858,300
Donor-advised funds, without donor restrictions	13,022,805	17,123,724
Operating funds, without donor restrictions	1,173,112	528,612
Field-of-interest funds, without donor restrictions	1,969,033	1,624,127
Private partnership, without donor restrictions	<u>102,929</u>	<u>102,929</u>
Total	<u>\$ 32,904,605</u>	<u>\$ 33,077,390</u>

Note 4 – Liquidity and Availability

The following table reflects the Foundation's financial assets as of June 30, 2021 and 2020. Financial assets are considered unavailable when illiquid or not convertible to cash within one year. Other considerations of nonliquid assets are donor restricted assets for specific expenditures, contractual reserve requirements, or governing board designations. All financial assets are considered to be available for general expenditures within one year:

	2021	2020
Financial assets		
Cash and cash equivalents	\$ 5,920,336	\$ 4,502,742
Investments	32,868,546	33,044,759
Pledges receivable, net	783,111	2,702,926
Notes receivable, programmatic investments	150,000	150,000
Interest and miscellaneous receivables	66,242	109,082
Beneficial interests	<u>1,245,721</u>	<u>1,172,693</u>
Financial assets, at June 30	41,033,956	41,682,202
Less financial assets unavailable for general expenditure within one year, due to		
Purpose restricted net assets	(4,725,137)	(6,245,098)
Board designated endowment fund and accumulated earnings	(2,208,673)	(1,839,698)
Endowments and accumulated earnings	(14,428,052)	(11,858,300)
Investments, long - term	(184,318)	(102,929)
Beneficial interests	(1,245,721)	(1,172,693)
Pledges receivable, net, collectable beyond one year	<u>(255,000)</u>	<u>(698,600)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 17,987,055</u>	<u>\$ 19,764,884</u>

Texas Women's Foundation

Notes to Financial Statements

Note 4 – Liquidity and Availability (continued)

The Foundation manages its cash available to meet total expenditures in several significant ways:

- Preparing an annual operating budget that includes a cash flow analysis to ensure sufficient unrestricted cash to cover annual operating expenses. The operating budget is reviewed and approved by the Foundation's Board,
- Establishing an Investment Policy designed to balance risk and return to achieve the Foundation's short-term liquidity needs and its long-term financial sustainability goals,
- Operating under a spending policy designed to ensure long-term sustainability of the Foundation's endowment,
- Monthly evaluation and tracking of unrestricted cash balance and short-term needs, and
- Holding a minimum of three months operating expenditures in cash reserves.

Also, to manage liquidity, the Foundation maintains a secured line of credit with a credit limit of \$1,400,000, which it could draw upon in the event of an anticipated liquidity need. As of June 30, 2021, the line of credit has approximately \$1,400,000 available to draw.

Note 5 – Endowments

Effective September 1, 2007, the State of Texas enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), the provisions of which apply to endowment funds existing on or established after that date.

The FASB ASC Subtopic 958-205, *Not-for-Profit: Financial Statement*, provides guidance on the net asset classification of donor-restricted funds for a not-for-profit organization that is subject to an enacted version of UPMIFA and also requires disclosures about endowment funds, both donor-restricted endowment funds and board-designated endowment funds.

The Foundation has twenty two donor restricted endowments which provide funding for grants and other operations of the Foundation. As required by GAAP, net assets associated with endowment funds are classified and reported on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law – Based on the interpretation of UPMIFA by the Board of the Foundation, the guidance in ASC 958-205, and absent explicit donor stipulations to the contrary, the Foundation classifies as net assets with donor restrictions: (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds.

Texas Women's Foundation

Notes to Financial Statements

Note 5 – Endowments (continued)

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Foundation and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Foundation
7. The investment policies of the Foundation

Funds with Deficiencies – From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the original value of the fund. In accordance with GAAP, deficiencies of this nature are reported in net assets with donor restrictions. There were no deficiencies as of June 30, 2021 and 2020.

Strategies Employed for Achieving Objectives – To satisfy its long-term rate of return objectives, the Foundation relies on total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation's investment policy breaks out investable funds into three buckets; an endowment pool, donor-advised fund pool, and a short-term pool.

Return Objectives and Risk Parameters – The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to grants and operations supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for donor-specified uses as well as board-designated funds. Under this policy, as approved by the Foundation's Board, the endowment assets are invested in a manner that is intended to produce a predictable stream of funding to programs supported by its endowments. Actual returns in any given year may vary from this amount.

Spending Policy and How the Investment Objectives Relate to Spending Policy – The Foundation has a policy with a stated goal of appropriating for distribution each year up to 5% of each endowment fund's average fair value over the prior twelve quarters as of the most recent fiscal year-end. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long-term, the Foundation expects the current spending policy to allow its endowment to grow at an average of 2% to 4% annually after its planned payouts. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Texas Women's Foundation
Notes to Financial Statements

Note 5 – Endowments (continued)

Endowment net assets consisted of the following at June 30:

<u>2021</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor restricted endowments	\$ -	\$ 14,428,052	\$ 14,428,052
Board designated quasi-endowment	2,208,673	-	2,208,673
Endowment net assets	<u>\$ 2,208,673</u>	<u>\$ 14,428,052</u>	<u>\$ 16,636,725</u>
<u>2020</u>			
Donor restricted endowments	\$ -	\$ 11,858,300	\$ 11,858,300
Board designated quasi-endowment	1,839,698	-	1,839,698
Endowment net assets	<u>\$ 1,839,698</u>	<u>\$ 11,858,300</u>	<u>\$ 13,697,998</u>

Changes to endowment net assets are as follows for the year ended June 30:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, at June 30, 2020	\$ 1,839,698	\$ 11,858,300	\$ 13,697,998
Contributions	30,323	216,142	246,465
Investment returns	465,100	3,009,923	3,475,023
Appropriation of endowment assets for grant and operational expenditures	<u>(126,448)</u>	<u>(656,313)</u>	<u>(782,761)</u>
Endowment net assets, at June 30, 2021	<u>\$ 2,208,673</u>	<u>\$ 14,428,052</u>	<u>\$ 16,636,725</u>
Endowment net assets, at June 30, 2019	\$ 1,788,790	\$ 11,679,849	\$ 13,468,639
Contributions	69,698	314,110	383,808
Investment returns	50,244	316,439	366,683
Appropriation of endowment assets for grant and operational expenditures	<u>(69,034)</u>	<u>(452,098)</u>	<u>(521,132)</u>
Endowment net assets, at June 30, 2020	<u>\$ 1,839,698</u>	<u>\$ 11,858,300</u>	<u>\$ 13,697,998</u>

Texas Women's Foundation

Notes to Financial Statements

Note 6 – Pledges Receivable

Pledges receivable consist of unconditional promises to give for the following purpose as of June 30:

	2021	2020
Donor-advised funds and giving circles	\$ 50,899	\$ 215,928
Operations	271,332	806,632
Grant and program funding	636,250	1,747,978
Endowment	6,250	-
Gross pledges receivable	964,731	2,770,538
Less discount to net present value	(6,620)	(17,612)
Less allowance for uncollectible pledges	(175,000)	(50,000)
Total pledges receivable, net	\$ 783,111	\$ 2,702,926

The maturity of pledges receivable as of June 30, 2021 are as follows:

Less than one year	\$ 528,111
One to five years	255,000
Total	\$ 783,111

Pledges receivable are stated at the present value of estimated future cash flows using discount rates ranging from 1.79% to 3.23%.

Approximately 50% and 31% of gross pledges receivable are due from three donors at June 30, 2021 and 2020, respectively.

Note 7 – Notes Receivable, Programmatic Investments

The Foundation has two outstanding notes receivable agreements as of June 30, 2021 and two outstanding notes receivable agreements as of June 30, 2020, totaling \$150,000 and \$150,000, respectively. These notes represent the Foundation's desire to increase programmatic investments.

The two outstanding notes are note agreements entered into as of February 13, 2015 with two micro-lending agencies. These notes had an initial face value of \$75,000 each, to be used to assist women entrepreneurs in Texas with small business loans. Credit is extended based upon evaluation of the borrowing entity's financial condition and other factors. Collateral is not generally required. The Foundation earns interest of 2.5% per year on these notes, with interest payments to be made annually. Payments on the principal amount can be made at any time, with the full remaining balance due and payable on February 2019. On August 2020, The Foundation extended the terms of the agreement for both notes until July 31, 2023. The Foundation does not consider an allowance necessary at June 30, 2021 and 2020. As of October 21, 2021, the note receivables have not been paid.

Texas Women's Foundation

Notes to Financial Statements

Note 7 – Notes Receivable, Programmatic Investments (continued)

For the years ended June 30, 2021 and 2020, total interest was \$3,750 and \$5,400, respectively, and is recorded as interest income on notes receivable, programmatic investments in the accompanying statements of activities and changes in net assets.

Note 8 – Intangibles

Intangible assets acquired consist of the following at June 30:

	2021	2020
Intangibles	\$ 161,602	\$ 161,602
Less accumulated amortization	(119,113)	(74,445)
	\$ 42,489	\$ 87,157

Future amortization expense for the definite-lived intangible are as follows for the years ending June 30:

2022	\$ 24,709
2023	13,800
2024	3,980
	\$ 42,489

Note 9 – Grants Payable

Grants authorized but unpaid at year-end are reported as liabilities. Grants to be paid in more than one year are discounted using rates ranging from 1.78% to 1.94%.

The following is a summary of grants authorized and payable at June 30, 2021:

2022	\$ 734,900
2023	300,000
Gross grants authorized but unpaid	1,034,900
Less discount on long-term grants	(5,651)
Net grants authorized but unpaid	\$ 1,029,249

Amortization of discounts on grants payable is reported in the statement of activities and changes in net assets in the same program service functional expense classification in which the promise to give was initially reported.

Texas Women’s Foundation
Notes to Financial Statements

Note 10 – Net Assets with Donor Restriction

Donor restricted net assets are expendable to support the following purposes as of June 30:

	<u>2021</u>	<u>2020</u>
General Granting	\$ 9,356,414	\$ 7,775,404
Available for General Use	3,508,815	3,837,885
Leadership	1,481,290	1,693,930
Events	1,880,013	1,426,856
Economic Security	844,514	1,253,328
Childcare	695,666	578,804
Advocacy	626,370	428,600
Research	278,467	318,748
Philanthropy Education	430,741	300,000
Other	-	173,916
Women's Health	-	162,500
Giving Circles and Donor Advised Funds	50,899	153,428
	<u>50,899</u>	<u>153,428</u>
Total	<u>\$ 19,153,189</u>	<u>\$ 18,103,398</u>

Note 11 – Net Assets Released from Restrictions

The sources of net assets released from temporary donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by donors were as follows at June 30:

	<u>2021</u>	<u>2020</u>
Purpose restrictions	\$ 3,450,380	\$ 1,881,729
Time restrictions	716,980	1,333,602
	<u>716,980</u>	<u>1,333,602</u>
Total	<u>\$ 4,167,360</u>	<u>\$ 3,215,331</u>

Texas Women’s Foundation

Notes to Financial Statements

Note 12 – Leases

In June 2012, the Foundation executed a non-cancelable operating lease for their main office space that expired on April 30, 2020. On October 9, 2019, the lease was amended to extend the lease term to November 30, 2027.

Minimum future lease liabilities under non-cancelable operating leases are as follows for the years ending June 30:

	Principal Undiscounted	Discounted Interest	Discounted Principal
2022	\$ 113,493	\$ 13,711	\$ 127,204
2023	120,701	11,619	132,320
2024	128,076	9,444	137,520
2025	135,620	7,185	142,805
2026	143,335	4,840	148,175
Thereafter	216,240	2,671	218,911
	\$ 857,464	\$ 49,470	\$ 906,934

The Foundation recognized \$281,400 and \$122,117 for the years ended June 30, 2021 and 2020, respectively, in operating lease costs recorded within rent, utilities, and other facilities expenses in the statements of functional expenses.

Note 13 – Employee Benefit Plan

The Foundation has a tax deferred annuity plan under Section 403(b) of the Code, which is available to all eligible full-time and part-time employees after meeting certain eligibility requirements. Under the plan, participating employees make voluntary contributions for the plan under a salary reduction agreement, and the Foundation makes matching contributions based on years of service up to a certain percentage of the employees’ contributions. The employer may also make non-elective contributions to the plan unrelated to the employee’s elective deferrals up to a certain percentage.

The Foundation contributed \$83,599 and \$61,571 during the years ended June 30, 2021 and 2020, respectively.

Texas Women's Foundation

Notes to Financial Statements

Note 14 – Debt

Line of Credit

The Foundation opened a new line of credit on October 25, 2019, with a financial institution. At June 30, 2021, \$1,400,000 is available under this line. The revolving line of credit bears interest at LIBOR, plus 0.75% (.93% at June 30, 2020). The new line of credit is secured by the Board Designated endowments. The balance at June 30, 2021 and 2020 was approximately \$0 and approximately \$753,000.

Paycheck Protection Program

On May 1, 2020, the Foundation received loan proceeds in the amount of approximately \$347,200 under the Paycheck Protection Program (PPP). Subsequently on February 13, 2021, the Foundation received second loan proceeds in the amount of approximately \$347,200. The PPP was established as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced based on the borrower's inability to maintain staffing levels. The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1% with a deferral of payments for the first six months. The Foundation intends to use the proceeds for purposes consistent with the PPP. As of June 30, 2021, the first PPP loan had been fully forgiven.

Note 15 – Related Party Transactions

Related parties include members of the Board, the advisory council, and Foundation staff. Revenues from related parties consists of contributions from board members, advisory council members, and Foundation staff and represents approximately 1% and 1% of total revenues for the years ended June 30, 2021 and 2020, respectively.

The Foundation also holds beneficial interests in assets gifted from related parties for an irrevocable charitable remainder trust and irrevocable life insurance policy. These beneficial interests from related parties, prior to being discounted to present value, totaled \$1,066,605 and \$1,000,235 as of June 30, 2021 and 2020, respectively.

Texas Women's Foundation

Notes to Financial Statements

Note 16 – Commitments and Contingencies

The Foundation is subject to general litigation incidental to the normal course of business. In the opinion of management, the ultimate disposition of such proceedings is not expected to have a material adverse effect on the Foundation's financial position, results of operations, or cash flows.

In December 2019, a novel strain of coronavirus (COVID-19) surfaced in Asia and has spread around the world, with resulting business and social disruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. The outbreak of COVID-19 continues to adversely affect global commercial activity and has contributed to significant volatility in the financial markets. The extent to which the coronavirus may impact the Foundation's investment results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus or treat its impact, among others. The duration and economic impact of the outbreak is uncertain but could have a material impact to Foundation's liquidity (see Note 4).

Note 17 – Subsequent Events

Subsequent to June 30, 2021, the Company was informed that the SBA granted its request for loan forgiveness for the second PPP Loan for the entire original principal amount of \$347,273.

Subsequent events were evaluated through October 21, 2021, which is the date the financial statements were available to be issued.